

**PRIORITIES FOR DISASTERS AND
ECONOMIC DISRUPTION: THE
PROPOSED FY2011 BUDGETS FOR
FEMA AND EDA**

(111-111)

HEARING

BEFORE THE

SUBCOMMITTEE ON

ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON

TRANSPORTATION AND

INFRASTRUCTURE

HOUSE OF REPRESENTATIVES

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U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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May 5, 2010

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SUMMARY OF SUBJECT MATTER

TO: Members of the Transportation and Infrastructure Committee

FROM: Subcommittee on Economic Development, Public Buildings and Emergency Management Staff

SUBJECT: Hearing on “Priorities for Disasters and Economic Disruption: The Proposed Fiscal Year 2011 Budgets for the Federal Emergency Management Agency and the Economic Development Administration”

PURPOSE OF THE HEARING

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Thursday, May 6, 2010, at 10:00 a.m., in room 2167 of the Rayburn House Office Building to receive testimony regarding the Federal Emergency Management Agency (FEMA) Fiscal Year (FY) 2011 Budget, and the Economic Development Administration (EDA) FY 2011 Budget. Witnesses will testify with respect to their budgetary priorities in dealing with natural disasters, man-made disasters, and economic disruption.

BACKGROUND

I. FEMA

FEMA is the Federal Government’s lead agency for preparing for, mitigating, responding to, and recovering from disasters and emergencies from all hazards, whether natural or man-made. The agency’s primary authority in carrying out these functions is the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act).¹

FEMA is best known for its programs which provide assistance to communities and citizens in the wake of a disaster. FEMA’s major programs for disaster recovery are the Public Assistance

¹ 42 U.S.C. §§ 5121-5207.

Program and the Individual Assistance Program, also known as the Individual and Households Program. The Public Assistance Program reimburses State and local emergency response costs and provides grants to State and local governments as well as certain private non-profits to rebuild facilities. The Individual Assistance program provides assistance to families and individuals impacted by disasters, including funding for repair, rental assistance, or “direct assistance,” i.e., the provision of trailers and mobile homes. FEMA also provides grants to mostly low-income families for loss of personal property, as well as disaster-related dental, medical, and funeral costs to individuals regardless of income.

Other Individual Assistance programs include unemployment assistance, disaster food stamps, disaster legal services, and crisis counseling. Both before and after disasters, FEMA also provides grants to communities to reduce the risk of future damage, hardship, and loss from all hazards through the Pre-Disaster Mitigation (PDM) Program and the (post-disaster) Hazard Mitigation Grant Program (HMGP), both authorized by the Stafford Act.

In addition to the agency’s disaster work, the U.S. Fire Administration, the National Fire Academy, the Emergency Management Institute, the National Flood Insurance Program, and the Federal Government’s programs for continuity of operations and continuity of government are housed within FEMA.

Overall, President Obama has requested \$7.294 billion for FEMA for FY 2011, an increase of \$186 million over the FY 2010 enacted level. FEMA’s primary budget account is the Management and Administration account that funds FEMA’s general administration and program activities not provided for in other specific budget accounts. For FY 2011, the President has requested, \$902,996,000 for this account, an increase over the \$797,650,000 Congress enacted for FEMA in FY 2010. This includes 3,248 Full Time Equivalents (FTE) an increase from 2,043 FTE. This mostly reflects the transfer of 925 temporary full time positions funded by the Disaster Relief Fund to FEMA’s Management and Administration account as authorized in FEMA’s FY 2010 appropriation.

A. Disaster Relief Fund

Disaster relief is a significant portion of the Federal budget. From FY 2000 to FY 2009, Congress appropriated \$83.41 billion for the Disaster Relief Fund (DRF) in response to disasters and emergencies declared by the President under the Stafford Act.² The DRF provides the funding for the Federal Government’s activities to help communities respond to, and recover from, major disasters and emergencies declared by the President under the Stafford Act. In February, due to diminishing funds, FEMA announced that it was limiting expenditures from the DRF, including reimbursements to State and local governments for reconstruction projects for facilities damaged or destroyed by recent disasters. Reimbursements for critical post-disaster hazard mitigation projects, which help communities build better after a disaster to protect against future damage, have also slowed. Delays in these projects not only impede the rapid recovery of communities across the country from devastating disasters, but also inhibit the job creation and economic stimulus that these projects provide. According to FEMA, as of April 24, 2010, there were \$719,510,825 in projects being held up, this includes \$564,137,108 in projects for facilities damaged or destroyed by

² Email from Bruce Lindsay and Francis McCarthy, Congressional Research Service (December 8, 2009).

recent disasters; \$124,814,183 in post-disaster hazard mitigation projects; and \$30,559,534 in Fire Management Assistance Grants.³

On February 1, the President requested \$3.6 billion in supplemental funding for the DRF for FY 2010 when he released his FY 2011 budget proposal. The President subsequently adjusted his request on February 12, to \$5.1 billion. On March 21, 2010, Chairman Oberstar wrote to Speaker Pelosi in support of the President's request. On March 24, 2010, the House passed H.R. 4899, the "Disaster Relief and Summer Jobs Act of 2010" which appropriates the \$5.1 billion sought by the President. The Senate has not yet taken action on H.R. 4899.

B. Preparedness Programs

FEMA administers a number of programs that help States, communities, and citizens prepare for all hazards, such as the Emergency Management Performance Grant (EMPG) program, the Assistance to Firefighter Grant program (Fire Grants), the Staffing for Adequate Fire and Emergency Response (SAFER) program, and the Citizen Corps program. FEMA also administers terrorism preparedness grant programs. The primary terrorism preparedness programs are the Urban Area Security Initiative and the State Homeland Security Grant Program. Unlike the all hazard programs, these programs are specifically targeted to terrorism preparedness. The Administration proposes to move EMPG, Fire Grants, and SAFER into the same budget account as the Terrorism Preparedness programs. The Committee on Transportation and Infrastructure in its Views and Estimates for FY 2011 does not support this proposal.

C. Emergency Management Performance Grants

The EMPG program is the Federal Government's principal grant program to build basic State and local emergency management capability for all hazards and is authorized by the Stafford Act. For FY 2010, Congress enacted \$340 million for the EMPG program. For FY 2011, the President's Budget requests \$345 million. The Committee in its Views and Estimates for FY 2011 does not support combining the funding of EMPG with the terrorism-specific grant programs and expresses the view that the program should remain a flexible program focused on building basic emergency management capability. The Committee also recommends that EMPG be funded at the authorized level of \$815 million in FY 2011.

D. Emergency Operations Center Grants

For FY 2010, Congress enacted \$60 million for all-hazard Emergency Operations Centers (EOCs), authorized by section 614 of the Stafford Act,⁴ an increase of \$25 million above the FY 2010 enacted level of \$35 million. The President's Budget proposes no funding for EOCs in FY 2011. While EOC construction is authorized under EMPG, the President's Budget requests an increase of just \$5 million for EMPG over the FY 2010 enacted level.

³ Fire Management Assistance Grants are authorized by section 420 of the Stafford Act, 42 U.S.C. § 5187, and provide assistance "to any State or local government for the mitigation, management, and control of any fire on public or private forest land or grassland that threatens such destruction as would constitute a major disaster."

⁴ 42 U.S.C. § 5196c.

E. Assistance to Firefighter Grants and Staffing for Adequate Fire and Emergency Response

In FY 2010, Congress appropriated \$810 million in all-hazard assistance to firefighters in small and large communities around the nation. Of this amount, \$420 million was specifically targeted to SAFER grants,⁵ which help fire departments increase the number of frontline firefighters, and the remainder (\$390 million) was for Fire Grants.⁶ The Administration's FY 2011 budget request proposes \$305 million for Fire Grants and \$305 million for SAFER grants. However, the request combines these all-hazard programs with terrorism-specific programs and focuses both the Fire Grants and SAFER grants on terrorism preparedness, rather than on fire safety and all hazards. The authorization for Fire Grants expired September 30, 2009, and the authorization for the SAFER program will expire September 30, 2010. On November 18, 2009, the House passed H.R. 3791, Fire Grants Reauthorization Act of 2009, which would reauthorize both of these programs.

F. Citizen Corps

Citizen Corps is a community-based program that helps citizens and communities prepare for all hazards. This program includes the Citizen Emergency Response Team (CERT) program, which was originally developed in California in the 1980's to address the risk posed by earthquakes and other disasters. However, the Administration's budget request proposes to merge Citizen Corps into the State Homeland Security Grant Program, which is not an all hazards program but rather is statutorily targeted to terrorism preparedness.⁷ In its Views and Estimates for FY 2011, the Committee does not support this merger. Committee staff has asked FEMA to provide an explanation on how Citizen Corps can continue to be an all hazards program as part of the State Homeland Security Grant program. Committee staff has not received a response.

G. Mitigation

For FY 2010, Congress enacted \$140 million for mitigation grants including \$100 million for PDM authorized by section 203 of the Stafford Act⁸ and \$40 million for flood mitigation assistance (FMA) authorized by the National Flood Insurance Act of 1968.⁹ The FY 2011 President's Budget requests \$140 million for mitigation grants, including \$100 million for PDM and \$40 million for FMA. The PDM Program, which is authorized by the Committee, will sunset on September 30, 2010, if further action is not taken. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters. In the 111th Congress, the Committee reported and the House passed H.R. 1746, the "Pre-Disaster Mitigation Act of 2009", which authorizes an appropriation of \$250 million for FY 2011. The Committee supports funding at this level. The Administration's budget request proposes to amend the Stafford Act to extend the authorization for PDM for one year through the appropriations process. Most of the funds provided by FEMA for

⁵ Authorized by section 34 of the Fire Prevention and Control Act of 1974, 15 U.S.C. § 2229a.

⁶ Authorized by section 33 of the Fire Prevention and Control Act of 1974, 15 U.S.C. § 2229.

⁷ 6 U.S.C. § 605.

⁸ 42 U.S.C. § 5133.

⁹ *National Flood Insurance Act of 1968*, Pub L. No 90-448 (1968), 42 U.S.C. § 4001 et seq.

mitigation are from the post-disaster HMGP authorized by section 404 of the Stafford Act.¹⁰ However, those funds are provided from the DRF, as determined by a formula in the Stafford Act.

H. Principal Federal Official

The Administration's budget request proposes to remove a current law statutory prohibition on the appointment of Principal Federal Officials (PFOs) in major disasters and emergencies declared under the Stafford Act sought by the Committee. PFOs are an administrative creation of the Department of Homeland Security (DHS). However, by law, the President, acting through FEMA, is authorized to appoint a Federal Coordinating Officer (FCO) to be the lead Federal official in response to major disasters and emergencies.¹¹ The confusion regarding the roles of these different Federal officials and the resulting lack of clear authority was widely criticized as a factor in the failed response to Hurricane Katrina.¹² As a result, Congress enacted several laws after Hurricane Katrina¹³ that prohibited the Secretary from appointing PFOs in major disasters and emergencies. Notwithstanding these prohibitions, DHS has continued this structure. DHS has justified the appointment of a PFO by relying on Homeland Security Presidential Directives (HSPDs), administrative documents created by the Bush Administration. These administrative provisions conflict with and, in some cases, have been superseded by subsequent laws.

For example, DHS pre-designated individuals to serve as PFOs for disasters during the 2008 Hurricane season.¹⁴ More recently, the Committee obtained information that DHS planned to use PFOs and their support teams for a potential response to the H1N1 virus.¹⁵ DHS did this even while acknowledging the statutory prohibitions and the intent of Congress.¹⁶ DHS attempted to avoid the statutory prohibition by changing the name of these teams to "Regional Coordination Teams." Last year, DHS acknowledged planning for an H1N1 pandemic was in violation of law and sought the Committee's concurrence in waiving the prohibition on appointment of PFOs for pandemic. DHS expressed concerns about having to reposition and restructure teams already in place just before the potential outbreak of a pandemic. The FY 2010 Homeland Security Appropriations conference report included language granting a waiver from the statutory prohibition against appointment of PFOs for FY 2010, provided the Secretary of Homeland Security complies with certain conditions.¹⁷ It is this prohibition that the Administration's budget request seeks to repeal. The previous prohibitions on the appointment of PFOs sought by the Committee were supported by local elected officials and State and local emergency managers. These officials have requested the Committee again seek this prohibition for FY 2011.

¹⁰ 42 U.S.C. § 5170c.

¹¹ Section 302 of the Stafford Act, 42 U.S.C. § 5143.

¹² H. Rept. 109-519, Part 2 (2006), at 22; H. Report 111-459, Part 1 (2010), at 21.

¹³ 6 U.S.C. § 319(c)(2); *Consolidated Appropriations Act, 2008*, Pub. L. No. 110-161, Division E, Title III, § 541, 121 Stat. 2079 (2007); *Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009*, Pub. L. No. 110-329, Division D, Title V, § 526, 122 Stat. 3686 (2008).

¹⁴ Memorandum of then-Secretary of Homeland Security Michael Chertoff, *Pre-Designated Principal Federal Officials and Federal Coordinating Officers for the 2008 Hurricane Season* (May 23, 2008).

¹⁵ Decision Memorandum from Roger Rufe, Director of Office of Operations Coordination and Planning, to Secretary of Homeland Security, *Employment and Activation of Field Teams for H1N1 Operations* (June 4, 2009).

¹⁶ *Id.* at 5.

¹⁷ *Department of Homeland Security Appropriations Act, 2010*, Pub. L. No. 111-83, § 522, 123 Stat. 2172-2173 (2009).

II. EDA

A. Background

Established by the Public Works and Economic Development Act of 1965 (P.L. 89-136), the EDA was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The mission of EDA today remains much the same as it was when originally founded: to bolster the efforts of communities across nation to attract private sector investment and create new job opportunities. EDA has stated that to fulfill its mission, it must be “guided by the principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies.”¹⁸

EDA provides grants for projects through a variety of programs including: planning; technical assistance; public works; economic adjustment; research and evaluation; global climate change mitigation; and trade adjustment assistance. Projects funded by EDA are generally located in areas exhibiting economic distress at the time of application. Projects located outside these areas may be considered if they directly benefit a distressed area. All public works and economic adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Planning grants support the design and implementation of effective economic development policies and programs by local organizations. Grants made to university centers provide technical assistance to public bodies, nonprofit organizations, and businesses to plan and implement activities designed to generate jobs and income in distressed areas. Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses generating employment in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration. Economic adjustment investments provide a package of assistance tools, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities counteract either a gradual erosion or a sudden dislocation of their local economic structure as a result of natural disasters, international trade competition, or major plant closings. Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers (TAAC), to certified U.S. manufacturing firms and industries economically injured as the result of international trade competition.

The initial authorization of EDA, which was only for five years, expired in 1970. From 1970 through 1980, EDA continued to operate without a reauthorization, though there were several legislative efforts to reorganize and reorient it. During this time, the EDA continued to receive appropriations, including \$6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized; however, that reauthorization expired in 1982, and until 1998, the EDA went without an authorization, surviving only on year-to-year appropriations.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 (P.L. 105-393) reauthorized the EDA for a period of five years, and authorized funding levels that progressively declined from an initial amount of \$398 million for FY 1999 to \$335 million in FY 2003. Additionally, this reauthorization put into place a number of the

¹⁸ EDA, *Mission*, available at <http://www.eda.gov/AboutEDA/Mission.xml>.

management and administrative reforms already underway, such as efforts to target the most distressed areas and encourage regional cooperation. The Economic Development Administration Reauthorization Act of 2004 (P.L. 108-373) reauthorized EDA for a period of five years, through FY 2008. The law continued to authorize the public works grants, trade adjustment grants, economic adjustment assistance, planning assistance, and technical assistance. Special impact areas were defined, and the Secretary was authorized to waive match requirements within these impact areas. A brownfields redevelopment program was authorized, and a brightfields demonstration program was authorized, which focused on solar energy technologies utilized to develop abandoned or contaminated sites intended for commercial use.

In 2007, EDA contracted Grant Thornton to study the costs and economic impact of EDA's construction investments. This study is similar in content to the study conducted by Rutgers University in 1997. The Grant Thornton study surveyed over 40 other similar Federal programs. The Grant Thornton study concluded that "EDA investments in rural areas have a statistically significant impact on employment levels in the communities in which they are made, generating between 2.2 and 5.0 jobs per \$10,000 in incremental EDA funding, at a cost per job of between \$2,001 and \$4,611."¹⁹ The study further concluded that EDA's investment in business incubators was worthwhile and concluded that this type of investment generate significantly greater impacts in the communities in which they are made than do other project types. Regarding ancillary jobs created by EDA investment, the study highlighted that an additional five jobs was created, and finally the study emphasized that EDA jobs tend to be more long term and are usually retained longer.

The President has requested \$286.1 million for EDA for FY 2011, a decrease of \$6.8 million from the FY 2010 enacted level. EDA's Economic Development Assistance Programs budget account request is \$246 million. The Salaries and Expenses budget account request is \$40.1 million.

B. EDA – Recovery Act

The "American Recovery and Reinvestment Act of 2009" (Recovery Act) (P. L. 111-5) appropriated \$150 million for the EDA, with \$50 million required to be used for economic adjustment assistance. On April 22, 2009, the EDA released its Recovery Act spending plan detailing how it allocated the \$150 million in Recovery Act funds among its six regions. On September 25, 2009, EDA awarded its final Recovery Act project. According to Committee on Transportation and Infrastructure records, EDA has awarded 68 grants in 37 States totaling \$147 million. In a recent Committee report, EDA indicated that it had broken ground on 20 of these projects totaling \$45 million, representing 31 percent of the amount allocated to support these investments.²⁰

III. Long-Term Disaster Recovery

A common area of effort between FEMA and EDA has been to assist communities in the long-term recovery from disasters. FEMA is the Federal government's lead agency for disaster

¹⁹ Grant Thornton, *Construction Grants Program Impact Assessment Report: Volume I -- Report on Investigation and Results* (September 30, 2008).

