



ANNUAL REPORT
OF THE
WHITE HOUSE COUNCIL ON
AUTOMOTIVE COMMUNITIES
AND WORKERS

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Executive Summary

Despite the efforts of President Bush to support General Motors (GM) and Chrysler, when President Obama came into office in the beginning of 2009, he faced two companies with a critical and storied role in the American economy on the brink of liquidation without further government assistance. On February 15, 2009, President Obama appointed an Auto Task Force to oversee the review of the requests by GM and Chrysler for additional government aid. On March 30, 2009, the President announced short-term support for these companies while they put together new business plans and his intent to take additional steps to stabilize the industry.

At this time the President also recognized that those who work in the industry or live in communities that depend on it have gone through increasingly difficult times and that the impact of any restructuring or liquidation at GM and Chrysler would go far beyond those directly employed at these companies. With auto sales at a near 40 year low, layoffs and unemployment were mounting in auto states from Michigan and Indiana to Tennessee and Louisiana. The President committed the federal government to respond to the economic crisis in the industry and designated a Director of Recovery for Auto Communities and Workers, Dr. Ed Montgomery, to work with Labor Secretary Hilda Solis and the Auto Task Force to assist the workers and communities that have relied on the auto industry for their economic base.

On June 23, 2009, President Obama signed an Executive Order creating the White House Council on Automotive Communities and Workers to help coordinate this federal response, building upon the work already underway by Ed Montgomery. The White House Council includes the heads of all domestic Cabinet agencies, with leadership from key White House offices. The Council is chaired by Labor Secretary Hilda Solis and National Economic Council (NEC) Director Lawrence Summers, with Ed Montgomery as its Executive Director.

While the Administration took pivotal steps to stabilize GM, Chrysler, the auto supplier base and auto market, and invest in the future of the American auto industry, the Council worked to further the efforts of individual communities to recover. Taking a bottom-up approach that recognizes that each of these local auto communities faces somewhat unique challenges, brings different assets to bear and will pursue different strategies as they work to recover, the Council's current work has focused on three areas prioritized by auto communities: to the Council:

- 1) Supporting workers and their communities as they deal with the impact of layoffs and closures;
- 2) Helping to create new economic opportunities and jobs; and
- 3) Supporting the redevelopment of closed plants and other land use or infrastructure issues.

In addition to marshalling the significant resources available through the American Recovery and Reinvestment Act of 2009 (Recovery Act) and annual funds to assist communities and workers, over the last year the Council has collaborated with agencies to target resources for auto communities across the country and worked often below the radar with individual communities, states and federal agencies to make programs work more effectively, target resources, and use creative strategies to address these challenges.

Over the last year the White House Council has led multi-agency trips to 11 auto communities in five states and worked one-on-one with more than a dozen other communities to cut red tape, identify federal resources that could be helpful, and insure their voices are heard in the redevelopment and clean-up of old plants. These trips were not one-off events. They led to meaningful collaboration between and action by the Council, communities, states and federal partners over the last year.

These efforts helped workers access resources more effectively, helped communities maintain services in the face of budget cuts, sped clean up projects at closed properties and furthered economic development efforts, creating jobs. Below are some examples of the Council's work across the country over the last year, which we hope will serve as models for future efforts to help auto communities recover:

- 1) **Targeting job training support to workers in auto communities:** To supplement job training funds given out by formula to the states under the Recovery Act, Secretary Solis awarded over \$50 million in National Emergency Grants targeted to provide extra training for thousands of auto workers. An additional \$75 million was set aside for workers in auto communities through the Department's competitive Recovery Act grants. These funds will provide workers with training for jobs in green industries and the health care sector.
- 2) **Community planning to repurpose closed Auto facilities:** In response to the closing of GM and Chrysler plants in Delaware, the Council convened agencies to support the State's redevelopment strategies. A \$3.8 million National Emergency Grant is supporting workers as they transition while funds from Commerce's Manufacturing Extension Partnership (MEP) and Economic Development Administration (EDA) are helping the State to plan around its closed plants and support the growth of green industries. A Department of Energy (DOE) loan to Fisker Automotive Company led the company to announce in October 2009 that it would purchase the Wilmington GM plant to assemble its new line of plug-in hybrids. Fisker estimated that the project would create around 2,000 jobs in Wilmington, many of which will likely go to former GM or Chrysler auto workers.
- 3) **Federal-local partnerships to clean-up shuttered factories while supporting local jobs:** As a result of the Council's work and the use of

creative strategies by the Environmental Protection Agency (EPA), clean-up at the Buick City site, a closed auto plant in Flint, Michigan, is progressing for the first time in nearly a decade, with meaningful job creation opportunities on the horizon. While the community works to recover, funds from FEMA, the Department of Justice and the Department of Education are keeping firemen and police officers on the streets and teachers in classrooms.

- 4) **Coordinating the response to plant closures to save jobs in affected businesses and ensure that laid-off workers have access to benefits and retraining assistance:** The Council coordinated an inter-agency process in response to the New United Motor Manufacturing Inc. (NUMMI) closing in California, which led to aggressive outreach to suppliers affected by the closing, staving off further layoffs as well as certification of Trade Adjustment Assistance for the workers months in advance of plant's closure. A grant from the EDA is helping the community produce a strategy for the reuse of the plant. The Commerce Department's Manufacturing Extension Partnership through its local partner is using Department of Labor workforce dollars to help suppliers seek new markets and prevent layoffs.

- 5) **Federal support to combat blight and help spark a nascent clean energy industry:** Council work in Toledo, Ohio led to a sustained collaboration between the city and EPA around the clean up and development of brownfields and other blighted sites in the city. To support this work, the City received two \$200,000 EPA brownfield grants and technical assistance to further the development of former auto plant sites and other sites in the city. To address the challenge of blight resulting from high foreclosure rates, Toledo received a DOE "Retrofit Ramp-Up" award to conduct energy efficiency upgrades on entire neighborhoods of buildings in the city, creating jobs and saving energy and costs for residents, businesses and the city. Investing in the community's future, DOE awarded Xunlight Corporation, a leading producer of solar panels, a tax credit worth \$34.5 million for the production of a lightweight photovoltaic solar energy model, creating jobs.

This is just a snapshot of the Council's and its member agencies efforts to support the strategies of local communities and states over the last year. By lifting up the needs, assets and strategies of individual communities to its broad team of federal agencies, the Council has enabled communities to access the unprecedented level of resources available in the Recovery Act. By continuing collaboration throughout the process, the Council has helped make programs more effective for local communities and created a level of partnership between local communities, states and the federal government that is laying the groundwork for future successes.

“So I'd like to speak directly to all those men and women who work in the auto industry or live in countless communities that depend on it. Many of you have been going through tough times for longer than you care to remember. And I won't pretend that the tough times are over. I can't promise you there isn't more difficulty to come. But what I can promise you is this: I will fight for you. You're the reason I'm here today. I got my start fighting for working families in the shadows of a shuttered steel plant. I wake up every single day asking myself what can I do to give you and working people all across this country a fair shot at the American dream. When a community is struck by a natural disaster, the nation responds to put it back on its feet. While the storm that has hit our auto towns is not a tornado or a hurricane, the damage is clear, and we must likewise respond.”

President Barack Obama, March 30, 2009

Introduction

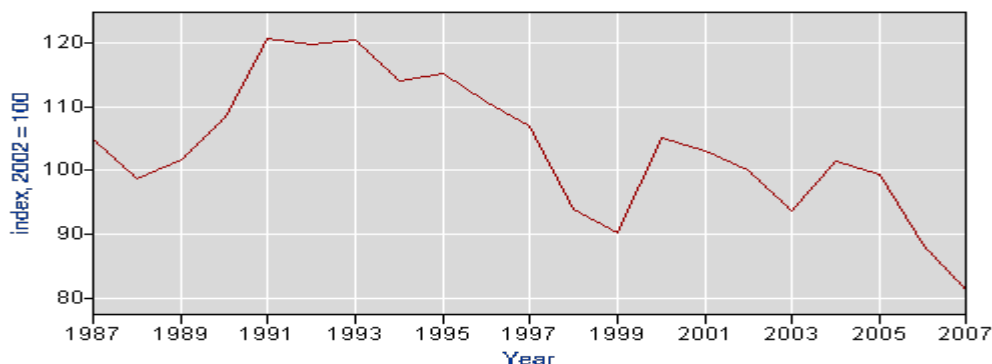
For nearly a century the automobile industry has made significant contributions to the economic health of the United States. From the development of the assembly line to numerous technological breakthroughs the industry has been an important source of innovation and productivity growth. For much of this time, American auto companies led the industry. From the 1940s through the 1970s, the “Big Three” (General Motors (GM), Ford and Chrysler) controlled nearly 90 percent of the US market. GM became the world's biggest industrial company.¹ From Henry Ford's more than doubling of the average auto workers pay to \$5 a day in 1914 and reductions in the work week to the growth of the United Auto Workers (UAW) in the 1930s, the auto industry contributed to the emergence of the middle class.² With these auto jobs came not only markedly higher wages but pensions and health insurance coverage for hundreds of thousands of workers and their families.

As a result, in the 1950s the Detroit area - the epicenter of the US auto manufacturing embodied in the Big Three - had the highest median income and highest rate of home ownership of any major US city. Whether employed at Original Equipment

¹ (BBC 2-19-07) <http://news.bbc.co.uk/2/hi/business/6346299.stm> and http://www.carofthecentury.com/answer_to_gm%27s_market_share_plunge.htm
² <http://www.ford.com/about-ford/heritage/milestones/5dollaraday/677-5-dollar-a-day>

Manufacturers (OEM) or at parts manufacturers (“suppliers”), auto industry jobs continue to be some of the better paying production jobs in America³. Despite these relatively high levels of compensation, rapid increases in productivity have meant that unit labor costs in auto manufacturing have declined steadily since 1991. Furthermore, while some have questioned whether the high wages of union auto workers have hurt their competitiveness against foreign-owned auto manufacturers producing in the US, concessions made by the UAW starting in 2007 and continuing through 2009 have virtually eliminated the gap in average wages and benefits for active workers between the Big Three and foreign-owned auto manufacturers in the US.⁴

Unit Labor Costs in Automobile and light duty motor vehicle manufacturing 1987- 2007



Source: BLS, Labor Productivity and Costs program

Steady increases in the desire and ability to buy cars resulted in a boom in auto employment throughout the country. Nationally, employment in motor vehicles and equipment manufacturing rose from 478,000 in 1939 to 683,000 in 1959 and 1,050,000 in 1979.⁵ While it declined somewhat in the early 1980s it rose to a new peak of 1,328,000 in 2000.⁶

These workers are employed not only at assembly plants but at manufacturers that supply parts to these plants. These supply chain workers outnumber assembly workers by about 3 to 2, and seven out of 10 establishments in the industry make parts.⁷ On top of these manufacturing jobs comes employment at dealerships in everything from sales

³ Center for Automotive Research.

⁴ <http://www.ohio.com/business/93556724.html>

⁵ BLS data for Motor Vehicles and Equipment employment, seasonally adjusted levels, for January.

⁶ Employment based on SIC is not strictly comparable to employment based on NAICS. BLS NAICS data for motor vehicles and parts manufacturing employment levels are almost 33 percent higher than the old SIC motor vehicles and equipment series. For all series, seasonally adjusted, January levels are reported.

⁷ Based on BLS data comparing motor vehicle parts employment to motor vehicle manufacturing employment. <http://www.bls.gov/oco/cg/cgs012.htm>

to repair. In 2000, there were another 1,829,800 workers employed in the retail part of the motor vehicle industry.⁸ The employment reach of this industry extends beyond parts and sales through industries like steel, glass and plastics to advertising, gas stations, and construction out to hospitals and the diner that serves workers at the local plant when they come off of a shift. The Center for Automotive Research (CAR) estimates that the multiplier effect for a job at an OEM is 10.0, which means that every job at an OEM yields 9 additional jobs elsewhere in the economy.⁹

Big Three Market Share of Cars and Light Trucks Sales in the U.S.

Year	GM	Ford	Chrysler
1970	40	28	15
1980	45	20	9
1990	35	24	11
2000	28	23	12
2009	20	15	9

Sources: <http://elsa.berkeley.edu/~train/tw104.pdf> and <http://blogs.motortrend.com/6593818/corporate/2009-sales-gm-retains-20-percent-share-but-toyotas-no-1-in-retail-sales/index.html>

In 2000 half of all auto employment was concentrated in Michigan (where GM, Chrysler and Ford all got their starts), Ohio and Indiana. While the traditional Big Three still account for the nearly half of cars and trucks sold in the US, as indicated in the chart above, there has been a steady decline in their market share over the past 40 years. As foreign-owned companies gained market share and started to build plants in the US, motor vehicle and parts manufacturing jobs became scattered throughout the Nation. OEMs like Toyota, Honda, Nissan and Kia have opened assembly plants throughout many southern states, and their suppliers have spread out across those areas of the country. As a result, BLS has noted that automotive employment appears to be shifting away from its traditional base in the Midwest to the southeastern States.¹⁰ The maps below, from the Center for Automotive Research, demonstrate auto density employment in states across the country¹¹ as well as the truly national footprint of suppliers.¹²

⁸ BLS data for motor vehicle and parts dealers September 2000, seasonally adjusted.

