THE REAUTHORIZATION OF THE APPALACHIAN REGIONAL COMMISSION AND LEGISLATIVE PROPOSALS TO CREATE ADDITIONAL REGIONAL ECONOMIC DEVELOPMENT AUTHORITIES

(109–88)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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THE REAUTHORIZATION OF THE APPALACHIAN REGIONAL COMMISSION AND LEGISLATIVE PROPOSALS TO CREATE ADDITIONAL REGIONAL ECONOMIC DEVELOPMENT AUTHORITIES

Wednesday, July 12, 2006,

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT, WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 1:00 p.m., in room 2253, Rayburn House Office Building, Hon. Bill Shuster [chairman of the subcommittee] presiding.

Mr. SHUSTER. The Committee will come to order.

We are here today to discuss the reauthorization of the Appalachian Regional Commission and other proposed regional economic development authorities.

The Appalachian Regional Commission was established by Congress in 1965 to address the profound economic and social problems in the Appalachian region that made it a region apart from the rest of the Nation. Since its inception, the ARC has helped cut the region's poverty rate in half, more than doubled the percentage of adults over the age of 25 with a high school diploma, and provided water and sewer services to over 800,000 households. The region's infant mortality rate has been reduced by two-thirds.

Currently, there are 77 counties in the region recognized as economically distressed. This is quite an improvement over the 223 distressed counties recognized in 1960.

As with other members of this Subcommittee, I am grateful for the assistance ARC has brought to our communities. The ARC has done a great job encouraging local economic development by making use of local resources for the benefit of the community. While ARC funds are rarely the largest source of project funds, they have proven integral to the success of the projects. These projects and new initiatives go a long way in attracting new industry, new companies and, of course, the jobs that accompany the investment to the area.

As with all parts of the region, the ARC has been a significant resource to the distressed counties in Southwest Pennsylvania. I have had the personal opportunity to see its success through numerous ARC investments in Pennsylvania. To give you an example of the benefits of ARC, a project in Huntington County received an ARC grant of $250,000 in 2005 to extend water and sewer piping

to commercial development. The project is expected to help retain and attract industry to the area, private investment of roughly $25 million, and over 400 jobs. This is a significant investment for Huntington County and a boom to the community and region.

ARC has previously authorized, in 2002 through 2006 fiscal year, new initiatives, including an increased focus on telecommunications and technology were instituted and have shown early success.

While ARC is considered by most to be a strong, effective, and efficient model of intergovernmental economic development commission, there is still room for improvement. One of the proposed changes to ARC is the creation of an additional designation to assist counties that are at risk, yet don't fully qualify as distressed. By law, these counties may only be funded up to 50 percent of project costs. The new proposed at-risk designation will permit ARC to fund projects in these counties up to 70 percent of the project costs.

Over the past few years, ARC has only been funded at approximately two-thirds of the amount authorized and recommended by Congress. I urge the appropriators to fund the Appalachian Regional Commission according to the authorized levels we have set and will set in the future, allowing the region to reach its full potential.

Other regions not supported by regional economic development commissions are also at risk. Certain parts of the Southeast, Southwest, and Northeast have high unemployment, low per capita income, and lack the necessary healthcare, education, and water and wastewater facilities. Numerous proposals have been introduced to create economic development commissions using an ARC model for success. We will hear from proponents of these new regional authorities today.

I look forward to hearing from all of our witnesses.

Mr. SHUSTER. And, with that, I would like to recognize the Ranking Member, Ms. Norton, from the District of Columbia for an opening statement.

Ms. NORTON. Thank you very much, Mr. Chairman. And I particularly thank you for holding this hearing.

We have periodically had hearings on the Appalachian Regional Commission work, and every time I sit at one of these hearings I want to amplify what I learn, because, if anything refutes the bad rap that Government programs are given, it is the success of the work of ARC in the Appalachian regions.

I am also wonderfully gratified by the way in which ARC has leveraged much more in private sector funds simply because the Federal Government has stepped forward. I mean, I have seen how that can work in the District as well. But here Congress began in the 1960's to deal with the proverbial poor region of the United States, a part of the upper South that didn't have the same resources as other parts and had been in a cycle of perpetual poverty.

I am going to let the Ranking Member of the Full Committee, who is more responsible for making sure this program survived decade after decade, regale you with what he knows about what Congress has done with this program. I am a youngster not in age, but certainly compared to him when it comes to this program.

Here is a program that works with 13 governors, their Federal co-chairs, and look what they have done with Appalachia, which has essentially been written off as a poor region. You know, they didn't grow cotton, so they weren't like other parts of the South. They are not quite Sunbelt. They have got this very difficult industry: coal mining. Sure, their people want to work, but they haven't got much to work with, we were told.

Here, before you get to the high tech area, to changes in the economy, what ARC did was to work with the economy they had. And it is amazing what a little bit of Federal money has done to transform the proverbial poor region of the United States of America, and the Chairman recounted some of it: poverty rates cut in half; infant mortality—and this is close to all of our hearts—reduced by two-thirds; the percent of adults with high school diplomas doubled. Here is an example of what very wise deployment of Federal funds can do to parts of the economy that would otherwise be written off.

Appalachia simply could not have picked itself up by its own bootstraps. It needed somebody to help it get a hold of those straps. And look what they have shown. For me, this is the quintessential program. Not to say, Federal Government, why don't you just fund everything. But to say you can get funded if you do what ARC did, and get the confidence of the private sector with the funds we give, and then you will be on a roller coaster of your own making.

Now, I am an extraordinary fan of this program. Ladies and gentlemen, I come from a big city. I can't get a dime of this program no matter what happens.

[Laughter.]

Ms. NORTON. This is not a self interested advertisement for more Federal money. It is an opportunity to sit back and say, because this has been such a bipartisan effort, Mr. Chairman, let us shout it to the hilltops, not of what we have done, but of what you can do in order to make sure you have the success Appalachia has had.

That is what my good friends at the table are trying to do. They are simply trying to take this model and put it to good use in their region, because while their regions had not been written off, their regions suffer from the very same problems: huge pockets of poverty, the absence of natural born resources, but hardworking people that just need the kind of help we were willing to give Appalachia.

Now, don't mess with Appalachia. We are the rich Federal Government, and we do believe in investment. If this isn't the kind of investment we should make, I don't know what it is. What it means in Appalachia is we don't have to invest nearly as much in food stamps. We don't need to invest nearly as much in HUD and public housing. If you want to save the taxpayers money, that is the way to do it; take people off the Federal dole they must have just to live and give them what it takes for them to make themselves live.

So I welcome my good friends, Congressman Bass, Congressman McHugh, Congressman McIntyre, Congressman Reyes, who want to address the same problems in their region. Along with the Chairman, I stand ready not simply to get them some money, but to use the Appalachia example to try to say, to the rest of our col-

leagues in the House and the Senate, this is what we should be doing with our Federal money. Thank you for coming.

Mr. SHUSTER. Thank you very much.

Now I would like to recognize the esteemed Ranking Member who probably authored much of the ARC a couple of years ago, Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman. Yes, indeed, I had the great privilege of being on the staff of this Committee at the time that the Appalachian Regional Commission legislation was crafted and the Economic Development Administration legislation was and, in fact, wrote the Committee report on the EDA legislation and worked very closely with our colleagues in the Senate, with Jennings Randolph and his staff on the ARC legislation.

The Appalachian Regional Commission was really started by President John F. Kennedy, who directed Franklin D. Roosevelt, Jr. to head up a commission to travel through Appalachia, as Kennedy did, in the course of the presidential campaign to see for himself first-hand the problems, the needs, and talk to the people about potential solutions and a structure within which those solutions could be carried out. The recommendation of the Roosevelt commission was the Appalachian Regional Commission.

In those days, in the early 1960's, Appalachia could be described as 80 acres and a mule. The way up for most people in Appalachia was a bus ticket north to Cleveland, Detroit, or Chicago. A hundred years of decline and deterioration, as the Roosevelt group noted, cannot be turned around in five years or ten years, it is going to be a long-term effort.

And, wisely and rightly, they recommended dealing with the infrastructure throughout the 13 States or the portions of 13 States, rebuild the roads, the water, the sewer, airports, the health facilities, vocational training. There were no vocational training facilities in those communities.

Even much later, 20 years after establishment, your predecessor, Mr. Chairman, Bill Klinger, from Pennsylvania, and I traveled Appalachia holding hearings, we found the people literally were drinking their own sewage. The hard pan areas of West Virginia and Eastern Kentucky, where there was no drainage in the septic systems, were mingled with the groundwater and people had generations of intestinal disease, and it affects that. Appalachian Regional Commission created the means to do that.

I went into a small town in West Virginia and our Committee was greeted by the mayor and the council, and after the public hearing he took us around to tour the town, went into a small shop and it was one of those cash registers, the old kind where you punch the buttons and the numbers pop up on the screen, and behind that cash register on the wall was a little sign that said "God never put nobody in a place too small to grow." He said, before Appalachia, we were so far down we had to look up to see bottom.

And, indeed, in 1965, per capita income in the counties of Appalachia was 45 percent of the national average. But 20 years later it was up to 75 percent. Jobs were being created; health care was instituted; vocational training centers were installed; the backbone Appalachian highway system was underway. Where you had to drive 40 miles to connect one town to another, now you could go

just 10 or 15. Those are the successes. But more importantly, 1,600,000 jobs were created throughout Appalachia over its 35 years, 40 years.

But you don't turn around a century decline in two or three decades. That is why, a few years ago, when the Commission submitted its report to Congress, the title was "Halfway Home and a Long Way to Go." We still have a long way to go. We are making the right investments, making the right choices and decisions, and now there are proposals for other commissions similar.

There were regional development commissions established in the 1960's, late 1960's, 1970's. We had the Upper Great Lakes Regional Commission, but it wasn't carefully monitored, it wasn't carefully evaluated, its investments weren't carefully targeted, the programming wasn't properly done, it didn't follow the Appalachia model as it should have done. And in establishing new commissions we need to take the lessons learned and apply them to the future.

This hearing will give us an opportunity to take stock and chart a course for continuing the success of the Appalachian Regional Commission.

Mr. SHUSTER. Thank you.

Mr. Michaud, do you have an opening statement?

Mr. MICHAUD. Thank you very much, Mr. Chairman. I want to thank the Ranking Member, as well, for holding this hearing. I am very glad that we are having this hearing in a way that includes both the reauthorization of the ARC and the consideration of possible new commissions, including the tripartisan bill that I introduced, along with five co-sponsors, to create the Northeast Regional Economic Development Commission.

I want to thank the panel for coming here today. I especially want to recognize my colleagues, Mr. McHugh and Mr. Bass, who are here today to give testimony. Their work and the work of their staffs have been invaluable in developing the Northeast Regional Commission bill. They are both truly dedicated to help improving the economy in our region. I admire their work and I wan to thank them both personally for their efforts.

For 40 years the ARC has shown us an effective way to address regional economic distress. Now we must ask some basic questions: Should we be extending this approach to other areas? And, if so, how and where does it make sense to do so? One of the first points, there is no question that the ARC has been effective, as you heard from the previous speakers.

The Federal investment in ARC has also been a good investment for the American taxpayers. In fiscal year 2005, each dollar of ARC funding leveraged $2.57 in other public funding and $8.46 in private funding. Clearly, a small Federal investment is going a long way towards creating jobs, infrastructure, business opportunity, and hope for the future.

This track record of success leads us to other questions for today's hearing: Where and how else do we apply this approach? Mr. Chairman and Ranking Member, I would suggest a set of five principles or guidelines that we should use to decide whether we should add new regional commissions:

First, any proposed region should have clear economic distress that has persisted over a long period of time. The Federal Govern-

ment cannot react to every local downturn, but it should be focused on fighting long-term structural economic problems in a region.

Second, the region should either be spread over multiple States or the economic problems that are addressed should be so severe that no State acting alone would be able to deal with them. In other words, there should be a clear Federal interest and a Federal role.

Third,—and this is extremely important—the proposed regions should have a common character. It should be geographically linked together, and it should cover an area that has common economic challenges and assets. In other words, it should be an area where a region commission can address a clear set of regional problems and can use regional assets to help build new economic opportunities in those regions.

Fourth, any new commission must have a clear, consistent structure with an appropriate balance of Federal, State, and local roles. The Federal Government should not be imposing solutions on the States, but it must maintain oversight. Local economic development professionals and stakeholders must have a strong role to play.

And, finally, we should have a rational process with setting up new commissions. It should be done by this Committee, where the oversight has always been, and with clear understanding of that they would be administered in a similar efficient, common-sense model like the ARC.

Mr. Chairman, of course, I have a small bias in this matter. I do believe that the Northeast Regional Economic Development Commission would meet all of these guidelines. While I am not an expert on the Southeast or the Southwest proposal, I believe that they do as well.

Speaking for the Northeast, our region has a clear persistent pattern of longstanding economic distress. It spreads across several States and it has a common character: the loss of natural resource-based industry; an aging, crumbling infrastructure. A lack of transportation infrastructure has left it geographically isolated, just like the ARC region has historically.

The bill would create a Northeast Regional Economic Development Commission. It is written to be consistent with the proven management structure of the ARC and with existing commissions, and it has a strong role for State and localities. And now it is being examined today in this Committee, which I believe will establish the history and oversight needed to take the next step forward.

In closing, Mr. Chairman, I can say from personal experience that this commission is sorely needed. Like my father and my grandfather before me, when I left school, I went to work in the mill for 28 years before I got elected to Congress. And two days after I got sworn in to Congress, the mill I worked at went bankrupt and my hometown was devastated. The story of my town is not unusual in the State of Maine; the mill where I worked that has closed has been repeated throughout the Northeast. That is why this bill has a strong tripartisan group of co-sponsors. It also has the united support of economic development district directors, local NGOs, and major conservation groups.

And I would like to recognize the representatives from Maine local economic development directors who are here today, as well as the Northern Forest Alliance, who are all here today to support this legislation. I look forward to hearing the testimony of the witnesses, especially Mr. Bass and Mr. McHugh and Mr. Daniels, and hopefully we will be able to move this legislation forward so we can improve the lives of people living in the most economically distressed region of our Country. So thank you very much, Mr. Chairman.

Mr. SHUSTER. Thank you, Mr. Michaud.

First, I would like to welcome all of our witnesses here today.

Oh, Mr. Davis, I am sorry. Do you have an opening statement?

Mr. DAVIS. If I could read it, it probably would be.

[Laughter.]

Mr. DAVIS. It will be very brief.

Obviously, each of those of us who live in an area the ARC provides funding for, and options and opportunities for, has been a God-send and a blessing certainly to much of Appalachia. The district I represent is the fourth most rural residential district in America today. We have the third highest number of blue collar workers, meaning the lower wage earners.

When you look at a district of that nature, you realize that ARC—perhaps those who would choose to be or would love have a commission similar to this a part of their area—has played such a diverse and important role in health care, in education, in economic development, in infrastructure. Our entire lifestyle has been changed by the options available to us through grants that otherwise would not have been available. There is an Appalachian highway called Highway 111 that goes all the way from Chattanooga through the center of my Congressional district that would not be there today had it not been for the Appalachian highway.

So there is no one in this Committee or in this Congress that understands more the goodness that has come from the ARC and the goodness that could also be a part of the rest of America for those who are seeking a similar commission. So I applaud the work of the leaders of ARC.

I see some here from my home State, one, Ms. Anne Pope, and others that are leaders of the ARC on the national level, but also those leaders that are city mayors and county mayors and industrial development boards, and those who are looking to sources that are able that they can leverage to use local funds, as well with Federal funding, to make a tremendous difference in the lives in all the areas that I mentioned.

I yield back the rest of my time.

Mr. SHUSTER. Thank you, Mr. Davis.

Mr. OBERSTAR. I ask unanimous consent that the prepared statements be made part of the record.

Mr. SHUSTER. Without objection, so ordered.

I will start over. I want to welcome all of our witnesses. We appreciate your being here today. And I also want to ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered.

Since your written testimony is going to be made part of the record, we would ask you to summarize in five minutes. And some-

times, for members of Congress, that can be difficult, so I will use the gavel liberally if I have to.

Now, feel free to expound on your statements.

We have three panels of witnesses today, and our first panel is comprised of our colleagues: Mr. Reyes from Texas, Mr. Bass from New Hampshire, Mr. McHugh from New York, and Mr. McIntyre from North Carolina.

Thank you for being here with us today to discuss regional economic development authorities, and we will start with Mr. Reyes. Please proceed.

TESTIMONY OF THE HONORABLE SILVESTRE REYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS; THE HONORABLE CHARLES F. BASS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE; THE HONORABLE JOHN M. MCHUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK; THE HONORABLE MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. REYES. Thank you, Mr. Chairman. Thank you and Ranking Member Norton and, of course, my good friend Ranking Member Oberstar for your comments on this particular issue that is so vital to, I think, all of us in our regions.

Members of the Subcommittee, I am here today to talk about the conditions that exist in many places along the U.S.-Mexico border to give you a better understanding of the great need for the creation of a regional economic development authority for the Southwest border region of the United States. It was because of this great need and the places like my congressional district of El Paso, Texas, that I introduced H.R. 5742.

The Southwest border region as defined in H.R. 5742 includes all counties within 150 miles of the U.S.-Mexico border. This region contains 11 counties in New Mexico, 65 counties in Texas, 10 counties in Arizona, and 7 counties in California, for a combined total population of approximately 29 million people.

According to research compiled by the Interagency Task Force on the Economic Development of the Southwest Border, 20 percent of the residents in my region of the Nation live below the poverty level. Unemployment rates often reach as high as five times the national unemployment rate, and the lack of adequate access to capital has created economic disparities that make it difficult for businesses to start up in this whole region.

Border communities have long endured a depressed economy and low-paying jobs. We have some of the highest levels of unemployment and the lowest levels of income in the Country, and our economic challenges partly stem from our position as a border community.

Economic development in border communities is difficult to stimulate without assistance from the government, private sector, and community nonprofits. H.R. 5742 would help foster planning in order to encourage infrastructure development, technology development, and deployment education and workforce development, and community development through entrepreneurship.

Modeled in part after the Appalachian Regional Commission, which we heard from so eloquently from all your members, the Southwest Border Regional Authority would be successful because of four guiding principles.

One, the Authority would fund proposals designed at the local level, followed by approval at the State level in order to meet regional economic development goals.

Two, projects leading to the creation of a diversified regional economy would be prioritized. Currently, States and counties often are forced to compete against each other for limited funding.

Third, the Authority would be an independent agency. Having the Authority set up in this manner would keep it from having to attempt to satisfy another Federal agency's mission requirements when determining which projects to fund.

And, fourth, the Authority would be comprised of one Senate-confirmed Federal representative and the Governors of Texas, New Mexico, Arizona, and California. The proposed structure would allow equal representation by each State and a liaison back to the Federal agencies.

For too long now, Mr. Chairman, the needs of the Southwest border region have been largely ignored, overlooked, and underfunded. It is time for Congress to recognize all of the challenges that are facing the border and to help the region make the most of its many assets. One important part of that effort would be to establish new economic development opportunities in the Southwest through an authority like the one in H.R. 5742, the Southwest Border Regional Authority Act.

In closing, Mr. Chairman, I want to welcome a good friend and fellow Vietnam veteran, Judge Jake Brisbin, who you will hear from in the next panel. And I want to thank you and all the members of the Committee for giving me an opportunity to share with you some of my thoughts on this very important and vital legislation. Thank you very much.

Mr. SHUSTER. Thank you very much, Mr. Reyes.

Now, Mr. Bass.

Mr. BASS. Thank you very much, Mr. Chairman and Ms. Norton. Bon jour.

Mr. SHUSTER. To start, I don't speak French,

[Laughter.]

Mr. MICHAUD. I don't either. Well, Jim does.

Mr. BASS. Reset the clock.

Mr. Chairman, I ask unanimous consent to submit my statement, as well as some statements in support of this bill, 1695, and a couple of newspaper articles.

Mr. SHUSTER. Without objection, so ordered.

Mr. BASS. Thank you. And I will be very brief.

I think that the opening statements said it very well, especially Eleanor Norton's statement and Jim Oberstar's statements, about why we need these kinds of commissions. I would point out—I have a little map here which my friend from Maine is familiar with. If you look at this map, you can see the dark areas are areas of significant economic distress, and it happens to be, really, the exact area that would be covered by this new commission that we are talking about.

The exception is northern Vermont, but that is because the biggest city in Vermont—Vermont is reversed from the rest of New England in that Burlington is up near the Canadian border. But it is different. There is a mountain range, as you know, that cuts through the middle here, and it really does more than just provide a barrier and beautiful scenery; it also cuts the two economies apart.

Now the average household income in New Hampshire is well over $46,000 a year. Individual income, and I am mixing apples and oranges here a little bit, in northern New Hampshire is less than $17,000 a year. We have small, what used to be big businesses which are smaller businesses now, that are struggling. Our last paper mill, or next to last paper mill in the north country, shut down recently.

And we see a concept here that could really change things around if we change the focus of economic development from a north-south effort—and we do have good transportation systems, but it still is a long way from Boston, Massachusetts up to Coos County, New Hampshire—and work on improving east-west communication, be it through transportation routes, roads and so forth, or be it through telecommunications and other forms of economic development, that we can make a real difference over a relatively short period of time in improving the livelihoods and the futures of these families that live in these areas.

The scenery is beautiful up here, these are great communities, but these people live a hard life. And for relatively small investment we can take the model that was developed in the Appalachian region, have a regional commission in our area and really make a difference. So I urge you to favorably consider this legislation. I want to thank my friend from Maine for being the prime sponsor, and I yield back.

Oh, Mr. Chairman?

Mr. SHUSTER. Yes.

Mr. BASS. I have a markup in my committee, if you wouldn't mind excusing me.

Mr. SHUSTER. No, absolutely.

Mr. BASS. Thank you.

Mr. SHUSTER. Thanks a lot for coming. Appreciate your comments.

Next, recognize Mr. McHugh.

Mr. MCHUGH. Thank you very much, Mr. Chairman. And I should say, based on my brash remark about the fluency of some members here, that the distinguished Ranking Member of the Full Committee has been to my district. I have heard him speak French, and he would put to shame Louis XIV and all that came after. I was referring to my dear friend, Mr. Bass, whom I am questionable about his fluency.

[Laughter.]

Mr. MCHUGH. Having said that, thank you, Mr. Chairman, for having our full statements written in the record, and I take that opportunity just to make a few personal comments.

First of all, let me also add my words of thanks to the distinguished member of the Committee, the gentleman from Maine, for his leadership in this. Obviously, his position both on this Commit-

tee and as a concerned member and a thoughtful legislator on these kinds of issues has been helpful, along with Mr. Bass and others. But I particularly want to extend my compliments to you, Mr. Chairman, to the Ranking Member, Ms. Norton, and, of course, to the distinguished Ranking Member of the Full Committee, as well as all the Subcommittee members for their understanding.

I am not trying to, as we say in my part of the world, blow smoke up your skirts, but the opening statements were as eloquent as anything I have heard in nearly 14 years in Congress, and to have folks who may not be directly involved in the regions that are under discussion today and yet have such an appreciation and sensitivity and understanding is a warming fact, and I thank you so much for that.

Let me just say a little bit about my district. And my dear friend, Charlie Bass, showed the larger swath of the proposed region that is embodied in the Northeast Regional Economic Development Commission, but like so many here today, Mr. McIntyre and others, I represent an amazing chunk of earth, over 14,700 square miles—that is about 30 percent of the land mass of the great State of New York—great diversity, the Adirondack Mountains, 1,000 islands, lakes, rivers, streams, unbelievable farmlands. As I said, such diversity. But the thing that they all share are economic challenges.

Like all of my colleagues that have spoken here today, the indices of challenge unemployment, higher levels of out-migration, generally lower levels of household income and such are far below national averages, far below State averages, and, in fact, are below those areas where commissions like this already exist.

I have been a very frustrated person for the past 22 years in elective office and more than 35 years in public service, as we have tried to develop in good faith ways to address those challenges of poverty and economic decline. It is always a source of amazement to me how we are amazed when we put together a model of response, whether it be job creation, economic development, or a social program based on an urban model, apply it to rural areas, and then scratch our heads as to why it doesn't work.

It seems to me one of the several genius aspects of the ARC is that it eschewed that kind of cookie-cutter approach. It understood that it has to have responses tailored to local challenges. It embodies, I think, everybody's idea of good government, melding together the local, the State, the Federal agencies, all overseen by a regional commission that used the resources provided to it on a needs basis and in a way in which the evaluation was made that this is going to produce results. And Ms. Norton was very eloquent in her statement about the return on investments that have attended the ARC, and I think that doesn't just happen by chance.

We are here today, or at least I will speak for myself, some would say with a glint of envy. I would say, rather, with the effect of flattering through imitation the ARC. It is the model by which we all wish to—at least I do proceed in trying to bring that same kind of relief to equally deserving areas. And, as I said, I am just so warmed by the fact that you are holding this hearing and by the absolute great understanding that you bring to it.

This is Hamilton County, and I will leave you with this thought. This is 7,200 square miles of that more than 14,700 that I represent. It is one of the largest land masses in the State of New York as a county, and yet it has just over 5,000 people. Those wonderful shades of green are not a celebration of my ancestors' homeland, Ireland, it is, instead, tax-exempt properties, properties that are locked up in what is known as the Adirondack Park. The Adirondack Park is, under the constitution of the State of New York, larger than Grand Canyon, Glacier, Yellowstone, and Yosemite Parks put together. That is great news, it is wonderful. However, as you see by that green area, it means you don't have a lot to work with in terms of economic development.

The pink, those are housing, mostly residential areas from out-of-state folks or out-of-region folks who are seasonal residents. You can't see it, probably, the little yellow dots are the opportunity areas where economic development projects can legally and constitutionally be effected. That is the kind of challenge we face county after county. I have ten more of those in my district, and they are represented and replicated right up through Vermont, New Hampshire, and, of course, into the great State of Maine. That is why we are here asking for your help. You have already done a great job.

Thank you, Mr. Chairman. I yield back.

Mr. SHUSTER. Thank you very much, Mr. McHugh.

And now recognize Mr. McIntyre for your statement.

Mr. MCINTYRE. Thank you, Mr. Chairman. Many thanks to you to agree to hold this very important hearing today on legislation that I have introduced, H.R. 20, which is a bill to create the Southeast Crescent Authority.

We currently have a broad range of support for this bill that includes bipartisan co-sponsors from States throughout the southeastern United States. A Chapel Hill, North Carolina think tank that has studied changes in the South over the last 40 years included in its recent report information and statistics that examined the jobs, the population growth, the educational systems, the racial gaps, and the economy of all southern States.

And the report states that even as the South's economy surged over the past two decades, structural shifts undermine the farm and factory base of the region's rural communities and transform metropolitan communities. The rising economic tide, it said, lifted so many boats that it was easy to ignore the structural changes at work. But when the tide ebbed at the close of the 1990's, it revealed serious weaknesses in the South's economy.

In fact, in the last three years, the South lost 465,000 manufacturing jobs, a 7.7 percent drop. Factory jobs declined by more than 10 percent in Alabama, Mississippi, North Carolina, and South Carolina more than the national average. And after 2001, the hemorrhaging continued, especially in the textile-dependent States of Georgia, North Carolina, and South Carolina. The forces of globalization and technology have fundamentally restructured the southern economy, creating and destroying both high-skilled and low-skilled jobs.

Mr. Chairman, the time is now to work to change this pattern and ensure that those individuals, whether they are working in

textiles, tobacco, or manufacturing—the traditional industries in the South—and those communities that have been effected are not left behind. And I an confident that the Southeast Crescent Authority will be a critical factor in doing just that, and, indeed, it will meet that five criteria that Congressman Michaud mentioned earlier in opening remarks.

The southeastern portion of the United States, encompassing the States of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Florida, is an area which has seen poverty rates well above the national average, coupled with record unemployment. In fact, in 2004, the South had a poverty rate of 14.1 percent, the highest rate—the highest rate—of all regions of the United States. In addition, over 10 percent of the counties throughout this area had unemployment rates at least double the national average unemployment. In other words, the Southeast has led the way, unfortunately, both in having the highest level of poverty and the highest level of unemployment.

The seven States of the Southeast Crescent Authority region also have experienced, as you well know, natural disasters. What you may not realize is at a rate of two to three times greater than any other region of the U.S. And this vulnerability to natural disasters only further exacerbates the ability to recover from economic distress.

Now, SECA, the Southeast Crescent Authority, is modeled primarily after, as we have heard today put so eloquently, the successful Appalachian Regional Commission. Southeast Crescent Authority hopes to enjoin a local, State, and Federal partnership to lift our citizens out of poverty and to create jobs, the two areas where we are suffering so much. With this Federal allocation of funding, we have very specific programs that would help with community betterment: infrastructure, education and job training, health care, entrepreneurship, and leadership development. And the communities with the greatest need, those with the highest economic distress, would be the ones that are targeted, and help would be given according to the degree of distress so that we make sure that we are trying to help those areas that need the help most in the fastest possible way.

Mr. Chairman, the Southeastern United States is one of the last areas of the Country not to have a Federal authority totally dedicated to ending poverty and strengthening communities. As you know, there have been very many commissions put in place and, of course, the Appalachian Regional Commission is the one that leads the way. We would like to see the Southeast Crescent Authority be that valuable tool to assist State and local officials, county development organizations, and many others in providing the resources and leveraging additional funds to allow our citizens to reach their economic potential.

Now, on another panel today you are going to hear from Al Delia, who is sitting here in the front row, at the very end there, the Director for Federal Relations for East Carolina University, who has done extensive study, has done the background, has done the demographics, has done the charts, the population studies and the economic studies that would help underscore and lay the foundation for what could go ahead and be done with the Southeast Cres-

cent Authority. He and I share the same excitement over the opportunities this bill has to offer in the southern region of the Country. I am confident we can use the ARC's successful partnership model, being that a good part of that Commission is in North Carolina and other States that are affected.

And as a matter of economies, we know it costs a lot less to leverage local and State dollars and allow access to available Federal grants than to go behind and clean up the distress in the wake of unemployment, poverty, dropouts, and poor health care delivery.

Again, I want to thank you, Mr. Chairman, and all the members of the Subcommittee and the Committee at large for your willingness to hold this hearing and to work with us, and we look forward to working with you. Indeed, the time is now, as you have heard from my colleagues and as you have heard from me, regarding the needs in our areas. The time is now. The need is great.

The Southeast Crescent Authority is the answer to help us confront these problems head-on. Together I know we can do it, and with your help I know we will succeed. Thank you very much.

Mr. SHUSTER. Thank you, Mr. McIntyre.

Thank both of you for being here today. I have no questions. My questions will wait for the local economic folks.

Ms. NORTON. Mr. Chairman, I have just one question.

Mr. SHUSTER. Go ahead, Ms. Norton.

Ms. NORTON. Because you have been preaching to the choir, and the Chairman wants to get on, to lay the record out, I do want to ask a question. In light of the fact that the Congress is having trouble funding things—and we would love to see this funded, or at least begun to be funded. In fact, we are trying to keep things from being de-funded, and here we are talking about an investment that we think is very much worth it.

But the question I have really is a strategic question, because it does seem to me one is going to have to make fairly unique arguments to get any attention. So part of what I want to know is whether or not at least some funding, some pilot funding might be useful. That is the first thing.

The second thing, frankly, is our colleagues want to help. And when we go to our colleagues, they really do want to help one another and want to help people who have a harder time than another time. But everybody has a stereotype of where people come from.

Mr. McHugh, you come from New York State. I spent 12 of the best years of my life in New York City. Both my children were born in Mt. Sinai Hospital and, you know, I am a native Washingtonian who still loves New York. But I remember the back and forth between New York City, which felt it was funding the State, and the rigamarole on that.

So when people hear New York State, they think about New York City. Too bad. Some of us know that New York is blessed with this one great big city, but, hey, there is a great big State there. We would have to somehow deal with some of the issues you are talking about fairly uniquely because, remember, some of these conditions exist in fairly large pockets around the Country.

Mr. McIntyre, you come from North Carolina. If ever there is any symbol of the New South, it is North Carolina. My mother, by the way, was raised in North Carolina, and it wasn't so new then.

Mr. MCINTYRE. Right.

Ms. NORTON. And it is the very essence of what we mean by the New South. But you are talking about something that most people—so what do we think about? We think about that research triangle and all of those well educated people and what they contribute to the State.

Mr. MCINTYRE. That is Mr. Price's district.

Ms. NORTON. Yes.

[Laughter.]

Ms. NORTON. And so, strategically, if we are going in, in this climate, talking about some way to get started on other regions, I would appreciate your strategic advice as much as what you have had to say, which it seems to me does arm us substantively.

Mr. MCHUGH. Well, as always, the distinguished Ranking Member strikes at the heart of every challenge. Our good intentions in this Congress are never measured up to by our available resources, and I think particularly in this environment we all understand that. I hate to negotiate down from the starting line, particularly when Mr. Michaud is there, who has worked so hard on this, but I think it is an obvious statement to lay out the fact that when you are dealing with a regional commission—as all of these are of considerable size, there is a lot of first steps that have to be taken.

The bill which we have proposed calls for $40 million, which, in the context of the Federal budget, it is not even lost in the couch, I mean, it won't even fall out of the pockets, really. But, nevertheless, I don't want to diminish the challenge that is there, and I think the adoption of the authorization is the first critical step. As an authorizer myself, I think that is where you have to start with any program, and then the battle is, traditionally, do you find a way to match the appropriation with the authorization. And we deal with that on Armed Services, as the Chairman knows, each and every day.

So we would certainly have to, and willingly, work with you and defer to your judgment on that, but there are certain causes that I think merit a full authorization to help the next step in the battle.

And as for New York, most New York City residents think the State ends at the Tappan Zee Bridge. I am heartened to hear that you were the exception to that. It is a big, beautiful State, but with a lot of challenges.

Ms. NORTON. Forty million dollars is so little, you would think that we wouldn't have, especially since we are talking about an authorization bill, then you would have the uphill battle.

Mr. McIntyre?

Mr. MCINTYRE. Right. And I would agree with my friend, Representative McHugh's comments. North Carolina in particular, for instance, my home State, we have exactly 100 counties. Fifteen of those fall into the category of places like the Research Triangle Park and down toward Charlotte and the Triad area, which is where Winston-Salem is.

That means 85 percent of the State, which mathematically exactly equals 85 counties, are classified as rural, some of which qualify and are part of the Appalachian Regional Commission, which means that all those other counties that are not in the 15 that are the high-growth area, like around Raleigh-Durham, Charlotte, and Winston-Salem, are mainly in the middle part and the eastern part of the State, which is where I live. In fact, I fly into Raleigh-Durham every week, but then have another 100 miles to go home to the extremely rural area that I represent and the extremely rural area

Ms. NORTON. How much have you asked for, $40 million?

Mr. MCINTYRE. At minimum, $40 million, to get started. And I think that is very reasonable help for that region

Ms. NORTON. What are your Senators doing? You know, for that little bit of money, you know, they tuck things into every, that is why the District suffers from not having any Senators. For that little bit of money, they could, you know, we are talking about pocket change. They put more in bills than any of us ever find out every time there is an appropriation period. Are they working

Mr. MCHUGH. Well, we are the House with a heart.

Ms. NORTON. But are they working on this at all?

Mr. MCINTYRE. Yes, they are supportive, our Senators are.

Mr. MCHUGH. Ours are

Mr. MCINTYRE. In fact—I am sorry—Senator Dole, who I was just with this morning on another issue, she has a companion bill that mirrors this exactly. So we are working this in both houses.

Ms. NORTON. Just let me suggest this. You know, you are right, that is shamefully little—that is a pilot, for goodness sakes, starting at that amount of money. Let me tell you what I fear. We did one region, that was Appalachia. The reason that pilot even crosses my mind is that I see some region, maybe with Senators who give this priority, among the $4 billion plucked out because some senator, for a lousy $40 million, is going to be able, maybe even in an appropriation without authorization, because you can get pilots that way.

So, look, the last thing I want to do is bargain down, and I asked about the Senate because of the experience I and you have had with the Senate. What we have before us is four different regions all seeking money. I ask you, how do you think the Congress would parse this? Either they would give a small amount of money or somebody would decide what kind of an amount would allow this to get started. And we have been talking about these regions for some time, so I just ask you, as you leave this hearing, to help us think strategically, in this climate, how do we get started on additional regions.

Mr. MCHUGH. Point well taken.

Mr. MCINTYRE. We will be glad to. We will be happy to work with your staff.

Mr. SHUSTER. Thank you very much. And I think it obviously is a difficult thing to do. Mr. Oberstar, four years ago, or eight years ago, authorized the Great Plains Economic Development Region, and it is yet to be funded. So that is going to be a tough one, but look forward to working with you. Thank you very much for being here.

And as our first panel leaves and our second panel, I just want to inform you, second panel and third panel, we are going to be called for votes probably sometime between 2:30 and 3:00, so one thing I have learned as a Subcommittee chairman is how to manage the clock. So I might have job opportunities in the NFL managing some of those teams' clocks in the game. So, second panel, please approach.

And our second panel is here to discuss the reauthorization of the Appalachian Regional Authority. Our second panel has three witnesses: Ms. Anne Pope, the Federal Co-Chair of ARC; Mr. Steven Robertson, who is Commissioner of the Governor's Office for Local Development for the State of Kentucky and Alternate to the States' Co-Chair for the ARC; and Mr. Ed Silvetti, who is a fantastic economic development person, also a good friend of mine who hails from my home county.

I think you live in Blair County, don't you? OK.

He is the Executive Director of the Southern Alleghenies Planning and Development Commission who is speaking on behalf of the National Association of Development Organizations this afternoon.

I would like to welcome all of you and thank you for traveling to Washington, D.C. And, Ms. Pope, if you are ready.

TESTIMONY OF ANNE B. POPE, FEDERAL CO-CHAIR, APPALACHIAN REGIONAL COMMISSION; STEVE ROBERTSON, COMMISSIONER, GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT, STATE OF KENTUCKY, ALTERNATE TO THE STATES' CO-CHAIR, APPALACHIAN REGIONAL COMMISSION; EDWARD SILVETTI, EXECUTIVE DIRECTOR, SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Ms. POPE. Yes. Thank you, Mr. Chairman, for holding this hearing and giving me an opportunity to testify on behalf of the Bush Administration.

President Bush is strongly committed to Appalachia. He recognizes that this region has not fully participated in the growth of the American economy. He will not be content until every person who wants to work has a job, and the President believes the ARC can play an important role in this.

I appreciate your strong support, Mr. Chairman, for the work of ARC. Pennsylvania is an important ARC State, and most of the Ninth District is in our region.

I am also pleased to be joined by Steve Robertson, Kentucky Governor Fletcher's ARC Alternate. Governor Fletcher is a strong advocate of ARC. Together we represent the Federal-State partnership that governs ARC.

You will also hear from one of the leaders of economic development in Appalachia, Ed Silvetti, of Southern Alleghenies Planning and Development Commission. Of our 72 local development districts, they are all critical partners for ARC. Ed is a creative leader who understands the benefits of regionalism and knows how to get people to work together.

Mr. Chairman, the economic landscape in Appalachia is shifting. Appalachia's traditional reliance on low-skill jobs and what we call the big four—manufacturing, mining, tobacco, and steel—is rapidly shifting to a more knowledge-based economy. We know that 80 percent of the high-growth jobs of tomorrow will be knowledge-based.

Appalachia must adjust to these new realities if our people are going to compete. Our communities must create jobs in a new way, enhancing the skills of its workers and home-growing our own. We have to have innovative regional strategies that position our communities to compete in this global economy.

ARC must adjust as well. We are becoming more performance-based, increasing our leveraging, expanding our partnerships, and focusing on innovative regional strategies to help communities help themselves.

I believe that, to be effective, an organization must have a plan, work that plan, and then measure what it has accomplished. For ARC, that plan is our strategic plan which we developed in 2004 by holding a series of meetings across the region. That plan basically says four things, four goals: increasing jobs; strengthening the capacity of our people; developing and improving regional physical infrastructure; and, four, building the Appalachian Development Highway System.

So, over the next 10 years, our goals are to: create 200,000 jobs; enhance the employability of 200,000 workers; three, provide basic infrastructure to 200,000 households; and open 250 miles of the Appalachian Development Highway System. Our plan declares our overall objective of Appalachia reaching socioeconomic parity with the rest of the Nation.

To help us measure our progress, we have devised an economic index that compares Appalachia with the rest of the Nation. The index shows that we have more of the worst counties and fewer of the best than the rest of the Country.

We know, at ARC, that to have the most impact, we need to work in three ways:

Leveraging. There has been a lot of discussion about that today. We are working to increase our leveraging. And, last year, for every ARC dollar spent, $11 was leveraged from other sources, including $8 from the private sector.

We know we have to increase our partnerships, both at the Federal Government level and in the private sector, which has been a primary goal of mine. A good example has been Microsoft. Microsoft is a key partner who, two years ago, put in $1 million of software investment in the region. And when they saw the need and demand, they quickly doubled that to $2 million.

And the third thing we know we have to do is find innovative regional partnerships that our States and communities can work together, regionally, and look for examples of innovation and try to replicate those innovative approaches across the region. A great example of that is our Appalachian Higher Education Network. This is a highly successful effort to increase the college-going rate in Appalachia, something in which we lag behind the rest of the Nation. ARC discovered a model in Ohio, and we have replicated that in eight other Appalachian States. Since 1998, the Network programs

have reached nearly 11,000 high school seniors and boosted the college-going rate by 20 percent.

Responding to the lack of equity capital in Appalachia, five our or States came together and created the Southern Appalachian Fund. ARC's million dollar investment attracted almost $12 million in funds, invested in eight companies, creating over 100 jobs.

Telecommunications and technology has been a major priority of ARC. Over the past four years, ARC has invested $32 million, leveraging another $120 million in innovative projects such as SEDA-COGs, e-commerce initiative to promote the use of Internet small businesses in Pennsylvania; MEGAPOP, which is connecting all of Northeast Mississippi, and Connect Kentucky, which Steve Robertson is going to talk a little bit more about.

Mr. Chairman, as we look to the future, ARC is adapting its programs to accommodate the economic changes that are sweeping across Appalachia. To help us better define Appalachia's economically weak counties, the Commission has adopted a new designation of "at-risk" to identify those counties that are just on the cusp of becoming distressed and need special attention. We will examine our programs to see how we can best assist these at-risk counties.

We have a new program called Asset-Based Development, which basically is helping communities look for new ways to maximize the assets that are in their communities to help diversify their economic base. For example, Appalachia has vast natural resources that offer economic opportunities in areas such as wood products, value-added ag and energy. When one thinks of Appalachia, one obviously thinks of coal. But the region also is rich in other energy resources, such as oil and gas, wind, and biomass.

In February, the Appalachian governors and myself agreed to develop an energy policy blueprint for the region, which is a roadmap using these energy resources to help spur economic growth and create jobs. We plan to unveil this blueprint later this fall.

ARC has historically been about providing basic infrastructure. Let me assure you that the commitment will continue. Appalachia's water and wastewater services, particularly in our distressed counties, lag behind the U.S., while our per capita costs are higher. We will encourage regional approaches and innovative solutions to meet these basic infrastructure needs.

Mr. Chairman, Appalachia is on the move. We have made progress: major reductions in poverty, infant mortality in distressed counties, and increases in educational attainment and small business investment. But we have not reached parity with the Nation, which is our goal. But I believe that ARC has positioned itself to respond effectively and help the region make significant strides in moving to parity with the Nation. We appreciate your help in this effort.

Mr. SHUSTER. Thank you very much, Ms. Pope, for your testimony.

Now, Mr. Robertson, you may proceed.

Mr. ROBERTSON. Thank you. Mr. Chairman and members of the Subcommittee, I want to thank you for inviting Ernie Fletcher, Governor of Kentucky, to testify today. He regrets that his schedule made it impossible for him to attend, but as the Appalachian Re-

gional Commission's 2006 States' Co-Chairman, Governor Fletcher is proud to represent the 13 Governors from the region.

Again, my name is Steve Robertson, and I am Governor Fletcher's alternate to the Committee, and I am the Commissioner of the Governor's Office for Local Development, and I am honored to be here to testify on behalf of Governor Fletcher and the other 12 governors in the ARC partnership.

And certainly Kentucky Governor Fletcher understands the importance of leveraging a variety of funding sources, and he especially values the collaboration between my office in Kentucky and one of your colleagues, Congressman Hal Rogers and his staff, as we work together to utilize Federal dollars to identify the most viable projects in Appalachia Kentucky. We have a strong relationship there and certainly look forward to continuing that.

The ARC has been a strategic partner and advocate for sustainable community and economic development in the Appalachian Region since its formation, and we are grateful for the organization's guidance and support. We want to commend the President and Congress for continuing to commit to the work of the Commission and want to thank you, Mr. Chairman, for holding this hearing today to consider a five-year reauthorization of ARC's non-highway program.

ARC investments, combined with strong State and local government and private sector commitment and investments, have been instrumental in reducing the number of distressed counties in the region from 223 to 77 in fiscal year 2006. I believe this demonstrates significant results. Kentucky has 51 counties in the region. This year we have 32 distressed counties, 12 at-risk, and 7 transitional.

In 2005, ARC invested more than $8 million in program funds in Kentucky, which leveraged more than $33 million in other funds. We anticipate that these investments will lead to the creation or retention of more than 1100 jobs.

Between 2001 and 2005, ARC invested more than $47 million in program funds in my State. This is expected to create or retain nearly 3500 jobs and serve more than 65,000 families with infrastructure improvements.

ARC's mission is broader than other economic development programs, focusing not only on cyclical economic downturns, but on long-term systemic regional distress. ARC is often the lever that has brought other Federal funding sources to projects and localities suffering severe distress. ARC targets distressed counties and over the past five years has provided them annually with more than 65 percent of our congressionally allocated funds.

The Commission has been about solving problems by building partnerships, leveraging our grant dollars, and being an advocate for the region. For every ARC dollar invested in infrastructure, Appalachia has gained about $33 in long-term benefits.

I think it is important to note here that ARC's success in leveraging additional Federal, State, and local government funds, as well as private sector investments, is based on its bottom-up approach to identifying local needs and developing local plans to address them. ARC works in cooperation with local communities and the 72 local development districts across the region that provide

guidance, technical assistance, strategic planning expertise, and oversight to ensure the ARC projects address the identified need and accomplish anticipated results.

The Appalachian Region continues to face a unique and complex set of social and economic challenges. One of every five jobs lost in manufacturing has been in Appalachia. Income in Appalachia continues to lag the Nation; our counties still have a need for modern infrastructure.

From our perspective, ARC's mission has not been completed. Seventy-seven counties are currently classified as severely distressed, and an additional 65 counties are on the brink of slipping back into the distressed classification.

Mr. Chairman, you represent a district mostly within the Appalachian Region, so I know you see first-hand the benefits of the Pennsylvania ARC partnership and recognize that there is still work to be done, so reauthorization of ARC is essential.

On behalf of Governor Fletcher and the other Appalachian governors, I want to express our commitment to working with you and the Appalachian Regional Commission to achieve our shared regional goals of socioeconomic parity with the Nation. We urge the Congress to reauthorize ARC for five years so we can work toward accomplishing these goals for the 23 million residents of the region. Thank you.

Mr. SHUSTER. Thank you very much, Mr. Robertson.

And now, Mr. Silvetti, you may proceed.

Mr. SILVETTI. Thank you. Mr. Chairman, members of the Subcommittee, thank you for the opportunity to testify for reauthorization of the Appalachian Regional Development Act and to offer just a few recommendation for its improvement.

My name is Ed Silvetti, and I am Executive Director for Southern Alleghenies Planning and Development Commission, headquartered in Altoona, Pennsylvania. I am here also on behalf of the Development District Association of Appalachia and the National Association of Development Organizations. My gratitude for this invitation to comment on behalf of efforts to improve local economies and the quality of life for our fellow citizens within 72 local development districts throughout Appalachia. And on behalf of the Appalachian Regional Commission, an innovative, intergovernmental model that has successfully fostered community and economic development for over 40 years.

Presently, I am Chair of the State Association in Pennsylvania of LDDs and I serve on the Board of the Development District Association of 72 LDDs throughout Appalachia. My experience provides a unique perspective, and I will try to convey this experience this afternoon to members of the Subcommittee.

In 1975, I was a graduate student in the Institute of Public Administration at Penn State. I had a course entitled Intergovernmental Relations. The ARC was actually used as a case study for Federal-State-local partnership and cited as innovative and unique in targeting Federal resources in a multi-State region that sorely needed it by any standard.

