



Testimony by

Ms. Alejandra Y. Castillo
U.S. Assistant Secretary of Commerce for Economic Development
U.S. Economic Development Administration
United States House of Representatives Committee on Science, Space, and
Technology
Subcommittee on Research and Technology

December 7, 2022

INTRODUCTION

Chairwoman Stevens, Ranking Member Feenstra, and distinguished members of the Subcommittee, thank you for this opportunity to testify on the Economic Development Administration's (EDA) regional innovation programs and place-based economic development strategies.

We are proud of our 57-year history of helping communities advance their locally-driven innovation and community-led economic development strategies.

At our inception in 1965, we made targeted, locally-driven investments directly in distressed communities. While these investments are, and will remain, a core of our investment strategy, we have evolved with economic development theory and now also invest in innovation and competitiveness with a regional and place-based focus, including through our Build to Scale, Build Back Better Regional Challenge, and Good Jobs Challenge programs.

With recent substantial appropriations, including \$3 billion appropriated through the American Rescue Plan Act of 2021 (ARPA) and supplemental funding to respond to disasters that occurred in 2017, 2018, and 2019, EDA has ramped up to support the growth of regional industry clusters, strengthened our critical national infrastructure, and broadened the capacity of our communities to develop and implement innovative strategies that can help them compete in the global economy.

I am pleased today to provide you an overview of how EDA works to help innovation ecosystems flourish. I will also note our focus on supporting place-based economic development strategies and the need to reauthorize EDA to best position the agency to support our grantees and your constituents.

REGIONAL INNOVATION AT EDA

EDA helps localities and regions start and grow their innovation economies.

We directly fund projects that support innovation ecosystems; we fund enabling infrastructure; we coordinate with other agencies; and, through a Federal Advisory Committee, we facilitate policy recommendations from nonfederal leaders and experts.

Across the EDA enterprise, leadership and staff engage with localities and regions across the country to understand what they need to build their innovation economies. EDA relies on a suite of tools and touchpoints to support technology-based economic development (TBED), one of EDA's seven current investment priorities, to expand the geography of and participation in innovation economies, increase our domestic supply chain capacity through advanced manufacturing, and ultimately strengthen security and resilience across the U.S.

EDA's flagship program for enabling innovation is the Build to Scale (B2S) program, which is EDA's implementation of its regional innovation grants authority.

EDA's Office of Innovation and Entrepreneurship (OIE), leads and manages the design and implementation of the B2S program.

B2S grants advance the growth of connected, innovation-centric economies that enable innovation and accelerate technology commercialization to increase global competitiveness. The organizations receiving these grants operate initiatives to unlock investment capital across a region or sector, operate programs to accelerate company growth, empower the next generation of entrepreneurs, or otherwise enable technology commercialization, including by making available necessary but expensive equipment for testing and demonstration.

We greatly appreciate the Committee's efforts to reauthorize our Office of Innovation and Entrepreneurship in 2020. The Build to Scale program is incredibly impactful and is a great example of place-based programming that is so critical to driving the innovation economy forward.

Beyond the B2S program, OIE manages the STEM Talent Challenge, EDA's implementation of its STEM apprenticeship program authority. Where the B2S program enables entrepreneurs and unlocks capital, the STEM Talent Challenge increases the pipeline of talent that technology entrepreneurs need to grow their companies and raise capital.

OIE also manages the National Advisory Council on Innovation and Entrepreneurship (NACIE), which advises the Secretary of Commerce on all matters related to OIE's mission "to foster innovation and the commercialization of new technologies, products, processes, and services with the goal of promoting productivity and economic growth in the United States."

Recently reestablished, NACIE's current members held their first public meeting on July 12, 2022. There, they began to explore their charge of identifying three decadal moonshot achievements and the small and large actions that DOC and other actors can take to ensure America realizes these achievements to increase economic and national security and to improve individual prosperity and wellbeing.

Through its staff and leadership in its Regional Offices and at headquarters, EDA builds and maintains relationships with local and regional leaders, from those who pursue innovation as the top priority to those who are considering its place in their economic development strategies.

Dialogue with these leaders—in one-on-one meetings, in response to questions about a program, while managing a grant, at conferences—are rich sources of anecdotal feedback about local and regional conditions that help EDA iteratively design and improve its programs and operations.