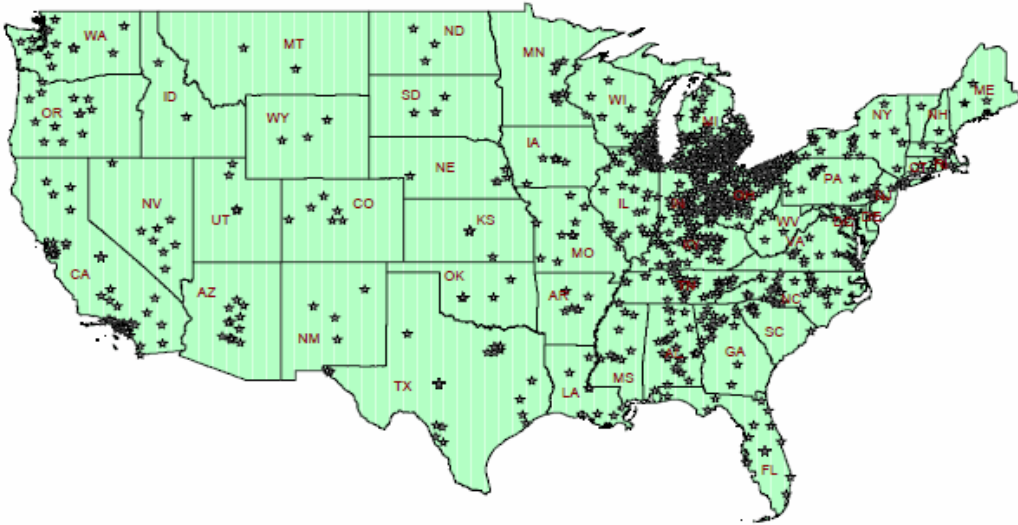
⁹ http://www.cargroup.org/pdfs/association_paper.pdf, p38

¹⁰ <http://www.bls.gov/oco/cg/cgs012.htm>

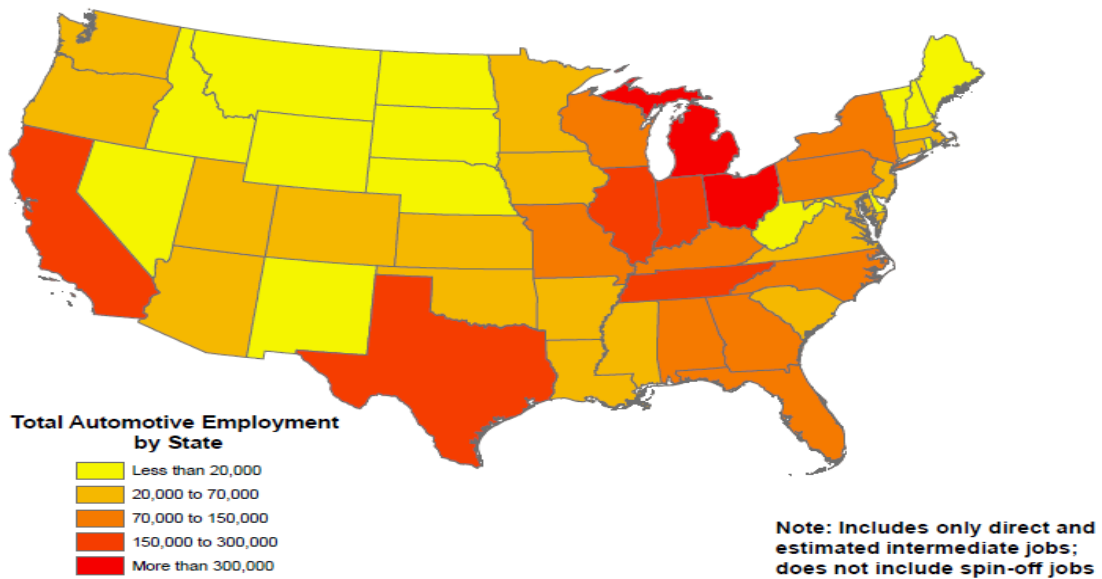
¹¹ Picking Up the Pieces: The Future of Human Resources in the U.S Auto Industry Workforce Development Institute Conference American Association of Community Colleges, January 30, 2010

¹² http://www.automotivesupplier.org/pdf/Web_Version-D%20Cole.pdf, p11

Suppliers in the United States, 2007 Report



Automotive Industry Total Employment: 2007-2008



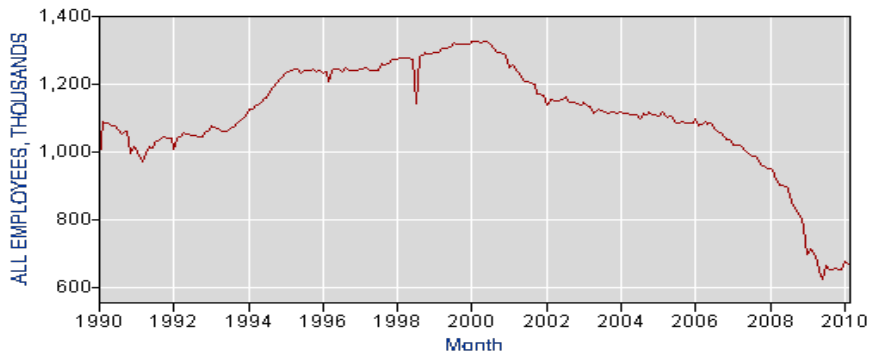
Source: Center for Automotive Research

In addition to the upper Midwest states of Michigan, Indiana and Ohio, states as diverse as California, Illinois, Kentucky, Texas, North Carolina and Tennessee are all now

among the top ten motor vehicle states in terms of employment. In an unpublished analysis of auto-related employment, CAR reported that there are 312 counties in 31 states with significant numbers of workers in the auto industry.¹³

As shown in the chart below, beginning in 2000, employment in the motor vehicle industry reversed its nearly decade long expansion. According to BLS, from February of 2000 until the beginning of the recession in December 2007, employment in motor vehicle and parts manufacturing declined by 28 percent from 1,333,300 to 952,200. As this was a period of rising motor vehicle sales (and employment at dealerships), the leading explanations for the decline in employment during this period include increased productivity from improved technology and changing work techniques, just-in-time inventory management, as well as outsourcing and increased production abroad. The nearly decade-long pattern of layoffs and plants closures has meant that auto workers, their families and the communities in which they reside have been under growing economic pressure. The onset of the recession in 2007 turned this steady drain of jobs into a flood with employment in motor vehicles and parts manufacturing, and motor vehicle and parts dealerships falling by another 463,900 jobs between December 2007 and January 2009 when President Obama took office.

Employment in Motor Vehicles and Parts Manufacturing, 1990, 2010



Source:

Bureau of Labor Statistics Data, Current Employment Statistics survey

While the prosperity of two generations of workers and their families was secured by the high-paying jobs created at these auto plants, the density of auto employment in Midwestern states and within auto communities across the country set these communities up for severe economic distress should the industry decline. As a result of the shrinking auto employment since 2000, the unemployment rates in many auto states

¹³ This list was incorporated into three Department of Labor grant announcements that set aside funds targeted to auto communities: <http://www.doleta.gov/grants/pdf/SGA-DFA-PY-09-01.pdf>, <http://www.doleta.gov/grants/pdf/Amend-01-SGA-DFA-PY-08-18.pdf>, and <http://www.doleta.gov/grants/pdf/Amend-01-SGA-DFA-PY-08-20.pdf>

and communities steadily grew. In January 2009, the unemployment rate in Michigan was 11.3 percent, and it was the first state to hit double digit unemployment during this recession. In the next four biggest auto employment states (Ohio, Indiana, Kentucky and Tennessee) unemployment rates ranged from 8.6 to 9.1 percent, far exceeding the national average at that time (7.7 percent). As bad as these statewide numbers were, the situation was even worse in motor vehicle producing towns and cities. In Warren and Toledo, Ohio, the unemployment rate was 14.9 and 13.6 percent, respectively, in January 2009. In Kokomo and Elkhart, Indiana, unemployment was at 18.2 percent and 20.2 percent, respectively, while in Flint and Pontiac, Michigan, it was 24.0 and 26.3 percent.

These numbers make clear that auto communities were already in increasingly dire straits when faced with the potential liquidations of GM and Chrysler at the end of 2008 and beginning of 2009. Indeed, at this point in time much of the industry, like much of the rest of the economy, was in a free fall.¹⁴ In 2008 sales declined nearly 40 percent, with nearly all OEMs experiencing significant reductions in sales and production. Having lost billions over the previous two years, both GM and Chrysler and their financing arms, GMAC and Chrysler Financial, asked for and received loans from the Troubled Asset Relief Program (TARP) under President Bush. Despite this help, both GM and Chrysler faced the very real prospect of disorderly liquidation, which many felt would have dealt a crippling blow to the overall economy, resulting in the loss of over a million jobs by some estimates.

Given these risks, President Obama moved to support the economy through assistance to the American auto industry. On February 15, 2009, President Obama appointed an Auto Task Force, made up of senior advisors and with staff at Treasury, which began to evaluate not only the financial status and plans of GM and Chrysler, but the possible broader consequences if the companies failed. On March 30, 2009, the President announced short term support for these companies while they put together new business plans.

President Obama also recognized that those who work in the industry or live in communities that depend on the industry have been in, and were likely to continue to go, through very difficult times. He committed the federal government to respond and designated a Director of Recovery for Auto Communities and Workers, Ed Montgomery, to work with Labor Secretary Hilda Solis, NEC Director Lawrence Summers and the Auto Task Force to cut through the red tape and ensure that the full resources of our federal government are leveraged to assist the workers, communities and regions that rely on the auto industry. On June 23, 2009, President Obama signed an Executive Order creating the White House Council on Automotive Communities and Workers to help coordinate this federal response to the workers and communities affected by dislocation in the auto industry.

¹⁴ http://www.whitehouse.gov/sites/default/files/rss_viewer/one_year_later_autos_report.pdf

The White House Council has as its members the heads of all domestic Cabinet agencies and leadership from key White House offices. Its staff is based at the Department of Labor. Chaired by Labor Secretary Hilda Solis and NEC Director Lawrence Summers, with Ed Montgomery as its Executive Director, the Council's mission is three-fold:

- 1) Help advance the President's agenda for automotive communities and support the Director of Recovery's coordination of federal economic adjustment assistance activities. Cut red tape and coordinate the federal response to the needs of individual states, regions, and communities adversely affected by auto industry changes;
- 2) Advise the President on the effects of pending legislation and executive branch policy proposals on automotive communities and workers and provide recommendations to the President on changes to federal policies and programs to address issues of special importance to automotive communities and workers; and
- 3) Conduct outreach to representatives of nonprofit organizations, business, labor, state and local government agencies, elected officials, and other interested persons that will assist in bringing to the President's attention concerns, ideas, and policy options for expanding and improving efforts to revitalize automotive communities.

The Council members are drawn from Administration agencies and councils, including the Secretaries of Labor, Health and Human Services, Homeland Security, Education, Energy, Veterans Affairs, the Interior, the Treasury, Commerce, Housing and Urban Development, Transportation, and Agriculture, as well as the Administrators of the Environmental Protection Agency and Small Business Administration; the Directors of the National Economic Council, the Office of Management and Budget, and the Domestic Policy Council; and the Chair of the Council of Economic Advisers.

Council activities over the past year included:

- 1) Holding public events in auto communities across the country and in Washington to hear from members of Congress, state and local officials, workers, businesses, and the public about the challenges auto communities face and engage them in the process of finding solutions;
- 2) Working with agency partners to assess progress, expedite the delivery of services to communities and provide communities with technical assistance including information on grants, loans and other resources available to them as well as ways in which programs can be flexible to serve local needs. The Council has also convened agencies to generate ideas for new initiatives to help auto communities and to move those ideas through the policy process; and

- 3) Working with the private sector and foundations to find ways agencies and foundations might leverage their investments around auto communities.

This report frames the Administration's efforts to support the auto industry, its workers and the communities that have been so negatively affected, and lays out a blueprint for the Administration's work around this issue moving forward. The work of helping auto communities and workers is far from done. The decline in the auto industry and the communities it affects did not happen overnight and will not be resolved overnight. Rather, this report serves as a summary of the efforts and progress to date and lays out an agenda for continuing support to put all Americans back to work and rebuild and position these communities for the economy of tomorrow.

“The pain being felt in places that rely on our auto industry is not the fault of our workers; they labor tirelessly and desperately want to see their companies succeed. It's not the fault of all the families and communities that supported manufacturing plants throughout the generations. Rather, it's a failure of leadership -- from Washington to Detroit -- that led our auto companies to this point. Year after year, decade after decade, we've seen problems papered over and tough choices kicked down the road, even as foreign competitors outpaced us. Well, we've reached the end of that road. And we, as a nation, cannot afford to shirk responsibility any longer. Now is the time to confront our problems head-on and do what's necessary to solve them.”

President Barack Obama, March 30, 2009

I. The Need for Restructuring

In order to support the workers and communities that had already been hard hit by the downturn in the auto industry, it was first necessary to stop the bleeding. The decade long decline in auto employment accelerated with the recession that began in December 2007. As the recession deepened, demand for manufactured goods declined steeply, especially for big-ticket items like motor vehicles. The freezing of the credit markets in the fall of 2008 exacerbated the problem, leading to sharp declines in sales and production.

The resulting financial stress caused GM and Chrysler to face imminent liquidation without government intervention. While President Bush provided a loan to the companies in December 2008, President Obama came into office confronting two companies on the brink of liquidation without further government intervention. Estimates of the impact on job loss and the broader economy varied, but all were devastating. A Congressional Oversight Panel estimated in a recent report that a collapse of the companies could have resulted in the loss of 1.1 million jobs.¹⁵ Mark Zandy, chief economist at Moody's Analytic, and Robert Scott from the Economic Policy Institute estimated that between 2.5 and 3.3 million jobs could be lost.¹⁶

¹⁵ “The Use of TARP Funds in the Support and Reorganization of the Domestic Auto Industry,” September 9, 2009.

¹⁶ Mark Zandy, Testimony before the US Senate banking Committee, “The State of the Domestic Auto Industry: Part II”, December 4, 2008 and Robert Scott, “When Giants Fall: Shutdown of one or more U.S. automakers could eliminate up to 3.3 million U.S. jobs”, EPI Briefing paper, December 3, 2008.