ARC has proved highly effective in planning, programming, and budgeting for projects and for organizing local leadership that has enhanced the lives of Appalachian citizens. ARC's model is a true

intergovernmental model that preserves a direct Federal role with investment and policy decisions, but respects State priorities and the active participation of local governments through local development districts.

This work remains a challenge today. But were it not for ARC, most investments in support of technical training, primary health care, and job creation would not have occurred as they did. Policy leaders at all levels have closely monitored ARC and consistently cite the Commission as the premier example for a successful regional approach to economic development. This has inspired leaders from other impoverished regions to seek replication of this model.

LDDs serve 410 counties and 23 million people, promoting sustainable development, the environment, emergency preparedness, human services, public administration, and workforce development. This network has yielded impressive results, as further described in my written statement.

In my local experience, ARC has participated in virtually every economic development related project of any consequence in my six county local development district. ARC investments have been critical on the cusp of emerging issues like telecommunications, civic leadership, and asset-based development. ARC has provided foresight and innovation.

I testify today with certainty that the ARC process as a true intergovernmental partnership works exactly as it was planned, and as I was taught it should work more than 30 years ago in graduate school. The LDD planning process is comprehensive and includes investment strategies that guide our work. The Appalachian States and ARC staff can rest assured that due diligence has been performed and projects recommended meet the ARC guide and are consistent with ARC's goals and performance metrics.

In partnership with the Commonwealth of Pennsylvania, ARC has funded numerous infrastructure projects, but also a program of direct technical assistance promoting the growth of small and medium sized businesses. This enterprise development program was innovative when first established and has since become a national standard for smart economic development.

Earlier this year, one of our enterprise development clients received an exporting award from the U.S. Commercial Service. Our LDD received an award as well for its work with this company, Household Lumber near Bloom. Congressman Shuster, you helped present those awards. LDDs reflect the ARC's insistence that efforts be performance-based.

Southern Alleghenies Commission has goals and objectives and measurable outputs and outcomes. We understand performance measurement, and we support our ARC partners here in Washington and in Harrisburg that ARC dollars be used to leverage other investments.

The proposed five year reauthorization bill would allow ARC to annually designate those counties with fragile economies that are at risk of becoming economically distressed and codifies the ARC's existing practice in this area. We support permitting ARC to fund projects in at-risk counties at up to 70 percent of project costs.

Lastly, provisions allowing ARC to provide LDDs with a hardship waiver that increases their Federal share for administrative grants up to 75 percent from the current 50 is also strongly encouraged.

Chairman Shuster and members of the Subcommittee, I believe the ARC has been unique and highly successful. It fulfills its intergovernmental mission and has demonstrated that Federal-State-local partnerships result in significant long-term benefits. It is not lost upon those of us working in the field that proposals are being made to emulate ARC. Allow this good work to continue.

Thank you, Mr. Chairman and members of the Subcommittee. I would love to answer any questions you might have.

Mr. SHUSTER. Thank you very much.

I have a couple questions for the panel.

First, Ms. Pope, you had mentioned that you focused on increasing the number of young people that get a college education. I have two questions, or I guess one question, two concerns. It seems, from where I live in rural Pennsylvania, we at times have put too much emphasis on college and not on higher education, going on to technical school, and it seems a lot of kids are going to college when we would be better served if some of them would go to technical training and in technical fields.

So can you comment on that a little bit, as well as it seems my experience has been kids go away to college, a lot of times they don't come back to rural Pennsylvania, they go to the city and take some years or they never come back. So can you talk about what your experience has been on those two fronts?

Ms. POPE. Yes, Mr. Chairman. Let me address your first point about kids going to college. We sort of have a general umbrella of focusing on—we do have a college-going program where—Appalachia, you know, really lags the Nation in kids going on to college, so we have a specific program to do that.

But one of our four primary goals is to increase the employability of our people. One way is increasing education; another way absolutely is increase their employability by enhanced training. We have a number of programs that get at encouraging our citizens to get their GED, workforce development programs. So I think that we have a program that is multi-layered to increase the employability that does get at the college-going rate and technical type schools.

I will add that was a major push in, say, the 1960's and 1970's, to get our citizens to have a high school diploma. We know today that is not enough to be competitive. They have to have college, some sort of post-secondary education or enhanced training to be competitive.

Your second point we hear a lot, which is if we educate our young, they will leave. And when we had our strategic planning process, the number one concern of people across Appalachia was the brain drain, that our children, if we educate them, they will leave. That is a concern, but how we feel is that today they have to have that education and that enhanced employability to be competitive. The low-skilled training in Appalachia that would provide—earn a livable wage is no longer, so we feel that we have to educate our folks within Appalachia.

But I think it is a bird in the hand, too. We have to do other things to help create jobs, and I think that is the primary difference. If there are no jobs, then they will have to leave. But we are working to try to create and retain jobs within the region as well.

Mr. SHUSTER. Do you have any kind of numbers that indicate what percentage might be staying, college educated?

Ms. POPE. Well, I mean, it varies vastly across the region. We can certainly get that to you, but it does vary greatly across our region.

Mr. SHUSTER. And I certainly don't want to downplay the positives of a college education, but, again, we have seen in our schools—and I think, Ed, you know first-hand, and I will let you respond—that so many kids are going to college when we need, we have jobs and skilled profession, working in the electrical field, electricians and computers and things like that that don't require a college degree, but they make a significant living if they have that kind of training.

Mr. SILVETTI. I just wanted to mention that, you know, part of the effort that we undertake is looking at the growth industries in our region, looking where the good jobs are being created and try to foster kids coming up through school to get an education in those fields so they can stay in the area and earn a sustainable wage. That is an important part of the process, linking economic development efforts with education.

Mr. SHUSTER. The second question I have is on the increase in the affordable access to advanced telecommunications and those types of things. How has that been going, can you sort of give us a report card? It was reauthorized, that was a new part in the reauthorization, I believe.

Ms. POPE. Yes. And that reauthorization has been having us focus on and putting emphasis on telecommunications has been very helpful to us. It has been a focus of the Commission; it is a special initiative. We take money and focus it on that. Of the $34 million that we spent over the last four years, we have leveraged over $120 million. And the example that I gave of Microsoft, but for our special telecommunications initiative, I think that would have been difficult.

So it has been very helpful to us. I would say it has been very successful. Our goal is to get high-speed broadband access to all 410 counties in our region, and we are certainly well on the way. We know the private sector is key in this, and we are working with Microsoft, Verizon, and others to try to encourage speeding up bringing broadband to certain markets, particularly in our distressed counties.

Mr. SHUSTER. Mr. Robertson, you want to give a State's perspective on that? Do you see that?

Mr. ROBERTSON. I do. Thank you, Mr. Chairman. In Kentucky, Governor Fletcher has placed a high importance on having broadband availability across the entire State by the end of 2007. ARC has played a critical role in the funding component of leveraging private investment and other State dollars to enter communities, particularly our 51 ARC counties, to analyze their broadband needs and help these communities figure out what their

next steps are to create the environment where a private provider will want to enter and provide the service.

And certainly, over the last two years, in Kentucky, I believe we have gone from 60 percent to 77 percent availability, and I think those numbers are a bit dated. I spoke with someone in the State this morning, and they are hopeful that by the middle part of next year we will be at 90 percent availability across the State.

And when you start to reach that point, especially when you get into Appalachia, you know, that is when these communities who now have plans partially funded by ARC monies, I mean, they are able to go out and leverage satellite companies to provide the last mile to make sure their residents have access. But certainly the focus on telecommunications has been critical in Kentucky and ARC has been a critical part of that.

Mr. SHUSTER. Mr. Silvetti, you want to respond locally?

Mr. SILVETTI. I wanted to mention what the LDDs in Pennsylvania just finished doing. We finished a huge process of mapping advanced telecommunications deployment in Pennsylvania by cable companies, by the telecom. What we are going to do now, under Pennsylvania Act 30, we positioned ourselves to prepare bona fide requests for services which will go into the telecommunications providers in Pennsylvania. And there is a time line within that State Act that require them to provide that broadband and other telecommunications services. I think we are doing a lot of good work in this area.

Mr. SHUSTER. Thank you very much.

I think we are going to take a recess here. It is going to probably be about 45 minutes, is my guess, two 15-minute votes and a 5-minute vote.

Ms. NORTON. Just so I can ask my questions on the record.

Mr. SHUSTER. OK. Exactly. We will let you go ahead. I don't know if you are going to grill them for 45 minutes?

[Laughter.]

Mr. SHUSTER. No, OK. And we would probably like to come back and I think there might be some questions. Mr. Davis or Mr. Michaud, do you have any questions for the panel? OK, go ahead.

Mr. DAVIS. And I praise you for what you all have done. I look at my district and I see transitional, several of those. I have probably almost a third or probably 40 percent of the counties in the district that I represent in the eastern part of that area. It is unbelievable the impact that has been made. Thanks for what you do and thanks for being here. I apologize for not being able to come back after the hearing today.

Ms. POPE. Thank you, Congressman.

Mr. SHUSTER. That is it, Mr. Davis? That was short. That is not typical for a member of Congress.

Mr. DAVIS. That is all you need to say.

Mr. SHUSTER. OK. And what we are going to do is Ms. Norton has, I am sure, several questions. We will let you go ahead and answer, and when she is done, we will excuse you. I have asked a couple of questions, the main questions I wanted to. We won't hold you up. Then we will be back for the third panel. My guess is we are going to get back here quarter after 3 to 3:30, and more than

likely it will be closer to 3:30. So thank you all for coming, and I will leave you in the good hands of Ms. Norton.

Ms. POPE. Thank you, Mr. Chairman.

Mr. SHUSTER. Recognize Ms. Norton for questions.

Ms. NORTON. Mr. Davis said to be easy on you all. That is easy. It is easy to be easy on you all.

I do have a follow-up to the Chairman's question about education, because I was really intrigued since we know that education is the key to everything, more so than ever, because there are going to be jobs for nobody without education, because the whole rest of the world has education. They are beating the socks off of us now, even among our highly educated areas.

There is no question in my mind that a kid who gets exposed in Appalachia to the world has a real temptation to go seek her fortune in the world. I mean, I grew up in a big city, the District of Columbia. It was a small, segregated southern town. First thing I wanted to do was go away to school. The next thing I wanted to do was not come home until they grew up. And, in fact, I am a native Washingtonian, third generation Washingtonian. I came back when they grew up. Actually, I came back because I was appointed to a Federal position. And I am not sure I would have come back. I was in New York.

I think we have got to put ourselves in the heads of these youngsters, who have grandfathers and fathers, generations of poverty, and I am sure many of the people you are talking about are the first people in their family ever to go to college. So anything—and I wasn't the first in my family to go to college. But, if anything, for these kids it has to be a shock and a real awakening to the world.

I note that State university tuition have risen at a faster rate than the tuition even of private universities. That is nothing to brag about because their tuition were so high, places like Georgetown and Yale and Harvard. The rate couldn't get much faster. But I have been astounded, for example, in neighboring jurisdictions, to see rates that—I don't know what is wrong with folks, but rates that go up 10 percent a year. That is keeping millions and millions of kids simply out of college once they see that, particularly since the Congress has kept Pell grants flat for a very long time.

My question is who pays for these children to go to college, State college, for example? Do they pay for it? I realize these are small tuitions, but I want to know who pays for them to go to college.

Ms. POPE. You want me to take a stab?

Ms. NORTON. That is a factual question. Do these children, who, of course, get activated by jobs and other opportunities, are they going to State colleges? Are they paying their tuition to go to State colleges?

Mr. SILVETTI. I can answer that with a very recent example. I have a niece. My youngest sister's daughter just graduated from Penn State. She has accepted a teaching position, chemistry and biology, in the Hershey, Pennsylvania school district. She is $18,000 in debt. My sister and my brother-in-law are $18,000 in debt after four years at Penn State and she was on a partial academic scholarship.

Ms. NORTON. Well, who pays for these poor children to go to college?

Ms. POPE. Our Appalachian Higher Education Network, which really has been highly successful in States where they are, in the high schools where they are, we are seeing double digit increases.

Ms. NORTON. I am asking a question.

Ms. POPE. Well

Ms. NORTON. Who pays for these children to go to college? Mine is a factual question. Do they go on scholarships? Do they go on—do the States—I don't know, I am just asking. I am really searching for information.

Mr. SILVETTI. I will say one thing also. One of the things our local development district does is administer Federal Workforce Investment Act dollars, and we see a lot of people coming back into the workforce who couldn't afford to go to school when they got out of high school, they don't have marketable skills, now they are coming back and we are helping to pay for their education with funds such as under the Workforce Investment Act. But that is only a portion of it as well.

Ms. NORTON. Also, people have lost jobs because of

Mr. SILVETTI. Lost jobs or even people who have well, basically have lost their jobs or have no marketable skills and end up back in another system.

Ms. NORTON. That we ought to fund much more fully, because those are the people who are already planted in the district and are not likely to, you know, run off to New York or someplace.

Ms. POPE. Well, and I would like to add, Delegate Norton, that it is no one answer, it is cobbled together. I mean, some of it is Pell grants, some of it is the kids work through college, their families struggle. You are exactly

Ms. NORTON. Let me—I have a suggestion, that is all. I know who is not going to college. The Pell grant is a very declining value. I know all these students qualify for Pell grants, and I know State college and universities are very tend to be, especially if you are talking about the associate degrees, tend to be very reasonable. The poorer you are, the greater that amount of money that you have to spend on tuition, books, et cetera.

By the way, Mr. Silvetti, even young people tend to work and go to college now. You know, your full-time student is fairly rare, kind of still a middle-class phenomenon. Except the reason it is a middle-class phenomenon is the parents really aren't paying for it. You say the parents had the $18,000 debt. I really wonder. The fact is that most of the time, if you think about what is happening in our Country today, the baby-boomers aren't willing to make the sacrifices, so the youngsters are postponing buying a house or whatever you are supposed to do with money.

Let me just suggest this to you. I would hesitate—I would hate to even ask you to gather statistics. I am not worried that we don't benefit even if they move, because they are unlikely to move to Paris or to even South America. They are probably moving to somewhere in the United States, where they are contributing to the overall economy, so we benefit no matter what. You and we want the benefit to flow as directly as possible to where the investment

was made. We have freedom of movement in this Country, and the last thing we want to say is you can't move any place.

I just want to cite, and ask you to consider, one of the most successful programs of the Federal Government, along with this program, and that is our tuition forgiveness programs for doctors, now social workers, nurses. If you think anybody was going to go, who had an M.D. or a nursing degree, where you are talking about, I don't need to tell you what they would say to you. When people get out even of college—yes, sir, Mr. Silvetti, even of college—and even out of State college, they have debts today, almost all of them, that they would prefer not to have.

And, by the way, youngsters today don't just go to college and just do poor, the peer culture says you have got to at least look like you are not a pauper. So they go to college and they do have some consumer goods that they buy, and they come out and, you know, they just have all this debt and they have these credit cards and the rest of it, and we are trying to teach them how to deal with all of that.

But I don't see that there is a lot of incentive, even with the enormous success you have, for not taking your little associate degree and your little college degree and going and you are talking about leveraging it? I am not sure they do the inflationary effect or the cost of living effect. But I do think that the grass looks greener on the other side, and that in some other State it may look like, with your little degree, even if it is teaching or some other extraordinarily important but low-pay occupation, the pay is going to look better someplace else.

I just would like to see your ARC, or whoever in ARC might be inclined to look at the Federal model. I ask you to look at the model. I ask you to look at the model because this is what we have discovered, that the physicians—and if ever there are people that are fairly sophisticated and on their own who are not going to rural areas and to poor areas where they don't have movies, it is physicians.

And, yet, we find that once they go for the minimum of I think it is three years, and if you stay longer you get a greater percentage of your—they tend to remain. There is enormous satisfaction, apparently. It comes from seeing that you were needed. You know, you went. You were motivated by the fact of this huge debt.

I don't have any idea whether this would work, but I do not believe that in an era where you are doing so well, that it would not be beneficial to show the rest of the Country what can be done if you give an incentive for people to remain here. You might want to do it in certain occupations. I don't know how to do it, all I know is that without any information whatsoever, it is hard for me to believe that a young person exposed to the internet, exposed to movies, exposed to books that you are required to read in college, would not have an enormous incentive to take her education and run. And I am pleased that she is not going to run out of our Country, for the most part. Ninety-nine percent of them, unless we are running them to Iraq, are probably going to be right here contributing to our economy.

But I would like you—and this I don't ask for for the record, because I am not trying to show that people leave the area, but I

would like to ask you to look at some slice of the students who have been educated and see what happened to them. And if corrective action is needed to consider what kind of corrective—I say corrective—what kind of action might be taken. Because even if you kept them for three years, if you kept them for two years, in America, if you stay in one place for two years, that is considered, wow, because we all are so mobile.

So even if you kept them for a short period of time, you will aid your economy. That is why I asked that question, not because I was trying to ask why haven't you already done that. You have done the right thing by simply getting these young people educated.

I would like to know what the Ohio model is that you say has been replicated. I was intrigued that you say you found a model, you used that, and that has encouraged people to go to college.

Ms. POPE. Yes. It is really an attitude adjustment model, and what it is designed—the man, Wayne White, who was the inspiration for this model, found that the kids in Appalachia for some reason didn't believe they were college material. They didn't think, just as you said, Delegate Norton, their family didn't go, their mother and father, their grandparents didn't go. They were able to find work, so they didn't need to go. Historically in Appalachia education has not been emphasized. So this is a program that merely opens the world up to them.

Ms. NORTON. So what did you do, go into high schools and try to

Ms. POPE. We go into high, it is primarily, what we do is there is a network that is in nine States now, Ohio plus eight other States. And a community college, usually, or university is where the center is housed, but the primary focus is in the high schools. And what it does is it goes into the high schools, it talks about the importance of going to college. They take the kids to technical colleges, to community colleges; they go on visits. And just that exposure to college has had a tremendous success. As I say, 20 percent or more in most every place that it is. So it has been extremely successful.

But I also would like to add we are doing other things also. I mean, we know the importance of math and science, and we are partnering with NASA and with the Oak Ridge National Lab to try to encourage the study of math and science and how important it is. So we are doing things sort of in a multi-tiered way to try to change, you know, an emphasis toward education.

Ms. NORTON. I congratulate you on this very, very important turnaround, the notion of who can go to college.

Let me ask you to tell me something about places within Appalachia, within the ARC counties where the model hasn't seemed to work and why do you think it hasn't.

Ms. POPE. This particular model?

Ms. NORTON. No. The model that is being used as the core model for the program. There must have been some places where there has greater success than others. I am asking for places where there seems to have been less success. What do you believe has been the reason for that?

Ms. POPE. Well, I think our greatest challenge, quite frankly, when you look at that map right there and see the red, which are our most severely economically distressed counties, those are counties that have severe, widespread, and generational poverty. They are so economically distressed. There is a lack of infrastructure, there is a lack of investments, in many cases over many generations.

Ms. NORTON. Have you targeted those areas first?

Ms. POPE. Yes, ma'am.

Ms. NORTON. Or primarily?

Ms. POPE. Yes, ma'am. We target the red sort of the greatest need first. We take money, we carve money off the top, and that

Ms. NORTON. So they are the hardest to deal with, then, despite being targeted.

Ms. POPE. Yes. And we take money off the top that can only be spent in those communities. We have what we call an enhanced distressed program which really goes into the communities and works on the lack of civic infrastructure.

Ms. NORTON. Yes, well, I am asking why haven't things worked. Is it just, you know, the overall question of poverty? Because obviously it has worked some places.

Ms. POPE. Well, I think it has. I mean, I think we have made a great deal of success. We have cut the number of distressed counties in half. But we have a ways to go.

Ms. NORTON. Were those counties on the cusp, and they just needed a little less help?

Ms. POPE. Well, yes and no. Some are on the cusp, but some were in severe economic distress. And I would like to say that I hope that ARC has been a part. They have worked and worked their way out of distress.

Ms. NORTON. Just one more question. Could you just give us an example of how you leverage private money when you are talking about an area where you haven't had an educated workforce? I know you said Microsoft, for example. Of course, Microsoft is one of these good corporations.

But how do you get someone to want to come—you have got some Federal money, yes, but they can come virtually anywhere; they can come to D.C. or Northern Virginia or Maryland and find a workforce that is already ready to go. Is it your low wage rate? What is it that would make a company want to make substantial investment in a part of the Country where the workforce is still getting educated and where there is no tradition of higher education and, indeed, where there has been generational poverty?

Ms. POPE. Well, let me take a stab at it, Delegate Norton. I think what we have seen is there is not any one answer that we know. We know that there has to be investment in infrastructure. We know there has to be roads. We know there has to be high-speed band access with this new global world. We know that our people have to be trained. And so we have to make a multi-tiered investment, and that is what our program is based on.

Ms. NORTON. And even though the workforce is not what it is in suburban areas, with infrastructure investment they have shown an interest in these areas?

Ms. POPE. I will give you an example. There is a high-tech company that is going into one of our most severely distressed areas of Southwest Virginia. They just made an announcement a few months ago. ARC is making an investment where they are going to create 300 high-tech jobs with a salary ranging from $40,000 to $70,000. And that is just a start. They are investing $7 million in a facility

Ms. NORTON. Why are they doing that?

Ms. POPE. I think it is several reasons. I think the company, there are roads that are going into that area. The workforce has a good work ethic; they want to train, they want to learn, they want to train.

Ms. NORTON. And what is it that this company makes did you say? I am sorry.

Ms. POPE. It is a high technology company.

Ms. NORTON. What are you doing? What will the workforce be doing?

Ms. POPE. Software. Developing software.

Ms. NORTON. Wearing those white coats?

Ms. POPE. Yes.

Ms. NORTON. Good work if you can get it.

Ms. POPE. And one is Northrop Grumman that is making—this is in Lebanon, Virginia. So we are working to help. We are partnering with them to help train the workforce.

Ms. NORTON. Actually, when I mentioned low wage rate, although parts of the Country like this part, which have higher wage rates, you know, fuss and fume, you have got to take advantage of it. You have got to take advantage of the fact that, yes, this is a market economy, and people will look to where they can get reasonable products for less labor costs. And if you have got that, then the investment in higher education and keeping them there is going to be very important.

We could not be more impressed by what you are doing, and we just ask for you to help your friends and neighbors who were here earlier to try to get what you got.

So I will ask that the hearing be recessed until the Chairman returns.

Ms. POPE. Thank you, Delegate Norton.

[Recess.]

Mr. SHUSTER. The Committee will come to order. Thank you all for waiting. I was only five minutes off. I was in the rush hour to get back here or I would have got back here on time. Those elevators in the Capitol building aren't that efficient; they all go to the same floor at the same time, it seems like.

I want to welcome the third panel. Thank you for being here. The third panel we are hearing from today will discuss other proposed regional economic development authorities. We are joined today by Mr. Jonathan Daniels, President and CEO of Eastern Maine Development Corporation, who will discuss the proposed Northeast Regional Development Commission; Mr. Al Delia, President and CEO of North Carolina Eastern Region, who is here today to discuss the proposed Southeast Crescent Authority; and Mr. Jake Brisbin, Executive Director of the Rio Grande Council of Governments, who will discuss the proposed Southwestern Regional Border Authority.

I hope our third panel will continue to provide us with insight into these issues.

With that, I recognize Mr. Daniels. You may proceed.

TESTIMONY OF JONATHAN DANIELS, PRESIDENT AND CEO, EASTERN MAINE DEVELOPMENT CORPORATION; ALBERT A. DELIA, PRESIDENT AND CEO OF NORTH CAROLINA EASTERN REGION, DIRECTOR OF FEDERAL RELATIONS, EAST CAROLINA UNIVERSITY; JAKE BRISBIN, JR., EXECUTIVE DIRECTOR, RIO GRANDE COUNCIL OF GOVERNMENTS

Mr. DANIELS. Thank you, Mr. Chairman and the honorable members of the Subcommittee, for the opportunity to testify this afternoon on behalf of the legislation to establish the Northeast Regional Economic Development Commission. I would also like to thank Congressman Michaud for his leadership, as well as the cosponsors in the development of this legislation.

As was mentioned, my name is Jonathan Daniels, and I am here today as President and CEO of an economic development district in Maine, and it is in that capacity that I will offer my testimony.

My organization is one of six economic development districts in the State, a State that was recently cited by the Federal Reserve Bank of Boston for an economy that is virtually stagnant, and one of only two States—joining Louisiana—for its negative growth over the last year. A look at the map of Maine shows just how significant job losses have been over the past 12 years just due to trade-related impacts.

Of the 145 businesses that are certified under the Trade Adjustment Act in Maine, there have been more than 18,000 job losses. While a few of these operations have reopened, available employment opportunities continue to wane. Additionally, this map does not note the recent decision by BRAC to close the Brunswick Naval Air Station, which will not only impact the nearly 3,000 employee workforce on the base, but the State of Maine as a whole. And while I am speaking primarily of conditions in Maine, the problems we face are emblematic of the entire proposed commission region.

This afternoon, Mr. Chairman, I would like to succinctly discuss the need for the authorization and funding of the multi-State Northeast Regional Development Commission as part of an overarching package that will further our efforts to create a sustainable, diverse economic region at the time when our traditional industries are closing in favor of more service-oriented economy.

As someone who typically stands against the creation of additional entities as a cure for the ills of economic distress, in this case I see a new federally sanctioned development zone as an opportunity to put forth the infrastructure that will support the activities of the existing development districts, while eliminating the redundancies that plague the current system. While the ultimate number of counties designated within this zone has not yet been determined, we evaluated 23 rim counties that represent a rural distressed cross-section of Maine, New Hampshire, Vermont, and Upper State New York, as well as the six reservations supporting the five Native American nations represented within these counties.

Why should this region be considered for the creation of such a commission? We evaluated five separate criteria in our analysis which serves as a basis for determining the general economic and social health of the region. And you are also going to be able to see some charts which are going to show graphically where our region stands against some of the other regions that are being considered.

Change of population migration or, in the case of the proposed commission region, out-migration. The region as a whole saw a .3 percent reduction in population from 1990 to 2000. In comparison, the ARC region saw a 9 percent increase, while the United States as a whole saw an increase of 13.2 percent. The most significant display of out-migration occurred in Aroostook County, the northern section of the State of Maine, which saw a 15 percent reduction in population over a 10-year time period from 1990 to 2000.

Poverty. Thirteen point 6 percent of the population within the prescribed region live in poverty according to 2000 census data, which matches both the national average and the poverty rate in the ARC region, with the highest level of poverty in the northeast region within Washington County, Maine at 20.3 percent.

Median household income. The average median household income in the region is more than $8,000 less than the national average. And at the extreme, Washington County, Maine is twice that, or in excess of $16,000 below the national average of $41,000.

Unemployment. According to 2005 Bureau of Labor Statistics data, the unemployment rate sits at 5.6 percent, or half a point above the national average. Again, Washington County, a recurring theme, has the distinction of having the highest rate, at 8.4 percent.

And per capita income as a percentage of national average. This is often the best indicator of economic health of a region. The region as a whole stands at only 76 percent of the national average of per capita income. There is not a single county within the proposed commission region that meets the national average, with Franklin County, New York falling 35 percent below the national average.

Now, as you can see from the map that is going to be put up showing the initial data collection region, there is an obvious distress pattern that runs from Maine into New York. And you can see from the dark green and lighter green sections—we actually tabbed this as gangrene because of the amount of economic distress in the region, and it is also tabbed as the "Ice Belt," as the economic conditions in the region that sit below just the Canadian border are extremely cold.

How do we begin to address the distress that exists within the Northeast region?

One, we need to create an entity that emphasizes and assists in the development of infrastructure through public investment that supports private sector business development, enhances educational attainment that spurs job skills training and stimulates entrepreneurship.

We must put forth a bottoms-up approach that allows the development strategies that are created at a local level to be integrated into an overall regional plan that fosters an efficient model of col-

laboration that can help leverage additional public and private sector investment.

We must provide a critical mass of funding for the commission. This funding will be carefully administered and invested in the projects that strengthen our traditional industries, while helping us invest in projects that will create a more diverse, sustainable economy.

Ultimately, we need to authorize the creation of a Northeast Regional Economic Development Commission that will ensure proper capacity to deal with the chronic distress that besets the region.

Mr. Chairman and members of the Committee, I would like to thank you for the opportunity to address this issue this afternoon and to provide evidence that I hope will prove significant in making a decision for approval for this commission. I would be happy to answer any questions. Thank you.

Mr. SHUSTER. Thank you very much, Mr. Daniels. Can you just point out where was Mr. McHugh's—the county that Mr. McHugh pointed out, the big green one in the corner there?

Mr. DANIELS. Right up in this section. This would be his.

Mr. SHUSTER. Was it Hamilton County?

Mr. DANIELS. Hamilton County, yes.

Mr. SHUSTER. Is that one of those dark green ones there?

Mr. DANIELS. Yes, sir.

Mr. SHUSTER. All right.

I now recognize Mr. Delia for your statement.

Mr. DELIA. Chairman Shuster, Mr. Michaud, ladies and gentlemen, I am pleased to be here today to once again testify in support of House Resolution 20, a bill to create the Southeast Crescent Authority.

My name is Al Delia, and I am currently the Director of Federal Relations for East Carolina University in Greenville, North Carolina, and soon—in fact, within about three weeks—I will assume a new position, as President and Chief Executive Officer of North Carolina's Eastern Region, one of seven regional economic development organizations in North Carolina.

I last had the privilege of testifying before this Subcommittee on September 12th, 2002, shortly after legislation to create the Southeast Crescent Authority was first introduced by Representative Mike McIntyre and co-sponsored by a number of his colleagues from both sides of the aisle throughout the Southeast United States and, indeed, from other parts of the Country.

In the interval of time between my first appearance before this Subcommittee, nearly four years ago today, and today, I am sorry to report that the deep and persistent poverty found throughout the rural parts of the 429-county region known as the Southeast Crescent has not improved. In fact, evidence points to an increase in poverty in many of the areas of the region.

Over the last 40 years, an amazing transformation has occurred in and around the larger metropolitan areas of the Southeastern United States. Modern economically successful cities like Richmond, Raleigh, Charlotte, Atlanta, Birmingham, and Orlando represent islands of wealth surrounded by a vast sea of rural poverty.

Everyone across the Country and, indeed, around the globe knows the story of these new South enclaves of wealth and success,

but today I want to focus my remarks on those parts of the South to which few bear witness. It is the South that I have dedicated two decades of my life to try to change to improve to help restore the promise of America to those who often live with little hope and empty promises.

It is a place that brings up the rear when measuring educational attainment. It is a place that brings up the rear in economic opportunity. It is a place that brings up the rear in the health of its people. It is a place that brings up the rear in per capita wages. It is a place that often lacks basic infrastructures other places of the Country take for granted. In essence, it is a place that simply lags behind the rest of the Country.

This place is the rural South. Those of us that have the opportunity to travel through the picturesque landscapes of small towns, rich farmland, and expansive coastal plains often on our way to luxurious mountaintop or oceanfront homes—do not absorb the reality that 20 percent, 30 percent, and sometimes over 40 percent of the people we pass along the way live below the poverty line. These figures represent double, triple, and quadruple the national average poverty rates. The rural South is a place with an abundance of rich soil and poor people.

The seven-State region of the proposed Southeast Crescent Authority has the highest rates of unemployment, the highest number of people trapped in deep and persistent poverty, and the most occurrences of economically devastating natural disasters, as Congressman McIntyre mentioned, two to three times the national average. We have borne the highest and disproportionate share of America's price for leading the global economic changes that resulted from NAFTA and CAFTA. Economic restructuring that have all but eliminated textile jobs, caused by commodity prices to plummet, and cut manufacturing employment by more than half in many areas.

However, I do not appear before you today to paint a dark picture of the region. Nor do I sit before you today with hat in hand asking for charity. Four years ago I told this Subcommittee that the future of the rural South, like our well known sunshine, was bright and warm. I said that our opportunities in the economy of tomorrow were too numerous to count.

Well, today is yesterday's tomorrow and my convictions and my predictions have proven to be solid and true. In those parts of the rural South where resources and opportunities converge we have seen economic success emerge. However, in too many places we continue to lack the resources to take full advantage of the opportunities.

It is appropriate that today I testify on the heels of this Subcommittee's consideration to reauthorize the Appalachian Regional Commission. The Southeast Crescent Authority is closely modeled after the ARC, and like those leaders of a generation ago in the Appalachian Region, the leaders and the people of the Southeast Crescent are ready and willing to do their part. SECA is designed to assist areas of the region that are mired in poverty, just as other government-sponsored economic initiatives have in the past in other parts of the Country.

One former ARC national co-chair told me that the ARC rarely puts in the most money to a project, but it often puts in the first or the last money into a project. In effect, the ARC money is the glue that holds projects together. No such glue is available in Eastern Norther Carolina or in the rest of the Southeast Crescent region.

As proof of the power of that glue, one need only look at the change the ARC region has undergone in just over four decades. These numbers have been spoken about a lot today. But in 1960, as we have heard, before the creation of ARC, 223 counties were classified as distressed, and today that number is down to 77. What other federally-funded program can claim that level of success? This statistic alone is testament to the excellent work and outstanding success of the Appalachian Regional Commission. We in the Southeast Crescent region want an opportunity to replicate ARC's success, and perhaps even improve upon its record.

Thanks to the lessons we have learned from the good work of the ARC, I am more convinced today than ever before that the Southeast Crescent is uniquely positioned to take swift and full advantage of the creation of the Southeast Crescent Authority.

We know that the creation of SECA, the Southeast Crescent Authority, will not solve the economic woes of an entire region by itself, but it is one tool, an effective and affordable tool, that will begin to create economic opportunity and hope. While other parts of the United States with economic challenges have the advantage of federally-funded economic development commissions or authorities, such as the Appalachian Regional Commission, the Delta Regional Authority, the Denali Commission, Northern Great Plains, to help deal with the deep and persistent poverty of their regions, the Southeast Crescent region continues to struggle without a Federal partnership.

In creating SECA, Congress must insist that four things occur: that, one, funding be adequate to the task and all monies dedicated to this purpose be used wisely and quickly; two, that planning at the local, State, and multi-State level must be integrated and comprehensive; three, that the organizational structures, policies, regulations, and guidelines with the Authority must become operational quickly and reflect the best of the policies, regulations, structures and guidelines, and experiences of each of the other four currently authorized regional commissions; and, four, projects must benefit the most distressed areas, that these projects are truly targeted to improve economic or community needs and that the goals established are attainable, that projects have long-term benefits, and that potentially eligible projects are placed in a project pipeline prior to SECA becoming operational so that, once resources are available, projects may be funded and make a difference on the ground quickly.

In my written testimony I expand on each of these requirements on which I believe Congress must insist.

I had the honor and privilege of working with fine people from each of the seven States of the Southeast Crescent region for a cause I believe in. During the past several years, we have learned much about the successes and structures of the ARC, and that is

why we want to follow the model of the ARC. Support for the Southeast Crescent region is broad and deep.

I have had the opportunity to travel to each of the seven States to meet with the local development district in each State, and I am happy to report that in each of the seven States there has been unanimous support among the councils of governments and local development districts for creation of the ARC. And, indeed, two and a half years ago, the Southern Governors Association also unanimously endorsed the creation of the Southeast Crescent Authority.

As I have said, we have learned much from the challenges and the obstacles faced by some of the other commissions, and we believe that the lessons we have learned from other regional authorities and commissions, and experiences from those will allow SECA to become the model of success for future Congresses.

In closing, Mr. Chairman, I want to express my thanks to you and to your Subcommittee for your willingness to hold this hearing and to listen to testimony on the need to expand the successful 40-year experiment of the Appalachian Regional Commission by creating new regional authorities and commissions in other parts of the Country.

At the risk of singling out only one member among many that have played important and tenacious roles in keeping the needs of the Southeast Crescent region and its people before this body, I want to take this opportunity to particularly thank Representative Mike McIntyre. I look forward to working with you and all the members of this Subcommittee, and to work with your fine majority and minority staffs to help to enact this important legislation. Thank you.

Mr. SHUSTER. Thank you, Mr. Delia.

Now I recognize Mr. Brisbin for your opening statement.

Mr. BRISBIN. Thank you. Thank you, Mr. Chairman and members of the Committee, for the opportunity to testify today about the concept of Federal-State regional commissions and, more specifically, the pending legislation proposal, H.R. 5742, for the Southwest Regional Border Authority. I also want to extend my appreciation to Representatives Henry Bonilla and Silvestre Reyes for the dedication and hard work along the border. Congressman Reyes is not just my Congressman, on the border, as we say, he es mi hermano.

My oral testimony will be comprised of three main parts: my background and experience, why we need the legislation, and how I envision it to be the answer to many of the most pressing problems of the Southwest border. I will try to keep statistics and recitation of numbers you have already heard to an absolute minimum.

I have been a commissioner, a mayor, and a county judge for border entities. The county I served as county judge shares over 100 miles of border with Mexico. Public policy has always been my first love, but I did own and operate a successful telecommunications firm on the border for 16 years. I currently serve as the Executive Director of the Rio Grande Council of Governments, a regional organization that covers over 22,000 square miles and parts of two States.

I am also a member of the Board of Directors of the National Association of Development Organizations and Chairman of the

NATO Task Force on Homeland Security. My reason for telling you this is this experience has led me to the conclusion that regionalism employed in an area of commonality can be highly effective both in terms of cost and goal attainment.

This Country has a chronic problem along its southwestern border: employment, economic development, infrastructure construction, and financing are all in short supply. One might say that the same could be said of many places, and that might be true, but where else have national policies such as trade, immigration, and homeland security contributed in such a way as to inhibit a region's ability to keep pace with the rest of this great Nation?

The Southwest has regionally undergone a transformation in the public eye from the unknown part of the United States to the entry point for many of our most pressing problems. If you think that is scary to the rest of the Country, consider our dilemma: we are overwhelmed with needs, and most of those needs are growing exponentially. Trying to address those needs by shaping our remedies to Federal programs already in existence is often just a temporary fix and a poor fit. More often than not, the guidelines simply don't work on the border.

Federal programs such as the EDA and the Small Business Administration have proved to be useful tools in our past efforts. We have no desire to supplant those agencies. Their usefulness has been proven over time. I envision the Southwest Regional Border Authority to be the primary tool to address the current needs of our border communities. The joint Federal and State makeup with its bottom-up approach and with the guidelines adjusted to fit border realities is the right way.

This, of course, is nothing new. The other regional commissions currently in place and those proposed are proof that there is merit in the idea. The new Federal funds would be coherently managed from a regional approach and the return on those funds to the Federal coffers would be significant. All those involved in the business of economic development have seen this model work many times. In short, we ask that you give us, the residents and governments of the Nation's southwestern border region decision-making power in regards to the use of Federal and State funds for water, sewer, telecommunications, technology, and transportation infrastructure to generate a healthier economy.

The success of councils of governments and regional organizations in Texas, New Mexico, Arizona, and California is a documented fact. The regionalism concept is working now. The one glaring shortcoming is the difficulty in matching the needs with the programs. The Southwest Region Border Authority would be the tool to make it all come together, the final buy-in by the Federal and State governments to the realization that regions are unique and the best answers to local problems are found at the local and regional level.

End result, we get locally determined needs addressed through a regional approach, coordinated at ever level and reviewed for economic impact, benefit, and priority. Unfortunately, this can't be done from Washington, D.C., all respect due being given. The reality of living on the border is filled with events unfamiliar to most Americans. It is a great challenge to make the region a contributor

to the Nation's wealth, not a statistical anomaly in a Nation of prosperity. We welcome the challenge, hope for your support, and totally embrace the concept of the Southwest Regional Border Authority.

I am happy to respond to any questions the Committee might have, and thank you for this opportunity, Mr. Chairman.

Mr. SHUSTER. Thank you, Mr. Brisbin.

I am going to open the questions up.

Mr. Michaud, why don't you go ahead and start off?

Mr. MICHAUD. Thank you very much, Mr. Chairman.

Mr. Daniels, as I stated in my opening remarks that the Northern Forest Alliance was here to support the Northeast region's bill, and it also gained support of conservation groups. Some might wonder why would those organizations support an economic development bill. When the co-sponsors and I carefully drafted the scope of this Commission, we included focus on land use, conservation, and sustainable development. In your view, why are these issues important when it comes to economic development in the Northeast?

Mr. DANIELS. Thank you. Briefly, having a partner such as Northern Forest Alliance, Northern Forest Center work hand-in-hand with economic development agencies I think it is unique, and it has changed, it is evolving, as I think all of us have taken a look at the economy over the last few years. It is changing our natural resource. Base economy is shifting. In 1970, when we had 25,000 people working in the paper industry, we now have 10,000 people working in the paper industry, and a lot of those jobs have really shifted out. So we need to find new ways to create sustainable economic development.

If you look at now, a great example is the advance in engineered wood composites facilities at the University of Maine, utilizing underappreciated, underutilized species, injecting it with composite resins and creating value-added products. Many of those are being tested right now by the U.S. Army and by the Department of Defense, and recently that facility in the University of Maine was chartered as a center of excellence for the U.S. Army. So taking a traditional natural resource base within our area and being able to provide new technology—in this case composites—we are really utilizing the existing resources and creating that sustainability that we need.

And that is not only in Maine, but it needs to be done throughout. That can be done simultaneously with looking at the tourism industry, $1.5 billion a year in the State of Maine. But we need to do a better job of packaging that.

So bringing in partners such as Northern Forest Alliance, looking at opportunities, looking at sustainable options that are occurring within composites and utilizing natural resource base economy, this in itself—we need to have a commission in order to solidify that development strategy. Right now we are doing it as a component here and a component there. We need that overarching commission in place to be able to bring all of those parties together, take the local development strategies and create an overarching package which we can implement on a regional basis. That is what this commission needs to be put forth to do.

Mr. MICHAUD. My second question is, what kind of investment could you see this commission focusing on that would have a significant impact on the economy for the region, the Northeast region?

Mr. DANIELS. And I think we have heard this in a couple different instances today, certainly within the Appalachian Regional Commission region, talking about transportation development, talking about broadband access. Transportation as a whole, the transportation reauthorization bill last year came forth and established the high-priority corridor from Calais, Maine to Watertown, New York and really set the stage for transportation investment. We need to go beyond that and be able to not only take a look at the major routes within that east-west corridor, but take a look at the arterial system and be able to connect that arterial system to an enhanced transportation corridor.

Broadband access, I have got a great example right now. I am working with a business that has been in town for about 100 years. They have evolved, and it is a high-tech 150-person shop just north of Bangor. Because of the lack of broadband access, they have given us exactly two years, and the clock is ticking, or else they are going to pack up their business and move it down to Atlanta, Georgia. We do not have the broadband capabilities.

There is another one, Jackson Laboratory, well known within the world of applied science and biotech. Right now, because of the technology they have, in order for them to ship information off the island, they have to shut their entire operation down for three hours each night to download information to get it out of Jackson Laboratory throughout the world, because there is not enough broadband capacity.

And it is not only those large operations, but it is the two-person, three-person shop that is doing design work somewhere in Maine that needs to be able to ship their design plans down to New York or throughout the world, and they are not able to do that right now. Basically, those businesses are not able to develop or they are shutting down.

Mr. MICHAUD. Thank you, Mr. Daniels. And I want to thank the other two members of the panel.

Thank you very much, Mr. Chairman, once again for having this hearing.

Mr. SHUSTER. Thank you.

My first question is, when you came up with the Northeast region, why did you cut out those southern New York counties there? Because, if I am not mistaken, most of them are across the border from they are all across the border from Pennsylvania. But those are regions in Pennsylvania that aren't that don't have that much economic growth and activity going on.

So how did you get that? And the second part of the question is, besides the obvious, why did you include Connecticut? And the obvious being you get two more senators and a couple more members of Congress to support this. But you have got Connecticut and Rhode Island, and even a chunk of Massachusetts over there don't seem to be—I mean, they seem to be doing pretty well. How did you come up with the region?

Mr. DANIELS. Actually, the 23—and this expands a little bit on the 23 initial counties that we did evaluate. I think we certainly, as we take a look at the legislation, need to come to a final total. I have heard anywhere from 34 to 40, anywhere in there, as long as they meet those distress factors. I think what it does do, it certainly strengthens, as we bring more counties in, the needs.

And I happen to be a resident of Upstate New York, happened to live in Hamilton County at one point, certainly was part of that distress. I don't think we have come up with a full total as of yet, so to cut that off at that level I couldn't give you an answer right now.

Mr. SHUSTER. I answered my own question. That is part of the ARC. But Connecticut and Massachusetts, those areas, why did you include them, is it the obvious?

Mr. DANIELS. Those are shown purely as those are successful regions right now, just not as distressed as the northern part of the area. So when we developed the map as a whole, we just wanted to show that as you go north, the areas of distress get much worse.

Mr. SHUSTER. Oh, so you are not saying that is not the region you are proposing?

Mr. DANIELS. No, no.

Mr. SHUSTER. OK.

Mr. DANIELS. There is actually another map that we do have that basically takes from Washington County, Maine, just on the right-hand side of the map, the dark green, and runs all the way to about Watertown, New York. Those are the 23 counties that originally were evaluated, the rim counties that are just south of the Canadian border.

Mr. SHUSTER. OK.

And a question for Mr. Daniels and Mr. Brisbin. You are both on State's borders with Canada and Mexico. Do you see cooperation, international cooperation on these types of economic development commissions?

Mr. DANIELS. Certainly. I happen to sit as part of the Board of Directors of the Atlantic Provinces Chambers of Commerce, which represents 14,500 businesses in Atlantic Canada. They were the ones that made the overture towards us to make sure that there is cooperation. Issues that impact the economy in Northern Maine, Northern Vermont, Northern New York, Northern New Hampshire, impact those in Quebec, Ontario, and New Brunswick.

So we need to be able—we are such a small region as a whole. We just don't have the critical mass to tackle any type of economic issue by ourselves, so we need to be able to have the Federal Governments of both the United States and of Canada working to address the economic distress.

Mr. SHUSTER. I don't know if they have counties in Canada. But are the regions similar, economically, as they are in New York, Vermont, and Maine?

Mr. DANIELS. If we expanded this map all the way to Halifax, Nova Scotia, you would see the same level of distress pattern running all the way from Western New York all the way through Nova Scotia, and even into Newfoundland and Labrador. And it is probably even more so than we are suffering right now. But, yes, you do have that same pattern.

Mr. SHUSTER. And how much cooperation is going on in that part of the world with Canada on, for instance, sewage treatment facility or water waste treatment facilities and things like that? Is that happening, cooperation?

Mr. DANIELS. I can't speak to that. What I can speak is that we are looking at joint energy policy. The Province of Quebec is far ahead of us in their hydropower, their renewable energy resources, so what we are doing is we are looking at ways and there is a joint committee that is made up of the eastern Canadian premiers and the New England governors, and they are getting together and they are going to be working on environment and energy and how those can work together so that we can deal with some of the energy problems and the high energy costs associated in the region.

Mr. SHUSTER. So if I travel up there into Maine today, would I see Canadian power coming across to one of those counties, supplying utilities for them?

Mr. DANIELS. Bangor Hydroelectric is owned by Emera, which is Nova Scotia Power, which is Nova Scotian. And there is an $85 million investment that is being made now running from eastern Maine down into the greater Bangor central Maine region that is called the 345 kV Line Northeast Reliability Interconnect, and it will allow power to flow in both directions, and it really ties into the Point Lepreau Nuclear Power Plant in Canada.

Mr. SHUSTER. Mr. Brisbin?

Mr. BRISBIN. Chairman Shuster, to address your question, yes, currently there is a border counties coalition group that is made up of representatives from northern Mexico and all of the counties along the U.S.-Mexico border. They are doing work together. There is a mayors conference that does work together. There is currently wheeling of energy back and forth across the Mexican border.

And other than AND Bank and Border Economic Cooperation Commission, there are no other specific projects going on. It is a very difficult process for us in that we are dealing with a country that is not nearly as developed as we are, and we are dealing with the northern end of it, which is their least developed portion of that country.

But, frankly, along the border, we don't breathe without talking to each other, because it is a river for the most part. I mean, it is not—there is so much interchange and interplay. I mean, El Paso is home to a joint area, when you include the City of Juarez, of 2.5 million people.

So there is so much interchange going on on a daily basis that when we look at policy, whether it be water planning or anything of that nature, we bring them to the table too. We can't always cooperate to the degree that we can because they lack the resources we do. That is a frank statement. But is there the will to do it and are there mechanisms to do it? Yes. And I would assume that this would improve that.

Mr. SHUSTER. Back to sewage and water. Do we supply any of those utilities, that infrastructure, to Juarez?