²⁰ *Committee on Transportation and Infrastructure, Transportation and Accountability Report* (January 15, 2010), available at <http://transportation.house.gov/Media/file/ARRA/20100209/Recovery%20Act%202-8-10%20Report%20.pdf>.

recovery and has authority for short and long-term recovery provided in various provisions of the Stafford Act, including section 402,²¹ which not only authorizes FEMA to engage in recovery activities but also authorizes FEMA to direct other agencies to utilize their authorities and resources. Section 209 of the Public Works and Economic Development Act of 1965²² authorizes EDA to provide grants to communities for economic adjustment including for post-disaster economic recovery for areas for which a major disaster or emergency has been declared under the Stafford Act. Both EDA and FEMA have historically played a role in long-term disaster recovery.²³

There is currently a White House Long Term Disaster Recovery Working Group that is scheduled to make recommendations in June 2010, on how the Federal Government should address long-term recovery. Long-term recovery is really economic development; however, the working group is led by FEMA and the Department of Housing and Urban Development. Notwithstanding EDA's role in previous disasters, its authorities and programs, due to the relative size of budget appropriations (including emergency supplemental appropriations), EDA has only played a minor role in the working group.

PRIOR LEGISLATIVE AND OVERSIGHT ACTIVITY

In the 111th Congress, the Committee on Transportation and Infrastructure acted on the following bills related to FEMA and its programs:

- **H.R. 3377, the “Disaster Response, Recovery, and Mitigation Enhancement Act of 2008”:** This legislation amends the Stafford Act to improve the assistance the Federal Government provides to States, local governments, and communities after major disasters and emergencies. On November 5, 2009, the Committee ordered H.R. 3377, as amended, reported favorably to the House.
- **H.R. 1174, the “FEMA Independence Act of 2009”:** This legislation removes FEMA from the DHS and reinstates FEMA as an independent, cabinet-level agency. On November 5, 2009, the Committee ordered H.R. 1174, as amended, reported favorably to the House. H. Rept. 111-459.
- **H.R. 1746, the “Pre-Disaster Mitigation Act of 2009”:** This legislation reauthorizes and makes improvements to FEMA's Pre-Disaster Mitigation Program, including codification of the competitive aspects of the program. On April 2, 2009, the Committee ordered H.R. 1746 to the House. H. Rept. 111-83. On April 27, 2009, the House of Representatives passed the bill under suspension of the Rules of the House by a vote of 339-56. The bill was received in the Senate and referred to the Committee on Homeland Security and Governmental Affairs.

In the 110th Congress, the Committee on Transportation and Infrastructure acted on the following bills related to FEMA:

²¹ 42 U.S.C. § 5170a.

²² 42 U.S.C. § 3149.

²³ H. Rept. 105-684, Part 1 (1998), at 25.

- **H.R. 6658, the “Disaster Response, Recovery, and Mitigation Enhancement Act of 2008”:** This legislation amends the Stafford Act to improve the assistance the Federal Government provides to States, local governments, and communities after major disasters and emergencies. On July 31, 2008, the Committee ordered H.R. 6658 reported favorably to the House.
- **H.R. 6109, the “Pre-Disaster Mitigation Act of 2008”:** This legislation reauthorizes FEMA’s Pre-Disaster Mitigation program and makes improvements, including codification of the competitive aspects of the program. On May 22, 2008, the Committee ordered H.R. 6109 reported favorably to the House. H. Rept. 110-725. On June 23, 2008, the House of Representatives passed H.R. 6109, as amended, under suspension of the Rules of the House by voice vote. The bill was received in the Senate and referred to the Committee on Homeland Security and Governmental Affairs.
- **H.R. 3247, the “Hurricane Katrina and Rita Recovery Facilitation Act of 2007”:** This legislation provides additional Federal relief targeted to the recovery from Hurricanes Katrina and Rita in Louisiana and Mississippi. On August 2, 2007, the Committee ordered H.R. 3247, as amended, reported favorably to the House. H. Rept. 110-387. On October 29, 2007, the House of Representatives passed H.R. 3247, as amended, under suspension of the Rules of the House by voice vote. The bill was received in the Senate and referred to the Committee on Homeland Security and Governmental Affairs. On April 10, 2008, the Committee on Homeland Security and Governmental Affairs ordered H.R. 3247, as amended, reported favorably to the Senate.
- **H.R. 1144, the “Hurricanes Katrina and Rita Federal Match Relief Act of 2007”:** This legislation provides significant relief for communities devastated by Hurricanes Katrina, Rita, and Wilma, by raising the Federal cost share for critical disaster relief programs to 100 percent and by authorizing the cancellation of Community Disaster Loans under certain conditions like all previous Community Disaster Loans. On March 1, 2007, the Committee ordered H.R. 1144, as amended, reported favorably to the House. H. Rept. 110-228. On May 5, 2007, H.R. 1144 was enacted as part of P.L. 110-28, the “U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007”.

In the 110th and 111th Congresses, the Committee on Transportation and Infrastructure and the Subcommittee on Economic Development, Public Buildings, and Emergency Management have held numerous hearings addressing issues related to FEMA, its budget, and its programs.

- “Snow Disasters for Local, State, and Federal Governments in the National Capitol Region” (March 23, 2010)
- “U.S. Mayors Speak Out: Addressing Disasters in Cities” (March 4, 2010)
- “FEMA’s Urban Search and Rescue Program in Haiti: How to Apply Lessons Learned at Home” (February 3, 2010)
- “This is NOT a Test: Will the Nation’s Emergency Alert System Deliver the President’s Message to the Public?” (September 30, 2009)
- “Post Katrina: What it Takes to Cut the Bureaucracy and Assure a More Rapid Response After a Catastrophic Disaster” (July 27, 2009)

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- “Still Post-Katrina: How FEMA Decides When Housing Responsibilities End” (May 22, 2009)
- “An Independent FEMA: Restoring the Nation’s Capabilities for Effective Emergency Management and Disaster Response” (May 14, 2009)
- “FEMA: Preparedness for the 2009 Hurricane Season” (May 1, 2009)
- “Disaster Capacity in the National Capital Region: Experiences, Capabilities, and Weaknesses” (April 3, 2009)
- “Post-Katrina Disaster Response and Recovery: Evaluating FEMA’s Continuing Efforts in the Gulf Coast and Response to Recent Disasters” (February 25, 2009)
- “FEMA’s Response to the 2008 Hurricane Season and the National Housing Strategy” (September 23, 2008)
- “Role of the Federal Government in Small Business Disaster Recovery” (September 12, 2008)
- “National Flood Plain Remapping: The Practical Impact” (April 2, 2008)
- “Readiness in the Post-Katrina and Post-9/11 World” (September 11, 2007)
- “Assuring the National Guard is as Ready at Home as It is Abroad” (May 18, 2007)
- “FEMA’s Preparedness and Response to ALL Hazards” (April 26, 2007)
- “FEMA’s Emergency Food Supply System” (April 20, 2007)

In the 110th and 111th Congresses, the Committee on Transportation and Infrastructure and the Subcommittee on Economic Development, Public Buildings, and Emergency Management have held several hearings addressing issues related to EDA, its budget, and its programs.

- “EDA: Lessons learned From the Recovery Act and new Plans to Strengthen Economic Development” (February 25, 2010)
- “EDA Reauthorization: Evaluating Past Performances and Setting Goals during an Economic Crisis” (March 10, 2009)
- “State of Economic Development” (January 23, 2007)

WITNESSES

The Honorable Craig Fugate

Administrator

Federal Emergency Management Agency

The Honorable John R. Fernandez

Assistant Secretary of Commerce for Economic Development

Economic Development Administration

**HEARING ON PRIORITIES FOR DISASTERS
AND ECONOMIC DISRUPTION: THE PRO-
POSED FISCAL YEAR 2011 BUDGETS FOR
THE FEDERAL EMERGENCY MANAGEMENT
AGENCY AND THE ECONOMIC DEVELOP-
MENT ADMINISTRATION**

Thursday, May 6, 2010

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:00 a.m., in room 2167, Rayburn House Office Building, the Honorable Eleanor Holmes Norton [Chairwoman of the Subcommittee] presiding.

Ms. NORTON. The hearing will come to order. Before we begin, we note that Mr. Fugate is on his way to Tennessee because of the disaster there. I am going to do our opening statements, the Ranking Member and myself, go to Mr. Fugate and ask him questions first, before I go to Mr. Fernandez, in light of the Tennessee disaster, which, of course, is first priority.

Good morning and welcome all, especially our witnesses, to today's hearing, which will review the Administration's proposed Fiscal Year 2011 budgets for the Federal Emergency Management Agency and the Economic Development Administration.

The agencies before us today have much in common beyond the jurisdiction of this Subcommittee. FEMA is best known for providing assistance to citizens, States and communities in the aftermath of natural and man-made disasters. The Economic Development Administration, or EDA, provides assistance to communities around the Country facing economic distress from a number of different causes, including disasters. One merely needs to open the newspaper to see the critical need for the programs of these agencies, both of them, whether floods, tornadoes, or earthquakes that have struck this year or the effects of the so-called "Great Recession".

While, for the most part, the Subcommittee agrees on a bipartisan basis with the policies and views of the agencies before us today, we are exercising our constitutional duty to provide the active and vigorous oversight that is always necessary. For Fiscal Year 2011, the President has requested \$7.294 billion for FEMA, an increase of \$186 million over last year.

We strongly support this necessary funding for FEMA. However, a more pressing budget issue for FEMA is the shortfall in the Disaster Relief Fund. In February, FEMA announced that it was limiting expenditures from the Disaster Relief Fund due to diminishing funds. According to FEMA, reimbursements for nearly a billion dollars in reconstruction and post-disaster mitigation projects are being held up pending additional appropriations into the fund.

To address this shortfall, the President has requested a supplemental appropriation of \$5.1 billion for the Disaster Relief Fund. The Committee supports this request as indispensable to FEMA'S obligations. On March 24, 2010, the House passed H.R. 4899, the Disaster Relief and Summer Jobs Act of 2010, which would, I think, authorize the \$5.1 billion sought by the President. Unfortunately, the Senate has not yet taken action on H.R. 4899. Actually, it was an appropriation bill, but the Senate has not taken action on this bill.

While we support much that is in FEMA'S budget request, there are a number of items we find troubling. Generally, the budget proposal seeks to move all-hazard programs, such as Emergency Management Performance Grants, Fire Grants and Safer Grants into the same budget account as the terrorism preparedness grants. In previous years, Congress has rejected this proposal, and the Committee recommends that Congress do so again.

More troubling is the proposal to merge the all-hazard Citizen Corps program into the State Homeland Security Grant Program. By law, funds from the State Homeland Security Grant Program must be used specifically for terrorism preparedness. Citizen Corps is a community-based program that helps citizens and communities across the Country prepare for all hazards, not only terrorism hazards.

And the hazard that Mr. Fugate is about to attend to is the far more difficult of what FEMA does, mercifully, because we, of course, don't want terrorism hazards. The Committee previously asked FEMA staff how the all-hazards nature of Citizen Corps can be maintained if this program is merged into the State Homeland Security Grant program. Unfortunately, staff has not received a response, so we will address this question today.

A recurring theme at our hearings on FEMA is the continued attempts by the Department of Homeland Security to appoint Principal Federal Officials, or PFOs, in major disasters and emergencies declared under the Stafford Act. The PFO is an administrative creation of DHS that duplicates the position of the Federal Coordinating Officer, which is a position appointed by the President and created by the Stafford Act. The confusion between these two positions was a factor in the failed response to Hurricane Katrina, and we are not going to continue to repeat any part of that failure through this official duplication.

To avoid this problem in the future, Congress enacted a number of provisions to prevent PFOs from being appointed in major disasters and emergencies declared under the Stafford Act. Despite this clear congressional mandate for a number of years now, the concerns raised by local elected officials and State and local emergency managers, as well as the tragic lessons of Hurricane Katrina, despite all of that, the Administration's 2011 budget proposal seeks

to remove the prohibition on appointing PFOs. We intend to pursue this matter further with Mr. Fugate at today's hearing.

Although small, relative to FEMA'S budget, EDA plays an outsized role in responding to disaster-stricken communities with grants and assistance to rebuild the economic infrastructure. Man-made or natural disasters alike, EDA's important function is in helping communities to plan how best to deploy not only EDA funding, but funding from a variety of sources, both public and private, places EDA at the center of governmental response to any disaster.

For reasons I hope witnesses are prepared to explain, the President's Fiscal Year 2011 budget requests only \$286.1 million for EDA, an actual reduction of \$6.8 million, at a time when this nation is responding to the most severe economic crisis in generations. Forgive me if I say, please! While this Subcommittee understands the request for greater flexibility in order to respond to a myriad of economic distress scenarios, we fail to understand how EDA intends to respond to a significant increase in demand for its programs during the Great Recession with fewer, albeit more flexible, resources.

Again, during a period when national unemployment remains stubbornly high, reaching double digits in some communities, including my own district, which has segments in the poorest parts of the jurisdiction of unemployment rates above 20 percent, it is unclear why the Administration has reduced EDA's budget.

We will ask the appropriators to grant a clearly necessary increase for EDA. This hearing has intentionally brought EDA and FEMA here together to better understand how EDA's experience in responding to disasters can be paired with the necessary response to an economic disaster, as I and many of my fellow Members would argue is the case in our respective districts. Many communities are experiencing levels of unemployment and poverty never experienced previously, at least in memory.

Last week, this Subcommittee held a hearing with testimony from the Regional Economic Development Commissions. In Appalachia, for example, job gains of the last decade were erased because of the loss of manufacturing industries, lack of investment capital, and population loss during the recession. Urban and suburban America, alike, are similarly affected by conditions such as the significant decline of auto manufacturing and its impact from Detroit to Fremont.

Common both to FEMA and EDA is helping communities recover from disasters, especially in the long-term recovery. Both FEMA and EDA have specific statutory authority for long-term disaster recovery and have historically played important roles in long-term recovery. We were pleased to hear that the President is undertaking a review of long term recovery and we look forward to the President's report, and we need that report very soon. That process is being lead by FEMA and the Department of Housing and Urban Development.

Notwithstanding EDA's specific statutory authority and history in providing assistance to communities in long-term recovery, it appears that EDA has been playing, at best, a minor role in this process. This Subcommittee wants to see EDA more closely involved with the long-term recovery plan that the President is now design-

ing so that EDA's experience can be brought to bear. We hope the witnesses can address this issue today and very much look forward to testimony from each of them.

Ms. NORTON. I am pleased to ask our distinguished Ranking Member if he has any opening remarks.

Mr. DIAZ-BALART. Thank you. First, let me thank you, Madam Chairwoman, again for having this hearing today on the priorities and the proposed fiscal year budgets for FEMA and EDA. The Administration's fiscal year 2011 proposed budget is \$246 million for EDA's Assistance Program and the President's budget also proposes \$7.3 billion for FEMA, and \$5.1 billion in supplemental appropriations has also been requested for the Disaster Relief Fund.

EDA and FEMA both have missions that are clearly very, very important for our Country. Now, EDA, as we know, was established by Congress to leverage Federal funding to help areas that are severely economically struggling. FEMA'S mission, as we all know, is critically important to our Nation and the Administration is actually proposing a number of policy changes.

Like with EDA, we must really evaluate proposals for changes in programs and policies to ensure that they are consistent with FEMA'S very critical role and very missions. For example, the Administration is proposing that the consolidation of FEMA'S State and local programs into the larger State Homeland Security Program. Combining programs that require a nexus to terrorism with those intended to be all-hazards, like Citizen Corps and others, is frankly likely to create confusion and add to the administrative burden on the States, rather than to streamline them.

This Committee, the Subcommittee and the full Committee, the Chairman and the Ranking Member of the full Committee, as well as us believe that FEMA should be taken out, and the Administration seems to be going in the other direction, which I think we need to look at very carefully. In addition, it would obviously be important for this Subcommittee to understand the proposal to modify the predisaster mitigation to include a FEMA-HUD partnership on sustainable communities.

Finally, Madam Chairwoman, I hope to hear from our witnesses today on other key issues related to the roles of FEMA and EDA on the work of the long-term recovery working group and any progress that FEMA has made on its review of regulations and policies to better prepare for the future and to respond to widespread disasters. Again, unfortunately, we have one—well, at least one—going on right now.

I would also like to recognize the urgent need for Congress to approve the supplemental appropriations for the Disaster Relief Fund. With the ongoing recovery efforts in Louisiana, the recent flooding in parts of our Country—and I know that Director Fugate is going to be heading out there himself shortly—the beginning of hurricane season, the oil situation, we must ensure that the dwindling funds in the DRF are replenished.

So with that, Madam Chairwoman, I look forward to hearing from our witnesses. Thank you very much.

Ms. NORTON. Thank you, Mr. Diaz-Balart.

Mr. Fugate of FEMA, the Administrator of FEMA.

**TESTIMONY OF THE HONORABLE CRAIG FUGATE, ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY;
THE HONORABLE JOHN R. FERNANDEZ, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT,
ECONOMIC DEVELOPMENT ADMINISTRATION**

Mr. FUGATE. Well, thank you, Chairman Norton and Ranking Member Diaz-Balart, others Members of the Committee. I am going to keep my opening remarks short because I have submitted my written statement for the record, if that is acceptable, ma'am.

And based upon your questions, I think that you raised many of the issues and you talked about the budget in general, so I am not going to repeat that as well. But on behalf of the President and on behalf of Secretary Napolitano, we were looking at this year's budget the constraints of the current fiscal economic situation we are in to make our recommendations in that environment.

It is our intention at FEMA that we are all-hazards and that the programs and funding levels recommended are a continuation of previous recommendations that this Administration has made, really, to a degree that were unprecedented previously, where many of these items were never recommended. So we continue that level of funding from our previous request.

There are a couple of things I would like to draw attention to because they are not really all that—they don't have a constituency that is going to speak to them, but I need to speak to them, and that is a request, and it is the one area that FEMA did request an enhancement in our management and administrative costs—these are our baseline costs of running FEMA itself—of \$23.3 million for infrastructure and facilities.

Many people are going to look at these requests in these times and question that priority and why I put that priority there, and it comes back to the people at FEMA. Congress blessed FEMA with tremendous authority and resources after Hurricane Katrina, almost doubling the size of the workforce.

But in the regions and in many of the facilities we, no additional funding was provided for additional space; our maintenance repairs, in many cases, had been deferred from years to year; and I felt that it was important that we identify this one area as a priority, as the Administrator, to ensure that staff had the tools they need and the facilities to work from to do their primary job.

