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Weathering the Storm: Creating Jobs in the Recession

Testimony of
Mr. Rick L. Weddle
The Research Triangle Park
12 Davis Drive
Research Triangle Park, NC 27709
(919) 549-8181

THE RESEARCH TRIANGLE PARK

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

Opening Statement by Rick L. Weddle
President and CEO of The Research Triangle Park and first chairman of the International Economic Development Council.

In Testimony Before the Subcommittee on Economic Policy

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Chairman Brown, Ranking Member DeMint and members of the committee, thank you for having me here today to testify on behalf of economic development professionals throughout the country.

My name is Rick Weddle and I serve as President and CEO of the Research Triangle Park (RTP), the nation's oldest and largest research park. As the home of more than 170 companies involved in cutting-edge research and development in a variety of industry sectors, RTP is probably one of the oldest and largest-scale examples of how public and private policy can have a lasting impact on job creation and creating long-term economic competitiveness.

I am also speaking as an economic development practitioner with over 30 years' experience. During my tenure, I have worked with regions and communities in five states to help reinvent, reposition and redirect themselves. These activities have cumulatively resulted in the creation of more than 26,000 jobs with a total payroll of $1 billion.

Finally, as the first chairman of the International Economic Development Council (IEDC), my comments today represent the viewpoints of the world's largest organization serving the economic development profession with more than 4,600 members. The diverse membership of IEDC is dedicated to creating more high-quality jobs, developing more vibrant communities, and generally improving the quality of life in their regions.

I am here today to share with you my thoughts and the learning of the economic development community on how to create jobs and reinvigorate our struggling economy. I have organized my testimony around three questions that should be considered as we develop new policy that aims to create jobs and rebuild national competitiveness.

What have we learned from the Recovery Act that can help inform future decisions?

In February 2009, Congress passed the American Recovery & Reinvestment Act, which provided $787 billion dollars to tackle the severe recession triggered by the collapse of the financial sector and real estate market. The Recovery Act was designed in a rush to provide resources to triage the economic crisis, resulting in a package of tax cuts, formula-based fund transfers and direct grants and loans, most of which would be channeled through existing programs. The act had grand ambitions to simultaneously meet five goals: 1) to create and retain jobs; 2) to rebuild infrastructure; 3) to invest in science, health and technology; 4) to assist those most hurt by the recession; and 5) to stabilize state and local budgets to maintain service delivery. Overall, the main drive of the stimulus is to boost demand as the catalyst for economic renewal and job creation.

Given the actual brevity of the Recovery Act’s implementation thus far, any identification of lessons learned can only be tentative at this point. I have broken the lessons into what is generating positive results for economic development and where the challenges remain on the ground.

On the positive side, Recovery Act investments so seem to be achieving the following economic development objectives.

- *They are reigniting stalled projects of strategic importance.*

In some communities, Recovery Act investments have jumpstarted development projects that had been stalled due to lack of credit in the private sector and/or insufficient public funds. In Dayton, Ohio, for example, Community Development Block Grant stimulus dollars coupled with waste water infrastructure dollars combined on the ground to restart a multi-use development district, entitled Tech Town, which had been put on hold due to the lack of public funds. Restarting this project not only has the capacity to generate short-term jobs through construction, but also represents a long-term investment in the economic transformation of Dayton, which has long been struggling to rebuild after the decline of manufacturing. I will return to this example later in my testimony.

- *They are allowing communities to maintain relevant projects that otherwise might have been cut.*

In some cases, Recovery Act dollars have allowed communities to maintain relevant projects and programs that would have been cut in the absence of these investments. For example, Richmond, California, used Recovery Act money to maintain and expand a successful job training program aimed at at-risk young adults that was slated for closure in response to budget cuts.

- *They have enabled business expansion through strategic infrastructure investments.*

Whereas investing in infrastructure upgrades creates short-term jobs, strategically targeting those investments to enable businesses to expand enhances the overall economic development impact of that investment. For example, local economic development professionals in Youngstown, Ohio, lobbied the state to invest some of its Recovery Act transportation allocations to relocate a national rail line which divided the property of V&M Star Steel. By moving the rail line, the company was then able to double its operations and create 400 permanent jobs. Notably, however, for this to occur required state-local coordination and engagement, which can be a trouble spot.