Local municipalities would also be severely impacted by the loss of tax revenues should plants close. The Center for Automotive Research estimated that the failure of one or more of the Big Three could result in the loss of \$275.7 billion in personal income across the economy over three years and \$108.1 billion in state, local and federal taxes over the same period. These tax revenue losses would come just as communities were struggling to find resources to cover increased demand for services and deal with budget cuts resulting from the broader recession.¹⁷

Liquidation would have meant massive layoffs at the companies and their suppliers. These dislocated workers would face not just a loss of a paycheck but also their health insurance, straining already overloaded Unemployment Insurance, Medicaid and other social assistance systems. They would be forced to look for work during a deep recession with high unemployment. Retirees could also face reductions in health care and prescription drug benefits, and pensions could be significantly cut for some of the workers. Early retirees might be especially disadvantaged because the supplemental benefits they often would receive would not be guaranteed.

Liquidations would also affect the broader motor vehicle market. At the point of liquidation, there would be many hundreds of thousands of GM and Chrysler cars on dealer lots. Dealers would seek to sell off their inventory, either to retail customers or to wholesalers, in both cases at a significant discount, affecting the prices of and market for cars from otherwise healthy OEMs like Ford, Toyota, Honda and Nissan. Many dealers would be forced to file for bankruptcy.

Suppliers with a substantial portion of their contracts with GM or Chrysler would be severely affected by liquidations at either or both companies, potentially forcing them into bankruptcy. Because many suppliers provide products to more than one OEM, this could disrupt large segments of the supply chain to surviving OEMs and potentially undermine their solvency. The threat of this potential impact led major competitors like Ford and Toyota to voice their support for federal loans to the companies.¹⁸

After thorough analysis by the President's Auto Task Force, it was clear that the liquidation of either GM or Chrysler would have threatened to even further destabilize an economy still in the midst of the deepest recession since the Great Depression. Facing these facts, the President decided that intervention was necessary.

From the outset, the President was focused on how any investments in the two companies would affect the relationship between the US Government and the private sector. Announcing the investment in GM, he said, "What we are not doing -- what I have no interest in doing -- is running GM." He went on to say that the company's

¹⁷ http://www.cargroup.org/documents/Detroit_Three_Contraction_Impact.pdf

¹⁸ http://money.cnn.com/2008/12/15/news/companies/overseas_automakers/?postversion=2008121517
and <http://www.autoblog.com/2009/03/19/ford-throws-support-behind-aid-for-gm-europe/>

Board of Directors and management team, “and not the government -- will call the shots and make the decisions about how to turn this company around. The federal government will refrain from exercising its rights as a shareholder in all but the most fundamental corporate decisions. When a difficult decision has to be made on matters like where to open a new plant or what type of new car to make, the new GM, not the United States government, will make that decision.” He instructed his Auto Task Force to take a commercial approach in analyzing the companies’ restructuring plans, and that approach would continue.

After rejecting GM and Chrysler’s initial restructuring plans in February 2009, the President gave Chrysler 30 days and GM 60 days to submit new plan, requiring all stakeholders to make additional sacrifices. The Administration accepted the new restructuring plans ultimately submitted in May and June of 2009 and in exchange for the assistance provided, the Government obtained \$8.8 billion in debt obligations and preferred stock along with a 60.8 percent share of the common equity in the new GM. From Chrysler, the Government obtained a \$7.1 billion debt obligation and 9.9 percent of the new Chrysler’s common equity.

With government assistance, GM and Chrysler commenced bankruptcy proceedings and conducted sales of most of their assets more quickly than many observers believed possible. New GM commenced business with its newly acquired assets in July 2009, only 40 days after Old GM filed its bankruptcy petition. New Chrysler commenced business with its newly acquired assets in June 2009 after only 42 days after Old Chrysler filed its bankruptcy petition, upon completion of its alliance with Fiat.

By the end of 2009 both new companies were adding or recalling shifts of workers at several of their plants and had significantly increased production. In April 2010 GM paid the remaining balance of the total \$6.7 billion in debt owed to Treasury. After this repayment, the remaining Treasury stake in GM consists of \$2.1 billion in preferred stock and 60.8 percent of the common equity. This leaves the U.S. government’s stake in GM at \$2.1 billion in preferred stock and 60.8% of the company’s common equity. Chrysler also announced that it had achieved an operating profit in the first quarter of 2010.

While this process of regaining long-term financial health will require much work, innovation, and perseverance, there is no doubt that over the course of the past year they have moved back from the brink to a position of contributing to the economic recovery of the nation and auto communities.

“But I also recognized the importance of a viable auto industry to the well-being of families and communities across our industrial Midwest and across the United States. In the midst of a deep recession and financial crisis, the collapse of these companies would have been devastating for countless Americans, and done enormous damage to our economy -- beyond the auto industry. It was also clear that if GM and Chrysler remade and retooled themselves for the 21st century, it would be good for American workers, good for American manufacturing, and good for America's economy.”

President Barack Obama, June 1, 2009

II. Supporting the Auto Industry

To save jobs and stave off further economic losses in communities across the country, it was necessary to do more than restructure GM and Chrysler. Consumers needed to be able to access credit to buy cars and have confidence that the companies would be able to back up the warranties on these purchases. To keep production flowing suppliers needed confidence that they would be paid. Dealers needed to be able to finance their inventory and incentives were needed to get people back into the showrooms. The Administration took a series of steps in 2009 to meet these challenges.

A. Emergency Intervention to Stabilize the Auto Market

Helping Consumers Access Credit

A viable auto industry requires financing for both dealers and consumers. Both this Administration and the prior Administration have recognized that preventing a collapse of the auto industry required stabilizing the auto finance industry as well. In December 2008, the prior Administration invested \$5.0 billion in GMAC. Shortly thereafter, Chrysler Financial received a \$1.5 billion loan to help it continue to fund retail consumer purchases of Chrysler cars. Chrysler Financial repaid the entirety of the \$1.5 billion loan, with accrued interest, in July 2009 based upon availability of financing from a Term Asset Backed Securities Loan Facility (TALF) securitization. GMAC received an additional \$11.3 billion of funding under President Obama in 2009, \$4.0 billion of which was needed in order for it to assume Chrysler's dealer and customer loan originations.

Guaranteeing GM and Chrysler Warrantees

In March 2009, the President announced that the US Government would back Chrysler and GM warranties, should the companies liquidate. This helped give consumers

confidence that they could safely buy GM and Chrysler cars while the companies addressed their financial difficulties, without fear of the companies defaulting on the warranties. With the emergence of the new GM and Chrysler, the \$641 million invested in the program has since been returned to the US Government.

Securing the Supply Chain

To secure the automotive supply chain in the event that GM and/or Chrysler defaulted on their payments to suppliers, Treasury created the Automotive Supplier Support Program. Defaulting on debts could shut down suppliers, laying off hundreds of thousands of workers and potentially undermining the viability of other OEMs and the workers at those facilities. Under this program, Treasury initially committed \$5 billion from the TARP for a revolving loan fund to assist tier-one suppliers with access to capital, should an OEM default on its debt. Since October 2009 supplier bankruptcies have subsided, and the supply base appears to have stabilized. The program wound down as expected this spring; and GM and Chrysler repaid all of its loans under the program with interest and fees.

Small Business Administration 7(A) Loan Expansion and Dealer Floor Financing

As a result of the decrease in auto sales, many dealers had difficulty accessing capital. This hurt not only dealers who could not access capital to purchase new vehicles but manufacturers who were in turn faced with an even more depressed market for their products. To address this problem, in May 2009 SBA took two steps:

- 1) SBA 7(a) Loan Expansion: SBA expanded the 7(a) loan program to 70,000 additional small businesses, including 760 new vehicle dealers.
- 2) Dealer Floor Financing: SBA created a new pilot program to offer government-guaranteed loans to finance inventory for eligible auto, recreational vehicle, boat and other dealerships. This floor plan financing support is a line of credit that allows dealers to borrow against their inventory and then repay that debt as they sell their inventory or borrow against the line of credit again to add new inventory.

General Services Administration (GSA) Accelerated Fleet Purchases

GSA accelerated its purchases of fuel efficient cars and vehicles to provide immediate support to the industry while improving the fuel efficiency of the government fleet for years to come. Altogether GSA will spend about \$288 million from Recovery Act funds for 17,206 commercially available fuel-efficient vehicles.

Car Allowance Rebate System

To boost sales from their 40-year low levels, the Department of Transportation's (DOT) Car Allowance Rebate System (CARS) program, also referred to as Cash for Clunkers, provided consumers a credit of \$3,500 to \$4,500 on a trade-in toward the purchase of new cars. The program resulted in the exchange of nearly 500,000 cars for more fuel-

efficient vehicles, taking advantage of \$2.88 billion of the \$3 billion ultimately allocated for the program. Further, a study by the Council on Economic Advisors (CEA) showed that the program did not just “pull forward” purchases that would have been made in coming months anyway (resulting in a subsequent decrease in sales), but that a substantial amount of the purchases were pulled forward from a far more distant future and, therefore, that the program had a net stimulative effect. The CEA estimated that the program created or saved 70,000 jobs in the second half of 2009.¹⁹

B. Long Term Investments in the Future of the American Automotive Industry

In addition to meeting the auto industry’s immediate needs, the Administration made investments to transform the auto industry for the future. Through the US Department of Energy (DOE), the Administration has put billions of dollars into helping OEMs and suppliers develop new more fuel-efficient technologies, making the American auto industry more globally competitive and creating good jobs well into the future.

Advanced Technology Vehicles Manufacturing (ATVM) Loans

This program provides up to \$25 billion in loan commitments to automobile and parts manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the US to produce advanced technology vehicles or qualified components, and for associated engineering integration costs. To date DOE has announced the awarding of loans to four OEMs to benefit manufacturing in the following states:

- Ford: \$5.9 billion in Illinois, Kentucky, Michigan, Missouri, and Ohio
- Nissan: \$1.4 billion in Tennessee
- Fisker: \$528.7 million in Delaware and California.
- Tesla: \$465 million in California

These funds are revitalizing communities by directly spurring manufacturing and job creation, often in places where plants have closed or workers have been laid off. For example, Fisker has announced that it will use its ATVM funds to reopen a closed GM plant in Wilmington, Delaware, to make the cars of the future. Ford is using its funds to upgrade its engine plants in Dearborn, Michigan; Cleveland, and Lima, Ohio; and upgrade transmission and assembly plants in eight communities across Michigan, Indiana, Ohio, Illinois, Kentucky and Missouri.²⁰

DOE Electric Drive Vehicle Battery and Component Manufacturing Initiative

¹⁹ http://www.whitehouse.gov/assets/documents/CEA_Cash_for_Clunkers_Report_FINAL.pdf

²⁰ http://apps1.eere.energy.gov/news/news_detail.cfm/news_id=12594

This \$2.4 billion DOE program provides major grants to companies that will accelerate the manufacturing and deployment of electric vehicles, batteries, and components in the US. The grants awarded will support 48 projects in 20 states, creating tens of thousands of new jobs across the country.²¹ These investments are already helping communities like Elkhart, Indiana, where a \$39 million grant to Navistar International Corporation will spur the manufacturing of electric trucks, saving or creating hundreds of jobs at the facility when full scale manufacturing begins; Jacksonville, Florida, where a \$95.5 million grant to Saft America will result in the construction of a new plant to make lithium-ion cells, modules, and battery packs for military, industrial, and agricultural vehicles at the site of a former military base²²; and Livonia, Michigan, where a \$249.1 million grant to A 123 Systems Inc. will spur the manufacturing of battery materials, cells, packs, and modules at a new plant.²³ In 2009, A 123 also announced it would build a new plant in Romulus, Michigan.²⁴

Many of these battery companies have located in auto communities so that they can leverage local workforce expertise in engineering, design, and advanced manufacturing. While this gives these companies an advantage, it also means that jobs are being created and saved precisely in communities that have been so disproportionately affected by motor vehicle related job loss.

The investments described above are a part of the Administration's strategy to strengthen the economy, shore up our financial system and get Americans back to work. Just as there are signs that these investments have been paying off in the economy as a whole over the past year, there has been tremendous change in the auto industry with real positive effects for auto workers and communities. In April, the CEA released a report highlighting that the industry has seen the strongest 9-month period of auto industry growth since 2000.²⁵ US light vehicle sales in 2010 are up 9.9% from their 2009 levels. The industry saw annualized sales of 11.8 million vehicles in March 2010 and analysts forecast 2010 sales of 11.5 – 12.5 million units. As seen in the chart below, even with a spike in sales in the middle of the year from the Cash for Clunkers program, sales toward the latter part of the year showed economic improvement when compared to the earlier part of 2009.