Many of the other areas that you have raised I will be more than willing to answer in the question phase of this, but I thought it was important just to highlight that. When we talk about a lot of things, talking about facilities for staff doesn't always get a lot of constituents interested, but on behalf of my staff, I am their constituent. I want to make sure that people that work at FEMA have the facilities they need to do their job. So that is why we did request a \$23.3 million increase in the facilities and deferred maintenance to get caught up and provide that workspace.

I think probably, due to time and the questions you asked, Madam Chairwoman, I am going to conclude my statement there. Again, we are committed to the all-hazards approach. The President, Secretary, and I do understand our role and are committed to carrying out the intentions of Congress. And, with that, I will stop.

Ms. NORTON. Thank you, Mr. Fugate. I am going to do questions for you, in light of your trip to Tennessee. Is there anything you can tell the Committee about the status, any update you can give us on recovery efforts from the floods and the tornadoes, for that matter, that struck the Gulf States last month or, for that matter, the oil spill?

Mr. FUGATE. Well, in the last couple weeks we have had multiple States being impacted by severe weather, most notably, a couple weeks ago we had tornado outbreaks that struck Louisiana, notably, Mississippi with loss of life and Alabama with loss of life. Mississippi has received a declaration for the disastrous tornadoes; Alabama has received a disaster.

The following weekend we had extensive flooding again with, I believe, now reported—I am not sure of the final tally, but it was being reported by the State of Tennessee over 29 fatalities in the State of Tennessee, with flooding in Kentucky.

Based upon my trip there to meet with the governor's team, the governor requested from the President a disaster declaration for the State of Tennessee. The President declared that Tuesday, and we have working with Tennessee to identify all of the communities that have been impacted and add those on to the declaration.

So those areas in the Southeast, again, following on with flooding we have had in the Northeast, up in much of the New England States, as well as a water main that broke in Massachusetts with boiled water orders and an emergency declaration, ongoing disasters in North Dakota, Minnesota, South Dakota, we have been fairly active in a lot of disasters, many of which may not be receiving national attention, but we have been supporting those governors and local communities.

Ms. NORTON. In light of those multiple disasters and the shortfall in the Disaster Relief Fund, can I ask you how much is left in the Disaster Relief Fund?

Mr. FUGATE. The number I am going to give you is one that you probably wouldn't expect, but it comes out of some work that has been done by FEMA as a result of our opportunity or our desire to close out disasters. We currently have been able to increase the amount of money in the Disaster Relief Fund. We are a little under \$1 billion. Part of that has been due to the fact that we have been in immediate needs funding since February, so we have not been funding any permanent work, only emergency response. Part of that has been we have been aggressively closing out old disasters and de-obligating old disasters.

The Inspector General report recently issued pointed out that FEMA did not have a formalized process of doing these things. Our staff have been working to address these concerns and our staff have been very successful in taking a lot of disasters that we had obligations for, but not had expended funds, and, working with the agencies that had been tasked, have been able to de-obligate and return back into the DRF funds.

Our estimate now is that we will exceed the fund levels based, upon current response, sometime in June. Again, that still leaves—

Ms. NORTON. Some time in June what? I am sorry.

Mr. FUGATE. About June. We don't have an exact date because, as this Tennessee disaster ramps up, there are going to be a lot of response costs here. But our projections are about June time frame we would potentially reach a zero fund balance, or close to a zero fund balance.

Ms. NORTON. That would mean depletion of the fund.

Mr. FUGATE. Yes, ma'am.

Ms. NORTON. What would you do if the fund were depleted?

Mr. FUGATE. At that point, we would be in a situation that FEMA could not reimburse or mission-assigned with reimbursement other Federal agencies. However, under the Stafford Act, the President does have the authority to mission-assign Federal agencies in response without reimbursement. So our ability to respond to the immediate emergency needs we believe we can continue.

But, as you also pointed out, we are getting close to and will probably be over \$1 billion shortly, and funding for permanent construction that we have on our books, that is not counting some outstanding projects still with the State of Louisiana, one being the recovery school district, which is a combination of all the school districts. That, in itself, is over \$1 billion. So we are seeing considerable work that is not able to move forward and permanent work based upon open disasters and disasters that have just occurred.

Ms. NORTON. Well, this Subcommittee and Committee are certainly pressing. The funding is in the supplemental, of course.

Could I ask you the status—you spoke about multiple disasters. Well, Washington had a taste of what you go through throughout the Country this winter. What is the status of the presidential declaration? Have any funds been distributed to the affected areas in the National Capital region?

Mr. FUGATE. Madam Chairwoman, I would have to respond back in writing. I am not sure how much we have dispersed to the District. They had two declarations for snow emergencies; I believe we had the one that was back-to-back, where we had the weekend-to-weekend. I do not have at my disposal right now what those dispersals are, but—

Ms. NORTON. Could you, in seven days, in writing, send to the Subcommittee an accounting of how much of the status of the presidential disasters in the District of Columbia and the counties adjoining this capital that were affected, the status of the presidential declaration itself; whether the funds have been requested, that is, the paperwork done by the counties and localities; and what funds, if any, by amount, have been distributed, within seven days? We would appreciate that.

The PFO, you know this is a crow in the throat of the Committee and the Subcommittee. We were shocked to find the new administration had funded a PFO. This is a duplicative officer not authorized by statute, despite bipartisan support here and in the Senate for one person held accountable. Can you assure us that this Administration will not support duplication of the person in charge of a Stafford Act disaster?

Mr. FUGATE. Madam Chairman, I rarely read my notes, but I want to make sure I get this absolutely right, because I think the answer I am about to give has been the one that you have pressed us for, and it is the Administration has no objection to this restric-

tion passed by Congress in reference to the Principal Federal Official. The Department has made a decision not to appoint PFOs for presidentially declared disasters under the Stafford Act, and we will be updating our planning and response documents, as necessary, to strike the reference of a Principal Federal Official in those disasters under a Stafford act.

Ms. NORTON. We are very pleased to hear that response. We really would never like to have to raise that issue again. I think—and you are a long-term professional in the field, Mr. Fugate—that there is no difference among professionals in the field about one person accountable in a disaster, just like there is one general and one president. That is how it always goes in the chain of command.

One more question before I go to my Ranking Member, and that is about the Citizen Corps and the all-hazards program being transferred to the State Homeland Security Grant Program, which has a very specific purpose. We don't understand that switch and would like you to explain, and we can't understand why FEMA has not responded to our request, because we regarded this as an urgent matter and wrote to FEMA concerning it sometime ago. So perhaps you would like to explain in person.

Mr. FUGATE. Yes, Madam Chairwoman. The intention here is to streamline grant applications process, but I understand that there is an unintended consequence of doing that. And although we have made our recommendation, we will seek out and will follow the guidance Congress gives us on these programs. I understand the concerns. I am committed to being all-hazard. This is the unintended consequence, I believe, and us trying to streamline a grant process where each one of these grants right now is an individual—

Ms. NORTON. You can streamline the grant process to the point where somebody is applying for something he has no right to apply for. Now, Congress was very specific about the State Homeland Security Grant program and what it desired the program to be used for, and we are very much for efficiencies, but this efficiency tends to conflate purposes, and that is not the kind of efficiency we are after. So what would you do? Can we ask that the all-hazards program remain separate from the State Homeland Security Grant Program?

Mr. FUGATE. We are committed to working with Congress and following the direction Congress gives us. These are the recommendations, but we understand the concerns and are committed to working with Congress on moving forward in our recommendations.

Ms. NORTON. I appreciate that answer. I am going to ask, Mr. Fugate, that you have staff meet with our staff, our Committee staff within the next seven days to discuss this issue so that we can work together. I think we are both on the same page.

And I am going to go to Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you very much, Madam Chairwoman. It is great to see that a lot of the issues that I wanted to bring up, you already brought up.

Ms. NORTON. You and I have been on the same page about all of these.

Mr. DIAZ-BALART. We have been, and we continue to be, and I think it is important that this Committee continue to work as closely together. Madam Chairwoman, as you know, Mr. Fugate is exceedingly accessible. I have had the opportunity to speak to him on a number of issues. You call and he will immediately call you back.

Since that, and since I know your schedule, I am just going to ask you a couple questions, Mr. Fugate. One is when do you expect FEMA'S review of the Public Assistance Program, the rules, to finally be completed? Do you have any idea of the status and any updates to tell us as to what you are finding?

Mr. FUGATE. What I am finding is we need to follow the law and the rule. I will give you some examples. When Secretary Napolitano went down to New Orleans, at the direction of the President, to look at the recovery, we made a decision, or she made a decision at that time to change the leadership of what was then called the Long-Term Recovery Office.

FEMA brought in a Federal Coordinating Officer, Tony Russell, to address that issue, and in less than a year's time Tony was able to free up and move over \$1 billion in funding that had been held up. One of the things that Tony Russell likes to point out is we did not change Stafford Act, we did not change the CFR that governed that, nor did we change out about 90 percent of the people. It was taking our program and focusing on the outcomes, and not the process.

So what we are finding is that, as I testified all the way back from my confirmation, but before you as well, that the Stafford Act provides tremendous flexibility. Even the CFR, with its complexity, is a very robust tool, but we, in many cases, ourselves have limited our decision-making ability. So part of that first step is going back and dividing it into what does the law say, what does the rule say, and does our process provide the answers we need.

That is an ongoing process. I don't know if I ever will complete it, but it is our goal to make sure that we are focused on the outcomes and the intentions that Congress had in the Stafford Act and, within our CRF, identify those areas where we may have issues that require legislative remedies. But what I am finding, by and large, is it is the application of the programs, the process, not the law, that we have to work on and to streamline and clarify so that we are focused on outcomes.

I will give you one example, sir: fire stations. We were hung up in Louisiana and New Orleans over fire stations because part of our process said we had to determine how much damages were due to deferred maintenance versus the storm itself. We required records to demonstrate that. Those records were in a building that was flooded. They could not produce those records; therefore, our process would not let us go forward with determining what was eligible for reimbursement.

Tony Russell brought a very simple common sense approach it and said was it a fire station before the hurricane hit? Yes. Was the station destroyed? Yes. Then we are going to make the assumption that it is eligible to be replaced and move forward with the project.

Mr. DIAZ-BALART. Common sense. Well, we look forward to that continuing effort.

Secondly, I want to bring up an issue of American Samoa, which is worrisome. The Office of the Inspector General's report has some interesting observations. One of them is the issue about the housing. FEMA ordered, I guess to get started, provided \$3.9 million to build eight homes. That is a heck of a lot of money when you look at the cost of housing in FEMA, and it seems that, when you are looking at homes that, potentially, brand new, spanking new there go for up to \$100,000 and FEMA is providing way above that, there seems to be a serious, serious disconnect and there seems to be, obviously, a lack of—well, I mean, whatever you want to call it; I don't want to put names on it.

But have you had the opportunity to look at that? And it would be great if you could get back to us on that, because it seems, right there, that that is a ton of money that the taxpayer is sending, spending a lot more than should be spent for something that is needed, but that obviously is not being done efficiently.

Mr. FUGATE. Congressman, this is an area that we knew that—you have to remember we are about half a year into this from when the tsunami hit. At the time the tsunami hit, the original estimates, working with the governor's team, was they were going to need about 150 homes built. And looking at what tools we had available, we had a preexisting contractor that was already available, that had already been identified as a resource to start construction.

Because, when we build a home, we have to deal with environmental review, archeological and a lot of things that the average homebuilder does not deal with, we did a pilot up to, but did not cost \$3.9 million to start the construction on eight homes. Because this would require bringing materials in and other things, and there were a lot of unknown costs in starting this up, we provided this contract to begin the process. But the intention was not that eight homes would cost \$3.9 million; it was up to \$3.9 million. Part of that would be the initial construction so we could get a cost-per-unit cost and see how to economize that.

My Deputy Administrator, Rich Sereno, traveled to American Samoa several weeks ago, met with the folks on the ground, met with the community, and the situation has changed in that the original estimate of 150 homes has gone to 50 homes. We are working back through our acquisition staff to modify the scope of work and the contract. One of the things we want to do is, because we have fewer homes to be built, we want our contractor to work with local folks to employ them. We also want to look at available materials and other things. Plus, we found that we had some requirements in there that were not necessary that were raising the cost as well.

So we are, again, going with the eight pilot homes. That cost will be contained, it will not be \$3.9 million; that was just a maximum amount that we were going to commit to this initial 150 homes. We had some things that we had to look at as far as bringing materials there, bringing work crews, and, based upon 150 homes, we knew we were going to have to bring a lot of outside resources. With the number dropping down to 50 homes, we are going to work—and the

contractor is agreeing to this—redefine the scope of this, look at more local hires, and look at more local materials, which will bring that cost down.

Mr. DIAZ-BALART. Well, again, I appreciate that. I know that is how you work, and you are a common sense person who solves problems. It would be great, though, if you could let us know, once you have an idea of how much we are spending per home, just to get us that information.

Mr. FUGATE. Yes, sir.

Mr. DIAZ-BALART. Madam Chairwoman, just on a lighter note, you know, we think so much alight, but I am even supporting your hairdo.

[Laughter.]

Mr. DIAZ-BALART. So thank you.

Ms. NORTON. I did notice that, Mr. Chairman. I did notice that we were twins up here. It is getting hot.

Mr. Fugate, I know that the Predisaster Mitigation Program has been an important program and it is a favorite of this Subcommittee. We authorized this program a year ago. It was just marked up in the Senate last week. That body moves slowly. It says deliberately; all we know is slowly. You are not supposed to libel the other body or even speak ill of your friends over there, but we do suffer some frustration when programs that are as important as this take as long as this one does, so there is going to be a whole rush, I am sure, to get some stuff here in the last several months. But what happens if this program is not reauthorized, does it go out of existence?

Mr. FUGATE. It would go out of existence. That program is strictly a program that is tied to the authorization and the funds. Without funds, we would not be able to carry out mitigation projects. And probably the thing that would be of most concern to me is not only the mitigation projects, it is the fact that this provides planning dollars for States and local communities to get local mitigation.

What I have found is, if you don't have disasters, getting communities to really understand that in the process of applying for mitigation grants that—here is what will happen. Oftentimes communities will think about mitigation only when there is a disaster, not think about it ahead of time, and then oftentimes have no incentive to plan ahead that, if a disaster strikes, how to reduce future impacts. And the fact that this money is available to all States, regardless of a disaster, keeps mitigation as a tool local and State emergency managers can constantly talk about because there are grant dollars available for communities.

I think probably the most value to this may not be the actual projects, but the fact that, without a disaster, Congress has indicated that mitigation is important and that funds are available, and it gets communities thinking about mitigation that would otherwise not consider that because they haven't had recent disasters.

Ms. NORTON. It will be interesting to hear your report at some future date about whether mitigation played any role in the multiple disasters you are tending to now.

Last year, in the fiscal year 2010 request, the Administration proposed changing the program, the Predisaster Mitigation Pro-

gram. Currently, it is a competitive program to a program distributed through a formula based on what we saw, and I think most agreed, was a flawed Homeland Security methodology. Congress strongly objected. Has this proposal been tabled?

Mr. FUGATE. I would have to go back and research that. I think the intention here is, again, in doing a competitive process, not every State would get some base funding, and the intention here was, I think, to try to make sure that, as much as possible, as many States could receive at least some funding. And, again, the interest here was, if you could keep mitigation in front of policy-makers and decision-makers, even if it is just in a grant program, it keeps the focus on mitigation as a future tool.

Ms. NORTON. I understand that concern and goal. It is very hard to find, in the Federal system, a better way to distribute funds except competitive distribution. Yes, we do have distribution per capita. This little bit of money is not meant to be spread across the Country. We want to encourage mitigation activity improvement. And when people have to compete, that is what happens. This Committee strongly objected; Congress strongly objected.

I am going to ask you, in seven days, to report to the Committee on whether the formula-based, based on a much disputed Homeland Security methodology approach, has been tabled.

Mr. FUGATE. Yes, ma'am.

Ms. NORTON. Seven days, please.

We have now passed a landmark health care bill. We were chagrined, and have been chagrined in this Subcommittee, to note that temporary FEMA workers, DAEs, I guess they are called, were not guaranteed health care. Are they covered in some form or fashion by the new health care bill?

Mr. FUGATE. I am not aware of that. It is something that we are looking at as well. One of the things that we did do that had not been done previously was, as Disaster Assistance Employees are actually working, previously they did not get sick time or vacation time. We have changed that so now that, when a Disaster Assistance Employee is actually working, they will incur sick time, and this allows us to do something we previously could not do.

If you were at a deployed disaster and you got sick, our only previous alternative was actually take you off the clock or send you home while you were sick, particularly if you had just a minor illness that required a few days. And because you were oftentimes on per diem and travel, it became very much a management issue of how do you deal with somebody who has to be just only a couple days, don't really need to go home, but the minute they are not working, they are not eligible for their travel and their per diem.

So we have built in sick days; we have built in vacation leave that can be built up by DAEs, which was previously not offered; and we are looking at, with the Office of Personnel Management and others, what does the new health care bill look like when it comes to temporary employees under the DAE status and what programs will be available.

Ms. NORTON. Staff informs me that in our Stafford Act bill, H.R. 3377, the health care for the DAEs would be covered. They would have to be given the opportunity to go to the Federal employees health plan. What an embarrassment this is for the Government.

We go around trumpeting how everybody, ninety-some percent of Americans can have health care, except, of course, people who work for the Federal Government. That just cannot be.

Now, what is the status of this bill? Our bill is expected to come to the Floor soon, so that would be mandated. I commend you for the improvements that you have noted, but nothing can take the place, as we have learned all too poignantly, of health care.

Now, some of these people may have health care. It is just the opportunity; they would have to pay for it themselves. But without even the opportunity that is available for the average American now to buy on the exchanges and the rest, and if you are a Federal employee, of course, you have to come in to our own plan. Without that opportunity, we look like a bunch of hypocrites.

So we have to deal with that this year, before the end of this fiscal year. And that should be done if H.R. 3377—I am going to ask staff to inform me what is keeping this bill from going to the Floor. Here, I have been criticizing the Senate. For goodness' sake. Time is passing.