Mr. BRISBIN. I think that we have done joint projects with sewage treatment and we are doing—I guess our usage of the water is based on their usage and then a common policy is adapted, as well as the discharge into the Rio Grande, et cetera. I do not know

if there is a case where they are actually receiving water from us, although I know that there are contingency plans to do that on an emergency basis.

Mr. SHUSTER. And, Mr. Delia, you are in the eastern United States, the Carolinas. It is a hurricane-prone region. Can you comment on past recoveries, the programs, and their role in economic development?

Mr. DELIA. I would be happy to. A couple of words about the rate of natural disasters that occur in the Southeast region. Between 1980 and 2000, those two census periods, we had 2.5 times the number of billion—that is with a B—billion dollars disasters come through the region than anywhere else in the Country. Now, if you—and that was during a time when the prevalence of hurricanes, predominantly, was lower than it is right now in this new two or three decade period that geologically and climatologically we are going through.

The disasters that occur in the Southeast region, because of the depth of poverty of most of the region—and let me frame that depth of poverty. We have a 429-county region. When you take out the metropolitan areas of Raleigh, Charlotte, Miami, et cetera, everything else is in poverty. Seventy-three percent of the counties in that 429-county region have poverty rates above the national average. Almost 43 percent of the counties have poverty rates double, triple, and quadruple the national average.

So when it comes to recovery, the Federal Government has done a good job in terms of economic recovery and, unfortunately, we have all too much good experience in how to begin to recover from economic disasters. You can take a look at the recovery effort in the Carolinas, particularly North Carolina, from Hurricane Floyd and the flooding that ensued.

So we had very good immediate recovery, economic recovery, but the real problem is the long-term recovery. The real problem is creating the infrastructure and the economic opportunity that will allow businesses and individuals to ride out those storms and build wealth, and that has not happened, one statistic which goes counterintuitive to what people envision for North Carolina. Delegate Norton mentioned North Carolina is kind of the poster child for the new South. When we think about the highest number of per capita PhDs in the Country being in Chapel Hill and Raleigh Research Triangle Park. If you move 80 miles east of there, you have the lowest number of high school graduates in the Country.

In 1999, North Carolina had the highest number—and clearly also the highest per capita number—of outhouses in the United States, on the cusp of the 21st century. We now no longer have that statistic because they were wiped out in three days during Hurricane Floyd. Now, what that means is that suddenly not everybody got indoor toilets. What it means is

Mr. SHUSTER. A lot of troubled people.

Mr. DELIA. There are a lot of troubled people, but there is a lot of straight piping that is occurring in terms of water and sewer and so forth. So the problems may have begun to look different, but they are still there.

Mr. SHUSTER. And I said to Representative McIntyre, when we were talking about it before the hearing, North Carolina—he said

80 miles from the Triangle, and I said, isn't that the beach? No, it is not that far. So my understanding of North Carolina is what Ms. Norton said, that it is the new South and you don't think of this type of areas that have poverty and lack of education.

Mr. DELIA. Mr. Chairman, if you take a look at the Research Triangle Park and you look at the beaches, the Outer Banks, you have got about a 220 mile stretch that you have got to go through. Twenty miles outside of the Research Triangle Park you are in poverty; 20 miles west of the beach you are in poverty. So you are looking at 180-mile east-west stretch where you have got incredibly deep and persistent poverty, persistent to the point that it has been the same, 20 percent, 30 percent, 40 percent unemployment poverty rates, ever since the statistic has been kept by the Census Bureau, so we are talking 40-plus years.

Mr. SHUSTER. And you mentioned 423 counties?

Mr. DELIA. Four hundred twenty-nine.

Mr. SHUSTER. How many of those would be distressed counties?

Mr. DELIA. Ultimately, it depends on your definition of distressed.

Mr. SHUSTER. Well, using the ARC's definition.

Mr. DELIA. Using the ARC, you are looking at probably about 43 percent of those counties would be labeled distressed.

Mr. SHUSTER. Two hundred, roughly, or close to it.

Mr. DELIA. Right.

Mr. SHUSTER. What about in the Southwest?

Mr. BRISBIN. I think it is roughly 75 percent. I think it is roughly 75 percent.

Mr. SHUSTER. And how many counties?

Mr. BRISBIN. I think there are about 130, Mr. Chairman, I think. And I think probably 85 or 90 of them would be distressed counties.

Mr. SHUSTER. And what about in the Northeast region?

Mr. DANIELS. We looked at 23 initial counties, and I think that count is going to expand, but I think as you take a look at the size of the county, as you get into Aroostook County, Aroostook County is the size of Massachusetts and Connecticut combined, so you are looking at a fairly large stretch. But the scope of the county certainly is much larger than the southern model.

Mr. SHUSTER. And what percentage of the counties would you say are going to be distressed? I guess that would be the three dark green counties?

Mr. DANIELS. I think you are looking at about 90 percent of what is currently being evaluated would be fully distressed.

Mr. SHUSTER. OK. And my final question is if you had a magic wand, or if Congress said, OK, we are going to create all three of these, what would you take from ARC that you think that they do really well? Not all of it, but just one or two. And what did they do that you think we don't want to do that because we don't think that has worked well, if there is anything?

Mr. DANIELS. I think the basic management model and the development model.

Mr. SHUSTER. That is where they have done well?

Mr. DANIELS. They have certainly done well. We are right now in the development phase. We are certainly where they were back

in—not 1960, but certainly in the 1970's, when they had a little bit of history under their belt. There are significant differences in that a lot of the distress and how they have come upon their distress is very different, and how they go about meeting those distress factors is going to be very different. I think certainly what we need to do is have the flexibility

Mr. SHUSTER. Why would they be different? I mean, because they are basically measurements of unemployment and education level. There are four measurements? Income, poverty, unemployment.

Mr. DANIELS. Those basic distress factors, I think some of the programs and how we—we have been—I think we would take the model of transportation and broadband access, a lot of the core development components, health care I think as well, put those foundations in place and be able to address the real core to those distress factors.

Mr. SHUSTER. So flexibility is what you

Mr. DANIELS. We need to be able to have the flexibility.

Mr. SHUSTER. Mr. Delia, the same question.

Mr. DELIA. I agree with Mr. Daniels' assessment in terms of flexibility and the management structure, but I would add one which, in my view, is really the overarching reason to create these commissions, and it is not the money. The money is certainly very helpful and required, but it is the ability to coordinate response to needs at the local level.

What the ARC has done exceedingly well, and the Delta Regional Authority has begun to do exceedingly well, is bring together Federal resources from diverse Federal departments and agencies in concert with State resources, local government resources, and even, to a larger extent than even those, private resources to attack a problem in a holistic way. That I think is the secret to the success of the ARC, that coordinating role, and that, Mr. Chairman, I think is the single most important thing that these commissions would bring to our region, is that overarching coordinating and planning role.

Mr. SHUSTER. I agree with you that on that. I think that these Federal programs need to have coordination. I know you look at fire companies around America, and I am sure a lot of volunteer fire—I have got a volunteer fire company one mile down the street from it, and they both want money and somebody has got to say to them, whether it is the State, the Feds, or local saying, look, let's consolidate; we don't need 2 firehouses or we don't need 2 waste treatment facilities or 60 different water supplies in a region, consolidate the water too.

Mr. Brisbin?

Mr. BRISBIN. I too agree, Mr. Chairman. The combination of the State and Federal resources being coordinated, that is the critical thing and that is the thing that is lacking from other programs that are currently in place. And also I think one of the things that we really like about the ARC is the idea of the State and Federal voting equity on the chairmanship of the board, and having some you have got Federal accountability, but you also have the ability for the States to present their case, and I think in that structure that is a key part of it.

Mr. SHUSTER. Right. Well, just that panel we had here today with Federal, the State, and the local, that is what it is all about.

Mr. Michaud, do you have any other questions?

Mr. MICHAUD. No. Just want to note that was a good question that Matt probably—your question about is that the region. No, the Massachusetts, Connecticut, and Rhode Island were just put there so you can see the comparison of Maine and New York and upstate New Hampshire and Vermont.

Mr. SHUSTER. Well, again, besides the obvious to me, picking up two senators in Connecticut is not a bad strategy.

Mr. MICHAUD. But I do know we have finite resources, and when we put the region together, as you can see, pretty much all of Maine, the top tier of the other States definitely have problems.

Mr. SHUSTER. Right.

Mr. MICHAUD. And I might also add there have been some areas I know in Maine, labor market areas, where the unemployment rate has been as high as 35 percent, so it is devastating.

Mr. SHUSTER. OK, well, again, we want to thank the three of you for coming here today. We appreciate your taking the time and shining some light on this. As I said, I showed my ignorance to Mr. McIntyre when I thought he was talking about the beach, and I couldn't understand how you couldn't have economic prosperity in that part of the Carolinas. So, again, thank you all for being here today.

I need to ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing and unanimous consent that during such time the record remains open, additional comments offered by individuals or groups may be included the record of today's hearing. Without objection, so ordered.

Again, thank you very much for being here today. And if no other members have anything else to add, then we stand adjourned.

[Whereupon, at 4:20 p.m., the subcommittee was adjourned.]

Testimony of Congressman Charles F. Bass (NH-02)
H.R. 1695 – The Northeast Regional Development Commission Act
Before the Subcommittee on Economic Development, Public Buildings and Emergency Management
July 12, 2006

Thank you Mr. Chairman and the Ranking Member for allowing me to testify before your Committee to discuss the merits of the Northeast Regional Development Commission Act and the economic challenges that are present in New Hampshire's North Country.

As part of my testimony, I would like to submit for the record letters of support for this initiative from a wide range of stakeholders in our state including our Governor, local elected officials, businessmen and directors of local economic development corporations. In addition, I have included newspaper articles and reports that illustrate the difficulties that this region of my state faces.

I would like to commend my colleague from Maine (Mr. Michaud), for his leadership on this issue and my colleagues on the other side of the Connecticut River from Vermont and New York who also recognize that the economic challenges we face in the Northern Forest area is not a partisan or state issue but a REGIONAL issue that is going to take cooperation among the four states to achieve the common goal of economic viability and sustainability for the region. H.R. 1695 is the vehicle that will help our states meet this challenge.

New Hampshire as a state ranks high in nearly all measurements of financial success – we have low unemployment, high wages and strong growth indicators. Unfortunately, these numbers do not extend to the northern portion of New Hampshire in counties that I represent such as Grafton and Coos. Among some of the statistics that demonstrate the problems in the region include – while the

population of New Hampshire constantly grew over the past 10 years Grafton and Coos counties experienced a decline – the annual per capita is always among the lowest among the 10 counties – and twice as many workers in Coos hold more than one job compared to the state and national average.

On May 6th, the city of Berlin, New Hampshire lost its largest employer when the Fraser Pulp Mill shut down after over one hundred years of operation. Berlin is known as the "City that Trees Built" but the city is now faced with an uncertain future as community planners must create a new economic model for the city. The same story applies to the geographically linked communities throughout the four states that would be covered by H.R. 1695.I believe that by combining resources and focusing on a region-wide solution, we will be able to help provide economic hope and diversification for the Northern Forest region.

Again, thank your Mr. Chairman for allowing me the opportunity to come today before the Committee. I look forward to working with you in the future and would like to whatever assistance that you believe is necessary.

Close Window

Print Release

FraserPapers **Fraser Papers Inc.**
TSX: FPS

MARCH 7, 2006 - 17:41 ET

Fraser Papers Announces Closure of Berlin Pulp Mill; Exposure to Market Pulp Reduced

TORONTO, ONTARIO--(CCNMatthews - March 7, 2006) -

(All financial references are in US dollars unless otherwise noted)

Fraser Papers Inc. ("Fraser Papers") (TSX:FPS) announced today the permanent closure of its pulp mill located in Berlin, New Hampshire. The mill, which has an annual capacity of 230,000 tonnes of NBHK pulp, will continue production until May 6, after which time shutdown activities will commence. This closure will affect 250 employees.

"Rising costs of wood, energy and chemicals over the past three years have led to a significant deterioration in the financial results at our pulp mill in Berlin despite the efforts of our employees and the State of New Hampshire to improve the sustainability of the operations," said Dominic Gammiero, President and Chief Executive Officer of Fraser Papers. "We considered the short and long term market outlook for hardwood fibre costs, other rising input costs and capital requirements, and determined that it was appropriate to reduce our exposure to market pulp. We are planning to operate the adjacent Gorham paper mill on purchased fibre. The change in fibre supply options will better position the Gorham paper machines for specialty paper grades. We will also be evaluating the potential market-related shutdown of one of the five paper machines at the Gorham paper mill."

In 2005, over 55% or 130,000 tonnes of the total pulp produced at the Berlin pulp mill was surplus to the requirements of the Gorham paper mill and was sold to other paper mills, including Fraser Papers' mill located in Madawaska, Maine. This action will allow Fraser to reposition its market pulp business at the company's pulp mill located in Thurso, Quebec, which produces a variety of high quality maple and other NBHK specialty pulps.

Preliminary estimates indicate that the closure of the Berlin mill will result in a cash restructuring charge in the first quarter of $3 million, plus an additional pre-tax, non-cash charge related to fixed assets and working capital that will be dependent on the final determination of asset recoveries, particularly as they relate to the co-gen facility. The carrying value of the Berlin pulp mill and related assets was $48 million at December 31, 2005.

Fraser Papers is an integrated specialty paper company which produces a broad range of technical, and printing & writing papers. The company has operations in New Brunswick, Maine, New Hampshire and Quebec. Fraser Papers is listed on the Toronto Stock Exchange under the symbol: FPS. For more information, visit the Fraser Papers web site at www.fraserpapers.com.

Note: This press release contains "forward-looking statements" that are based on certain assumptions and reflect the company's current expectations. The words "estimate", "will", "planning" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time to time in the documents filed by the company with the securities regulators in Canada, including in the Annual Information Form under the heading "Forward Looking Information". The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTACT INFORMATION

Fraser Papers Inc.

Truckers, loggers adjust to mill closing

By PAT HAMMOND
Union Leader Staff
Sunday, Jun. 25, 2006

Nobody promised Ron Taylor that trucking wood for a living would be easy. So when the Fraser Mill in Berlin closed its doors last month, and prices paid for low-grade wood plummeted around the region, he was more frustrated than surprised. The reduction, he knew, would be reflected in his bottom line.

When one pulp mill closes, reducing the competition for wood, the remaining pulp mills lower the prices they will pay for the low-grade wood they need for their pulp and paper manufacturing process.

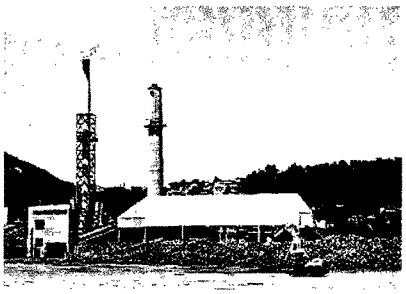
And when that mill buys 500,000 cords of wood a year, the impact resonates in an area like the Upper Connecticut River Valley, where forestry is significant to the economy.

Taylor buys both quality wood and low-grade wood from loggers and sells it to buyers in both markets.

Taylor, whose trucking company abuts the wooded Quintown Road in Orford, said he's now being paid at least $10 less per cord of low-grade wood he delivers to buyers. At 12 cords per delivery, Taylor is getting $120 for each truckload.

That comes to between $3,000 and $6,000 a week, depending on the season. With seven trucks to maintain and 10 drivers on the payroll, Taylor's 33-year-old business can ill afford a $156,000 to $312,000 annual loss.

Fortunately for Taylor and others in the wood business, the closing of the mill doesn't have an impact on sales of high-grade wood — the wood that's converted into lumber.



The woodyard at the Berlin mill after its first shutdown in 2001. (LORNA COLQUHOUN)

The closing of the Berlin pulp mill affects every layer of the wood business. For the woodland owner, the loss of a prime market for the low-grade wood presents a dilemma.

Two alternatives

According to a study contracted for by the state Department of Resources and Economic Development (DRED) in 2002, the woodland owners have two alternatives. They can harvest the high-grade logs and leave the low-grade wood on the stump. But that results in rapid deterioration of the high-grade wood.

Or they can defer timber harvests until low-grade markets rebound. This option would cut forest-related jobs, and expecting a rebound in the low-grade wood market in New Hampshire could be wishful thinking at a time when analysts agree that market is slipping away.

David Falkenham is the North Region forester for DRED's division of Forests and Lands, based in Lancaster.

"When things are going well," Falkenham said, "you can do weeding and thinning and sell it and what you leave behind is higher-grade trees that will be high value species in ten years — sugar maple or pine.

"If you can't cut it, the nicer trees will be stunted," Falkenham said. "They won't grow as quickly. Or you can cut it and leave it. But if that stuff that's left — that genetic base of low quality — when it should be removed, you are leaving bad genetics taking up space in the woods."

It's an economic problem for everybody, Falkenham said. "It's worse for those who lost their jobs, but there's a ripple effect for loggers. The industry is an up-and-down industry anyway. Most loggers have diversified, taken

measures to try and avoid a big problem."

The industry has changed in the last 20 years, Falkenham said. "They used to send wood to a handful of mills, but now we have to send it to more mills and farther away." And with diesel fuel up to $2.80 a gallon, transportation is more and more expensive.

Low-grade paper mills tend to come and go, Falkenham said, and with the global economy, it tends to get more complicated.

"Paper mills are in a pretty volatile place around the country. Saw mills tend to be more stable. It depends on the mill, if it's old or state-of-the-art. The Fraser mill had been around a long time. It's a tough economy to work in."

Wood-fired plants

The DRED study, conducted by Innovative Natural Resource Solutions LLC of Antrim and Draper/Lennon Inc. of Concord, summed up the problems facing the low-grade wood industry and the potential alternatives, and concluded that none of the options appeared viable for the near future.

The report, "Existing and Potential Markets for Low Grade Wood in New Hampshire," said the two primary markets for low-grade wood were the pulp and paper industry and wood-fired electricity plants.

Two pulp mills in Berlin and Gorham, then owned by Pulp and Paper of America, had closed, reducing the state's low-grade wood market from 2.8 million to an estimated 1.5 million tons a year. The Berlin mill re-opened under new ownership but closed several more times, finally shutting its doors last month.

The wood-fired electricity industry, spawned by the energy crisis in the 1970s, the report said, included eight operating plants in New Hampshire. Six of the eight remained open at the time the study was developed, but now the number is reduced to two.

All privately owned, they sold their electricity to the Public Service Company of New Hampshire, but unrealistic rates contracted for in the 1970s derailed those contracts as each expired. The contracts were not renewed.

Today, PSNH is converting one of the generating units in its own Schiller plant in Portsmouth to a wood-firing unit, which is scheduled to go online in September. Under a contract with the New Hampshire Timberland Owners Association, PSNH has agreed to buy a percentage of its low-grade wood from New Hampshire sellers.

Another obstacle

Which leads to yet another obstacle to the selling of New Hampshire low-grade wood.

In recent years low-grade wood providers in global regions as far flung as Southeast Asia and Brazil have developed a low-grade wood product that can be grown, cut, packaged and transported at a cost to buyers that's far lower than what northern New England foresters and loggers have to get to make a profit.

The reasons, according to New Hampshire forestry analysts, include low salaries, the ability to grow wood faster in the warm climates, and lack of the U.S. federal and state environmental laws that often require costly technical changes.

"In the short term, the closing of the mill in Berlin impacts loggers, truckers and landowners," says Northam D. "Norry" Parr. "In the long term, wood resource has a lot of potential uses, primarily in energy. Ultimately, that's the probable market for low-grade wood."

Parr's business card reads Extension Educator, Forest Resources, University of New Hampshire Cooperative Extension, Grafton County, but if you ask him what he does, he tells you he helps people take better care of the forests.

"It remains to be seen what impact the closing of the Berlin mill has on low-grade wood," Parr said. "There is a lot of speculation. The mill was buying wood up to a month ago. And with the mud season here, we are in a transitional phase."

Parr worries more about the truckers and loggers than the forest land owners. "Most of the people who own forest land in the region do not depend on income from that woodland to buy their next meal," he says.

"There are 28,800,000,000 (28 billion, 800 million) trees in New Hampshire of one inch diameter or greater," Parr said. "The majority of woodland owners, particularly in the Upper River Valley, are not depending on this income (from selling low-grade wood) to get by.

"I am less concerned about them than the impact on those who cut and transport it," he said.

"The people who depend on the wood harvesting are thinking, 'Uh-oh, there goes my paycheck. What do I do now?'" Parr said.

TOMORROW: Upper Valley woodland owners and managers talk about how they are adapting to the loss of Fraser and other mills.

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AUGUST 3, 2005 COÖS COUNTY DEMOCRAT

Gov. Lynch visits Colebrook for annual CEDC meeting

By Edith Tucker

COLEBROOK — Economic development, healthcare, and equal educational opportunity for all New Hampshire students were the three topics that Gov. John Lynch discussed in a short but engaging talk on July 26 at the annual meeting of the Coös Economic Development Corporation. The talk was delivered to a room packed with about 115 legislators, county officials, and selectmen as well as both economic development professionals and volunteers.

But the message Gov. Lynch really conveyed by his being on hand had more to do with his commitment to the North Country than to delivering a specific message.

The governor told the crowd, which was packed tightly into a steaming hot dining room at the Colebrook House Inn, that long after he had committed himself to CEDC president Benoit "Beno" Lamontagne of Colebrook, that he would speak at the organization's annual meeting, he learned that two Base Realignment and Closure (BRAC) commissioners would be touring the Portsmouth Naval Shipyard in Kittery, Me., earlier that day. Gov. Lynch said that literally thousands of jobs are at stake and that he had to be on hand, along with Gov. John Baldacci of Maine.

Despite his staff saying he would not possibly be able to travel north to Colebrook in time to keep his promise there, Gov. Lynch said he was determined to both fight for Seacoast jobs and keep faith with North Country folks. State Police Trooper Bruce Twyon figured out what he believed to be the speediest route to get the Governor to northern New Hampshire: the Maine turnpike; Route 26 to Errol; past The Balsams and into downtown Colebrook in time to speak and then meet and chat with every single person in the room.

In his remarks, Gov. Lynch pledged to work with people in the North Country to diversify the economy so as to create more and better jobs

CEDC executive director Peter Riviere said that the overall unemployment rate in May in Coös was 4.7 percent, while in the Colebrook area it stood at 7.6 percent. The layoffs and cutbacks in the Colebrook area have had the same effect as what happened in 2001-2002 when the pulp and paper mills closed down in Berlin-Gorham.

"It's as many jobs as the mills' closing," Mr. Riviere said, adding that it was time to "stop the bleeding, stop the hemorrhaging."

To that end, Mr. Lamontagne was given permission to make technical adjustments, as necessary, to allow an application for a Community Development Block Grant to move forward to assist the Vermont Electric Cooperative to construct a portable wood-fired boiler/generator, designed to reduce the total electric bill at the Ethan Allen furniture factory in Beecher Falls. The factory employs about 500 workers, two-thirds of whom live in New Hampshire.

In other action, the CEDC was given permission to negotiate with Dirigo Paper of Gilman, Vt. a year's deferral of the repayment of Community Development Block Grant, from Oct. 2005 to Oct. 2006, as long as its partner, the Northern Community Investment Corporation (NCIC), gives its permission. Changing the repayment schedule will allow the revived Gilman paper mill, which employs about 100 workers, to buy and maintain an inventory of spare parts, according to Mr. Riviere.

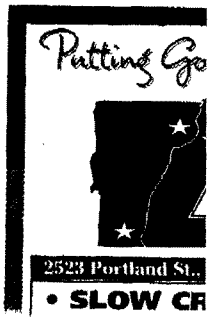
Everything must be done to bolster the existing local wood-based economy, including pulp and paper mills in Berlin-Gorham and Groveton and the Ethan Allen furniture factory in Beecher Falls, Vt., to allow time for the county's economy to become more diversified, he said.

Local players in the economic development field must continue to work together and to beef up the county's infrastructure that is needed to compete effectively in today's global economy, Mr. Riviere said.

Gov. Lynch also spoke of the cooperative efforts and bipartisan spirit that had made it possible for the state to move forward in the last session. He tipped his hat, so to speak, to both House Finance Committee chairman Rep. Fred King of Colebrook and Sen. John Gallus of Berlin, as well as other members of the county delegation on hand: delegation chairman Rep. John Tholl of Whitefield, as well as Rep. Herb Richardson and Rep. Bill Remick of Lancaster, and Rep. Eric Stohl of Columbia.

Peter Benson, the governor's North Country representative, was on hand, as well as Bill Williams, representing Congressman Charles Bass, and Melissa Ogle, representing Sen. John E. Sununu.

Former Department of Resources and Economic Development commissioner George Bald, who now heads up the Pease Development Authority, spoke about the hard work, patience, and persistence that it took to help Pease reach its goal of becoming a world-class industrial park. Now, he said, he looks forward to the day that the PDA has paid back the state for up-front money and can make dollars available to support economic development in less prosperous sections of the state.



New Hampshire Population Projections for State and Counties 2005 to 2025 December 2002

1. Introduction

The New Hampshire Office of State Planning has been, preparing projections or forecasts of future population for the state and its political subdivisions since, at least 1964. The projections have been used by a wide variety of government agencies and private interests to guide public policy, gauge market potential and quantify future target populations. The projections can be applied directly and unaltered to guide public or private endeavors. The projections can also serve as a *beginning,* or point of departure in developing further projection efforts, or refining existing ones. The OSP encourages the use of these projections to evaluate other projections. The U.S. Bureau of the Census has projected New Hampshire's population independently from the Office of State Planning.

The timing of the OSP projection is a direct result of the availability of demographic data from the US 2000 Census of Population and Housing. Census data were combined with birth and death data from the NH Bureau of Vital Records to develop survival and fertility rates. The births and deaths span the nineties and allow rates to be specific to New Hampshire. National survival and fertility rates were not used.

The projections are processed by a complete cohort survival method. This technique breaks the population into 36 age/gender cohorts. Each cohort has its own survival rate and migration rate. Fertility rates are also applied on an age specific basis. The technique is processed by spreadsheet software, programmed by RLS Information Services of Berne, NY.

In 2002, OSP received augmented funding and technical support from the NH Department of Health and Human Services, Division of Elderly and Adult Services for the preparations of the projections contain herein. The support provided by the DHHS is part of its mandate under (Senate Bill 132) RSA 152:2; which directs DHHS to coordinate a review of demographic trends in New Hampshire and the impact of such trends.

2. State Projections

New Hampshire has experienced strong population growth for 40 years. The consistency of the growth trend over such a long period of time is remarkable. The reasons for the sustained growth is a source of perennial debate. Most debates are subjective in nature. This is probably due to the complexity, multiplicity and interrelatedness of the forces involved.

It is known that the nation's population centers began to decentralize before World War II. Decentralization continues to this day, driven by a complex and intertwined set of social, economic, demographic and technological factors. Early in the movement, the rising cost of labor stimulated industry to build one story factories, which facilitated assembly lines and automation. The land for such factories was too expensive in or near centralized business districts, so new plants were built, just outside of existing population centers.

After WW II, existing decentralizing forces were reinforced. National mortgage insurance programs (FHA and VA) favored new construction over renovation. The value of land on small marginal farms was kept low by the lack of heavy farm subsidies. Road building programs, initially begun by state governments, allowed for more extensive use of cars and trucks, which allowed a lower density land use pattern. Then, in the mid-fifties, the federal government began the interstate highway system. This road network became its own force for decentralization as well as augmenting existing decentralizing pressures. By the early to mid-sixties New Hampshire was connected by two interstate roads, to the Boston Metropolitan Area. In fact for demographic purposes, 1960 is a benchmark in the NH experience.

In the sixties, New Hampshire grew more than it did in the 40's and 50's combined, and the growth continues to this day. Table - 1 shows some detail of the 40 year growth trend. Even since the completion of the Interstate System, the fundamentals for decentralization have broadened. Modern industry is no longer tied to port facilities, resource base or even market location. It makes little difference where a software, or a data processing operation is located. Manufacturers of high value, light weight electronic products have similar freedom of location. Decentralizing forces have made NH one of the faster growing states in the country.

Table - 1
Change in Total Population for New Hampshire
1960 to 2001

Time Period	Total Population		Average Persons per Year Change
	% Change	Rank Among States	
1960 - '70	21.2	9th	13,000
1970 - '80	24.8	13th	18,200
1980 - '90	20.4	6th	18,800
1990 - '00	11.5	22nd	12,600
1995 - '00	7.8	16th	18,000
2000 - '01	1.9	8th	19,300

Often, industrial decision makers will rank life style considerations, just as important as business conditions. Today, low crime rates, high quality of schools and recreational opportunities are increasingly the new, Aindustrial location@ factors. As telecommunications increase in speed and capability, and decrease in cost, more industries are likely to enjoy ever greater freedom of location in the future.

Assumptions - State

Any projection process necessarily relies on assumptions. This projection effort identifies two sets of assumptions, one for the state and one for the ten county components. The OSP projections are a step-down process where the larger geography is projected first. Lower levels of geography (county and town) must conform in the aggregate to the Aparent@ geography. This is to say, that the state's ten counties must sum (roughly) to projected state totals. This discipline obviously means the growth rationale (and subsequent mathematical expression of that rationale) for the state will have a determining impact on projections for the ten counties.

As alluded to above, there are many complex, interwoven reasons for New Hampshire's growth. Here, two prime assumptions are used to reflect and then quantify the many component factors of which they are composed.

The two prime assumptions that guide state projections are:

- The decentralizing of population that has been underway in the nation will continue. New Hampshire will continue to be a Adestination@ for decentralizing population movement from other parts of the country, and especially from neighboring states.

- Substantial growth is a forty year trend for New Hampshire. At this moment, there is nothing on the horizon that will significantly increase or decrease this trend. Although there have been fluctuations in this trend, these have occurred for relatively short periods of time. The state's tendency is to "return to trend@ quickly, and this is assumed to continue. In the early nineties, the state experienced outright population loss. This was after several years of growth that approached 30,000 people per year. However the trend's predominant range is 13,000 to 18,000 person per year. The trend is carried forward, initially at the rate of 15,000 persons per year, until the year 2010. This is in the middle of the predominant range and a small reduction from recent growth rates. The latest data from the Bureau of the Census, indicates a slight slowing of the state's growth. In addition New Hampshire, along with the nation, is losing manufacturing employment. Job loss in this sector will likely not allow the state to maintain the recent 18,000 persons per year pace.

  After 2010 a mild tapering of growth occurs and the projection period is finished at a level of

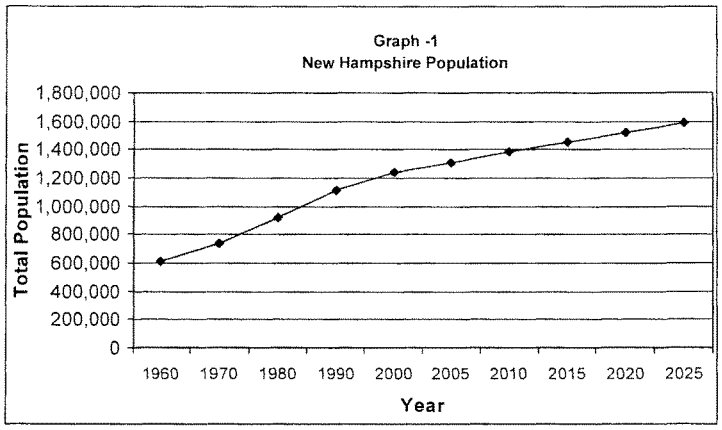
13,000 persons per year. This tapering should account for recessions, which slow the state's growth in the short term.

Tables - 1 and 2 and graph 1 outline and quantify New Hampshire's growth since 1960. Table - 2 shows the carrying of the trend forward into the future. Table - 1 presents greater detail about the established trend. In the nineties, the trend experienced a change, with only an average annual increase of 12,600 persons. This lower number actually represents both a weakening and strengthening of the trend. The lower growth for the nineties is the result of very severe economic recession in NH. From 1989 to 1992 the state lost 21,000 jobs. In addition, Pease Air Force Base was closed; 6,000 people had been living on the base. However, once the economic troubles passed, *the state returned to the established trend* This is clearly shown in Table - 1; the growth rate for the second half of the nineties is almost exactly that of the two previous decades. The latest available population estimate shows that the trend continues, within the range of 13,000 to 18,000 persons per year.

Table - 2
New Hampshire Population Change, History and Projected
1960 to 2025

Year	Total Population	Population Change during Interval	Average Annual Change: Persons per Yr.	Time Interval Years
1960	606,921			
1970	737,681	130,760	13,076	10
1980	920,610	182,929	18,293	10
1990	1,109,252	188,642	18,864	10
2000	1,235,786	126,534	12,653	10
2005	1,310,786	75,000	15,000	5
2010	1,385,786	75,000	15,000	5
2015	1,456,786	70,000	14,000	5
2020	1,520,786	65,000	13,000	5
2025	1,585,786	65,000	13,000	5

Source: U.S. Census and NH - OSP projections



Assumptions - Counties

Given the projected state totals, above; the next phase of the projection process is to allocate total state population to the state's ten counties. Casual analysis divides the state into the slow growing north and the fast growing south. Table 3 shows that this is largely true; but there are exceptions.

Table 3
Trend of Counties' Share of State Population, 1960 to 2000

	County Share of State Total				
County	**1960**	**1970**	**1980**	**1990**	**2000**
Belknap	4.8	4.4	4 7	4 4	4.6
Carroll	2.6	2.5	3.0	3.2	3.5
Cheshire	7.1	7.1	6.8	6 3	6.0
Coos	6.1	4.6	3.8	3 1	2.7
Grafton	8.0	7.4	7.1	6.8	6.6
Hillsborough	29.4	30.4	30.0	30.3	30.8
Merrimack	11.2	11.0	10.7	10.8	11.0
Rockingham	16.3	18 8	20.7	22.2	22.4
Strafford	9.9	9 5	9.3	9 4	9.1
Sullivan	4.6	4.2	3.9	3.5	3.3

Cheshire, Sullivan and Grafton Counties lost state share and Coos County lost significantly. Rockingham gained significantly, the largest change in either direction. The remainder of the changes are fairly modest and are at least partly related to *county size*. Hillsborough County was, by far the largest county in 1960. To maintain this position, or even gain in state share, (as it did) required impressive

numerical growth On the other hand, Carroll County increased its share rather notably. However Carroll had the smallest population base in 1960 and now ranks 8th among the ten counties.

Since 1960, New Hampshire's population has increased by about 629,000 people. More than 60% of this growth occurred in Hillsborough and Rockingham counties. The primary reason, of course, are the forces of decentralization, originating in the Boston Metropolitan area, and following the I-93 and I-95 corridors. How these two counties develop (relative to the state) in the next 25 years will have a corresponding impact on most other counties in the state.

The assumptions that guide county projections are:

- $ Decentralization forces will play a role in county distribution. As stated, business investment and population settlement will likely have even greater freedom of location in the future. Because of this, a shift in growth, away from Hillsborough and Rockingham is assumed. This assumption is coupled with the decreasing availability and increasing cost of land in these two counties.

- $ Merrimack and Carroll counties in particular will likely gain in state share of growth.

- $ Employment at the paper mills in Coos County and at Portsmouth Navel Shipyard, in Rockingham County will continue at about the same levels.

In 2000, Hillsborough and Rockingham counties accounted for more than half (53%) of the state's population. Holding these counties' share of State population constant or decreasing them a bit, will result in significant projected population going to other counties. Table - 4 shows projected county shares of total state population.

Table - 4
Historic and Projected County Shares of State Population

	County Share of State Totals					Projected County Shares of State				
Place	1960	1970	1980	1990	2000	2005	2010	2015	2020	2025
Belknap	4.8	4.4	4.7	4 4	4.6	4.6	4.6	4.6	4 6	4.6
Carroll	2.6	2 5	3.0	3.2	3.5	3.6	3.7	3.8	3.8	3.9
Cheshire	7 1	7.1	6.7	6 3	6.0	5.9	5.8	5.8	5.8	5.8
Coos	6.1	4.6	3.8	3.1	2.7	2.5	2.3	2.3	2.3	2.3
Grafton	8.0	7.4	7.1	6.8	6.6	6 6	6.6	6.5	6.5	6.5
Hillsborough	29.4	30.4	30.0	30.3	30.8	31.0	31.0	30.9	30.9	30.7
Merrimack	11.2	11.0	10.7	10.8	11.0	11.1	11.2	11.3	11.4	11.5
Rockingham	16.3	18.8	20.7	22.2	22.4	22.5	22 6	22.6	22.5	22 5
Strafford	9.9	9.5	9.3	9.4	9.1	9.0	9.0	9.0	9.0	9.0
Sullivan	4.6	4.2	3.9	3.5	3.3	3.2	3.2	3.2	3.2	3.2

Combining the state projections with the projected county shares. results in projected population by county. Table P - 5 shows the resulting populations.

Table - 5
Projected County Population
compared to
Two Latest Censuses

	U.S. Census		Projected Population				
Place	**1990**	**2000**	**2005**	**2010**	**2015**	**2020**	**2025**
Belknap	49,216	56,325	60,296	63,746	66,966	69,956	72,946
Carroll	35,410	43,666	47,188	51,274	55,320	57,790	61,846
Cheshire	70,121	73,825	77,336	80,376	84,436	88,206	91,976
Coos	34,828	33,111	32,770	31,873	33,483	34,978	36,473
Grafton	74,929	81,743	86,512	91,462	94,626	98,851	103,076
Hillsborough	336,073	380,841	406,344	429,594	449,838	469,923	486,836
Merrimack	120,005	136,225	145,497	155,208	164,504	173,370	182,365
Rockingham	245,845	277,359	294,927	313,188	329,008	342,177	356,802
Strafford	104,233	112,233	117,971	124,721	131,021	136,871	142,721
Sullivan	38,592	40,458	41,945	44,345	46,585	48,665	50,745
N.H. (in '000's)	1,109	1,236	1,310	1,386	1,456	1,521	1,586

Population projections are not predictions. The projection process attempts to identify probable assumptions and then extend those assumptions, via a mathematical technique, into the future. By themselves, the projections herein can serve as a general guide to likely future population trends. The projections can also serve as a *beginning* to alternative projection efforts. The OSP encourages data users to view the projections herein as a point of departure in developing their own projections. Data users are also encouraged to use OSP's projections to evaluate other projection efforts. The U.S. Bureau of the Census has projected New Hampshire's population independently from the Office of State Planning.

Persons with questions regarding these projections should contact, the NH Office of State Planning, 2½ Beacon Street, Concord, NH, 03301. Telephone (603) 271-2155. TDD Access: Relay NH 1-800-735-2964

Highlights of the Projections

- The projections show an increase of 350,000 people (28%) by the year 2025.

- The population aged, birth to 14 is projected to decline 6% by the year 2015; then increase to about the same level it was in 2000 by the end of the projection period. The reason for this fluctuation is the aging of people born from 1977 to 1994. This cohort, often called the "echo generation" is relatively large. This segment of the population comprises the children of the post-war baby boom generation and is expected to be followed by a smaller age cohort. Sometime after 2015, the children of the echo generation will begin to make an impact and the birth to 14 cohort will increase again.

- The echo generation, will move into middle age during the projection period. In 2000 they were aged from about 6 to 23 years old. By 2025, the oldest members of this generation will be about 49 years old.

- Overall the projections show an aging population. The post-war baby boom (born 1946 to 1964) plays a central role in this process. The baby boom approaches the age of 65 in 2010. Up to that year the state's percentage of population 65+ changes little. Between 2000 and 2005 it increases 0.4%. After 2010 the proportion increases about ten times as fast. In 2000, 12% of NH's population was 65 or older. The projections show this proportion may be about 14% in 2010 and about 26% in 2025.

- Hillsborough and Rockingham counties account for 53% of the state's population throughout the projection period. Carroll and Merrimack counties increase their combined share of state total population from 14.7% to 15.4% during the period. Coos county's share of state population declines from 2.7% in 2000 to 2.3% in 2010 and holds that share for the remainder of the projection period.

The following tables show the age/sex detail of the projected county numbers, shown in Table 5. The totals in the age/sex tables differ slightly from those shown in Table 5.

This report and accompanying tables are available on the internet at:

http://www.state.nh.us/osp/sdc/sdc.html - click on, "population projections". At this same site, the projection tables are available in a Microsoft Excel (.XLS) file. This file provides age/gender detail and tables with no gender detail.

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Belknap Co	Census 2000	2005	2010	2015	2020	2025
00-04	3,003	3,006	3,074	3,146	3,103	3,042
05-09	3,770	3,543	3,498	3,582	3,656	3,714
10-14	4,079	3,902	3,610	3,564	3,639	3,841
15-19	3,721	3,658	3,434	3,183	3,135	3,326
20-24	2,539	3,006	2,895	2,730	2,527	2,606
25-29	2,819	2,912	3,417	3,293	3,092	2,937
30-34	3,558	3,084	3,137	3,684	3,540	3,428
35-39	4,558	3,579	3,047	3,105	3,646	3,623
40-44	4,888	4,425	3,414	2,909	2,955	3,599
45-49	4,685	5,181	4,612	3,557	3,017	3,166
50-54	4,299	5,470	5,896	5,163	3,967	3,466
55-59	3,362	5,318	6,506	6,758	5,896	4,666
60-64	2,548	4,076	6,202	7,316	7,578	6,817
65-69	2,303	2,724	4,302	6,567	7,761	8,300
70-74	2,202	2,059	2,389	3,786	5,816	7,095
75-79	1,835	1,878	1,720	2,000	3,271	5,113
80-84	1,183	1,402	1,400	1,282	1,619	2,580
85+	973	1,089	1,222	1,267	1,481	1,671
Total	56,325	60,312	63,775	66,892	69,699	72,990
5-14	7,849	7,445	7,108	7,146	7,295	7,555
15-24	6,260	6,664	6,329	5,913	5,662	5,932
25-64	30,717	34,045	36,231	35,785	33,691	31,702
65+	8,496	9,152	11,033	14,902	19,948	24,759

These projections are also available with gender detail

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Carroll Co.	Census 2000	2005	2010	2015	2020	2025
00-04	2,096	2,037	2,031	2,138	2,178	2,142
05-09	2,711	2,416	2,348	2,372	2,448	2,624
10-14	3,220	2,912	2,594	2,557	2,529	2,755
15-19	2,721	3,007	2,720	2,464	2,369	2,495
20-24	1,454	1,795	1,984	1,838	1,607	1,685
25-29	1,927	1,861	2,298	2,570	2,337	2,138
30-34	2,540	2,182	2,108	2,642	2,894	2,770
35-39	3,326	2,478	2,128	2,085	2,551	2,969
40-44	3,781	3,101	2,310	2,018	1,924	2,508
45-49	3,608	4,073	3,347	2,533	2,165	2,171
50-54	3,420	4,439	4,938	3,979	2,949	2,649
55-59	2,748	4,616	5,788	6,061	4,784	3,717
60-64	2,325	3,579	5,805	6,861	7,035	5,837
65-69	2,256	2,840	4,256	6,547	7,581	8,190
70-74	2,080	2,101	2,640	4,009	6,055	7,468
75-79	1,629	1,823	1,838	2,348	3,489	5,605
80-84	979	1,110	1,245	1,285	1,660	2,600
85+	845	823	885	1,016	1,211	1,526
Total	43,666	47,193	51,263	55,323	57,766	61,849
5-14	5,931	5,328	4,942	4,929	4,977	5,379
15-24	4,175	4,802	4,704	4,302	3,976	4,180
25-64	23,675	26,329	28,722	28,749	26,639	24,759
65+	7,789	8,697	10,864	15,205	19,996	25,389

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Cheshire	Census 2000	2005	2010	2015	2020	2025
00-04	3,822	3,533	3,752	4,046	4,129	3,963
05-09	4,769	4,213	3,851	4,143	4,447	4,616
10-14	5,436	4,912	4,288	3,971	4,250	4,645
15-19	6,304	6,671	6,110	5,596	5,280	5,623
20-24	5,540	6,545	6,875	6,349	5,769	5,496
25-29	3,730	4,487	5,519	5,952	5,349	4,805
30-34	4,482	4,008	4,773	5,955	6,393	5,841
35-39	5,698	4,547	4,016	4,850	6,019	6,584
40-44	6,023	5,310	4,179	3,746	4,495	5,691
45-49	5,879	6,394	5,575	4,445	3,961	4,840
50-54	5,133	6,169	6,634	5,862	4,644	4,213
55-59	3,874	5,366	6,373	6,947	6,106	4,928
60-64	3,049	4,329	5,853	6,827	7,403	6,628
65-69	2,730	3,145	4,386	5,937	6,917	7,644
70-74	2,576	2,577	2,927	4,150	5,634	6,662
75-79	2,036	2,130	2,096	2,422	3,503	4,795
80-84	1,466	1,537	1,580	1,578	1,967	2,771
85+	1,278	1,453	1,530	1,628	2,002	2,208
Total	73,825	77,326	80,317	84,404	88,268	91,953
5-14	10,205	9,125	8,139	8,114	8,697	9,261
15-24	11,844	13,216	12,985	11,945	11,049	11,119
25-64	37,868	40,610	42,922	44,584	44,370	43,530
65+	10,086	10,842	12,519	15,715	20,023	24,080

These projections are also available with gender detail

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	Census 2000	2005	2010	2015	2020	2025
00-04	1,676	1,609	1,509	1,436	1,369	1,304
05-09	2,072	1,862	1,760	1,776	1,678	1,631
10-14	2,344	2,063	1,818	1,864	1,868	1,802
15-19	2,195	2,009	1,735	1,685	1,712	1,758
20-24	1,366	1,412	1,259	1,228	1,175	1,233
25-29	1,624	1,479	1,505	1,446	1,398	1,360
30-34	1,984	1,724	1,542	1,693	1,611	1,593
35-39	2,449	1,895	1,618	1,577	1,716	1,672
40-44	2,786	2,302	1,748	1,627	1,570	1,749
45-49	2,684	3,105	2,527	2,061	1,901	1,872
50-54	2,316	2,918	3,323	2,911	2,357	2,220
55-59	1,899	2,301	2,847	3,520	3,054	2,527
60-64	1,603	1,891	2,246	3,016	3,698	3,282
65-69	1,571	1,642	1,906	2,455	3,298	4,129
70-74	1,556	1,396	1,431	1,817	2,345	3,195
75-79	1,289	1,308	1,148	1,297	1,707	2,200
80-84	894	980	970	948	1,149	1,454
85+	803	878	928	1,092	1,370	1,512
Total	33,111	32,774	31,820	33,449	34,976	36,493
5-14	4,416	3,925	3,578	3,640	3,546	3,433
15-24	3,561	3,421	2,994	2,913	2,887	2,991
25-64	17,345	17,615	17,356	17,851	17,305	16,275
65+	6,113	6,204	6,383	7,609	9,869	12,490

These projections are also available with gender detail

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Grafton	Census 2000	2005	2010	2015	2020	2025
00-04	4,215	3,877	4,058	4,261	4,261	4,114
05-09	4,839	4,549	4,171	4,315	4,565	4,674
10-14	5,533	4,968	4,655	4,218	4,401	4,771
15-19	7,181	7,349	6,814	6,472	6,116	6,392
20-24	7,175	7,894	8,058	7,429	7,098	6,812
25-29	4,670	4,978	5,723	5,830	5,213	4,976
30-34	5,022	5,012	5,331	6,080	6,242	5,698
35-39	5,781	4,695	4,668	4,900	5,641	5,951
40-44	6,593	5,431	4,391	4,307	4,565	5,398
45-49	6,434	7,000	5,747	4,592	4,540	4,928
50-54	5,677	7,174	7,735	6,259	5,038	5,099
55-59	4,300	6,567	8,197	8,411	6,855	5,649
60-64	3,350	4,892	7,328	8,760	9,057	7,558
65-69	2,961	3,540	5,110	7,457	9,050	9,585
70-74	2,740	2,792	3,324	4,733	7,062	8,732
75-79	2,313	2,473	2,502	2,937	4,418	6,591
80-84	1,576	1,758	1,870	1,857	2,445	3,508
85+	1,383	1,555	1,721	1,810	2,274	2,605
Total	81,743	86,504	91,403	94,628	98,841	103,041
5-14	10,372	9,517	8,826	8,533	8,966	9,445
15-24	14,356	15,243	14,872	13,901	13,214	13,204
25-64	41,827	45,749	49,120	49,139	47,151	45,257
65+	10,973	12,118	14,527	18,794	25,249	31,021