²¹ <http://www.whitehouse.gov/the-press-office/24-billion-grants-accelerate-manufacturing-and-deployment-next-generation-us-batter>

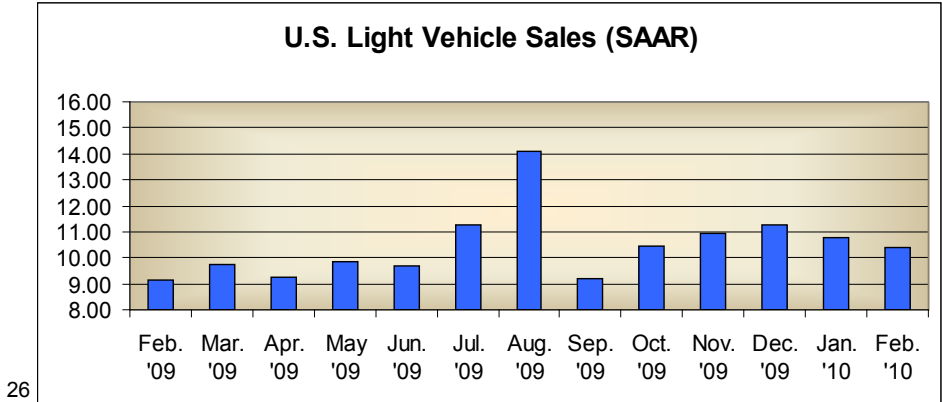
²² <http://www.whitehouse.gov/the-press-office/24-billion-grants-accelerate-manufacturing-and-deployment-next-generation-us-batter>

²³ <http://ir.a123systems.com/releasedetail.cfm?ReleaseID=403090>

²⁴ <http://ir.a123systems.com/releasedetail.cfm?ReleaseID=437661>

²⁵ http://www.whitehouse.gov/sites/default/files/rss_viewer/one_year_later_autos_report.pdf

US Light Vehicle Sales, February 2009 – February 2010



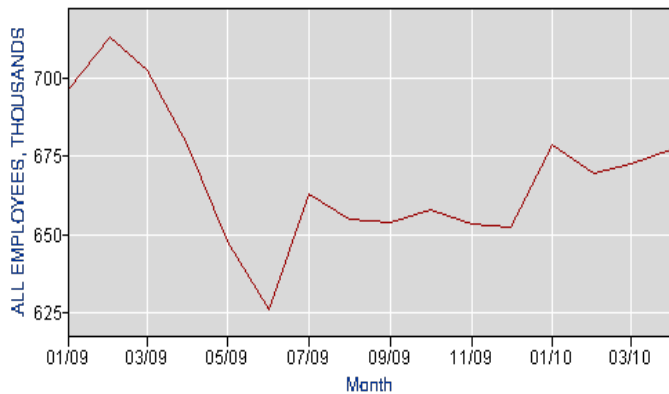
26

Source: Motor Intelligence

The auto financing market has also stabilized. The Treasury Department’s Term Asset Backed Securities Loan Facility (TALF) helped to unfreeze the auto financing market. With the support of TALF and broader financial stabilization, secondary market Asset Backed Securities (ABS) spreads have narrowed to pre-crisis levels, auto securitizations can be completed without government assistance, and lease penetration rates have begun to increase.

Most importantly, the growth of the industry has saved and created jobs. 51,000 jobs have been created in the auto sector since June 2009, when Chrysler emerged from bankruptcy.

Employment Motor Vehicles and Parts Manufacturing, 2009-2010



Source: BLS, Current Employment Statistics survey

²⁶ http://www.motorintelligence.com/m_frameset.html

GM has added or brought back 6,700 jobs and announced more than \$2 billion in production increases and new investments. Chrysler has brought back 1,000 workers and while it originally intended to close its plant in Sterling Heights, Michigan, it has announced that this facility will remain open. Average weekly hours are also up, from an all-time low of 38.0 in May 2009 to 43.5 in April 2010. That means workers are taking home more money each week to their families and that the communities they live in are beginning to face a more positive and secure economic environment.

III. Challenges Facing Auto Communities

As described, since 2000, auto communities around the country have had to come to grips with steadily declining employment in the industry. While 51,000 jobs have been added to the sector since June 2009, auto communities big and small have a long way to go to offset the losses that occurred over the past decade. Just as the decline in the industry did not happen overnight, the communities affected by that decline will not recover overnight.

Most of the decline in auto employment occurred at motor vehicle part suppliers.²⁷ Job losses in the motor vehicle supply chain can be found in communities from Michigan and Indiana to Mississippi and Kentucky. OEM plants have or are scheduled to close in Wisconsin, New York, Delaware, Louisiana, Missouri and California. The unemployment rates in other high auto density states like Kentucky, Tennessee, North Carolina and Alabama have gone into double digits.

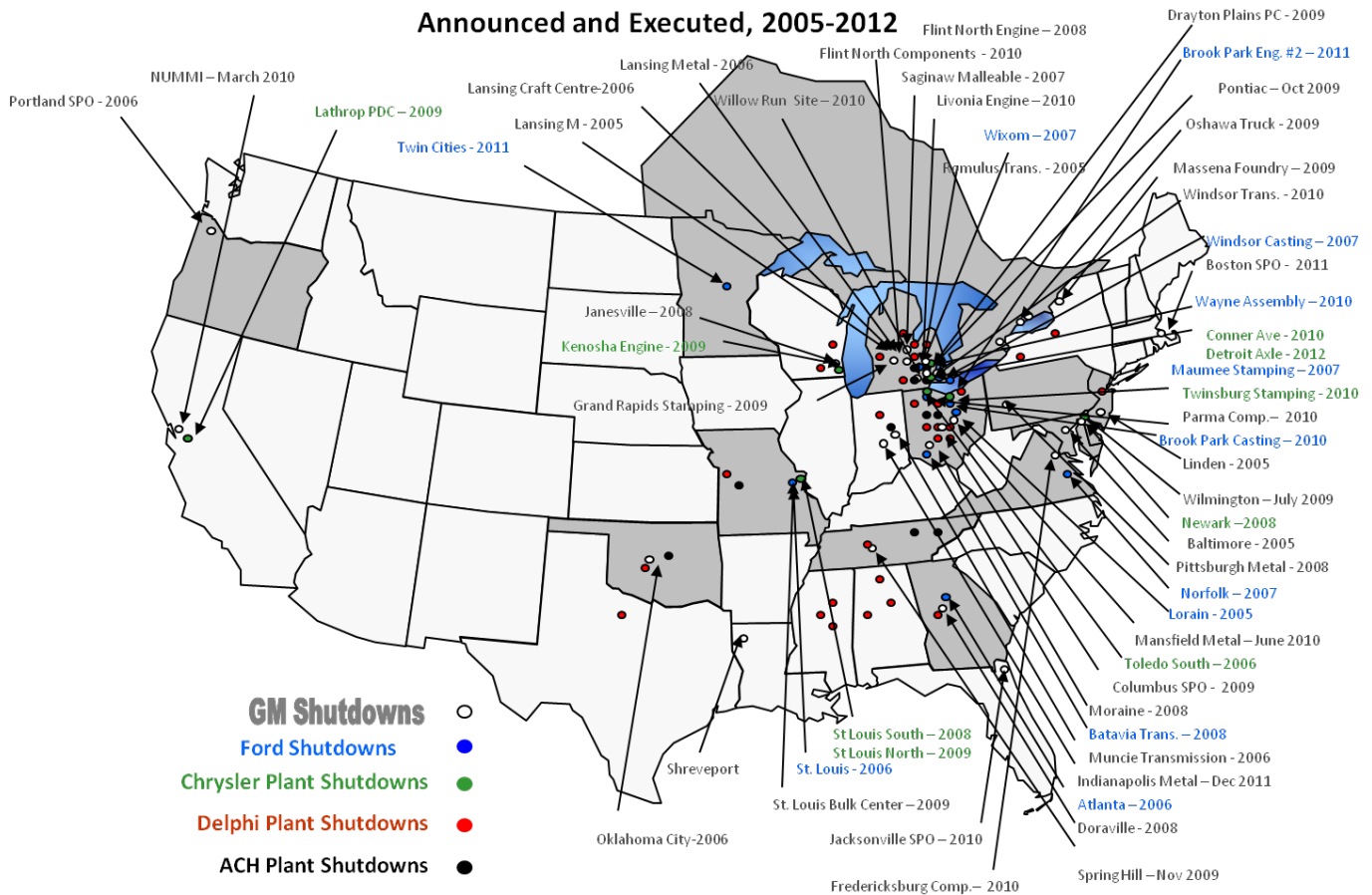
Communities with plant closures or massive layoffs feel the effect of these issues most acutely. The map below identifies some of the communities affected by major auto plant closures since 2005 and communities with closures announced through 2011.²⁸

²⁷ Based on BLS data on motor vehicle parts manufacturing, January 2000 and 2009.

²⁸ Picking Up the Pieces: The Future of Human Resources in the U.S Auto Industry Workforce Development Institute Conference American Association of Community Colleges, January 30, 2010. As part of the bankruptcy the companies had to disclose their plans for all plants, giving communities in some cases more time to prepare for a closing. By law, companies are usually only required to give 60 days notice before laying off 50 or more workers.

GM, Ford, Chrysler, Delphi & ACH U.S. and Canadian Plant Shutdowns

Announced and Executed, 2005-2012



Updated: Apr 30, 2010

Auto communities come in a wide range of shapes and sizes, from major cities like Detroit and Indianapolis, to small towns like Cozad, Nebraska; Spring Hill, Tennessee and Janesville, Wisconsin. While for some communities this is the first time they have had to deal with this type of upheaval, for others, layoffs in the industry and their consequences have become all too familiar. While acutely impacted today, some auto communities have until recently been in a strong economic position. In 2007, Twinsburg, Ohio was named one of CNN Money.com's top 100 places to live. Its average home price was \$233,796²⁹ and the city provided broad services for its citizens. Open since 1957, the Chrysler stamping plant in Twinsburg for decades was the economic and population driver in the community. While in the 1980's the plant was

²⁹ <http://money.cnn.com/magazines/moneymag/bplive/2009/snapshots/PL3978050.html>

responsible for 80% of the tax base³⁰, efforts to diversify the local economy have led to local authorities relying on the plant for roughly 13% of local taxes, still a significant share.³¹ Layoffs at the plant over recent years and the upcoming closure of the plant in June 2010 have had and will have a tremendous effect not only on the workers but also on the community's ability to maintain services.

Other auto communities, such as Detroit, have dealt with the chronic consequences of declining auto employment and closed plants for decades. Population loss and high foreclosure rates have resulted in the abandonment of homes by residents of large sections of entire neighborhoods. The City of Detroit estimates that it has over 70,000 abandoned properties in the city. In addition to creating jobs, the City now faces the challenge of serving residents spread out across large swaths of land. For a city like Detroit which has experienced a 60% population decline since peaking in 1950 (1.85 million to 840,000), this is a significant issue.³² These cash-strapped communities must deal with these land use challenges in order to make their cities attractive to business. Declining property tax and income tax revenue from closed businesses and unemployed workers has meant that resources are shrinking just when the need is greatest.

Given this diversity in circumstances and needs across auto communities, a central thrust of the White House Council has been to devise strategies that meet communities where they are and respond to needs and directions that they identify. To accomplish this, Council member agencies have regularly travelled individually or as a group to listen to communities and find ways that federal resources and programs can be made responsive to the challenges that these communities identify.

The Director of Recovery for Auto Communities and Workers and numerous federal agencies have visited some of the hardest hit auto communities to learn more about the common problems they face and identify ways the federal government can help. Early on, Ed Montgomery and representatives of a dozen federal agencies travelled to Flint, Grand Rapids, Warren and Detroit, Michigan, as well as to Toledo, Dayton, and Twinsburg, Ohio, where GM or Chrysler facilities were located and closures either had or were threatened to occur. These meetings helped set the stage for the Council's work devising strategies and building relationships with other auto communities.³³

³⁰ http://www.mytwinsburg.com/assets_COT/council/2007/minutes/rc/rc022007m.htm

³¹ <http://www.fallsnewspress.com/news/article/4583388>

³² From materials prepared and presented by the City of Detroit, Mayor's Office and the Department of Planning & Development, March 11, 2010.

³³ Dr. Montgomery has traveled to Flint, Detroit, Grand Rapids, Saginaw, Traverse City, Pontiac, Lansing, Romulus and Warren, Michigan; Cleveland, Toledo, Dayton, Akron, Warren, Perrysburg, Moraine and Twinsburg, Ohio; Kokomo, Elkhart and Indianapolis, Indiana; Chicago, Illinois; Wilmington, Delaware; Fremont, California; Nashville, Tennessee; Lexington, Kentucky and the St. Louis area of Missouri.

Building on these trips, from June 2-5, 2009, members of the Cabinet and other senior Administration officials traveled across the Midwest to visit auto communities, discuss federal recovery efforts for auto communities and workers, and learn more about the challenges they face.³⁴

On these trips the Council learned a great deal about the unique and common challenges auto communities face, their strengths and their strategies to adjust and move forward. It was abundantly clear that these communities have a wealth of assets to draw from in meeting the challenges they confront. They have skilled workers and business leaders with strong entrepreneurial spirit. Many are home to strong colleges or universities, hospitals or other anchor institutions that give them a base to rebuild upon and help make the communities attractive places to live. Most of them are located near major highways or rail lines, have a strong transportation infrastructure, and have facilities that can serve as new homes for prospective business. Some of these communities also have in place strong economic development plans and have business attraction or development strategies in place aimed toward building a new economic future.

While the Council heard about a wide range of challenges that communities face, local leaders consistently raised issues in three areas: jobs, land use, and maintaining services in the face of budget shortfalls.

The Council learned that these communities are faced with several complex economic development challenges at once. They must seek to preserve jobs left in the community, often times at suppliers or other companies negatively impacted by a closure. They must diversify the work of their current businesses to make them more competitive, while at the same time diversifying their broader economy by attracting new businesses or creating them outright. As they do this they must make sure their workforce is positioned to both attract and take advantage of new opportunities. As a result of the downturn, some communities are rethinking what industries should form the basis of their economic future. Some communities that have been defined solely by the auto industry for half a century are rebranding themselves. While many have expertise and a strong foundation for moving forward, economic development is often time consuming under the best of circumstance and doing so during tight budgetary times with limited planning capacity presents a substantial challenge.

Affected communities must also meet the challenges of property redevelopment, land clean-up and the need for new infrastructure. With a closed plant, communities often struggle with how to return what once was an incredible asset back to productive use.

³⁴ Those administration officials participating included: Secretary of the Interior Ken Salazar, Secretary of Agriculture Tom Vilsack, Secretary of Commerce Gary Locke, Secretary of Labor Hilda Solis, Secretary of Housing and Urban Development Shaun Donovan, Secretary of Energy Stephen Chu, Secretary of Education Arne Duncan, Environmental Protection Agency Administrator Lisa Jackson, Small Business Administrator Karen Mills, Associate Attorney General Tom Perrelli and Dr. Ed Montgomery.

Environmental liability issues and the costs of clean-up can make former owners hesitant to engage with the local community to even start the conversation about redevelopment. Industrial facilities often need environmental assessments and can have remediation issues that may compound the challenge of attracting new businesses to use the site. Where the owner is willing to redevelop or sell the property, the sheer size of auto plants, which can have many hundreds of acres under a single roof, can be a challenge for redevelopment. The existing infrastructure of highways and overpasses and housing patterns often needs to be reconfigured to serve the needs of multiple new businesses and users.