Could I ask a question about the administrative law judges? Mr. FUGATE, you may recall that we were so distressed with the hold up of billions of dollars in Louisiana that we worked on a plan that would get us beyond the stalemates that had accumulated in Louisiana, leaving that money on the table. Even as we were distributing stimulus money, there was billions of dollars on the table in Louisiana. The administrative law judges are in place. I understand they have had some effect on some projects.

What is your view of the way that is working? I should tell you we are going to have a hearing on them at some point, but I would be very interested if you have any view of the administrative law judges in place. Not the judges themselves, but the mechanism.

Mr. FUGATE. Well, as the Chairwoman knows, this was done specifically for the Katrina-Rita disasters, and we are, again, in arbitration on multiple projects, probably the most notable one was Charity, which we had reached an impasse. Arbitration actually ruled in favor of Charity Hospital. And in reviewing that, as well as others, as I said, part of this was to review what the arbitration panel would find and how they would rule, we actually took one of our projects that was going to arbitration and we settled.

And, again, as I go through this, I find, in many cases, that I am not so sure the positions that FEMA took were defensible in the first place. The arbitration panel, in many cases, were quite vocal in that. So, again, that is being factored in to our process. Ideally, this is a symptom or a cure to a symptom that should not exist. Our process and our program should not be so difficult that we have to resort to arbitration to get to the answer.

Ms. NORTON. Does the coming of arbitration—because you mentioned compromise or settlement—does it tend to bring on settlement as we move toward arbitration? Are we trying to do is—if the threat of arbitration can do that, then it has accomplished its purpose.

Mr. FUGATE. Well, some of the projects we went through arbitration and we argued our position; the other side argued theirs; and in many cases the other side has prevailed. I think that there are fewer projects that went to arbitration than we thought initially,

and I think that goes back to the good work that was done by Tony Russell and his team in Louisiana.

You know, when we were originally looking at this, we thought this would be in the hundreds. It has not turned out to be that way. But some of those projects were so—I think had gotten to the point where we had gotten—we just weren't able to get to an agreement, and there had to be a process that got it passed; and Charity, I think, was a good example. We had reached an impasse on both sides and it took that arbitration process to get an answer.

Ms. NORTON. We have never used it before. We are just trying to find a way to get beyond stalemates that hurt both sides. And, yes, each side has a reason to husband the money of its side, but we have to break through that, especially given the delay and especially a disaster as huge as the Gulf Coast disaster was.

Let me ask you about something else that came out of this that just shocked me, Mr. Fugate. We learned that in—leave aside arbitration. We learned that FEMA has a process by which FEMA gets an expert, the State gets an expert, and they dual it out. Nothing in the statute requires that. So you set up an adversary process from the beginning. So what I want to know is why can't, whenever there is an expert needed on various aspects of recovery, whether it is a particular housing or construction or demolition, you name it, shouldn't there be an agreement on both sides on one expert, so that we don't set up an adversarial relationship right from the beginning?

Mr. FUGATE. Well, Madam Chairwoman, I think you raised a point that our staff has concurred with, and that is in certain types of decisions, if you have a licensed professional who is making a definitive statement and is attesting to that, that both sides would agree to recognize that. In this case I am speaking to a licensed professional engineer, licensed in the State that they are in. If a local jurisdiction or State brings forth a finding that a licensed professional engineer has certified and attested to, we will take that at face value and not bring in a separate expert.

Ms. NORTON. Are you doing that now, Mr. Fugate?

Mr. FUGATE. That is how we are going forward.

Ms. NORTON. Oh, you have my congratulations. The notion of saying let's act like we are in court, when the Stafford Act doesn't require that; the Stafford Act just requires you to get it done. This is such a common sense approach, for you to agree in the beginning. Then you don't have, probably, the kind of adversarial process that builds up so that you are going to need arbitration for the final outcome because every step of the way you have built in an adversarial approach. We want to hear more about that as well at the hearing on the administrative law judges.

We have been joined by Mr. Cao and Mr. Perriello. I will go to Mr. Cao next, then.

Mr. CAO. Thank you, Madam Chair.

First of all, I just want to thank Administrator Fugate for your quick response, or at least your staff's quick response with respect to a couple of my inquiries when you were in the Homeland Security Committee a couple weeks ago, was it?

Mr. FUGATE. Last week, sir.

Mr. CAO. Last week. So I thank you for your staff's response on my questions concerning the CDL. I believe that you are working on that issue on a case-by-case basis.

What I want to learn from you is when you look at the forgiveness application on a case-by-case basis, and let's assume that you will receive about 15 to 20 applications that you deem to be not qualified under the rules as promulgated by FEMA, what would be your next step?

Mr. FUGATE. We will go back to the applicants and go do we have more information. But if we get to the point where we are not able to go forward with that application on a full forgiveness or partial forgiveness, or how that would work, we are working that through our Regional Administrator, Tony Russell. And then as he identifies those and flags those, he sends them to headquarters to see what additional work we can do.

Mr. CAO. Now, in our last meeting I asked you about the special CDL in connection with Oxner, and, as you know, Oxner, right after Katrina, signed an agreement with the State to treat the people who were uninsured because of Charity Hospital being damaged by Katrina, and under the special CDL program, funding is available to assist local governments in providing essential services to their communities.

And under the implementing regulations promulgated by DHS and FEMA, private, non-profit hospitals such as Oxner are eligible for funding under the special CDL program. And this is your own explanation of the CDL regulations: FEMA specifically determined that if a local government deems it appropriate, it may provide proceeds from a loan under this special CDL program to an operator of a private, non-profit facility that provides the community essential services, such as a volunteer fire department, volunteer emergency medical provider, or a hospital. I just quoted verbatim from your own explanation.

So, as you know, the delegation also wrote a letter to you to express their concern about this matter. My question here is what would be the specific and immediate action that FEMA will take to address this issue of the special CDL in regards to Oxner?

Mr. FUGATE. Congressman, I am not as briefed on that as Tony Russell is, but I also know there were other challenges in that the original special CDL was made to the local government. They were willing to transfer some of that to Oxner and there were some additional issues that were brought up on our side in dealing with that. And I would have to defer back or respond back in writing as to the actions that the Regional Administrator is taking in that matter.

Mr. CAO. Thank you.

My next question is to Mr. Fernandez. As you know, Hurricane Katrina—

Ms. NORTON. We are waiting. Mr. Fernandez has not delivered his—

Mr. CAO. Oh, I am sorry.

Ms. NORTON. Because Mr. Fugate is on his way to Tennessee.

Mr. CAO. OK, that is fine. I will wait, then. Thanks.

Ms. NORTON. Mr. Perriello is not here for the moment.

For your reference, Mr. Fugate, the discussion that led me to wonder, and I am so pleased with your response about having one expert, by the way, the absurdity of it was that apparently FEMA paid for both their expert and our expert, doubling the money for the taxpayers and creating on its own dime an adversarial process.

So since we have to pay for them, let's just pay for one. It was the people from St. Bernard Parish came in, it was very pitiful about mold consultants, and they needed an arbitrator, as it were, for these mold consultants, which gave me the notion that maybe one consultant would do it. But you are already there.

Have there been other forms of dispute resolution. We are not wedded to arbitration. Have there been other forms of dispute resolution used during Katrina or since you have been Administrator that you would recommend so that we could short-circuit disputes?

Mr. FUGATE. Well, one of the things that was done in New Orleans and Louisiana was providing higher level expertise in looking at some of the more complex projects, and by bringing in some staff to support the team there, we were able to clear the backlog of projects that would otherwise have probably gone to arbitration. And again it goes back to, in many cases, we had built a system that was delegating decision-making at the highest level, not where the work was being done.

So you are trying to resolve an issue and work with the applicant; yet, if the solution has to go up through multiple layers back to headquarters for a decision, it loses something in translation. And what we found by bringing the people to the applicants and sitting down and going over them with these projects, we were able to clear a lot of backlog, but also resolve issues that made, as you point out, were common sense solutions within the law, within the rule, that the people that were the decision-makers were empowered to make those decisions at the point at the State level working in partnership, versus it coming all the way back to headquarters. And that is our intention with our regions.

Part of the reason I am asking for that \$23.3 million is we know that when we can get answers closest to where the problems are, we get better outcomes. And part of this is, again, supporting our regions and their need for additional facility support so that we can continue to bring FEMA to our customers, not make our customers come to FEMA. FEMA headquarters, by the way.

Ms. NORTON. That is a very important moving the decision down. This has been one of the banes of our existence here and complaint about FEMA, that everything had to travel to headquarters, people far removed, and they have to get together, then they really have to go back down and talk to the people on the ground and really find out what to do. So that is another important common sense—I won't even call it innovation, it is a way I think a field operation like FEMA ought to be operating.

Look, you have been in office now about one year, Mr. Fugate. You have just discussed some significant changes. Perhaps you would like to discuss others. And I would like to ask you what changes do you still feel need to be made at FEMA. What was your biggest surprise?

Mr. FUGATE. Well, probably my biggest surprise wasn't my biggest surprise, but that was the fact that I was joining a lot of good

folks and a good team, and that in many cases, when I look back, I try to say what have I actually done, and I don't have a whole lot to report for that, but the team has done a lot. And I think, if nothing else, was just recognizing, in many cases, that if I empower my staff and give them clear direction, I am going to get a much better outcome than if I am trying to do everything and direct everything.

So for my first year I am very proud of the folks I have been able to join. I think we are making progress, but that progress is really being done by the staff themselves, and my role in that is to make sure we are going in the right direction, but empower staff and empower decision-makers where we can do the greatest good.

So that is my commitment, to empower my regional administrators; that is my commitment to my team that we are not always going to be perfect, we are going to make mistakes. And I have told my staff if we make mistakes for the right reason and there is criticism, I will take the criticism.

But I don't want to be so afraid of doing the right thing that we do nothing for fear of making a mistake. So my first year here I am very proud of the folks I have been able to join and, if anything, being able to allow them to do their jobs more effectively.

Ms. NORTON. I will ask the Ranking Member if he has anymore questions.

Mr. DIAZ-BALART. No, thank you, Madam Chair.

Ms. NORTON. Mr. Fugate, can I ask, on the Disaster Relief Fund, which is a subject of great worry to this Subcommittee, within 30 days, can you provide us with a breakdown of the amounts in projects being held up by State?

Mr. FUGATE. Yes, ma'am. In fact, I believe we could probably be faster than that based upon our current accounting.

But I want to come back to something, and that is the support of you and Chairman Oberstar and this Committee in supporting us, and the letters you have written and the support you have given to us for that DRF. You know, we are able to continue our immediate response, but we are seeing an increasing backlog of construction, and in some of our States, like the Dakotas, they have a season that they can only do construction during the summer and early fall months.

So, again, there is an urgency there. The flooding that took place over a year ago, as they get back into the time frame where they can actually begin construction, they are not able to move forward and they will not be able to do construction once winter sets back in.

So the urgency here, as you have expressed, as Chairman Oberstar has expressed, as Congressman Diaz-Balart has expressed, and your support I think goes a long way in helping us make the case that this is something we need action on and we do support the letters, the statements, and the commitment to allow FEMA to do the job you expect of us, and that is to support our State and local governments in response but, most importantly, in recovery and mitigation of past disasters.

Ms. NORTON. Well, disaster relief is automatic stimulus today, especially when that is work that has to be done. Let's get it done now.

Let me just ask you a final question on Katrina recovery. Since the new Administration came into office, we have seen measurable progress in moving forward on recovery from Hurricane Katrina. You have discussed some of that. Can you give us an update on the status of public assistance and mitigation projects for Hurricane Katrina?

Mr. FUGATE. In general, I know that we have been able to, I believe it totals a little over \$1 billion right now that we have moved in the past year. Several big projects, though, are in the final stages. One of the things is the recovery school district, which is the ability to take all of the impacted schools and do one project, versus individual projects. That is moving through the system. That is going to be a very large project, but it will give, as far as the repair and the replacement of schools, a huge amount of infusion of local construction in those areas.

Mitigation and other projects are moving through. I had the opportunity to be in Louisiana several weeks ago at the invitation of the governor and Homeland Security Emergency Management Director, Mark Cooper, and, in meeting with many of the parish presidents, it was heartening to hear that they felt that FEMA was being responsive, was moving all these projects. In fact, the biggest thing that I hear is not really a complaint, it is a plea: it is don't go back to what we used to do; keep doing what you are doing.

And one of the most important things was we will agree to disagree, but what we cannot do is to stop communicating. And that is the situation that, in many cases, we found that, in working with our partners at the State and local level in dealing with the recovery from Katrina, we had literally stopped talking; we were passing paper and became dysfunctional.

So we have agreed that there are going to be times when people want to do things that the Stafford Act will not allow us to do, and we will agree to disagree. But we are not going to stop communication and working as a team. And I think when you do that, that brings about the need for arbitration and other processes.

But when you can continue to work, communicate, and tell people up front what we can and cannot do as the Federal Government, and be consistent in that message, local officials have told me that is one of the most important things that FEMA can do, is be consistent. And if the answer is no, give them that answer so they know what the next steps are going to be, but don't string this process along or don't change decisions arbitrarily or because of changing staffs, because that is the most difficult part for local officials as they try to plan their recoveries.

Ms. NORTON. You have shown flexibility in understanding your mandate under the Stafford Act. One of the concerns of the Subcommittee was the rigidity with which the Act was being administered; so rigid that we had to pass a law essentially telling FEMA to do what FEMA already could do. Could we ask that, if you are ever in doubt about the Stafford Act, instead of going by the book just because some lawyer at FEMA does his job, and their jobs are to read statutes narrowly, this is not a narrowly worded statute, it is a remedial statute, and the final authority would be the Subcommittee and the Committee. So we ask, when in doubt, instead of having back and forth disputes with local jurisdictions, if you

would refer the matter to the Subcommittee, we would be pleased to be of assistance.

Mr. FUGATE. We will do that, Madam Chair.

Ms. NORTON. Mr. Fugate, we have been pleased with your start-up year. We are very pleased to see that you are going to be on the ground in Tennessee, so you are excused at that point to go tend to what we regard as even higher priority duty than even being here this morning. Thank you, sir.

Mr. FUGATE. Thank you, Madam Chairman.

Ms. NORTON. Mr. Fernandez, we apologize. We usually let both of our witnesses testify and then ask questions seriatim of each, but felt we had, this time, to, in light of the emergency, let Mr. Fugate go first. I know you, as a disaster expert yourself, would be the first to understand that.

We are pleased to receive your testimony at this time. John Fernandez, Assistant Secretary of Commerce, Economic Development Administration.

Mr. FERNANDEZ. Thank you, Chairwoman Norton and Ranking Member Diaz-Balart. I guess it is only appropriate that we would go second because, certainly in the context of disaster relief, we view ourselves as a second responder.

This hearing is extremely timely, as we are responding to two disasters, one natural and one man-made; and though not a first responder, EDA has a long history of promoting economic recovery following disasters and is already mobilizing staff to assist communities reeling from these catastrophic events.

In response to a string of devastating natural disasters in 2008, Congress appropriated \$500 million in disaster supplemental funds to our Economic Adjustment Assistance program. Here is one example of what we did following the Midwest floods. Those floods destroyed the city-central, coal-fired boilers that provided steam heat and hot water for St. Luke's Hospital and Coe College in Cedar Rapids, Iowa.

When the utility company announced its plans not to rebuild its boiler facility, the hospital and the college were left without permanent heating capacity. Both institutions could not continue to operate without an affordable and reliable energy supply.

The college estimated that their energy costs would quadruple and the 540-bed hospital faced cutting services vital to the community. EDA invested \$4.65 million in disaster supplemental funds to help construct and install an upgraded energy-efficient system. EDA's assistance was critical to helping the hospital and the college keep their doors open, saving approximately 3,150 jobs.

EDA's investments stem beyond rebuilding in the wake of disasters. We strive to simultaneously create new economic opportunities. For example, EDA invested \$10 million in disaster supplemental funds to renovate and expand the Center for Technology and Workforce Development, a biotech business incubator on the campus of the University of Texas Medical Branch at Galveston. This project will not only allow the 14 companies that were displaced by Hurricane Ike to return to the incubator, but will expand the facility's capacity to add 24 additional biotech companies.

Economic disasters, whether caused by forces of nature or be they man-made, bring their own unique set of challenges. EDA's

Economic Adjustment Assistance Program is the key to our success in responding quickly and effectively. This program allows for a wide range of technical, planning, financing, and infrastructure assistance. Moreover, this investment program can be multifaceted, which allows us to develop an integrated response.

Perhaps the best example of this integrated approach is occurring right now in Moraine, Ohio. In June of 2008, GM announced its plans to close its Moraine assembly plant, eliminating 5,000 direct jobs and thousands more indirectly. Within two weeks of GM's announcement, EDA's Chicago staff began working with local and State officials to develop a strategic response to the plant closure.

To guide recovery efforts, EDA subsidized the development of a comprehensive economic development strategy for the greater Dayton region. With the strategy in place, EDA staff continues to provide technical assistance on implementation measures, including working with the Moraine officials on alternatives for redeveloping the former GM site. Additionally, EDA funded a revolving loan fund to provide capital to support existing businesses, while encouraging the development of new businesses to spur job creation.

For fiscal year 2011, EDA has requested \$246 million for its Economic Development Assistance Programs. While this figure is on par with EDA's fiscal year 2010 appropriation, the agency's request includes a significant shift of resources within EDA's seven programs. EDA has asked that the largest percentage of our funds, or \$125 million, be allocated to the Economic Adjustment Assistance Program.

While the Public Works Program remains an extremely useful tool, as EDA's most flexible program, the Economic Adjustment Assistance Program is critical to our ability to effectively respond in real-time to economic dislocations.

Madam Chairwoman, Ranking Member Diaz-Balart, and Members of the Subcommittee, I want to thank you for the opportunity to testify today. I especially want to thank you for your consistent and incredibly strong support for this agency, and I know on behalf of all my colleagues at EDA, we truly appreciate that, and I look forward to any questions you have.

Ms. NORTON. Thank you, Mr. Fernandez. Your budget before us now proposes a reduction in funding from the Public Works Grant account to the Economic Adjustment Grant account. Do you envision doing a similar number of infrastructure-related projects even with an \$86 million reduction in public works funding?

