

WRITTEN TESTIMONY OF LAWRENCE J. MORRISSEY

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Before the

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Chairman Durbin, Ranking Member Cochran, and members of the Subcommittee, thank you for the opportunity to appear before you and for holding this important hearing on the impact of sequestration on the defense industrial base and communities across America.

I am mayor of the City of Rockford, Illinois, located 80 miles northwest of Chicago. We are the third largest city in the State of Illinois, and our area has the sixth highest concentration of aerospace employment in the United States.

Rockford has a long history as a hub for the defense and aerospace industry. It may come as a surprise, but there isn't an airplane flying today that doesn't connect back to the materials, components, design or engineering work of Rockford, Illinois.

My course to the mayor's office followed an unconventional path. I had not held political office prior to being elected as an independent in 2005. I saw the challenges Rockford was going through as a manufacturing city that was struggling to reinvent itself. I ran to set high standards, to solve problems, and to make visible improvements for my community. I am grateful to the voters for placing their trust in me back in 2005, again in 2009, and recently for a third term this past April. I take that trust very seriously.

The message I bring to you from Rockford is the importance of coming together to avert additional unintended consequences of the federal sequestration and to put us on a path for a more certain and sustainable future. In cities like Rockford, we are prepared to manage cuts. We recognize the need to prioritize our investments and improve program effectiveness. In fact, that's what local governments have had to do for years. But now is not the time for continued, unpredictable and non-strategic cuts to our nation's investments. We can and must do better.

Forging A New Rockford Economy: Pathways to Prosperity

Like many cities, Rockford has struggled to weather an ongoing and deep recession. Almost a third of the area's mortgages are underwater, which drove the headline of a recent Wall

Street Journal article highlighting our community as the nation's so-called "Underwater Mortgage Capital." Our unemployment rate as of August was 10.7%. That's down from 15.7% in July 2009, but a long way from the 6% we were at before the economic collapse. Our poverty rate has more than doubled since 2000 and stands at approximately 19%. And while we are much smaller in size, we have had among the highest violent crime rates in the nation with gang violence and domestic violence on par with major urban centers like Chicago and New York.

Despite our challenges, I'm proud to say that we are doing our very best to respond to our current crisis and to move beyond crisis management to build sustainable Pathways for Prosperity. That's why I am here today. *One of our key pathways for a prosperous future involves continued support for our aerospace manufacturing industry*, a powerful economic driver for our community and our nation, but an industry threatened by the sequestration.

For context, there are approximately 32,000 individuals working in the manufacturing sector in the two-county Rockford MSA. Rockford's concentration of manufacturing is twice the U.S. average and continues to grow. The region boasts a global reputation for having strong concentrations in several advanced manufacturing clusters, including aerospace.

Rockford's aerospace cluster is a vital local and national industry and a key driver of our manufacturing sector that supports high-paying jobs and a variety of global and local businesses in our nation's aerospace supply chain. The bi-state Rockford region is home to seven, typically smaller, original equipment aerospace manufacturers, or OEM's, eleven major tier-one and two suppliers, as well as over 200 third-tier aerospace suppliers and service providers.

Aerospace is also a major part of the Illinois economy, ranking 16th in the nation. Approximately 80% of Illinois' aerospace workforce is found in Rockford's MSA. Currently five major tier-one suppliers reside in the Rockford MSA: B/E Aerospace, Esterline, GE Aviation, United Technology Aerospace (UTAS) and Woodward. These companies develop new products for OEM's or Primes, like Boeing and Northrup Grumman (also in the greater Rockford area), and along with other manufacturers in the region employ over 4000 engineers, 50% more than the Illinois average. In total, transportation manufacturing and R&D employment in the Rockford Area is 3.4 times greater than the United States average.

This concentration makes a huge impact when we recruit businesses. In fact, we know from talking with the president of a globally recognized company like Woodward that half of their suppliers are in the local area because proximity matters when it comes to industries like aerospace.

In terms of total impact, from a major employer like UTAS, they reported in 2010 to the region's economic development organization that almost 10% of the Rockford Area's total Gross Metropolitan Product was related to their sales alone.

My job as mayor has been to encourage businesses to see the impact and advantage of this aerospace cluster and to work with them to bring even more good jobs to our area.