Finally, the Council heard about the difficulties communities face meeting the needs of families and its citizens in the face of budget shortfalls. Keeping teachers in the schools and first responders available for emergencies has been a daily struggle as a result of declining tax revenues.

While this outreach served to refine the Council's understanding of the unique challenges auto communities face, it also yielded direct action by senior Administration officials, federal agencies, states and the communities themselves. In many cases, Cabinet members took what they learned on their June tour and put it to immediate work. Secretary Locke's engagement with Michigan small businesses on the Cabinet trip led him to announce, just later that same month, the creation of a new pilot program to help small businesses navigate Commerce programs. The first CommerceConnect pilot location is in Michigan. Soon after the trip Secretary Solis announced National Emergency Grants to cover auto workers in Michigan and Ohio. She also met with foundations and began work that led to the Auto Summit in Washington D.C. and laid the groundwork for active partnerships between the Department of Labor and Ford and Gates Foundations to evaluate effective programs and expand outreach to a broader set of citizens than traditionally participate in the Department's programs. Secretary Duncan announced a pilot program to enhance the capacity of community colleges to deal with the retraining of dislocated workers. Equally as important, this outreach spurred communities to apply for and successfully obtain billions of dollars in funds and spurred a year of sustained collaboration between local communities, individual states and the federal government.

“The past 12 months have been cataclysmic for the auto industry. Everyone knows the facts: General Motors, Chrysler and over 50 auto suppliers declared bankruptcy. Bank lending froze. Auto sales tanked. Foreclosures hit record highs while home values plunged. And our unemployment rate soared as middle-class manufacturing jobs disappeared by the tens of thousands. That said, I want to underscore that at every step of the way on each and every one of these issues.... the Auto Recovery team were front and center, advocating for Michigan on behalf of the state together with the congressional delegation. Ed visited communities large and small, listening to people’s concerns for hours at a time and then went about chipping away at problems by identifying solutions.”

Governor Jennifer Granholm, March 10, 2010

IV. Response by the Administration to Support Auto Communities

Over the past year the Council and its member agencies have marshaled Recovery Act and other federal funds to support communities around these challenges of job creation and economic development, land and infrastructure reuse and maintaining vital services. Auto communities have successfully leveraged these funds to support their local strategies, resulting in change on the ground. In addition to awarding these funds, member agencies and Council staff have worked one-on-one with business, labor, state and community officials to cut red tape, move funds out more quickly and make sure programs are working as effectively and flexibly as possible. Continued work with philanthropic organizations has served to identify areas where philanthropy and the federal government can work together to leverage their resources more effectively for auto communities.

A. Investments through Recovery Act and Annual Funds

1. Help with Job Creation and Diversification

48(c) Advanced Energy Manufacturing Tax Credit: DOE's Section 48(c) Advanced Energy Manufacturing Tax Credit is designed to create new manufacturing jobs. 48(c) offers a 30% tax credit to support manufacturers in building or expanding manufacturing capacity for a wide range of clean energy and energy efficiency products. This program will support over \$7 billion of capital investment in manufacturing projects that are shovel ready but have been unable to close financing and start construction. Some projects under this program that have helped auto communities include: an \$11.6 million tax credit awarded to Vela Gear Systems Inc. in Indianapolis, which will lead to the production of a new plant making advanced wind turbine parts³⁵; and a tax credit of \$16.3 million to First Solar, Inc. in Perrysburg, Ohio, which will allow the company to expand manufacturing of thin-film solar modules. The company estimates it will create 200 manufacturing jobs at the facility and 200 temporary construction jobs.³⁶

Economic Development Administration Grants: The Department of Commerce's Economic Development Administration (EDA) provides grants to support the development and implementation of economic development strategies for economically distressed communities such as auto communities. The \$150 million provided to EDA under the Recovery Act was used for the Economic Adjustment Assistance Program, to continue EDA's efforts to spur economic development across the nation. The relative flexibility of this program makes EDA funds an excellent resource to help auto communities create a path toward recovery. In FY 2009, EDA allocated \$27.7 million and \$9.2 million of these Recovery Act funds to its Chicago and Denver regional offices, respectively, to help assist Midwestern communities. FY 2010 investments related to auto community projects include a \$1.575 million grant to support Fenton, Missouri, in the development of a strategic plan that will guide investment and job growth opportunities related to the closed Fenton-Chrysler facility, and a grant of \$333,000 to the City of Fremont, California, to fund a similar recovery and reuse strategy in the wake of the closure of the New United Motor Manufacturing (NUMMI) plant.

Manufacturing Extension Partnership: With a staff member working daily with the Council, Commerce's Manufacturing Extension Partnership (MEP) has been a critical partner in the Council's efforts to reach out to suppliers impacted by the closure of OEM plants. MEP is a nationwide network of nearly 1,600 business and manufacturing staff specialists in MEP-affiliated programs based in 59 MEP Centers in 392 locations whose sole purpose is to help small and medium-sized manufacturers bridge the productivity gap, identify opportunities for growth in new markets both foreign and domestic, and

³⁵ <http://www.whitehouse.gov/sites/default/files/100108-48c-Selection-Final-With%20Projects.xls>

³⁶ <http://www.daytondailynews.com/business/green-energy-tax-credits-mean-hundreds-of-jobs-in-ohio--496985.html>

deploy new technology. These services are especially critical to auto suppliers as they diversify their work. Some of MEP's work with individual communities is detailed in the next section.

High-Speed Rail: Infrastructure improvement and expansion is a critical piece of any economic development strategy and a source of new jobs in construction, service, and many other industries required for the long term maintenance of rail service. To serve these dual ends, in January 2010 the Department of Transportation (DOT) awarded \$8 billion in Recovery Act funds to states across the country to develop America's first nationwide program of high-speed intercity passenger rail service, helping to create good paying jobs, spur economic growth (much like the interstate highway system did), and reduce our dependence on foreign oil. Auto states receiving funding through this program are California, Missouri, Indiana, Illinois, Michigan, Wisconsin, and Ohio, among others. In Missouri, \$31 million in these funds will be used to create track improvements between Kansas City and St. Louis to decrease rail congestion and increase travel speed. This work will connect to the \$1.1 billion invested in Illinois for High Speed Rail between St. Louis and Chicago, thus making travel from St. Louis to Chicago and Kansas City to Chicago quicker and more convenient, supporting economic growth.³⁷ Ohio received \$400 million for rail in the Cincinnati-Columbus-Cleveland (3-C) Corridor, connecting these urban centers in Ohio. These projects are part of a collaborative effort of the governors of eight Midwestern states to ensure that their individually applied-for rail plans would benefit the entire Midwest region. DOT funded projects in all eight participating states, investing in the creation of high-speed and improved rail service throughout the region.³⁸

TIGER Grants: The Transportation Investment Generating Economic Recovery (TIGER) program provides discretionary grants for transportation projects that have a significant impact on the nation, a metropolitan area, or region. This \$1.5 billion program funds projects for freight rail, road and bridge repairs, as well as community livability projects that will create both short-term and long-term jobs in many communities. Projects in Michigan, Ohio, Missouri, Indiana, Tennessee, and California will help revitalize automotive communities in these states. Kentucky and Indiana were awarded \$20 million in TIGER funds to work in partnership to repair the aging Milton River Bridge in Ohio, a project that is projected to create or preserve up to 1,400 jobs.³⁹

National Emergency Grants (NEGs): On top of regular formula-based dislocated worker training dollars, NEGs serve as a targeted source of additional assistance to communities faced with a surge in layoffs, providing funding to help workers with job search and placement assistance, training, and supportive services such as transportation and child care. The availability of these training resources helps to drive

³⁷ <http://www.whitehouse.gov/sites/default/files/chicago-st%20louis-kansas%20city.PDF>

³⁸ <http://www.whitehouse.gov/sites/default/files/cleveland-cincinnati.PDF>

³⁹ <http://www.miltonmadisonbridge.com/media/9996/gov%20office%20on%20tiger%20grant.pdf>

job creation by providing potential employers with a trained workforce. Secretary Solis extended NEGs to several states in response to auto-related lay-offs, including:

- **Michigan:** In September, 2009, Secretary Solis announced three Regional Economic Impact Strategy Grants to support workers across the state, totaling \$38 million.
- **Minnesota:** In May, 2009, Minnesota received a \$1.3 million NEG to support dislocated auto dealership and service center workers as well as workers at parts suppliers in the state.
- **Ohio:** In March, 2009, Ohio received an \$8.3 million NEG to serve workers laid off from the GM plant in Moraine and Chrysler plant in Toledo. In June 3, 2009, Ohio received an additional \$1.7 million for this NEG to support dislocated auto workers affected by layoffs at the Chrysler Stamping Plant in Twinsburg.
- **Wisconsin:** In January 2010, Wisconsin received a \$2.3 million award that will provide services for dislocated auto workers in Rock County, Wisconsin.

Health Care Jobs Training Initiative for Auto Communities: As they seek to create new jobs, auto communities are focused on diversifying into growing sectors, such as health care. In February 2010, Labor Secretary Hilda Solis announced more than \$225 million in health care and high growth training grants funded by the Recovery Act. The grants will allow community colleges, community-based organizations, state workforce agencies and other public entities to deliver training that leads to employment in a range of health care fields and other growing industries. Given the need in auto communities, approximately \$25 million was reserved for projects serving communities impacted by automotive job loss. Auto communities that received grants were located in Michigan, Ohio, Indiana, Missouri, Tennessee, Alabama, Maryland, Georgia, Illinois, Kentucky, California, Minnesota, and South Carolina. Of the \$225 million in funding, Ohio received \$19 million, or over 8% of total funds, providing help to 3,400 Ohio workers.

Green Jobs Training Program for Auto Communities: While many communities are seeking to leverage their workforce's expertise in advanced manufacturing to attract green companies, such as wind turbine manufacturers, they need help providing workers with the bridge training needed to help workers transition to these new careers. The availability of these training dollars in turn helps attract businesses to communities. The Recovery Act provided DOL with \$500 million in new funding to prepare workers for careers in the energy efficiency and renewable energy sectors. Of the funds, \$50 million was set aside for auto communities. In California, \$6 million in State Energy Sector Partnership and Training Grants will be used to assist dislocated workers in Alameda and Los Angeles Counties.⁴⁰ In Missouri, the United Auto Workers (UAW) Labor Employment and Training Corporation (UAW-LETC) received \$3.2 million which will benefit those in St. Louis and St. Charles Counties.⁴¹

⁴⁰ http://www.doleta.gov/pdf/SESP_Summaries.pdf

⁴¹ <http://www.doleta.gov/sga/awards/SGA-DFA-PY-08-18-Awardees.cfm>

TAA and Unemployment Insurance Modernization: Unemployment Insurance (UI) provides dislocated workers with financial assistance while they seek new jobs. This support is critically important in times of recession, when the average time it takes a worker to find a new job is prolonged. UI benefits have been extended several times so that between state UI, emergency UI, and federal-state extended UI, workers now can receive support for up to 99 weeks in some states. Between February of 2009 and March of 2010, 1,021,043 workers received these extended benefits in the five largest auto states of Michigan, Indiana, Kentucky, Ohio and Tennessee. Some unemployed auto workers also receive benefits under Trade Adjustment Assistance (TAA), which covers workers who lose their jobs due to foreign trade. This program provides training, health care coverage assistance and other benefits. Between May of 2009, when the new TAA benefits under the Recovery Act became available, and April of 2010, 48,882 auto workers were covered under this program. On top of these funds, the Recovery Act made a total of \$7 billion in UI modernization incentive payments available to states that included or have changed their laws to include certain eligibility provisions in their state UI programs. These provisions largely expand the pool of dislocated workers eligible for funds to include part-time workers and those who left their jobs due to domestic violence or other family reasons. So far, states with high densities of auto employment have received the following allocations of these modernization funds:

- Delaware: \$21.9 million
- Michigan: \$69.4 million
- Ohio: \$88.2 million
- Tennessee: \$141.8 million
- Wisconsin: \$133.9 million
- New York: \$412.7 million

2. Redeveloping Closed Plants, Brownfields and Abandoned Property

Old GM and Old Chrysler Sites: The bankruptcy proceedings at GM and Chrysler will result in numerous brownfield properties becoming available for redevelopment. While some of these facilities have only recently closed, communities are actively working to position some of these sites for new development. Since getting these properties back into productive reuse is a high priority for communities, a multi-agency effort is working with the states to establish a process for dealing expeditiously with environmental issues so that properties can be returned to productive economic use as quickly as possible. White House Council staff have taken an active role in working with Motors Liquidation Company and Old Carco (the estates for Old GM and Old Chrysler sites respectively) and local communities to redevelop these sites.

Brownfields: Through Recovery Act and annual appropriated funds, EPA's Office of brownfields Cleanup and Redevelopment made \$112 million in grants available to help communities assess, clean up and redevelop abandoned, contaminated properties

known as brownfields. Recognizing that auto communities in particular are faced with the challenge of redeveloping former auto facilities, the EPA awarded Michigan \$10.3 million in these funds, making it the top recipient of these grants for 2009. Ohio received \$5.9 million in funding under the same program. In 2010, the Brownfields Office has awarded \$78.9 million in funds to support 304 projects through Brownfields Assessment, Revolving Loan Fund and Clean Up fund grants. The Brownfields office has also worked closely with local auto communities to identify strategies for breaking logjams, putting long vacant auto properties back to productive use. Some of EPA's work around closed facilities is detailed in the next section.

Area-Wide Planning: To target auto communities that face multiple brownfield sites or very large sites that might be contaminated, this year EPA announced the Brownfields Area-Wide Planning Pilot program. The pilot will make \$3.5 million in EPA grant funds and direct assistance available for projects to facilitate community involvement in area-wide planning approaches to brownfields assessment, cleanup, and subsequent reuse. As opposed to focusing on a single brownfield site, this program is unique because it assists communities struggling to coordinate planning and redevelopment around a number of sites or one very large site, a challenge faced by many auto communities.

