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Testimony of
The Honorable Douglas A. Palmer
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before
The Select Committee on
Energy Independence and Global Warming
U.S. House of Representatives

for the hearing on

*“Green Jobs, Efficiency Opportunities in Economic Stimulus
Package: Creating Opportunities for All”*

January 15, 2009

Mr. Chairman and Members of the Committee, I am Douglas Palmer, Mayor of Trenton and Past President of The United States Conference of Mayors.

We thank you for this opportunity to appear today on behalf of The U. S. Conference of Mayors, the national organization of the nation's mayors who represent the more than 1100 U.S. cities with a population of 30,000 or more.

On behalf of the nation's mayors, we also want to express our appreciation to the Committee, especially Chairman Markey and Ranking Member Sensenbrenner, for holding a field hearing with mayors during the Conference's Mayors Climate Protection Summit in Seattle, Washington. At that time, I was pleased to participate in this hearing to discuss the mayors energy and climate efforts, most notably our call for enactment of a the Energy Efficiency and Conservation Block Grant (EECBG) Program, which is a top priority of the nation's mayors for the economic recovery package.

Immediately following your hearing, Congress enacted the EECBG program as part of the *Energy Independence and Security Act of 2007*, thanks to your leadership, Mr. Chairman, Members of this Committee and others throughout the Congress.

Since that time, the nation's mayors through the Conference of Mayors, joined by the National League of Cities and National Association of Counties, have spent many months urging Congress to fund this program so we can accelerate our nation's efforts, through community-based investments and other initiatives, to grow green jobs and a greener economy. We strongly believe a strong EECBG funding commitment is most appropriate and timely for inclusion in the economic recovery plan that will soon be debated in this Congress.

Mr. Chairman, you asked for testimony today on these three priority concerns before the Congress:

1. How has the recent economic downturn affected cities' efforts to meet fiscal and environmental goals?
2. Can a "green" economic recovery package create jobs and stimulate the economy while also generating environmental benefits for localities?
3. How should stimulus funds between states and cities be allocated?

The reality at the local level is the economic downturn is having profound effects on our fiscal and environmental goals.

We strongly believe, and there is evidence that supports this, that the economic recovery plan can create jobs and stimulate the economy, while providing significant environmental benefits for local areas.

And, by design, the EECBG program resolves questions about state vs. localities by offering a balanced approach to the distribution of funds between states and cities and counties, building upon a proven federal delivery system that HUD has used for three decades to assist local and state community development efforts.

Economic Downturn and Impacts on Local Fiscal & Environmental Goals

Mr. Chairman, our nation's cities and their metro areas are the engines of our national economy. Our 363 metro areas are home to 86% of U.S. employment, over 90% of wage income and nearly 90% of our gross domestic product.

Therefore, without the economic recovery of our cities and metros, there can be no U.S. recovery.

Unfortunately, our cities and these larger metro economies are facing the brunt of the current economic downturn. This weekend, the Conference at its Winter Meeting will release a forecast of metro unemployment for 2009, prepared by Global Insight.

The news will not be good. Almost all metros will see significant job declines in 2009, and an amazing number of our metro economies will experience no employment gains for the decade. With your permission, I would like to enter this report for the record of the hearing after its release.

Couple this jobless picture with a significant loss in our tax base due to falling real estate prices, and cities are left with almost no fiscal capacity to expand existing or start new initiatives on climate protection, energy efficiency and energy independence, areas that are absolutely essential to building a competitive economy for the future.

One statistic bears this out. In 2008 alone, we estimate that home values will have dropped 8.8% or \$1.73 trillion. This unprecedented decline, coming after years of steady growth in real estate values, has been especially disruptive to cities and other local government finances. Consider that about one half of all local government revenues are linked in some way to real estate, whether it is valuations for local property taxes to revenues and fees from real estate transactions.

Compounding this dire situation is the fact that many state governments are cutting or eliminating general aid and other programs to cities and local governments that we have traditionally relied upon to deliver basic services.

In my many years of service in local elected office, mostly as Mayor of Trenton, I have never seen anything that comes close to approximating the fiscal conditions my city is now facing. Foreclosures are at record levels, local revenues are down substantially, and looming state budget cuts are at unprecedented levels.

