

**Congressional Committee on Oversight &
Government Reform and the Subcommittee on
Government Management, Organization and
Procurement**

**City of San Bernardino
Mayor Patrick J. Morris
Friday, March 5, 2010**

Honorable members of the Committee, thank you for the opportunity to provide testimony today on how our federal government and local governments can work together to rebuild the nation's economy. I speak here today as the Mayor of San Bernardino and as a regional leader for the Inland Empire in California, a metropolitan area with over 4 million residents, the third largest in California and the fourteenth largest in the nation.

In the last decade, the Inland Empire has seen its population explode by more than 25%, almost four times the rate of California and the U.S. Similarly, growth in GDP output in the Inland Empire during this period was remarkable through 2007, hitting almost 12% in 2004, nearly four times the U.S. average.

When a fragile regional economy experiences such rapid growth, however, it is often followed by an equally devastating collapse, as has been experienced in the

Inland Empire since our nation's economic freefall began in 2007. Unemployment is now over 14%, with an estimated 175,000 people in the Inland Empire currently unable to find a job. Home values have declined almost 50% in many areas, and high rates of foreclosures and bank-owned properties plague all of our communities. To put this in perspective, the Inland Empire was second only to Detroit in terms of unemployment levels this past summer.

Against this sobering back drop, the federal stimulus dollars that have flowed into our city and region over the past 18 months have provided welcome relief. To date, our city has received almost \$20 million in American Recovery and Reinvestment Act funds, to hire new police officers, purchase and rehabilitate foreclosed homes, initiate homeless prevention programs, build new community amenities, and spark economic development through energy efficient and renewable energy programs.

These city investments of ARRA funds have translated into over 100 direct jobs, with an additional estimated 80 to 130 induced jobs for the infrastructure and construction projects. These numbers will continue to rise throughout 2010 and 2011 as additional funds hit the streets and newly created projects and programs are implemented.

It is important to note that our City's job numbers are not as significant as one might expect with \$20 million in investment. The reason is that 65% of the City's ARRA funds have gone towards direct government services, while only 35% have been for infrastructure and construction projects. At the regional level, the job picture is much different.

I am a member of SANBAG, the council of governments and transportation planning agency for San Bernardino County, which received over \$180 million in ARRA funds. *All* of the ARRA funds received by SANBAG have been directed into infrastructure and construction projects, which have translated into over 2,300 jobs.

The lesson learned? If the primary goal of federal stimulus funds is immediate job creation---federal stimulus dollars for infrastructure creates many more jobs per dollar than stimulus funds for direct government services.

There is an equally important lesson to be learned about the manner in which ARRA funds can be leveraged with local resources when invested in infrastructure projects. In the Inland Empire the regional leaders leveraged ARRA funds with local funds to create hundreds of additional jobs. Let me explain.

The \$700 million Interstate 215 Project involves the reconstruction and widening of 7.5 miles of critical transportation infrastructure through our city. In the summer of 2009, this project was in jeopardy of coming to a standstill due to lack of state bond funding. Not only would the standstill have been costly to the local economy, it also risked SANBAG being unable take advantage of up to 30% in construction costs savings that were created due to the contracting economy and lower construction bids.

When SANBAG received \$128 million in ARRA funding for transportation projects, rather than scatter these precious resources across the landscape of the largest county in the United States, regional leaders at SANBAG unanimously decided to direct all \$128 million into the completion of the Interstate 215 Freeway project to ensure the entire project was built and to lock in substantial construction cost savings.

And here's the leverage. As a result of the construction cost savings, our SANBAG leadership created its own local stimulus program. The \$31 million in construction savings was immediately directed into additional local transportation infrastructure projects creating an additional 565 direct and indirect jobs for our region.

The lesson learned? By making a strategic use of a large lump sum of federal stimulus dollars – regions can leverage additional local resources in a way that broadens and deepens the economic and job creation objectives of the American Recovery and Reinvestment Act.

The newly created and funded Energy Efficiency and Conservation Block Grant Program is another success story of how ARRA funds can opportunistically used by local governments, and it provides an important lesson in how federal stimulus funds are allocated. Similar to the highly successful Community Development Block Grant Program, Energy Efficiency Block Grants are allocated directly to cities and counties for projects that have energy efficiency improvements and serve to reduce greenhouse gas emission levels.

Our city was awarded nearly \$2,000,000 for this program and we have begun to implement projects that will immediately put contractors, architects and engineers to work with energy efficiency construction projects that will have a transformative effect on our local economy.

Because this money is provided directly to local jurisdictions through flexible block grants, the limited federal dollars can be matched with unique local opportunities, funds and economic development strategies to broaden and deepen the economic and job creation

objectives of the American Recovery and Reinvestment Act.

In San Bernardino, we are leveraging our EECBG federal funds with private funding through the development of our AB 811 Program, or PACE Programs, as they are known at a federal level. Our city is partnering with the County, combining portions of our collective EECBG funds to implement a program that creates a pool of secure and low-cost private capital to fund major retrofit projects on homes and businesses that reduce energy and water consumption, and generate renewable energy. These projects will give our local economy an enormous boost. We estimate for every 800 loans issued, a direct economic impact of \$20,000,000 will be infused into the local economy. This example illustrates how, when given federal funds directly without tight federal and state constraints, we at the local level use innovation and creativity to ignite our own local economies.

An opposite example is the federal funds that flowed have through the Neighborhood Stabilization Program.

Prior to the receipt of NSP funds, our city had designed a program that would have used NSP funds to purchase foreclosed homes in “tipping point” neighborhoods to ensure these homes remained owner occupied. The plan was designed to prevent stable neighborhoods with high

owner occupancy levels, from being destabilized with the purchase of foreclosed homes by absentee landlords – a historic problem that plagued our city during the previous foreclosure crises in the late-1990's and mid-1980's. In essence, we wanted to prevent bad history from repeating itself.

However, when the guidelines were released, we were informed that NSP funds could only be spent in certain census tracts and those tracts did not align with our city's very strategic neighborhood stabilization program. So, federal guidelines were dictating to us, where best to place these resources without any first-hand knowledge of the local community or and its housing issues. It is critically important that local government be allowed to determine where best to direct resources to ensure maximum benefit for program objectives.

The lesson learned? Federal stimulus funds that are block granted to local and regional governments, without being channeled through historic and often byzantine state and federal funding silos, create the flexibility needed to maximize the beneficial impact of these federal funds on the local economy.

To summarize, I would strongly urge Congress as it considers additional federal stimulus funding to consider the lessons learned from the use of ARRA funds in the

Inland Empire: (1) target federal stimulus funding to infrastructure projects because it creates the greatest number of jobs; and (2) flow federal stimulus funding directly to local and regional governments through flexible block grants because this allows federal funds to be matched with unique local opportunities, monies and economic development strategies that maximize results.

In a nutshell, continued direct flexible block grant funding for infrastructure and energy projects is critical to our collective success in helping the economic recovery of our nation.

Thank you.