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Hillsborough	Census 2000	2005	2010	2015	2020	2025
00-04	25,739	24,531	24,336	25,691	27,443	28,473
05-09	29,120	30,069	28,582	28,146	29,472	31,512
10-14	29,465	32,194	33,141	31,262	30,523	31,985
15-19	25,118	28,462	30,881	31,471	29,468	28,836
20-24	20,064	23,135	26,074	27,995	28,236	26,497
25-29	24,588	22,864	26,599	30,012	32,117	32,444
30-34	29,856	26,602	24,669	28,492	31,869	34,146
35-39	35,746	31,277	27,792	25,565	29,255	32,749
40-44	34,514	35,755	31,186	27,470	25,027	28,675
45-49	29,140	33,472	34,566	29,877	26,055	23,766
50-54	25,581	29,728	34,043	34,862	29,849	26,054
55-59	18,117	25,820	29,922	33,978	34,466	29,538
60-64	13,267	18,690	26,554	30,517	34,325	34,859
65-69	11,021	13,059	18,382	25,937	29,695	33,433
70-74	10,037	9,726	11,471	15,988	22,581	25,713
75-79	8,450	8,458	8,151	9,502	13,599	18,813
80-84	5,961	6,763	6,734	6,405	8,080	10,870
85+	5,057	5,815	6,574	6,729	7,901	8,369
Total	380,841	406,420	429,657	449,899	469,961	486,732
5-14	58,585	62,263	61,723	59,408	59,995	63,497
15-24	45,182	51,597	56,955	59,466	57,704	55,333
25-64	210,809	224,208	235,331	240,773	242,963	242,231
65+	40,526	43,821	51,312	64,561	81,856	97,198

These projections are also available with gender detail

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Merrimack	Census 2000	2005	2010	2015	2020	2025
00-04	8,112	7,714	7,981	8,601	8,899	8,824
05-09	9,621	9,470	8,985	9,218	9,844	10,376
10-14	10,374	10,335	10,150	9,547	9,695	10,560
15-19	9,670	10,576	10,512	10,251	9,596	9,937
20-24	7,220	8,745	9,463	9,317	8,994	8,645
25-29	7,450	7,639	9,575	10,410	10,140	9,887
30-34	9,452	8,187	8,376	10,420	11,226	11,146
35-39	12,035	9,398	8,125	8,232	10,119	11,144
40-44	12,736	11,819	9,187	7,857	7,876	9,906
45-49	11,243	13,529	12,515	9,610	8,115	8,299
50-54	9,557	12,155	14,581	13,363	10,154	8,748
55-59	6,847	10,548	13,406	15,966	14,482	11,198
60-64	4,985	7,002	10,774	13,571	15,987	14,809
65-69	4,455	5,200	7,320	11,204	14,076	16,931
70-74	4,092	4,235	4,925	6,859	10,491	13,365
75-79	3,461	3,772	3,889	4,470	6,366	9,737
80-84	2,391	2,531	2,742	2,785	3,448	4,757
85+	2,524	2,651	2,774	2,902	3,799	4,152
Total	136,225	145,506	155,280	164,583	173,307	182,421
5-14	19,995	19,805	19,135	18,765	19,539	20,936
15-24	16,890	19,321	19,975	19,568	18,590	18,582
25-64	74,305	80,277	86,539	89,429	88,099	85,137
65+	16,923	18,389	21,650	28,220	38,180	48,942

These projections are also available with gender detail

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Rockinham	Census 2000	2005	2010	2015	2020	2025
00-04	18,100	16,697	15,326	15,727	16,755	17,358
05-09	21,398	21,323	19,806	18,085	18,377	19,822
10-14	22,001	23,561	23,655	21,852	19,744	20,331
15-19	17,610	20,146	21,766	21,712	19,809	18,197
20-24	11,403	13,545	15,657	16,777	16,477	15,327
25-29	15,125	12,727	15,249	17,543	18,613	18,531
30-34	21,189	16,747	14,209	16,926	19,265	20,709
35-39	27,288	22,032	17,536	14,779	17,413	20,101
40-44	27,385	27,399	22,303	17,646	14,707	17,582
45-49	23,179	26,975	27,220	22,012	17,204	14,547
50-54	20,166	24,473	28,708	28,813	23,046	18,247
55-59	14,192	21,119	25,830	30,121	29,884	24,234
60-64	10,236	15,392	23,091	28,108	32,423	32,621
65-69	8,400	11,493	17,268	25,175	30,391	35,523
70-74	7,149	7,655	10,568	15,772	22,818	27,935
75-79	5,649	5,969	6,438	8,815	13,174	19,230
80-84	3,723	4,249	4,532	4,829	6,818	10,079
85+	3,166	3,471	3,968	4,269	5,226	6,424
Total	277,359	294,973	313,130	328,961	342,144	356,798
5-14	43,399	44,884	43,461	39,937	38,121	40,153
15-24	29,013	33,691	37,423	38,489	36,286	33,524
25-64	158,760	166,864	174,146	175,948	172,555	166,572
65+	28,087	32,837	42,774	58,860	78,427	99,191

These projections are also available with gender detail

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Strafford	Census 2000	2005	2010	2015	2020	2025
00-04	6,664	6,128	6,225	6,402	6,503	6,463
05-09	7,531	7,315	6,796	6,899	7,055	7,239
10-14	7,825	7,628	7,491	6,954	7,017	7,255
15-19	9,605	10,475	10,376	10,241	9,696	9,833
20-24	10,256	9,691	10,720	10,599	10,392	9,825
25-29	7,250	8,623	8,125	9,218	9,035	8,917
30-34	8,000	7,232	8,702	8,195	9,248	9,165
35-39	9,568	8,131	7,425	8,935	8,358	9,536
40-44	9,471	9,828	8,439	7,702	9,213	8,715
45-49	7,965	9,984	10,470	8,986	8,149	9,855
50-54	6,726	8,029	10,173	10,662	9,094	8,340
55-59	5,020	6,678	8,062	10,214	10,638	9,171
60-64	3,759	4,751	6,386	7,708	9,693	10,219
65-69	3,638	3,989	5,047	6,665	8,033	10,210
70-74	3,122	3,125	3,468	4,387	5,804	7,050
75-79	2,632	2,740	2,772	3,073	3,986	5,254
80-84	1,732	1,946	2,052	2,073	2,452	3,079
85+	1,469	1,667	1,921	2,096	2,553	2,747
Total	112,233	117,960	124,650	131,009	136,919	142,873
5-14	15,356	14,943	14,287	13,853	14,072	14,494
15-24	19,861	20,166	21,096	20,840	20,088	19,658
25-64	57,759	63,256	67,782	71,620	73,428	73,918
65+	12,593	13,467	15,260	18,294	22,828	28,340

These projections are also available with gender detail

New Hampshire Office of State Planning
Population Projections
Published - December 2002

v. Dec 5, 2002

Sullivan	Census 2000	2005	2010	2015	2020	2025
00-04	2,258	2,170	2,136	2,128	2,079	2,017
05-09	2,706	2,500	2,430	2,407	2,388	2,379
10-14	2,978	2,786	2,608	2,553	2,517	2,550
15-19	2,563	2,537	2,411	2,278	2,218	2,242
20-24	1,749	1,897	1,908	1,830	1,716	1,720
25-29	2,172	2,032	2,228	2,257	2,154	2,058
30-34	2,623	2,526	2,390	2,634	2,659	2,587
35-39	3,205	2,737	2,665	2,537	2,785	2,869
40-44	3,348	2,906	2,518	2,472	2,343	2,632
45-49	3,300	3,478	3,055	2,665	2,602	2,516
50-54	2,994	3,623	3,863	3,418	2,965	2,950
55-59	2,305	3,396	4,124	4,353	3,833	3,390
60-64	1,873	2,606	3,826	4,542	4,770	4,286
65-69	1,808	2,102	2,911	4,163	4,942	5,300
70-74	1,630	1,664	1,961	2,737	3,927	4,746
75-79	1,299	1,254	1,299	1,547	2,200	3,192
80-84	914	1,019	998	1,040	1,309	1,830
85+	733	858	993	1,043	1,247	1,441
Total	40,458	42,091	44,324	46,604	48,654	50,705
5-14	5,684	5,286	5,038	4,960	4,905	4,929
15-24	4,312	4,434	4,319	4,108	3,934	3,962
25-64	21,820	23,304	24,669	24,878	24,111	23,288
65+	6,384	6,897	8,162	10,530	13,625	16,509

These projections are also available with gender detail

New Hampshire Office of State Planning
Population Projections
Published - December 2002

v. Dec 5, 2002

N.H.	Census 2000	2005	2010	2015	2020	2025
00-04	75,685	71,302	70,428	73,576	76,719	77,700
05-09	88,537	87,260	82,227	80,943	83,930	88,587
10-14	93,255	95,261	94,010	88,342	86,183	90,495
15-19	86,688	94,890	96,759	95,353	89,399	88,639
20-24	68,766	77,665	84,893	86,092	83,991	79,846
25-29	71,355	69,602	80,238	88,531	89,448	88,053
30-34	88,706	77,304	75,237	86,721	94,947	97,083
35-39	109,654	90,769	79,020	76,565	87,503	97,198
40-44	111,525	108,276	89,675	77,754	74,675	86,455
45-49	98,117	113,191	109,634	90,338	77,709	75,960
50-54	85,869	104,178	119,894	115,292	94,063	81,986
55-59	62,664	91,729	111,055	126,329	119,998	99,018
60-64	46,995	67,208	98,065	117,226	131,969	126,916
65-69	41,143	49,734	70,888	102,107	121,744	139,245
70-74	37,184	37,330	45,104	64,238	92,533	111,961
75-79	30,593	31,805	31,853	38,411	55,713	80,530
80-84	20,819	23,295	24,123	24,082	30,947	43,528
85+	18,231	20,260	22,516	23,852	29,064	32,655
Total	1,235,786	1,311,059	1,385,619	1,455,752	1,520,535	1,585,855
5-14	181,792	182,521	176,237	169,285	170,113	179,082
15-24	155,454	172,555	181,652	181,445	173,390	168,485
25-64	674,885	722,257	762,818	778,756	770,312	752,669
65+	147,970	162,424	194,484	252,690	330,001	407,919

These projections are also available with gender detail
Shaded area, designates post war baby boom

Regional plan aims to ease economic distress

Congress asked to form four-state commission using the Appalachian Regional Commission as a model

Bass

BY EDITH TUCKER
COÖS COUNTY DEMOCRAT

COLEBROOK—An effort to create a federal-state partnership program modeled after the highly successful Appalachian Regional Commission (ARC) in impoverished counties of West Virginia and nearby states is underway in the Northeast.

The partnership would target an area for economic stimulation that roughly includes the four Northern Forest portions of Maine, New Hampshire, Vermont and New York State. In New Hampshire, the targeted area would include all of Coös County.

A letter drafted by Rep. Fred King outlining local legislators' concerns is on its way to U.S. Rep. Charles Bass of the 2nd Congressional District, as well as Senators Judd Gregg and John E. Sununu.

U.S. Rep. Michael Michaud of Maine, a Democrat and former paper mill worker, apparently intends to file legislation calling for a North Country Regional Commission.

North Country leaders in the other three states that make up the 26-million-acre Northern Forest region say their "economic facts of life" mirror the distress found in Coös County.

If a four-state regional commission were to be formed by Congress, King's letter argues Coös County should be the part of the Granite State that is included.

A raft of statistics backs up the signatories' assertions:

- While the state's population grew 13.7 percent in the decade from 1991 to 2001, Coös County's declined by 5.1 percent.
- The annual per capita income ($17,218) was lowest among the 10 counties. Rockingham was the state's highest at $26,656.
- Twice as many workers in Coös hold more than one job than

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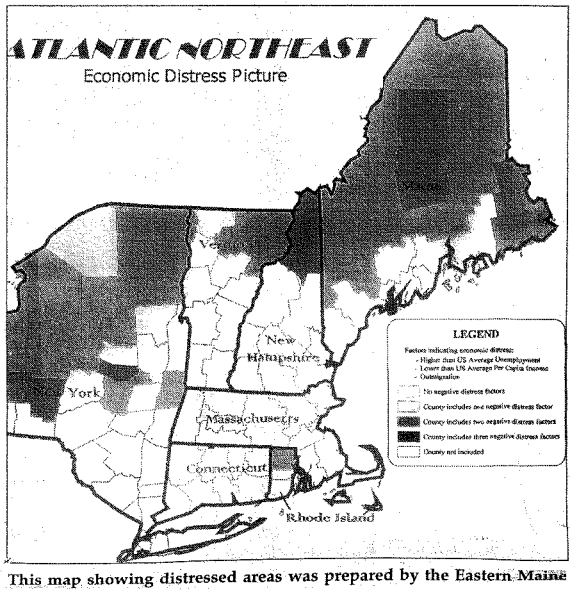

This map showing distressed areas was prepared by the Eastern Maine

the state and national average.

• The county's population is older than the state's average, and the number of children living in poverty is significantly higher than in the rest of the state.

Elected Coos leaders also noted that the two areas in Coös totaling some 200,000 acres – the Connecticut River Headwaters and the Androscoggin River Headwaters surrounding Lake Umbagog – pinpointed 10 years ago in the report of the Northern Forest Lands Council, "Finding Common Ground," have been protected by a combination of fee ownership and conservation easements.

Some form of fee ownership or easement arrangement controls one of every two acres in Coös, the letter points out.

"The standards developed to indicate the strength of the New Hampshire economy do not apply in Coös County," the letter states. "They never have."

King admits that creating a regional commission and then getting it funded represents a "very ambitious plan." But he notes the bulk of the ambitious plans agreed to by the conservation community, outlined 10 years ago, have been achieved through partnerships funded by a combination of federal, state, and private dollars.

The letter is signed by King and Sen. John Gallus of Berlin, all three Coös County commissioners, all other House members from Coös and Executive Councilor Ray Burton of Bath.

Three other regional commissions are also in the process of being proposed in Congress: the Southwest Regional Border Authority stretching across southern California, Arizona, New Mexico, and Texas, and the Delta Regional Authority in the lower Mississippi River Valley, and the Southeast Crescent Authority from Virginia to Florida. A Northern Great Plains Regional Authority has been authorized but not funded. Other authorities in rural America include both the ARC and the Denali Commission.

Since its creation in 1965, ARC has helped to reduce the overall poverty rate in the targeted counties from 31 percent in 1990 to an average of 15 percent in 2000.

"The number of distressed counties [in the ARC region] has been reduced from 219 in 1965 to less than 100 in 2000," points out the collectively signed letter to Bass. "There are other such cooperative state-federal regional commissions in addition to the ARC that have been authorized by Congress, some of which have been funded."

At its last quarterly meeting, King was authorized by the Coös County delegation to draft the letter, dated May 24, and secure all the needed signatures. The letter was mailed to Bass, Gregg and Sununu on June 5.

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The Senate of the State of New Hampshire

107 N. Main Street, Room 302, Concord, N.H. 03301-4951

JOHN T. GALLUS
Majority Whip
District 1

July 6, 2006

The Honorable Bill Shuster
The Honorable Eleanor Holmes Norton
Subcommittee on Economic Development
Public Buildings and Emergency Management
591 Ford House Office Building
Washington, DC 20515

RE: HR1695

Dear Chairman Shuster and Ranking Member Norton,

I would like to go on record in support HR1695. I currently represent the North Country of New Hampshire in The State Senate. It is the most economically depressed region of New England with Coos County being one of the few areas still facing serious out migration. Unlike the rest of the State we have virtually no job growth and have recently lost our best paying paper mill jobs in Groveton and Berlin.

I certainly believe that a regional approach to economic development can best serve our needs and the commission will certainly be beneficial to existing development groups.

Appreciate your consideration and hope you will support HR1695 as it would be an asset to our economically devastated region.

Sincerely yours,

John T. Gallus
Senator,
District One

BEDCO

Business Enterprise Development Corporation

P.O. Box 628, Berlin NH 03570-0628 603/752-3319 Fax 603/752-4421

July 11, 2006

The Honorable Bill Shuster
The Honorable Eleanor Holmes Norton
Subcommittee on Economic Development,
Public Buildings and Emergency Management
591 Ford House Office Building
Washington, DC 20515 via Fax # 202-225-2946

Dear Chairman Shuster and Ranking Member Norton:

On behalf of Business Enterprise Development Corporation (BEDCO), a private not-for-profit Community Development Financial Institution providing credit, capital, advocacy, and technical assistance to help businesses develop and grow and to create strategies to support economic development efforts in the three Northern counties of New Hampshire, I write in support of HR 1695, the Northeast Regional Development Commission Act. As you know, there is a broad-based effort currently underway in the Northern Forest states of New York, Vermont, New Hampshire and Maine to revitalize our economies while providing protections for the natural resource base and forests upon which our economy depends. We seek assistance in this effort, and wish to work closely with you and your staff towards this widely supported legislation to advance the region's social, cultural, economic and environmental well-being.

Our purpose in writing is to help secure a prosperous and sustainable future for the Northern Forest. This legislation will support healthy forest ecosystems and places to recreate, vibrant cultures, caring effective communities, and diversified robust economies. This region provides unique natural and cultural resources to the urban areas to our south. However, long term changes in the pulp and paper industries and other rural manufacturing businesses affected by foreign competition have created severe economic challenges for this region compared to the more vibrant Southern areas of the State.

It seems clear that the qualifying criteria of many potentially helpful federal programs exclude or under-represent the Northern Forest's unique land ownership patterns and socioeconomic characteristics. Our coming together to work on a four state regional effort is evidence of significant interest from several sectors for the basic concept of addressing economic development while securing our natural resource base and protecting our forests in a single legislative initiative. A commission of this nature would only enhance current undertakings and compliment existing development groups such as ours.

Thank you for your consideration, and your strong support of the Northern Forest. We look forward to working closely with you to further develop and refine these concepts.

Sincerely,

William J. Andreas

William J. Andreas
Executive Director

Cc: Congressman Charles Bass

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State of New Hampshire

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Vice Chairman

COMMITTEE ON FINANCE

July 5, 2006

Honorable Bill Shuster and Honorable Eleanor Holmes Norton
Subcommittee on Economic Development
Public Buildings and Emergency Management
591 Ford Office Building
Washington, DC 20515

Dear Congresswomen Norton and Congressman Shuster:

I understand your committee will be conducting a hearing on HR 1695, The Northeast Regional Development Commission Act.

I have long supported the efforts to bring economic development to the northern areas of a four-state region here in the northeast. In fact since 1997 as a member of the New Hampshire Legislature I have served on a statutory committee entitled the New Hampshire-Canadian Trade Council. Here in my state we have been working with our four-state northern neighbors and with the adjacent Canadian provinces to bring a better economic climate to what is a pocket of poverty in states that otherwise are meeting the challenges of bringing prosperity to their citizens. New Hampshire as a state ranks high in nearly all measurements of financial success but Coos County where I live and whom I represent is in trouble. High rates of unemployment, low family income, number of children living in poverty, out migration of our youth, a large percentage of elderly and plant closings of our key industries all are indications of an economic base that is in disarray

Within the last year two paper mills have been shut down in my area and a third is having a difficult time competing in the world markets. I represent a legislative district which is bounded by Vermont to the West, Maine to the East and Canada to the North. When I came to live here the pulp and paper makers were the highest paid jobs in the state. Now those companies are going out of business. Forest-related jobs are leaving the north country of New York, Vermont, New Hampshire and Maine in droves. We are desperate to find and attract replacements for what was the cornerstone of our economic base for years.

During our many visits in our four state northern region and with joint meetings with our Canadian neighbors it has become obvious our economic situation is much the same. During a meeting in Maine some time ago we were introduced to the idea that forming a four state regional commission such as the Appalachian Regional Commission (ARC) should be looked into by our own Congressional Delegations. I have seen drafts of the proposed federal legislation. I had the opportunity to meet with Representative Michaud and discuss his plan for such a bill. My own Congressman Bass is supportive and I believe a co-sponsor. The New Hampshire-Canadian Trade Council is hosting a meeting in September and this legislation will be on the agenda. I believe a regional commission will help us to work together to solve our mutual problems and as a result we all will be more prosperous.

On behalf of my constituents I strongly urge passage of and implementation of HR-1695.

Thank you.

Sincerely yours,

Representative Frederick W. King
Coos District One
Box 146
Colebrook, NH 03576

CEDC Coös Economic Development Corporation

6 July 2006

The Honorable Bill Shuster
The Honorable Eleanor Holmes Norton
Subcommittee on Economic Development,
Public Buildings and Emergency Management
591 Ford House Office Building
Washington, DC 20515

Dear Chairman Shuster and Ranking Member Norton

Testimony in Support of HR 1695

Like our brethren in the other three Northern Forest States, New Hampshire is tasting the bitter fruit of the demise of its single industry base—paper and pulp making. The industry's decline with its high-paying manufacturing jobs and associated timber extraction trades is causing economic shudders in the entire four-state region and shuttering countless associated business.

Its closure means whole families of labor force age have uprooted and fled the area in search of economic stability elsewhere.

Here, in Coös County at the northern tip if New Hampshire, we are engaged in a near, total economic remake. Tourism, once our hedge industry, is teetering at the edge of insolvency as successive bad or limited seasons (summer, foliage and winter) have left lodges, restaurants and recreation vehicle dealers weighing whether to encumber additional debt in hopes of a decent next season. The high fuel prices only compound an otherwise shaky situation.

It's the same story from Fort Kent, Maine to Old Forge, New York.

What makes these areas special is that its people are still connected to the land and to their communities, unlike the more urban enclaves.

At no time has there been more region-wide economic malaise. At no time have our residents understood the fragility of our economic underpinnings or the similarities with our neighbors to the west and east.

Our challenges: to upgrade and modernize our communication and transportation infrastructure, lower energy costs and diversify our economies to non-cyclical sectors. These challenges are shared by the four Northern Forest states.

Combining resources, modeling solutions of value region-wide, investing in cellulose to energy R&D, marketing linked recreational opportunities, recruiting technology-dependent businesses to the North Country all are within the realm of a Rural Commission.

148 Main Street, Lancaster, NH 03584 — Tel. 603-788-3900 Fax 603-788-3355 e-mail cedc@ncia.net

Due to natural parochialism of smaller, rural communities ideas and initiatives that could provide hope and opportunity are shunned as risky business or too costly or not the responsibility of the public sector. More focus on our similarities and the benefits of collaboration is the best antidote to insularity and a regional commission provides some of that medicine.

A key ingredient to regional collaboration is the transportation lifeline servicing much of the area, US Route 2 which runs from Houlton, Maine to Rouses Point, NY and beyond to the Midwest. Its upgrade is essential to commerce and tourism and though it is under Federal Highway Administration study, upgrades will be costly and more easily advanced under a Regional Commission banner.

Vermont-New Hampshire public agencies collaborated on parallel HUD CDBG grants/loans to reviving a niche papermaker in Gilman, VT and lowering the energy costs of an endangered furniture maker on the VT-NH border. A third effort, a two-state wireless broadband network (serving Northeast Kingdom of Vermont and the three northern counties of New Hampshire) also promises great payback for a two-state effort.

These are just three examples of how multi-state collaboration can work to regional benefits. Please add my regional development agency's voice to the supporters of HR 1695.

Sincerely,

Peter Riviere, Executive Director
Coös Economic Development Corp.

WRITTEN STATEMENT FOR THE RECORD OF

JAKE BRISBIN,
EXECUTIVE DIRECTOR OF THE
RIO GRANDE COUNCIL OF GOVERNMENTS
(EL PASO, TEXAS)
AND
BOARD MEMBER OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
(WASHINGTON, DC)

BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE
ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT

JULY 12, 2006

Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to testify today about the concept of federal-state regional commissions, and more specifically, the pending legislative proposal (HR 5742) for the Southwest Regional Border Authority. I also want to extend my appreciation to Representatives Henry Bonilla and Silvestre Reyes for their dedication and hard work along the border.

My name is Jake Brisbin. I am the Executive Director of the Rio Grande Council of Governments, headquartered in El Paso, Texas. I am also a member of the Board of Directors for the National Association of Development Organizations (NADO) and Chairman of the NADO Task Force on Homeland Security.

My professional background includes extensive service as both a public and private sector official with entities along the US-Mexico border. I am a past commissioner, mayor and county judge of border entities. In fact, the county where I served as judge shares over one hundred miles of border with Mexico. In addition to my devotion to public service, I previously owned and operated a successful telecommunications firm on the border for sixteen years.

In my current capacity, I am responsible for leading the efforts of the Rio Grande Council of Governments. Our organization covers more than 22,000 square miles and parts of two states (Texas and New Mexico). The primary focus of our organization is to provide a regional forum for local governments to address issues and develop solutions that contribute to intergovernmental cooperation, improve the delivery and coordination of services and enhance the quality of life and economic prospects of our citizens and communities.

In my testimony, Mr. Chairman, I will briefly outline the broad concept of federal-state regional commissions. I will discuss the unique economic and social challenges facing communities along the US-Mexico border. Finally, I will outline the rationale for creating a federal-state regional commission to assist distressed communities along the border in Arizona, California, New Mexico and Texas.

First, Mr. Chairman, it is important to frame the broad concept and purpose of federal-state regional commissions, with the Appalachian Regional Commission (ARC) serving as the model and gold standard. In this era of constrained public sector resources, intensive program accountability and performance standards and complicated and interconnected public policy issues, we should be crafting and supporting governmental programs and institutions that coordinate and leverage resources, establish strategic priorities and plans, and bring together public, private and non-profit sector leaders.

The model of federal-state regional commissions, as proven over the past four decades by ARC, is effective, efficient and timeless. Simply put, federal-state regional commissions offer an intergovernmental partnership framework to assist regions of the country that are suffering from chronic and pervasive levels of poverty and distress. They are a clear recognition that the most severely distressed regions of the nation need additional resources and attention to overcome persistent challenges, and that economic recovery and competitiveness takes time, comprehensive planning and commitment at the federal, state and local levels.

Regional commissions, such as the proposed Southwest Regional Border Authority, are also unique because they have a flexible and comprehensive set of program tools to help the most distressed regions develop the building blocks for economic development, such as basic infrastructure, job skills training, local leadership and civic capacity, entrepreneurship, small business capital and accessible health care services. These are essential components that allow a region and individual communities to compete in today's competitive marketplace. While the private sector is the primary source of job creation and economic growth, we also know that business and industry expects and often demands that public entities provide and maintain these essential services and infrastructure.

Even more importantly, regional commissions are distinctive from other federal programs because they forge a true intergovernmental partnership of federal, state and local officials. Federal-state regional commissions operate on the basic principle that the coordination, leveraging and involvement of federal, state and local leaders will make a greater difference for a targeted region than by working separately and individually. The challenges facing

regions such as the US-Mexico border are so complex and multifaceted that it demands a targeted, sustained and comprehensive approach.

My experience has led me to the conclusion that regionalism employed in an area of commonality is wise and effective, both in terms of cost and goal attainment. All too often, past efforts along the border have hit roadblocks and suffered poor results due to a lack of coordination and communications between communities, organizations and governmental officials. As demonstrated in the Appalachian region, there is tremendous power in bringing together a lead federal official with the governors and state governments of a region to design, pursue and invest in a common strategic vision.

The use of multi-county local development districts to provide the professional technical assistance, local leadership and long-term organizational support for projects, initiatives and programs is also essential and noteworthy. Unlike most of our nation's metropolitan and wealthier communities, local governments and unincorporated areas along the border typically lack the luxury of professional community and economic development staff. The system of local development districts (known as councils of government in Texas) offers an efficient, proven and cost-effective model that gives distressed and rural communities access to professional staff, creates a forum for regional dialogue and planning, and provides the expertise to help local communities and regions craft and pursue a strategic plan.

My second major point, Mr. Chairman, is that communities along the US-Mexico border are faced with a unique and complicated set of economic and social challenges that require a coordinated, sustained and high-level of attention by federal, state and local policy officials. I believe that the organizational and leadership structure afforded by a federal-state regional commission such as the proposed Southwest Regional Border Authority would be a positive step for the region.

The economic status of the border region is grim and almost unparalleled. The poverty rate along the Southwest border is 20 percent, nearly double the national average. Unemployment rates in Southwest border counties often reach as high as five times the

national unemployment rate and per capita income in the region is greatly below the national average. Compounding the issue is the fact that much of the personal income in the region is distributed through federal and state welfare programs, retirement plans and unemployment payments.

As outlined in a recent report by the US-Mexico Border Counties Coalition, our communities are also struggling with the financial and social costs associated with the reality that almost 29 percent of the region's population is under the age of 18 and more than half a million (or 27.2 percent) of our region's children and youth live in poverty. If the border region were considered a state, according to the Coalition, it would rank second-to-last in high school graduation rates, last in the presence of health care professionals and last in rankings of per capita income levels.

It is often too difficult for local communities and governments in my region and along the border to keep pace with the consequences of federal trade, immigration, health care and homeland security policies while simultaneously making the investments needed for basic and essential public services such as water and wastewater, education, transportation, public health and telecommunications services. Given the growing population and diversity along the border, we are in dire need of a new institutional model that can coordinate strategic public investments, establish a forward-thinking vision for the region and serve as an advocate for a region facing unprecedented challenges with unmet infrastructure, health care, education and transportation needs.

In examining just the basic water and wastewater needs of the border communities, one can quickly see the hurdles that we must overcome to provide a better environment for our citizens and economic development. According to the Texas Water Development Board's most recent study, there are 2,333 cities and unincorporated communities along the border in my home state that have inadequate water and wastewater facilities. The estimated need to either provide first-time services or bring existing systems up to current regulatory standards is nearly $800 million. Without leveraging funds from multiple sources, coordinating public and private sector investments and developing a strategic action plan as

a region, it will be nearly impossible for each individual community to tackle these needs, let alone become attractive locations for existing and potential businesses.

Not all the news from the southwestern border is grim. Our region has had pockets of economic success, such as El Puente Community Development Corporations (CDC). The organization is a spin off of Mujer Obrera (Working Women), which was formed in the 1980s to assist in the retraining and re-employment of displaced garment workers. It has been able to offer social, educational and economic opportunities, such as enterprise development, bilingual on-the-job training and access to technology. The CDC currently operates a successful catering and restaurant business, which is staffed by NAFTA-displaced workers, and a market featuring fine arts from Mexico. It is currently in the process of renovating a 40,000 square foot warehouse and manufacturing building to be used as a multipurpose social enterprise facility.

Other regional initiatives are capitalizing on the unique culture and resources of the border by utilizing a high-technology approach to economic competitiveness. The United States-Mexico Foundation for Science (FUMEC) employed seed capital from the Economic Development Administration (EDA) to develop the Bi-National Sustainability Laboratory (BNSL). BNSL's core mission is fostering long-term technology-based economic development along the border. The lab works to build public-private partnerships that will diversify economies on both sides of the border.

My third and final point, Mr. Chairman, is that I envision the Southwest Regional Border Authority to be the primary tool to address the current needs of our border communities. The joint federal and state makeup, with its bottom-up approach, with the guidelines adjusted to fit border realities and with COGs already in place and ready to help administer vital programs, is the right approach. This, of course, is nothing new. The other regional commissions currently in place are proof that there is merit in the idea. The new federal funds would be coherently managed from a regional approach, and the return on those funds to the federal coffers would be significant. All those involved in the business of community and economic development have seen this model work.

In short, we ask that you give us, the residents and local governments of the nation's southwestern border region, decision making power in regard to the use of federal funds for water, sewer, entrepreneurial development, telecommunications, technologies and transportation infrastructure to generate a healthier economy.

The success of councils of government and regional development organizations in Texas, New Mexico, Arizona and California is a documented fact. The regionalism concept is working now. The one glaring shortcoming is the difficulty in matching needs with programs. The Southwest Regional Border Authority would be the tool to make it all come together, the final buy-in by federal and state government officials to the realization that regions are unique, and the best answers to local problems are found at the local and regional level.

The reality of living on the border is filled with events unfamiliar to most Americans. We need a new framework to get locally determined needs addressed through a regional approach, coordinated at every level and reviewed for economic impact, benefit and priority. Unfortunately, this cannot be done from Washington, DC alone. It is a great challenge to make the region a contributor to the nation's wealth, not a statistical anomaly in a nation of prosperity.

In closing, Mr. Chairman, I want to offer my support again for the pending legislative proposal (HR 5742) that would establish and authorize a four-state regional commission for the Southwest border. It is a region facing severe economic distress, complex social and community challenges, and unique consequences as a result of various federal actions and policies. Most importantly, it is a region with great potential, hope and culture that can be a major asset to the rest of the nation.

On behalf of the members of NADO and my colleagues along the Southwest border, Mr. Chairman, thank you again for the opportunity to appear before the subcommittee today. I welcome any questions.

"The Reauthorization of the Appalachian Regional Commission and Legislative Proposals to Create Additional Regional Economic Development Authorities"
Questions for the Record
Chairman Bill Shuster
July 12, 2006

Mr. Brisbin:

1. Why do you think the ARC model will work in your region?

Answer:
The ARC model has proven that if a location specific model is used to target the unique needs of a specific region, the overall level of poverty can be reduced and the region can be uplifted in terms of economic development and opportunity.

a. What are the unique needs of your region that would necessitate the creation of this type of organization?

Answer:
The southwestern border is in fact the gateway into the U.S. that is used by Mexican nationals, both legal and illegal. The federal government has failed in its efforts to control and provide for this flow of people. Our border hospitals, jails, infrastructure and services have long since failed to keep up with this influx. The economies of the four border states are thus forced to shoulder the burden of what is in effect a federal job. The accumulative pressure of these needs further diminishes their ability to react and prepare for the present and future needs of the people arriving. The Southwestern Regional Border Authority would allow for local input and shape programs to effectively address the needs that are not covered by existing programs.

2. What are your organizations capable of without the creation of an intergovernmental economic development authority?

Answer:
We currently use EDA, SBA, CDBG and USDA programs to try to address the most pressing needs. These programs were not designed with the southwest border in mind, but they have been very helpful in filling some of the gaps in services. The problem that often arises is that some of these programs have administrative law that does not allow for the flexibility needed to alleviate border problems.

3. What types of activities can states put in place to strengthen economies in their rural communities without the assistance of a regional authority?

Answer:
In Texas, the state, through the Office of Rural Community Affairs, has targeted border counties with set-aside HUD funds to help with infrastructure overload. This has been beneficial, though not as effective as hoped because of the continuing decline in HUD funds available to the states. Colonia initiatives, targeting areas of the border that currently exist in third world conditions, are of help. It comes down to funding that is specifically aimed at border conditions, and there is never enough to even catch up to current needs.

4. What have you learned from the ARC in overcoming regional and cultural prejudices that you can apply to your own efforts?

Answer:
From afar, it appears that the ARC has effectively communicated to the region that this is not a welfare program, but rather an investment in the future development of the region that will ultimately result in benefits to all. It is my belief that the mood of the country is pro economic development, anti welfare.

It is also apparent that the process used by the ARC to prioritize and move projects forward has been bought into by the general population of the region. Successfully doing that is critical to the program not being viewed as just another layer of bureaucracy.

5. Has there been substantial federal or private investment in your regions despite a lack of an intergovernmental economic development authority?

Answer:
As noted in response to question number two, there has in fact been a considerable investment by federal and private organizations. The problem is that most of the programs utilize standard approaches to problems that are magnified by the realities of the border. Infrastructure, medical, educational, and economic development needs are southwestern border specific. The states are overwhelmed by the enormity of the needs, and private foundations have long since learned to target very small, location specific problems in order to justify their expenditures to their boards. The question is how could Washington D.C. relate to and tailor a program to fit the needs of Presidio, Texas. A properly constituted, Southwest Regional Border Authority will know how to tailor programs that will not just address a specific need but also work in tandem with other projects to address development of the entire region.

6. Please elaborate on the economic effect immigration issues have had on the region.

Answer:
This question could elicit a forty page response, but a concise response is as follows:
Immigration drives down the price of labor, creating an underclass of people who can not earn enough to share in the American dream. Healthcare, quality education, economic development, and opportunity, all take a back seat to day to day survival. This in turn creates an abnormal drain on the middle class, with the end result being the inability of government to provide adequate services because the money is simply not there. Most of the more severe problems associated with immigration are caused by federal policy or lack thereof. That being a given, how can a local economy and taxing structure be expected to absorb the costs multiplied by that policy. The compounding of the lack of government services on a specific population already suffering from the past influx of immigrants just disables the local government's ability to plan and provide, thus being reduced to reacting, and inadequately at that.

7. The proposed region will straddle the border with Mexico. Do you foresee international cooperation in this venture?

Answer:
The optimistic response would be "yes", because it will benefit both sides of the border. The realistic response, tempered by thirty years of governmental involvement with the border is, "not likely". Perhaps there might evolve a demonstration project with water/sewer development or some economic development project that would benefit both governments. But in the end, as it has always been, it is our responsibility to take care of our problems and any that might arise out of their citizens seeking opportunity here. In Mexico City, the border is politically farther away than ours is in Washington, D.C.

Questions
ARC REAUTHORIZATION HEARING
JULY 12, 2006

Mr. Brisbin:

1. The problems of the southwest seem to be a bit different than those of either the northeast or the southeast, citing the effects of homeland security and immigration as contributors to your area's poverty and economic woes. Please explain

Answer:
The problems are different, because of the border. Simply put, a porous border being exploited by drug traffickers, security threats and people simply seeking a better way of life for their families, makes for an entirely different set of circumstances.

Who among us would not seek more opportunity for our families if it could be seen directly across from a dry riverbed or fence? The mass media available around the world has given realistic shape to the American dream. The dynamics of government that cause the immigration are decided at the federal level, in both Mexico City and Washington, D.C., yet the bulk of the cost of dealing with it is at the local level, where standards already lag behind the rest of our great nation. The flow will continue at some level regardless of federal policy; the appropriate response would be to channel it in a way that can best benefit the nation.

Some countries are finding a critical shortage of young workers that carry the load of providing for the rest of society to be too great a burden for their economy to bear; we are not suffering to that degree yet. The intelligent response is to channel resources to support the amount of immigration allowed by federal policy so as to capitalize on their desire to obtain a better way of life. That is not the same problem as exists in the northeast or southeast.

2. Your testimony emphasizes the need for infrastructure and public works such as basic water and wastewater treatment facilities (p.5) and you further mention the need to leverage funds from multiple sources to address this basic need. What are the "multiple sources" needed? What private investment is necessary?

Answer:
The multiple sources would include current programs, such as BECC, NADBANK, EDA, USDA, EPA, etc. It is hoped that a Southwest Regional Border Authority would recognize that the current lack of facilities needed both now and in the future is a direct result of the impoverishment of the region. Regional governing structures could be more creative in allowing overlays and mixing and matching of one program with another to develop needed facilities. The private investment would come when it becomes advantageous for their dollars to be invested in order to have facilities that would ultimately benefit free enterprise. The

creativity in leveraging both types of money would be critical, and a Southwest Regional Border Authority could be responsive to local factors.

3. Is bilingualism a problem? How is it being addressed?

Answer:
To some degree, bilingualism is a problem. But, the history of Mexican American families who have immigrated previously indicates that this problem is a temporary one. Those Mexicans who come to the U.S. to succeed soon learn that English is a necessary step towards that success making bilingualism a first generation problem. As the family puts down roots, the children adapt and with each generation the use of Spanish as a dominant language declines.

Bilingual education classes offered in public schools and even private industry help to alleviate the problems associated with bridging gaps in communications. The bottom line is most immigrants will learn English because it is in their best interests to do so.

4. How does education fit into the economic development picture? How do you think a program similar to the ARC's Education Network would work in your region?

Answer:
The lack of education is glaringly evident in border states statistics. So, of course, we would need to incorporate it in our economic development plans. The ARC's education network seems to be having some success through changing the low expectations of some of its young people by raising awareness of possibilities for higher and technical education.

Many immigrants settling in the area covered by the proposed Southwest Regional Border Authority have low educational expectations. An aggressive program mirroring the education network would produce the awareness of more possibilities as well as promote the availability of better opportunities and benefits through the attainment of higher education. The economic development of the area covered by the Southwest Regional Border Authority will not move forward without an educated workforce.

5. In your opinion, how important is a regional economic commission? Or are the states capable of addressing these infrastructure needs on a state by state basis?

Answer:
The creation of the authority is vital to the nation's economy. At present, the Southwest Regional Border Authority area would make up the 51st poorest state. How could it not help the region to be a producer instead of a consumer of federal

largesse? This is an investment move, not a give-away program. The individual states are not capable of remedying the effects of federal policies regarding immigration, homeland security and free trade agreements. It will take a cooperative policy of all levels of government to address the future of the region.

6. What would be your priority in allocating economic development funds?

Answer:
The three priority issues in allocating economic development funds are education, coordinated infrastructure and communication related development. The workforce cannot pick fruit to bring itself out of poverty. Skills needed in border specific enterprises must be identified, prioritized and training must be made available so those targeted skills can be obtained. The investment in infrastructure necessary to raise the level of services to support healthy economies must be acquired before private investment will follow. And finally, communication technology along the southwest border lags far behind the national norm. At this point it appears that future technology will be based on a communications hub, and the building and maintenance of that component can only be facilitated by seed money.

Testimony
To the Subcommittee on Economic Development, Public Buildings and Emergency Management
July 12, 2006

Thank you, Mr. Chairman and the honorable members of the subcommittee for the opportunity to testify this afternoon on behalf of legislation to establish the Northeast Regional Development Commission. I would also like to thank Congressman Michaud for his leadership in the development of this legislation.

My name is Jonathan Daniels and I am here today, Mr. Chairman, as the President of an economic development district in Maine, and it is in that capacity that I offer my testimony.

My organization is one of six (6) economic development districts in the State of Maine…a state that was recently cited by the Federal Reserve Bank of Boston for an economy that is virtually stagnant. A look at the map of the Maine shows just how significant the job losses have been over the past 12 years just due to trade related impacts. Of the 145 businesses that are certified under the Trade Adjustment Act in Maine, there have been more than 18,000 job losses. While a few of these operations have re-opened,

available employment opportunities continue to wane. Additionally, this map does not note the recent decision by BRAC to close Brunswick Naval Air Station, which will not only impact the nearly 3,000 employee workforce on the base, but the state as a whole.

While I am speaking primarily of conditions in Maine, the problems we face are emblematic of the entire proposed Commission region.

This afternoon, Mr. Chairman, I would like to succinctly discuss the need for the authorization and funding of the multi-state Northeast Regional Development Commission as part of an overarching package that will further our efforts to create a sustainable, diverse economic region at a time when our traditional industries are closing in favor of a more service oriented economy.

As someone who typically stands against the creation of additional entities as a cure for the ills of economic distress, I see a new federally sanctioned development zone as an opportunity to put forth the infrastructure that will support the activities of the existing development districts while eliminating the redundancies that plague the current system. While the ultimate number

of counties designated within this zone has not been determined, we evaluated twenty-three (23) rim counties that represent a rural, distressed cross section of Maine, New Hampshire, Vermont, and upper state New York, as well as the six reservations supporting the five Native American Nations represented in those counties.

Why should this region be considered for the creation of such a Commission? We evaluated five (5) separate criteria in our analysis which serves as the basis for determining the general economic and social health of the region.

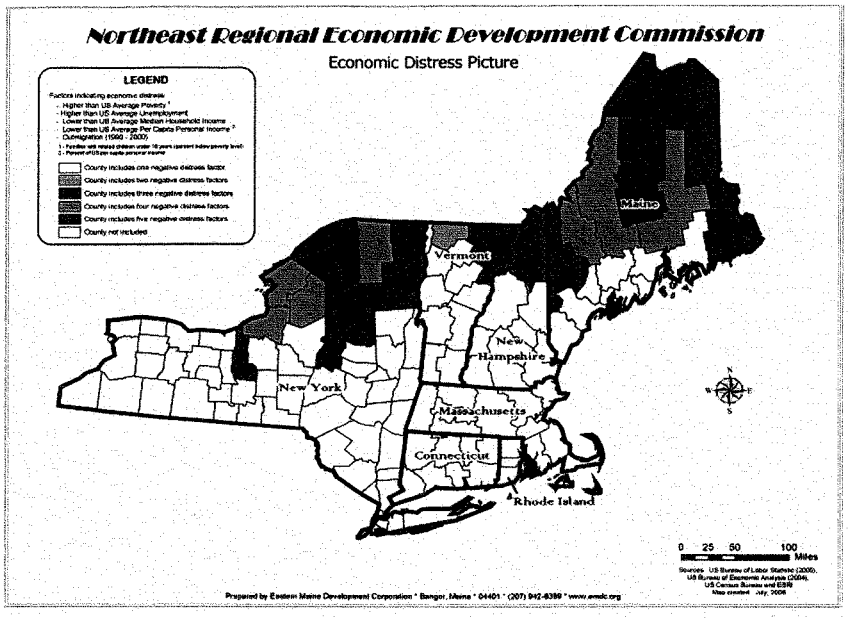
1. Change of Population/Migration…or in the case of the proposed Commission region, out-migration. The region as a whole saw a .3 percent reduction in population from 1990-2000. In comparison, the ARC region saw more than a 9 percent increase while the United States as a whole saw an increase of 13.2 percent. The most significant display of out-migration occurred in Aroostook County, Maine, which saw a 15 percent reduction in population over that time.
2. Poverty – 13.6 percent of the population within the prescribed region live in poverty according to 2000 census data, which

matches with both the national average and the poverty rate in the ARC region. The highest level of poverty in the Northeast Region is within Washington County, Maine at 20.3 percent.

3. Median Household Income – The average median household income in the region is more than $8,000 less than the national average. At the extreme, Washington County, Maine is twice that level below the national average.

4. Unemployment – According to 2005 Bureau of Labor Statistics data, the unemployment rate sits at 5.6 percent, or half a point above the national average. Again, Washington County, Maine has the distinction of having the highest rate at 8.4 percent.

5. Per capita income as a percentage of national average – Often the best indicator of the economic health of a region. The region as a whole only stands at 76 percent of the national average of per capita income. There is not a single county within the proposed Commission region that meets the national average, with Franklin County, New York falling 35 percent below the national average.



As you can see from the map showing the counties in the initial data collection region, there is an obvious distress pattern that runs from Maine into New York. This region could easily be tabbed the "Ice Belt," as the economic conditions in the region that sits just below the Canadian border are extremely cold.

How do we begin to address the distress that exists within the Northeast region?

1. We need to create an entity that emphasizes and assists in the development of infrastructure through public investment that

supports private sector business development, enhances educational attainment that spurs job skills training and stimulates entrepreneurship.

2. We must put forth a "bottom-up" approach that allows the development strategies that are created at a local level to be integrated into an overall, regional plan that fosters a highly efficient model of collaboration that can help leverage additional public and private sector investment. This ensures that actions taken on the regional level by the Commission reflect the needs of local agencies.

3. We must provide a critical mass of funding for the Commission. This funding will be carefully administered and invested in projects that strengthen our traditional industries while helping us invest in projects that will create a more diverse, sustainable economy.

Ultimately we need to authorize the creation of a Northeast Regional Development Commission that ensures proper capacity to deal with the chronic distress that besets the region. Congress has thus far recognized the need to assist the region with the passage of the Transportation Reauthorization Bill which designated a route from Calais, Maine to

Watertown, New York as a "high priority corridor." While this sets the stage to authorize funding for required transportation improvements, there remains a need to have a multi-state Federal Regional Commission to create an all comprehensive regional strategy.

In 2003, The NADO Research Foundation published a report entitled, "Federal State Regional Commissions: Regional Approaches to Local Economic Development." This report evaluates existing models and points to the need to expand these complimentary models for economic development because:

1. They are designed to ensure that regions with chronic and contiguous distress have the capacity and resources to tap into potential private sector investments and to access federal assistance programs without duplicating existing programs and creating massive bureaucracies;
2. They are linked to individual local communities through the existing network of local development districts (LDD), which are responsible for helping local officials and businesses assess, plan and facilitate action in their areas. LDD's have long standing credibility and relationships with federal and state agencies, local

elected officials, business leaders and the public. They also have years of experience with planning, infrastructure development and grant administration.

3. They have the program flexibility and governance structure needed to take a holistic approach to uplifting a specific geographic region's common characteristics, needs and challenges.
4. They are a clear recognition that the most severely distressed regions of the nation require additional resources and attention to overcome persistent challenges and that the economic recovery and competitiveness takes time, comprehensive planning and commitment at the federal, state, and local level.

The federal – state partnership model is not unique, and it works as you have truly seen from the testimony seeking continued support for groups such as the Appalachian Regional Commission. With the existing successful models in place, we have decades of experience to draw upon. With your help, we can proactively address the needs of the region by providing the framework for regional cooperation and collaboration.

Mr. Chairman, and members of the committee, thank you for the opportunity to address this issue this afternoon and to provide evidence that I hope will

prove significant in making a decision for approval of the Northeast Regional Development Commission. I would be happy to answer any questions.