Mr. FERNANDEZ. Madam Chairwoman, the vast majority of our economic adjustment funds in fact go to capital projects as well, nearly 60 percent. What we do believe is that, with the Economic Adjustment Fund flexibility, it gives us the ability to be more creative, provide more integrated responses, and, as we are experiencing right now with multiple disasters prior to any additional supplemental appropriations, we have more flexibility with those economic adjustment of funds to give the kind of soft infrastructure support that is critically needed immediately after an economic disruption, whether it is man-made or a natural disaster. So we would continue to certainly invest in a lot of capital projects; it is just having that flexibility we believe is very important.

Ms. NORTON. Well, you have used your flexibility very well, and I defer to your expertise there; it certainly sounds reasonable. What has been the response, though, of the economic development districts to this shift?

Mr. FERNANDEZ. Well, I won't speak for them. The response to the direction we are trying to take EDA I think I can confidently say has been very positive. We have been engaged with stakeholders aggressively since I came on board in September; we are working closely with them. We appreciate their input and we can't do our job without them. So I have met with many of the representatives of the economic development districts and I think I can say safely that they are generally happy with the direction we are going.

Ms. NORTON. Has there been any upward spike in grant applications this fiscal year?

Mr. FERNANDEZ. Yes. I can tell you last year's numbers we had for the Economic Development Adjustment Programs themselves, north of a billion dollars worth of requests.

Ms. NORTON. I am sorry, I can't hear you. Would you speak more directly into the microphone?

Mr. FERNANDEZ. We had north of a billion dollars in requests last year.

Ms. NORTON. A billion dollars as opposed to what last year?

Mr. FERNANDEZ. That was last year. We had \$1.2 billion. To date I couldn't tell you the exact number, but I think we are north of—we are almost at the \$500 million mark already this year. So, yes, there is a lot of demand.

I can give you realtime numbers on the Community Trade Adjustments Program, which I think is a reflection of demand as well. That program that Congress created included a little over \$36 million in funding, which is very similar in its applications to the Economic Adjustment Program. I think we had 131 applications for north of \$100 million in requests. So, yes, there is certainly a demand for programs.

Ms. NORTON. Would you, within 30 days, submit to this Subcommittee a list of grant applications this year relative to the same time period last year?

Mr. FERNANDEZ. Absolutely.

Ms. NORTON. You will note that we put both you and Mr. Fugate on the same panel because we are trying to create greater synergy between the two of you because we believe it is already there; you just don't have the kind of funding that would enable you to pick it up as easily. Now, you know, you have some recent disasters going on. Absent an emergency supplemental appropriation, would EDA just be left out of responding to some of the disasters going on now, like the oil spill and the floods in Tennessee?

Mr. FERNANDEZ. Not completely, Madam Chairwoman. I mean, we are in fact engaged today. Shortly after the oil spill, for example, our office staff, our regional staff in Atlanta and Austin both became engaged with their local and State economic development counterparts. They actually deployed to the regions and met with officials. Today, in fact, Secretary Locke, along with our Deputy Assistant Secretary are in Biloxi, Mississippi, and going over to Pen-

sacola, Florida, as well. So we are able to use our economic development representatives to provide technical assistance.

Where we are hamstrung, candidly, is to deploy significant resources in the short-term for things like additional disaster coordinators and some of the softer technical support that is available through our economic adjustment program. For our Atlanta region and our Austin region, their pipeline for fiscal year 2010 Economic Adjustment Assistance funding is taxed.

It would be very difficult to squeeze out additional resources. We will do everything we can, obviously, but that is one of the reasons why we think the flexibility of the Economic Adjustment Program is so important, and that is why we would like to see a higher percentage of our funds in it, so that we can respond quickly to these kinds of sudden economic disruptions, whether they are natural or man-made.

Ms. NORTON. I am going to ask the Ranking Member if he has any questions at this time.

Mr. DIAZ-BALART. Not at this time, Madam Chairwoman.

Ms. NORTON. Thank you, Mr. Diaz-Balart.

I just have a few more questions. We were very intrigued last week at the hearing—it was the Economic Development Commissions—to hear how the Delta Regional Commission does its grant programs with the provision of their grant agreements that requires a payback by the applicant if they do not generate the number of jobs promised originally. Apparently, it is working. People know you don't play with the Delta Regional Commission.

Does EDA operate its programs with similar provisions? If not, would you consider doing so?

Mr. FERNANDEZ. Well, when I was mayor, those type of clawback provisions were very important. We certainly have accountability measures that we follow in regard to our grantees. One of the distinctions, however, between their work and ours is that they are making their grants directly to a recipient with the expectation of them creating the jobs. We work through intermediaries. So it is not that it can't be done—and we certainly want to hold people accountable—it is just that we don't give the assistance directly to a company who is creating those, where we can hold them as directly accountable.

Ms. NORTON. But you give the assistance in fact to who?

Mr. FERNANDEZ. Typically, it is the city, a town, a county, a public—

Ms. NORTON. Who, of course, depend your expertise and advice and counsel.

Mr. FERNANDEZ. Correct.

Ms. NORTON. So I recognize the difference. It is an important difference. Would you be willing to at least try this out in an appropriate circumstance to see whether it would work and save the taxpayers money?

Mr. FERNANDEZ. Sure. And I think there are instances where our support is much more direct; and in those cases it would be totally appropriate.

Ms. NORTON. The Committee would very much be interested in hearing from you in writing any circumstances where you think this might be tried out. We cross-examined the Delta Commission

very closely, and they are headed by a former auditor. They know how to account for circumstances beyond the control of the grantee, and they know how to negotiate in advance. I don't know what your record is or whether you know what the record is in, in fact, producing jobs promised from EDA seed money. Have you any sense of the regularity with which commitments are in fact kept to produce jobs by the numbers?

Mr. FERNANDEZ. I can recall that within the last couple of years that Grant Thornton did an extensive study. We used a third-party company to actually evaluate the track record of EDA, and they reported back that, in fact, the actual job numbers and private sector leverage was very consistent with the grantee estimates. And that actually validated even an earlier study by Rutgers University. So I think our track record is very strong. If anything, we take great pains to be extremely conservative in our projections.

Ms. NORTON. Well, you have a great deal of credibility with us in that regard; that is why we are at pains to understand why there would be any reduction in funding. Why was there a reduction in funding for EDA?

Mr. FERNANDEZ. Well, there are two things to consider here. One is that EDA is one of the agencies trying to address the broader economic challenges our Country faces. And in the President's budget there are substantial new investments, for example, in infrastructure; there are substantial new investments in education; there are substantial new investments in research and development, all of which are incredibly important pillars to a framework for sustainable economic growth. EDA is focused on building globally competitive communities. We are one piece of that overall framework. So in the context of the entire budget, there is great emphasis on rebuilding and building a stronger economy for our Country.

The recommendation for more funding in economic adjustment, frankly, is in line with that broader administrative framework.

Ms. NORTON. Well, we don't understand that at all. We don't understand the reduction in the budget of the agency. Now, we understand the Economic Adjustment Grant account flexibility, but we have made no objection to that. We don't understand how the agency's mission in a time of recession is aided by an absolute reduction in its budget as opposed to last year. What was the rationale given to you for that? We understand you are not the OMB.

Mr. FERNANDEZ. Well, our proposal is exactly in line with what we proposed in fiscal year 2010, and we certainly appreciate the additional support that Congress provided us.

Ms. NORTON. So you are saying that this year's budget is the same budget?

Mr. FERNANDEZ. It is, but for the \$2.1 million adjustment on the salaries and expenses for—

Ms. NORTON. So any adjustment you got last year came from the Congress, you are saying?

Mr. FERNANDEZ. It did, and we certainly appreciate that.

Ms. NORTON. So we don't really have support in this Administration for EDA; they leave it to the Congress every year to come forward and give EDA more money.

Mr. FERNANDEZ. Well, you know, in light of the discretionary freeze that was in place for agencies throughout the Government, the fact that we were not reduced I think is an expression of that support. And I don't want to sugar-coat this, and I absolutely appreciate and respect the support that this Committee provides EDA, but in many instances it is the technical assistance, the strategic engagement, it is the leveraging of other resources—

Ms. NORTON. That takes money too, Mr. Fernandez.

Mr. FERNANDEZ. It does, but it doesn't take as much as some of the large, complex infrastructure—

Ms. NORTON. It certainly isn't helped by an \$86 million reduction. I don't expect you to defend—I put you between a rock and a hard place. You are supposed to defend the President's budget, not ask for more money, so I understand, and we don't want to put you in an untenable position.

Mr. CAO?

Mr. CAO. Thank you, Madam Chair.

Mr. Fernandez, I have two questions to ask you. The first one concerns the Port of New Orleans. Hurricane Katrina, as you already know, caused severe damage to the Mississippi Gulf Coast Outlet, we call MRGO, and rendered it unusable for most shipping activity.

In fact, the waterway was closed by the Army Corps of Engineers by the WRDA Act of 2007. Now, with the closure of the MRGO Federal funding of approximately \$16.5 million is required to relocate port terminals that were dependent upon the navigability of MRGO for ports and maritime operations to address these relocation funding needs.

In order to prevent further economic devastation to the port and the greater New Orleans region, Section 3082 of WRDA 2007 authorizes such funding by the EDA for the relocation of port facilities affected by the closure of the MRGO. However, based on what I have been hearing so far, the Port of New Orleans has been unsuccessful in its efforts to obtain the requested funding from the EDA.

Can you describe to me the immediate actions, if there are any, that are being taken by the EDA to assist the Port of New Orleans in this matter and to utilize unobligated or other EDA funds for the necessary relocation of port facilities?

Mr. FERNANDEZ. Congressman Cao, honestly, I will respond to that formally, as soon as I can get you that information after this hearing. I don't know, off the top of my head, what the status or the process was by which they made those requests. I know that, post-Katrina, EDA has invested over \$41 million in the region, but I don't know what the status of any specific requests might have been related to those port facilities. But I will get you that information.

Mr. CAO. OK. Well, it is Section 3082 of WRDA 2007. If you can look into that.

And my next question to you concerns the oil spill. As you know, the oil spill will impact and possibly devastate the economic conditions, as well as the livelihoods of fishermen. I know that there is a \$1 billion fund that was established by the Federal Government

to address some of those needs. Are there any programs that you might have that individuals and businesses can possibly tap into?

Mr. FERNANDEZ. I would say, first and foremost, we believe that the responsibility lies squarely with BP, and I think the Administration is extremely committed to ensuring that British Petroleum fully compensates the communities and the individuals and businesses directly impacted by that spill. So, first and foremost, we believe that is where the responsibility lies.

As I mentioned earlier, we are certainly providing technical assistance. We are engaged actively, communicating with our partners in the region to help sort through what some of these recovery actions may require. But we believe the responsibility clearly lies with BP.

Mr. CAO. But, in the meantime, while we are—or at least while the people try to get BP to pay up its obligation, do you have any programs available possibly that people, during the interim, can tap into?

Mr. FERNANDEZ. Well, certainly, our existing Economic Development Adjustment Programs, in most instances, would be a source of potential support. As I mentioned earlier, our account for the Economic Adjustment Assistance Program is very reduced. There certainly are some funds in the Public Works budget that might be available.

Mr. CAO. Well, if you can, can you ask one of your staff members can they provide us with very specific programs in writing so that we can provide the information to our people down there in the 2nd District?

Mr. FERNANDEZ. Absolutely. We would be happy to do that.

Mr. CAO. Thank you. And what do you predict as the short-term and long-term effects with respect to economic development in the region?

Mr. FERNANDEZ. As impacted by the oil spill? It is hard to predict exactly because of the uncertainty regarding the continual oil spill, but there is certainly the capacity to have a very dramatic impact on the region. As you know better than I, there are parts of the economy that have not fully recovered from Katrina, so that really complicates even the existing recovery efforts. So the magnitude, while I can't give you a specific number, there is no question it could be devastating for the region and beyond.

Mr. CAO. And assuming that it could be devastating and assuming that BP would be liable for most of it, do you anticipate your department to be somehow involved in this recovery process also? And if you do anticipate your agency to be involved, what concrete plans do you have, if any?

Mr. FERNANDEZ. Well, as I mentioned, we are engaged working with the local officials now, helping to develop strategies to recovery. I mean, that work usually includes a range of activities: interim, immediate support for disaster coordinators to help get more boots on the ground; it involves doing assessments in partnership with FEMA.

Often, they will, in essence, contract with the EDA to do the economic impact assessments. We can begin with Revolving Loan Funds to stabilize some of the financial hits that many of the businesses are taking. And then certainly we can begin to actually fund

recovery strategies, whether they are repairs of existing facilities or constructions of new investments that help rebuild and regain economic activity.

Mr. CAO. Madam Chair, if you could allow me one last question?

Ms. NORTON. Certainly so, Mr. Cao.

Mr. CAO. Thank you very much.

Mr. Fernandez, can you tell me what lessons have you and your agency learned from Katrina and the oil spill, and what plans do you have in place or what plans are you presently discussing to better address and to better help the people in devastated areas for future emergencies like the oil spill or Katrina?

Mr. FERNANDEZ. Yes. As Chairwoman Norton and Mr. Fugate discussed, the Administration has learned many lessons from Katrina. The coordination, the communication, breakdowns were a real problem, so there is a tremendous amount of work going on with the ongoing integration of missions between the different Federal agencies. The President has a long-term recovery framework working group that is very active and hopefully will have a final report to the President shortly. I can tell you in the context of that planning, the Economic Development Administration is co-leading the Department of Commerce participation in that new framework, along with our colleagues at NOAA, and we have taken a lead role on the community recovery elements of that plan.

I think that while there were many problems, to put it mildly, in response to Katrina, I can say that I think the collaboration between the local economic development partners and EDA were pretty solid. We worked with our existing economic development districts, we worked with representatives from the International Economic Development Council and others to give the kind of essential technical assistance, planning assistance to help build strategies for long-term recovery. There is always room for improvement, and we are certainly open to doing that.

Mr. CAO. Thank you. I yield back.

Ms. NORTON. Thank you, Mr. Cao.

Just a few more questions, Mr. Fernandez. The Subcommittee is pleased with EDA's focus on regionalism. We wonder, though, whether or not this will have an impact, perhaps unintended, on rural areas which don't have access to universities or to high-tech industries.

Mr. FERNANDEZ. It is a very good question and it is one that we get asked often. If you look at the investment history of EDA, and even in the most recent year, the majority of our funding has gone to what would be defined as rural areas, and the way we look at the regional strategies is to actually connect many of those smaller towns or rural areas that may lack a university or other similar institutions to the broader regional economy, and the goal is to provide a bridge between communities, not to perpetuate a divide.

Ms. NORTON. We have many calls for regional commissions, and we have created some regional commissions. I wonder if that is a reflection on EDA. Does it mean that EDA is spread too thinly and not able to assist many regions of the Country?

Mr. FERNANDEZ. From my perspective, that is not the case. I can't say with certainty what the legislative intent has always been behind the establishment of these broader commissions. They cer-

tainly are diverse in their size and scope, and in their operations, as well. I believe that our regional offices have coverage.

One of the things we are working on that I know the Committee would be interested in is seriously looking at our processes so that we can actually free up personnel to do more of the high touch external work, rather than process. So we have engaged in a very extensive review of our grant application process with a goal of having a more effective, transparent, and accessible system, but one that also enables us to deploy more resources out in the field, meeting with our stakeholders and helping to engage in these kind of collaborative economic development projects.

Ms. NORTON. You expeditiously set about your stimulus spending. Would you explain some of the job creation activities that have resulted from EDA's stimulus spending?

Mr. FERNANDEZ. Yes. And I think at a previous hearing I believe we gave you a detailed summary of all of the projects.

Ms. NORTON. I am looking now for the kinds of jobs that were created.

Mr. FERNANDEZ. There is a range of them. In Minnesota we invested in a project is going to facilitate the investment of a new steel plant, so those will be solid manufacturing jobs. We have invested in—unfortunately, I have drawn a blank. I know in Indiana we invested in a high-tech training facility to foster more job creation in the information technology sector. Unfortunately, I am kind of drawing a blank on some of the other projects, but it has been a wide range of investments, from more research-oriented positions to manufacturing positions to small businesses.

Ms. NORTON. Finally, Mr. Fernandez, you will recall my question to Mr. Fugate on this White House long-term disaster recovery working group. We are trying to figure out just where you figure in this. Are you at the table at all, sir? After all, long-term recovery is about economic development.

Mr. FERNANDEZ. It is. And, as I mentioned, we are at the table and EDA was tasked, along with NOAA, to co-lead the Department of Commerce's participation—

Ms. NORTON. To do what?

Mr. FERNANDEZ. We are co-leading the Department of Commerce engagement in that working group.

Ms. NORTON. What does that mean, please?

Mr. FERNANDEZ. We are representing EDA, as well as other agencies throughout the Department of Commerce, as part of the working group. So we are heavily engaged in that process.

Ms. NORTON. Do you believe you are as engaged as FEMA and HUD are with this process?

Mr. FERNANDEZ. I believe so.

Ms. NORTON. Well, we are going to look for your fingerprints on this project as well, Mr. Fernandez. We very much appreciate your very important testimony here today. Thank you.

Mr. FERNANDEZ. Thank you.

Ms. NORTON. This hearing is adjourned.

[Whereupon, at 11:45 a.m., the Subcommittee was adjourned.]



STATEMENT OF
CHAIR ELEANOR HOLMES NORTON
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY
MANAGEMENT

**“Priorities for Disasters and Economic Disruption: The Proposed FY2011 Budgets
for FEMA and EDA”**

MAY 6, 2010

Good morning and welcome all, especially our witnesses, to today’s hearing, which will review the Administration’s proposed Fiscal Year 2011 budgets for the Federal Emergency Management Agency and the Economic Development Administration.

The agencies before us today have much in common beyond the jurisdiction of this subcommittee. The Federal Emergency Management Agency (FEMA) is best known for providing assistance to citizens, states and communities in the aftermath of natural and man-made disasters. The Economic Development Administration (EDA) provides assistance to communities around the country facing economic distress from a number of different causes, including disasters. One merely needs to open the newspaper to see the critical need for the programs of these agencies, whether floods, tornadoes or earthquakes that have struck this year or the effects of the “Great Recession.”