Additionally, OIE is currently developing customer experience tools to collect more regular and more structured data on our potential and actual applicants and recipients' experiences with our innovation programs and their implementation, all in an effort to identify opportunities more rigorously for new and redesigned programs that will better serve our localities and regions.

Furthermore, EDA Regional Offices fund a variety of locally designed, innovation- and TBED-centric projects.

Traditional EDA programs support these ecosystems not just through programs and equipment but also through this infrastructure. As technology-driven innovations in agriculture, energy, manufacturing, biotechnology, and other industries continue to rebalance toward a greater proportion of physical (instead of digital) products, infrastructure for access to and production and transport of those products grows even more important.

EDA also collaborates with other federal agencies, especially those with scientific and technological missions, to coordinate program design and implementation at various levels of formality.

Informal coordination takes place through interagency fora (e.g., the Lab-to-Market Subcommittee of the National Science and Technology Council) and cross-sharing opportunities

(e.g., with the Small Business Administration’s Office of Investment and Innovation and with the National Science Foundation).

Formal coordination, including collaborative funding through prior funding opportunities like the R2 Network Challenge (with the National Institute of Standards and Technology and FirstNet) and the FY 2020 B2S Industry Challenge (with the Department of Energy), have allowed EDA and a sibling science and technology agency to partner to pursue economic, scientific, and technological missions simultaneously by enabling entrepreneurial ecosystems that generate economic growth and accelerate innovation.

EDA is committed to continuing to evolve, leverage our expertise, agility, and scalability, as we build on perspectives from local to national, to enable regions to rapidly grow into global leaders in the industries of the future. We are excited about the future.

TECH HUBS AND THE RECOMPETE PILOT PROGRAM

As part of the recently enacted Research and Development, Competition, and Innovation Act, Congress authorized two new programs for EDA. Although no funds were appropriated to EDA to implement either program, we thank you for this authorization and are excited about how these dynamic, new programs may one day help build on our legacy of providing impactful, place-based programing to stoke the innovation economy.

- First, the Regional Technology and Innovation Hub Program authorizes EDA to designate, plan, and implement geographically-distributed “regional technology hubs.” These hubs would focus on technology development, job creation, and expanding U.S. innovation capacity.
- Second, the Recompete Pilot Program authorizes EDA to make concentrated economic development investments in communities with large prime age employment gaps.

EDA is prepared to move forward in executing the vision of the authorizations should funding be made available

EDA has no role in the semiconductor piece of the CHIPS Act of 2022.

In addition, EDA and Department of Commerce leadership are in close communication and collaboration with the National Science Foundation (NSF), including its newly authorized Directorate for Technology, Innovation and Partnerships, to align any tech hubs, if ultimately funded, with the NSF Regional Innovation Engines program. We share a vision for a highly synergistic relationship in which the NSF Engines and EDA tech hubs will be a key part of the nation's innovation enterprise going forward. NSF's Engines start from one side of the spectrum, seeding new R&D ecosystems that feed into EDA's tech hubs. The tech hubs would sit on the other side of the spectrum, scaling up and expanding the R&D outputs and ecosystems from the Engines.

FOCUS ON PLACE-BASED ECONOMIC DEVELOPMENT

We strongly believe that in order for Federal investments to truly benefit a diverse range of local economies, we need place-based programming.

With our ARPA Build Back Better Regional Challenge and Good Jobs Challenge, EDA supercharged its focus on regional clusters, making multiple, simultaneous, interconnected investments and explicitly funding governance to make those regional clusters more durable.

The \$1 billion Build Back Better Regional Challenge (BBBRC) was the nation's largest economic development competition, awarding 21 regions around the country between \$25 and \$65 million to catalyze local innovation and competitiveness. Of the \$1 billion, the largest share, \$300 million, went to projects and programs that accelerate the development and adoption of technology and innovation to improve local competitiveness. Nineteen of the 21 winners had at least one technology-based component project.

Through these awards, dozens of American communities will be positioned to not just survive the global economy but thrive in it. Tens of thousands of workers will have new skills to

adapt to changing technology and access good jobs; startups outside the coasts will have the tools they need to grow and become employment generators; and the science discovered in once siloed research institutions will become a competitive enabler for regional economies across the country.

