



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

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September 8, 2017

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM: Staff, Subcommittee on Economic Development, Public Buildings, and Emergency Management
RE: Subcommittee Hearing on “Building a 21st Century Infrastructure for America: Economic Development Stakeholders’ Perspectives”

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Wednesday, September 13, 2017, at 10:00 a.m. in 2167 Rayburn House Office Building, for a hearing titled “Building a 21st Century Infrastructure for America: Economic Development Stakeholders’ Perspectives.” The purpose of this hearing is to receive the views of economic development stakeholders regarding infrastructure in the 21st Century. The hearing will examine proposals to strengthen economic development programs, effectively coordinate federal funding to maximize the leveraging of private investment in infrastructure, and build and rebuild better to reduce disaster costs. Witnesses include representatives from the National Association of Development Organizations, the International Economic Development Council, the BuildStrong Coalition, and SEDA – Council of Governments.

BACKGROUND

Economic Development

The Subcommittee on Economic Development, Public Buildings, and Emergency Management has jurisdiction over programs promoting economic development in communities suffering economic distress. The economic development activities of the Subcommittee include jurisdiction over the Economic Development Administration (EDA), the Appalachian Regional Commission (ARC), the Denali Commission, the Delta Regional Authority, the Northern Great Plains Regional Authority, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Southwest Border Regional Commission.

In 1965, Congress passed the *Public Works and Economic Development Act*¹ establishing EDA and the *Appalachian Regional Development Act*² establishing ARC. In subsequent decades, Congress passed legislation establishing other regional economic development commissions. While the missions of the various agencies and commissions may vary slightly, all fundamentally have the same mission -- to bolster the efforts of communities to attract private sector investment and create new job opportunities. The agencies and commissions focus on spurring economic development and growth in economically distressed communities. They provide grants for planning, technical assistance, public works and infrastructure, and have a role in disaster recovery efforts.

The economic development agencies and commissions specifically target projects that leverage private investment and create jobs. As a result of targeted funding, these programs generally help to attract private investment in distressed and rural areas. For example, in 2007, EDA contracted Grant Thornton to study the costs and economic impact of EDA's construction investments. The Grant Thornton study concluded that "EDA investments in rural areas have a statistically significant impact on employment levels in the communities in which they are made, generating between 2.2 and 5.0 jobs per \$10,000 in incremental EDA funding, at a cost per job of between \$2,001 and \$4,611."³

Between fiscal year FY 2012 and FY 2016, EDA invested nearly \$1.4 billion in 3,244 projects. Of that total, 615 projects, totaling \$786 million, are expected to create and/or retain 226,393 jobs and attract nearly \$29 billion in private investment. Historically, about two-thirds of EDA funding has been awarded to rural areas and one-third to urban areas. On average, for every \$1 of EDA construction project funding, \$15 in private investment is generated.⁴

Investments by ARC from October 2015 through January 2017 supported 662 projects in Appalachia totaling \$175.7 million, matching more than \$257 million in non-federal funds and attracting \$443 million in private investment. These investments will create or retain more than 23,670 jobs and impact 420 counties in Appalachia.

Mitigation Strengthens Infrastructure Resilience

Disaster mitigation includes actions taken to reduce loss of life and property by lessening the impact of disasters. Effective mitigation acts to minimize the potential loss from a disaster based on identifying and understanding the risks in a given area or community. Mitigation can encompass a wide variety of activities, including preparation and planning, elevating or moving structures prone to flooding, hardening structures to mitigate effects of hurricanes or earthquakes, and establishing building codes and zoning ordinances.

Mitigation not only saves lives but has been shown to also reduce disaster costs by minimizing damage from a disaster. For example, pursuant to a requirement of the *Disaster*

¹ Public Law 89-136

² Public Law 89-4

³ U.S. Department of Commerce, Economic Development Administration, Construction Grants Program Impact Assessment Report, Grant Thornton, September 30, 2008.

⁴ FY2016 EDA Performance Metrics.

Mitigation Act of 2000, the Congressional Budget Office (CBO) completed an analysis on the reduction in federal disaster assistance as a result of mitigation efforts.⁵ That study examined mitigation projects funded from 2004 to mid-2007. CBO found that of the nearly \$500 million invested through Pre-Disaster Mitigation grants, future losses were reduced by \$1.6 billion for an overall ratio of three to one. In essence, for every dollar invested in mitigation, three dollars were saved. CBO's analysis reaffirmed a prior study commissioned by the Federal Emergency Management Agency and conducted by the Multihazard Mitigation Council of the National Institute of Building Sciences that concluded, in 2005, each dollar spent on mitigation saves four dollars in future losses due to disasters.⁶

As a growing number of natural disasters have hit vulnerable regions across the country in recent years, state and local leaders have explored a range of new investment strategies to better safeguard their infrastructure assets and ultimately provide greater protection for their economies. Many cities, for instance, are already leading in the development of resilient infrastructure projects and exploring non-traditional insurance options.

WITNESS LIST

Mr. Bill Seigel
Assistant Executive Director
SEDA-Council of Governments

Mr. Justin Hembree
Executive Director
Land of Sky Regional Council
National Association of Development Organizations

Mr. Brett Doney, CEcD, SCLA, AICP
President and CEO
Great Falls Development Authority, Great Falls, Montana
International Economic Development Council

Mr. Steve Linkous
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Harford Mutual Insurance Company
National Association of Mutual Insurance Companies
BuildStrong Coalition

Ms. Jessica Grannis, JD, LLM
Adaption Program Manager
Georgetown Climate Center

⁵ Congressional Budget Office, *Potential Cost Savings from the Pre-Disaster Mitigation Program*. September 2007.

⁶ Multihazard Mitigation Council, National Institute of Building Sciences (2005), *Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*.