- *They have incented regional coordination.*

The lure of Recovery Act dollars has encouraged communities to establish regional alliances and coalitions to tackle big, commonly shared problems. The Chicago Metropolitan Planning Council spearheaded a coalition of non-profit business and civic groups, real estate developers and the metro mayors' caucus to create a 17-town region in Southern Chicago to align resources, including Recovery Act dollars, to collectively rebuild. Similar regional initiatives are visible in the San Francisco Bay area, where local political and transportation leaders have come together to bid for Recovery Act high-speed rail funding.

- *They have leveraged resources to increase the size and scope of investments.*

Recovery Act dollars also have served to attract additional public, private and community resources. For example, the California Emerging Technology Fund committed to use a portion of its seed funds to match and leverage Recovery Act funds to meet broadband, digital literacy and other goals.

- *They have increased the dollars available for basic research, a building block of competitiveness in an innovation-based economy.*

Basic research is the primary source of the new knowledge that ultimately drives the innovation process. Economists estimate that up to half of U.S. economic growth over the past five decades is due to advances in technology. A study of recent U.S. patents found that nearly two-thirds of the papers cited in these patents were published by researchers at organizations supported by federal funds, and these linkages have been growing at an accelerating pace. The major federal R&D funding agencies all received significant funding through the Recovery Act, the first real increase in federal research funding in five years.

- *They have invested in long-term transformation and economic diversification.*

The recession exposed many weakness in the U.S. economy, such as the severe problems in the automotive sector, revealing the need for investments in long-term economic transformation. Some Recovery Act dollars are enabling this level of transformation. One such example is the Economic Development Administration's allocation of Recovery Act dollars to the University of Arizona to support the start-up phase of its Bio-Science Park, which will be located in a distressed urban neighborhood. This is a critical investment in the innovation infrastructure this country needs to remain competitive in the short- and long-term. I will return to this case later in my testimony.

- *Where the Recovery Act has added flexibility to existing programs, it has added value.*

When the Recovery Act has added greater flexibility to existing programs, we have seen positive results. The Richland, California, program discussed earlier was funded by the Workforce Investment Act's Youth Activities fund, whose spending criteria had been broadened by Recovery Act legislation to include 18- to 24-year-olds in youth activities. Equally, the new SBA provisions have been working well, allowing some financing to enter the market.

- *They have resulted in job creation and retention and will continue to do so.*

While there have been a lot of questions recently about the reliability of the job creation figures surrounding Recovery Act investments, it is clear that when awards have been made, jobs have been created and retained. Some new programs, such as Recovery Zone Bonds, have proven to be quite effective and have received public and private sector praise. Moreover, the Recovery Act's stabilization of state and local budgets has helped retain a significant number of jobs that otherwise may have been lost. The bigger issue is public perception, which I will return to when we look at the Recovery Act's challenges.

On the same day as President Obama's Jobs Summit, the International Economic Development Council (the association representing the economic development community), RTP and DCI International issued a survey to over 4,000 economic development professionals across the country to find out if Recovery Act dollars had created jobs in their regions. A 10 percent response rate, representing over 400 communities nationwide, returned the following results: 34 percent noted that jobs were created in their region from the Recovery Act, 31 percent responded no jobs have resulted from Recovery Act dollars, and 25 percent noted that job creation has not yet been determined.

While the Recovery Act has positive lessons to offer, it also faces challenges and limitations. Moving forward, these lessons need to be considered if the government is to create jobs and strengthen the economy.

- *There are significant misperceptions about the Recovery Act.*

Information gaps about what the Recovery Act is designed to do, when the money will be available, how much money will be available and what it can and cannot do abound, resulting in significant misperceptions by the public. The bulk of the Recovery Act is not designed to create jobs, but to stabilize the economy. The dollars available to create jobs are to be disbursed over a two-year period, so it functions, in effect, as a slow trickle of funds – as opposed to a great blast, which is what the public was expecting. In addition, some states have not drawn down all the available funding, delaying that potential impact and leading to further misperceptions about the Recovery Act's effectiveness. Finally, some of the newer programs, such as health information technology, were never mandated to be disbursed earlier, but were given time to enable the programs to develop. Given the complexity of the program, insufficient time has been devoted to educating the public as to its potential and its limitations.