Questions for the Record
Chairman Bill Shuster
"The Reauthorization of the Appalachian Regional Commission and Legislative Proposals to Create Additional Regional Economic Development Authorities."

1. Why do you think the ARC model would work in your region?

The ARC model provides a comprehensive approach to strategic development and implementation that goes far beyond the typical planning process for most regions. The ARC region is able to utilize the strength of a multi state entity to establish a strategy that has far reaching development significance over a broad area.

a. What are the unique needs of your region?

The needs in the Northeast region are not unlike those that are in the ARC region…out-migration, poverty, low per capita income. We have been engaged in strategic development on a local level without the benefit of a partner that can bring together the various entities to create an overarching implementation process. The Northeast Regional Economic Development Commission will provide us with just such a vehicle.

2. What are your organizations capable of without the creation of an intergovernmental economic development authority?

While we can still be effective on the local level, we lack the strength to have true impact on a regional (state to state) level. Projects currently are evaluated and implemented because they impact our particular area, without looking beyond our traditional borders to determine the impact on a regional basis. With this new entity we would be able to invest in projects that benefit the region as a whole.

3. What types of activities can states put in place to strengthen the economies in their rural communities without the assistance of a regional authority?

The best thing any state can do is broaden the way rural communities are connected with primary services centers. Whether through enhanced transportation or through new communication technology, we must find a way to improve access to our rural communities.

4. What have you learned from the successful efforts of ARC in overcoming regional and cultural prejudices?

We have learned that change will not occur overnight. It takes a long term concerted effort to have true impact in a region. A single level of investment, something that is not sustained, will only raise hopes and not allow for a change in mindset with the people

living in the region of those wishing to invest. It also takes time to truly understand that an investment in the region is being made to benefit the largest amount of people. Some that feel an investment in broadband will not impact them will have to see that over time the investment has been made for the long term viability of the region by improving connections.

5. Has there been substantial federal or private investment in your region despite the lack on an intergovernmental economic development authority?

We continue to see a bit of funding coming to the region in the form of Economic Development Administration funding, though that is getting much more difficult. There will be a large investment in a border crossing in Calais, Maine as well. Investments seem to be isolated without much thought to the broader regional impact. It appears that we lack the ability to generate a regional strategy that will allow for the critical mass of funding to come forth to have true development impact that will spur private investment and job creation.

6. What counties do you foresee benefiting from the Northeast Regional Development Commission?

While we are still looking at final county designation, it appears that the primary region will include the counties that set below the Canadian border. We will utilize the distress criteria to establish final designation for the counties that will be included.

7. The proposed region will straddle the border with Canada. Do you foresee international cooperation in this venture?

One of the unique components of this proposal is the ability to collaborate with our counterparts in Canada. There is already significant cooperation on transportation issues with the ongoing Can/Am study looking at the viability of enhancing our east/west connection from Halifax to Buffalo. Our economies are linked and we must be able to engage in strategic development in a cross-border manner.

Questions
ARC Reauthorization Hearing
July 12, 2006

1. Maine's job loss is profound and you attribute it to trade related impacts. Could you be more specific?

Foreign competition has had a profound impact on Maine's job losses. We have seen several businesses close their doors due to jobs moving overseas, or because foreign competition has pushed the cost of doing business in Maine to the point where it is no longer cost effective. A recent closure in the City of Bangor with the Osram Sylvania plant was due to the fact that it was more cost effective for the company to produce their product in Monterey, Mexico, even though the workforce in Maine was classified as being more productive.

2. What does it mean to be certified under the Trade Adjustment Act?

This allows the company and workers to receive assistance in retraining and other activities if it is deemed that layoffs or closure was due to impacts caused by foreign competition.

3. You mention the need for a "federally sanctioned development zone..." Why the federal government and how will this work? What do you see as the redundancies that need to be eliminated?

A federally designated zone and the governing body that will administer this will have the opportunity to work with the existing development districts to create an overarching strategy to pinpoint funding to projects that will have the greatest level of regional impact. At this point, all development districts develop a strategic vision in a vacuum with very little input into a wider plan. Thus we often put forth requests for funding to construct infrastructure without understanding if that same piece of infrastructure is available elsewhere.

4. What are the immediate and long term impacts of out migration?

The entire region is in the midst of a drain of human capital. We are looking at great shortages of young, skilled workers to fit the needs of any companies coming in. We are also witnessing the inability of existing businesses to fill vacancies for available positions. They are being forced to modify their production capacity or close shop and move elsewhere. We are also seeing that as the youth are leaving the state, there is an older demographic replacing them. These people are in the state on a part time basis and are not vested into the labor pool. They are putting pressure on the health care industry as they require greater access to emergency services, but these facilities are having to downsize or close their doors because there is not a strong customer pool to tap into due to overall out migration.

5. You emphasize a bottoms up approach – why is this important?

The creation of a new federal entity in the Northeast will allow for the regional and local development districts to feed strategic initiatives into a larger and overarching initiative that takes a broader look at development. There is no way that the overarching entity can get to the core of the strategic development…this should be done on the local level.

6. How many local development districts are contemplated to be in the Northeast Commission?

This will not be known until final inclusion of the counties is determined. For example, there will be four (4) of Maine's six (6) districts involved in the Commission region.

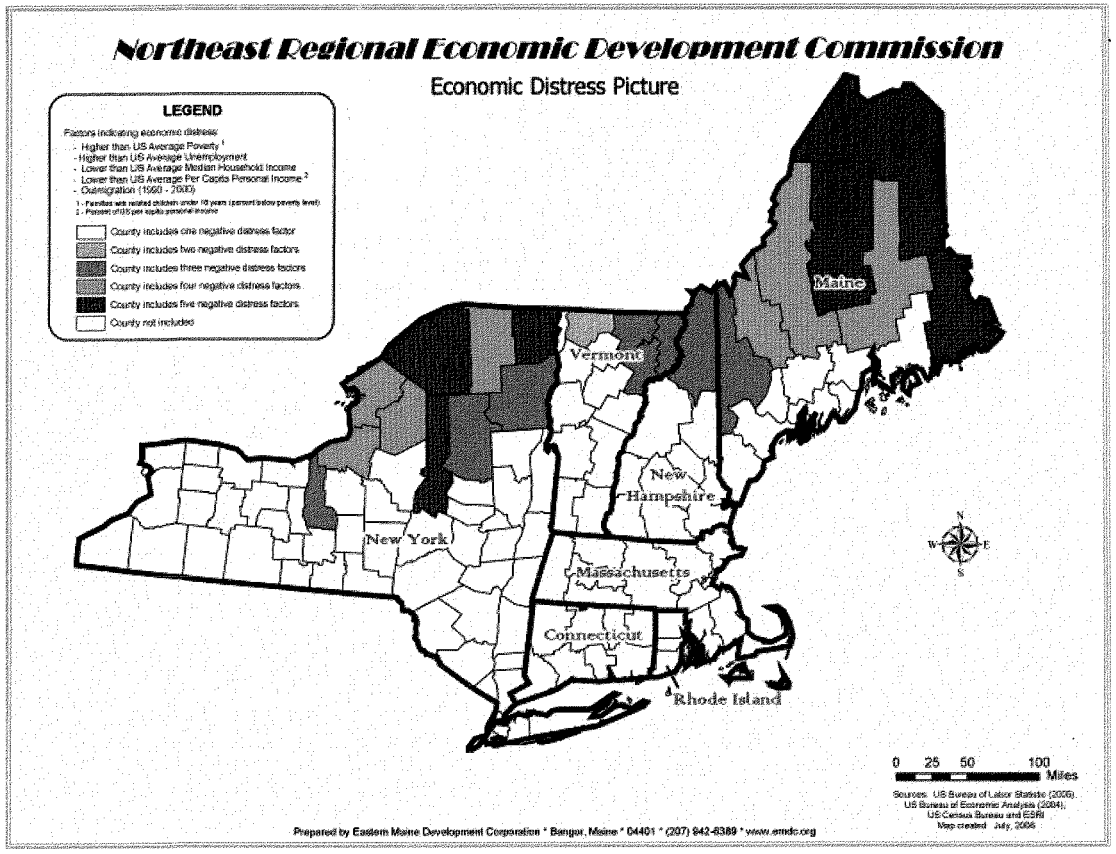
7. Asset based development and tourism.

One of the most difficult issues that we deal with in this region is the lack of critical mass to create a sustainable development strategy. With the funding that would be available, we should be able to look at investments that could be used as a revolving fund that would be repaid by a developer in an asset such as a resort, and thus create a long term, sustainable funding mechanism. These funds could be constantly reinvested in additional projects that provide us an opportunity to create a strong regional loan pool.

Tourism is one of the largest sectors of our economy in this part of the United States. We should utilize the Commission as a means to coordinate a strategy that takes advantage of our assets for tourism purposes. We have great individual attractions, but it's difficult to package these assets without a Commission to take the lead.

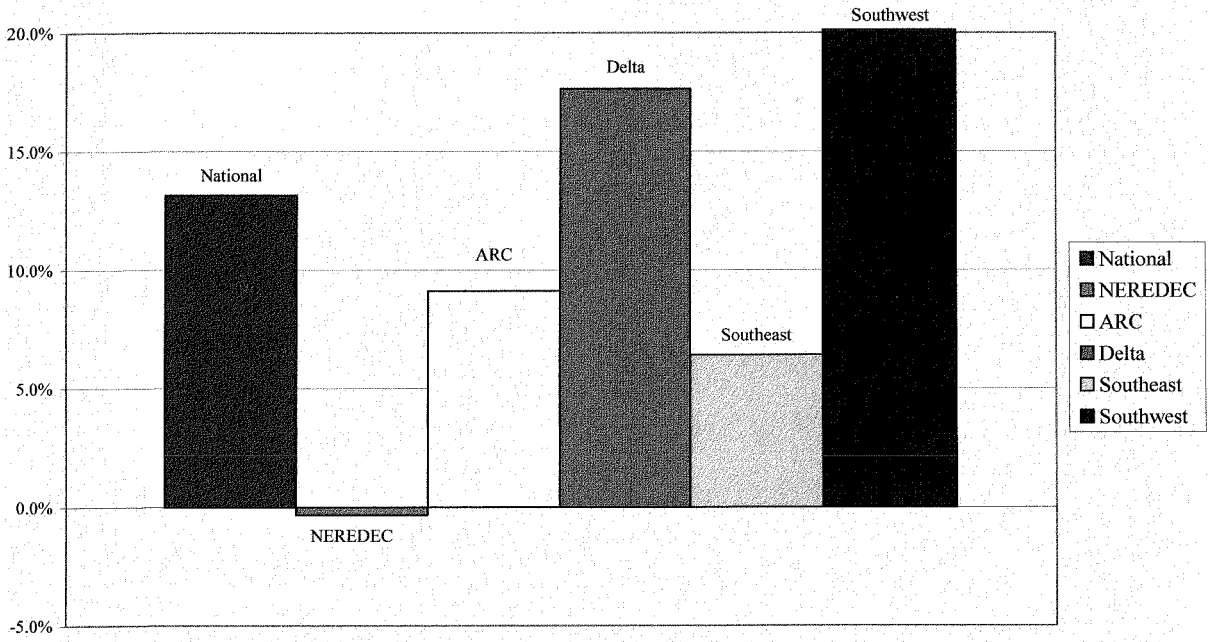
8. If you had to prioritize use of the development funds, what does the Northeast need the most?

- Improved transportation…especially east/west connections.
- Improved connectivity through enhanced broadband access.
- Strong tourism development.


Northeast Regional Economic Development Commission
Economic Distress Picture
LEGEND
Factors indicating economic distress:
- Higher than US Average Poverty [1]
- Higher than US Average Unemployment
- Lower than US Average Median Household Income
- Lower than US Average Per Capita Personal Income [2]
- Outmigration (1990 - 2000)
1 - Families with related children under 18 years (percent below poverty level)
2 - Percent of US per capita personal income
County includes one negative distress factor
County includes two negative distress factors
County includes three negative distress factors
County includes four negative distress factors
County includes five negative distress factors
County not included
Maine
Vermont
New Hampshire
New York
Massachusetts
Connecticut
Rhode Island
N
W
E
S
0 25 50 100 Miles
Sources: US Bureau of Labor Statistic (2006),
US Bureau of Economic Analysis (2004),
US Census Bureau and ESRI
Map created: July, 2006
Prepared by Eastern Maine Development Corporation * Bangor, Maine * 04401 * (207) 942-6389 * www.emdc.org

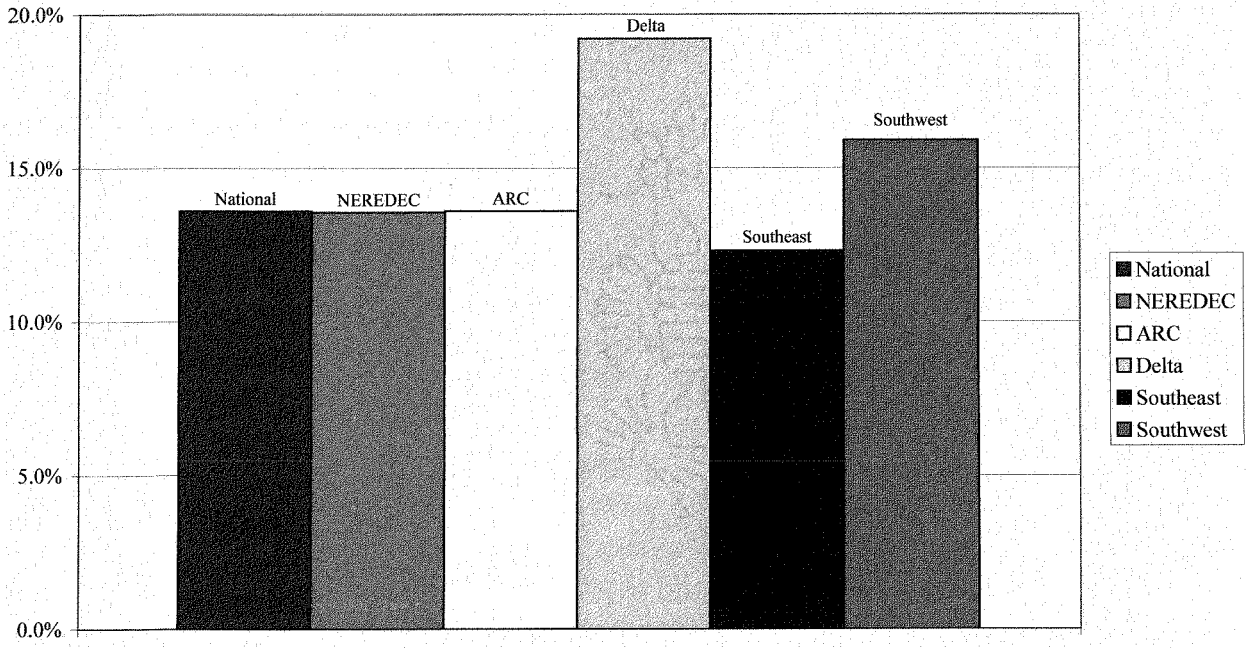
Region	Pop. 1990	Pop. 2000	Population Growth and Migration, (1990-2000)	Poverty (2000)	Med. HH Income (2000)	Unemployment (2005)	Unemployment (2000)
National	248,709,873	281,421,906	13.2%	13.6%	$ 41,994	5.1%	5.8%
NEREDEC	1,251,839	1,247,648	-0.3%	13.6%	$ 33,864	5.6%	4.5%
ARC	20,982,200	22,894,017	9.1%	13.6%	$ 34,780	5.3%	5.6%
Delta	8,834,809	9,400,772	6.4%	19.2%	$ 32,097	6.6%	4.5%
Southeast	33,482,646	40,279,302	20.3%	12.3%	$ 41,249	4.5%	3.6%
Southwest	24,619,710	28,963,261	17.6%	15.9%	$ 42,913	5.0%	4.9%

Population Growth and Migration in Existing and Proposed Commission Areas 1990-2000



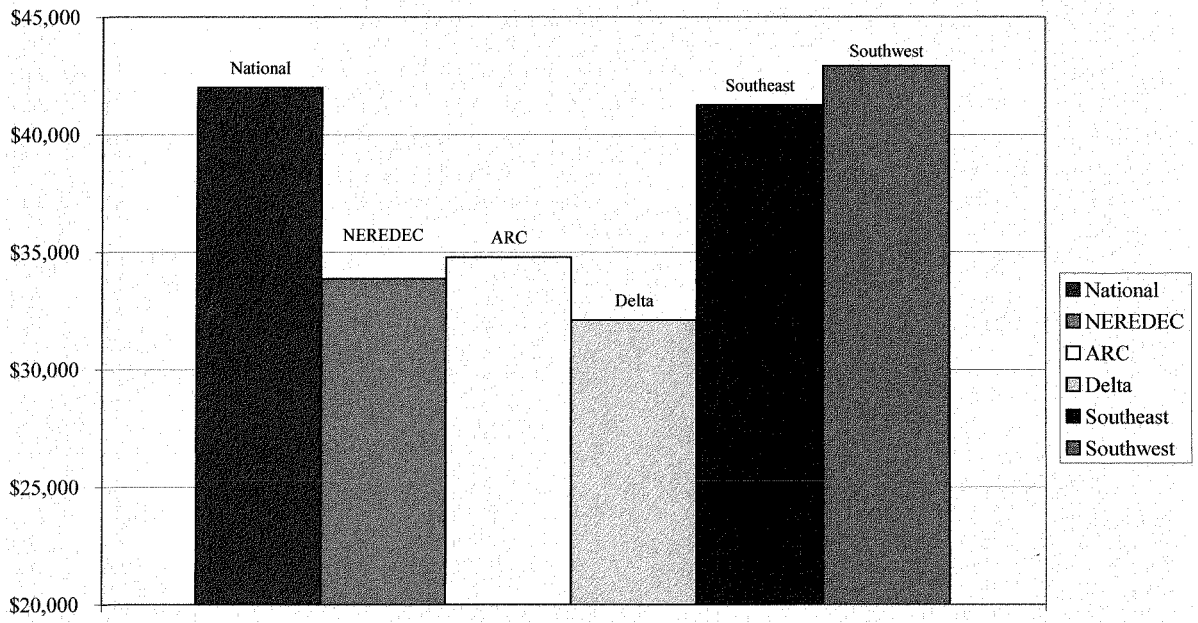
Data provided by Census Bureau. ARC data available at http://www.arc.gov/index.do?nodeId=56.

Poverty Rates in Commission Areas
2000



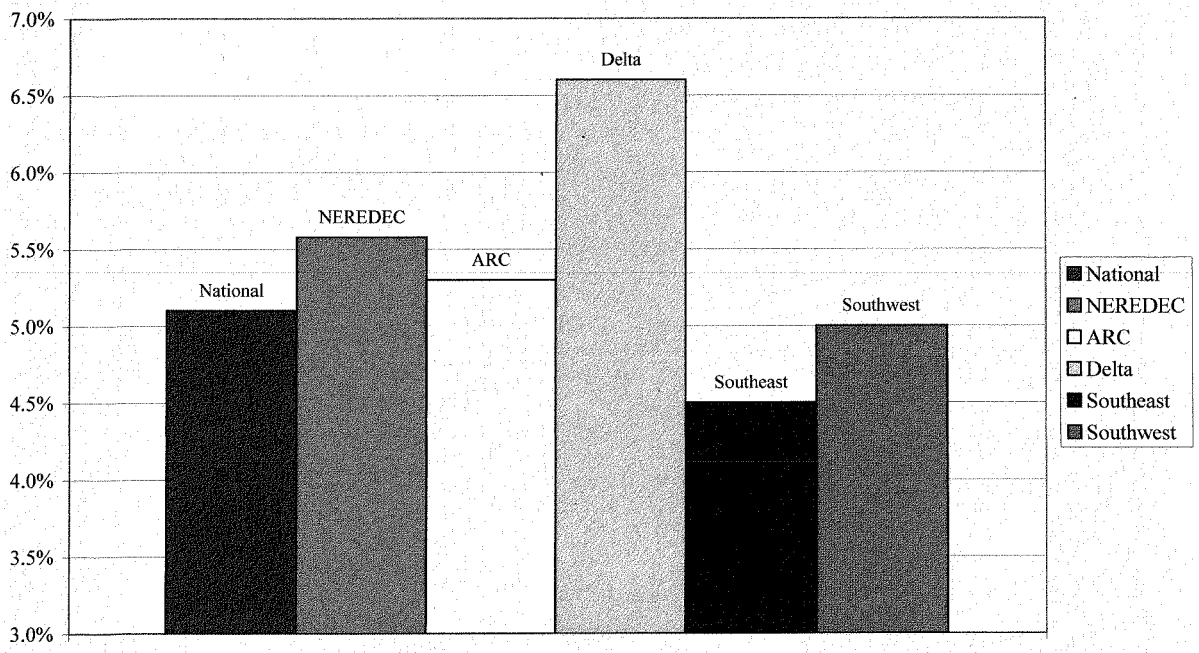
Data provided by Census Bureau. ARC data available at http://www.arc.gov/index.do?nodeId=56.

Median Household Income in Commission Areas
2000



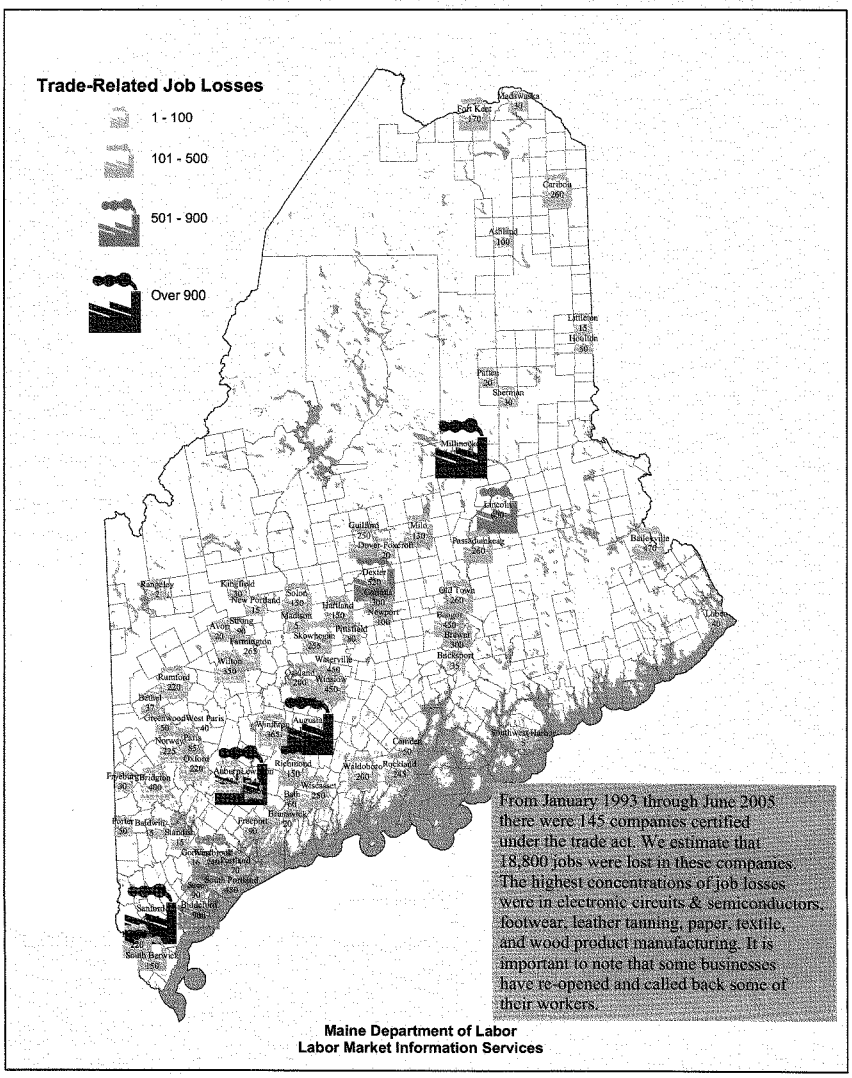
Data provided by Census Bureau. ARC data provided directly by ARC.
Median Household Incomes by county were weighted by county population to achieve average across commission areas.

Unemployment in Commission Areas
2005



Data provided by Bureau of Labor Statistics, labor force data by county, 2005 annual averages.
Available at http://www.bls.gov/lau/home.htm#tables.
Rates calculated from total Labor Force and total Unemployed across all counties in commission areas.

Trade-Related Manufacturing Job Losses in Maine, January 1993 to June 2005



Shirley, Gilda

From: Barrios, Alexis
Sent: Wednesday, August 02, 2006 10:38 AM
To: Shirley, Gilda
Subject: FW: Testimony
Attachments: ECONOMIC DEVELOPMENT DISTRICT OFFICES.doc; MEDDA Cover 03.06.pdf; CANAM Scope of Work.doc; CANAM Participant List.xls.htm; Testimony Ltr..pdf

Please add these docs to the record. thanks

Alexis N. Barrios
Legislative Staff Assistant
Subcommittee on Economic Development,
Public Buildings and Emergency Management
Committee on Transportation and Infrastructure
202-225-3014
202-226-1898 (fax)

From: Carroll, Hugh
Sent: Wednesday, August 02, 2006 10:29 AM
To: Barrios, Alexis
Subject: FW: Testimony

From: Robison, Matt
Sent: Tuesday, August 01, 2006 3:24 PM
To: Carroll, Hugh
Cc: 'Robert Clark'
Subject: FW: Testimony

Hugh,

I am forwarding an email with some additional testimony that our Maine EDD directors wanted to submit for the record from our hearing several weeks ago. Best,

Matt

From: Robert Clark [mailto:rclark@nmdc.org]
Sent: Tuesday, August 01, 2006 2:57 PM
To: Robison, Matt
Cc: Jack Cashman; 'Amy Winston'; Bruce Andrews; thompson@avcog.org; 'Jeff Sneddon'; jdaniels@emdc.org; Kyoung@kvcog.org; nallen@gpcog.org; pschumacher@smrpc.org; 'Robert Clark'
Subject: Testimony

Matt: Attached hereto is the MEDDA testimony in support of HR 1695 for the establishment of the Northeast Regional Development Commission. I have also attached a MEDDA coverage map and contact information for the individual MEDDA members. In addition, I have attached the CANAM Scope of Work and Participant List for

your review as well. Can you send me Hugh Carroll's e-mail and I will forward him a complete set, thanks.

A special thanks to Bob Thompson for taking the time, after a little pushing, to draft the testimony letter for us.

Robert P. Clark
Executive Director
Northern Maine Development Commission, Inc.
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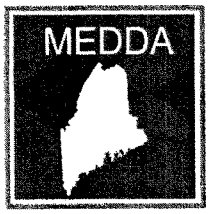

Maine Economic Development District Association

August 1, 2006

Mr. Hugh Carroll
H2 591
Ford House Office Building
Washington, DC 20515

Dear Mr. Carroll:

This letter is being provided in support of the testimony given recently by Jonathan Daniels of Eastern Maine Development Corporation for the need and desirability of establishing a federal regional commission for the northeast border region of the states of Maine, New Hampshire, Vermont and New York. The proposed commission would be known as the Northeast Regional Development Commission and would be established using the successful model of the Appalachian Regional Commission (ARC).

As the Economic Development Administration (EDA) designated local planning and development districts (LDDs) we are well aware of the persistent distress factors that exist in this region in the state of Maine and the comparable regions of the adjoining states. Opportunities for reversing these long-term declines are limited and more often than not, transcend the local and state capacities to influence or affect change. Strategies and solutions must be addressed at the multi-state level as well as providing opportunities for more local efforts to be developed within the context of a broader regional plan.

A testimony of this recognition of need is the current effort of these four states working with the adjacent Canadian Provinces of Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island on a joint effort know as "Northeast CANAM Connections: Integrating the Economy & Transportation". A fundamental objective of this study is to explore the potential to create jobs by promoting efficient transportation systems to reduce business costs, increase competitiveness, and to capture new tourist and business trade and spending in the region.

The need for this study is premised on the recognition of a number of findings including: high unemployment; low population growth, declining industries, lack of cost competitiveness with other regions due to access constraints; lagging rail freight services; poor and inefficient inter-modal connections; inefficient border crossings due to security procedures; and underused regional ports. A goal of this study is to create a regional vision of long range transportation improvements appropriate to support economic development issues that are multi-state and bi-national in nature. It will assess how regional and global trends and developments could potentially impact the region. A

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federal, state regional commission could greatly enhance this effort by providing a policy forum and an implementation mechanism for findings and recommendations. A copy of the scope of work is attached.

Thank you for the opportunity to provide these comments of support and we remain available to provide additional documentation and answer any questions that may arise.

Sincerely,

Robert P. Clark
President, MEDDA

RPC/jd

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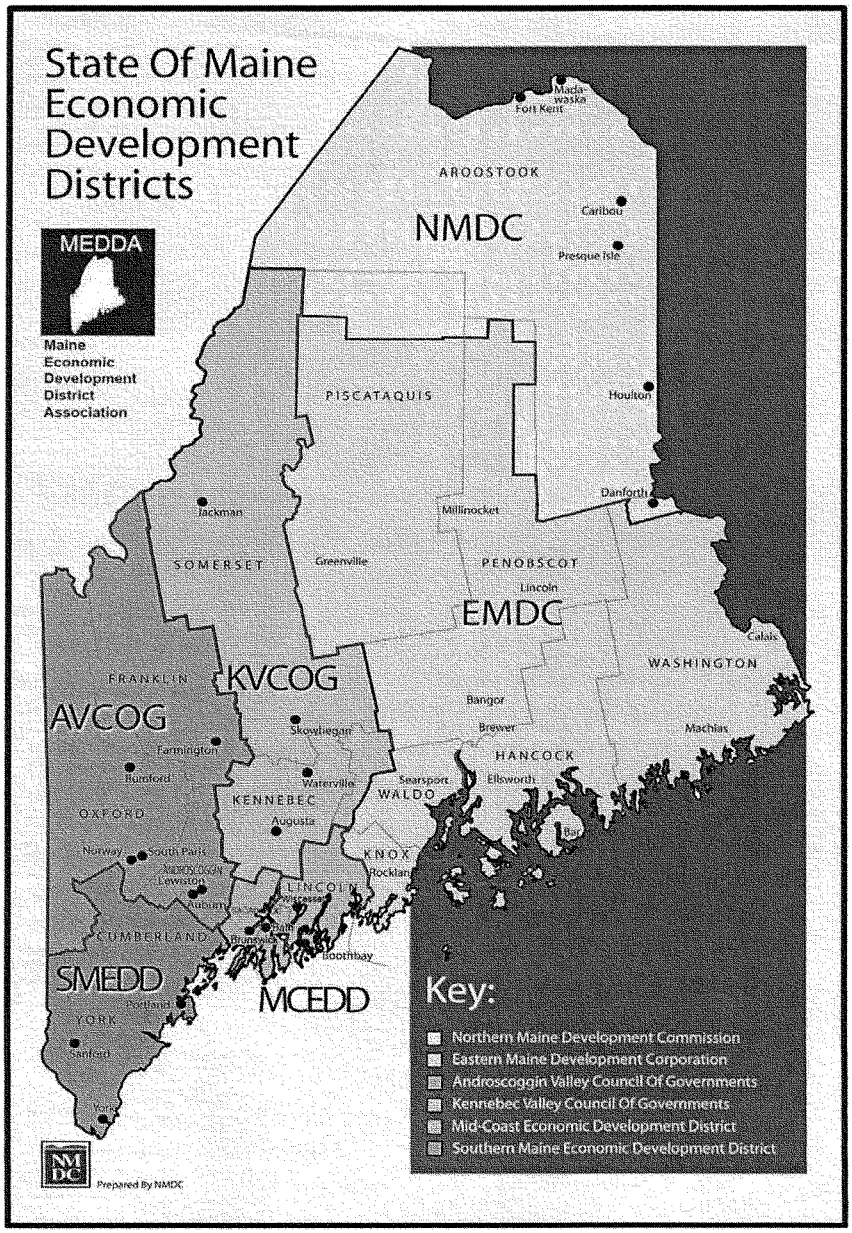
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OXFORD
Augusta
Norway
South Paris
KNOX
Rockland
Lewiston
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LINCOLN
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Boothbay
SMEDD
MCEDD
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Northern Maine Development Commission
Eastern Maine Development Corporation
Androscoggin Valley Council Of Governments
Kennebec Valley Council Of Governments
Mid-Coast Economic Development District
Southern Maine Economic Development District
NMDC
Prepared By NMDC

APPENDIX A

CanAm Connections Project Scope

Task 1: Initial Meeting and Administration

Purpose: The purpose of the initial meeting is to introduce key players of the project team from the client team, WSA Team and project management team and to establish mutual understanding of expectations, roles and responsibilities necessary to successfully meet the objectives of the study.

Approach: Upon notice to proceed, the WSA Team will coordinate with the client's Project Manager to establish a mutually agreeable meeting date and place. Prior to that meeting, the Consultant will prepare a draft Project Management Plan (PMP) covering items such as work plan, deliverables, staff allocation, schedule and budget draw down and a preliminary data collection framework. Based upon discussions at the meeting and input from the client, the draft PMP will be updated and submitted for review within 2 weeks of the meeting. The PMP will serve as the "roadmap" throughout the duration of the project.

Deliverable: A project kick-off meeting with all key WSA Team staff present and a Project Management Plan.

Task 2: Documentation of Needs and Opportunities

Purpose: The purpose of this task to assemble the data necessary to document and assess the economic and transportation conditions and opportunities of the study region and to serve as the foundation for Tasks 3 and 4.

Approach: The focus of this task will be on transportation and economic development issues that are multi-state and bi-national in nature. We will implement a "top-down" approach that assesses how regional and global trends and developments could potentially impact the CanAm Study Region. Examples of such trends and developments include (but are not limited to) how shifting international trade patterns across the Suez and Panama Canal and the completion of the Siberian railroad are changing demand for east coast ports. In addition, the implications of congestion and emerging bottlenecks in North America on the potential opportunities for the region will be examined.

Based on these trends, alternative growth scenarios will be developed. The development of these scenarios will incorporate consideration of local and regional economic development interests. A needs assessment aimed at identifying the necessary transportation infrastructure to accommodate these alternative growth scenarios will then be conducted.

Task 2A: Economic Base Analysis:

Purpose: To facilitate a better understanding and insight into the factors contributing to the region's economic conditions.

Approach: The WSA Team will conduct the quantitative analysis of the CanAm Region's economy by

- ***Analyzing the structure of the CanAm region's economy***. This analysis will be done using our EDGE tool, supported by GII's historical data and with the review of Drs. Bekka and Lewis. The analysis will be industry and geographic region specific and will be as detailed as necessary. The purpose of this analysis is to:
  - Identify robust and competitive industries in the study region and in regions that are supporting these respective economies;
  - Determine which of these key industries may be weakening; and,
  - Identify industries that show potential for growth.

  Key measures will include jobs, wages, productivity and business sales.

- ***Identifying industry linkages and supply chains.*** Industry clusters are industries that buy and sell goods and services from each other. The presence of industries often presents opportunities to attract or expand related industries. The analysis will concentrate on identifying industry clusters using traditional input/output methods as well as supply chain analysis.

- ***Analyzing recent competitive economic performance***. Trends in the region's economy will be examined by comparing industry changes in CanAm region to other regions in the U.S. and Canada and to the countries as a whole. This component of the economic baseline focuses on the growth rate of study region industries relative to comparison areas. The analysis will identify under-performing industries and potential opportunities for growth. As part of this analysis, a RAP session involving regional economic development staff, steering committee members and appropriate private sector stakeholders will be held. The focus will be on soliciting input regarding major issues, needs and opportunities in the study area.

- ***Document the transportation needs of potential growth industries***. Following the identification of growth industries in the region, an analysis of the transportation needs specific to those industries will be documented. The WSA Team will use both traditional input/output methods and stakeholder interviews to ascertain the supply chain and logistics characteristics of the industries. GII's exclusive modal cost models will be used to analyze the competitive position of the region in terms of its transportation system based on these identified needs.

Deliverable: A tech memo detailing the methods, data sources and findings of the economic base analysis as well as the implications for the region's transportation system. A region-wide memo will be complimented with state and province specific briefs.

Task 2B: Existing Transportation Market Analysis

Purpose: The purpose of this task is to assemble and understand information about the travel patterns and the adequacy of the current transportation network. This will lay down one part of the foundation for prospective analysis in Phase Two. As such, it should take in traffic activity that might be attracted to the study area, or whose characteristics are informative or could be emulated, and its scope should not be limited to the region. This purpose will be pursued by field surveys, by the collection of data through those surveys, and by the use of that data to supplement public and commercial information resources.

Approach: Work will commence with a review of the preliminary interviews cited in the RFP. It then will turn to evaluation of the public and commercial information, so that the survey effort can be guided to areas that seem particularly important, or to where data seem thin. The prime forms of available information include the following:

- Global Insight's TRANSEARCH resource covers U.S. and U.S./Canada freight traffic flows by mode and industry, for U.S. counties and Canadian CMAs. Because it is countrywide for both nations, this database allows traffic to be considered that is not currently borne through the study region, as well as that which is, and to evaluate factors from competing regions that may need to be duplicated in the Northeast.
- TRANSEARCH is backed by the Global Insight Business Demographics service, which supplies a comprehensive view of business activity and transactions by industry type, for all counties and zipcodes of the U.S. Economic data for Canada are at the Provincial level, but they offer a reasonable starting point. Both TRANSEARCH and Business Demographics are available for current and forecast periods, which means that projections of growth from competing regions can be used to suggest development paths for the Northeast.
- Canadian domestic freight traffic can be compiled from a series of sources: Statistics Canada Can Sim tables of Origins and Destinations of Intermodal Tonnage (Annual); Transport Canada, 2000, Atlantic Provinces Surface Freight Transportation System Study, Final Report; Summary of Intermodal Freight Consultations, Transport Canada Urban Intermodalism and Motor Carrier Policy 2004.
- The Global Insight Travel and Tourism service offers relevant information inside and outside the region, and is detailed further at Task 2D.
- A business establishments database will be useful for geographic analysis and selection of survey prospects. If the clients do not already possess such data, or have it in some places while not in others, then it can be purchased from a number of commercial vendors in the U.S. and Canada.
- A WSA Team member developed a profile of binational freight flows along the Great Lakes / St. Lawrence corridor; essentially paralleling the study area. As part of this, members of the WSA Team inventoried and assessed freight data on both sides of the

border. Critically, international trade flow data (Statistics Canada) on the Canadian side are not considered to be reliable; and the US data essentially stop at the border. As a result, we estimated domestic, bi-national and international freight flows for key commodities by mode, which are well captured for marine on both sides of the border, for trucks on the Canadian side and for rail on the US side (the Canadian data exist, but are not available for public use). For this study, we propose to build upon these estimates by adding the information from our sources - which represent the latest available information - for Atlantic Canada.

Surveying will be directed to important industries in the region, covering those who seem likely to grow as well as those that are well established. A combination of a questionnaire mechanism with in-person interviews will be employed. Questionnaires may be mailed out with telephone follow-up, placed on a website and respondents solicited, or both. These will inquire about traffic patterns at practical levels of detail, and will cover directional volumes, mode and route choices, product groups and client markets. The purpose of the in-person interviews is to probe more deeply, touching on business competitive factors, the dependence on and sufficiency of the transportation network, the fluidity of border crossings, the obstacles or facilitators of growth, site selection, and the perceptions of expansion opportunities. Field work will be conducted by senior staff slated to be active in the second phase of the study, in part to assure them a first hand view of the territory. Shipping groups but also ports, carriers, service industries and institutions, and site developers will be sought out for their various perspectives. In industries that promise new growth to the region, it may be useful to conduct some interviews outside the area, in order to gauge ways to attract and stimulate development.

Information gleaned from these activities will be drawn together, considered by direction and business segment, and analyzed for its systematic patterns and implications. The product of this task will be an organized set of data resources, combining primary information from the field with that from existing databases, and an accompanying set of analyses.

Deliverable: A technical memo summarizing findings on transportation access conditions.

Task 2C: Regional Cost Competitiveness

Purpose: To document the nature, importance and impact of the transportation costs on the region's competitiveness for new jobs, businesses and residents.

Approach: The WSA Team's approach will be focused on examining the competitiveness of the supply chains for key and emerging industries in the study region. These supply chains will have been substantiated in previous tasks. Using GII's modal cost models combined with the freight expertise of WSA, iTRANS and GEOPlan, a comparative analysis of transportation costs of these industries will be developed. For example, the costs of shipping potatoes to market from Maine will be compared to the

cost of shipping from Idaho. Since this analysis will be structured around supply chains, it will include all modes including highway, rail, aviation and ports.

After documenting transportation costs of key supply chains, a series of scenarios will be developed that will allow for the examination of how reductions in transportation costs can impact the economic conditions in the region. This will serve as input into Tasks 3 and 4.

We propose to begin Task 2C by developing an analysis template that classifies the targets of regional development in the manner that best facilitates identifying the nature, importance and impact of transportation costs in achieving the target. Where the target is the creation of new jobs, for example, the appropriate sub-classification is that which identifies job categories among which transportation influences differ. The nature and importance of transportation costs that matter in attracting new jobs will differ for urban cores, suburban and rural areas, for example. Similarly, the nature and importance of transportation costs that matter in attracting new businesses will differ as between industries in the region's existing economic base versus new industries and growth industries.

With the analysis template in-hand and approved by the Steering Committee, we propose to populate it using two analysis modalities, qualitative and quantitative. Qualitative analysis will result in precisely worded but non-numerical descriptions of, (i) each dimension of transportation cost that is relevant to each target (by sub-category); (ii) the way in which each such dimension matters to that target; and (iii) the importance of each such dimension relative to other, non-transportation factors that influence the realization of the target. In this context, the qualitative analysis will identify whether transportation cost is a sufficient condition for influencing achievement of the development target; whether it is a necessary but in itself not sufficient condition; or whether transportation cost is, in fact, not a dominant factor at all. A great deal of new understanding has been developed over the last decade about the nature of transportation costs and the way in which such costs bear on individual and business location decisions and growth dynamics. It is now understood, for example, that whereas average travel time influences business efficiency in the short term, it is travel time predictability and reliability that influence industrial re-structuring investments, the kind of investments that result in just-in-time management systems which sharply improve productivity and the rate of job creation. A great deal of information has also been developed about the relative importance of such factors among different industries traditional and growth sectors. In many respects, the nature of transportation costs that matter in realizing economic development, and the manner in which they matter, is subtle and complex -- and yet amenable to understanding and to employment in policy formulation.

In the phase of Task 2C, we will amass and/or develop the necessary data to compare transportation costs in the CanAm region with competitive regions and corridors in relation to each development target identified in the template. For example, for freight movements between New Jersey to New England, such attributes would include direct distance, route circuity, network connectivity, intermodal connectivity, route circuity, congestion and carrier competition. The information obtained from models available to

WSA Team members will permit the identification of the nature of infrastructure improvements that would yield quantitatively material impacts and the nature and size of such impacts on development targets.

Deliverable: A tech memo documenting the regional cost competitiveness and the implications on the region's economy.

Task 2D: Trade Opportunities

Purpose: Where Task 2B focused on internal and mutual traffic activity for the U.S. and Canada, this task incorporates foreign trade and tourism data into the project's information resources. With these pieces in place, its purpose is to begin consideration of the opportunities to attract and stimulate trade, using transportation as a spur to economic development.

Approach: The WSA Team will assemble the trade and tourism database to provide the required framework for further analysis in Tasks 3 and 4 starting with its existing world commodity trade, North American commodity flow and travel and tourism product databases. Trade in goods and services will be quantified using Global Insight's World Trade Service which provides detailed imports and exports in value and volume for ranges of border crossings between the U.S., Canada, Mexico and 51 other countries and 14 aggregate world regions that together cover the entirety of world trade. Transport mode detail is part of this service including separate estimates of trade by air, land and sea, with seaborne trade also detailed in tons for liquid bulk, dry bulk, general cargo and for container trade (also in Twenty-foot Equivalent Units.) Trade in services such as information technology and education will be estimated for the U.S. regions and Canada's Eastern provinces using data and forecasts previously developed by Global Insight at an individual industry sector level for the world, measured annually in value. This data will be the basis for comparisons of the competitiveness of the region in providing trade in goods and services so that the potential induced activity due to investments in the corridor can be later estimated.

The Global Insight Travel and Tourism service provides annual frequency data and forecasts on arrivals and departures of international travelers and tourists separating business from leisure travelers, including between the U.S. and Canada. Global Insight's extensive travel market analysis experience will be applied to quantifying the Upper Great Lakes, Northeastern U.S. and Eastern Canadian provincial travel market size and composition based on our projections of the economic outlook for the employment, exchange rates, income, and other causal factors in the region under conditions of existing conditions and under an East-West corridor improvement. The competitiveness of the region's tourism markets can then be used in assessment of potential new demand.

Trade barriers will be examined, in terms of regulatory provisions, security precautions, logistical factors, and their technological and other remedies. Utilizing the assembled information, a first assessment will be developed of the position of the Northeastern region in the marketplace for trade, and the way infrastructure and other instruments of transportation policy could strengthen or transform that position. Could the region build

capacity that more populous areas cannot, and would it uncover and satisfy an unmet demand? Can the geographic isolation of the region – hemmed in by water, mountains, and weather, and by traffic congestion on its southern approaches - be changed? Can new routes to its seacoasts make a long term difference in their competitiveness for trade? Could they act in coordination with New York's great port, and relieve it for certain trade routes? Can trade act as a catalyst to new clusters of industry and help them to thrive?

Deliverable: A technical memo summarizing findings on trade opportunities. The results will be presented for the region as a whole as well as individual states and provinces.

Task 2E: Modal Issues

Purpose: Trade and tourism travel is multi-modal by nature; therefore, this study must consider a transportation system consisting of highways, railroads, ports, airports, border crossings and intermodal connections. This task will examine the region's multimodal transportation system to identify constraints and opportunities.

Approach: WSA, through its association with Global Insight, has access to bi-national multi-modal network capacity and cost models. These tools are populated with network capacity models for highways, rail, rail intermodal yards, airports and ports across the nation and in Canada. The selection of the WSA Team will allow the CanAm region to have access these quantitative tools, similar to those used by private industries.

Combining the regional travel patterns with the detailed regional data collected in previous tasks, not only will the WSA Team have the ability to assess regional systems, but we will be able to provide insight into the role that study region plays in the national and global trade network. The WSA Team will develop modal freight profiles and a combined freight systems/logistics profile for the region. The information will be presented both in detail and in summary in the format of "Freight Facts" quick reference sheets. In addition to documenting the modal characteristics, the profiles will also identify constraints and opportunities.

Highway Systems Freight Profile- The highway freight profile will be developed based on information gleaned in earlier tasks and from previous studies and new analysis. The profile will include classification by commodity, trip distribution (seasonal patterns), and truck movement (external, internal, etc.). To efficiently report on the state of the Canadian highway infrastructure – primarily the Trans Canada Highway and the several north-south links to the US States of the area, we intend to compile readily available traffic data from Provincial government sources, to include recent traffic volumes, forecast traffic demands and also the programmed improvements that each Province is intending on delivering. In addition to freight traffic, tourism traffic will be profiled.

The information will be used to define the role of different highway corridors in terms of serving the regional economy and facilitating goods movement throughout the region and the U.S. The profile will result in the definition of a high priority freight and tourism highways and emerging priority freight and tourism highways.

Regional Rail System Profile –We are fortunate enough to have some of the nation's foremost rail planners on the WSA Team, specifically Justin Fox, Libby Ogard and Joe Bryan.

In addition to GII's exclusive modal models, we intend to use strong contacts with key rail providers including CN, St. Lawrence & Atlantic Railroad (SL&A), to compile key information relating to the capacity of rail to move various types of goods between points throughout the Atlantic Region and also between seaports and economic centers in Ontario, Quebec and beyond.

Air Cargo Freight and Passenger Air Profile: WSA is a leader in air cargo planning and has been involved in aviation planning for many of the members in the study region. The profile for this study will make use of the recently completed system aviation plans to the extent possible. Air service on the Canadian side will be researched through GeoPlan's ongoing work in the Canadian air industry. Readily available information through contacts with active commercial airlines including Air Canada, West Jet and charter service Air Transat, will be sought together with complementary data as collected by Transport Canada. WSA will lead the analysis of passenger service and its importance to business travelers while Karen Peterson will lead the analysis of air connections for the tourism industry.