More than one year ago, I set forth my "Green Trenton" initiative to put my city on a path to green collar careers, new green jobs and a greener economy. We went to work on a number of energy conservation, energy efficiency and renewable energy production initiatives, with a particular emphasis on developing green collar careers for our citizens. It is an effort that

reaches out broadly to our citizens and embraces new partnerships with the private sector, non-profit agencies, local utilities, state government and its agencies, and the federal government.

One year later, I am confronting unprecedented fiscal challenges, forcing the City to cut our workforce and close libraries, among a broad array of tough decisions, to align available revenues with future expenditures. There is no end in sight, and it is still getting worse. This means for my city, and so many others throughout the U.S., we are already losing ground on our current energy and climate initiatives, with the potential for even greater retrenchment in coming months.

Early last year, anticipating these conditions, I directed the Conference's Mayors Climate Protection Center to undertake a survey examining some of these fiscal challenges. Conducted in May 2008, nearly three in four mayors – at that time – were already reporting economic problems, specifically local revenue constraints, which were adversely affecting their financial commitments to local initiatives to help meet the goals set forth in the Mayors Climate Protection Agreement. This was the period of time during the run up in oil prices, notably gasoline and diesel fuel costs, that only pushed a weakening U.S. economy further into decline, reminding us of the critical need to reduce our dependency on foreign energy supplies by conserving and using our energy resources more efficiently and by shifting to greater reliance on renewable energy sources here in the U.S.

Especially relevant to the need for funding the energy block grant program in the economic recovery plan was the finding that 82 percent of cities reported that lack of resources was the single largest obstacle to making progress on their local energy and climate goals. These results were prior to the economic meltdown and job losses that we experienced throughout the fall of last year.

The bottom line, Mr. Chairman, is that we are in the midst of a perfect economic storm and we simply do not have the resources to maintain current services. New energy and climate programs that are in the near-term and long-term interest of the nation and are the key to our

future prosperity are simply out of reach, unless we have energy block grant resources to help us build on the momentum that we have begun through the Mayors Climate Protection Agreement and other initiatives.

On the macro level, we project that 94% of our nation's economic growth will occur in our metro areas over the next 20 years, and we know that long-term productivity of recovery spending is greater when it is invested in locally-based projects and activities where economic growth will occur. Mr. Chairman, 85 percent of job losses during this recession will occur in our cities and their metro areas. Since these are the areas that have carried U.S. economic growth, this is an alarming development. As such, we need a National Recovery Plan that invests directly into these areas. Simply put, we need to create jobs where the unemployed are, and we can create jobs in green economy sectors through the energy block grant and other initiatives.

“Green” Economic Recovery Plan: Jobs, Stimulus & Local Environmental Goals

Mr. Chairman, mayors have been consistent in our views about the opportunity and the necessity to put this nation on a path to a green economy.

The economic plan you develop can and must make the critical investments that will move the nation toward a greener economy. This has certainly been a central theme of the mayors' advocacy of the Conference's MainStreet Economic Recovery Plan.

First released in early November, the nation's mayors have been urging Congress and the new Administration to make a strong commitment to MainStreet-oriented investments that will create jobs and reinvigorate the economy, while moving the nation toward greater energy independence and reduced greenhouse gas emissions.

To accomplish this, our plan urges, where possible, the use of existing delivery systems – meaning those that already exist under current law. Our plan also urges you to focus resources on existing communities and critical sectors, including energy efficiency and key infrastructures.

Mr. Chairman, to support this MainStreet Recovery Plan, we are continually surveying our Mayors on investments that can immediately stimulate job creation from completed projects before the end of 2010. This weekend, we will release an updated survey of “ready to go” projects that illustrate the variety and range of investments that could be made in cities all across the country. Mr. Chairman, this is not an earmark list, rather it is a demonstration of the capacity of Mayors and their cities to aid in the nation’s economic recovery through a myriad of investments.

Our earlier findings show that in just these 427 cities they have already identified 942 projects for potential EECBG funding, resulting in a total investment of \$6.2 billion and creating 38,732 jobs. This weekend, the Conference will release its updated survey results, based on responses from 779 cities.

Based on this research, we project that for each \$1 billion in EECBG funding, about 10,000 local jobs in our cities would be created, exclusive of the many other direct jobs in manufacturing and other direct and indirect jobs that will result.