- *Speed has been emphasized at a high cost.*

While speed has not always been achieved, speed is still used as an indicator of success, which may have consequently prioritized deadlines over transparency, strategy and new business development. To meet the need for speed, communities may put forth projects which are shovel-ready, but not part of a larger plan that targets longer-term sustainable growth. While such projects may create short-term jobs, one-off, disconnected investments will not have the same transformative impact on a community as projects that strategically align grants, strategy and resources toward a bigger goal. Finally, the need for speed meant that contracts were allocated to existing, often larger companies, thus missing an opportunity to invest in start-ups, minority- and female-owned, and other very small businesses that may be emerging as some currently unemployed individuals look to create their own enterprises.

- *An overall lack of public alignment has hindered implementation.*

A lack of administrative capacity at the federal, state and local levels has created challenges to the implementation of the Recovery Act. At the federal level, many agencies found themselves with significantly more money than they had administered before, plus the need to create new regulations, all in a very tight time frame with insufficient staff. On state and municipal levels, budget deficits often left insufficient staffing resources available to apply for or monitor Recovery Act funds, which have more stringent reporting requirements than regular federal dollars. Unfortunately, the states and localities already struggling with budget shortfalls before the Recovery Act passed were also the least positioned to put together a strategic approach to accessing and using stimulus dollars.

- *The definition of distress can be too inflexible.*

When the Recovery Act was passed, economic conditions were different than they are today. For example, a number of states – such as West Virginia, Wisconsin and Oklahoma – experienced their worst unemployment declines since the passage of the Recovery Act. Unfortunately, the act's criteria for some programs, such as Recovery Zone Economic Development Bonds, relied on 2007-2008 data for determining allocation levels; thus, those states that were hardest hit afterward have access to fewer resources, even though they have equal challenges today as those that were hit by the recession earlier.

- *Federal funding silos have been maintained.*

Most of the Recovery Act investments were channeled through existing agencies and existing programs, often at different levels of governments, making it difficult to integrate the funding streams at the local level into strategic efforts that can revitalize distressed places and nurture significant job creation. While some communities and regions did manage to access multiple funding sources, different and often more complicated reporting requirements adds complexity and significant capacity challenges to measuring the outcomes. Moreover, since states are major recipients and allocators of the funding, it keeps them in charge, and their decisions may not be in aligned with local needs.

- *Insufficient funding has been directed to economic development organizations.*

Despite the focus on job creation, most Recovery Act dollars were not allocated to economic development organizations, which work daily in the trenches to create and retain jobs. Economic development is often countercyclical, with states and localities able to allocate more money to it during prosperous times and forced to make cuts during economic downturns. Yet it is precisely in a challenging economy when economic development investments are most required. It is tantamount to cutting back the police force while crime is rising.

- *Reporting requirements may deter small business engagement.*

The Recovery Act's heavy focus on reporting both challenges public sector capacity and influences the ability of the private sector to use funds. For example, the reporting requirements apply even to contractors receiving under $25,000 of the total contract value. Because the reporting requirements call for staff time to oversee compliance, smaller contractors seem hesitant to bid on stimulus-funded projects. This is particularly troublesome, as small businesses are ripe targets for job creation.

- *Measuring job creation is complicated and unreliable.*

In public perception, the success of the Recovery Act is measured by its ability to create jobs and to do so quickly. Yet not only is it extremely difficult to measure job creation from public investment generally, its real impact can only be measured over time, often significant time.

What's working around the country that is creating jobs and transforming the economy?

Please allow me to start with the story of The Research Triangle Park. Fifty years ago, the leaders of North Carolina recognized that our state and the Triangle region, in particular, were not poised to be at the forefront of the post-war, science and technology-based era. As such, they made a big bet and established a place where educators, researchers, and businesses could come together as collaborative partners to change the economic composition of the region and state, thereby increasing the opportunities for the citizens of North Carolina. The vision was to attract research companies from around the nation to locate in a parcel of land surrounded by the state's research universities—the University of North Carolina at Chapel Hill, Duke University, and North Carolina State University. The resulting "Research Triangle Park" would be a place where companies could take advantage of the region's intellectual assets and that provided a ready physical infrastructure for corporate R&D activities.