Intermodal System Freight Profile: Intermodal freight movements represent the fastest growing segment of freight; therefore an understanding of the region's intermodal system is vital to the region's ability to address current and future freight mobility. Joe Bryan and Libby Ogard have spent their career working in the intermodal sector. They are considered to be some of the nation's foremost experts and will lead the development of Intermodal Freight System Profile. The intermodal system will be characterized based on both operational conditions and network role. Data gathered from interviews and surveys of freight facilities including truck and rail terminals, airports, and warehouse and distribution centers will be used to detail the existing conditions and to forecast future needs on the region's intermodal system. The freight intermodal systems profile will:

- Determine what role intermodal connector routes play in supporting the transportation and economic needs of specific geographic areas (clusters or groups of clusters identified in previous studies).
- Determine the appropriate performance standards for intermodal freight connectors so they fulfill their role in providing access to the National Highway System, Inter-regional Corridors, or other key highway facilities.
- Develop a template for assembling existing, but disparate data sets in a manner that will allow planners to analyze other freight connectors.

Port Systems Profile: The region is home to significant port facilities. WSA, led by Libby Ogard, will conduct an analysis of the impact of ports on the region. This will be driven not only by proximity but also by the mode of travel, the commodities being shipped (since certain types of commodities tend to gravitate toward specific ports), the final destination, transshipment points and global trade networks. Because of our

experience with LATTS, we have a deep understanding of the roles of the east coast and gulf coast ports and we understand the flows into and out of these ports. Because of our experience with international ports, we understand global trends and will be able to discern how these trends, specifically the Suez and Panama Canal, will impact the key supply chains serviced by the region. The port systems profile will detail the flow of goods to and from ports impacting the region by mode, commodity, economic value, future trends and security issues. In addition, trends and constraints impacting the regions port system will be examined and opportunities, especially in terms of Short Sea Shipping, will be discussed.

Consideration of short sea shipping has been raised as a possible solution to reduce demands for improved East-West road links. On the Canadian side the key mainland ports are Montreal and Halifax. The underlying capacity issues attached to these ports are not marine-related in some cases but rather, road access-related. GeoPlan's staff has recently carried out planning work for the Port of Halifax and will be well placed to use their contacts with industry to assess the opportunities to significantly increase the use of this and other Atlantic Canada ports for short sea shipping.

Border Crossing Profiles: Border crossings are an integral part of the region's transportation system. Numerous members of the study team including WSA. HDR/HLB and iTrans have vast experience in all aspects of border crossing analysis including operations, security, economic implications and funding. We will develop a profile of all crossings in the study area and identify constraints and opportunities. Consideration will be given to opportunities of upgrading certain ports of entry to commercial crossings.

Deliverable: A tech memo summarizing the modal profiles, constraints, issues and opportunities.

Task 2F: Interim Report and Presentation

Purpose: The purpose of the Interim Report is to summarize the findings from Phase 1 and to address the need for addressing transportation and economic development needs and include recommendations for phase 2.

Approach: The WSA Team will deliver a draft interim report based upon the tech memos developed in previous tasks. The interim report will include an executive summary and appropriate annexes. After an agreed upon review period by the client, the WSA Team will finalize the interim report and develop an accompanying presentation. The findings will be presented to the Steering Committee.

Deliverable: A final Interim Report on Phase 1 findings with accompanying presentation.

Task 3: Strategic Directions

Task 3A: Integrating Transportation and the Economy

Purpose: To document the linkages between the Study Region's economic performance and its transportation system.

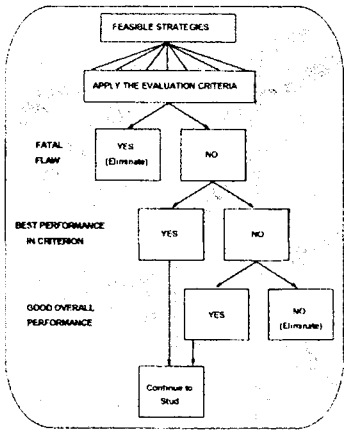
Approach: The WSA Team proposes using its' EDGE tool to substantiate the linkages between the region's economy and its transportation system. The EDGE tool is a GIS/Spreadsheet based tooled aimed at assessing the strategic role that transportation improvements play by integrating the following:

- Economic base analysis from Task 2
- Assessment of key business attraction attributes including:
  - Cost factors – labor, housing, utilities, taxes, etc.
  - Demographics related to labor and consumer markets
  - Accessibility- multimodal transportation, tourism and telecommunications
  - Rating of regional facilities and resources – educational, medical, business support, incentive programs, capital markets
- Meta analysis of previous research evidencing industry specific business location criteria with a specific focus on transportation dependency by mode by industry
- Information gleaned from interviews of key stakeholders regarding transportation dependency and regional constraints
- Input/output multipliers
- Scenario development capabilities

The EDGE tool will be enhanced by incorporating HDR/HLB's exclusive RAP process. The combination of these two tools provides the CanAm Connection Study with an innovative, data driven, policy based consensus building approach capable of meeting the objectives of the current study while setting the stage for future progress and implementation. This study process will be based on the state-of-the-art methods and research but grounded with real world applications necessary for implementation.

Deliverable: A tech memo summarizing the findings on economic sensitivity to transportation conditions and a customized tool for evaluating benefits of alternative strategies.

Task 3B: Identification of Alternative Strategic Directions



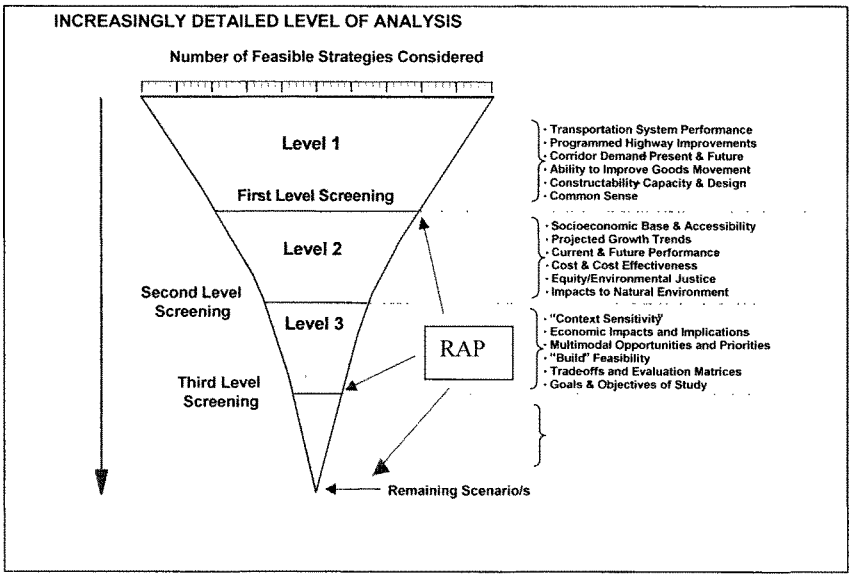
Purpose: To identify the role that an international trade corridor in supporting economic growth of the region and to the feasibility of such a corridor.

Approach: This task is the critical first step toward defining the overall framework for the remainder of the study as well as subsequent phases. In other words, what will be evaluated, and by what measures will it (the concept) be determined as feasible. While it is premature for this proposal to define the concept or its feasibility, this WSA Team proposal puts forward the a decision tree screening process that has been effectively used for other

corridors which will be modified and applied to this CanAm International Trade Corridor.

To make assessment more manageable it is suggested that a three-step "screening process" be followed. As depicted in the following chart, the idea is to evaluate alternative scenarios using a consistent and uniform set of criteria, eliminating some on this basis (with review and approval of the Advisory Committee) and carry on those remaining using more detailed criteria.

Funnel Illustration of Feasibility Screening Process



It is key for this first task is for the WSA Team to work with the steering committee to define the variables that will go into the screening process. The variables are what provide the definitional framework for what the concept is and the measures by which its feasibility is determined. It is clear from the intent of the RFQ that one of the main tests of feasibility will be the desire by private interests to participate in the "development, financing, design, construction and operation" of the ultimate facility. Defining a general concept must depend upon the selection of the eventual uses in the corridor, which in turn is contingent upon "bankable" demand.

Task 3C: Regional Input and Consensus on Alternative Strategic Directions

Purpose: To ensure early engagement and buy-in to the definition of alternative strategic directions among regional stakeholders.

Approach: Although the potential economic effects of an international trade corridor would potentially cascade across the entire CamAm region, not all sub-regions in the multi-jurisdictional area share the same starting "values" regarding the need for such an initiative or the focus of desirable strategic alternatives. Some states and provinces, or sections thereof, are more economically self-reliant than others; some might regard trade as less important than indigenous economic activities; and so on. A lesson learned during the formative period in the creation of the Economic Union was the importance of finding common ground among diverse sub-regional interests and articulating a common set of values to guide the identification of alternative strategic directions before such alternatives become solidified as the basis for detailed analysis. A second lesson was the need to target such efforts at those sub-regions whose going-in values were, perhaps, more divergent from the region-wide "norm" than others. A third lesson was that a common set of underlying values, and a corresponding consensus on alternative strategic directions, is achievable. Accordingly, under this task we propose to conduct a targeted series of Stakeholder Forums with opinion leaders (public and private) in pivotal sub-regions (New York, western Maine, etc.). The Forum materials would be informed by the technical and institutional analysis in Tasks 3A and 3B and would enable input based on sub-regional opinion. The Forum would be designed to yield the bedrock of common values needed to guide the final definition of strategic alternatives.

Deliverables: A report on the proposed forum structure and the proposed composition of each forum would be presented to the Steering Group for comment and approval. Forum materials would be distributed to forum participants in advance. A minimum of three and up to five Forums would be organized and delivered. A report delivered to the Steering Group on collective forum outcomes their implications for defining alternative strategic directions as identified on a preliminary basis in Task 3B.

Task 4: Predictive Analysis: Forecasting Economic and Transportation Impacts

While transportation infrastructure investments can, under particular circumstances, generate local and regional economic development, there are key factors to the identification of projects with true development potential. Such factors include local engagement, integrated project design, an *accessible* and *incremental* forecasting framework, and a detailed and reasoned framework of risk analysis and on-going risk management.

The proposed approach addresses these factors by providing a proven process to engage various stakeholders and provide transparency and credibility to the predictive analysis. The approach is based on well accepted and tested concept that accounts for the responsiveness of personal and freight traffic to new transportation infrastructure.

Task 4A and 4B: Economic Development and Transportation Analysis

Purpose: To assess the impacts of potential strategic directions for linking markets identified in Task 3.

Approach: Given the inherent interrelatedness of task, the WSA Team is proposing an integrated approach to conducting the economic and transportation analysis of the strategic directions. The approach consists of seven main steps:

1. Based on the findings of Task 2, we propose a stratification of personal and freight trips by mode and origin-destination.

2. Estimate the generalized travel cost for personal and commercial (freight) trips by mode and supply chain;

3. Use the strategic directions identified in Task 3 to estimate the potential impacts of various alternatives on generalized travel costs for personal and commercial trips, by mode and supply chain;

4. Based on the expected changes in transportation costs and on the sensitivity estimates elicited during the interviews the economic development and re-development impacts will be assessed. The magnitude of the impacts will also depend on overall changes in the region's attractiveness (attractiveness to industries, shippers, workers, and tourists) existing and future strategic plans, zoning issues, and other development "inducers" (to be identified in the course of the study). Consensus on the assessment will be developed through RAP workshops, with the assistance of planning and economic development agencies from all states and provinces within the region.

5. The potential economic development implications transportation investments aimed at accommodating the potential trade and tourism opportunities identified above will be quantified based on employment and general expansion in economic activity.

Deliverable: Tech memo summarizing the strategic directions on both a region wide basis and state and province specific recommendations.

Task 5: Preliminary Benefit/Cost Assessment

Purpose: To conduct preliminary benefit/cost analysis for optional strategic directions to be used to inform member agencies as they move forward with implementation.

Approach: Investments in highways, railroads, and other forms of transportation infrastructure generate benefits and costs to both the public and private sectors. The benefits of transportation infrastructure stem from its effect on improving people's *access* and *mobility*; its effects on *traffic congestion*; its reduction of *safety* and *environmental* costs; and its positive impact on *the economic development of the region.*

Our approach to assessing the impact of transportation infrastructure will focus on demonstrating the breadth and nature of opportunities for economic development across

the region as a result of alternative strategies. Our analysis will be grounded in reality and based on the information and data from previous tasks. The approach will recognize and evaluate project costs and benefits at a very macro level.

In addition to conventional analysis components such as travel time efficiency, the approach will focus on and seek to quantify **newly identified benefits** such as:

- The value of reliability and predictability to personal and commercial vehicles;
- Industrial reorganization effects from reduction in shipping costs; and
- The value of trade routes in precipitating productivity-enhancing (private) investment in advanced logistics.

Using the framework developed under Task 4, this task will estimate the benefits and costs for each recommendation on a region-wide basis. Benefits and costs will be estimated by assessing the differences between the base case and the selected alternative(s), while explicitly accounting for the expected changes in traffic, and long-term regional, state and provincial economic development.

Deliverable: Tech memo summarizing the methods, data sources and findings from the Preliminary Benefit/Cost Analysis.

Task 6: Project Financing

Purpose: Identify a range of options for alternative funding packages for the strategic options that allows for cost sharing among states and provinces within the study area.

Approach: WSA will identify potential revenue sources to fund the Northeast CanAm Connections. These sources shall include both funding available from the federal governments of Canada and the United States, along with state and provincial funding sources. This will include a review of current statutory funding provisions for funding transportation in general and specifically for projects such as the CanAm.

Part of WSA's scope will be to evaluate tolls as a source of revenue to fund the CanAm. This will include a discussion of different types of toll financing and development arrangements including public sector toll authorities, public-private partnerships, and concession agreements. While it will provide rule of thumb guidelines for tolling feasibility, it will not include a revenue analysis.

WSA's analysis will include a review of current public private partnership and concession trends within both Canada and the United States transportation markets. Where applicable, the review will include comparisons to other such financing and developmental arrangements in other countries.

WSA's scope will include a survey of enabling legislative and statutory provisions authorizing the use of these types of financing and development arrangements. This review will not be a legal analysis, but will provide necessary information needed to evaluate the feasibility of such financing and developmental arrangements.

Deliverable: A tech memo describing the various financing arrangements that may be available to fund the CanAm.

Task 7: Draft and Final Report

Purpose: To produce and deliver a final report of findings and strategic directions in both hard copy and electronic format.

Approach: The WSA Team will produce a draft final report based on the series of technical memorandums produced throughout the course of the study. The report will be written in a concise and easily accessible format complete with appropriate graphics and displays. Following a mutually agreed upon review period by the client, the WSA Team will address comments and produce a final report. The final report will be delivered in hard copy and electronic format.

Deliverable: A full color final report with Executive Summary and appropriate annexes in hard copy and electronic format. An accompanying presentation will also be developed and delivered. All materials will be made available for posting to the project website.

From: Bob Thompson [thompson@avcog.org]
Sent: Thursday, July 20, 2006 3:47 PM
To: rclark@nmdc.org
Subject: FW: montrealattendees2.xls

This is a list of the attendees at the Boston and Montreal meetings. it shows affiliation, involvment, invited and accepted. SC is steering committee and MC is management committee

NAME	STEERING COMMITTEE STATE/PROVINCE	INTEREST	COMMITTEE
David A. Cole	Maine	Transportation	SC
Gregory Nadeau	Maine	Transportation	SC
Carl A. Croce	Maine	Transportation	MC
Fred Michaud	Maine	Transportation	STAFF
Herb Thomson	Maine	Transportation	STAFF
VACANT	Maine	Economic Development	
Carol Murray	New Hampshire	Transportation	SC
R. Sean O'Kane	New Hampshire	Economic Development	SC
Ram Maddali	New Hampshire	Transportation	MC
Dawn Terrill	Vermont	Transportation	SC
Mel Adams	Vermont	Transportation	MC
VACANT	Vermont	Economic Development	
Clifford Thomas	New York	Transportation	SC
Gerard "Jerry" Cioffi	New York	Transportation	MC
Dick Darius	New York	Transportation	Staff
VACANT	New York	Economic Development	
Brian Gallivan	Nova Scotia	Transportation	SC/MC
Darryl Eisan	Nova Scotia	Intergovernmental Affairs	Staff
David Johnstone	New Brunswick	Transportation	SC
Doug Johnson	New Brunswick	Transportation	MC
Margaret Grant - McGivney	New Brunswick	Transportation	MC
Gail A. Shea	Prince Edward Island	Transportation	SC
Paul Godfrey	Prince Edward Island	Transportation	MC
Foster Millar	Prince Edward Island	Transportation	SC
VACANT	Prince Edward Island	Economic Development	
Jean Couture	Quebec	Transportation	SC
Benoit Cayouette	Quebec	Transportation	MC
Gérald Lescot	Quebec	International Affairs	MC
Bruce McCuaig	Ontario	Transportation	
Rob Tardif	Ontario	Transportation	
Pat Boeckner	Ontario	Transportation	
Bill Rhamey	Ontario	Senior Transportation Planner	
INTERESTED PARTIES			
Jonathan McDade	FHWA		INTEREST
Peter Riviere	New Hampshire		INTEREST
	Coos Economic Development Corp.	Executive Director	INTEREST
Rep. Fred King	Chair, Finance Committee, NH Legislature		
Jeff Neal	Asst. Director, North Country Council		
Sandy Blitz			INTEREST

Tim Woodcock			INTEREST
Andy Hamilton			INTEREST
Bill Osborne	Maine DECD		INTEREST
Jonathan Daniels	EMDC		INTEREST
John Holden	EMDC		INTEREST
Robert Thompson	AVCOG		INTEREST
Nancy Thorne	St. John Board of Trade		INTEREST
Bill Rose	Vermont-Northwest RPC	Transportation/Land Use Planner	INTEREST
Larry Zabar	New England Council		INTEREST
Neal Allen	GPCOG		INTEREST
Robert Clark	NMDC		INTEREST
Tom Martin	HCPC		INTEREST
Jim Fisher	HCPC		INTEREST
Kenneth Young	KVCOG		INTEREST
Paul Schumacher	SMRPC		INTEREST
Greg Brown	Chittenden County RPC		INTEREST
Catherine Dimitruk	Northwest RPC		INTEREST
Michael King	North County Council		INTEREST
Amy Melmock	Hants Regional Dev. Authority		INTEREST
Doug Morton	Northeastern VT. Dev. Assoc.		INTEREST
Pat Gould-Thorpe	Hants Regional Dev. Authority		INTEREST
Steve Patterson	Northeastern VT. Dev. Assoc.		INTEREST
Neil Jacobsen	Enterprise St. John		INTEREST
Glen Weisbrod	EDR		
Margaret Collings	EDR		
Normand Fillion	Port of Montreal		Speaker

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Wednesday, July 12, 2006

Testimony before the United States House of Representatives
Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and
Emergency Management

Chairman of Committee:	Don Young, R-Alaska
Ranking Member of Committee:	James Oberstar, D-Minnesota
Chairman of Subcommittee:	Bill Shuster, R- Pennsylvania
Ranking Member of Subcommittee:	Eleanor Holmes Norton, D-District of Columbia

Chairman Shuster, Ms. Holmes Norton, Members of the Subcommittee, ladies and gentlemen, I am pleased to be here today to once again testify in support of House Resolution 20, a bill to create the SouthEast Crescent Authority.

My name is Al Delia. I am the Director of Federal Relations for East Carolina University in Greenville, North Carolina and soon I will assume a new position as President and Chief Executive Officer of North Carolina's Eastern Region – one of seven regional economic development organizations in North Carolina.

I last had the privilege of testifying before this subcommittee on July 12, 2002, shortly after legislation to create the Southeast Crescent Authority was first introduced by Representative Mike McIntyre and co-sponsored by a number of his colleagues, from both sides of the isle, from throughout the Southeastern United States and other parts of the country.

In the interval of time between my first appearance before this subcommittee nearly four years ago and today, I am sorry to report that the deep and persistent poverty found throughout the rural parts of the 429-county region known as the

SouthEast Crescent has not improved – in fact, evidence points to an increase in poverty in many areas of the region.

Over the last forty years an amazing transformation has occurred in and around the larger metropolitan areas of the Southeastern United States. Modern, economically successful cities like Richmond, Raleigh, Charlotte, Atlanta, Birmingham, and Orlando represent islands of wealth surrounded by a vast sea of rural poverty.

Everyone across the country and around the globe knows the story of these New South enclaves of wealth and success. But today I want to focus my remarks on those parts of the South to which few bear witness. It is the South that I have dedicated two decades of my life to try to change – to improve – to help restore the promise of America to those who often live with little hope and empty promises. It is a place that brings-up the rear when measuring educational attainment. It is a place that brings-up the rear in economic opportunity. It is a place that brings-up the rear in the health of its people. It is a place that brings-up the rear in per capita wages. It is a place that often lacks basic infrastructure other regions of the country take for granted – in essence, it is a place that simply lags behind the rest of the country. This place is the rural South. Those of us that have the opportunity to

travel through the picturesque landscape of small towns, rich farmland and expansive coastal plains – often on our way to luxurious mountain-top or ocean-front homes do not absorb the reality that 20%, 30% and sometimes over 40% of the people we pass along the way live below the poverty line. These figures represent double, triple, and sometimes quadruple the national average poverty rates! The rural south is a place with an abundance of rich soil and poor people.

The seven-state region of the proposed SouthEast Crescent Authority has the highest rates of unemployment; the highest number of people trapped in deep and persistent poverty; and the most occurrences of economically devastating natural disasters in the nation. We have borne the highest and disproportionate share of America's price for leading the global economic changes that resulted from NAFTA and CAFTA. Economic restructuring that have all but eliminated textile jobs, caused commodity prices to plummet, and cut manufacturing employment by half or more in many areas.

However, I do not appear before you today to paint a dark picture of the region. Nor do I sit before you today with hat in hand asking for charity. Four years ago, I told this subcommittee that the future of the rural South, like our well-known sunshine, was bright and warm. I said that our opportunities in the economy

of tomorrow were too numerous to count. Today is yesterday's tomorrow and my convictions and my predictions have proven to be solid and true. In those parts of the rural South were resources and opportunities converge we have seen economic success emerge. However, in too many places we continue to lack the resources to take full advantage of the opportunities.

It is appropriate that today I testify on the heels of this subcommittee's consideration to re-authorize the Appalachian Regional Commission. The Southeast Crescent Authority is closely modeled after the ARC. And like those leaders of a generation ago in the Appalachian Region, the leaders and the people of the SouthEast Crescent are ready and willing to do their part. SECA is designed to assist areas of the region that are mired in poverty, just as other government-sponsored economic initiatives have in the past in other parts of the country. Mr. Chairman, I am here today to ask that this committee take favorable action on HR 20 because history shows that it will work. And fairness demands that it be done.

In 1999, together with the Council of Governments in eastern North Carolina, (you may know them as Planning Districts in your states) East Carolina University undertook a study funded by the U.S. Economic Development

Administration and the North Carolina Rural Development Center. That study sought to determine if the anecdotal evidence that western North Carolina, once the economic statistical twin of eastern North Carolina, had indeed improved its economic status while eastern North Carolina declined economically. Our research compared two cohorts of counties – one in eastern North Carolina, the other in western North Carolina – that in 1960 were statistically almost indistinguishable from one another economically. As we moved those counties forward through time, what we found was that the western counties improved economically while the eastern counties declined economically. Since all of the counties had the same state policies, incentives, and resources available to them, the obvious question that arose was: What caused the improvement in the West? And why did that not occur in the East? Our research found that a vital reason for the improvement in the West was the work and the catalytic effect of the Appalachian Regional Commission (ARC). The ARC was the driving force that caused many good things to happen.

One former ARC national Co-Chair told me that the ARC rarely puts in the most money to a project, but it often puts in the first or the last money into a project. In effect, the ARC money is the glue that holds projects together.

No such glue is available in eastern North Carolina, or in the rest of the SouthEast Crescent Region.

As proof of the power of that glue, one need only look at the change the ARC region has undergone in just over four decades. In 1960 – before the creation of the ARC – 219 counties were classified as "distressed." According to the ARC website, the number of counties classified as distress in FY 2006 is now 77. What other federally-funded program can claim – even a share – of the level of success that ARC has had? Two thirds of the counties that once were among the poorest in the country are no longer even classified as distressed! This statistic alone is testament to the excellent work and outstanding success of the Appalachian Regional Commission. We in the Southeast Crescent Region want an opportunity to replicate ARC's success…and perhaps even improve upon its record.

Thanks to the lessons we have learned from the good work of the ARC I am more convinced today than ever before that the SouthEast Crescent Region is uniquely positioned to take swift and full advantage of the creation of the SouthEast Crescent Authority (SECA).

We know that the creation of SECA will not solve the economic woes of an entire region by itself, but it is one tool – an effective and affordable tool that will begin to create economic opportunity and hope. While other parts of the United States with economic challenges have the advantage of federally-funded economic development commissions or authorities – such as the Appalachian Regional Commission, the Delta Regional Authority, the Denali Commission, and the Northern Great Plains Commission – to help deal with the deep and persistent poverty of their regions, the southeast crescent region continues to struggle without a federal partnership.

Mr. Chairman, for any endeavor of this type to succeed, four components must be in place and working in concert. SECA is no exception. These components are:

1) funding;
2) planning;
3) organization; and
4) projects

In creating the SouthEast Crescent Authority, Congress must insist that:

1) funding be adequate to the task, and all monies dedicated to this purpose be used wisely and quickly;
2) planning at the local, state, and multi-state level must be integrated and comprehensive;
3) the organizational structures, policies, regulations, and guidelines of the Authority must become operational quickly and reflect the best of the policies, regulations, structures, guidelines, and experiences of each of the other four authorized regional commissions; and
4) projects must benefit the most distressed areas, that these projects are truly targeted to improve economic or community needs, that the goals established are attainable, that projects have long-term benefits, and that potentially eligible projects are placed in a project pipeline prior to SECA becoming operational so that once resources are available projects may be funded and make a difference on the ground quickly.

Let me expand on each of these requirements on which, I believe, Congress must insist.

Funding

HR 20 calls for an authorization of $40 million per year for a period of five (5) years. Clearly the case can be made, and few would argue, that the need is far, far greater than that. However, budgetary realities dictate that we must not measure the need, but rather, that which is fair and consistent with the funding levels of other regional commissions or authorities. Even by this yardstick, SECA, at the proposed level, is significantly under funded.

I believe a more appropriate funding level for SECA whould be based on a formula that takes into account the number of persons in poverty and the existing authorization and appropriations levels of other commissions or authorities. Using this type of measure, the funding level for SECA ought to be somewhere between $85 million to $100 million annually. However, I understand the political and budgetary realities by which you are constrained and assure you that any reasonable level of authorization and appropriation provided to SECA would be well-spent and bear sweet fruit quickly.

Planning

Planning is crucial and must take place *before* projects are selected and money is spent – so that the Authority Board will understand and support projects

that have common aims. An integrated and comprehensive plan will outline a strategy that will assure projects mesh well together. Projects ought to create synergy with one another so that the whole is greater than the sum of its individual parts. Without a good plan, many worthwhile individual projects may be funded, but the success each may have will remain isolated and not breed the multiple and compounding successes needed in the region.

Good plans must include meaningful input from all parties with an interest in the outcomes. As important, good plans must be facilitated and coordinated by organizations or individuals that have a minimal stake in the outcome of the plan.

For this reason, as well as for reasons of ability and organizational strength, I recommend that universities, particularly including Historically Minority Colleges and Universities (HMCU), working in concert with the regional planning districts be the mechanisms through which the local, statewide, and multi-state regional planning is coordinated and takes place. Using universities and regional planning districts as the planning mechanism will assure that plans are developed, coordinated, share formats, and most importantly, be complete by the time projects are ready to be selected.

Organization

The number of operational details needed to be put in place to start up a new commission or authority is enormous – and time consuming. Developing policies, procedures, regulations, hiring staff, -- not to mention the President's nomination and the Senate confirmation of a national co-chair – devour many months worth of time. In order that the SouthEast Crescent Authority not spend so much time "“hurrying up and waiting," I suggest an approach that is open, transparent, inclusive, time- and cost-effective, and will allow SECA to disperse project money within the same fiscal year as its first appropriations. Again, the intellectual resources and expertise of universities should be put to good use in this regard.

A lead university, working meaningfully and collaboratively with a consortium of universities (including HMCU's) from each of the seven states in the SouthEast Crescent, ought to be charged with developing organizational structure, policy, and regulatory options and recommendations to present to the SECA Board at an early meeting of that group. In this way, the ground-work needed to help determine organizational structure, policy, and regulations does not need to wait until a national co-chair is nominated and confirmed and Authority staff is hired. All choices and critical decisions will be made by the Authority Board, yet the delay normally built into the start-up phase of such an organization

would be eliminated. Additionally, and perhaps even more importantly, the Authority Board will have the benefit of comparisons, contrasts, evaluations, and analyses conducted by the universities and regional planning districts while compiling the options presented to the Authority Board.

Projects

In 1964, when the Appalachian Regional Commission was created, administrative structures and organizations had to be invented in order to develop a system capable of soliciting, assisting in the development of, compiling, and forwarding project applications to the Governors, and from there to the ARC Board. Happily, today those structures are almost universally in place and functioning. Furthermore, as a result of the widespread knowledge among economic and community development professionals about the ARC, a basic understanding of the types of projects that will likely be eligible for SECA funding already exists.

HR 20, since it is modeled after the legislation that created the Appalachian Regional Commission, calls for the administration of such projects to be conducted by local development districts. In order to jump-start the process of developing a pipeline of projects – even in the absence of formal certification by the SouthEast

Crescent Authority – Congress ought to encourage would-be local development districts to solicit and compile projects for submissions to the Governor of the state in which they operate.

This pipeline of projects could be developed prior to the local, state, or multi-state regional development and organizational plans being finalized and adopted. Once the organizational and development plans are adopted by SECA, appropriate projects could be identified, evaluated and funded quickly.

Mr. Chairman, let me assure you and the Members of this subcommittee that but for the availability of SECA funds, hundreds, if not thousands of eligible, good projects are already waiting in the wings.

I have had the honor and privilege of working with fine people from each of the seven-states of the SouthEast Crescent Region for a cause I believe in. During the past several years we have learned much about the successes and structures of the Appalachian Regional Commission. And that is why we want to follow the model of the ARC.

We have also learned much from the challenges and obstacles faced by the Delta Regional Authority and some of the other regional commissions. We believe the lessons we have learned from other regional authorities' and commissions' experiences will allow SECA to become the model of success for future Congresses.

In closing, Mr. Chairman I want to express my thanks to you and to your subcommittee for your willingness to hold this hearing and to listen to testimony on the need to expand the successful 40 year experiment of the Appalachian Regional Commission by the creating new regional authorities and commissions in other parts of the country. At the risk of singling-out only one Member among many that have played important and tenacious roles in keeping the needs of the Southeast Crescent Region and its people before this Body, I want to take this opportunity to particularly thank Representative Mike McIntyre.

I look forward to working with you, all the members of this subcommittee, and your fine majority and minority staffs to enact this important legislation.

STATEMENT OF
ELEANOR HOLMES NORTON
SUBCOMMITTEE ON PUBLIC BUILDINGS, ECONOMIC DEVELOPMENT AND EMERGENCY MANAGEMENT
JULY 12, 2006

Thank you, Chairman Shuster. Having the Appalachian Regional Commission (ARC) appear before the Committee reinforces the belief that the federal government can indeed do some things very well. The creation of the Appalachian Regional Commission (ARC) in the mid 1960's and its successful operations since then is proof that government can be effective and partnerships do work.

Since its inception the ARC has been devoted to the economic well being of Appalachia's 410 counties and its 23 million residents. The vital partnership, created in 1965 by the Appalachian Regional Development Act (PL 89-4), between the federal government and the Appalachian states is a model for efficiency and effectiveness. The federal co-chair shares equally with the 13 state governors in making policy and allocating funds. Over the past 40 years the ARC has significantly improved conditions in Appalachia – poverty rates have been cut in half, infant mortality rates have been reduced by two thirds, the percent of adults 25 years and older with high school diplomas has doubled, new highways have been constructed, and thousands of new jobs have been created.

The Committee is considering a bill to reauthorize the ARC for another five years and I look for ward to hearing from the federal co-chair, Ms. Pope

and from Mr. Robertson, representing the state co-chair, about their accomplishments over the past five years.

I also welcome our colleagues, Congressman Bass, Congressman McHugh, Congressman McIntyre, and Congressman Reyes. Congressman Bass and Congressman McHugh have worked closely with subcommittee member Congressman Michaud to develop an economic development bill which addressees the economic ills of the northeast. Congressman McIntyre had worked tirelessly to highlight and address the needs of the states in the southeast crescent. Congressman Reyes has been a champion for economic development in Texas and along the southwest border and has introduced legislation for three consecutive Congresses to address the economic needs of that region.

The final panel of witnesses will add details to the various pieces of legislation introduced by Mr. Michaud, Mr. McIntyre, and Mr. Reyes of Texas.

Thank you Chairman Shuster.

STATEMENT OF
THE HONORABLE JAMES OBERSTAR
SUBCOMMITTEE ON PUBLIC BUILDINGS, ECONOMIC DEVELOPMENT, AND EMERGENCY MANAGEMENT
JULY 12, 2006

Mr. Chairman, the Appalachian Regional Commission has worked diligently to fulfill the intent of Congress to assist the Appalachian region "in providing the infrastructure necessary for economic and human resource development, in developing the regions' industry, in building entrepreneurial communities, in generating a diversified regional economy and in making he region's industrial and commercial resources more competitive in the national and world markets." (ARC Act).

By almost every measure the Commission has been productive and continues to strive to eradicate poverty in counties and states that comprise the Appalachian region. The commission's success story is marked by a clear and concise understanding of mission, steady progress toward goals, bi-partisan program support and staff professionalism.

I look forward to hearing from both ARC witnesses and pledge to work toward an ARC reauthorization bill that will ensure the valuable work of the Commission continues.

I also welcome Mr. Silvetti, Mr. Daniels, Mr. Delia, and Mr. Brisbin. Mr. Silvetti and Mr. Delia previously have testified before this subcommittee on economic development issues related to their regions. Mr. Daniels has worked with Congressman Michaud to focus attention on the origins of poverty and

the need for economic development opportunities in the Northeast. Mr. Brisbin will testify to the particular needs of the Southwest and how the bill introduced by Congressman Reyes will tackle those problems.

This second panel will provide for the Committee a picture of how economic problems, while having many similar characteristics, also have many features particular to a region or geographic location.

I welcome all witnesses and look forward to hearing your testimony.

APPALACHIAN REGIONAL COMMISSION

A Proud Past, A New Vision

Anne B. Pope
Federal Co-Chair

Statement of

Anne B. Pope
Federal Co-Chair
Appalachian Regional Commission

Before the

Subcommittee on Economic Development, Public Buildings and

Emergency Management of the

House Committee on Transportation and Infrastructure

July 12, 2006

1666 CONNECTICUT AVENUE, NW, SUITE 600 WASHINGTON, DC 20009-1068 (202) 884-7660 FAX (202) 884-7693 www.arc.gov

STATEMENT OF ANNE B. POPE
FEDERAL CO-CHAIR, APPALACHIAN REGIONAL COMMISSION

Thank you, Mr. Chairman. It is indeed a pleasure to be with you to review the work of the Appalachian Regional Commission (ARC). We appreciate your strong personal commitment to the future of the Appalachian region and the work of ARC. All of us in Appalachia appreciate your leadership. The ninth congressional district in Pennsylvania is an important part of the Appalachian region.

This hearing affords us a chance to assess the effectiveness of the 2002 reauthorization, review how ARC's programs are working, and examine the economic development challenges facing rural communities in Pennsylvania and across Appalachia.

The region's traditional reliance on low-skilled jobs—particularly in manufacturing, mining, tobacco, and steel—is rapidly shifting to more knowledge-based employment. While this transformation offers the promise of higher incomes and improved standards of living, many Appalachians—and their communities—are at risk of being unable to compete for these new jobs and businesses.

Education and workforce development programs geared to high-growth high-demand jobs, entrepreneurial strategies to capitalize on local assets, access to broadband technology, and adequate basic infrastructure are essential if Appalachia's communities are to compete in the global economy. ARC's flexibility, its ability to adapt quickly, and its expertise in crafting regional approaches make it an effective partner in helping communities put these critical components in place.

ARC Overview

I should take just a minute to review ARC's mission and structure, as I think that is a key to ARC's success. The Commission has been charged by Congress with helping bring Appalachia's 410 counties and their 23 million people into socioeconomic parity with the rest of the nation. The Commission represents a vital partnership between the federal government and the 13 Appalachian states. The 13 Governors and the Federal Co-Chair collectively set policy and allocate ARC's dollars in a true partnership that requires a consensus on priorities.

While the formal policies of the Commission are established by the Governors and the Federal Co-Chair, the real strength of ARC rests in our local partners, the local development districts. These multi-county planning organizations act as our local eyes and ears, identifying potential projects, providing technical assistance to small communities, piloting innovative development approaches.

They are indispensable to our effort to move Appalachia into economic parity with the nation.

Every Appalachian county is served by one of the 72 local development districts (LDDs) in our region. Your district is served by four different districts. But the one the serves the bulk of your district is Southern Alleghenies Planning and Development Commission in Altoona. Ed Silvetti leads that organization, and I am pleased that you have selected him as a witness for later this afternoon. He is a forceful advocate for innovative regional development.

2002 Reauthorization

Mr. Chairman, I am pleased to report that the 2002 reauthorization has worked quite well. As a result of the legislation and the Administration's focus on results and spending better every year, we have become more **performance-based**, we have increased our **leveraging**, we have expanded our **partnerships**, and we have focused on **innovative, regional approaches** to economic development. These are some of the reasons why the Administration's FY 2007 budget included level funding for ARC and language extending authorization for an additional year.

Performance-based Agency

ARC is a performance-based organization, with clear goals and performance measures driving everything that we do. I believe that successful organizations are ones that develop a plan, implement it, and then measure what they have accomplished.

Last year we implemented a new strategic plan to guide the agency for the next five years. We did not just sit in Washington and write a document. Rather, we went out into the region to listen to the people of Appalachia and hear how they thought ARC could best help their communities. We held five town hall meetings across the region, with participation and voting by more than a thousand Appalachian citizens. Then our states, the local development districts, and I sat down to shape these comments into a new plan to govern our investments. That plan articulates four major goals:

- ***Increase job opportunities and per capita income*** through business development and diversification strategies that will capitalize on the region's unique assets, foster local entrepreneurship, expand trade, and encourage technology-related jobs.

- ***Strengthen the capacity of the people to compete in the global economy*** through increased workforce participation and productivity, with emphases on improving educational attainment and training and reducing disproportionately high rates of certain chronic diseases.

- ***Develop and improve regional physical infrastructure***, particularly in economically distressed areas, as an essential step to increase potential for private sector growth by addressing the need for clean water and wastewater treatment facilities and advancing the access to and use of high-speed telecommunications.

- ***Build the Appalachian Development Highway System***, designed to reduce the historic physical isolation of the region and link Appalachia to national and international commerce.

Performance measurement is an integral component of the strategic plan. The Commission has outlined annual and 10-year performance targets that are aligned with these four goals. We analyze each project to see what it contributes to one of these targets.

Those 10-year regional performance targets are as follows:
- Create and/or retain 200,000 jobs in Appalachia
- Position 200,000 Appalachians for enhanced employability
- Provide 200,000 households with basic infrastructure services
- Open 250 miles of the Appalachian Development Highway System

I am pleased to report that we are well on our way to meeting these 10-year targets.

Leveraging

Meeting these targets will require the investment not just of ARC dollars but of funds and resources from other government agencies and the private sector. We have worked to increase our leverage of outside dollars. Last year, the $66.3 million in grants that we funded attracted $170 million in additional project funding, a ratio of almost 3 to 1, and $560 million in leveraged private investment. That means that **for every dollar that ARC invested in a project, the private sector invested eight dollars**. Since many of our projects are in areas with weak economies, and they often meet needs that are almost pre-development in nature, this private investment is particularly striking and has a significant economic impact.

In our role as advocate for the region, we have been the catalyst for other investments as well. Parametric Technology Corporation (PTC), a leading developer of sophisticated engineering and design software for industry, NASA, and the Defense Department, has worked with ARC to make their Pro-DESKTOP software available for free to all high schools and colleges in the Appalachian region that have a faculty member trained in using the software. So far 31 community colleges, 4 technology centers, 44 high schools, and 1 middle school across 9 ARC states have participated in the project. To date, the market value of the software PTC has donated is $24 million.

Partnerships

Achieving the goals of our strategic plan requires an extensive network of partnerships—with the private sector, the non-profit community, and other government agencies. Expanding our partnerships has been one of my primary goals at the Commission. I think we are making excellent progress in this area.

The **Interagency Coordinating Council on Appalachia**, which the 2002 legislation created, has been an effective tool for strengthening our partnerships with other federal agencies. Last fall, for example, Labor Deputy Assistant Secretary Mason Bishop and I convened a field meeting of the Council at Zane State College in Zanesville, Ohio to discuss strategies to prepare Appalachia's workers for high growth, high demand jobs. Presidents of 17 community colleges from across Appalachia, along with economic development and business leaders, participated in the conversation.

At that time we announced an innovative pilot program to train workers for jobs in the electric utility industry. An interstate partnership between Zane State in Ohio, Ashland Community College in Kentucky, and West Virginia State Community and Technical College will yield a rich curriculum, open to students in all three colleges. A key private sector partner, AEP, will work with the colleges to make sure that the curriculum matches the jobs that AEP offers. AEP will also offer internships that are integrated into the program. This regional approach to workforce development is just the sort of innovative collaboration that both ARC and the Department of Labor are seeking to foster.

Our relationship with the Centers for Disease Control and Prevention is another innovative federal partnership. Since 2001 the CDC has committed over $1.4 million to special work in Appalachia targeted to certain diseases, such as diabetes and cancer, that disproportionately affect our region. That partnership has led to three successful ongoing projects: a jointly funded initiative to reduce the high rate of cervical cancer mortality in Appalachia, a partnership with East Tennessee State University to implement a comprehensive cancer control program, and a collaboration with Marshall University to reduce the impact of diabetes on people in Appalachia. For each of these, the CDC has looked to ARC as its connection to local communities and local needs.

We also understand the importance of the private sector, and we have worked to create new partners here as well. In a first-of-its kind collaboration, ARC worked with the **National Geographic Society** to develop a geotourism mapguide to Appalachia, boosting the tourism industry and the jobs that flow from it. The map features 356 sites, including 62 sites in Pennsylvania. This special map is the kind of activity that could only be accomplished through an organization that has a specific, regional focus.

Over the past two years we have worked with **Microsoft Corporation** to make computer software available to more than a hundred organizations across our 13 states. Microsoft initially committed $1 million in software donations, but when they saw the enormous need there was for this across our region, they quickly increased it to $2 million. At this point Microsoft has distributed $1.5 million of that, and additional applications are being processed. Microsoft has been a great partner for us, and we appreciate their commitment to Appalachia.

Innovative Regional Approaches

ARC stresses innovation and regionalism in building thriving local economies. One of our model innovative programs is the highly successful **Appalachian Higher Education Network**. Originating in Appalachian Ohio, this program provides funding, training, and assistance to high schools to encourage students to undertake post-secondary education. We know that the jobs of tomorrow are going to require enhanced training and education, yet the "college-going" rate for high school students in Appalachia lags behind the rest of the nation. Our Appalachian Higher Education Network speaks directly to this gap.

We have taken the Ohio model, which won an "Innovations in Government" Award from Harvard, and are replicating it across Appalachia. There are now ten centers in nine states. Since 1998, the network's programs have reached nearly 11,000 high school seniors in Appalachia, of whom 68 percent have enrolled in college. This is an increase of almost 20 percentage points over pre-intervention college-going rates.

We seek opportunities by which our states and communities acting regionally can accomplish more than if they were acting on their own. A good example of regional innovation is the **Southern Appalachian Fund**. In response to ARC studies that documented the lack of equity capital in Appalachia, five states—Tennessee, Kentucky, Mississippi, Alabama, and Georgia—came together and ARC invested $1 million to help capitalize a venture capital fund focused on Appalachia. This attracted $11.6 million in funds from other public and private sources, including BankOne and Wachovia, to yield an overall pool of $12.5 million of venture capital that can only be invested in Appalachian businesses.

The Southern Appalachian Fund is off to a great start. It has now made investments in eight companies, totaling $4.4 million, resulting in the creation of 100 jobs and leveraging $18.3 million of additional equity and debt investment. All the money has been invested in low-income census tracts. Here again, without ARC's special regional focus, these venture capital dollars would not be available to grow businesses in Appalachia.

Another area where we have fostered innovation is **telecommunications and technology**, one of the key elements of the 2002 legislation. Through the first four years of the program (we are now in the fifth year), the Commission spent $32.2 million on activities related to this important initiative. This has been

matched by $6.5 million in other federal funds, $10.3 million in state dollars, and $41.3 million in local support. These activities are projected to leverage an additional $61.7 million in private investment.

ARC's program has been built around four broad areas: increasing affordable access to broadband services, providing training and educational opportunities related to telecommunications and technology, increasing the use of e-commerce throughout the region, and increasing entrepreneurial activities within Appalachia in the technology sector. Projects in these areas stress innovation and regionalism.

The direct economic impact of the telecom program has been substantial:

- 2,600 jobs created and 2,100 jobs retained
- 45,000 students served with enhanced academic offerings through distance learning and new technology
- 65 community and regional plans for telecommunications networks and applications

In Pennsylvania, ARC funds have supported a wide range of activities designed to expand broadband access and incorporate technology into the fabric of local economic development efforts. A wireless demonstration project, done in conjunction with Carnegie Mellon's Center for Appalachian Network Access, is providing highspeed access to previously unserved businesses in Perryopolis, while a grant to Allegany College enabled the College to offer expanded distance learning courses at its campuses in Bedford and Somerset Counties. A local development district, SEDA-COG, has used ARC funds to help create over 40 new websites for organizations across an 11-county area.

Other states have similarly used ARC's telecommunications program to boost broadband access and use. Earlier this year I joined Mississippi Governor Haley Barbour in officially "lighting" a new fiber network that will serve the bulk of northeast Mississippi. ARC provided $2 million of a total $7 million project, in partnership with TVA, HUD, and the private sector, to install a fiber loop that will link major state universities, the largest rural teaching hospital in the nation, several small cable companies, and a growing number of private businesses. This project has the potential to transform the economy of that part of Mississippi.

As you can see, Mr. Chairman, the telecom authority provided in the 2002 legislation has enabled us to make significant progress in connecting Appalachia to the information highway.

Highways

While the primary focus of today's hearing is ARC's nonhighway program, I do want to touch briefly on the status of the Appalachian Development Highway

System, since it is the linchpin of our efforts to connect Appalachia with the international economy. As of September 30 of last year, 2632 miles—85% of the 3,090 miles authorized—were open to traffic or under construction.

Last year's highway bill provides funding for the ADHS out of the federal highway trust fund at $470 million per year. This will enable us to make significant progress in completing our highway system, and I thank you and your colleagues for your leadership in ensuring that the ADHS was included in SAFETEA-LU.

Strategies for the Future

As you look to the future, Mr. Chairman, I want to discuss briefly the steps ARC is taking to ensure that our programs respond to the challenges of Appalachia's changing economic landscape.

Targeting. First, we are continuing our focus on the areas of Appalachia that have the greatest need. To help us do that, we recently developed an economic condition index that enables us to directly compare the condition of our counties with the counties in the rest of the nation. Using unemployment, poverty, and per capita market income, the index assigns a score to every county in the country, and then divides those counties into quartiles. Attached to my testimony is a map that shows the distribution of counties across the nation according to the index. The index reveals that Appalachia has more of the worst counties and fewer of the best than it would if the region was at the national average.

We have traditionally focused special attention on those counties that are formally classified as economically distressed. This year there are 77 of those across the region. But many of our counties are just on the cusp of being distressed; and therefore, ARC is focusing attention and resources on them to ensure that they do not become distressed.

The Commission now has begun formally designating these "at-risk" counties. In FY2006, there are 81 of them, including five in Pennsylvania. This designation will allow ARC to give additional funding priority to projects in these counties.

Telecommunications. As I noted earlier, over the past five years we have had a robust telecommunications program that has significantly expanded the access and use of telecom and technology in Appalachia. But the region continues to lag behind the nation in access to broadband, and businesses and communities too often fail to capture the economic potential offered by new technology.

According to a study we conducted initially in 2002 and updated in 2004, *Links to the Future*, in December 1999 there were 44 percent of Appalachian zip codes with at least one high-speed provider, compared to 60 percent for the nation. In December 2002, the Appalachian percentage had increased to 63 percent. That

is definite progress, but the national rate had grown to 88 percent, actually increasing the gap between Appalachia and the rest of the nation.