Neighborhood Stabilization Program: The Neighborhood Stabilization Program (NSP) was established to help stabilize communities that have suffered from foreclosures and abandonment, such as Detroit and many other older industrial communities. NSP does this by providing funds for the purchase and redevelopment of foreclosed and abandoned homes and residential properties. NSP is comprised both of \$3.92 billion in formula funding, referred to as NSP1, and \$1.93 billion in competitive dollars, referred to as NSP2. Under NSP1, \$263.6 million was allocated to Michigan, \$258.1 million was allocated to Ohio, and \$151.9 million was allocated to Indiana. Under NSP2, \$223.9 million was awarded to Michigan communities and \$175.2 million went to cities in Ohio. Auto communities in other states across the country also were awarded funds.

3. Maintaining Vital Health and Social Services

Providing Health Care Services: The Recovery Act provided \$2 billion for the Department of Health and Human Services' Community Health Center Program, enabling this program to serve more patients, stimulate new jobs, and meet the significant increase in demand for primary health care services among the Nation's uninsured and underserved populations. Throughout 2009 and 2010, Recovery Act funding has been invested in Community Health Centers to support critically needed health care services, renovations and repairs, and investments in health information technology. As a result, 1,129 Health Centers across the U.S. were able to provide expanded service to more than 2 million new patients. Focusing in on auto communities, the state of Michigan has received more than \$48 million in awards to 29

health centers. Thirty-two health centers in Ohio have collectively received more than \$60 million.

Helping School Districts: The Department of Education has made resources available to help keep teachers in the classroom in the event of budget shortfalls. Education's 48.6 billion State Fiscal Stabilization Funds (SFSF) under the Recovery Act help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. These funds flow to the states, where they are then disbursed, as the state determines, to local school districts and to support other government services. Indiana is eligible for \$1 billion, Ohio for \$1.7 billion, and Michigan for \$1.5 billion in SFSF. Where tax revenues have been slashed as a result of closing auto plants, these resources have been critical to keeping teachers in the classroom.

Keeping Struggling Communities Safe: Similarly, the Recovery Act provided additional funding to maintain or expand policing services in the face of state and local budget cuts. The Justice Assistance Grant (JAG) Program provided \$2.7 billion to support law enforcement and prosecution, courts and corrections, drug treatment, and victim assistance. Michigan received \$67 million of these funds, while Ohio received \$61.6 million, and Indiana received \$35.4 million. The Recovery Act also provides \$1 billion in grant funding under the COPS Hiring Recovery Program (CHRP) for the hiring and rehiring of additional career law enforcement officers. Under CHRP, Ohio received \$79.3 million, Michigan received \$34.6 million, Indiana received \$26.6 million, and Missouri received \$19.7 million.

Emergency Response: FEMA's Staffing for Emergency Fire and Response (SAFER) program provides competitive grants to support the diverse needs of both large and small fire departments. These funds are critically important to the many communities that have had to lay off firefighters as a result of recent budget cuts. Because of investments in the Recovery Act, non-federal matching requirements have been waived for FY 2009-2010. The SAFER program has addressed staffing needs by enhancing these fire departments' ability to hire or rehire career firefighters and to recruit and retain volunteer firefighters. SAFER funding allows fire departments to increase the number of trained, front-line firefighters available in their communities which in turn reduces response times, increases deployment capabilities, and enhances overall public safety.

B. Cutting Red Tape and Providing Support to Auto Communities

A primary mission of the Council is to make the federal government more responsive to the needs of individual communities. In addition to awarding the funds described, the Council and its member agencies have worked one on one with communities to cut red tape, get funds to communities more quickly and make programs more effective and responsive to local needs and strategies. The Council has worked with the agencies to make sure that individual communities know how to access resources and that agencies use whatever flexibility they have to make programs as effective as possible for individual communities. Instead of telling communities to design their strategies around federal resources, the Council seeks to find new and better ways to use federal funds to support the strategies of local communities, building on their own unique assets.

The Council has sponsored a series of trips involving large teams of federal agencies at once travelling to meet with leaders in individual auto communities. On these trips, federal agencies have the opportunity to learn from and collaborate with not only elected officials but also labor leaders, heads of non-profits, workforce development and other municipal and county staff, as well as small business owners. The trips serve to start and deepen relationships between local communities, Council staff, and federal agencies, and serve as the starting point for future collaboration. The departments and agencies participating in the Council's initial tours to Michigan and Ohio included:

- Department of Labor
- Department of the Treasury
- Department of Commerce (Economic Development Administration and Manufacturing Extension Partnership)
- Department of Housing and Urban Development
- Small Business Administration
- Department of Energy
- Environmental Protection Agency
- Department of Transportation
- Department of Health and Human Services

Since the initial tours to a half dozen cities in Michigan and Ohio described earlier, the Council has led these large multi-agency trips to St. Louis, Missouri; Fremont, California; Wilmington, Delaware; and Moraine, Ohio.

In addition, Council staff have worked with the following communities to identify federal resources that can be helpful and have convened federal agencies around their needs: Pontiac, Lansing, Sterling Heights, Livonia and Warren, Michigan; Cleveland, Parma

and Mansfield, Ohio; Kokomo, Elkhart, Anderson and Indianapolis, Indiana; Spring Hill, Tennessee; Newark, Delaware; Shreveport, Louisiana; and Cozad, Nebraska. Council staff have also worked with state leadership in Ohio, Michigan, Missouri, Maryland, Kentucky, Tennessee, Wisconsin, Connecticut, New York, California and Delaware to identify resources that could be helpful on a statewide level.

The Council's staff of State Coordinators work aggressively with individual communities across the country to identify their biggest challenges, their strategies for recovery, and to find ways the federal government can support their efforts.⁴² This work with individual communities has yielded results on the ground. Some of the grants described above were the direct result of the Council's and member agencies' work with individual communities to identify resources that could help them. In some cases, all a community needs is this information about grant opportunities. In others, the appropriate resource may not be obvious, and the Council works hand-in-hand with local communities to develop plans around their needs and strategies.

In its one on one work with individual communities, Council staff and participating agencies have worked closely with stakeholders in local communities to identify their greatest needs, local assets and the strategies they are already pursuing and on which they want to build. These efforts have led to funds being accessed more quickly, agencies making programs more flexible and nimble to serve local needs, and enhanced coordination between local communities, a broad team of federal agencies, the states, and private partners. While the Council staff's and agencies' work with communities continues on a daily basis, here are several examples of this community-specific case work:

1. Education and Promoting Best Practices

A key function of the Council is to leverage best practices by one federal agency, State, or community to assist other communities and to make sure communities know about all the resources available to them. By being a clearinghouse of some of the best strategies these stakeholders are using, the Council ensures that recovery is moving forward as efficiently as possible. While the Council uses its listserv, which has grown to over 9,500 subscribers, to highlight federal resources to a broad group of stakeholders, it has conducted an aggressive series of trainings in the field to highlight resources that are particularly helpful to auto communities.

Rapid Response: In March 2009, as GM and Chrysler worked to resolve their financial difficulties, it was unclear what immediate impact their plans would have on workers. At the time, it was uncertain whether any resulting layoffs would be immediate or staggered. To prepare for the worst, Ed Montgomery worked with DOL to convene a

⁴² Contact information for State Coordinators can be found at www.autocommunities.gov

day-long meeting of Rapid Response Coordinators in auto-heavy states to review their operation procedures and the best practices of states with the most successful programs. Rapid Response is a DOL-funded but state-run program that provides workers facing layoffs with one-stop access to information on how to apply for unemployment insurance, COBRA, job search and other reemployment assistance. After the meeting, each state then worked with DOL to identify a series of next steps to create a standard level of high-quality services for workers across states and to ensure that there are local Rapid Response units on the ground in advance of every plant closing.

Clean Energy Workshops in Michigan: While there were tremendous resources available in the Recovery Act for communities looking to diversify their economies and become more energy efficient, not all communities were equally prepared to take advantage of these resources. In response to this need, on May 26, 2009, the Council, along with the Michigan Economic Development Corporation and the Department of Energy, co-sponsored two workshops in Michigan. A session on DOE's Energy Efficiency and Conservation Block Grant (EECBG) program, which sent \$70 million to Michigan's state office, cities, counties, and tribal governments through the Recovery Act, focused on how participants could apply for and effectively utilize the program. A later session, featuring Governor Granholm, included a discussion on how DOE programs could be better structured to make it easier for small businesses in Michigan and around the country to apply for available funds, such as DOE loan guarantee programs and the over \$100 billion of investment in advanced vehicles, manufacturing, power generation, and transmission.

EPA Auto-Sector Mayors' Listening Sessions: As discussed, almost all auto communities are plagued by the challenge of redeveloping one or many brownfield properties. To make sure that communities knew about the full breadth of resources available to them – both state and federal – and help communities learn from one another, the Council and EPA convened auto-sector mayor's listening sessions in Michigan and Indiana in October of 2009. These sessions, held in Lansing and Indianapolis, convened mayors and other local leaders from across Michigan, Ohio and Indiana to discuss their biggest challenges in cleaning up and putting closed auto sites back to productive use, and to talk about how the federal and respective state governments can help. Representatives from the EPA, Departments of Justice and Housing and Urban Development; Michigan, Ohio, Indiana and Wisconsin state agencies; Motors Liquidation Company (Old GM) and Old Carco (Old Chrysler) also participated.

Supporting Suppliers: As discussed, when an OEM shuts down, not only the workers at the closing plant are affected. Suppliers with a bulk of work from the affected plant may be forced to shut down or lay off workers. Because these suppliers are frequently located in a cluster around the plant, the impact on the community or region is multiplied. As a result, the Council has focused on support for suppliers across the country as well as on the specific suppliers most affected by the recent plant closures. Commerce's Manufacturing Extension Partnership (MEP) has also taken a broader

approach to strengthen suppliers. In April 2010, MEP and the Ohio Department of Development worked together to sponsor a series of workshops for auto suppliers in Ohio. With events in the Dayton area, Cleveland and Toledo, these workshops provided suppliers with practical tools to increase productivity and exports and diversify into other sectors of the economy. Over the three workshops, the agencies were able to serve over 170 companies.

2. Redeveloping Properties While Keeping Communities Safe

The EPA, through its Brownfields program, has been a critical Council partner in moving the redevelopment of closed plants forward as quickly as possible while keeping communities safe.

“Buick City” in Flint, Michigan: Buick City is the site of a GM plant that closed in 2000 in Flint, Michigan. GM had held onto the property without dealing with the environmental issues on the site. As a result, since the buildings at the site were torn down in 2002 the property has remained unused. Because of the GM bankruptcy process, Buick City is owned by Motors Liquidation Company (MLC or “Old GM”), which no longer has an interest in holding onto properties and has funds set aside through the bankruptcy that will be available to deal with environmental cleanup. For the first time in 10 years the property is potentially available for redevelopment. This has provided the city with a huge boost in momentum in the development of the site and has attracted a potential purchaser which would create jobs on the site.

Despite this important step forward, the city was still faced with an environmental challenge: the cleanup would take too long and would delay any redevelopment for years. When this issue was raised on the Council’s first visit to Flint, Ed Montgomery asked EPA to see what could be done to help speed the process. After subsequent meetings with the city and with Old GM, EPA suggested a technique rarely used: parceling. Because the worst contamination was concentrated at the northern end of the property, EPA suggested that this northern “dirtier” part be parceled out into a separate piece of property. Though simple, EPA’s creativity will allow the southern “cleaner” piece of property to be cleaned up and put into reuse years before it might have if it was still tied to the northern property, creating jobs more quickly. On January 19, 2010, the EPA Assistant Administrator for Solid Waste and Emergency Response, Mathy Stanislaus, traveled to Flint to lead a community meeting on the proposed clean up plan for the site, the final step in the plan selection process. EPA has since approved the proposed remedy plan. Council staff has worked with EPA, the city and Old GM to help ensure the process moves as quickly as possible. Clean up on the site is set to begin in May, which will spur further development and job creation at the site.

“Tech Town” in Dayton, Ohio: Ed Montgomery travelled to Dayton on the Council’s first multi-agency tour through Ohio. On that first visit local partners in Dayton and at the Governor’s office made it clear how important their “Tech Town” development was. On the site of former GM and Frigidaire plants, Tech Town is part of a multi-year

development strategy by the city -- with support from the State, private sector and federal government -- to grow their high tech industries, with a special focus on aerospace and aviation.

In December 2009, officials from the City of Dayton, the Governor's office, Ohio EPA, US EPA, and Council staff met in Dayton to discuss the challenges the project faced, which included unfunded environmental remediation, unknown final cost estimates, and confusion over what regulatory standard was being used to oversee clean-up efforts. After significant discussion, EPA staff proposed an innovative solution to part of the problem. While currently the Tech Town site falls under the jurisdiction of the federal Resource Conservation and Recovery Act (RCRA), at the request of the City and the State, EPA could defer regulatory oversight to the state's Voluntary Action Program. As a result of this deferral, the city would be eligible for grants from the State's Clean Ohio Fund and save millions in funds for environmental cleanup. The regulatory clarity would also mean that the City could move forward in identifying exactly what clean-up was needed to meet the appropriate standards and how much it would cost.

A little over two months later, Ed Montgomery and EPA staff travelled back to Dayton to announce that the EPA had formally deferred to the State, saving the city \$6 million. EPA further announced that it would provide \$200,000 in Brownfields funds to conduct the remaining environmental assessments needed, speeding the redevelopment of the site.

3. Models of Cooperation

Toledo, Ohio: On his first tour of Ohio in May 2009, Ed Montgomery travelled to Toledo with a team of representatives from 11 federal agencies to meet with a broad panel of community representatives including the Mayor, local labor leaders, the head of the United Way, the local workforce system, the school system, small business owners and leadership from the University of Toledo. A broad range of needs were identified, ranging from the challenges of redeveloping brownfields to the effect of budget cuts on keeping police on the streets, as well as foreclosure, efforts to expand urban agriculture, the challenges faced by suppliers, and the community's focus on becoming a center for solar technology. Over the past year, this broad team of federal agencies has contributed to the community's strategies to address these issues.