In the fifty years since, the mix of long-term investment in education and a commitment to building a conducive environment for innovation and technology-based economic development has paid off. RTP has grown to be a globally known center of innovation. Currently, there are more than 170 companies and research and development facilities in RTP, with more than 42,000 employees with combined annual salaries of over $2.7 billion. The average salary in the Park is $56,000 annually, nearly 45 percent more than regional and national averages. Companies represented in RTP include IBM, GlaxoSmithKline, Cisco Systems, BASF and Credit Suisse. In addition, a number of U.S. federal agencies have a presence in the Park, including the U.S. Environmental Protection Agency, the National Institute of Environmental Health Sciences, and the U.S. Forestry Service.

While RTP is an essential model for understanding what works out in the field, there are other equally important models that we can learn from. When asked in the survey and through other feedback mechanisms which programs they have seen have had the most impact to date, economic development practitioners listed funding for infrastructure projects, a focus on small business and fostering entrepreneurship, and freeing financing and extending credit as the most effective programs. These results remind us that *private companies create jobs*. Thus, the quickest, most effective way to create jobs is to provide companies with the capital they need to find new markets, expand production and ultimately hire new staff. Below are several different examples of how jobs were created at private companies with assistance or funding from economic development groups or government.

Our first set of cases centers on the importance of non-profit financial intermediaries for extending both debt and equity credit to enable small business expansion.

Kentucky "ezone" helps create jobs by providing funding and support to entrepreneurs: From July 2008 through June 2009, the Northern Kentucky ezone (a division of Northern Kentucky Tri-County Economic Development Corporation) created 189 jobs through its work with entrepreneurs in the region. The ezone assisted 29 new high-tech companies in Northern Kentucky and assisted in generating $14 million in investment for client companies from venture and angel funds. Additionally, $2.1 million in investments in ezone client companies came from Kentucky Science and Technology Corporation and other public funds.

SBA loan program helps manufacturing company create/retain 50 jobs: San Diego-based CDC Small Business Finance is an SBA 504 lender. In 2009, it helped Campbell Certified, Inc., a structural/architectural steel fabrication company in San Diego County, obtain an SBA 504 loan that enabled it to buy a $1.7 million facility, expand operations, and create/ retain a combined 50 jobs.

The second set of useful practices focuses on effective measures for helping small businesses export and integrate into the global economy, which enables them to enter new markets, expand and grow jobs.

Attracting foreign direct investment and helping export-ready companies: Economic developers in Portland, Ore., are helping clean tech and green building companies access emerging foreign markets by launching regular communication with state foreign representatives to develop specific company targets abroad and for investment in Portland. They also launched an International Roadshow to bring all of the foreign representatives of the state back to Portland for a week to meet with qualified export-ready companies from the city, and help them find partners in these global markets that will generate significant export sales and increase jobs for Portland companies.

Loan guarantee enables the creation of new jobs at Illinois company: In June 2009, the Export-Import Bank of the United States announced that it would provide a long-term loan guarantee to back American Plastics Technologies Inc.'s export sale of equipment to make intravenous solutions, injectable medicines and bottled water to Nigeria. The loan guarantee supports the creation of 40 jobs. Sixteen U.S. suppliers from across the country, eight of them small businesses, are participants in the APT export. (While this is not a local example, it illustrates the value of loan guarantees to expand export markets.)

The next set of cases highlights entrepreneurship, innovation and commercialization. These are all activities that expand regional economies by creating new jobs, new companies, and in some cases new industries. Economic developers foster this growth by connecting entrepreneurs, technologies and fledgling companies with funding and resources that can help bring new products to market.

Oklahoma non-profit helps expand the technology-based economy of the state: i2E, Inc. provides Oklahoma companies with comprehensive commercialization services, proof-of-concept funding and seed/start-up funding. Over its 10-year existence, it has assisted 425 commercialization clients and helped clients to attract $345 million of private capital. In a recent economic impact survey, responding clients reported creating 998 jobs at an annual average wage almost double the state average.

Business incubator provides comprehensive services to emerging science companies: The San Jose BioCenter gives emerging science and technology companies access to world-class facilities and support typically only available to larger firms. Since opening in August 2004, the incubator has assisted 60 clients and graduated 14 companies. Six of the 14 BioCenter graduates have purchased or leased entire buildings and now employ between 30 and 400 people in the Bay Area.