While, for the most part, the Subcommittee agrees on a bi-partisan basis with the policies and views of the agencies before us today, we are exercising our constitutional duty to provide the active and vigorous oversight that is always necessary. For Fiscal Year 2010, the President has requested \$7.294 billion for FEMA, an increase of \$186 million over last year. We strongly support this necessary funding for FEMA. However, a more pressing budget issue for FEMA is the shortfall in the Disaster Relief Fund (DRF). In February, FEMA announced that it was limiting expenditures from the DRF due to diminishing funds. According to FEMA, reimbursements for nearly a billion dollars in reconstruction and post-disaster mitigation projects are being held up pending additional appropriations into the fund. To address this shortfall, the President has requested a supplemental appropriation of \$5.1 billion for the DRF. The Committee supports this request as indispensable to

FEMA's obligations. On March 24, 2010, the House passed H.R. 4899, the "Disaster Relief and Summer Jobs Act of 2010," which would appropriate the \$5.1 billion sought by the President. Unfortunately, the Senate has not yet taken action on H.R. 4899.

While we support much that is in FEMA's budget request, there are a number of items we find troubling. Generally, the budget proposal seeks to move all hazard programs, such as Emergency Management Performance Grants, Fire Grants and Safer Grants into the same budget account as the terrorism preparedness grants. In previous years, Congress has rejected this proposal, and the Committee recommends that Congress does so again.

More troubling is the proposal to merge the all-hazard Citizen Corps program into the State Homeland Security Grant Program. By law, funds from the State Homeland Security Grant program must be used specifically for terrorism preparedness. Citizen Corps is a community-based program that helps citizens and communities across the country prepare for all hazards. The Committee previously asked FEMA staff how the all hazards nature of Citizen Corps can be maintained if this program is merged into the State Homeland Security Grant program. Unfortunately, staff has not received a response, so we will address that question today.

A recurring theme at our hearings on FEMA is the continued attempts by the Department of Homeland Security to appoint "Principal Federal Officials" (PFOs) in major disasters and emergencies declared under the Stafford Act. The PFO is an administrative creation of DHS that duplicates the position of the Federal Coordinating Officer (FCO), which is a position appointed by the President and created by the Stafford Act. The confusion between these positions was a factor in the failed response to Hurricane Katrina. To avoid this problem in the future, Congress enacted a number of provisions to prevent PFOs from being appointed in major disasters and emergencies declared under the Stafford Act. Despite this clear congressional mandate for a number of years, the concerns raised by local elected officials and state and local emergency managers, as well as the tragic lessons of Hurricane Katrina, the Administration's FY 2011 budget proposal seeks to remove the prohibition on appointing of PFOs. We intend to pursue this matter further with Mr. Fugate at today's hearing.

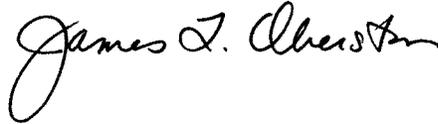
Although small relative to FEMA's budget, EDA plays an outsized role in responding to disaster-stricken communities with grants and assistance to rebuild the economic infrastructure. Whether man-made or natural disasters,

EDA's important function in helping communities to plan how best to deploy not only EDA funding but funding from a variety of sources--both public and private--places EDA at the center of governmental response to any disaster. For reasons I hope witnesses are prepared to explain, the President's FY 2011 budget requests only \$286.1 million for EDA, an actual reduction of \$6.8 million, at a time when this nation is responding to the most severe economic crisis in generations. Forgive me if I say, "please!" While this subcommittee understands this request calls for greater flexibility in order to respond to a myriad of economic distress scenarios, we fail to understand how EDA intends to respond to a significant increase in demand for its programs with fewer, albeit more flexible resources. Again, during a period when national unemployment remains stubbornly high, reaching double digits, and some communities, including my own district, have segments of their jurisdiction with unemployment rates above 20 percent, it is unclear why the Administration has reduced EDA's budget.

We will ask the appropriators to grant a clearly necessary increase. This hearing has intentionally brought EDA and FEMA here together to better understand how EDA's experience in responding to disasters can be likened to the necessary response to an economic disaster; as I and many of my fellow members would argue is the case in our respective districts. Many communities are experiencing levels of unemployment and poverty never experienced previously. Last week, this subcommittee held a hearing with testimony from the regional economic development commissions. In Appalachia for example, job gains of the last decade were erased because of the loss of manufacturing industries, lack of investment capital and population loss during the recession. Urban and suburban America are similarly affected by conditions such as the significant decline of the auto manufacturing industry and its impact from Detroit to Fremont.

Common both to FEMA and EDA is helping communities recover from disasters, especially in the long-term recovery from disasters. Both FEMA and EDA have specific statutory authority for long-term disaster recovery and have historically played important roles in long-term recovery. We were pleased to hear that the President is undertaking a review of long term recovery and we look forward to the President's report. That process is being lead by FEMA and the Department of Housing and Urban Development. Notwithstanding EDA's specific statutory authority and history in providing assistance to communities in long-term recovery, it appears that EDA has been playing, at best, a minor role in this process. The subcommittee wants to see EDA more closely involved with the long-term recovery plan so that its

experience can be brought to bear. We hope the witnesses can address this issue today.



STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
SUBCOMMITTEE ON PUBLIC BUILDINGS, ECONOMIC DEVELOPMENT, AND EMERGENCY
MANAGEMENT
HEARING ON "PRIORITIES FOR DISASTERS AND ECONOMIC DISRUPTION: THE PROPOSED
FY2011 BUDGETS FOR FEMA AND EDA"
MAY 6, 2010

I want to thank Chairwoman Norton and Ranking Member Diaz-Balart for holding this very important hearing on the proposed fiscal year (FY) 2011 budgets for the Federal Emergency Management Agency (FEMA) the Economic Development Administration (EDA). Although not planned to coincide with recent events, the timing of this hearing highlights the critical roles played by these two agencies, both prior to and after man-made and natural disasters. As I am sure this hearing will bring to light, long-term disaster recovery and economic development are one in the same and require planning and coordination with local communities as well as coordination among Federal agencies.

While the jurisdiction of this Committee includes a variety of agencies that will be involved in the response to the recent flooding and oil spill, today's hearing will focus on learning how FEMA and EDA respond in the immediate aftermath of a disaster. In addition, we will review the potential impact of the President's FY 2011 budget request on FEMA's and EDA's ability to respond appropriately in these circumstances. As the current economic crisis has demonstrated, the need to respond

expeditiously to a crisis, such as the calamitous effects of mass layoffs and industry decline, require a robust governmental response similar to that required in a traditionally defined disaster.

EDA, due to its significant role in funding planning activities, and partnerships with local communities and multi-jurisdictional regions, has helped lay the groundwork for the judicious deployment of federal resources both before and during an economic crisis or disaster. I look forward to hearing how this process has been employed successfully around the nation and how it will work to alleviate the misery of our fellow citizens in the Gulf region and the States suffering through unprecedented flooding in the Southeast.

The Committee on Transportation and Infrastructure has long been FEMA's strongest advocate in Congress. I look forward to when Mr. Fugate appears before the Committee as the head of an independent agency; we will save that discussion for another day.

FEMA houses the United States Fire Administration, the National Fire Academy, the Emergency Management Institute, the National Flood Insurance

Program, and the Federal Government's programs for continuity of operations and continuity of government. However, FEMA is best known for its programs that help communities and citizens prepare for, respond to, recover from, and mitigate the effects of, disasters, as authorized by the Stafford Act.

Notwithstanding the critical role that FEMA plays for our nation, FEMA's Disaster Relief Fund (DRF), which pays for these activities, is almost depleted. In February, due to diminishing funds, FEMA announced that it was limiting expenditures from the DRF, including reimbursements to state and local governments for reconstruction projects for facilities damaged or destroyed by recent disasters. FEMA has also slowed the issuance of reimbursements for critical post-disaster hazard mitigation projects, which help communities rebuild after a disaster to protect against future damage. According to FEMA, funding for nearly a billion dollars in projects is now suspended. Inadequate funding in the DRF not only impedes the rapid recovery of communities across the country from devastating disasters, but also inhibits the job creation and economic stimulus that these projects provide. That stimulus and job creation is needed now more than ever.

In February, the President requested \$5.1 billion for the DRF. On March 21, 2010, I wrote to Speaker Pelosi in support of the President's request, and on March 24, 2010, the House passed H.R. 4899, the "Disaster Relief and Summer Jobs Act of 2010", which appropriates the \$5.1 billion sought by the President. Unfortunately, the Senate has not yet taken action on H.R. 4899.

As result of the diminished funds in the DRF, FEMA has been limited to providing housing and other assistance to individuals and families and to debris removal and emergency protective measures. A question for Mr. Fugate today is what will FEMA's plans be if the DRF is completely depleted before additional funds are appropriated to the DRF.

A number of hearings before this Committee have pointed out that mitigation saves lives and money. Specifically, two congressionally mandated studies have shown that for every dollar invested in mitigation, the taxpayers save at least three dollars in future disaster costs. FEMA's Pre-Disaster Mitigation program, authorized by section 203 of the Stafford Act, is scheduled to sunset on September 30, 2010. More than a year ago, this Committee reported and the House passed, H.R. 1746, the

“Pre-Disaster Mitigation Act of 2009” to reauthorize this very critical program. This Committee is very concerned, as is FEMA, that this program not sunset.

While clearly smaller in budgetary resources, the EDA’s importance to revitalizing our nation’s communities, both rural and urban, cannot be overstated. As the most recent crises demonstrate, affecting communities as diverse as metropolitan Nashville and coastal Louisiana, EDA’s potential response will need to be equally varied. This brings me to my view of EDA’s FY 2011 budget request. While I support the greater flexibility inherent in the request for an \$86 million increase in the Economic Adjustment Assistance account, I am concerned about the reduction in Public Works funding. The infrastructure projects funded by Public Works grant funding are extremely important to rural communities. I look forward to an explanation of how EDA intends to satisfy the critical needs of rural regions in the face of this reduction.

One common responsibility of these agencies is to help communities recover from disasters, especially in the long term. As we all know, long-term recovery is really economic development. The law recognizes this and provides for a specific role for EDA after a disaster, including supporting communities in their long-term

recovery efforts. I am pleased that the President has convened a White House Long Term Disaster Recovery Working Group. This effort is being led by FEMA and by the Department of Housing and Urban Development. While FEMA's role in disaster recovery is clear, I am troubled that EDA does not have a leading role in the working group, and further troubled, as it appears that EDA is playing a very small role in this process. I hope today's witnesses can provide some further details on the working group and EDA's role.

Statement by

JOHN R. FERNANDEZ

ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT



**U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE**

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

May 6, 2010 – 10:00 AM



Statement by
JOHN R. FERNANDEZ
ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT
U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
May 6, 2010 – 10:00 AM

Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for the opportunity to testify today on behalf of the Economic Development Administration (EDA) to discuss EDA's priorities for economic dislocation and disasters and EDA's proposed 2011 budget.

Throughout the agency's 45 year history, EDA has been called upon many times to respond to adverse changes in economic conditions.

Economic Disasters

This hearing is extremely timely as this week alone the nation responds to two disasters: one natural, devastating floods in Tennessee and Kentucky, and one manmade, the massive BP oil spill impacting the Gulf Coast. EDA has a long history of promoting economic recovery following disasters and is already mobilizing our planners to assist communities reeling from these catastrophic events.

Though not a “first responder,” EDA’s role is to facilitate delivery of Federal assistance to local governments’ recovery strategic planning and economic redevelopment. Last week, I put on notice staff from EDA’s Austin and Atlanta regional offices who are on the frontline of these disasters. Regional office staff reached out to our network of local government partners in those effected areas to offer the agency’s assistance and staff deployed to Alabama and Louisiana. While in the short term, EDA regional staff is prepared to provide 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 cleanups are complete.

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. Here’s an example of the work we did following the Midwest floods. In June 2008, floods destroyed the city-central, coal-fired boilers that provided steam heat and hot water for St. Luke’s Hospital and Coe College in Cedar Rapids, Iowa. When the utility company that was responsible for the system announced its plan not to rebuild its boiler facility, the hospital and college were left without permanent heating capacity. Both institutions could not continue to operate without a consistent, affordable and reliable energy supply-- the college estimated their energy costs would quadruple and the 540-bed hospital faced an inevitable curtailment of services vital to the community. A year after the floods, EDA invested \$4.65 million in disaster supplemental funds to help construct and install an

upgraded, energy efficient natural gas-fired boiler system. EDA's assistance with the rebuilding effort was critical to helping the hospital and the college keep their doors open, saving approximately 3,150 jobs.

Another example included responding to the devastating impact of the flood on Cedar Rapids' downtown area. With EDA's assistance, local leaders developed major redevelopment plans, including the reconstruction of the City's events center and arena. Last week, we announced a \$35 million grant which will support the implementation of that plan by funding the construction of the events center.

EDA's investments extend beyond rebuilding in the wake of disasters. EDA's goal is not only to promote recovery but to create sustainable, economically-robust communities after major and catastrophic events. We strive to create new economic opportunities and to leave adversely impacted communities better off than they were before the disaster or disruption. For example, EDA invested \$10 million in disaster supplemental funds to renovate and expand the Center for Technology and Workforce Development, a biotech business incubator on the campus of the University of Texas Medical Branch at Galveston. This project will not only allow the 14 companies displaced by Hurricane Ike to return to the incubator, but will expand the facility to support 24 additional biotech companies. Similarly, when an area of West Virginia already reeling from the decline of the coal industry was hit by severe flooding, EDA provided a \$2.1 million EAA investment to Philippi-Barbour County Regional Airport Authority for construction of infrastructure, two airplane hangars, and office space for an

aviation industry incubator for aircraft manufacturing and repair at the airport, encouraging new businesses development and job creation. A few weeks ago, I had the opportunity to travel to New Orleans, Louisiana, to announce a \$3 million EDA investment to construct a River Turbine Laboratory at the Tulane University RiverSphere Center for Excellence for Sustainable Energy Systems. This project will capitalize on the underutilized inner-city riverfront in New Orleans, building a business incubator and demonstration facility that will focus on hydrokinetic energy systems. In an area still recovering from tremendous devastation caused by Hurricanes Katrina and Gustav, this project will help create high wage jobs and bring significant private sector investment to the region.

Economic Adjustment Assistance

Economic disasters — whether caused by forces of nature (e.g., hurricanes or flooding) or be they man-made (e.g., 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, planning, public works, and infrastructure

assistance—a complete toolbox of development tools which EDA can leverage to create customized recovery packages. Furthermore, the inherent flexibility in EAA allows the agency to fund innovative development projects, such as those projects promoting entrepreneurial development, 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 to support new business development.

Perhaps the best example of this three-prong approach is occurring now in Moraine, Ohio, near Dayton. In June 2008, GM announced plans to close its assembly plant in Moraine, a decision which resulted in a direct loss of 5,000 jobs and thousands more indirectly. Within two weeks of the announcement, staff from EDA's Chicago Regional Office began working with state and local officials to develop a strategy to deal with the effects of the plant closure. As the first step, EDA subsidized the development of a Comprehensive Economic Development Strategy (CEDS) for the Greater Dayton region to guide the recovery efforts. EDA also funded a Community Economic Adjustment Program which brought together local leaders and stakeholders to discuss recovery plans. With the CEDS in place, EDA staff continues to provide technical assistance on strategy implementation and is working with Moraine officials on how EDA could support the redevelopment of the former GM site. Additionally, an EDA-funded Revolving Loan Fund (RLF) continues to provide capital to encourage the development of new and existing businesses which will spur job creation.

FY 2011 Budget Request

In order to continue providing economically distressed communities with the assistance they require, EDA has requested \$246 million for its Economic Development Assistance Programs in FY 2011. While this figure is on par with EDA's FY 2010 appropriation, the Agency requests a significant shift on how that appropriation is allocated across EDA's seven Economic Development Assistance Programs.

For FY 2011, EDA has asked that the largest percentage of program funding (\$125 million) be allocated to the Economic Adjustment Assistance program. In the past, the bulk of EDA's program funds have been appropriated to the agency's Public Works program. In FY 2010, the Public Works program received more than \$133 million, versus \$38.6 million to the Economic Adjustment Assistance.

While the Public Works program remains an extremely useful tool, EAA can provide a wide range of technical, planning, and implementation assistance, including public works and infrastructure projects, which allows the agency to bring to bear its full range of projects to elicit change to an economy. As EDA's most flexible program, EAA is critical to the agency maintaining its ability to effectively and efficiently respond in real-time to economic dislocations as they occur.

Closing

Madame Chairwoman, Ranking Member Diaz-Balart, and members of the Subcommittee, 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.

Questions for the Record

Congresswoman Norton

- Have you met with your counterparts at the Delta Regional Authority concerning the oil spill crisis and its impact on the region's economy? If so, what information was obtained from that meeting?

EDA has been in touch with the Delta Regional Authority and is looking for opportunities to work together in the Gulf. As you know, EDA and DRA have a good working relationship and as specific projects develop in the Gulf we expect that to grow.

On a related note:

EDA's Deputy Assistant Secretary, Brian McGowan, has been temporarily assigned to lead the Economic Solutions Team of the White House National Incident Command response to the BP oil spill.

Over the next 2-3 months, Brian will be charged with leading an inter-departmental team on economic recovery to ensure that both short and long-term economic growth and jobs issues are being effectively addressed. He will work closely with the National Economic Council, the Office of Management and Budget and the Commander of the National Incident Command to provide solutions, expert advice and make policy and program recommendations.

Even though EDA is not a first responder, the agency continues to play a critical role in helping communities respond following economic disasters - whether caused by forces of nature such as floods or hurricanes - or man-made, such as plant closures, or even oil spills.

- Beyond the obvious issue of funding, what recommendations do you have in terms of legislative remedies that would improve your agency's ability to respond to these types of situations?

EDA's statutory authorities are broad and provide ample authority to assist communities in responding to the catastrophe. We would note that a couple of the recommendations included in the Administration's April 2010 legislative proposal to reauthorize EDA would be extremely useful. One is the expansion of the text of section 201 of the statute dealing with public works investments to broaden our ability to fund related planning and technical assistance at the same time as funding infrastructure similar to EDA's authority under the Economic Adjustment Assistance program authority. Expansion of the authority would increase EDA's ability to help communities deal with the problems in a holistic manner. In addition, the new Science and Research Park Loan Guarantee authority would enable us to work with communities to diversify

their economies by capitalizing on innovation-led economic development with institutions of higher education and other organizations.

