TESTIMONY OF
ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT
SANDY K. BARUAH
BEFORE THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
.

GULF COAST ECONOMIC REVITALIZATION EFFORTS
Wednesday, November 2, 2005 • Washington, D.C.

Chairman Inhofe, Ranking Member Jeffords, Members of the Committee, thank you for the opportunity to testify on the Economic Development Administration's (EDA) response to Hurricane Katrina and the agency's current actions in helping the Gulf Coast rebuild.

This is a timely matter for me to comment on as I have just returned from the affected region. Yesterday, I saw firsthand the devastation wrought on the great City of New Orleans, and met with Mayor Kip Holden of Baton Rouge. I can tell you that as crushing as was the blow that Katrina dealt to that region, the people of Louisiana, Mississippi and Alabama are more determined to recover and rebuild their lives, their homes and their businesses. Our nation faces an unprecedented challenge – and an opportunity – to recover from this tragedy.

As a first priority, I am thankful to be able to report that no EDA personnel or their families suffered fatality or injury as result of Hurricanes Katrina, Rita or Wilma. Our Economic Development Representative in Louisiana safely evacuated with her family prior to Katrina, however, her family home in New Orleans was irreparably damaged.

Moving forward, the Administration, the Department of Commerce, and EDA are committed to the economic revitalization of the Gulf Coast. As you are aware, the President has called for considerable funding for efforts that are already underway to promote the region's recovery and economic revitalization. The focus of these efforts is to implement a regional, collaborative, multi-pronged approach aimed at providing appropriate incentives and targeted federal assistance to create the conditions in which the private sector will be willing to invest in the region's economic recovery. Additional funding is not being sought for EDA; rather, the agency will be participating in recovery efforts using existing resources. EDA views this at the most efficient and effective way to get people back to work and businesses, both large and small, back on their feet and an appropriate approach given the other resources being devoted to Gulf Coast recovery.

Background: EDA Disaster Assistance

EDA promotes innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

EDA has a long and successful history of supporting long-term recovery following natural disasters. EDA's participation in major disaster recovery efforts has traditionally supplemented the lead roles assigned to the Federal Emergency Management Agency (FEMA).

Under existing statutory authority, EDA administers disaster program funds through targeted grants to disaster-impacted communities designed to achieve long-term economic recovery. EDA disaster recovery efforts assist communities in shifting their focus when appropriate from the short-term emergency response to the long-term economic impacts of the disaster, and enabling the development of an economic recovery program that reflects local priorities.

While early EDA investments focus on the important first post-disaster steps of planning, assessment and technical assistance, the most critical need after rescue and recovery efforts are completed is to get people back to work and ensure continued and strategic economic recovery. This is accomplished through implementation of investments in support of job creation, retention and private investment. EDA's regional office staff deploys and works closely with impacted State and local governments, special districts, nonprofit organizations, and businesses in providing technical assistance in support of EDA program investments.

Immediately following a disaster EDA regional staff use local and State contacts to identify critical implementation investments, namely infrastructure improvements, impacted by or relevant to the disaster event. Because of the competitive nature of our grant awarding process, EDA has the flexibility to target our existing resources to those areas affected by disasters quickly.

Additionally, under the National Response Plan, EDA represents the Department of Commerce as a Primary Agency in Emergency Support Function (ESF) #14, for Long-Term Community Recovery and Mitigation. 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 of an Incident of National Significance.

Finally, FEMA may ask EDA to perform economic impact evaluations or carry out other specific tasks through special "mission assignments." Past FEMA mission assignments have tasked EDA to perform economic impact assessments in North Carolina, Virginia and New Jersey resulting from Hurricane Floyd.

EDA Response to Hurricane Katrina

EDA anticipated, prepared and responded quickly to Hurricane Katrina.

Under the direction of Commerce Secretary Carlos Gutierrez, prior to Hurricane Katrina's landfall, EDA began preparing for its potential role in economic recovery efforts in the affected region, including identifying $4 million in funding to assist economic recovery priorities. Once the scope of Hurricane Katrina's damage became evident, EDA successfully reprogrammed $8.3 million in de-obligated funds (including the $4 million initially identified) to dedicate to the redevelopment effort. Secretary Gutierrez later announced this grant during a tour of the affected region. Consistent with EDA statute and regulation, the agency worked with State and local leadership to develop economic planning and technical assistance recovery projects in Alabama, Louisiana and Mississippi, and has obligated $8.8 million (including the $8.3 million reprogramming) for investments of $4 million each for Louisiana and Mississippi and two separate investments of $450,000 for economic planning and $390,000 for Economic Adjustment in Alabama.