Program fosters business startups in rural Iowa: MyEntreNet uses web technology to provide online networking and resources to entrepreneurs who are otherwise isolated by distance. Through the service, they connect with other entrepreneurs, technical support, training and information on obtaining funding. In 2008, 321 jobs were created with the help of MyEntreNet and related business incubation services.

It also makes sense to target business assistance to strengthen core industries that create good jobs. Targeting manufacturing as well as energy, health and others not only creates jobs quickly, but does so in a way that builds competitive advantage for longer-term economic gain.

Richmond, Va., business retention program identifies and assists expanding businesses: From July 2008 to June 2009, the Greater Richmond Partnership's business retention program was able to find and build on good news in the business community. Outreach efforts helped to identify 111 expanding businesses and 167 firms with plans to add staff in the coming 12-month period. These firms intend to create more than 1,600 new jobs and make capital investments in excess of $88 million. The program is working with these businesses to ensure that they have access to the resources and information they need to realize their plans.

Economic developers help wind-power company create manufacturing jobs: Mariah Power, a Reno, Nev.-based company, decided to manufacture its turbines in Manistee, Mich., due to a unique partnership with a local manufacturer, a highly skilled workforce, and extensive assistance and funding from local and state economic development groups. A former auto parts manufacturing facility run by MasTech Manufacturing was retrofitted to produce the turbines after nearly closing operations due to the crisis in the automotive industry. A $400,000 Community Development Block Grant, provided by Manistee County in partnership with the state, enabled the upgrade of equipment needed to produce the turbines, and the company also received venture financing. The company has created 60 manufacturing jobs in Manistee over the past year and plans to add another 120 jobs in 2010.

Economic development groups in Michigan collaborate to grow green jobs: In Saginaw County, Mich., Saginaw Future, Inc., Michigan Economic Development Corporation, and the Saginaw County Chamber of Commerce collaborated to facilitate a $1 billion investment from Hemlock Semiconductor (which makes polycrystalline silicon, a key component of solar panel construction), in order to help establish a new industry cluster, create jobs and spur an economic resurgence. The groups worked together to address company concerns, provide tax credits, job training assistance and other incentives. Saginaw Future and its partners also are investing in workforce development and research and development initiatives.

In addition to assisting businesses, another valuable way to create jobs quickly is through real estate investments, particularly in large, strategically designed projects. These create short-term construction jobs but also boost long-term competitiveness and economic diversification, leading to permanent, high-wage jobs. The focus here should be on commercial property, another market that is in decline, and innovation infrastructure, to enable long-term economic revitalization and competitiveness.

Redevelopment of a former auto manufacturing site for mixed-uses and high-tech companies continues in Dayton: Tech Town is a 30-acre, mixed-use district under development on a former GM manufacturing site. Located close to Wright Patterson Air Force Base and within a Historically Underutilized Business (HUB) Zone, the goal is for the district to become a place where business, academia and government work together strategically to take technologies developed at Wright-Patt and other regional R&D facilities and apply them to commercial uses. Stimulus CDBG funds are helping keep the project moving, which has the goal of diversifying and strengthening the region’s economy.

Tech park construction jumpstarted to foster the growth of companies related to the University of Arizona-Tucson: The University of Arizona-Tucson received $4.7 million grant in Economic Development Administration stimulus funds for phase-one infrastructure improvements at the Arizona Bioscience Park. The biosciences facility is designed to be part of a larger, mixed-used development that includes a hotel and conference center, retail and residential development. It also is intended, in conjunction with the university's existing Science and Technology Park and business incubator, to support the growth of high-growth, high-tech companies in the region based on university assets. Funding was awarded in late August; construction is expected to begin soon.

Cleveland Flats East Bank project moves forward despite credit woes: Cleveland Flats, designed to be a model sustainable, walkable, mixed-use community on former brownfields sites, has gained new life with new sources of funding, including a $30 million HUD 108 loan and $25 million in Recovery Zone Bonds for infrastructure. The Recovery Zone infrastructure funding allows tax increment financing revenues to be converted from infrastructure to direct project subsidy and a repayment source for the HUD 108 loan. With private financing scarce and expensive, this creative financing covers the project gap so it can proceed.

What new thinking should Congress consider when crafting a new jobs package?