We expect to continue our work in this area. We are pursuing several strategies. One is ensuring that whenever we do a basic infrastructure project, we consider whether there is value in including a telecommunications component as well. Another is to continue our focus on e-commerce, training our small businesses to take full advantage of the business opportunities and efficiencies offered by the Internet. Finally, we will continue our commitment to distance learning, telemedicine, and demand aggregation projects.

Asset-Based Development. ARC is now in the second year of a special initiative designed to help tap the full potential of the region's natural, cultural, leadership, and structural resources. Too often we in Appalachia tend to focus on our deficits, on the barriers to economic development. And much of what ARC does is help overcome those barriers. But I come from the business world, where the balance sheet has two sides—the deficits, or liabilities, AND the assets or revenue streams. ARC is working with our communities to help them identify their assets and put in place strategies that will capitalize on them.

This initiative has sparked considerable enthusiasm around the region, as communities take a new look at the economic development resources they have within their own borders. Some examples include the following:

- Mingo County, West Virginia has used water in abandoned mines as the basis for a thriving aquaculture business that grows and sells artic char to high-end restaurants along the East Coast.
- In Virginia, the 250-mile "Crooked Road" driving trail links 8 music venues in 10 counties in an exploration of the region's rich musical heritage.
- Appalachian Pennsylvania is capitalizing on some of the finest hardwood forests in the world to promote sustainable agriculture, value-added wood products, and job creation.

Both ARC and our communities believe that this asset-based approach to local economic development affords a realistic opportunity to diversify our local economies.

Patterns in global trade and technology have shaken Appalachia's historic reliance on traditional manufacturing, extractive industries, and tobacco, threatening many communities whose local economies were already fragile. For example, Appalachian coal mining, long a mainstay of the economy of central Appalachia, has fallen from 101,500 workers in 1987 to 46,000 in 2003, largely because of productivity gains. Similar employment declines have occurred in manufacturing, with significant Appalachian job losses in textiles and apparels and primary metals. Our asset-based approach offers an additional tool for communities as they refocus their economies.

Energy. One asset class to which we are dedicating special attention is energy. Appalachia is rich in energy resources—fossil fuels, renewables, and the research capacity to develop alternative energy sources. From coal to oil and gas to wind to biomass, all of the Appalachian states have significant energy assets.

Earlier this year the Appalachian Governors and I committed the Commission to developing an "energy policy blueprint" for Appalachia that can boost the region's economy. We are currently conferring with energy experts, as we work to have our regional energy blueprint ready to unveil at our annual conference this fall.

The challenge is to craft regional strategies that will use these resources to spur widespread economic growth and job creation. Tapping Appalachia's energy potential for economic development is about more than just getting additional coal out of our mines. Rather, it requires looking at the entire energy supply chain—research, commercialization, manufacturing, exporting—and seeing it all as one comprehensive economic development strategy for our region.

Our blueprint will provide a strategic framework for the Commission to promote new energy-related job opportunities by stimulating sustainable energy production, efficiency, and conservation efforts throughout Appalachia. It will assess the current energy landscape and examine both non-renewable and renewable energy assets, as well as emerging energy technologies, and outline the potential for developing energy-related job opportunities in the region.

Basic Infrastructure. The bulk of ARC's funding continues to go to basic infrastructure. Lack of adequate water and wastewater systems is frequently a major impediment to local economic growth.

ARC recently commissioned a study to document the region's funding resources and gaps for drinking water and wastewater infrastructure. It found that, using EPA data, Appalachian counties require investments of at least $11.3 billion for drinking water needs and $14.3 billion for wastewater needs. According to the study, Appalachia's water and wastewater service lags behind the U.S, and local technical, managerial and financial capacity is significantly lower in Appalachia. On average, community water systems in distressed counties have greater financial needs per person served than systems in non-distressed counties.

ARC will continue to help communities with these challenges in a number of ways:

- *Targeting our infrastructure investments.* ARC will continue to focus its funding on those communities with the greatest economic need and those with critical public health and safety issues.
- *Strengthening our partnerships with other federal agencies.* We have historically had a strong relationship with Rural Development at the Department of Agriculture, and we have been expanding our partnership with the Environmental Protection Agency.

- *Fostering regional approaches to water and wastewater service.* Economies of scale—and improved service reliability—occur when small communities come together to develop interconnected systems that operate on a county-wide or regional basis. ARC will continue to emphasize a regional approach to basic infrastructure.
- *Encouraging innovative solutions to infrastructure needs.* The combination of rugged terrain and low incomes puts traditional systems beyond the financial reach of some of the more remote, distressed communities. This calls for alternative approaches, such as the Self-Help program in Virginia, innovative financing options, and alternative technologies. ARC will examine ways of deploying these alternative solutions across Appalachia.

Conclusion

Mr. Chairman, since ARC was created, Appalachia has experienced significant economic improvement:

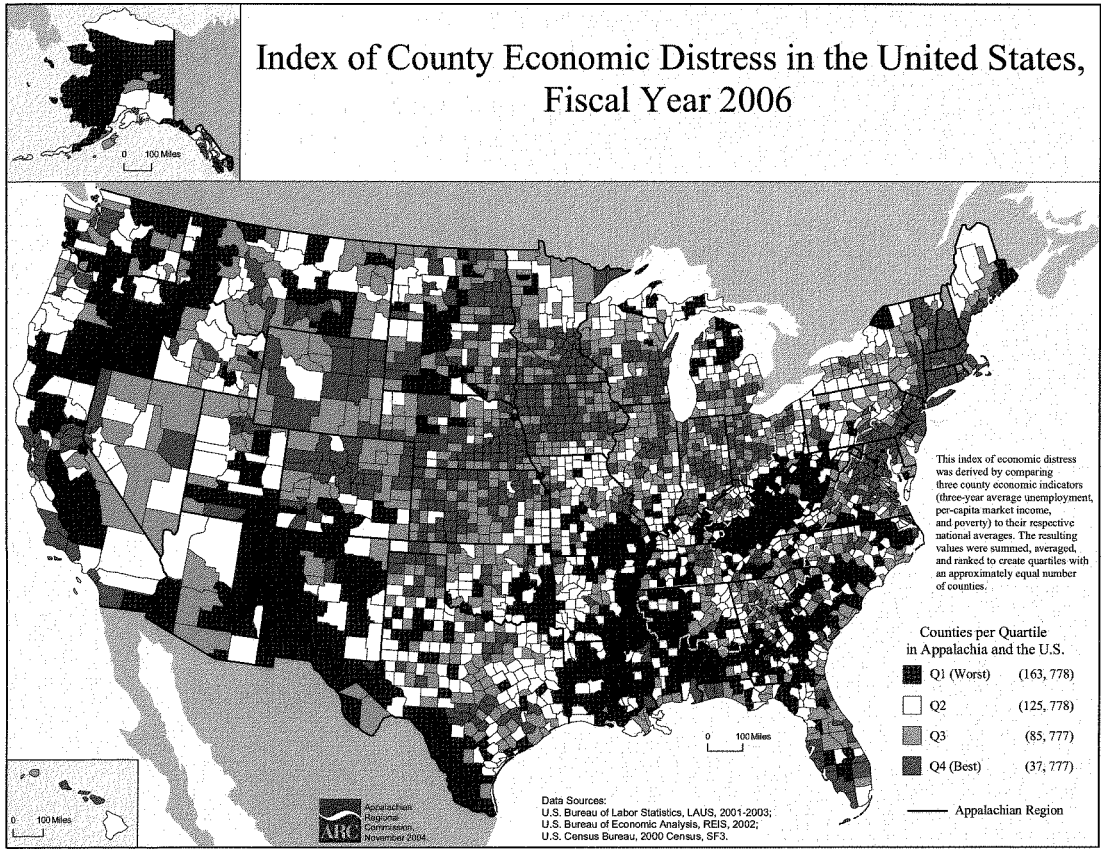
- The number of **economically distressed counties** has been cut by more than half, from 223 distressed counties in 1965 to 77 counties in 2006.
- The **per capita income gap** between Appalachia and the U.S. has been reduced from 22 percent below the national average in 1965 to 18 percent in 2001, and the **poverty rate** has been cut more than half, from 31 percent to 13 percent.
- Appalachia's **infant mortality rate** has been cut by two-thirds, and more than 400 ARC-funded rural health facilities have expanded access to health care across Appalachia.
- The percentage of Appalachian adults with a **high school diploma** has increased by over 70 percent (from 45 percent in 1960 to 77 percent in 2000), and ARC has helped build and equip 700 vocational education facilities.
- In the past five years alone ARC grants have provided **clean water and sanitation facilities** for over 183,000 Appalachians.
- Since 1977 ARC has invested $36.7 million in **revolving loan funds** that generated $115 million in loans for small businesses and leveraged $8.59 in other investment for each ARC dollar, helping create over 30,000 jobs.

Despite these significant improvements, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the country. I have already outlined some of the challenges in telecommunications, infrastructure and employment, but let me suggest a few more of the region's continuing needs.

- **Widespread poverty.** One fourth of Appalachia's counties have a poverty rate more than 150% of the national average.
- **Persistent unemployment.** A majority of Appalachian counties have a higher unemployment rate than the national average.

- **Lower per capita income.** Appalachia trails the rest of the nation by 18% in per capita income.
- **Educational attainment gaps.** The number of Appalachian residents with a college degree is less than three-fourths of the national average and the gap is widening.
- **Health disparities.** Appalachia has higher rates of cancer, heart disease, diabetes and chronic obstructive pulmonary disease compared with the nation as a whole.

Mr. Chairman, we are on the right track; the region is moving forward, but we still have key obstacles to overcome if we are to move Appalachia to economic parity with the nation. We believe that ARC can be a key partner in helping achieve this ultimate goal, and we look forward to working with you and other Members of Congress.


Index of County Economic Distress in the United States, Fiscal Year 2006
0 100 Miles
This index of economic distress was derived by comparing three county economic indicators (three-year average unemployment, per-capita market income, and poverty) to their respective national averages. The resulting values were summed, averaged, and ranked to create quartiles with an approximately equal number of counties.
Counties per Quartile in Appalachia and the U.S.
Q1 (Worst) (163, 778)
Q2 (125, 778)
Q3 (85, 777)
Q4 (Best) (37, 777)
Appalachian Region
Data Sources:
U.S. Bureau of Labor Statistics, LAUS, 2001-2003;
U.S. Bureau of Economic Analysis, REIS, 2002;
U.S. Census Bureau, 2000 Census, SF3.
Appalachian Regional Commission November 2004

"The Reauthorization of the Appalachian Regional Commission and Legislative Proposals to Create Additional Regional Economic Development Authorities"
Questions for the Record
July 12, 2006

Anne B. Pope, Federal Co-Chair
Appalachian Regional Commission

1. ARC has recognized the need for an at-risk designation. What type of counties will qualify for this designation?

The at-risk designation, which the Commission formally adopted beginning in FY2006, recognizes those counties that are just on the cusp of being distressed. They continue to have fragile economies and need special attention. We often say that they are only one plant closure away from becoming distressed. In many cases they are counties that once were distressed, but whose economies have made at least some improvement. Yet they continue to be significantly below national averages on key economic indicators of unemployment, per capita market income, and poverty.

A good example is Fayette County, Pennsylvania. Fayette was formally classified an economically distressed county for a number of years until 2004, when it no longer met our stringent criteria for being distressed. While it has made modest economic improvement, it continues to suffer from a weak economy. Its unemployment rate exceeds the national average (139% of the national average), its per capita market income is less than two-thirds of the national average, and it has a poverty rate that is almost one and a half times (145%) the national average. Obviously, Fayette still needs attention. It clearly is at risk of falling back into distress. This is precisely the situation that our new at risk category is designed to address.

Across the region, there are 77 of these at-risk counties, with five of them (including Fayette) in Pennsylvania. This new designation signals to the Commission—and to the local communities—that these counties continue to need additional focus and priority for funding.

a. How will this new designation and the proposed associated increase in grant funds benefit these counties?

Because of their weak economies, at risk counties sometimes find it difficult to meet the match requirement for ARC grants. The proposed legislation would give ARC the discretion to fund a larger portion—up to

70 percent—of the total project cost for projects in at risk counties. This is similar to the existing law that permits ARC to fund up to 80 percent of the cost of projects in distressed counties. Currently ARC can fund only 50 percent of the costs of projects in at risk counties, and this occasionally limits the ability of ARC to help communities with key projects in these counties.

It is important to note that this provision simply gives ARC the flexibility to increase the federal match if the circumstances warrant it; it does not mandate that all projects in at risk counties be funded at 70 percent. That is similar to the situation of projects in distressed counties. For example, less than a third of our projects in distressed counties are funded at the statutory maximum of 80 percent. This suggests that our states and communities work to make sure that they get the maximum impact out of ARC dollars and rely on other sources of funding wherever possible. But the higher federal match would enable the Commission to meet the needs of those communities that would otherwise have difficulty meeting ARC's existing statutory match requirements.

The at risk designation also increases the focus that ARC and its state and local partners place on these counties and helps in establishing priorities for ARC projects and activities. It likewise indicates to the local community that we understand that they have not yet fully turned the corner economically and that we will be working with them to continue to strengthen their economy.

2. Last time we authorized the ARC, Congress provided ARC with the authority to provide technical assistance and funds to increase affordable access to advanced telecommunications and the necessary associated education and training. What success has the program had to date?

Through more than 250 projects over the past four years (we are currently in the fifth year of the program), ARC's investments in telecommunications and technology have had a significant impact in strengthening and diversifying the region's economic base. The Commission has spent $32.2 million on activities related to this special authorization. This has been matched by $6.5 million in other federal funds, $10.3 million in state dollars, and $41.3 million in local match. The activities funded through these grants are projected to leverage an additional $61.7 million in private investment.

ARC projects expand access to telecommunications within Appalachia by helping create community broadband networks that can be used by all sectors within the community, piloting the use of emerging technologies, installing fiberoptic rings, and equipping industrial parks and business incubators with broadband

technology. In doing so, ARC has encouraged the use of all types of technologies—cable, DSL, fiber, wireless, and satellite.

Projects include a regional fiber network across Northeast Mississippi; wireless demonstrations in rural New York, Ohio, Pennsylvania, Virginia, West Virginia, and Georgia; and a regionwide effort in Kentucky to compile an inventory of broadband access across the 51 Appalachian counties and work with the private sector to substantially increase broadband coverage.

The agency has also implemented a robust program of strategic planning, "demand aggregation," and technical assistance that enhances the ability of communities to attract private investment for deploying broadband services and prepares communities to take economic advantage of the technology. As a result of these efforts, for example, in Ohio the number of telephone central offices that are enabled with DSL jumped from 46 in 2002 to 168 in 2004, while in New York three local development districts are working with local telephone companies to create a regional broadband network reaching across the state's southern tier.

Much of ARC's funding has gone for telecommunications applications that enable communities to capitalize on broadband access. Distance learning, telemedicine/telehealth, workforce development, and e-government activities frequently garner Commission support. By demonstrating concrete uses of technology, these application-oriented projects also help generate increasing demand for technology within the community. This increased demand, when coupled with other telecommunications activities in the community, frequently spurs private competition and enhanced service.

Slightly more than half of ARC's telecommunications projects have included a telemedicine or telehealth component, often linking rural clinics with the medical staffs and resources of more urban hospitals. These grants improve access to health care, reduce health care costs, and improve the quality of health care by facilitating collaboration between general practitioners in rural settings and specialists in more urban environments.

ARC has taken a number of steps to boost e-commerce in the region. A grant competition in 2002 focused on helping small arts and crafts businesses boost their sales and income through e-commerce. In 2005 ARC pioneered a special e-commerce workshop to help small businesses on Main Street transition to the Internet for business services. The hands-on sessions teach local businesses how to establish a website presence and develop an Internet business plan and marketing effort. The workshop has been offered in Alabama, Georgia, Ohio, Pennsylvania, and West Virginia.

a. How has this program benefited the region?

The projects funded under the new authority telecommunications and technology authority are expected to have the following outcomes when they are completed:

- 2,600 jobs created and 2,100 jobs retained
- 21,000 workers with improved skills
- 45,000 students served with enhanced academic offerings
- 65 community and regional plans for telecommunications networks and applications
- 300,000 citizens participating in telecommunications programs
- More than 100 non-profit and public organizations with updated software from Microsoft

Partnerships with the private sector are an important component of ARC's telecom and technology program, and two key partners have been Microsoft and Parametric Technology Corporation, which have made substantial donations of software to educational institutions, non-profit organizations, and governmental entities across Appalachia.

Microsoft has provided state-of-the-art computer software to more than a hundred organizations across all 13 Appalachian states. Microsoft initially committed $1 million in software, but they subsequently increased it to $2 million. At this point Microsoft and ARC have distributed over $1.5 million of software. ARC works with local groups in identifying software needs. In Ohio, for example, the Ohio Community Computing Network has facilitated the distribution of over $112,000 in software to 8 community computer labs in Appalachian Ohio, while in West Virginia, Mission West Virginia, a faith-based organization, has coordinated the distribution of $68,000 in software to church-based community computer facilities across the state, focusing particularly on economically distressed counties.

Parametric Technology Corporation—a leading developer of sophisticated engineering and design software for industry, NASA, and the Department of Defense—has worked with ARC to make their Pro-DESKTOP software available for free to all high schools and colleges in the Appalachian region that have a faculty member trained in using the software. The software is seen as a perfect design tool for inspiring the next generation of innovators, particularly in science, technology, and engineering. So far 31 community colleges, 4 technology centers, 44 high schools, and 1 middle school across 9 ARC states have participated in the project. The market value of the software PTC has donated to date is $24 million.

3. ARC is often showcased for its intergovernmental model, including the partnership of the federal and state governments. The network of local

development districts are often the organizations working directly with the local communities. How do you view the role of the LDDs?

The local development districts are essential to the work of the Appalachian Regional Commission. Composed of local elected officials and private business and community leaders, these multi-county planning and development districts view economic development needs and opportunities on a regional basis and help establish priorities for using ARC dollars. The LDDs are a key part of ARC's "bottom up" approach to identifying projects. They are our local eyes and ears. The LDDs help us in three key ways:

- Identifying local needs. Through their knowledge of the local communities, the LDDs help determine the appropriate use of ARC dollars. In addition, their technical assistance to communities is critical in combining ARC funds with other funding sources to provide the overall financing package that will make the project succeed.
- Setting priorities. The LDDs are well positioned to evaluate competing demands for limited resources and make judgments about which projects can have the most impact in strengthening the local economy.
- Crafting and implementing innovative regional strategies. Because the local development districts are themselves regional planning organizations, they are uniquely positioned to help ARC emphasize innovative regional approaches to fostering sustainable economic growth.

4. How would you characterize the performance of ARC in recent years, and what makes the Commission different from other federal community and economic development programs?

As the economy of Appalachia has changed, shifting from relatively low-skilled employment to a greater emphasis on knowledge-based jobs, ARC has adjusted as well. We have retooled our programs, implemented a new strategic plan, and strengthened our targeting. In keeping with the Administration's emphasis on measurable results, we have become more performance-based, we have increased our leveraging, we have expanded our partnerships, and we have focused on innovative, regional approaches to economic development.

To guide our investments, we have set the following ten-year performance goals:

- Create and/or retain 200,000 jobs in Appalachia
- Position 200,000 Appalachians for enhanced employability
- Provide 200,000 households with basic infrastructure services
- Open 250 miles of the Appalachian Development Highway System.

To accomplish these we have expanded our network of partners and increased our leveraging. Last year, the $66.3 million in grants that we funded attracted

$170 million in additional project funding, a ratio of almost 3 to 1, and $560 million in leveraged private investment. That means that for every dollar that ARC invested in a project, the private sector invested eight dollars.

Education and workforce development programs geared to high-growth, high-demand jobs, entrepreneurial strategies to capitalize on local assets, access to broadband technology, and adequate basic infrastructure are all essential if Appalachia's communities are to compete in the global economy. ARC's programs are important tools for helping communities put these critical components in place. By offering a wide range of program options, ARC enables communities to tailor ARC's resources to their individual needs and circumstances.

There are several key elements in ARC's record of success that make us different from other federal programs. The first is simply the nature of ARC's federal-state-local partnership. Unlike most other federal agencies, our policies, procedures, and funding decisions must be made in collaboration with the Governors of our states and reflect local needs and priorities. It is neither dictating to the states nor is it abdicating to the states on policy choices. Rather, it is true collaborative decisionmaking. This results in policies that are more finely tuned to local needs and more likely to have widespread support and enduring impact.

Relying on the local development districts to develop and recommend projects provides a "bottom up" approach that helps ensure that ARC's funding decisions reflect local priorities.

Through this partnership structure, the Governors and I have been able to adopt polices that set ARC apart by our ability to –

- attract other investment and resources
- act with agility and flexibility
- make strategic, regional investments
- adapt to changing economic conditions
- target resources to the areas of greatest need

5. With the current state of our nation's energy supply and consumption, we all need to look at alternatives and ideas for the future. Has the Commission taken a look at the economic potential of renewable and alternative energy sources in the region?

In February 2006, the Governors of the 13 Appalachian states and I committed ARC to creating an "Energy Blueprint" for Appalachia. It willl provide a strategic framework for the Commission to promote new energy-related job opportunities in Appalachia. This blueprint, which is now in the final drafting stages, will assess the region's current energy landscape and examine both conventional and

alternative energy opportunities, as well as energy efficiency options. Developed in consultation with an outside advisory committee of regional energy experts, it will explore the competitive potential of Appalachia's energy resources and current and emerging energy technologies. The blueprint will identify the Appalachian region's energy assets and the potential for developing energy-related job opportunities in the region.

Best known for its coal and gas resources, Appalachia is gaining national attention with the development of renewable energy sources found in wind, water, and waste. Wind farms are already operating in Pennsylvania, West Virginia, and North Carolina. Perhaps the greatest opportunity for alternative energy resources in Appalachia can be found in biomass initiatives. These efforts convert sawmill wood residue and methanol or other organic matter into new energy sources and fuels.

An emphasis on renewable energy resources is very much a part of our regional blueprint. Renewable energy resources may emerge as an important source of regional and local employment and economic development. The mature ethanol, wind, and solar industries are likely to expand as economies of scale, improvements in technology, and the rising cost of fossil fuels make them more competitive. Appalachia must be prepared to take advantage of these opportunities.

Options under discussion by our energy advisory committee include the possibility of developing a "green highway corridor"—which would include infrastructure for biofuels distribution and could showcase other energy efficiency and renewables improvements—in each Appalachian state; business development in renewable energy using tools such as revolving loan funds and energy incubators; and using the region's major research universities to conduct research and inventories for renewable energy opportunities.

The goal would be the creation of regional energy clusters that could yield new jobs, a more diversified local economy, and greater potential for economic growth.

a. Has the Commission and its partners explored ways to take better advantage of existing energy sources in the region?

When one thinks of Appalachia one automatically thinks of coal. Appalachian coal continues to be an important part of the nation's energy supply picture. Roughly 35 percent of the nation's coal output was produced by Appalachian mines in 2005, and Appalachian coal production contributed nearly $16 billion of output to the nation's economy.

Appalachia's coal-producing states are looking at various forms of clean coal technology, which will be the key to maintaining a strong economic base in

the major coal-producing areas of the region. A number of sites in Appalachia submitted applications for the Department of Energy's FutureGen program, an initiative to create the world's first zero-emissions fossil fuel plant. When operational, the prototype will be the cleanest fossil fuel technology in the world and will produce electricity and hydrogen from coal, while capturing and sequestering the carbon dioxide generated in the process. While no Appalachian site was selected as a finalist, communities and utilities in the region have indicated their commitment to continue to work on clean coal technologies.

ARC and its member states are currently considering research on existing inventories of conventional energy assets and their uses and looking at examples of ways these resources can be tapped to foster local job creation across the region. Other options under review include ways of facilitating the pooling of demand in conventional energy, including bulk buying and multi-state electricity generating capacity, and convening forums to facilitate the development of clean coal technology; and .

ARC is also considering a partnership with universities, community colleges, and the private sector to develop and implement a new curriculum for training workers for the coal mining jobs of the future. The coal industry faces a potential shortage of workers, as much of the current workforce is nearing retirement. The new jobs will rely heavily on computerized technology and programming skills, since computer-guided machinery assumes a greater role in mining. It will be essential to equip workers with these skills in order to achieve the maximum economic impact from Appalachia's coal resources.

6. ARC includes job retention as a measure of success. How do you measure job retention?

The measurement of job retention varies according to the type of project, though there are some common principles that reach across all projects. In the case of workforce development projects, jobs retained are directly related to the number of employees who actually complete the job-training program and continue their employment at the company. In the case of basic infrastructure, such as water or wastewater services, the number of jobs retained is potentially the number of jobs at risk of being lost because of inadequate water and sewer service or other deficiencies that adversely affect the operation and/or profitability of the company at that location. In all cases, ARC counts jobs retained only when the private company makes a financial investment of its own in the activity related to the project. In our view that is the best way of ensuring that a company does not exaggerate the threat to employment because of the need for additional services.

Applicants project the number of jobs retained when they submit their applications. These are then revisited and updated when the project is

completed, and ARC each year selects a sample of projects for on-site validation of results.

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1. On page 3 of your testimony you mention a goal of increasing job opportunities by capitalizing on the region's unique assets. What are some of these assets that make the Appalachian region so unique?

Communities across Appalachia possess a rich variety of valuable assets and resources that can underpin successful strategies for economic growth and community development. Appalachia's cultural history and natural beauty can be key elements of a robust tourism sector, for example, while the region's vast energy resources—both conventional, such as coal or oil and gas, and renewable, such as wind and biomass—offer great potential for developing energy-related job opportunities. Several examples suggest how the region's assets can anchor robust economic development strategies.

Energy Assets. Appalachia has vast resources for both conventional and renewable energy. Roughly 35 percent of the coal produced in the U.S. comes from Appalachian mines, while wind and biomass are emerging as new opportunities for economic growth across the region. One often overlooked asset is the supply of shut-in natural gas wells or stripper wells. Gas wells that once produced a significant amount of natural gas frequently lie dormant throughout Appalachia. These wells do not produce natural gas at a volume sufficient to go through large-scale transmission lines, but they do produce enough natural gas to fuel businesses. The Conservation Fund worked to harvest the resources of four such wells in Upshur County in West Virginia as a part of a pilot project. To date, these wells are being utilized to fuel a greenhouse which is now producing vegetables and herbs and generating revenue year-round with a free energy and water supply.

Natural Assets. Appalachia's forests and its agricultural tradition offer significant opportunities for regional economic growth and job creation, while other natural assets offer attractive travel destinations that can anchor a robust tourism industry and its associated jobs.

Appalachian hardwoods are valued worldwide for their quality. ARC has supported efforts to "brand" Appalachian hardwoods and, through our Export Trade Advisory Council, foster the export of wood products made from Appalachian hardwoods. At the same time, we have supported job training in the wood products industry. The Wood Technology Center in Elkins, West Virginia, for example, offers specialized training for the wood products industry. The Center has assisted more than 100 Appalachian companies with their workforce needs, enabling them to be successful in a highly competitive international market.

ARC has recently teamed with the U.S. Department of Agriculture to encourage specialty and valued added agriculture in Appalachia. This program will blend sustainable agriculture practices with new community development strategies to increase Appalachia's ability to build resilient farms, businesses, families, and communities.

Other natural assets include Appalachia's mountains and scenic beauty. The Blue Ridge Mountains and the Great Smoky Mountain National Park, for example are assets unique to the Appalachian Region. Communities as diverse as Asheville in North Carolina and Etowah in Tennessee have leveraged the beauty of this region, and the public spaces and parks, for their economic benefit.

Each year more than six million visitors make Asheville their destination of choice. Some come for the highly touted arts and crafts of the region (the oldest craft guild in the nation got its start here in 1898). Some are attracted by the eclectic downtown which boasts fine restaurants, an assortment of shopping opportunities, and Art Deco architecture. Others are attracted by the myriad of outdoor activities such as hiking in the nearby national forests, whitewater rafting, fishing, driving down the Blue Ridge Parkway, or learning about the native Cherokee. In Etowah, the community has renovated a historic railway depot and abandoned rail line, and now provides tourist excursions deep into the lush mountains. Etowah is also adjacent to the Ocoee River, renown for its whitewater rafting and home to a USDA Forest Service-managed Olympic venue for whitewater racing.

Communities like Asheville and Etowah that border major national parks or forests are often called "*gateway communities*." ARC has formed a partnership with the National Endowment for the Arts, the National Trust for Historic Preservation, the National Park Service, and the U.S. Forest Service to work with gateway communities in Appalachia in crafting strategies that will foster sustained economic development geared to these parks, forests and heritage areas.

Cultural and Heritage Assets. Appalachia's unique music, history, and artisans create special opportunities for attracting tourists and stimulating economic growth. Last year ARC and National Geographic partnered in creating a first-of-its-kind Geotourism Mapguide to Appalachia, with more than 350 sites that feature Appalachia's distinctive culture, heritage, and geography.

Berea, Kentucky, has a long-established reputation as the Folk Arts and Crafts Capital of the state. Its tradition began in the late 19th century when Berea College started a crafts production program to help students pay for their education. With assistance from ARC, in 2003 the Kentucky Artisan Center opened to encourage visitors to learn more about the Commonwealth's crafts. The center features local artists through retail displays of their work. Music,

books, specialty food products, visual arts and crafts, and other handmade objects by Kentucky artisans are presented. In addition, the Kentucky Artisan Heritage Trails showcase interesting places, exciting events, and wonderful food throughout eastern Kentucky. Over 170 businesses participate in the Trails program, and more then 70 new cultural-heritage businesses have opened in the region.

2. You mention a leverage figure of $1 of ARC dollars for every $8 in private sector funds. Are there certain ARC programs that attract private sector dollars more than other programs?

ARC's basic infrastructure projects, such as providing water and sewer services for industrial parks or commercial entities in rural communities, tend to produce the greatest private investment. For most of our industrial infrastructure projects, for example, the applicant must have identified a specific business or cluster of businesses that will benefit from the ARC-funded infrastructure. Often this infrastructure is essential for a business planning to locate or expand within an Appalachian community, and the private sector capital investment to build the new plant is a critical component of the overall project activity. Many of the telecommunications projects also leverage significant private investment.

Our leadership and education programs, on the other hand, tend to have less private sector money in them, with ARC's partners in these areas more likely to be state and local government entities or non-profit organizations. One area where we are developing new private sector partnerships is workforce development.

Last fall ARC announced an new partnership with American Electric Power and community colleges in Ohio, Kentucky, and West Virginia by which the community colleges and AEP will collaborate in establishing training programs for the utility industry. The utility industry is facing a severe shortage of workers in a variety of fields, from engineers to linemen, as the current workforce is nearing retirement age. Under this innovative arrangement, the community colleges in three different states will accept each other's course offerings in awarding credit for completing the curriculum. AEP is providing both cash and in-kind support for the program. We are working with utility companies in other states to set up similar workforce development opportunities.

3. Please give some details of the Appalachian Higher Education Network program. Do you have a graduation rate for those Appalachian students who participated in the program?

Patterned after a model that was developed in Appalachian Ohio, the Appalachian Higher Education Network seeks to boost the number of high school

students in Appalachia who undertake some form of post-secondary training. ARC recognizes that the jobs of tomorrow are going to require enhanced training and education, yet the "college-going" rate for high school students in Appalachia lags the rest of the nation. Our Appalachian Higher Education Network speaks directly to this gap. The focus is not limited to four-year colleges, but includes local community colleges and specialized job-training programs as well.

Since 1998, ARC has helped establish Appalachian Higher Education Network centers in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, Virginia, and West Virginia. Consortia of two- and four-year institutions of higher education and community-based nonprofit organizations run each center, working closely with local school districts that choose to participate in the program.

Network centers offer competitive grants, training, and technical assistance to high schools to sponsor college visits, mentoring opportunities, career exploration programs, and outreach to parents. Centers also help students identify and apply to colleges and address the emotional and social barriers to attending college that Appalachian students face. They provide financial aid counseling to all interested students and their parents. The model is built on total school participation, not just selected students and teachers, and is voluntary. Schools must commit local resources to the program.

For many participating students, no member of the family has ever gone on to college and there is often an informal presumption that this student will not attend college either. The program works to help all students understand that they can indeed be comfortable doing educational work after high school.

All of the Appalachian Higher Education Network centers have achieved high rates of success. Network centers now report many high schools with college-going rates well above the national average, with some participating schools in Mississippi and Alabama reporting that 100% of their graduating seniors continued their education. Annual increases of 25 to 30 percentage points in college-going rates are common in the first years of implementation. Since 1998 the network's programs have reached nearly 11,000 high school seniors in Appalachia, of whom 68 percent have enrolled in college. This is an increase of almost 20 percentage points over pre-intervention college-going rates.

Due to differences in how graduation rates are calculated across states, and inconsistencies among schools within states, ARC has not been able to obtain reliable high school graduation data. Anecdotal evidence indicates that at high schools participating in the college-going program, fewer students are leaving school between the 9th and 12th grades and a higher percentage of them are graduating. ARC is currently conducting a study of the effectiveness of the program, and while the study does not expressly address the question of graduation rates, it may yield some useful data in this area as well.

4. Please provide details on the Southern Appalachian Fund. What types of businesses received funds?

The Southern Appalachian Fund is a $12.5 million venture capital fund formed to provide equity capital and operational assistance to qualifying businesses in southern Appalachia. The Fund focuses specifically on companies in Kentucky, Tennessee, and the Appalachian counties of Georgia, Alabama, and Mississippi.

The Southern Appalachian Fund is one of six New Markets Venture Capital (NMVC) companies. The NMVC Program is a developmental venture capital program, run by the Small Business Administration, designed to promote economic development and the creation of wealth and job opportunities in low-income geographic areas and among individuals living in such areas.

ARC has invested $1 million in the Fund. Private sector investors include Tennessee Commerce Bank, National City Bank of Kentucky, Farmers & Merchants Bank, JPMorgan Chase & Co., and First Bank. Foundation participants include the John D. and Catherine T. MacArthur Foundation.

The Fund's mission is to generate market-rate returns for its investors while promoting shared and sustainable economic development throughout its target region. The Fund will invest $200,000 - $600,000 in companies with strong management teams, high growth potential, and defensible market positions. The Fund's professional managers also work to add value to the Fund's portfolio companies through operational assistance, active board participation, and mentoring.

The Fund has made investments totaling $4.4 million in eight companies, resulting in the creation of 100 jobs and leveraging $18.3 million of additional equity and debt investment. All the money has been invested in activities in low-income census tracts.

The companies in the Fund's portfolio represent a diversity of technology-oriented businesses, including the following: SemiSouth, a leading developer and manufacturer of silicon carbide electronics and electronic material; Protein Discovery, Inc., a life sciences company developing solutions for molecular research, drug discovery and development, and medical diagnostics using specialized mass spectrometry; and SmartFurniture, which offers a unique combination of e-commerce technology, industrial design, and customer service for the business and office furniture markets.

5. Please describe "at risk" counties.

At risk counties are those counties that are just on the cusp of being economically distressed. The Commission formally adopted this designation in

FY06 as a way of recognizing counties whose economies are still fragile and need special attention but which fail to meet the Commission's stringent criteria for being distressed. They are significantly below national averages on key economic indicators such as poverty, per capita market income, and unemployment. In many cases, at risk counties were distressed at one point, but their economies have made at least modest improvement. Yet there is a danger that they could still slip back into distress.

The at risk designation is a way of focusing additional Commission attention on the needs of these counties and providing them priority for funding. It indicates to the local community that we understand that they have not yet fully turned the corner economically and that we will be working with them to continue to strengthen their economy.

6. Please describe the asset based development approach.

Asset based economic development activities encourage communities to identify their own unique assets and resources and craft economic development strategies that build on these particular assets. In areas like Appalachia where traditional industrial recruiting is often not a viable option, this type of strategy can be particularly effective in generating income and creating jobs. Communities build on existing resources – natural, cultural, structural, and leadership – to create value added products and services for sustainable economic growth. This approach requires communities to think creatively about what they have in their own back yard, and to consider whether things that have previously been viewed as liabilities—such as abandoned mines or brownfields—can instead become assets that create a new revenue stream for the community.

Natural resource assets include value added wood products, biomass, specialty farm products, and aquaculture. In 1999 the Mingo County Redevelopment Authority built a fish hatchery for the salmon-like Artic Char, using water from an abandoned section of the Mingo Logan Coal Mine in a distressed county. The mining companies donated $150,000 of in-kind contributions, matched by funds from the State of West Virginia and USDA. The hatchery was stocked with 188,000 eggs in 2000, using the market-proven Char as inventory. These facilities shipped 300,000 pounds of Char in 2003 and increased that to 400,000 pounds in 2004. What was once a liability – an abandoned coal mine – has been transformed into a revenue generating job creating enterprise.

Cultural resources include artisans, skilled workers, music, history, recreation, and scenic landscapes. Working in partnership with National Geographic, ARC last year launched the first-of-its-kind Geotourism Mapguide to Appalachia. To create this map, ARC's state and local partners nominated over 1,000 destinations and experiences that they believe represent authentic Appalachia. The map was featured in National Geographic *Traveler* magazine and provided a

representation of Appalachia's distinctive geography, culture, and heritage. It included destinations like scenic hikes, diverse music venues, museums, and craft and artisan shops and served as a mechanism to brand the region. This guide is an economic development tool that will help Appalachian communities diversify their economies and take full advantage of the region's rich, diverse, and, in many cases, undiscovered assets.

Structural resources include historic buildings, abandoned railroads, and old mines that are often overlooked as liabilities. Finding new uses for these structures facilitates diversification of the economic base. In Titusville, Pennsylvania the site of the former Cyclops (Cytemp) Steel Company (a brownfields site) was donated to the Titusville Redevelopment Authority when the company closed in 1998. The site has now been developed into a world class industrial park. One element of the redevelopment plan included improvements to a building to house a 100,000 square foot industrial business incubator that provided a common shipping and receiving area with access to cranes, forklift trucks, and loading docks with different height bays. Recently the Redevelopment Authority added a rail spur for freight car loading services, which increases its value and potential use. Currently, 19 companies reside in this industrial park with a total employment of 224 people.

Leadership and community assets include entrepreneurs and institutions such as Appalachia's four-year colleges, research institutions and two-year community colleges. The ARC incubator program has funded over 80 incubators in the region. Over half of these are linked to the region's colleges and universities. These incubators have resulted in the direct creation of 24,500 jobs in the region.

7. You are associated with a highly successful economic development program. Other witnesses this morning are just beginning to set up regional economic programs. What advice would you give these new start up programs?

Let me begin by making clear that our focus at ARC is Appalachia, what its needs are, and what works in this particular region. I do not pretend to be an expert on the needs of other areas of the country or what structures and programs can best meet those needs. But I think three things are key as one looks at regional economic development more generally.

First, it is important that organizations focus on innovative, regional strategies. The emphasis needs to be on those activities where communities, counties, and states can accomplish more by acting together as a region than if they acted separately. The funding opportunities should include incentives for regional collaboration that crosses jurisdictional lines and should stress innovative approaches that yield a greater return on the federal investment than would be achieved through more traditional, community-specific activities.

Second, because federal resources are limited, regional entities should target their resources to the areas of greatest need that address problems that are specific to that region. Because regional entities receive funding that is not available to all parts of the country, they have a special obligation to concentrate on addressing the unique problems that their region faces and should make targeting a high priority. Of course, there will occasionally be opportunities where investing in a project in an economically strong county can have significant and lasting impact in surrounding counties with weak economies—such as the BMW plant in South Carolina—but the pay-off for investments in these areas needs to be clear and substantial and have a demonstrable impact on surrounding distressed counties and areas. But the primary emphasis always needs to be on strategies that will move the region's persistently economically distressed communities into the nation's economic mainstream.

Third, successful regional entities should be able to cast a wide net for creative ideas and approaches. They should be flexible and adaptable—with an entrepreneurial mindset—employ a grass-roots, bottom up approach, and rely on a broad network of local organizations. ARC has found that the task of moving Appalachia to parity with the nation requires a variety of different approaches tailored to specific local needs, an ability to adapt those approaches as the circumstances change, and a passion for recruiting public and private partners.

APPALACHIAN REGIONAL COMMISSION
A Proud Past, A New Vision

Anne B. Pope
Federal Co-Chair

September 11, 2006

The Honorable Eleanor Holmes Norton
Ranking Member
Subcommittee on Economic Development, Public Buildings
and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

Dear Delegate Norton:

During the Subcommittee's hearing on the reauthorization of the Appalachian Regional Commission (ARC), you asked a number of insightful questions about ARC's special program to boost the number of Appalachian high school students who go on to college or other postsecondary education. We appreciate your interest in this program, as we believe it is having a major impact in positioning Appalachia's people to be competitive in today's global economy.

I would like to provide some more detailed responses and comments to your questions and ask that these be included in the record of the hearing. I have broken these out into several broad questions that you and Chairman Shuster raised.

How do the students in the Appalachian Higher Education (AHE) programs and throughout Appalachia pay their college tuition?

ARC and our partners have designed our programs to address the tuition issue from the start. As our students come from predominantly economically and/or educationally distressed counties, our assumptions have been that their families would not have the financial means to pay for college independently. Thus efforts have been taken to include in the ARC programs information on and assistance in applying for financial aid. Parent-student information nights and Free Application for Federal Student Aid workshops are a regular part of our program.

We have also linked the ARC programs with state and private sources for assistance. Several of our participating states (e.g., Georgia, Tennessee, West Virginia) have state-sponsored scholarships such as the "Hope Scholars" program and lottery-funded efforts. In Ohio, the Ohio center also administers tobacco settlement funds that are used for scholarships. The centers in Tennessee have developed a close relationship with a local community foundation that receives donor-directed contributions and other funds for scholarships. Other centers have established similar linkages.

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Georgia Maryland New York Ohio South Carolina Virginia

Is there enough college tuition aid?

ARC has not formally studied this question as our current measures appear to be meeting the need. While we have no formal data, anecdotally the centers report that lack of funding has not been a barrier. Through a combination of personal and family funds, federal, state and private grants, federal loans, scholarships, and tuition waivers, all students participating in the AHE program who wish to go to college have been able to locate the funding to do so. Because of this, we have not seen a need to explore other tuition assistance options.

Is ARC overemphasizing "college" and "university" and ruling out vocational education and skills training?

ARC has made it clear in all of our literature and reports on the college-going initiative that we use the term "college" as a generic reference for any and all postsecondary training. In our AHE program description, Development and Progress of the Appalachian Higher Education Network, we state that the terms "postsecondary education" and "higher education" are used synonymously. Similarly, "college" is used to refer to any postsecondary institution, including two-year colleges, four-year colleges, and postsecondary technical and vocational schools.

It has been clearly stated in our Request For Proposals for new centers and included in the training of the center directors that ARC has no bias or preference for any one type of education. Our centers help the high schools work with the students to discover what their career and life goals are and what type of education will best get them there.

Are students from the AHE program remaining in the region or are they a part of the brain-drain?

ARC has been concerned about this question from the beginning and has included it in two recent research studies, one on the AHE Network which is currently ongoing, and the other on a summer math-science-technology institute for high school students operated in partnership with the U.S. Department of Energy's Oak Ridge National Laboratory. Informal surveys and anecdotal reports seem to show that AHE participants who receive degrees appear to remain in the general area of their home county or leave at about the same rate as those who do not receive a degree.

The college-going rate of participants in our Oak Ridge National Laboratory institute study was 100 percent, with 26 percent having some college but no degree, 39 percent earning a bachelors degree and 35 percent continuing on to graduate work seven to eight years after participating in the institute as rising high school sophomores, juniors and seniors. Of that group, 59 percent reported that they were still living in the area at the time of the study. As stated above, research on the AHE program participants is under way.

The brain drain is a complex issue that requires looking at more than just an individual's level of educational attainment. First, some young people want, need, and perhaps should move away from their home communities as a part of the process of growing up, and they will do so regardless of their educational levels, community amenities, and career opportunities available. We have had young people at ARC-sponsored town hall meetings state that there is nothing the local community or ARC could do to keep them in their home communities after graduation; they wish to go out and explore the world.

Another consideration is that some jobs are so specialized that they are not available in all locations. Careers in molecular biology and advanced automotive design, for example, are clustered in just a few locations. And while there are facilities within the Appalachian region where one could pursue those careers, the majority of our population would have to leave their home communities to pursue those options.

But the key to keeping many of our students from leaving Appalachia is to have "good" local job opportunities, jobs with a livable wage and prospects for the future, the kinds of jobs that foster economic development. All too frequently young people move away not because they want to leave Appalachia but because there are not adequate job opportunities available locally.

The creation of local job opportunities stands at the heart of ARC's work. Most of our grants have job-creating or job retention components. However, a skilled local workforce is often a major requisite for a company that is considering an expansion. At the same time, we encourage schools and youth programs at all levels from elementary through graduate school and in adult programs to emphasize entrepreneurship so that our residents will be able to create jobs rather than just fill them.

Finally, we are working with local employers and community colleges across our region to institute new workforce development programs that can equip students for the high-growth, high-demand jobs that will be available locally. Last fall, ARC announced a partnership with American Electric Power (AEP) and community colleges in Ohio, West Virginia, and Kentucky to develop and implement a curriculum for workers in the utility industry, which faces a serious shortage of workers as much of the existing workforce nears retirement. These jobs range from engineers to technicians to linemen. Under this innovative regional approach, each participating community college in the three states will grant credit for courses offered by any of the other colleges. In addition, we will be integrating this as one of the career options that high school students explore as part of our college-going program. We are now working to replicate this with utility companies in other parts of the region.

Would a tuition forgiveness or similar program help alleviate the brain drain?

While we have no research data that addresses this issue, it appears that such a program would encourage more individuals to stay within the region. A similar program was a component of the ARC supported School of Osteopathic medicine in Pikeville, Kentucky, and it appears to be working there. Anecdotally, teachers, computer

programmers, health workers, and others have stated that they would have liked to remain in the region but moved to larger urban areas for higher salaries. A tuition and/or loan forgiveness program could be seen as a salary supplement that could be used to encourage more recent graduates to remain in the region. Such a program might need to address both place of residence as well as place of employment.

I appreciate this opportunity to provide an additional response to your questions. We appreciate your interest in the work of the Appalachian Regional Commission.

Sincerely,

Anne B. Pope
Federal Co-Chair

cc: The Honorable Bill Shuster, Chairman

TESTIMONY OF REP. SILVESTRE REYES (TX-16)
BEFORE THE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
JULY 12, 2006

Good afternoon. I would like to thank Chairman Bill Schuster and Ranking Member Eleanor Holmes Norton for holding this hearing and for allowing me to testify on H.R. 5742, the Southwest Border Regional Authority Act.

Members of the Subcommittee, I am here today to talk about the conditions that exist in many places along the U.S.-Mexico border to give you an understanding of the great need for the creation of a regional economic development authority for the southwest border region of the United States. It was because of this need in places like my congressional district of El Paso, Texas that I introduced H.R. 5742.

The Southwest border region, as defined in H.R. 5742, includes all counties within 150 miles of the U.S.-Mexico border. This region contains 11 counties in New Mexico, 65 counties in Texas, 10 counties in Arizona, and 7 counties in California for a combined population of approximately 29 million.

According to research compiled by the Interagency Task Force on the Economic Development of the Southwest Border: 20 percent of the residents in my region of the nation live below the poverty level, unemployment rates often reach as high as five times the national unemployment rate, and a lack of adequate access to capital has created economic disparities and made it difficult for businesses to start up in the region.

Border communities have long endured a depressed economy and low-paying jobs. We have some of the highest levels of unemployment and the lowest levels of income in the country, and our economic challenges partly stem from our position as a border community.

Economic development in border communities is difficult to stimulate without assistance from the government, private sector, and community nonprofits. H.R. 5742 would help foster planning in order to encourage infrastructure development, technology development and deployment, education and workforce development, and community development through entrepreneurship.

Modeled in part after the Appalachian Regional Commission, the Southwest Border Regional Authority would be successful because of four guiding principles:

1) The Authority would fund proposals designed at the local level followed by approval at the state level in order to meet regional economic development goals.

2) Next, projects leading to the creation of a diversified regional economy will be prioritized. Currently, states and counties often are forced to compete against each other for limited funding.
3) The Authority would be an independent agency. Having the authority set up in this manner would keep it from having to attempt to satisfy another Federal agency's mission requirements when determining which projects to fund.
4) Finally, the Authority would be comprised of one Senate-confirmed Federal representative and the governors of the Texas, New Mexico, Arizona, and California. The proposed structure would allow equal representation by each state and a liason back to the Federal agencies.

