



Statement by
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Introduction

Chairwoman Boxer, Ranking Member Inhofe, and members of the Committee, thank you for the opportunity to testify today on behalf of the Economic Development Administration (EDA) to discuss EDA's response to the Oil Spill in the Gulf.

Before I move to discuss EDA's efforts, I want to express my condolences to the families of the 11 people who lost their lives in the explosion and sinking of the Deepwater Horizon and to express my gratitude to all those individuals who assisted in the rescue of the over 100 survivors.

Throughout the agency's 45 year history, EDA has been called upon many times to respond to adverse changes in economic conditions. While the current economic impact is not yet fully known due to ever-changing nature of this disaster one thing is certain – real economic damage has already been done to many coastal communities. In fact, even the impression that the Gulf Coast could be closed has had, and may continue to have, an adverse effect on

the local economies for everyone from shrimpers to recreational boaters to hotel operators and restaurant employees.

Local newspapers like the Pensacola News Journal are already reporting that people were staying away from the beaches even though no oil was present. The beach restaurants are telling staff to stay home, the beach communities are losing tax revenue since fewer cars are crossing the bay bridge, and hotels rooms are going empty. We know through local contacts that in Alabama, Louisiana, Florida and Mississippi, entire coastal communities are uncertain about their future because their livelihood is based on fishing, aquaculture, and tourism, all of which have a significant impact on the local, regional, and national economy.

While the responsible parties, rather than EDA, will ultimately be responsible for remedying the economic damage caused by the spill, EDA will play a role in helping the affected communities recover. Though not a “first responder,” EDA’s facilitates delivery of Federal assistance to local governments’ recovery efforts through strategic planning and economic redevelopment. Two weeks ago, I asked staff from EDA’s Austin and Atlanta regional offices who are on the frontline of this man-made disaster to actively reach out to our local partners to begin to assess their concerns and potential needs. Regional office staff contacted our network of local government partners in those effected areas to offer the agency’s assistance and staff deployed throughout the region. Secretary of Commerce Gary Locke met with local government and economic leaders, as well as EDA staff, on May 6th in Biloxi and Pensacola. While in the short term, EDA regional staff is already providing technical assistance; our focus will remain on promoting long-term economic recovery and we will continue to work closely with the affected communities long after the cleanup is complete.

EDA's Disaster Activity

Following an incident, EDA responds by first coordinating with its sister bureaus and other agencies who are engaged in disaster recovery efforts to share information and data on the associated ramifications of the disaster. In addition, EDA reaches out to its economic development practitioner network, particularly its network of Economic Development Districts, to collect on-the-ground information on the economic impacts of the disaster event. This is currently underway in the Gulf Coast, as I mentioned earlier.

In addition, in areas where a major disaster or emergency has been declared under Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.), EDA has authority under sections 209 and 703 of the Public Works and Economic Development Act of 1965 (PWEDA) (42 U.S.C §§3149, 3233) to make grants for economic recovery activities. In this situation, the oil spill, a Stafford Act declaration has not been made. EDA also has authority to respond to fishery failures in areas where a determination has been made under section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. § 1861a(a)) to support economic recovery.

In the case of an actual Stafford Act disaster declaration, ESF #14 (Emergency Support Function, for Long-Term Community Recovery) protocols are initiated to facilitate coordination between the Federal Emergency Management Agency (FEMA) and other federal agencies, including EDA. Under the National Response Plan, the Department of Commerce (DOC) has a response role and under ESF 14, EDA represents the DOC as a primary support agency. ESF #14 provides a framework for federal government support to state, regional, local and tribal governments, non-governmental organizations and the private

sector designed to enable community recovery from the long-term consequences. In the case of the oil spill, because this is not a disaster under the Stafford Act, ESF #14 protocols have not been activated.

As part of ESF #14, EDA will often be tasked by FEMA to help evaluate the economic impact of a disaster. FEMA may ask EDA to perform economic impact evaluations or carry out other specific tasks through special “mission assignments.” These economic impact assessments include information on infrastructure, businesses, overall damage, etc. Past FEMA mission assignments have tasked EDA to perform Economic Impact Assessments in North Carolina, Virginia and New Jersey resulting from Hurricane Floyd, and in Texas following Hurricane Ike.