Let me share some suggestions for short-term job creation. I will first take a few moments to discuss some of the key principles that I believe should guide our thoughts as next steps and additional programs are identified. These are:

- Build on and use what we have in innovative ways
- Provide resources to those who are the most agile and flexible

- Further support R&D capacity – both basic and industry-led
- Prioritize action – in regard to short-term impact, but also in terms of the policy's ability to nurture innovation over the long-term
- Focus on changing private-sector behavior

With these principles as guidelines, I would like to summarize some policy priorities and strategies to achieve them.

- *Incent the hiring of Americans now.*

Globalization is a reality which has benefitted many U.S. companies, yet the off-shoring of U.S. jobs is a gargantuan obstacle to economic development efforts. As we move forward, we need to place a direct emphasis on hiring and retaining American workers. The new green economy promises manufacturing jobs for renewable energy machinery such as wind turbines and solar panels. We need to ensure that these manufacturing jobs are here in the U.S., and not in China or elsewhere. Any job creation package should encourage companies to hire American workers, a goal which can be accomplished through a combination of incentives and a review of U.S. trade relationships.

There are several tools and strategies we could use to achieve this goal.

- First, we can offer incentives directly to companies if they are willing to bring work from an offshore location to a U.S. location marked by high unemployment. According to the Information and Technology Innovation Foundation (ITIF), which issued this idea, a forgivable loan (it becomes a grant if the company creates and retains the jobs), administered by the EDA, would be a particularly efficient method not only for creating jobs, but for doing so in areas where the need is greatest.

- Second, we can evolve the current Invest in America program, housed in the Department of Commerce, into an internationally competitive marketing arm of the U.S. government, similar to the agencies found in most of the nations we compete with globally for foreign direct investment (FDI). This initiative would require a $50 million initial investment, complemented by another $50 million that could be made available as matching funds to states and regions specifically for international marketing purposes to attract FDI.
- Third, evaluate and align trade and exchange rate policy with job creation goals. Many trade and exchange rate policies seem to have been working against our national job creation goals. We need to think about whether or not we should: keep defending the dollar; more stringently enforce trade regulations and intellectual property protection; and reexamine some of our bilateral trade relationships to ensure that they support job creation, rather than hinder it. Specifically, we should ensure that we are not subsidizing competition by establishing lucrative trade agreements with countries that lack parity in terms of environmental and worker protections. We cannot demand that every country we trade with have the exact same labor and environmental laws that we do, but trade agreements should be made with the cognizance that the absence of such laws in other countries substantially lowers the cost of business without upholding the standards we as a nation believe are essential.

- *Target and reach small businesses and entrepreneurs.*

Federal policy also needs to more fully recognize the importance of entrepreneurs and small business as job creators. Businesses of all sizes are still facing issues with access to capital and means to finance new deals. A small firm that receives an influx of cash will be more likely to hire additional workers to get the job done than a larger firm with greater existing capacity. Thus, getting resources to small businesses and emerging entrepreneurs needs to be a government priority. Finding ways to make it easier for small businesses, including very small businesses, to access financing, contracts, export markets and other resources for growth is the single most useful tactic the government can adopt to create jobs quickly.

There are many approaches we can take to achieve this goal.

- First, we should emphasize non-traditional financing entities – such as certified development corporations, community development financial institutions and revolving loan funds – instead of relying on banks to provide working capital for small businesses. One way to support non-traditional financial institutions is by allowing them to offer SBA 7(a) programs. Another effective strategy is to extend the New Markets Tax Credits (NMTC) through 2014 with annual adjustments for inflation, and increase funding to existing programs that are already working in this area, such as SBA 7(a) and 504 programs.
- Second, issue federal tax credits to stimulate seed and venture investments to support entrepreneurs and small companies. Quick infusions of capital can also help to create jobs quickly.
- Third, build on successes that are moving capital into the private sector. In particular, the reduction/elimination of fees on the 504 and 7(a) loan programs has been very successful at bringing more lenders in the program and getting working capital into the hands of small businesses. In addition, Recovery Zone Facility Bonds have also worked to help private companies access financing.
- Include counts of early-stage and start-up companies in job creation measures. This expands our understanding of how and where jobs are being created in the economy, and may also allow us to identify emerging industries.
- Provide additional funding at all levels of government – local, state and federal – specifically to help small businesses export abroad.