Soon after the meeting, EPA began discussions with Representative Kaptur's office and the community about how it could help address the community's brownfield challenges and support urban agriculture efforts. In September 2009, EPA gave the city two \$200,000 Brownfields Assessment Grants to assess and characterize brownfields properties and conduct planning activities around the revitalization of these sites. EPA will also provide the city with Targeted Brownfields Assessment assistance to conduct an environmental site assessment of the former Jeep plant ("Jeep North"). To support the community's desire to promote urban agriculture, EPA provided the city with

\$50,000 in technical assistance to facilitate the reuse of the former Champion Spark Plug facility for agriculture.

Recognizing the public safety challenges in the city as a result of budget cuts, the Department of Justice awarded the city a \$7.1 million grant through its COPS Hiring Recovery program. The funds allowed the city to keep 31 officers on the street. Similarly, HUD acted by awarding the city \$10.15 million through its competitive Neighborhood Stabilization grant program. The funds will help the city stabilize neighborhoods ravaged by foreclosure. Building on this, the city was just awarded one of 25 Recovery Act "Retrofit Ramp-Up" awards, worth up to \$15 million, to conduct energy efficiency upgrades on entire neighborhoods of buildings in the city, creating jobs and saving energy and costs for residents, businesses and the city. In addition, the Economic Development Administration awarded a \$3.5 million grant in FY 2009 to the Toledo-Lucas County Port Authority for improvements at the airport, helping to save or create approximately 700 jobs.

Investing in the community's future, the Department of Energy awarded Xunlight Corporation, a leading producer of solar panels, a tax credit worth \$34.5 million for the production of a lightweight photovoltaic solar energy model.

Almost a year after his first visit to Toledo, Ed Montgomery travelled to the city in April 2010 to participate in a workshop for auto suppliers and meet with local leaders to discuss changes in the city over the last year and the current challenges they face, continuing the Council's dialogue with the community.

Flint, Michigan: Ed Montgomery and his team of federal partners travelled to Flint, Michigan, on his first tour of auto communities in May 2009. At that meeting, community leaders talked about the wide-ranging effects several decades of auto-related lay-offs has had on the community. Like Toledo, the area has struggled with severe budget cuts, multiple brownfields to redevelop, high foreclosure rates, and other challenges.

The intensive work undertaken by EPA to move the development of the Buick City site forward has already been discussed. Other agencies have stepped forward to help the city maintain services and work towards recovery at a critical time. On March 1, 2009, budget cuts required the layoff of 39 Flint firemen. Only a month later, on April 7th, the city was awarded a FEMA SAFER grant in the amount of \$6,766,350, allowing the city to rehire the firemen. The city also received a DOJ COPS grant allowing the city to rehire eight laid-off officers. The receipt of \$5.19 million in Department of Education Fiscal Stabilization Funds is keeping teachers in the classroom. An HHS Community Health Center grant of \$1.78 million to the Hamilton Community Health Network allowed a health center to expand its facilities from seven medical exam rooms to 23 and to hire additional staff. The city also received \$27.8 million in HUD Neighborhood Stabilization Program competitive dollars to help address high foreclosure rates in the city. Additionally, HHS, through the Health Resources and Services Administration, recently

awarded that Health Network \$2.6 million for a one-year budget period beginning April 1, 2010.

The Department of Labor provided critical funds to Flint to serve the large number of dislocated workers in the area. A “Pathways Out of Poverty” grant of \$3.66 million to Mott Community College will fund a 12-week training course for 200 students on basic skills in the green construction trades. More significantly, a DOL National Emergency Grant provided essential stop-gap funds to the workforce system through its Regional Economic Impact National Emergency Grant program. The Flint and Mid-Michigan region received \$8.9 million of these funds, while two other National Emergency Grants totaling another \$30 million went to West and Southeast Michigan. These funds are targeted for training workers dislocated from automotive and other related industries, to help them transition to growing areas of the regional economies.

Wilmington, Delaware: Shortly after the closure of the Wilmington GM and Newark Chrysler facilities were announced, Ed Montgomery brought a team of federal agency representatives to Delaware to meet with Governor Markell, Lieutenant Governor Denn, members of their Administration and local UAW leadership, to discuss the impact of the closures on auto workers and the State at-large. Representatives from DOL, EPA and the Commerce’s MEP and EDA discussed how their agencies could help provide support for workers laid off at the facility and lay the groundwork for redevelopment. The Governor’s team emphasized the importance of supporting the hard-hit workforce, their desire to recruit new firms to maintain an auto industry in the state and their plans to build the state’s green industry.

In response to the needs identified in that meeting, the State worked with Council staff to apply for a DOL National Emergency Grant (NEG) to fund benefits and services to workers laid off at the plants. On July 24, 2009, Vice President Biden announced a \$3.8 million NEG to the state that would help provide laid off workers with retraining, job search assistance, career planning and other employment services. In addition, in September of 2009 workers at the Wilmington GM plant were certified as eligible for Trade Adjustment Assistance. MEP worked with DOL and the state to design some of the training displaced workers have accessed.

In September 2009, EDA awarded two grants to the state worth a combined \$1.2 million. EDA awarded \$800,000 in Recovery Act funds to Delaware Technical and Community College (Owens Campus) in Georgetown to construct a Green Building Technology and Alternative Energy Training Center. The facility will be a training center in green energy-related industries, and will target those affected by the recession and automotive industry downturn. A strategic planning grant of \$400,000 was also provided to help the state develop an economic adjustment strategy for the reuse of automotive assembly plants and closed manufacturing sites in the state.

While coordinating with other federal agencies, the Council also worked with Motors Liquidation Company, the owner of the former GM site, to ensure that the company was

working with the State and local communities to identify the best reuse for the closed plant as well as doing whatever it could to make the site more marketable for those purposes. As part of these efforts, vital equipment remained in the Wilmington plant, allowing Fisker Automotive to see the plant as a viable option for its use. The Department of Energy's \$528.7 million dollar loan to Fisker Automotive Company through its Advanced Technology Vehicle Manufacturing (ATVM) Loan Program provided Fisker with the resources it needed to announce in October 2009 that it would reopen the former GM plant in Wilmington to assemble its new line of plug-in hybrids. Fisker estimated that the project would create around 2,000 jobs in Wilmington, many of which will likely go to former GM or Chrysler auto workers.

Cozad, Nebraska: In smaller towns, layoffs by a supplier can affect the entire city, county, or region that depend on it. In fall 2009, Tenneco, an automotive parts supplier, decided to close its Cozad, Nebraska facility and shift production to its other facilities throughout North America. In a town of 4,000 people, located in a county with less than 25,000 people, the loss of these 500 jobs will have broad-reaching effects on this region of Nebraska. The negative effect of this announcement on the economic environment in Cozad was immediately seen in shuttered shops throughout the community.

The Council began working with state and local leaders months before the first job was lost. The Council convened these leaders with federal agencies including USDA, EDA, DOL, among others, to determine ways in which Council member agencies could assist. As a result, local and state officials started preparing for the impending closure months in advance by conducting bi-weekly conference calls with state and local officials to ensure that stakeholders moved toward a recovery strategy. Since the fall of 2009, Cozad, Dawson County, and statewide stakeholders have continued to remain in contact with federal agencies and are regularly updated on upcoming federal programs which could assist municipalities, dislocated workers, and small businesses affected by the closure. As a result of this work, Cozad, Dawson County, and the State of Nebraska have applied for programs within USDA, the Department of Commerce's Economic Development Administration, and the US Department of Labor.

Fremont, California: In September 2009, New United Motor Manufacturing Inc. (NUMMI) announced that it would close its Fremont, California plant in March 2010. Local leaders reached out to Dr. Montgomery and in November 2009 he brought a team of Council agency officials to Fremont to determine what federal resources might be helpful to the community.

With the closure of NUMMI still months away, the federal agency partners were able to begin preparing well in advance. The Department of Labor's Region 6 offices worked closely with the eight affected workforce investment boards as they coordinated rapid response efforts to support the soon-to-be dislocated workers. In November 2009, well before the actual closing, Trade Adjustment Assistance was approved to provide additional benefits to the plant's 4,700 affected workers.

After the meeting, Commerce's MEP spearheaded a layoff aversion strategy for the affected suppliers. MEP's actions in California following the announcement of the closing of the NUMMI plant are a model for how Council agencies are targeting support to affected suppliers. Following the announcement of the closing, the Alameda County Workforce Investment Board, funded by DOL, engaged the Corporation for Manufacturing Excellence (MANEX), MEP's Northern California affiliate, to conduct business assessments and identify performance improvement and business continuity opportunities for suppliers affected by the closing. As part of this strategy, MANEX engaged in a two-phased approach to assess and assist NUMMI's manufacturing suppliers that would be adversely impacted by the NUMMI shutdown. Phase I, which has been completed, included contacting dozens of suppliers, determining the continued business viability of those interested in participating (13 tier-1 suppliers elected to participate in this phase) and developing "recommended assistance packages" to improve each supplier's chances of remaining in business. This could mean the development of new products, marketing current products to new markets, or other strategies. Phase II, targeting six suppliers covering some 800 jobs, is currently underway and will consist of delivery of assistance to the companies to improve near- and mid-term business performance and save jobs.

In addition to the layoff aversion program MANEX conducted, DOL worked with the State Labor and Workforce Agency to make NUMMI suppliers throughout California aware of the resources available to them and their workers, including Trade Adjustment Assistance (TAA), Job Training/One-Stop Services, and Layoff Aversion Assistance. TAA petitions were prepared and filed for 24 NUMMI suppliers. As of April 30th, 11 have been approved, benefitting over 1,300 workers. Additionally, all the local workforce investment areas with affected suppliers are currently reaching out to those firms to conduct rapid response orientations and follow up on efforts to coordinate TAA petitions.

The Department of Commerce's Economic Development Administration (EDA) was likewise tapped as a useful resource at the November meeting. Subsequent to the visit, the city of Fremont applied for and was awarded a \$333,000 EDA grant to fund four related studies to develop a recovery strategy, including future reuse, planning, and job creation at the NUMMI site and surrounding area. Additionally, Commerce provided support and counsel to the East Bay Economic Development Alliance for a six-day trip to China in April 2010. The East Bay EDA coordinated the trip to China in an effort to meet with a diverse range of companies, from auto manufacturers to alternative energy technology companies that are looking to invest in North American Operations.

The Department of Energy has also provided support to Northern California communities through various programs, such as the Advanced Technology Vehicles Manufacturing (ATVM) and other Loan Guarantee programs. Solyndra, Inc., which manufactures innovative cylindrical solar photovoltaic panels that provide clean, renewable energy, received a \$535 million loan guarantee in September 2009 to finance construction of the first phase of the company's new manufacturing facility in

Fremont. In June 2009, Tesla Motors received a \$465 million loan guarantee from DOE's ATVM loan program. Part of that loan will support the creation of a new facility in Northern California to manufacture battery packs and electric drive trains to be used in Tesla cars and in vehicles built by other automakers, including the Smart for Two city car by Daimler. The new facility expects to employ 650 people.

C. Building Stronger Public-Private Partnerships

Over the last year the Administration has reached out to foundations to identify areas of common interest where agency initiatives and private philanthropic organizations might collaborate for mutual benefit. In June of 2009, Secretary of Labor Solis and Ed Montgomery met with representatives from key Midwest foundations in Ohio to discuss these opportunities. During the fall and winter, a wide range of Administration officials met with the Funders' Network for Smart Growth and Livable Cities, the Council on Foundations, and individual foundations to explore opportunities further.

On March 11-12, 2010, the White House Council convened a pair of roundtable meetings with the Brookings Institute and the Funders' Network, inviting foundations representing four regions to discuss their challenges in land use and job creation. The forum provided an opportunity to identify and explore discrete approaches and practices that show promise, to learn from one another, and to better understand the potential of the federal-philanthropic partnerships. In April, Ed Montgomery traveled to Pittsburgh to meet with community foundations participating in the Funders' Network annual conference. Community foundations bring a unique place-based perspective to the opportunities for collaboration, and those based in auto communities are anxious to contribute to the transition and recovery effort.

V. Framework for Moving Forward

Over the next year, the Council will continue to support the efforts of auto communities as a group and to work with individual communities to make sure they are able to take full advantage of the federal resources available to them.

A. Support for Auto Communities in the FY 2011 Budget

As part of the Council's mandate to recommend additional authorities or resources that might be needed, the Council worked with the Domestic Policy Council, National Economic Council and the White House Office of Urban Affairs during the development of the FY 2011 budget. During this inter-agency process, numerous place-based and other initiatives of particular value to auto communities were identified. The President's FY 2011 budget includes requests for resources that will enable the Council members to continue to address the issues of job creation and redevelopment that auto communities confront. Here is a partial list of investments that are particularly relevant for auto communities:

1. Job Creation

Though auto communities, regions and states all have a common history in the auto industry, they are home to a diverse array of industries that they are seeking to build on as they move forward. Whether it be in solar, wind or other green industries; aerospace and aviation; health IT; medical devices; high tech; or any number of other industries, the FY 2011 Budget will support auto communities' effort to invest in a wide number of areas.

Hiring Incentives to Restore Employment Act: In March 2010, the Congress responded to the President's call for a comprehensive jobs bill. The Act has four main components, all providing businesses with incentives to spur hiring and put Americans back to work:

- ***Tax cuts for new hires:*** Provides tax cuts for businesses that hire someone who has been out of work for at least two months;
- ***Spurring Investment:*** Helps businesses to invest in their future by permitting them to write off investments in equipment this year;
- ***Bonds:*** Encourages job creation by expanding investments in schools and clean energy projects through Build America Bonds;
- ***Investing in Infrastructure:*** Maintain investments in roads and bridges.