Fisheries disasters declared under the Magnuson Stevens Act operate in a different manner because unlike under a Stafford Act declaration, FEMA is unlikely to coordinate the Federal response. EDA has a long history responding to economic fishing disasters, and we stand prepared to assist in the long term economic recovery of the Gulf Coast as soon as economic impacts are known.

In order to assist communities impacted by the oil spill, the President last week sent Congress a legislative package that package includes \$5 million for the Economic Development Administration's Economic Adjustment Assistance program. This program will award grants to state, local, and non-profit entities in the affected region for strategic planning and technical assistance. Potential activities to be funded include (but are not limited to) short- and long-term economic recovery plans, and state and local economic recovery coordinators.

EDA's Economic Adjustment Assistance Program

Economic disasters and adversity — whether caused by forces of nature like hurricanes or flooding or be they man-made, such as a plant or military base closure — each bring their own unique set of challenges and opportunities. Rather than pursuing a one-size-fits-all approach, EDA funds customized solutions such as traditional infrastructure investments, business incubation, revolving loan funds, planning grants, and other resources. EDA's unique portfolio of flexible programs allows us to respond to changing economic conditions faced by our local government and regional partners.

The key to EDA's success in responding quickly and effectively to disasters and economic disruptions is its Economic Adjustment Assistance (EAA) program. This program allows for a wide range of technical, strategic planning, gap financing, and infrastructure assistance—a complete toolbox of development programs which EDA can leverage to create customized recovery packages. Furthermore, the inherent flexibility in EAA allows the agency to fund innovative development initiatives, such as projects promoting entrepreneurial activities, microfinance opportunities, and technology commercialization. Most importantly, EAA investments can be multifaceted, allowing EDA to develop an integrated response with a single application.

Through EAA, the agency can assist State and local economic development partners in three crucial ways:

Strategic Planning

EDA funds comprehensive strategic planning activities to help create a coordinated, long-term recovery strategy following an economic disruption. EDA also offers financial resources and technical assistance to perform pre-disaster planning to increase resiliency and immediate recovery.

Infrastructure Development

EDA provides grant funds to build new infrastructure, such as business incubators, technology parks, research facilities, and basic utilities, to retain or attract jobs to the region.

Financing

Addressing another critical need—access to capital—EDA provides funding through EAA to establish Revolving Loan Funds (RLF). These funds can make below market-rate loans to businesses to help provide gap financing for operations and to support new business development.

Recent EDA Disaster Experience:

To truly understand EDA's unique role in disaster recovery, we need to examine some recent examples.

In response to a string of devastating natural disasters in 2008, Congress appropriated \$500 million to our Economic Adjustment Assistance (EAA) fund in two supplemental appropriations to provide economic recovery assistance. Through that funding, EDA funded recovery coordinators has added staff for all the disaster-impacted regional councils of government (COGs) in Iowa. These critical staffers were on the job quickly, giving the COGs the capacity to address a series of vital needs including:

- gathering data on the physical and economic impacts of the disaster
- assembling and feeding these data to State and Federal agencies involved in resourcing the recovery (including EDA)
- assisting individual businesses and local governments as recovery work proceeded to access loans, grants, and other assistance
- and later, assessing and reporting on the progress on the recovery work.

One of the most important things that the leaders in Iowa learned from the flood disasters of the 1990s was that recovery must begin with good data on the physical and economic impacts and that this is the foundation for an effective recovery strategy.

Lessons Learned

EDA's long involvement with communities both before and after a disaster or significant economic dislocation has taught us a few truths. First and foremost, the communities that emerge strongest from these catastrophic events are those that had a detailed strategic plan in place before the event ever occurred. That's a significant reason why the Obama Administration is working to ensure the federal government is better prepared for a swift and coordinated response to future large or catastrophic disasters. Through advanced planning and stronger coordination, the federal government can help affected communities respond faster and recover more fully through new economic opportunities that will result in sustainable and economically viable communities.

Closing

Chairwoman Boxer, Ranking Member Inhofe, and members of the Committee, thank you for the opportunity to address EDA's role in economic disaster response. I am proud of the agency's continued leadership on this issue and firmly believe that EDA will continue to be a driver for growth in distressed areas of our country. EDA is ready and prepared to do our best to assist with the devastating BP oil spill in the Gulf Coast region. I look forward to working closely with Congress to strengthen the Federal government's coordinated response to economic disasters, and I welcome any questions you may have.