The second component of supporting our aerospace industry is making sure we are educating the next generation of talent to keep these good jobs in our community for the long-term. We know that we cannot take these jobs for granted. We have lost jobs to offshoring or outsourcing when we have failed to compete effectively. We do not want to make those mistakes again. To take one example, UT Aerospace hires 100 engineers every year. I want UT and others to be able to have the diverse, well-educated talent pool it needs to continue their long-term investments in Rockford.

Consequently, we are partnering with our local high schools and colleges, redesigning our public high schools to support college and career readiness. We are also using the approach of connecting our educators with our employers to support the Joint Institute of Engineering & Technology for Aerospace, or JiET-A for short. It connects college students with paid internships at our local aerospace companies to meet our goal of securing strong and sustainable talent pathways for this vital industry. We are also working with aviation related colleges and our local community college to bring expanded aviation mechanic programming to support Maintenance and Repair (MRO) operations at our Chicago-Rockford International Airport.

The Uncertain Risk and Impact of Sequestration

As you might imagine, Rockford has already seen the impact of sequestration on our community. Sequestration causes uncertainty throughout the global aerospace industry, which is passed down the supply chain as a major risk, especially to small and medium-sized businesses. Sequestration threatens the longevity of the Rockford area aerospace supply chain, as well as other regional supply chains. A definable, prioritized cut is one thing, but that is very different from the uncertainty of the current sequestration.

Government sales make up about one-third of the work at UTC Aerospace, which employs approximately 2300 people in Rockford. Woodward, which employees 1,600 people in the area, relies upon defense dollars for twenty percent of its sales. Locally headquartered defense contractor, SupplyCore, which manages defense procurement and logistics across the globe initiated a hiring freeze earlier this year. The negative impact to these local employers presents a clear threat to our prospects for recovery and prosperity. Consequently, sustainable and predictable growth for the Rockford region depends on the federal government's ability to maintain its commitments to national defense and homeland security.

We see the direct impact of the sequestration on the domestic side as well. Hundreds of thousands of dollars have already been lost to our City's Head Start program resulting in a reduction of low-income children that we can serve, with the threat that these cuts will worsen. Our City's Community Services (CSBG) and Community Development (CDBG) block grant programs have also been cut. We are preparing for the worst, but the fact is that there is a total lack of certainty in our budgeting process for these programs at a time when they should be the most supportive of our community. The problem of uncertainty is the same problem felt by our local defense companies.

It may sound odd, but perhaps the most visible impact to our local community of defense sequestration was the cancellation of the Rockford Air Show due to the inability of our armed

forces to participate in the event. I know Chairman Durbin knows our Airshow well. It is great event every year. It drew 130,000 visitors in 2012. It allows us to showcase our national leadership in the aerospace industry. The cancellation cost the community financially, it hurt the hotel industry and the restaurant industry directly, but it cost us even more in terms of a blow to our confidence in the future. At a time when we many companies and many communities seemed to be moving forward, this action sent a message that our future was uncertain. When I think about communities like ours cancelling their airshows and our armed forces eliminating this vital part of our national heritage, it is simply not the action of the greatest nation in the history of the world. Rockford deserves better. This nation deserves better.

Yes, we have problems. But there is no reason for us to hang our heads down and continue the relentless pounding of our chests apologizing for our problems instead of fixing them. We must also take the time to celebrate our successes and recognize that we are still, beyond comparison, the strongest, freest, and greatest nation in world history. And we should retain our national heritage through rituals like our airshows. While times are tough, we need to celebrate not to demonstrate excess, but to demonstrate our confidence in this country and our future.

Prioritizing Our National Investments & Improving Program Effectiveness

One of the most frustrating things for us in local government is trying to prioritize our cuts when we don't have local control over huge aspects of our budget where the decisions have already been made by the State or Federal governments. Everyone is trying to weather the storm as best they can, but it's beyond difficult when we have limited control and continuous uncertainty.

There is a sound alternative. *I would ask that Congress exercise its authority to compromise and make cuts where needed to do the most good and the least damage, prioritizing your budget around our national priorities.* From my perspective, that means defense comes first.

As for domestic spending, I would ask that *Congress focus on prioritizing the programs and funds that matter the most to the economy and the social safety net so that we at the local level can deploy those resources to achieve the best return on investment.* For Rockford and for this nation, better results means being open to ending failed programs, reforming others and being open to more promising new ideas. Unfortunately, until the current budget crisis is resolved, it seems that Congress will never have time to address these fundamental aspects of government operations.