In making these investments, EDA headquarters and regional staff devised and approved necessary measures to facilitate streamlined investment strategies and rapid deployment of funds to impacted states. This included making expedited processing of applications an immediate mission priority. EDA regional staff also worked directly with the three governors' offices to identify appropriate state agencies as recipients and, consistent with EDA's mission, to develop the appropriate scopes of work for the States.

Also, in the immediate aftermath of Hurricane Katrina, I established an internal taskforce of headquarters and regional staff to monitor and coordinate the bureau's actions and response. I assigned EDA's Austin Regional Office Director, an experienced, SES-level career executive to lead this internal task force. EDA personnel continue to engage local and State leadership throughout the Gulf Coast, working to leverage existing resources in the broader economic development community to assist with near-term recovery priorities.

For example, working in cooperation with the Arkansas State University's Delta Center for Economic Development and other EDA grantees, EDA was able to secure the deployment of four EDA-funded "Netmobiles," minivans equipped with high-technology computer equipment and satellite Internet access, to Katrina-affected areas. Business counselors are currently using the Netmobiles to assist affected business owners in finding and acquiring the resources necessary to resume operations.

Future EDA Assistance for Gulf Coast Recovery

EDA will continue to work through its established economic development networks, including regional development organizations, universities, non-profit and community- and faith-based organizations to leverage all available resources for the recovery effort.

In our supporting role, EDA can bring a variety of existing program resources to this task. EDA's principal program for addressing sudden and severe economic dislocation, including natural disasters, is its Economic Adjustment Program. This program utilizes a flexible and comprehensive set of tools to help impacted areas achieve long-term economic recovery, including:

- Augmenting the institutional capacity of State and local governments with EDA recovery planning or technical assistance investments focusing on job retention and job creation to offset the negative impacts of the disaster on the local economy;

- Supporting locally-directed mitigation efforts flowing from a strategic recovery planning process (and ultimately as part of a mitigation planning component of a long-term comprehensive economic development planning process) to safeguard jobs from the impact of future disasters; and

- Addressing State and local needs for new construction and post-disaster improvements to publicly-owned commercial or industrial facilities or infrastructure with EDA construction investments.

While our program tools are flexible, EDA must initially rely on its statute to identify those eligible to receive EDA investment dollars. Eligible recipients include State and local governments, public and private non-profit organizations, and regional economic development districts. Businesses are not eligible for direct assistance under EDA's major programs. EDA does not have the capability, personnel or authority to administer direct loans to businesses. Additionally, the bureau would be challenged to adequately oversee new revolving loan funds (RLF), which have been an ongoing concern of the Department of Commerce's Office of Inspector General and once established, must be administered in perpetuity by EDA.

EDA-supported recovery efforts aim to produce quantifiable results for the areas impacted by the disaster. EDA designs its investments to ensure significant leveraging of private and non-profit resources to guarantee accountability for the taxpayer dollars invested. Additionally, the bureau will consult and work closely with the Office of the Inspector General with regards to the award and administration of all Katrina related disaster recovery funds. EDA views the Office of Inspector General as a valuable partner in helping to ensure that federal resources are as effective as possible for the intended beneficiaries.

EDA investments in the Katrina affected region are administered by EDA's Atlanta and Austin regional offices. Just as the bureau has done in the past, EDA is able to respond to disasters of this magnitude by building upon our existing internal taskforce structure, with assistance from additional EDA personnel from headquarters and other regional offices that have disaster recovery experience.

Redevelopment Strategy

While it is important that federal, State, and local governments move as quickly as possible to address the economic impacts in the Gulf Coast region, economic revitalization efforts must also be based on a sound understanding of the economic landscape before and after the Hurricanes to ensure that federal efforts are market-based, enhance regional competitiveness, support long-term development of the regional economy, and achieve the intended results. To this end, it is vitally important to work not only with State and local officials, but also with the region's business leaders.

The Administration is focused on ensuring that economic recovery funding is effective and truly focused on rebuilding the Gulf Coast's economic infrastructure in order to get people back to work and businesses up and running again. Working together with the private sector, we are determined to succeed in aiding those who need the assistance of an effective, coordinated federal, State and local response to rebuild the Gulf Coast's economic infrastructure. EDA is proud to play a supporting role in the coordinated federal response to this unprecedented natural disaster.

Thank you for allowing me to testify before you today. I am pleased to answer any questions you may have.