- Please provide the Subcommittee with a list of current grant applications relative to last year's list.

Please, see attached.

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ST	FY	Round	Project #	Appl Short Name	Proj City Name	Project Short Descrip	EDA \$	Total Proj \$
AL	2009	II	047906280	Auburn University	Multi City	Geospatial Mapping	\$408,110	\$579,220
	2010	II	047906289	City of Gulf Shores	Gulf Shores	Dry Dock Basin	\$4,768,400	\$5,948,000
Subtotals for State = AL								
AR	2008	I	086904310	AEDC	Little Rock	Disast Resp & Prep Plan	\$300,000	\$300,000
	2009	I	087904344	Batesville	Batesville	Construct Mfg Facility	\$1,800,000	\$3,000,000
	2009	I	087904345	Arkansas State Univ	Jonesboro	Coml. Innovation Center	\$1,750,000	\$2,334,000
	2009	I	087904361	White River Health Syst	Mountain View	Medical Center Expansion	\$1,500,000	\$2,000,000
	2009	I	087904363	Conway County	Morrilton	Arrow Drive Improvements	\$1,500,000	\$1,905,000
	2009	II	087904367	UAFS	Fort Smith	Regional E&I Res Center	\$2,000,000	\$2,750,000
	2009	I	087904371	WAPDD	Fort Smith	GIS Center	\$780,000	\$1,040,000
	2009	I	087904375	SWAPDD	Magnolia	Disaster Respons Center	\$150,000	\$150,000
	2009	I	087904414	Clover Bend HPA	Hoxie	Restore Historic Bldg	\$380,000	\$380,000
	2009	I	087904421	Little Rock Port Auth	Little Rock	Port unloading facility	\$1,900,000	\$2,540,000
	2009	II	087904436	Mid-South Comm College	West Memphis	Diesel/Bio Tech Educ Ctr	\$2,000,000	\$4,100,000
	2010	II	086904472	Winrock Intl	Little Rock	NE AR Region EA Strategy	\$300,000	\$300,000
	2010	II	087904406	Union County	El Dorado	Renovated Building	\$940,000	\$1,535,000
	2010	II	087904503	SARIA	Warren	Install Water & Sewer	\$1,900,000	\$2,800,000
	2010	II	087904559	Texarkana	Texarkana	Road Infracr Improvement	\$1,000,000	\$1,333,333
Subtotals for State = AR								
CA	2009	II	076906450	EDC of L.A. County	Los Angeles	Green Strategy	\$250,000	\$500,000
	2009	II	077906341	SFV-SBDC dba SFV-FDC	Los Angeles	Training/IncubatorCenter	\$3,750,000	\$6,000,000
	2009	II	077906423	City of Anaheim	Anaheim	Metrolink/Pedestrian Impr	\$7,275,000	\$7,275,000
	2010	II	077906545	Community Redevelopment	Sun Valley	Sun Valley Public Improv	\$3,165,771	\$4,221,028
Subtotals for State = CA								

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ST	FY	Round	Project #	Appl Short Name	Proj City Name	Project Short Descrip	EDA \$	Total Proj \$
FL	2009	II	046906169	Tampa Bay Reg Plng Cncl	Multi City	Disaster Resiliency Stud	\$187,500	\$250,000
	2009	II	046906243	Lake Worth	Lake Worth	Park Feasibility Study	\$250,000	\$500,000
	2009	II	046906281	Central FL Reg Plng	Bartow	Disaster Planning	\$250,000	\$312,500
	2009	II	047906178	Univ of FL	Gainesville	Technology Incubator	\$8,199,800	\$13,199,800
	2009	II	047906277	Jaxport Auth.	Jacksonville Beach	Railroad Improvements	\$6,000,000	\$7,743,682
	2010	II	046906351	Florida Citrus Mutual	La Belle	Citrus Health Data Cntr	\$200,000	\$250,000
	2010	II	047906294	Oregon Vaccine	Fort Pierce	Research Lab VGTI	\$3,577,500	\$7,155,000
	2010	II	047906305	City of Perry, FL	Perry	Wastewater Line	\$1,670,000	\$2,337,967
	2010	II	047906326	Martin County Bd of City	Stuart	Infrastructure Impvmts	\$1,000,000	\$1,805,900
	2010	II	047906327	The Glades Utility Auth	West Palm Beach	Regional Wastewtr Improv	\$3,990,000	\$5,320,000
	2010	II	047906342	Titusville-Cocoa Airport	Titusville	Airfield Improvements	\$2,000,000	\$2,788,000
	2010	II	047906350	City of Jacksonville	Jacksonville	Excavation and expansion	\$660,000	\$1,320,000
	2010	II	047906355	City of Apalachicola	Apalachicola	Boat Basin Restoration	\$1,855,000	\$2,490,596
	2010	II	047906356	SFC/ Dist Bd of Trust	Gainesville	Building Addition	\$1,670,000	\$2,226,667
Subtotals for State = FL							\$31,509,800	\$47,700,112
							14	Projects
GA	2009	I	046906137	Central Savannah Rvr RDC	Multi City	Diversification Analysis	\$37,500	\$50,000
	2009	I	046906147	Twiggs County	Jeffersonville	Watershed Plan	\$36,300	\$48,400
	2009	I	047906166	City of Roberta	Roberta	Infrastructure improvmt	\$1,275,000	\$1,700,000
	2009	I	047906170	Macon Water Authority	Macon	Industrial Prk Improvmt	\$2,225,000	\$2,966,790
	2009	I	047906251	Glynn County	Brunswick	CDL Testing Center	\$1,404,270	\$2,812,880
Subtotals for State = GA							\$4,978,070	\$7,578,070
							5	Projects
HI	2008	I	076906309	HIPA	Honolulu	Infrastructure Review	\$210,000	\$310,000
	2009	I	076906349	State of Hawaii	Honolulu	Disaster Recovery Plan	\$150,000	\$200,000
	2009	II	077906367	Maui County	Wailuku	Parking Garage Design	\$1,200,000	\$1,600,000
	2009	I	077906368	Maui County	Wailuku	Emergency Center Design	\$850,000	\$1,140,000

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Subtotals for State = HI								
4 Projects								
IA	2008	I	056904660	Iowa	Multi City	Rebuild Iowa	\$3,000,000	\$3,000,000
	2009	I	057904736	Southern Iowa COG	Creston	RLF Recap	\$375,000	\$417,000
	2009	I	056904671	Region 6 Planning Comm	Marshalltown	Disaster Recv Coord	\$61,000	\$61,000
	2009	I	056904678	NW Iowa PDC	Spencer	Disaster Recv Coord	\$131,498	\$131,498
	2009	I	056904679	Region XII COG	Carroll	Disaster Recv Coord	\$150,000	\$150,000
	2009	I	056904680	Southwest Iowa Ping Cncl	Atlantic	Disaster Recv Coord	\$144,063	\$144,063
	2009	I	056904681	East Central Intgov Assn	Dubuque	Disaster Recv Coord	\$178,000	\$178,000
	2009	I	056904682	East Central IA COG	Cedar Rapids	Disaster Recv Coord	\$300,000	\$300,000
	2009	I	056904683	Mid Iowa Dev Assn COG	Fort Dodge	Disaster Recv Coord	\$156,000	\$156,000
	2009	I	056904684	Southern Iowa COG	Creston	Disaster Recv Coord	\$112,500	\$112,500
	2009	I	056904685	North Iowa Area COG	Mason City	Disaster Recv Coord	\$139,175	\$139,175
	2009	I	056904686	Siouxland Interstate MPC	Sioux City	Disaster Recv Coord	\$140,000	\$140,000
	2009	I	056904687	Iowa Northland Reg EDC	Waterloo	Disaster Recv Coord	\$300,000	\$300,000
	2009	I	056904688	Southeast Iowa RPC	Burlington	Disaster Recv Coord	\$300,000	\$300,000
	2009	I	056904689	Area 15 Reg Ping Comm	Ottumwa	Disaster Recv Coord	\$140,600	\$140,600
	2009	I	056904768	Upper Exploteriland RPC	Postville	Disaster Recv Coord	\$139,000	\$139,000
	2009	I	056904818	Iowa City	Iowa City	Feasibility Study	\$60,000	\$80,030
	2009	I	057904694	East Central Iowa COG	Cedar Rapids	Revolving Loan Fund	\$1,500,000	\$1,600,000
	2009	I	057904727	Southwest Iowa Ping Cncl	Atlantic	Establish RLF	\$400,000	\$500,000
	2009	I	057904729	Region XII COG	Carroll	RLF Recapitalization	\$460,000	\$600,000
	2009	I	057904733	North Iowa Area COG	Mason City	Establish RLF	\$400,000	\$460,000
	2009	I	057904738	Iowa Northland Reg EDC	Waterloo	Revolving Loan Fund	\$750,000	\$775,000
	2009	I	057904739	East Central Intgov Assn	Dubuque	Revolving Ln Fd Recap	\$500,000	\$650,000
	2009	I	057904744	Southeast Iowa RPC	Burlington	Recapitalize RLF	\$900,000	\$1,000,000

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IA	2009	I	057904786	Mid Iowa Dev Assn COG	Fort Dodge	RLF Recap	\$250,000	\$275,000
	2009	I	057904798	Coralville, City of	Coralville	Rail Improvements	\$7,158,520	\$8,948,150
	2009	I	057904809	St. Luke's	Cedar Rapids	Construct Steam Plant	\$4,650,000	\$5,693,300
	2009	II	057904819	Mercy Medical Center	Cedar Rapids	Steam Plant	\$4,057,300	\$4,057,300
	2010	I	057904806	Waverly City of	Waverly	Construct Inflatable Dam	\$3,167,923	\$4,223,898
	2010	I	057904848	Columbus Junction	Columbus Junction	Water Treatment Plant	\$2,902,500	\$3,870,000
	2010	II	057904870	Shenandoah City of	Shenandoah	Replace Storm Sewer	\$232,500	\$660,000
	2010	II	057904871	Iowa City	Iowa City	Design/Engineering	\$3,000,000	\$3,000,000
	2010	II	057904919	Cedar Rapids Chamber	Cedar Rapids	Commerce Cntr/Incubator	\$3,000,000	\$6,000,000
	2010	II	057904921	Iowa City	Iowa City	Relocate WW Treatment	\$22,000,000	\$46,000,000
	2010	II	057904924	Southeast Iowa RPC	Burlington	Building Purchase	\$750,000	\$1,500,000
	2010	II	057904925	Cedar Falls, City of	Cedar Falls	Industrial Park	\$5,500,000	\$10,320,000
	2010	II	057904949	Cedar Rapids city of	Cedar Rapids	Events Center	\$35,000,000	\$67,000,000
Subtotals for State = IA							\$102,395,579	\$173,021,514
37 Projects								
IL	2008	I	066905333	IL Dept Commerce & EO	Multi City	Flood Recovery Strategy	\$500,000	\$500,000
	2010	II	067905494	Lawrenceville City of	Lawrenceville	Water, Sewer & Road Ext.	\$1,776,846	\$2,369,128
	2010	II	067905501	Princeton City of	Princeton	Road & Infrastruct impro	\$678,920	\$902,560
	2010	I	067905507	BI-State Regional Comm	Multi City	Revolving Loan Fund	\$750,000	\$1,000,000
Subtotals for State = IL							\$3,703,766	\$4,771,688
4 Projects								
IN	2008	I	066905330	Lieutenant Governor's Of	Multi City	Flood Recovery Strategy	\$400,000	\$400,000
	2009	I	066905353	River Hills EDD and RPC	Multi City	Flood Recovery Coord.	\$129,434	\$172,579
	2009	I	066905354	Southern IN Dev Comm	Multi City	Flood Recovery Coord.	\$111,000	\$148,000
	2009	I	066905355	Indiana 15 RPC	Multi City	Flood Recovery Coord.	\$75,000	\$100,000
	2009	I	066905356	Eastern Indiana Dev Dist	Multi City	Flood Recovery Coord.	\$78,000	\$106,000
	2009	I	066905357	West Central Indiana EDD	Multi City	Flood Recovery Project	\$100,000	\$133,333

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IN	2009	I	066905358	Southeastern IN RPC	Multi City	Flood Recovery Coord.	\$100,000	\$133,334
	2010	II	067905500	Clinton City of	Clinton	Water and Sewer	\$774,045	\$1,032,060
	2010	II	067905510	New Albany City of	New Albany	Industrial Park Developm	\$1,735,050	\$3,470,100
Subtotals for State = IN							\$3,502,529	\$5,695,406
KY	2009	I	046906145	Adair County	Columbia	Water System Improvement	\$1,500,000	\$4,100,000
	2009	II	046906148	City of Wickliffe	Wickliffe	Port Study	\$75,000	\$125,000
	2009	II	0479059320	Ohio County Water Dist	Hartford	Water Treatment Plant	\$1,000,000	\$2,000,000
	2009	I	047906110	Goodwill Ind of KY	Columbia	Training Center	\$300,000	\$958,000
	2009	I	047906157	City of Irvine	Irvine	Expand Wastewater Plant	\$1,500,000	\$9,375,000
	2009	II	047906237	Green River ADD	Multi City	RLF Recapitalization	\$1,924,334	\$2,000,000
	2010	II	046906288	Union Cnty Fiscal Court	Morganfield	Economic Dev Plan	\$32,000	\$40,000
	2010	II	047906292	Henderson Airport Board	Henderson	Aircraft Hanger	\$450,000	\$600,000
Subtotals for State = KY							\$6,781,334	\$19,198,000
LA	2009	II	086904387	South Central PDC	Gray	Disaster Ping Assistance	\$150,000	\$150,000
	2009	II	086904392	Acadiana Dev Dist	Lafayette	Disaster Ping Assistance	\$150,000	\$150,000
	2009	II	087904365	GNO Inc	New Orleans	Capacity Building	\$750,000	\$1,100,000
	2009	II	087904366	New Orleans DDD	New Orleans	Place-based Econ Dev	\$750,000	\$938,130
	2009	II	087904412	Acadiana Dev Dist	Lafayette	Commerce Center	\$2,400,000	\$2,400,000
	2009	II	087904424	Lafayette Airport Comm	Lafayette	Airport Cargo Expansion	\$2,000,000	\$2,329,250
	2009	II	087904425	Baton RG Cty EBR Parish	Baton Rouge	Air Industrial Park	\$1,000,000	\$1,479,000
	2010	II	087904368	UNO Foundation	Harahan	Film Production Center	\$3,000,000	\$4,289,000
	2010	II	087904415	Central LA Chamb of Comm	Alexandria	Indus Park Infrastructu	\$2,000,000	\$3,701,500
	2010	II	087904429	LA Tech Univ Foundation	Ruston	LA Tech Enterprise Campus	\$2,000,000	\$2,404,600
	2010	II	087904435	Grtr Lafourche Port Comm	Golden Meadow	Martin Slip Bulkheading	\$2,000,000	\$2,000,000
	2010	II	087904437	St Charles Parish	Hahnville	Rail Spur	\$2,000,000	\$2,235,300

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LA	2010	II	087904438	McNeese	Lake Charles	Entrepreneurial Center	\$3,900,000	\$9,727,000
	2010	II	087904440	Tulane University	New Orleans	Sustainable Energy Centr	\$3,000,000	\$4,500,000
	2010	II	087904537	Natl WW II Museum	New Orleans	Restoration Pavilion	\$2,000,000	\$2,626,175
	2010	II	087904552	Morgan City Hbr Trm Dst	Morgan City	Bulkhead construction	\$1,750,000	\$3,500,000
	2010	II	087904592	Seedco Financial Service	New Orleans	Sm Bus TA Initiative	\$750,000	\$1,128,071
Subtotals for State = LA							\$29,600,000	\$44,658,026
MA	2009	II	016908768	Montachusett RPC	Fitchburg	Disaster Mitigation Plan	\$125,360	\$156,700
Subtotals for State = MA							\$125,360	\$156,700
ME	2008	I	016908683	State of Maine	Multi City	Disaster Recovery Plan	\$250,000	\$250,000
	2009	II	017908778	Town of Hartland	Hartland	WWTP Facility Upgrades	\$850,560	\$1,063,200
	2009	I	017908810	University of Maine	Multi City	Business Assistance	\$1,827,000	\$2,329,280
	2010	II	017908886	Town of Madawaska	Madawaska	WWTS improvements	\$2,000,000	\$3,225,000
Subtotals for State = ME							\$4,927,560	\$6,867,480
MO	2008	I	056904659	Missouri State of	Multi City	Flood Recovery Planning	\$782,400	\$982,680
	2009	I	056904675	Boonslick Regional PC	Warrenton	Disaster Recv Coord	\$45,000	\$45,000
	2009	I	056904676	SE Missouri RP & EDC	Perryville	Disaster Recv Coord	\$30,000	\$40,000
	2009	I	057904735	Boonslick Regional PC	Warrenton	RLF Recap	\$300,000	\$400,000
	2009	I	057904789	SE Missouri RP & EDC	Perryville	RLF Recap	\$500,000	\$600,000
	2009	II	057904804	SEMO Port Authority	Scott City	Rail Upgrades	\$1,867,500	\$2,490,000
	2009	II	057904805	New Bourbon Port	Perryville	Dock Construction	\$2,290,500	\$3,054,000
	2010	II	056904872	St. Louis Devel. Corp.	St. Louis	Riverfront Study	\$600,000	\$800,000
	2010	II	057904869	CCW Water Commission	Stoussville	Water Treatment	\$680,000	\$850,000
	2010	II	057904876	St. Louis Port Auth	St. Louis	Dock Reconstruction	\$15,648,000	\$19,560,000
	2010	II	057904934	Meramec RPC	St. James	RLF Recap	\$375,000	\$500,000