It's fair to ask local communities to achieve positive results from our federal grants. You should expect more from us. But to do so it's only fair to give us the flexibility to prioritize where we spend those funds. Unfortunately, since we have been caught up in the national stalemate over sequestration, Congress has continued to kick the can down the road in many vital areas. We need to make critical reforms in these programs to better align, coordinate, and modernize our 20th century legacy programs in education, workforce training, criminal justice, public housing, and poverty support which, on their best day, were originally designed to turn

out employees instead of entrepreneurs, or were intended as temporary supports that have instead created structural co-dependency.

As Mayor of Rockford, I am Chairman of a three-county Workforce Investment Board. I also appoint our local Public Housing Authority. I am also directly responsible for the operations of a multi-county Community Action Agency and Homelessness Prevention Continuum of Care. Needless to say, I go to too many meetings, generally, and too many meetings, specifically, where I see wasted dollars and wasted opportunities because program silos that begin with agency silos in Washington have not been modernized.

This is why we applied for and were thrilled to be a recipient of a Federal Sustainable Communities Grant. Personally, I was glad to know that there were members of Congress and the Administration that recognized the problems of bureaucratic silos and were working on efforts to address them. We are now in the third and final year on that grant and we have appreciated the opportunity to develop a coordinated plan for our region working across the federal agencies of the DOT, HUD, and EPA. If we can add Department of Education and Department of Labor, and Department of Commerce, and FTA, we'll make even more progress. That's why we are thrilled to also be a finalist on the Choice Neighborhoods Grant Program to help bring vital funds to support the rebuilding of a series of neighborhoods in Rockford's impoverished West side which have been plagued by failed housing projects. We're also proud to be a finalist for the White House Strong Cities Strong Communities program, which would enable us to work directly with support from the White House to overcome unintended bureaucratic obstacles to our prosperity. These types of efforts demonstrate to our taxpayers that we take seriously the need to improve program effectiveness.

My experience working to turn Rockford around tells me that over the long term we will rebuild a local economy that can weather gradual ups and downs. Unfortunately, while we seem to take one step forward through efforts like these, the sequestration for the Department of Defense and the other agencies has not only stalled any momentum, it is driving us backward.

Legislative Gridlock

As I said at the beginning of my remarks, we are working very hard to re-make Rockford for a 21st century economy. We are setting high expectations for ourselves. And I hold myself accountable to every voter every day to hold us to those expectations.

In this context, I would like to conclude with the observation that very few of my constituents have any patience for the legislative gridlock that Washington has been stuck in the last several years. That dysfunction, and the uncertainty that comes from it, impacts almost every decision we make at the local level.

As our City Council works to finalize our 2014 Budget, I have been involved in ongoing discussions with my staff and with our community partners on how we can prepare for additional budget cuts from sequestration. These additional threats come at a time when we are already reeling from the decline in our property tax base, which has led to increases in our property tax rates.

Even worse, the short-term thinking in Washington means that often times we don't even know what the impact could be. We don't know what the \$52 billion in defense cuts will mean for our local aerospace industry. We don't know how much Head Start funding we will have. We don't know if we have a federal partner in transportation projects or in housing programs.

Passing budgets and passing spending bills is a core function of Congress. It needs to get done, just as I have to do working with my City Council as mayor. But my time, and your time, shouldn't have to be spent in unending rounds of brinkmanship and worst-case disaster planning. Rockford and our local communities need a federal partner in a number of other reforms if we hope for our economy to take off. As I mentioned earlier, we need to work together on reforming and aligning program silos that exist in legislation like the Workforce Investment Act. It's too bureaucratic and it's not focused on the opportunities of the future. But until Washington resolves this budget battle, it seems we will never get to those important reforms.

I don't often get a chance to come to our nation's capitol so I don't want to leave without thanking you for your service. Your jobs are not easy. They're incredibly hard. While our local City Council may have a few hundred thousand people watching our decisions, you have an entire nation, an entire world watching your every move. I know that times are tough, very tough, and I consider it a privilege and an honor to serve in times like this. I hope you feel the same way.

While it might seem that most sane people would run from the crisis, each of you have made the decision as men and women, as husbands and wives, as fathers and mothers, as Americans, to take on the mantle of public leadership at this incredibly important time in our nation's history. No matter your political affiliation, I commend you and thank you for your work. I wish you the very best and pray for your success.

Thank you for your time. I look forward to your questions and discussing these important issues with you today.