Encourage Investment in Small Businesses: In addition, the President's Budget includes the following additional incentives for investment in small businesses:

- **Capital gains:** Expanding on the provision in the Recovery Act, the President's FY 2011 budget proposes to completely eliminate the capital gains tax on small business stock, saving small businesses money that they can reinvest in growing their companies;
- **Deductions on qualified investments:** In addition, the President is proposing an additional year of allowing companies (large and small) to immediately deduct 50 percent of their qualifying investments, a step that will lower the cost of making investments today, encouraging job creation today and innovation for tomorrow;
- **Access to loans:** One of the lingering difficulties of the recession is that it is difficult for many small businesses to access the capital they need to operate, grow, and create new jobs. The Budget provides \$165 million in subsidy costs to support \$17.5 billion in Small Business Administration 7(a) loan guarantees and proposes to increase the maximum 7(a) loan size from \$2 million to \$5 million.

Spur Investment in Domestic, Clean Energy Manufacturing: The Section 48(c) Advanced Energy Manufacturing Tax Credit is a Recovery Act program that currently allocates a total of \$2.3 billion to clean energy manufacturers. The Budget expands this successful program, providing an additional \$5 billion to provide this tax credit to many more advanced energy manufacturing projects.

Develop the Market for Clean Energy Technologies: The Budget substantially expands support for construction of new nuclear power plants by increasing the DOE loan guarantee authority for such projects by \$36 billion, to a total of \$54.5 billion. It also provides credit subsidy funding of \$500 million to support \$3 to \$5 billion of loan guarantees for energy efficiency and renewable energy projects.

Support Transformational Clean Energy Research: The FY 2011 Budget provides nearly \$2.4 billion, an increase of \$113 million, for energy efficiency and renewable energy programs. This includes funding for solar energy, biofuels and biomass R&D, advanced vehicle technologies, and energy-efficient building technologies.

Promote Opportunities for American Exporters in New Markets: The Budget provides \$534 million, a 20 percent increase, to Commerce's International Trade Administration (ITA). As part of the National Export Initiative, a broader Federal strategy to increase American exports, ITA will strengthen its efforts to promote exports from small businesses, help enforce free trade agreements with other nations, fight to eliminate barriers to sales of U.S. products, and improve the competitiveness of U.S. firms.

Support Manufacturing: The Budget requests \$130 million for the Department of Commerce's Hollings Manufacturing Extension Partnership to enhance the

competitiveness of the nation's industries by facilitating the adoption of more efficient manufacturing processes. This is an increase on last year's budget, working towards the President's commitment to double the MEP budget from its FY 2008 level by FY 2015.

Create a National Infrastructure Innovation and Finance Fund: The Budget includes \$4 billion to create a National Infrastructure Innovation and Finance Fund to invest in projects of regional or national significance. This marks an important departure from the Federal Government's traditional way of spending on infrastructure through grants to specific States and localities. The Fund will allocate resources based on demonstrable merit and analytical measures of performance.

Invest in a Smart, Energy-Efficient, and Reliable Electric Grid: The Budget provides \$144 million to continue to support modernization of the Nation's electric grid by investing in the research, development, and demonstration of smart-grid technologies that will spur the Nation's transition to a smarter, stronger, more efficient, and reliable electric system.

Sustain Multi-Year Support for High-Speed Rail: Building on the historic \$8 billion down payment provided through the Recovery Act, the President's Budget includes \$1 billion for high-speed rail, which supports the President's five-year, \$5 billion pledge from the FY 2010 Budget.

Enhance Regional Economic Competitiveness: Competitive, high-performing regional economies are the building blocks of national growth and can benefit from smarter policies. The Budget supports growth strategies based on stronger regional clusters of economic activity. As part of the Administration's place-based initiative, the Budget provides \$75 million in regional planning and matching grants within EDA to support the creation of Regional Innovation Clusters that leverage regions' competitive strengths to boost job creation and economic growth. SBA will support enhanced small business participation in clusters by awarding competitive grants to promote greater coordination of resources, such as business counseling and mentor-protégé partnerships.

Provide Training for High Growth Green Jobs: Building on investments in the Recovery Act and the 2010 appropriation, the FY 2011 Budget provides \$85 million for green job training to the Department of Labor to prepare workers of all skill levels for emerging occupations.

Supporting Career Training: The Community College and Career Education Grant Program, funded through Affordable Care Act, provides \$2 billion over four years which will fund community colleges and other institutions of higher education to develop, offer, and improve career training programs for certain unemployed workers. The educational or career training programs created with these funds will enable more workers who have lost their jobs to acquire the skills and earn the credentials necessary to obtain

reemployment in new careers. The Department of Labor, in close cooperation with the Department of Education, will administer this competitive grant program. Funds will be made available beginning in the fall of 2010.

Reform the Job-Training System to Encourage Innovation and Empower Workers:

As a complement to supporting reauthorization of the Workforce Investment Act (WIA), the Budget makes available \$261 million in the DOL budget and \$60 million in the Department of Education budget for new innovation funds, administered through the two agencies' new Partnership for Workforce Innovation. The Partnership will create new incentives for states and local areas to break down barriers among programs, and test new ways of delivering services to meet the needs of, and improve outcomes for, both workers and employers. As part of this partnership, the two departments will support state and local efforts to accelerate and improve outcomes for jobseekers through collaboration across state and Federal programs and create tools for measuring program performance and sharing information with both policymakers and customers.

2. Land Use/Infrastructure

As communities seek to attract and/or build upon other industries, they are using their existing industrial assets to attract manufacturers in these emerging industries. Whether it is cleaning up a facility for an incoming new manufacturer or cleaning up land for redevelopment, the FY 2011 Budget and ongoing Administration efforts will support auto communities as they clean up closed auto plants and redevelop abandoned property.

Expand Funding for Brownfields: There is \$215 million in the EPA budget – an increase of \$42 million from FY 2010 – to accelerate and expand brownfields cleanup with integrated area-wide planning and environmental remediation activities. This funding will allow for increased support to auto communities and other distressed areas.

Take an Integrated Approach to Revitalize Distressed Urban Neighborhoods: The Budget reflects a place based, integrated, and performance-driven approach to distressed urban neighborhoods, where the challenges tied to jobs, education, public safety, and other needs intersect and compound each other. The Budget includes \$250 million for HUD's Choice Neighborhoods program, which will target neighborhoods anchored by distressed public or assisted housing. Choice Neighborhoods will coordinate with the Department of Justice, which has \$40 million in its budget for targeted, innovative programs to prevent gang violence as well as assist ex-offenders to re-integrate into the job market and community life. The Budget also includes \$210 million for Promise Neighborhoods, based on the experience of the Harlem Children's Zone, to significantly improve the educational and developmental outcomes of all children in our most distressed communities by providing a continuum of effective community services, strong family supports, and comprehensive education reform. This program is also planned with the Department of Justice.

Invest in Regional and Community Planning Efforts: As part of the President's Partnership for Sustainable Communities, the Budget includes \$150 million for HUD to help stimulate comprehensive regional and community planning efforts that integrate transportation and housing investments, resulting in more regional and local sustainable development patterns, reducing greenhouse gases, and increasing more transit-accessible housing choices for residents. This effort is combined with the Environmental Protection Agency's technical assistance and Department of Transportation's \$530 million to help State and local governments invest in sustainable transportation infrastructure that integrates with housing development and other critical investments.

Fully Fund the Community Development Block Grant Program: The Budget provides \$4.4 billion for the Community Development Fund, including \$4 billion for the Community Development Block Grant Formula Program (CDBG), and \$150 million for the creation of a Catalytic Investment Competition Grants program. The new Catalytic Competition Grants will provide capital to bring innovative economic development projects to scale to make a measurable impact. The competitive grants, which will go to communities in significant distress, including many auto communities, will fund applicants with targeted economic investments while leveraging other federal neighborhood revitalization programs, including mainstream CDBG funding.

Make Permanent the Build America Bonds Program: Build America Bonds are the fastest-growing part of the \$2.8 trillion U.S. municipal debt market, spurring economic development across the country. The Build America program subsidizes 35 percent of municipal issuers' interest payments if they sell taxable securities instead of tax-exempt and was set to expire on December 31, 2010. Under the proposal included in the President's budget, the subsidy would be set at 28 percent to ensure it is revenue-neutral and can be extended indefinitely.

3. Supporting Families and Maintaining Vital Social Services

Health Care Reform: The Affordable Care Act (ACA), enacted this year, will make health care more affordable, make health insurers more accountable, and expand access to health insurance coverage for all Americans. The ACA makes the health system sustainable, helping to stabilize family budgets, the Federal budget, and the economy.

Expand Affordable High-Quality Primary and Preventive Care: The ACA includes \$11 billion over five years for health centers to expand affordable high-quality primary and preventive care to underserved populations, including the uninsured. This will support approximately 25 new health center sites. In addition, the ACA invests \$1.5 billion in the National Health Service Corps (NHSC) to place providers in medically underserved areas to improve access to needed health care services.

Extend the Making Work Pay Tax Credit: As part of the Recovery Act, the Administration put into place the Making Work Pay Tax Credit. The broadest middle-

class tax cut in American history, it helped over 10 million families in Michigan, Indiana and Ohio and 110 million families nationally. The Budget proposes to extend this tax cut for one year.

Protect the Social Safety Net: To help those most affected by the recession, the Budget will extend emergency assistance to seniors and families with children, Unemployment Insurance benefits, COBRA tax credits, and relief to states and localities to prevent layoffs.

Keep Families in their Homes: The Budget includes \$201 million to support homeownership counseling, including foreclosure prevention, and \$20 million to combat mortgage fraud.

B. Pilot Projects

While the FY 2011 budget is being determined by Congress, over the coming months a number of federal agencies will be conducting pilot projects that could benefit auto communities. They include:

The E3: Economy, Energy and Environment: This multi-agency project between the EPA, Commerce's MEP, DOE's Industrial Assessment Centers, SBA, and DOL is a coordinated federal and local effort to provide technical assistance to US manufacturers to reduce energy consumption, minimize their carbon footprint, prevent pollution, increase productivity and enhance innovation. The E3 approach includes a comprehensive front-end assessment and gap analysis of a company's manufacturing processes against "best practices" in these areas. Assessment results are used to develop comprehensive improvement plans in collaboration with the participating companies. The improvement plans incorporate technical and financial assistance support provided by participating Federal, State and private industry service providers and funders. Pilot tests of the E3 model have been completed over the past year at dozens of companies in Columbus, Ohio; San Antonio, Texas; and Alabama. Most recently, the New Economy Initiative, a coalition of 10 national and local foundations collaborating in Southeast Michigan, convened key partners including federal agencies and DTE Energy to launch another E3 pilot in Detroit, which will begin this summer.

Nationwide network of public-private business incubators: Commerce's EDA is creating a network of incubators to encourage entrepreneurial activity in economically distressed areas. The incubators will manifest in a series of integrated business support facilities (virtual or concrete) that support entrepreneurship in a manner consistent with the strategic vision outlined in the given community's local Comprehensive Economic Development Strategy. Business Incubator Networks will expand on EDA's existing efforts to fund business incubators and begin the creation of a nationwide network of incubators that can facilitate the sharing of best practices and business contacts.

Placement of New Department of Commerce “CommerceConnect” Initiative in the Detroit Metro Region: Often times, businesses have difficulty navigating the array of federal resources available to help them thrive. This is especially true when they are facing declining revenues and dealing with financial crises. In June 2009, Commerce announced CommerceConnect, an initiative designed to streamline access to government services and solutions to aid American businesses, with its pilot center located just outside of Detroit. A primary goal of the initiative is to provide a virtual “one-stop-shop” for information, counseling, and access to the breadth of services that help a business transform itself into a viable and competitive enterprise.

C. Work with Individual Communities

Relationships with local communities forged over the past year will continue to bear fruit as Council staff assist communities in navigating the federal government and cut red tape to get resources out more quickly and make programs more effective. While in the Council’s first year State Coordinators have focused on communities affected by recent Chrysler and GM closures, over the next year they will begin to work with a broader set of communities.

D. Building Stronger Public-Private Partnerships

Over several months and meetings with philanthropy, it has become clear that opportunities for collaboration exist in four categories of activities: research, capacity building, planning, and implementation. Individual agencies have initiated and accelerated discussions with foundations in each of these areas and are working to further develop initiatives in each area. Partnering with the Funders’ Network and the Brookings Institute to convene an Auto Summit in May of 2010 has served to crystallize public-private efforts and opportunities for collaboration, and demonstrated the potential for these partnerships to help auto communities plan for and build toward the future. In the year ahead, the Council will continue to strengthen these relationships and identify concrete ways it can collaborate with philanthropy.

VI. Conclusion

Almost a year ago, the President created the White House Council on Automotive Communities and Workers, chaired by Director Summers and Secretary Solis, to coordinate the federal response to the economic challenges brought about by the decline in the auto industry. Using the resources provided by the Recovery Act and other funding, the industry has been stabilized and the worst effects of a collapse of a major car company have been avoided. As with the nation as a whole, there are positive signs of economic rebound, but more needs to be done to return these communities to health.

Just as the problems facing the industry and the communities that rely upon it did not start with the recession, the recovery will not occur overnight. Creating jobs and getting Americans back to work is the Administration's top priority, and the Council will continue to seek ways to speed up the process and to make sure these efforts reach the workers and communities that have relied on the auto industry.

Working with State and local governments, business, labor and non-profits, the Obama Administration is committed to taking a holistic approach to economic revitalization in these regions. By building on the tremendous assets already in place and by unleashing the innovation and creativity of our entrepreneurs, we can build a new more competitive economy. The Council will continue to travel to auto communities across the country to engage with elected officials, policy experts, and local communities themselves to find ways to support their efforts within existing authorities and resources. The Council will also continue to study new policies and make recommendations in the future about potential new ways to further help workers and their families.