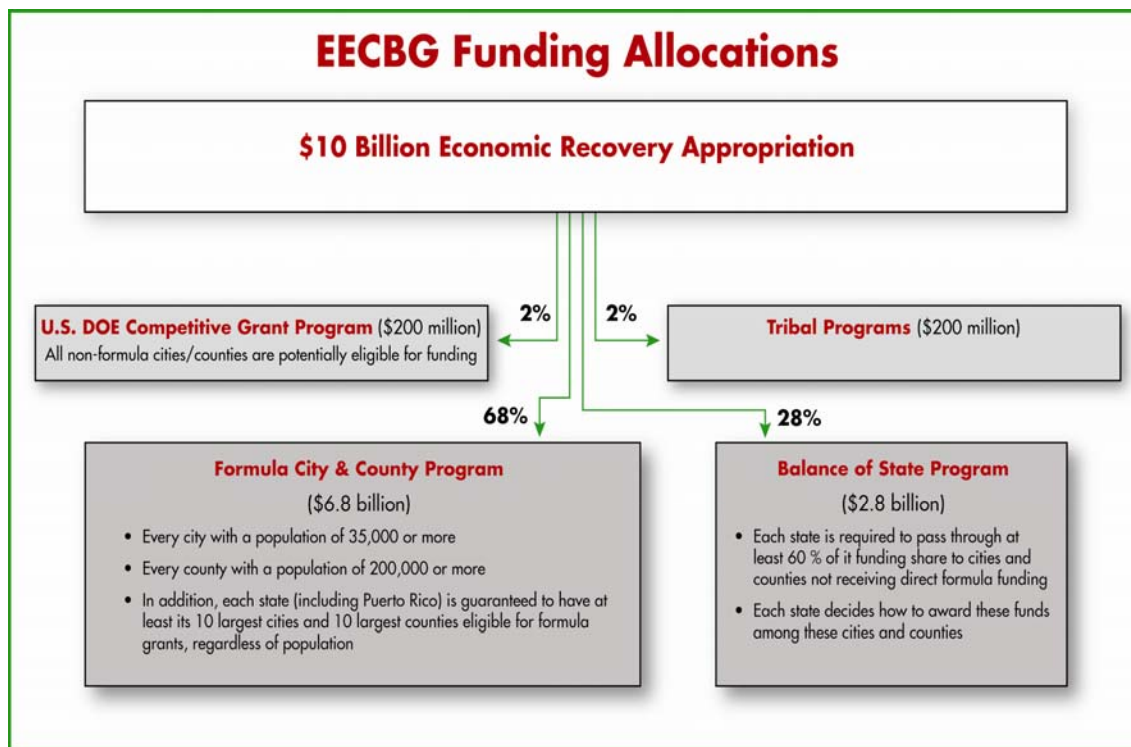
These jobs, funded through the EECBG program, would be created in cities, counties, and throughout the states by investment in thousands of energy efficiency and renewable energy production projects. As provided by the law, these projects could include energy retrofits of public and private buildings in local areas, installation of solar panels or wind turbines for the production of electricity on local buildings, deployment of new energy distribution technologies (such as distributed generation or district heating and cooling systems) that significantly increase energy efficiency, and development of systems to capture and generate power from methane at landfills.

Allocation of Stimulus Funds between States and Cities

Mr. Chairman, we believe the Energy Efficiency and Conservation Block Grant Program, as enacted, provides a balanced allocation of funds among major cities and counties and their respective states, with particular protections for less populated states.

This program was vetted in hearings and deliberations during the legislative debate on the last energy bill. The net result is a fair distribution of funds between localities and state, based on their relative population shares. The legislation allocates these funds between formula cities/counties and states based on their relative population shares, which we believe is fair and balanced.

Below is a graphic depiction of the distribution of these funds under the program as authorized in 2007.



Closing Comments

Mr. Chairman, the nation's mayors are "ready to go" with green energy efficiency and renewable projects that have both short- and long-term benefits. We know that the U.S. Department of Energy is now finalizing a policy guidance to distribute EECSBG funds promptly and effectively, to ensure this program is ready to contribute to the nation's economic recovery.

On behalf of the nation's mayors, we thank you for this opportunity to testify today.