- *Accelerate innovation through R&D and commercialization.*

There is no doubt that the federal government's investments in research and development (R&D) are a critical tool for stimulating innovation and building long-term U.S. competitiveness. To create jobs more quickly, we need to find ways to target and accelerate innovation by encouraging more R&D and commercialization. There are multiple ways to achieve this goal.

- Invest in innovation infrastructure such as research parks, incubators and others means, as they marry short-term job creation goals with the need to build strong regional innovation eco-systems. One idea is to create a direct loan program or loan guarantee program to invest in such infrastructure.
- Spur partnerships between universities and the private sector by establishing federal research grants. Place incentives in current agency programs for public-private innovation partnerships.
- Offer a bonus R&D tax credit in 2010 and 2011 which companies can choose to take against their non-corporate income. This recommendation, also put forth by ITIF, would help companies maintain their research during challenging economic times, allowing them to retain and possibly grow science jobs while investing in the company's long-term competitiveness.
- Another ITIF recommendation that deserves consideration is to allow information technology investments to be expensed in 2010. This would help not only to boost a company's competitiveness through productivity gains, but also enable them to buy safer, more energy-efficient equipment.
- Finally, finding new ways to work with universities, federal labs, hospitals, the SBIR/STTR program and large companies (with patents they are not using) to accelerate commercialization is a critical area where new thinking and the identification of best practice models is particularly imperative.

- *Provide support for competitive businesses and industries.*

We need bold new thinking on how to create jobs in a way that also supports our long-term competitiveness, and that means ensuring that some investment is directed to keeping critical industries strong and supporting high-growth industries and companies. There are several tools and strategies to accomplish this.

- Harness existing federal infrastructure such as the EDA University program or the Manufacturing Extension Partnership (MEP) networks to reach out to competitive, innovative companies and help them weather the storm, then expand. These programs work locally with companies and provide an important link between federal goals and the private sector.
- Increase funding for the MEP. Encourage MEP to intensify its focus on supporting sustainability initiatives and pulling innovative technologies from universities, federal laboratories, and other research institutions for adoption by manufacturing firms.
- The federal government might consider providing additional resources to state programs to support fast-growth, innovative companies, as ITIF also recommends.
- Allow flexibility with Workforce Investment Act (WIA) funding awarded to states to support responsiveness to regional and state needs, especially for incumbent training. This strengthens the competitiveness of existing businesses and allows them to retain critical jobs. Part of a jobs bill needs to include methods to retain existing jobs as well.
- The federal government should make a concerted effort to find new ways of supporting and rebuilding our manufacturing industry. In our December 3 survey of the economic development community, manufacturing was identified by the highest number of respondents (39%) as the industry that has been hardest hit by the economic crisis.
- Work more aggressively with the economic development community and more fully engage us in the jobs dialogue and as funding recipients. This group of dedicated professionals, of which I am

proud to be a part, works daily on the front line in their states, regions and communities to create and retain jobs, build companies, and develop innovative eco-systems that keep regional economies running. They know what potential projects could benefit most from an infusion of cash, which company is set to grow and what infrastructure would have the most strategic economic impact. They are first responders to the economic crisis and need to be a more integral component of any jobs bill then they have been in the past.

- Develop strategic principles for the allocation of infrastructure dollars that directly support job creation in competitive and emerging industries, and support local economic transformation.

- *Include issues of flexibility, capacity and speed in the design of any short-term job creation policy.*

Any jobs bill emerging from Congress also needs to address some of the limitations in the first Recovery Act. In particular, the following strategies will offer improvements.

- Set realistic expectations for any jobs package and ensure they are understood by the public. Public confusion and discontent with the Recovery Act is due in part to unrealistic expectations as to what it can really accomplish.
- Build greater flexibility into program design and the definition of distress. Where flexibility was available, federal programs had a greater scope and impact. There may be additional areas where efficiencies and flexibility can be found. For example, the federal government can streamline or waive environmental reviews of building projects if states have similar or more rigorous processes.
- Work with agencies that already have a track record in achieving job-related outcomes, such as the Economic Development Administration and the CDFI Fund.

- Leverage funds across federal agencies in a targeted manner and consider centralizing the overall management of the program to align their impact.

Thank you for the opportunity to testify today. I would be happy to answer any questions the committee may have.