For too long, the needs of the Southwest border region have been ignored, overlooked, and underfunded. It is time for Congress to recognize all of the challenges facing the border, and to help the region make the most of its many assets. One important part of that effort would be to establish new economic development opportunities in the southwest through an authority like the one in H.R. 5742, the Southwest Border Regional Authority Act.

Thank you for allowing me to speak on behalf of my bill this afternoon.

APPALACHIAN REGIONAL COMMISSION
A Proud Past. A New Vision

Office of the States' Washington Representative

Statement of

Steve Robertson
Kentucky State Alternate
For
The Honorable Ernie L. Fletcher
Governor of the Commonwealth of Kentucky
And
ARC States' Co-Chairman

Before the

Subcommittee on Economic Development, Public Buildings and

Emergency Management of the

House Committee on Transportation and Infrastructure

July 12, 2006

1666 CONNECTICUT AVENUE, NW WASHINGTON, DC 20009-1068 (202) 884-7746 FAX (202) 884-7695

TESTIMONY OF GOVERNOR ERNIE FLETCHER
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
AND
ARC'S STATES' CO-CHAIRMAN
SUBMITTED TO THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
JULY 12, 2006

Mr. Chairman and members of the Subcommittee, I am Ernie Fletcher, Governor of the Commonwealth of Kentucky, and I am proud to serve as the Appalachian Regional Commission's States' Co-Chairman for 2006 and to represent the 13 Governors from the Appalachian Region who are members of the Commission. I am submitting this testimony on our collective behalf.

Origin and Mandate

ARC is a unique federal/state partnership that evolved out of discussions among the governors of Maryland, Kentucky and West Virginia. They were seeking ways to remedy the economic blight that had devastated the coal producing states of the Appalachian Region. They decided that a federal-state partnership was needed, and they began to develop a plan of action. Other governors in the region joined in the planning and the final result was Congress creating the Appalachian Regional Commission in 1965.

The region, defined by Congress, includes 23 million people in 410 counties spread across parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and all of West Virginia.

The role of the Commission is to help the people of Appalachia reach socio-economic parity with the rest of the nation. In addition, this new era of global competition requires a special emphasis on assisting the people of Appalachia to become globally competitive.

Organizational Structure and Governance

With its staff headquarters located in Washington, DC, a Federal Co-Chair and the governors of the 13 Appalachian states govern the Commission. This arrangement gives the governors a direct voice in the allocation of federal funds for development projects in their respective states. Decisions require a majority vote of the governors plus the vote of the federal co-chair, a presidential appointee. Each governor appoints an alternate to represent the state at ARC meetings and to assist in the creation of a strategic development plan.

The Commission determines the formula by which the annual appropriation from Congress is distributed among the states, and it approves each state's development plan. The ARC staff, headed by an executive director, serves the Commission in implementing its programs and policies. It reviews projects submitted by the states, distributes funding to the states, and provides a broad range of technical expertise to communities in their developmental efforts.

The ARC has been a strategic partner and advocate for sustainable community and economic development in the Appalachian Region since its formation and we are grateful for the organization's guidance and support. We want to commend the President and Congress for continuing to commit to the work of the Commission and want to thank you, Mr. Chairman, for holding this hearing today to consider a five-year reauthorization of ARC's non-highway program.

Investment Results

ARC investments and support, combined with strong state, local and private sector commitment and investments, has been instrumental in reducing the number of distressed Appalachian counties from 223 to 77 in FY 2006. I believe this demonstrates significant results. (Distressed counties have an unemployment rate that is at least 1.5 times the U.S. average; a per capital market income that is two-thirds or less of the U.S. average, and a poverty rate that is at least 2.5 times the U.S. average; or they have 2 times the U.S. poverty rate and qualify on the unemployment or income indicator.)

In the Commonwealth of Kentucky, there are 51 counties in the Appalachian region. In FY06 we have 32 distressed counties, 12 at risk and 7 transitional. In 2005 ARC invested $8.35 million in non-highway funds in Appalachian Kentucky which leveraged $33.1 million in other public funds. We anticipate that these investments will lead to the creation or retention of 1,135 jobs. Between 2001 and 2005, ARC invested $47.01 million in non-highway funds in my state which is expected to create or retain 3,494 jobs and serve nearly 65,350 families with infrastructure improvements.

In your state, Mr. Chairman, between 2001 and 2005, ARC invested $29.44 million in non-highway funds that will create or retain approximately 76,466 jobs, and serve nearly 1,800 families with infrastructure improvements. In 2005, $5.4 million in ARC non-highway funds were invested in Appalachian Pennsylvania, leveraging $21.35 million in other public funds and $126.64 million in private investments.

ARC, with its regional focus, has helped improve broadband access and e-commerce throughout the region. Currently, ARC is partnering with our 13 states and Microsoft to enhance the entire Appalachian region's broadband and IT access through a $2 million software donation.

One of the top priorities of my administration is connecting all communities in Kentucky to the information super highway by 2007. Currently, Kentucky is using ARC funds to compile an inventory of broadband access across the 51 Kentucky ARC counties and to work with the private sector to substantially increase broadband coverage. ConnectKY's maps provide a first-of-its-kind view of where broadband coverage exists and its

eCommunity Leadership program is helping counties assess their needs, craft strategic plans, and aggregate local demand to entice the private sector to expand broadband coverage. Statewide, over the past two years, the percent of county households with the ability to subscribe to broadband has grown from 60 percent to 77 percent. ARC support has been critical to this effort.

While pursuing the latest technology, Kentucky continues to invest in regional water resource delivery with the goal of making clean water available to all communities by 2020. We are using ARC resources to do this. We have a continuing need to update existing water treatment facilities, and as water services begin to reach everyone, we will focus our efforts more on initiatives to tackle and eliminate straight pipes with the continuing support of ARC.

ARC Focus

ARC's mission is broader than that of other economic development programs, focusing not on cyclical economic downturns but on long-term, systemic regional and rural distress. ARC is often the lever that has brought other federal funding sources to projects in localities suffering severe fiscal distress. By offsetting some of the cost of "local share" participation, ARC has permitted these communities to participate in EDA, CDBG and other economic development programs that might otherwise be beyond their reach. ARC targets distressed counties and, over the past five years, has provided them annually with more than 65 percent of congressionally allocated program funds. ARC can fund up to 80 percent of the total project cost in a distressed county.

Our 13 states all actively support ARC, and as I believe you know, the Appalachian States pay annually for 50 percent of the Commission's administrative expenses (including personnel) through their assessments. We also cover the total costs of our States' Washington Office at the Commission.

Recent Examples of Successful Regional Cooperation

I applaud ARC's strategic plan developed two years ago by stakeholders across the region. The collective vision of the plan is to achieve socio-economic parity with the rest of the nation. The four goals identified to move the region toward this parity are to:

1. Increase job opportunities and per capita income.
2. Strengthen the capacity of the people.
3. Develop and improve Appalachia's infrastructure.
4. Build the Appalachian Development Highway System.

Our focus on these goals and our regional cooperation and targeted investments to achieve them, will move the region toward this desired parity.

Accomplishments of ARC

The Commission has been about solving problems by building partnerships, leveraging our grant dollars with federal, state, local funds and the private sector, and by being

advocates for the region. For every ARC dollar invested in infrastructure grants, Appalachia has gained about 33 dollars in long-term benefits.

I think it is important to note here that ARC's success in leveraging additional federal, state and local government funds, as well as private sector investments, is based on its bottom up approach to identifying local needs and developing plans to address them. ARC works in cooperation with local communities and the 72 Local Development Districts across the region that provide guidance, technical assistance, strategic planning expertise and oversight to ensure that ARC projects address the identified need and accomplish the anticipated results.

ARC has made considerable progress since its creation through advocacy, leadership, research and knowledge building, as well as targeted grant-making, leveraging substantial public and private resources, and partnering with other federal agencies. These efforts have:

Reduced the region's isolation and facilitated economic development by constructing nearly 2,500 miles of the Appalachian Development Highway System. This is approximately 80 percent of the 3,090 miles authorized by Congress for the ADHS. The ADHS replaces a network of worn, narrow, winding two-lane roads.

Improved the region's economic progress by improving the employability of its workforce through improvements in education, health care, skills training, school-to-work transition, as well as improving living conditions and environmental quality through investments in new and improved water and sewer infrastructure.

Promoted Appalachian entrepreneurship and business development, by providing technical assistance, access to credit, support for the region's marketing of its unique cultural heritage, natural beauty and unique Appalachian products.

These strategic investments have:

- Decreased the number of distressed counties 65 percent, from 223 to 77 in 2006;
- Created over 1.6 million new jobs, in addition to the 766,000 jobs generated by the Appalachian development highway;
- Reduced the poverty rate by one-half, from 31 percent to 13 percent;
- Narrowed the per capital income gap between Appalachia and the rest of the U.S. from 22 percent below the national average to 18 percent;
- Reduced the infant mortality rate by two-thirds;
- Strengthened rural health care infrastructure through the addition of over 400 rural primary care health facilities;
- Increased the percentage of adults with a high school diploma by over 70 percent; and
- Over the last five years alone, Commission-funded infrastructure projects have resulted in the creation or retention of 136,000 jobs, and over 183,000 households have the benefits of clean water and sanitation facilities.

Challenges Ahead
The ARC has never been about throwing money at a problem. We have never had much money to throw. Since the early 1990's the Commission's non-highway funding has remained virtually level at approximately $65 million annually.

The Appalachian region continues to face a unique and complex set of social and economic challenges. The region has been hit disproportionately hard by the loss of manufacturing jobs. One of every five jobs lost in manufacturing has been in Appalachia. Income in Appalachia continues to lag the nation. Our Appalachian counties still have a strong need for modern infrastructure, including broadband access; improved health care access; and enhanced educational opportunities. These facts underscore the importance of ARC's mission. And they underscore the importance each one of our 13 Governors place on our work with ARC and our individual efforts to advance our Appalachian regions.

From our perspective, ARC's mission has not been completed. Over 77 counties and many smaller areas still are classified as severely distressed. There are 65 transitional counties teetering on the edge of distress and could fall back to the distressed designation without continued attention. Weakness in civic capacity has limited leadership development, broad citizen involvement, local strategic planning, and collaborations that are necessary for a sense of empowerment and civic engagement. Increased global competition and technological change have resulted in job losses and restructuring in many Appalachian industries.

Demographic shifts between 1990 and 2000 have led to a decline in the region's share of the "prime-age" work force. This has led to the erosion of the high-earnings potential of the workforce and reversed the region's gain in per capita income. Due to these and other factors, the region is still challenged by concentration of high poverty, unemployment, low income, and out migration. The strategic goals in ARC's five-year strategic plan have been designed to address these deficits.

Concluding Section
Mr. Chairman, you represent a district which is partially within the Appalachian region, so I know you see first hand the benefits of the Pennsylvania/ARC partnership and recognize that there is still work to be done so reauthorization of ARC is essential.

On behalf of the Appalachian Governors, I want to express our commitment to working with the Appalachian Regional Commission to achieve our shared, regional goals of socio-economic parity with the nation and the creation of a workforce that can compete in the global economy. We urge the Congress to reauthorize ARC for five years so we can work toward accomplishing these goals for the 23 million residents of Appalachia.

September 8, 2006

The Honorable Bill Shuster
Chairman
Subcommittee on Economic Development, Public Buildings and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Rep. Shuster:

We want to thank you for inviting Steve Roberson, Alternate to the States' Co-Chair Governor Ernie Fletcher, to testify, on behalf of the State of Kentucky and the governors from the thirteen Appalachian States, before the Subcommittee on Economic Development, Public Buildings and Emergency Management on July 12, 2006, concerning "The Reauthorization of the Appalachian Regional Commission (ARC)."

Attached please find answers to the additional questions you sent for our written response for the record.

Sincerely,

Cameron Whitman
States' Washington Representative
States' Office
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Enclosures

ARC REAUTHORIZATION HEARING, JULY 12, 2006

RESPONSES OF STEVE ROBERTSON, GOVERNOR FLETCHER'S ALTERNATE TO QUESTIONS FOR THE RECORD SUBMITTED BY CHAIRMAN BILL SHUSTER SUBCOMMITTEE ON ECNOMOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

1.) ARC has recognized the need for an at-risk designation. What type of counties will qualify for this designation?

Counties that have moved from the distressed designation that still exhibit two of the three formula factors determining distress and are likely to slip back into the distressed category without continued monitoring and assistance from ARC. These at-risk counties find it impossible to provide a 50 percent match to an ARC grant which is required of transitional counties, which has been the next designation above distressed.

a. How will this new designation and the proposed associated increase in grant funds benefit these counties?

   This will allow the ARC states to provide a 70/30 match, giving the at-risk counties a better chance of meeting the match requirement of 30 percent. This would give these counties a much better chance of being able to apply for ARC grants in areas of greatest need. Currently, after distressed counties move up to a transitional designation, though they may be very, very close to distress, they must provide a 50 percent match which many of them cannot meet so they can no longer qualify for ARC grants. This designation will help ensure that at-risk counties don't slip backwards to the distressed category.

2.) Last time we authorized the ARC, Congress provided ARC with the authority to provide technical assistance and funds to increase affordable access to advanced telecommunications and the necessary associated education and training. What success has the program had to date?

The 2002 ARC reauthorization outlined four broad areas for ARC's telecommunications work: increasing affordable access to broadband services, providing training and educational opportunities related to telecommunications and technology, increasing the use of e-commerce through the region, and increasing entrepreneurial activities within Appalachia in the technology sector.

In 2002 ARC released a major study of the telecommunications access and use patterns in Appalachia. This revealed gaps in Appalachian telecommunications and was the most

comprehensive regional study of telecom issues ever undertaken in the U.S. The key findings follow:

- ***Major telecommunications gaps plague the region***--fewer computers, less Internet access; a broadband/cable deficit; lack of skills in using technology.
- ***Because of these deficiencies, the Appalachian economy pays the price.*** It is more expensive to get broadband access; there is slower job growth in information technologies in the region; and limited telecommunications access and use is a particular problem for the health care sector.
- ***But opportunities exist to bridge the gaps.*** The potential is there; local leadership and innovative models can help communities become competitive in the new technology-based economy.

Through its telecommunications activities, ARC seeks to provide access to and expanded use of high-speed broadband in underserved communities, focusing particularly on distressed counties and areas. Using a variety of technologies—wireless, fiber, satellite, cable modem, and DSL, ARC is working with local communities, non-profit organizations, and the private sector to "link up" the region. ARC's activities fall into four main areas:

- **Access** – helping communities identify opportunities, "aggregate demand," and provide pilot demonstrations to attract private investment in telecommunications facilities.
- **Education** – enhancing the ability of communities to recognize the importance of telecommunications access and capitalize on the access once it becomes available.
- **E-Commerce** – working with businesses to help them understand the economic potential of the Internet and develop the tools to expand their market share through the use of technology.
- **Job creation** -- fostering a robust information technology sector in Appalachia that enables the region to get its fair share of jobs in this vital sector.

Funding History The 2002 legislation authorized $33 million over five years for the telecom program. Through the first four years of the program, the Commission spent $32.2 million on activities related to this special authorization out of its regular non-highway funds. This has been matched by $6.5 million in other federal funds, $10.3 million in state dollars, and $41.3 million in local matching funds. The activities funded through these grants are projected to leverage an additional $61.7 million in private investment.

Consequently, ARC's $32.2 million has leveraged an additional $119.8 million in public and private funds for telecom activities in Appalachia. – a leverage ratio of almost $4 for every $1 of ARC money.

Program Accomplishments Through more than 250 projects over the past four years, ARC's investments have had a significant impact in strengthening and diversifying the region's economic base. These projects are projected to have the following outcomes upon completion:

- 2,600 jobs created and 2,100 jobs retained
- 21,000 workers with improved skills
- 45,000 students with enhanced academic offerings
- 65 community and regional plans for telecommunications networks and applications
- 300,000 citizens participating in telecommunications programs
- More than 100 non-profit and public organizations with updated software donated by Microsoft with a value of $2 million

Kentucky's Telecommunications Initiatives One of the top priorities of Governor Fletcher's Administration is connecting all communities in Kentucky to the information super highway by 2007. Currently, Kentucky is using ARC funds to compile an inventory of broadband access across the 51 Kentucky ARC counties and to work with the private sector to substantially increase broadband coverage. ConnectKY's maps provide a first-of-its-kind view of where broadband coverage exists and its eCommunity Leadership program is helping counties assess their needs, craft strategic plans, and aggregate local demand to entice the private sector to expand broadband coverage. Statewide, over the past two years, the percent of county households with the ability to subscribe to broadband has grown from 60 percent to 77 percent. ARC support has been critical to this effort.

3.) ARC is often showcased for its intergovernmental model, including partnerships of the federal and state governments. The network of local development districts are often the organizations working directly with the local communities. How do you view the role of the LDDs?

The LDDs are the essential local building blocks of our state and federal partnerships. The LDD boards are made up of local elected officials, as well as business and community leaders who have their fingers on the pulse of the communities the LDDs serve. These board members work with the LDD directors and staffs to identify and evaluate the most pressing local needs. The LDD professional staff members provide capacity building, technical assistance, planning expertise and guidance on how to best address local challenges which makes them essential in helping local communities build the leadership capacity necessary to develop a grant proposal that can actually meet their needs as well as the ARC specifications and requirements.

4.) How would you characterize the performance of ARC in recent years, and what makes the Commission different from other federal community and economic development programs?

ARC continues to be an excellent partner for Kentucky in its initiatives to address the most pressing needs in our Appalachian counties. Basic water and sewer infrastructure are inadequate and in many communities nonexistent. The vast majority of Kentucky's ARC grants help us provide clean water and eliminate straight pipes and failing septic systems in our counties. ARC's experience in the region and institutional understanding

that economic development and improved living conditions depend on improved infrastructure, makes the agency our best partner. We could never attract new business investments if we don't have this basic infrastructure.

Basic infrastructure today is not just water and sewer, it also must include telecommunications infrastructure so the region can be on the same footing as everyone else in the global market place. The work we have done in Kentucky with ARC on inventorying our telecommunication infrastructure, aggregating demand and working with the private sector to deploy broadband access demonstrate that ARC continues to identify current and future challenges and develop programs that will help the region join both the national and global economies.

5.) With the current state of our nation's energy supply and consumption, we all need to look at alternatives and ideas for the future. Has the Commission taken a look at the economic potential of renewable and alternative energy sources in the region?

a. Has the Commission and its partners explored ways to take better advantage of existing energy sources in the region?

The Commission decided at its February 2006 Quorum meeting of the governors that it wanted to develop an Energy Blue Print for the region that will cover both renewable and alternative energy sources, as well as ways to take advantage of existing energy sources in the region. Ways to improve energy efficiency have also been explored. We are actively putting the Blue Print together after holding round tables across the region with energy experts, creating an Energy Council of state energy professionals that has met over the last three months, and setting up a group of state and commission representatives to guide this process. We expect the Blue Print to be rolled out at the Commission's Meeting in Pikeville, Kentucky, on October 11, 2006. We will make the Energy Blue Print available to the Committee as soon as it is published.

6.) ARC includes job retention as a measure of success. How do you measure job retention?

Jobs Retained The definition of jobs retained is measured by the number of workers actually enrolled in a specific training program, or by the number of jobs at a business that will be retained because of an investment that is needed to keep the business and jobs in continued operations in the area (e.g. a new industrial wastewater treatment plant). Often job retention projects involve additional private investment (see leveraged private investment below) that is leveraged by the project such as equipment or new computer applications.

Leveraged Private Investment represents private sector financial commitments that follow on as a result of the completion of the ARC-supported project (such as an infrastructure project) or the delivery of services (e.g. worker training, marketing

campaign, export promotion program) under an ARC-supported project. Leveraged private investment is a performance measurement since it is a desired outcome, and leveraged private investment is usually the principal reason that any project can report "jobs created."

Guidance: Generally the project should estimate the expected leveraged private investment and job impacts over the three-year period following the completion of the project. In addition, the project should include letters of commitment by the private company regarding their projected investments and job creation or retention impacts. *Additional Information* is desirable about the type of leveraged private investment (e.g. in buildings, plant and equipment or payroll), and the type of industry (e.g. commercial real estate development, retail, manufacturing, etc.).

Leveraged private investment should be distinguished from any direct private contribution to the ARC-supported project funding. The key feature is whether the private funding is actually part of the project's total cost. Such direct private contributions to an ARC-supported project should be reported separately under the appropriate "private funding" section of the project budget narrative and report. For example, such project-related funding may be either by a private for-profit company or a private non-profit foundation.

Questions
ARC Reauthorization Hearing
July 12, 2006

1. **From the state perspective, would you recommend any changes to the governing structure of the ARC?**

As Governor Fletcher's Alternate, who is the State's Co-Chair for the Appalachian Regional Commission, I have had the extraordinary opportunity to serve ARC and experience first hand the exceptional way that this agency functions. The governing framework for ARC is an effective mechanism that fosters a collaborative partnership between federal, state, and local government.

ARC's partnership model ensures that the governors and federal co-chair equally share in the responsibility for determining all policies and making spending decisions. Accordingly, all program strategies, allocations, and other policies must be approved by both a majority of the governors and federal co-chair. This consensus model ensures close collaboration between federal and state partners to carry out the mission of the agency. Because of this partnership approach, ARC is able to identify and help fund innovative grassroots initiatives that may not have been realized otherwise. In fact, the Appalachian Regional Commission has been so successful in its mission that many other agencies such as the Delta Regional Authority (DRA), Denali Commission, and the proposed South East Crescent Authority, Southwest Border Authority and New England Commission have used ARC as a model for the development of these programs. To ensure the ongoing success of ARC, I would simply encourage continued flexibility in the program so that additional worthwhile projects can be implemented in the region.

2. **Based on your knowledge of what is needed in the Appalachian region, what do you think is the appropriate level of funding for the ARC?**

Governor Fletcher and I support the funding level authorized by Congress. The authorized level of funding takes into account inflation and allows each state to address continuing needs in the region. Although ARC has made significant progress addressing the challenges in Appalachia, Kentucky continues to face high levels of poverty and economic distress resulting from geographic isolation and inadequate infrastructure. The Commonwealth of Kentucky has the highest number of distressed counties of all ARC states. In 2006, there were 51 counties in Kentucky's Appalachian region with 32 of these counties being classified as distressed, 12 at-risk and 7 transitional. Funding at approved levels is necessary in order for Kentucky to take targeted and measurable action toward accomplishing goals in the following areas:

- reducing the region's economic, cultural, and physical isolation through the completion of the Appalachian Development Highway System (ADHS),
- addressing infrastructure deficits by providing basic community facilities and services to residents and businesses,

- providing decent, safe, and sanitary housing for economically challenged residents
- closing the digital divide through the provision of telecommunication facilities which are a vital infrastructure component for communities to effectively compete in the economy of the 21st century,
- supplementing broad-based programs that address workforce development and training needs,
- facilitating the development of local/regional leadership and civic capacity to plan for and work toward community improvements and sustained economic progress, and
- increasing health care resources by making additional physicians and health care facilities available and affordable to the region.

3. What is the state's role in helping to leverage ARC dollars?

Due to limited appropriation, ARC has always emphasized collaboration with public and private entities as authorized by the Appalachian Regional Development Act which allows ARC to operate in part as a supplemental grant program. This authority permits ARC funds to be used to increase the allowable participation under federal grant programs, enabling grantees to participate in programs for which they would not have otherwise been ineligible. Therefore, approximately half of ARC grants have been administered under agreements with various federal agencies including the Economic Development Administration, USDA Rural Development, the U.S. Department of Housing and Urban Development, and the Federal Highway Administration.

Although the Commonwealth of Kentucky receives the highest allocation of funding, ARC funds are typically used as gap financing when other grant resources are not available or communities cannot afford additional debt service. For this reason Kentucky ARC staff has assisted communities to develop partnerships with other agencies and encourage the use of multiple funding sources from a variety of agencies and funding sources (USDA Rural Development, Economic Development Administration, Kentucky Infrastructure Authority and Community Development Block Grant). In addition to working with other agencies and private partners, the Governor often collaborates with the General Assembly to leverage state dollars with federal funds in order to maximize Kentucky's ARC allocation. Agencies such as the Kentucky Infrastructure Authority (KIA) have also been created in order to provide the infrastructure necessary for economic growth as many of our Kentucky communities lack basic water, sewer, and solid waste facilities. KIA grant and loan funds are often used as a primary funding source in projects partially funded with ARC funds.

4. How do the states promote a regional approach to development?

Every five years ARC conducts a strategic planning process in order to develop a strategic plan. The current ARC 2005-2010 strategic plan, "Moving Appalachia Forward" was adopted by the federal co-chair and the 13 Appalachian governors in the fall of 2004. The nine-month planning process included extensive participation by Appalachian citizens, the federal co-chair, Appalachian governor's ARC alternates,

representatives of the 72 local development districts, and other key stakeholders, including congressional staff, members of local governments, community development corporations, and local business groups. This collaborative effort was developed with extensive input by each state and outlines the Commission's approach to investing in the region's future and defines ARC's role as a strategic partner and advocate.

In addition to ARC's planning process each state develops an annual investment strategy statement to address regional strengths and needs. This planning process provides opportunities for multi-county area development districts to collaborate regionally to develop goals, objectives, and strategy statements for Kentucky's ARC program. Local participation is provided through the area development districts with boards made up of elected officials, businesspeople, and other local leaders who discuss regional issues in terms of transportation, infrastructure, housing, community facilities and services, health care, workforce development and job training, and other essential elements that promote comprehensive economic development in the region.

Examples of two additional regional planning efforts in Kentucky include Kentucky's Broadband Prescription for Innovation Initiative and Kentucky Infrastructure Authority's (KIA) Water Resource Information System (WRIS).

Kentucky's Prescription for Innovation project implements Governor Fletcher's Statewide Broadband Initiative and leverages state, federal, and private investment in order to facilitate comprehensive broadband deployment and provide high-speed internet access across the state. This project, funded in part with ARC, involves all 51 Appalachian counties in strategic planning and GIS mapping. This initiative will use satellite mapping technology, as well as industry supplied information to produce a comprehensive inventory of existing broadband deployed service and infrastructure. The mapping element will illustrate service gaps and serve as an economic development resource tool for communities. This initiative will mobilize local leadership teams in each Appalachian community and provide strategic planning programs with an implementation phase.

The WRIS system has been developed through the cooperative efforts of local, regional, and state agencies. Each of these entities use the system to gather information needed for all aspects of water resource planning--from watershed protection to infrastructure development. WRIS includes a geographic information system (GIS), and information on water resources, drinking water systems, wastewater treatment systems, project development, emergency response, regulations, and planning. Using the GIS infrastructure data in computer models allows for cost-effective analysis of engineering alternatives, and facilitates the efficiencies needed to meet the needs of Kentucky's infrastructure development.

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WRITTEN STATEMENT FOR THE RECORD

Edward M. Silvetti, Executive Director
Southern Alleghenies Planning & Development Commission

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WASHINGTON, DC

JULY 12, 2006

INTRODUCTION

Thank you, Mr. Chairman and members of the Subcommittee, for the opportunity to testify on behalf of the reauthorization of the Appalachian Regional Commission (ARC).

My name is Ed Silvetti and I am Executive Director of the Southern Alleghenies Planning & Development Commission headquartered in Altoona, Pennsylvania. I am also here on behalf of the Development District Association of Appalachia (DDAA) and the National Association of Development Organizations (NADO) in support of legislation reauthorizing ARC, as well as to offer recommendations for improvement.

Let me start by offering my gratitude to Chairman Shuster and members of the Subcommittee for this invitation to testify on behalf of our efforts to improve local economies and the quality of life for our fellow citizens, not just within the six-county Local Development District that I serve, but on behalf of the seven Local Development Districts (LDDs) in Pennsylvania, the 72 Local Development Districts throughout the Appalachian Region and on behalf of the Appalachian Regional Commission (ARC), an innovative, inter-governmental model that has successfully fostered community and economic development for over 40 years.

As an LDD operating under the auspices of ARC, our agency promotes the development interests of six counties in south central Pennsylvania: Bedford, Blair, Cambria, Fulton, Huntingdon and Somerset. As a public non-profit development agency, the Southern Alleghenies Commission has served its 470,000 citizens since 1967.

This is no digression from the issue before this Subcommittee today, but in 1975 when I was attending the Institute of Public Administration at the Pennsylvania State University, I took a course on intergovernmental relations. The Tennessee Valley Authority (TVA) and ARC were used as case studies. I am not as familiar with the TVA, but with respect to ARC, I learned that this federal/state/local partnership was an innovative and unique way to target federal resources in a multi-state region that sorely needed it by any standard.

The need was well documented in 1965, prior to the Appalachian Regional Development Act becoming law. As graduate students in this particular course, we discussed federal support for various community and economic development efforts. ARC's model of federal-state-local

regional collaboration was an innovation in intergovernmental cooperation that had never before been attempted, and it has proven to be highly effective in planning, programming and budgeting for projects and for organizing the local leadership that enhanced the livelihood of Appalachian citizens by ameliorating the conditions that promoted non-performing economies.

The ARC model is unique among federal programs because it is a true intergovernmental partnership that preserves a direct federal role in investment and policy decisions. At the same time, it maintains a strong emphasis on state priorities and decision-making while encouraging the active participation of local governments, local economic development organizations and community groups.

As it happened, I went from Penn State to Southern Alleghenies Planning & Development Commission, walking off the street and talking management into hiring me. Although I left in the early 1980s, I returned in 1993 to begin service as Executive Director.

The work remains a challenge and there is more to be done, but I believe our efforts have made a tremendous difference in our citizens' lives. I believe the record will show that, were it not for ARC, most of the investments in support of technical training, primary healthcare and job creation would not have occurred as they did.

Policy leaders and economic development professionals at the federal, state and local levels have closely monitored ARC and consistently cite the 13-state commission as the premier example for a successful regional approach to economic development. In recent years, the impressive record of ARC has inspired leaders from other impoverished regions to replicate the ARC model.

ROLE AND CONTRIBUTION OF ARC'S LOCAL DEVELOPMENT DISTRICTS

In the 13-state Appalachian region, 72 LDDs serve 410 counties and 23 million people. A typical district serves seven counties and 57 local municipalities. Sixty-six percent of LDDs serve populations less than 400,000, and 33 percent service populations under 200,000. On average, each one has 28 full-time employees who work on aging programs, business development finance, geographic information systems (GIS), environment, community and economic development, emergency planning and preparedness, human services, public

administration, transportation and workforce development. These services are all determined by local needs and priorities.

According to a March 2006 report compiled by the Development District Association of Appalachia about the impacts and contributions of the LDDs, this network has yielded impressive results.

- Between 1990 and 2005, LDDs administered nearly 7,700 grants and projects totaling more than $5.5 billion in pass-through and programmatic funds. In 2005 alone, LDDs administered over 1,000 grants and contracts totaling nearly $400 million in federal investment.
- LDDs' combined business development loan portfolio invested more than $368 million in gap financing for businesses and entrepreneurs between 1995 and 2005. LDDs also made more than 2,250 business loans and leveraged an additional $1.1 billion from the private sector in underserved regions and for companies and entrepreneurs struggling to secure traditional financing.
- Almost 60,000 jobs have been created or retained, and 96,000 workforce clients were prepared to contribute to the region's economy as a result of LDD programs from the mid 1990s to 2004.

    - During the same time span, nearly 2.3 million seniors benefited from aging programs funded at $425 million and administered by LDDs.

When given the opportunity to talk about what it is that Southern Alleghenies Planning & Development Commission does as an ARC LDD, I feel very comfortable in making a blanket statement that, in my experience, ARC has participated in virtually every economic development related project of any consequence in our six member counties. While I believe our region is better off than other regions, it is difficult, if not impossible, to compete with more affluent areas in Pennsylvania, neighboring states and globally. ARC investments have been critical in moving projects forward and with being on the cusp of emerging issues like telecommunication, civic-leadership and asset based development. ARC has filled the infrastructure and leadership gaps and has made a difference through its foresight and innovation.

No one working with the Appalachian program, and certainly not those of us working for LDDs, is unaware of the political process required to incubate, authorize and appropriate funds for this or any other program. With ARC, I have read the criticisms that have been leveled, and frankly, I could not disagree more with its critics. No human endeavor is perfect, but I testify here before members of this Subcommittee with complete certainty that, while the ARC process is "tweaked" a bit differently in each of the 13 Appalachian states, I am confident in recognizing that the Appalachian Regional Commission process, as an intergovernmental partnership, works exactly as it was planned. It works like I was taught it should work 30 years ago in graduate school.

The LDD planning process is on-going. We compile and annually update a comprehensive investment strategy that guides our project selection process. As development opportunities present themselves, we review these for consistency and ask ourselves if a positive difference in the quality of life will result. Scarce resources dictate that a cost benefit analysis be undertaken on projects. Ultimately, when Southern Alleghenies Planning & Development Commission's Board of Directors prioritizes projects for ARC support, the Commonwealth of Pennsylvania and ARC's staff can rest assured that due diligence has been performed and projects being recommended meet the ARC code and are consistent with ARC's goals and performance metrics. But due diligence and cost-benefit aside, will a project, if supported by ARC, help a community sustain itself? This is the question we pose when evaluating projects.

The Local Development Districts serve as vital links between ARC and the local communities by managing the project identification and local prioritization process. LDDs provide much-needed technical assistance in moving projects from the application and implementation stages and into final completion.

ARC'S IMPACT IN PENNSYLVANIA

In Pennsylvania, the Appalachian Regional Commission, in concert with the Commonwealth of Pennsylvania, has funded not only infrastructure projects like business park development and community water/sewer systems that promote job growth, but also a program of hands-on, direct technical assistance that seeks to promote the growth of our small and medium-sized businesses. This enterprise development program, matched with Commonwealth of Pennsylvania funds, was innovative when first established and has since become a national standard for economic development.

Enterprise development includes three major components common to Pennsylvania's Local Development Districts, business finance assistance, export outreach assistance and contract procurement assistance.

In the past year and a half, my District closed nearly 100 small business loans. The amount of money directly loaned was in the millions, but private sector dollars leveraged was over four times the public dollars. More importantly, new jobs were created. I could share equally impressive statistics showing the significant increase in export sales as well as the value of contracts which local companies have gained with state and federal agencies. Earlier this year, one of our company's customers received an exporting award from the U.S. Commercial Service. Our LDD received an award as well for our work with this company.

As a Local Development District, we also manage a seven-county regional tourism development effort, working closely with the Commonwealth of Pennsylvania and ARC headquarters in promoting this particular asset-based development.

We monitor the economic well being of our core industries, meeting individually with companies to assist them in their expansion efforts or to help stave off reductions in labor force and to prevent plant closings.

In an area not unlike the rest of Appalachia, the Southern Alleghenies region is undergoing major structural shifts in its economy, from one reliant on the relationship of transportation, steel and coal, to a knowledge based and service economy.

We help our region and communities promote the development of high growth, high demand jobs. We promote entrepreneurial strategies unique to our region and help guide our communities in developing adequate base infrastructure, including broadband technology that no one would deny is absolutely essential in order to compete, not just within Pennsylvania, but globally.

As a Local Development District, we reflect ARC's insistence that our efforts be performance-based. Southern Alleghenies Commission has specific annual goals and objectives and measurable outputs and outcomes. Quarterly staff reports to our Board of Directors show

how we have performed as a steward of scarce state and federal resources. As a regional development organization, we understand the importance of performance measurement, and we support the insistence by our ARC partners here in Washington and in Harrisburg that ARC dollars be used to leverage investment from the private sector.

In the past year, Pennsylvania's LDDs undertook an effort to map broadband deployment and advanced communications throughout the 52 counties of Appalachian Pennsylvania. We are brokering deployment on a county-by-county basis, tapping into federal, state and telecommunications funding available for this purpose. Our small communities do not have the human or technical resources to do this alone.

The Appalachian Regional Commission has made a difference in the Southern Alleghenies, and indeed in all of Appalachian Pennsylvania. But, while our social, community and economic metrics have improved, there are still counties that are one plant closing away from meeting distressed designation criteria.

ARC REAUTHORIZATION LEGISLATION

In May, the Senate Environment and Public Works Committee reported legislation (S 2832) reauthorizing ARC for five years, through 2011. The bill's concepts have garnered the support of NADO and the DDAA.

The bipartisan measure would initially authorize the Commission at $92 million and grow to nearly $110 million in its final year of authorization to account for increases in inflation and it maintains requirements that at least 50 percent of ARC's grant funds go to projects or activities benefiting "distressed" counties and areas.

NADO and DDAA support provisions that refine the Commission's approach to targeting resources to the areas of greatest need. Specifically, the bill allows ARC to annually designate those counties that are "at risk" of becoming economically distressed. These counties have fragile economies and are on the cusp of meeting the criteria for being designated as "distressed." These are areas that are truly in need of additional attention. ARC has recognized the special circumstances of these communities and has internally adopted special targeting protocols. The legislation codifies ARC's existing practice in this area.

There is also support for provisions permitting ARC to fund projects in the "at risk" counties at up to 70 percent of project costs. Under current law, these projects may only be funded at 50 percent, while projects in designated "distressed" counties and areas can be funded at 80 percent of project costs. This provision reflects the special needs and challenges that persist in "at risk" counties.

Locally, we follow with interest ARC's effort at designating "at risk" counties. We believe the "at risk" designation that monitors substate areas with weak economies and limited resources is a much needed marker for ARC support.

To further enhance and stabilize "at risk" areas and bring additional support to LDDs serving these communities, we encourage the inclusion of provisions allowing ARC to provide LDDs with a hardship waiver that increases the federal share for administrative grants up to 75 percent from the current 50 percent. LDDs working in designated "at risk" and "distressed" counties are under greater cost burdens. Providing the Commission with the ability to reduce fiscal strain for these LDDs would only increase the chances that economic opportunity will grow in these communities.

CONCLUSION

Chairman Shuster and members of the Subcommittee, I believe the Appalachian Regional Commission is a unique and highly successfully model for targeting and delivering and for the planning, programming and budgeting of limited federal resources. I believe that the Appalachian Regional Commission fulfills its inter-governmental mission. Once the rhetoric is stripped away and philosophy is set aside with respect to how our federal government should support community and economic development, the statistics, and indeed the results, show that federal, state and local partnerships result in significant long-term benefits.

It is not lost upon those of us working in the field that proposals have been made to emulate the Appalachian Regional Commission model. It does not surprise me; I know it works.

Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to appear before you this afternoon. I would welcome any questions.

"The Reauthorization of the Appalachian Regional Commission and Legislative Proposals to Create Additional Regional Economic Development Authorities"
Responses to Questions for the Record
Chairman Bill Shuster
July 12, 2006

By
Mr. Edward M. Silvetti
Executive Director
Southern Alleghenies Planning & Development Commission
Altoona, PA 16602

1. **In your testimony, you mention the need for a hardship waiver for the local development districts in at-risk and distressed counties. Why is this necessary, and how would this benefit the LDDs?**

   Local Development Districts (LDDs) which serve at-risk and distressed counties often have difficulty with raising funds to undertake community and economic development projects as well as to match other available state and federal funds, including administrative funds provided by the Appalachian Regional Commission (ARC) to the LDDs. Counties and municipalities in such LDDs are often financially strapped and unable to provide the kind of matching funds and local financial support those LDDs in "close to attainment" regions routinely enjoy. If, in the reauthorization of the Appalachian Regional Commission, provisions were made for hardship waivers for LDDs that encompass or that are located in at-risk and distressed counties, these waivers would assist in the efforts of these LDDs, making it easier to match ARC administrative funds, and at the same time, allowing scarce local financial resources to be used to match other community and economic development project funds.

2. **Please describe the process by which the LDD selects projects for ARC consideration.**

   With Southern Alleghenies Planning & Development Commission SAP&DC), the selection of projects for further ARC consideration has been incorporated into the LDD's Community and Economic Development Strategy (CEDS) that is utilized to evaluate and select projects for consideration by the federal Economic Development Administration, as well as other federal and state agencies which support local projects. SAP&DC utilizes a very inclusive process that starts with the broad-based CEDS Committee, and through this committee process requests, reviews and ultimately selects projects for ARC consideration. Projects so selected are then placed in a priority order and are reviewed by the LDD's Board of Directors/Executive Committee. Once adopted, these projects are submitted to the Appalachian Office in the Commonwealth of Pennsylvania's Department of Community and Economic Development which further evaluates these projects, as well as those from the other six LDDs in Pennsylvania.

It should be noted that during the course of identifying and evaluating projects for further ARC consideration, many factors are taken into account, including the degree to which ARC financial assistance is necessary and will result in a project being realized. Projects which are recommended for ARC consideration are largely those which, were it not for ARC funds, simply could not and would not be undertaken.

3. **How important is the planning stage of economic development to infrastructure investments?**

The planning stage of the economic development process is vitally important to infrastructure investments. Planning is considered by the Southern Alleghenies Planning & Development Commission as a part of its "due diligence" for projects which seek ARC consideration. Further, planning is undertaken in the context of the LDD's overall community and economic development strategy/CEDS process. It is considered imperative that projects be part of an overall planning effort. Scarce federal (ARC) and Commonwealth resources must be expected to leverage the greatest impact in terms of private and public investment, and ultimately, jobs created.

Responses to Questions for the Record
ARC Reauthorization Hearing
July 12, 2006

By
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1. **Your testimony indicates that you believe the ARC model has been highly successful. To what to you attribute this success? You mention as a strength the fact that the ARC model maintains a strong emphasis on state priorities. From your point of view how important is that emphasis?**

   The ARC model has in effect been supremely successful in achieving its mission. This success is due in no small way to the intergovernmental approach using Local Development Districts (LDDs) as the building block and, in concert with the Commonwealth's investment strategy, looks at Appalachian Pennsylvania as whole. The Commonwealth of Pennsylvania has and continues to undertake significant statewide planning and analysis of its economy both in its entirety and regionally, these regions include the seven LDD regions. Not surprisingly, each region of the Commonwealth of Pennsylvania, including the seven LDD regions, has certain strengths and weaknesses. Based upon the analysis undertaken on its behalf, the Commonwealth of Pennsylvania, and presumably the other 12 Appalachian states, develop state priorities, which in its opinion, help provide maximum community and economic development impact. SAP&DC and the other Pennsylvania LDDs respect the State's priorities and, in the course of evaluating projects for ARC consideration, seeks to support state priorities in consultation with Pennsylvania's ARC office. In order to sustain a statewide coordinated and successful effort relative to ARC investments, using the Commonwealth's priorities are very important.

2. **On page 4 you mention aging programs for seniors. What are some examples of these aging programs?**

   While Pennsylvania's seven LDDs are not engaged in traditional programs for senior citizens, LDDs in several other states, particularly in the South, are the regional administrators of senior services. These typically include administering senior services centers, transportation services for the elderly, meals-on-wheels and general advocacy for the rights of our aging population as is defined through federal and state laws. Clearly, the population of the country is aging and services to senior citizens will grow in importance.

3. **What types of projects has ARC funded in your local development district?**

ARC has funded numerous types of projects within the Southern Alleghenies LDD region. These include traditional infrastructure in support of capital investment and job creation, principally in business and industrial parks Such infrastructure includes public water and sewer, advanced telecommunications and local access roads. It is important to mention the obvious importance of completing the Appalachian Development Highway System network across Appalachia and in the Commonwealth of Pennsylvania. SAP&DC has also supported ARC support of civic leadership projects that will have importance for future and on-going community and economic development efforts. An example of this would be the Juniata College Entrepreneurial Leadership Program in Huntingdon County in the Southern Alleghenies Region. ARC funding has not been restricted to certain traditional projects. It has also included, in its history, support for primary healthcare centers when access to primary healthcare was a serious issue, support for the construction and equipping of vocational-technical schools, and more recently, support for distance learning in support of post-secondary education.

4. **Do you use benefit analysis exclusively to prioritize projects in you district?**

Cost benefit analysis is an extremely important aspect of prioritizing projects for ARC consideration. However, consideration is given "beyond the numbers" because there are practical considerations in terms of supporting a project that, while not showing immediate significant economic impact, has the potential to make a difference in the out years. This is very true for our less competitive areas of the region. Needless to day, there is also an attempt to ensure that projects throughout the Southern Alleghenies Region are given equal and fair consideration.

5. Please give the subcommittee some details on your seven county regional tourism effort.

The Southern Alleghenies Commission has long supported regional tourism development. In recent years this effort has matured and includes significant local and regional support as well as support from the Commonwealth of Pennsylvania. This effort is further described as follows.

Purpose:
To serve as a catalyst and forum for the development and delivery of an integrated tourism program. This will be accomplished through effectively utilizing resources of the officially designated Tourist Promotion Agencies (TPAs) within the Region (Bedford, Blair, Cambria, Centre, Fulton, Huntingdon & Somerset Counties), and recognized shareholders and partners for development, planning and implementation.

The Vision:
The Alleghenies will be recognized as one of the Nation's premier outdoor recreation and heritage tourism destinations.

The Goal:

To effectively package, market and further develop the outdoor recreation and heritage tourism assets of The Alleghenies.

Structure:
The Alleghenies Tourism Council is an advisory committee to the Executive Committee of the Southern Alleghenies Planning & Development Commission (SAP&DC). The leadership includes:

A. Chair: County Commissioner appointed by the President of SAP&DC.
B. Vice-Chair: appointed by the President of SAP&DC.
C. Tourist Promotion Agencies within the Region. .
D. Representative from the Heritage Tourism Community selected by the Council of Trustees.
E. Pa. Office of Travel & Tourism
F. Representatives from the Southern Alleghenies Economic Development Committee
G. Representative from the Southern Alleghenies Planning Advisory Committee
H. Representative from the Arts & Cultural Community selected by the Council of Trustees.

History
The tourism businesses in a six county region in south central Pennsylvania joined forces to attract more tourists to the region by working together and cross promoting in the early 1980s. In many ways the group that called themselves the Southern Alleghenies Travel Council and numbered 100+ members was ahead of their time. They had the vision to understand that tourists don't see county borders and that by combining forces they could offer a better and more attractive experience to the tourist.

In 1995 the Southern Alleghenies Travel Council was replaced by the Southern Alleghenies Regional Tourism Confederation a much smaller organization that partnered the strengths of the Convention & Visitors Bureaus with the power and influence of the locally elected officials.

In 2006 Southern Alleghenies Regional Tourism Confederation was replaced by The Alleghenies Tourism Council. This action corresponded with the announcement of the new brand for the region, The Alleghenies.

Funding:
Administrative support is provided by Southern Alleghenies Planning & Development Commission through grants from the Appalachian Regional Commission and the Commonwealth of PA. The seven TPAs pay annual membership fees based on population, those funds added to grants from the Commonwealth result in annual marketing budgets between $400,000 and $500,000.

The Alleghenies Brand:

In January of 2006, the Alleghenies Tourism Council launched "The Alleghenies" branding program to create a strong identity for our region - one that

maximizes the natural assets of our mountains and embraces our heritage and the perseverance of our people.

Designation of our area as The Alleghenies provides:

- An identity for residents to rally around.
- An opportunity to "take ownership" of The Alleghenies "brand," just as New York has taken ownership of the Adirondacks and Tennessee has claimed the Smokies.
- The means to establish a distinct destination area, immediately understood by those who hear the name.
- An opportunity to develop a hallmark of excellence for goods and services produced in The Alleghenies and offered worldwide.
- The catalyst for developing regional pride which will maximize the potential for growth and advancement.

The Alleghenies Tourism Council is heavily marketing The Alleghenies externally in print, broadcast and internet media to people who:

- Are aged 35-65.
- Have household incomes greater than $100,000.
- Are active recreational enthusiasts.
- Spend more than $3,000 a year on domestic travel.
- Are college educated professionals.
- Live in the Washington, DC - Baltimore areas.
- Prefer upscale accommodations and fine restaurants.

Our recreational marketing is currently targeted at:

- Mountain bikers
- Road cyclists
- Motorcycle tourers
- Anglers
- Boaters
- Canoeists and kayakers
- Birdwatchers

Other groups to be added to the marketing campaign include:

- Hikers
- ATV riders
- Skiers
- Golfers
- Equestrians
- Hunters
- Snowmobilers

6. **Based on your involvement with ARC what do you believe would be an appropriate level of funding for ARC?**

Since 1981, the history of appropriation levels for the Appalachian Regional Commission has followed in part the severe reductions across the board in discretionary domestic spending. If it were adjusted for inflation, the ARC appropriation level would be many times its present appropriation. That said, I believe that the ARC should be supported in the Congress at an appropriation level equal to its authorized level. Hopefully, the authorized level will not drop further then is currently authorized.

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