The \$500 million Good Jobs Challenge (GJC) is helping to build communities that are resilient to future pandemics, economic downturns, and climate-related shocks through industry-led, worker-centered workforce training grants. Together the 32 GJC awardees will train workers in 15 industries, with a focus on industries that are essential to powering regional competitiveness and economic growth.

The GJC supports EDA's mission to lead the federal economic development agenda, recognizing that workforce development is a critical pillar to supporting locally led innovative and competitive economic development. Across the GJC awardees, there is an innovative focus on growing a diverse STEM workforce, a priority for the Committee – from revitalizing American manufacturing through inclusive apprenticeship training programs to fighting the climate crisis, these investments are building a workforce that is ready to tackle the challenges facing our nation and prepare for a future of work that works for all.

REAUTHORIZING EDA

To close, I'd like to mention our efforts to get EDA reauthorized. We thank the Members that have been helping us shepherd this important action through Congress, including reauthorizing OIE and B2S in 2020, and for enacting the Tech Hubs and Recompetses authorities.

It has been 17 years, however, since the rest of EDA was last authorized by Congress. EDA's Public Works and Economic Development Act authorized programs and Stevenson-Wydler authorized programs work together to seamlessly form a continuum of assistance to meet communities needs wherever they are on their economic development journey.

Over the last 17 years, new industries have emerged while other sectors have declined, regions have encountered and responded to devastating natural disasters, and we have all suffered the impacts of a global pandemic.

Reauthorization is vitally important to strengthen EDA's response to new economic development challenges.

Reauthorization will allow EDA to help our nation build back better by giving us the ability to implement programs in a way that further improves conditions in highly distressed communities and supports needs in modern infrastructure, resiliency, and equity.

Simply put, to be as supportive as possible to regions across America, EDA must evolve.

We need to modernize our tools to provide the services that communities across the nation need to build contemporary, resilient economies.

We need to update how we define distress so that our funding is more equitably distributed. To me, reauthorization is more than a technical process – it is essential for EDA to fulfill its historic mission.

Through reauthorizing EDA can we best help our communities – your communities – create positive outcomes.

Our collective goal must be to best position EDA to support the competitive, innovative, impactful economic development strategies that our communities are pursuing today to set the course forward to a brighter future.

CONCLUSION

Chairman Stevens, Ranking Member Feenstra, and members of the Subcommittee, thank you for the opportunity to share ways EDA is promoting regional innovation through programs

and initiatives to support local economic development strategies that enhance community resilience and regional economic competitiveness across the U.S.

We look forward to the future and are excited about the prospects of implementing the EDA provisions noted in the Research and Development, Competition, and Innovation Act if funded. We also look forward to working with members of the committee to get reauthorized as soon as possible. These efforts will be critical to continuing the evolution of the agency to best support place-based economic development strategies across the nation.

I look forward to answering any questions you may have.

ALEJANDRA Y. CASTILLO



Alejandra Y. Castillo was sworn in as U.S. Assistant Secretary of Commerce for Economic Development on August 13, 2021. She has served in leadership positions for three presidents - Biden, Obama and Clinton. Her professional career spans two decades, focusing on creating equitable and inclusive opportunities for all Americans.

Prior to EDA, Castillo was the Chief Executive Officer of YWCA USA, where she championed the 163-year-old organization delivering critical social, educational, and economic development services throughout its 204 associations.

In 2014, Castillo was appointed by President Obama to serve as the national director of the Commerce Department's Minority Business Development Agency (MBDA), becoming the first Hispanic woman to lead the agency. During her tenure, she led MBDA's efforts to boost the growth and global competitiveness of minority business enterprises (MBEs). Under her leadership, MBDA expanded its effort to help MBEs gain access to capital, contracts, and business opportunities, assisting MBEs in growing in size and scale.

Castillo first joined the Department of Commerce in 2008 as a Special Advisor to the Under Secretary for the U.S. Department of Commerce's International Trade Administration (ITA). Additionally, Castillo served as a Senior Policy Analyst in the White House during the Clinton Administration.

She holds a bachelor's degree in Economics and Political Science from the State University of New York at Stony Brook, a master's degree in public affairs from the LBJ School at the University of Texas at Austin, and earned a Juris Doctor degree from American University's Washington College of Law.

###