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MO	2010	II	057904964	E C St. Louis County	St. Louis	Plant & Life Science Hub	\$4,600,000	\$15,500,000
Subtotals for State = MO								
12 Projects							\$27,718,400	\$44,821,680
MS	2009	II	0479058700	Long Beach, city of	Long Beach	Water System Improvement	\$738,609	\$923,261
	2009	I	047906248	MS e-Center Foundation	Jackson	UPS system upgrades	\$508,930	\$636,136
	2009	II	047906279	MGCCC	Gulfport	Hospitality & Resort Mgm	\$2,025,000	\$9,989,800
	2010	II	046906296	Univ of Southern MS	Bay St. Louis	Strategic Planning	\$600,000	\$750,000
	2010	II	047906300	SW MS Community College	Summit	Reg Workforce Trng Ctr	\$4,800,000	\$6,000,000
	2010	II	047906346	Town of Monticello	Monticello	Sewer System Improvement	\$345,180	\$690,360
Subtotals for State = MS								
6 Projects							\$9,017,719	\$18,989,557
MT	2010	II	057904866	N Baker Wtr & Swr Dist	Baker	Infrastructure	\$800,000	\$2,089,000
Subtotals for State = MT								
1 Projects							\$800,000	\$2,089,000
NC	2010	II	047906291	Beaufort County	Washington	Workforce Training Cntr	\$2,500,000	\$6,623,593
Subtotals for State = NC								
1 Projects							\$2,500,000	\$6,623,593
NE	2008	I	056904663	Nebraska State of	Multi City	Relief and Re-Population	\$500,000	\$612,049
	2009	I	056904673	River County EDD	Lincoln	Disaster Recv Coord	\$60,000	\$80,000
	2009	I	056904674	Central NEEDD	Atkinson	Disaster Recv Coord	\$74,376	\$74,376
	2009	I	056904690	Omaha Cncl Bluffs MAPA	Omaha	Disaster Recv Coord	\$150,000	\$150,000
	2009	I	056904731	South Central EDD	Holdrege	Disaster Recv Coord	\$78,600	\$78,600
	2009	I	057904790	Omaha Cncl Bluffs MAPA	Omaha	Revolving Loan Fund	\$510,000	\$680,000
	2009	I	057904807	Seward County	Seward	Road Construction	\$1,095,500	\$1,800,000
	2010	II	057904943	Southeast Nebraska DD	Lincoln	Early Warning System	\$1,004,366	\$1,339,155
Subtotals for State = NE								
8 Projects							\$3,472,842	\$4,814,180
NH	2010	II	017908838	Colebrook, NH	Colebrook	Flood damage repairs	\$1,397,600	\$1,747,000

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Subtotals for State = NH								
NM	2010	II	087904422	Ruidoso	Ruidoso	Regional WW Trmt Plant	\$2,900,000	\$3,866,667
Subtotals for State = NM								
OH	2010	II	067905498	Barberton Comm Dev Corp	Barberton	Bus Park Infrastructure	\$1,598,250	\$2,131,000
Subtotals for State = OH								
OK	2008	I	086904309	ODOC	Oklahoma City	OK Disast Recov Strategy	\$300,000	\$300,000
	2009	I	087904373	Eastern OK Dev Dist Inc.	Muskogee	Disaster Response Center	\$150,000	\$150,000
	2009	I	087904395	Muskogee City-County PA	Muskogee	Port Improvements	\$1,400,000	\$1,867,000
	2009	I	087904410	Claremore	Big Cabin	RR Trans-modal Facility	\$1,914,000	\$2,550,000
	2009	II	087904456	INCOG	Tulsa	long-term industry plan	\$350,000	\$350,000
	2010	II	087904413	Weatherford	Weatherford	B&T Park Infra Imprvmts	\$1,500,000	\$2,000,000
	2010	II	087904461	OK Cent Botanical RC	Tulsa	Water & Sewer Imprvmts	\$1,000,000	\$1,250,000
	2010	II	087904464	OCIA	Pawhuska	Incubator Building	\$750,000	\$1,600,000
Subtotals for State = OK								
SD	2009	I	056904677	Plg & Dev District III	Yankton	Disaster Recv Coord	\$50,000	\$50,000
	2009	I	056904691	Central South Dakota ED	Pierre	Disaster Recv Coord	\$56,000	\$56,000
	2009	I	056904692	South Eastern CoG	Sioux Falls	Disaster Recv Coord	\$50,000	\$66,667
	2009	I	057904696	Plg & Dev District III	Yankton	Recap RLF	\$750,000	\$1,000,000
	2009	I	057904742	South Eastern Dev Fdth	Sioux Falls	Establish RLF	\$225,000	\$300,000
	2009	I	057904794	Parkston City of	Parkston	Sewer Outfall Line	\$579,000	\$772,000
	2009	I	057904795	Freeman City of	Freeman	Storm Water Control Proj	\$194,025	\$258,700
	2009	I	057904796	Fort Pierre	Fort Pierre	Storm Water Drainage	\$1,875,000	\$2,851,500
	2009	I	057904797	Springfield City of	Springfield	Storm Drainage System	\$354,750	\$473,000

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Date: 7/22/10

ST	FY	Round	Project #	Appl Short Name	Proj City Name	Project Short Descrip	EDA \$	Total Proj \$
SD	2009	I	057904800	Centerville City of	Centerville	Storm Sewer	\$616,675	\$822,234
	2010	II	0579047420	South Eastern Dev Fdtn	Sioux Falls	RLF Recaptialization	\$500,000	\$666,667
	2010	II	057904936	Scotland	Scotland	Storm Water Mitigation	\$744,070	\$992,094
	2010	II	057904940	Tripp	Tripp	Storm Water Control Proj	\$759,712	\$1,012,950
Subtotals for State = SD							\$6,754,232	\$9,321,812
TN	2009	II	047906255	Trousdale County	Hartsville	Water Treatment Plant	\$2,500,000	\$8,359,000
	2009	II	047906283	Jackson Energy Authority	Jackson	Water System Improvement	\$1,500,000	\$1,875,000
Subtotals for State = TN							\$4,000,000	\$10,234,000
TX	2009	II	086904356	Gulf Coast EDD	Houston	Disaster Recovery Ping	\$750,000	\$850,000
	2009	II	086904357	Deep East Texas CoG	Jasper	Disaster Recovery Ping	\$150,000	\$150,000
	2009	II	086904358	SE TX EDD	Beaumont	Disaster Recovery Ping	\$150,000	\$150,000
	2009	II	086904364	Lower Rio Grande Val DC	McAllen	Disaster Recovery Ping	\$150,000	\$187,500
	2009	II	087904369	TAMU at Kingsville	Weslaco	Citrus Greenhouses	\$400,000	\$512,100
	2009	II	087904376	PT Isabel San Benito Nav	Port Isabel	Rehab Dock	\$1,800,000	\$2,400,000
	2009	II	087904377	Port of Galveston	Galveston	Harbor Dev Pier & Bulkhd	\$10,000,000	\$15,000,000
	2009	II	087904378	Friendswood City of	Friendswood	Water & Sewer Lines	\$2,000,000	\$2,570,500
	2009	II	087904379	NADORF	Austin	Disaster resilience	\$1,000,000	\$1,000,000
	2009	II	087904380	City of Seabrook	Seabrook	Roadway infrastructure	\$3,000,000	\$3,000,000
	2009	II	087904381	City of Nassau Bay	Nassau Bay	Water and Sewer	\$2,500,000	\$3,125,000
	2009	II	087904382	UTMB at Galveston	Galveston	Biomedical incubator	\$10,000,000	\$11,910,000
	2009	II	087904383	Port of Beaumont	Beaumont	Rail System	\$4,000,000	\$5,300,000
	2009	II	087904388	Polk Co	Livingston	Commerce Center	\$4,000,000	\$5,822,000
	2009	II	087904390	Lower Rio Grande Val DC	McAllen	Disaster Resilience Plan	\$3,500,000	\$3,500,000
	2009	II	087904396	Gulf Coast EDD	Houston	Disaster Recovery RLF	\$10,000,000	\$10,000,000
	2009	II	087904397	Lufkin City of	Lufkin	Industrial Park Infrastr	\$4,000,000	\$5,817,026

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TX	2009	II	087904398	Trinity Bay Conserv Dist	Anahuac	Water & Sewer Lines	\$3,000,000	\$4,011,200
	2009	II	087904399	Port of Orange	Orange	Harbor Development	\$4,000,000	\$5,595,000
	2009	II	087904408	DW Academy	Port Arthur	Business Incubator	\$1,400,000	\$1,400,000
	2009	II	087904409	Lamar Univ	Beaumont	Chem Eng Research Lab	\$4,000,000	\$7,068,000
	2009	II	087904411	Nash	Nash	Bush PK Infra Imprvmts	\$1,875,000	\$2,500,000
	2009	II	087904417	TEEX	Galveston	Ike Econ Impact Study	\$500,000	\$666,666
	2009	II	087904434	Accion Texas Inc	McAllen	Micro Lending Center	\$600,000	\$750,000
	2010	II	087904431	Cameron County	Santa Rosa	Technology Center	\$1,500,000	\$1,500,000
	2010	II	087904433	Palestine	Palestine	Water Syst Improvements	\$2,000,000	\$3,802,000
	2010	II	087904448	Robstown City of	Robstown	Infrastructure Upgrades	\$4,000,000	\$5,000,000
	2010	II	087904454	Kilgore EDC	Kilgore	Infrastructure Imprvmts	\$1,000,000	\$3,126,845
	2010	II	087904459	U of TX at San Antonio	San Antonio	Sustainable Dev Prog	\$700,000	\$977,686
	2010	II	087904558	Lone Star College	Houston	Aldine Workforce Center	\$1,400,000	\$2,242,000
2010	II	087904593	IEDC	Houston	TX LA Gulf Coast Recovery	\$989,920	\$989,920	
Subtotals for State = TX							\$84,374,920	\$110,923,443
VI	2010	II	016908818	U. S. Virgin Islands	Charlotte Amalie	Post-Disaster Strategy	\$124,396	\$146,396
	Subtotals for State = VI							\$124,396
VT	2010	II	016908837	TRORC	Woodstock	COOP / CEDS Planning	\$235,032	\$293,789
	2010	II	017908839	VEC	Island Pond	Electrical Sys. Upgrades	\$11,286,917	\$14,500,000
Subtotals for State = VT							\$11,521,949	\$14,793,789
WI	2008	I	066905328	Wisconsin State of	Multi City	Flood Recovery	\$800,000	\$800,000
	2009	I	066905359	North Central WI RPC	Multi City	Flood Recovery Coord.	\$45,000	\$60,000
	2009	I	066905360	Mississippi River RPC	Multi City	Flood Recovery Strategy	\$70,000	\$93,334
	2009	I	066905361	East Central WI RPC	Multi City	Flood Recovery Strategy	\$60,000	\$80,000

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WI	2009	I	066905362	Southwestern WI RPC	Multi City	Flood Recovery Strategy	\$67,500	\$90,000
	2009	I	066905477	Thrive, Inc.	Madison	Food Bus Incub Network	\$100,000	\$170,155
	2009	I	067905389	Fond du Lac County EDC	Fond du Lac	Economic Gardening Prog	\$437,899	\$744,181
	2010	II	067905403	Reedsburg City of	Reedsburg	Infrastructure Improveme	\$1,152,530	\$1,536,707
	2010	II	067905405	Madison Area Tech. Col.	Madison	Tri-Cnty Mobile Training	\$3,324,780	\$4,452,393
	2010	I	067905417	Waterloo City of	Waterloo	Renovate training space	\$142,569	\$194,300
	2010	I	067905419	Belmont Village of	Belmont	Disaster Relief Asst.	\$1,450,000	\$2,500,000
	2010	I	067905454	Platteville City of	Platteville	Disaster Relief Asst.	\$408,161	\$544,215
	2010	I	067905455	Mineral Point City of	Mineral Point	Business Park Improv.	\$959,250	\$1,279,000
	2010	II	067905459	Adams City of	Adams	Business Pk Development	\$608,935	\$811,915
	2010	II	067905468	BizStarts Milwaukee Inc	Milwaukee	Entrepreneur Initiative	\$458,000	\$648,000
	2010	I	067905487	Randolph Village of	Randolph	Business Park	\$1,100,000	\$2,049,503
	2010	II	067905489	Lakeshore Tech. College	Cleveland	Renovation of School	\$670,196	\$1,253,000
	2010	I	067905490	Portage City of	Portage	Bus Incubator/Ind Pk Exp	\$2,408,959	\$3,434,500
	2010	II	067905491	Madison City of	Madison	BioLink Comm & Bus Centr	\$4,534,472	\$7,099,255
	2010	I	067905497	Plain Village	Plain	Green TTEC	\$2,405,000	\$4,810,000
	2010	II	067905506	Gays Mills	Gays Mills	Dev Commercial Dist	\$4,313,650	\$8,023,350
	2010	I	067905521	Sauk County	Baraboo	Broadband build-out	\$695,657	\$932,000
	2010	II	067905523	La Farge Village of	La Farge	Public Infrastructure	\$990,286	\$1,597,235
	2010	II	067905526	Mauston City of	Mauston	Industrial Pk Expansion	\$1,246,500	\$1,662,000
	2010	II	067905544	Spring Green Town of	Spring Green	Flood Control	\$2,114,502	\$2,819,336
	2010	II	067905547	Univ of WI Whitewater	Multi City	Entrepreneurial Assist	\$5,979,094	\$10,098,299
Subtotals for State = WI							\$36,542,940	\$57,782,678
WW	2008	I	016908682	WW OES	Multi City	Disaster Recovery Plan	\$250,000	\$250,000
	2010	II	016908743	Region VII P&DC	Multi City	Disaster Planning	\$150,000	\$187,500

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WV	2010	II	016908744	Region VI P&DC	Multi City	Disaster Recovery Plan	\$150,000	\$187,500	
	2010	II	017908745	Hepzibah PSD	Clarksburg	Sewer line extension	\$2,100,000	\$3,500,000	
	2010	II	017908746	Town of Worthington	Worthington	Waste Water Treatment Pl	\$3,200,000	\$4,000,000	
	2010	II	017908800	Canaan Valley PSD	Davis	Wastewater Treatment Pla	\$4,000,000	\$5,000,000	
	2010	II	017908801	Philippi/Barbour Co RAA	Philippi	Aviation Incubator	\$2,120,000	\$2,650,000	
Subtotals for State = WV							\$11,970,000	\$15,775,000	
Report Totals: Approved							###	Projects	\$439,798,527
							###	Projects	\$677,014,372

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DEPARTMENT OF HOMELAND SECURITY

FEDERAL EMERGENCY MANAGEMENT AGENCY

STATEMENT FOR THE RECORD

W. CRAIG FUGATE

ADMINISTRATOR

ON

PRIORITIES FOR DISASTERS AND ECONOMIC DISRUPTION: THE PROPOSED FY2011
BUDGETS FOR FEMA AND EDA

before the

U.S. House of Representatives
Committee on House Transportation and Infrastructure

Subcommittee on Economic Development, Public Buildings and Emergency
Management

May 6, 2010

10:00 AM
2167 Rayburn

INTRODUCTION

Chairwoman Eleanor Holmes Norton, Ranking Member Diaz-Balart and Distinguished Members of the Subcommittee, it is a privilege to appear before you today on behalf of the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA) to discuss the agency and our FY 2011 Budget Request. The budget the President has proposed acknowledges the austere budget climate in which we find ourselves, and recognizes that FEMA also must be a good steward of taxpayer funds. In the development of our budget, we have considered the challenges faced by our state and local partners, and the reality that the federal government must meet its responsibilities while staying within its means.

The Agency's FY 2011 budget requests \$7.294 billion in net discretionary budget authority, which is an increase of \$186 million above the FY 2010 enacted level. This budget will help ensure that FEMA can continue to:

- Empower and strengthen local communities and individuals;
- Invest in our human capital and facilities;
- Mitigate against hazards;
- Enhance the preparedness of our nation;
- Provide effective emergency response; and
- Assist communities in recovering rapidly from disasters.

EMPOWERING AND STRENGTHENING LOCAL COMMUNITIES AND INDIVIDUALS

FEMA's budget request builds on a core principle that I believe is critical to not only FEMA's success, but also the success of our nation in managing disasters: FEMA is only part of the emergency management team; we are not the entire team. We need to move away from the mindset that federal and state governments are always in the lead, and build upon the strengths of our local communities and, more importantly, our citizens. We must treat individuals and communities as key assets rather than liabilities. This principle drives our agency's priorities, programs, policies and budget. The principle was also reflected in the first ever Quadrennial Homeland Security Review (QHSR), which defines the future direction of homeland security in the United States.

The QHSR, which was recently released by the Department, recognizes that despite our best efforts to protect this country and our citizens, disasters, accidents, and even deliberate attacks are inevitable. Our collective challenge is to build our national capacity to be resilient in the face of disasters at all jurisdictional levels, beginning at the local level with our citizens.

As Secretary Napolitano and I have repeatedly said, citizens often play a far larger role in disasters than is typically recognized. Family members, friends, co-workers and neighbors help with

evacuations, search and rescue, food, water, shelter, and medical care, and undertake many other critical response functions well before professional emergency responders arrive. Partnerships that reflect this reality are fundamental to achieving resilience. These partnerships must be formally recognized and strengthened before an incident occurs, to help ensure that we are maximizing our combined strengths and have the capacity to reach those in need of assistance.

FEMA will foster an approach to emergency management nationally that is built upon a foundation of proactive engagement with neighborhood associations, businesses, schools, faith-based community groups, trade groups, fraternal organizations, and other civic-minded organizations that can mobilize their networks to build community resilience and support local emergency management needs.

INVESTING IN OUR HUMAN CAPITAL AND FACILITIES

The Administration's FY 2011 request includes an increased Management and Administration (M&A) appropriation budget that will help FEMA invest in both our employees and our facilities. Our employees are our most valuable resource, and we need to ensure FEMA has the institutional knowledge and expertise needed to fulfill our mission.

The M&A appropriation provides core mission funding across all FEMA organizations at both the regional and headquarters levels. In the wake of Hurricane Katrina, FEMA expanded its temporary workforce known as the Cadre of On-Call Response Employees (CORE) to support new and expanded mission requirements, including programs supporting logistics management, individual assistance to disaster survivors, mitigation, disaster telecommunications, as well as business support functions across the workforce. These temporary but full-time employees have been paid through the Disaster Relief Fund (DRF) appropriation both for direct charge disaster and non-disaster specific allocations. Those that are essential to FEMA's ability to execute its daily mission requirements are proposed to be funded in the M&A appropriation, which supports all of FEMA's mission areas. FEMA is currently in the process of moving these essential full-time temporary CORE positions to full-time permanent federal positions and we will complete these moves in FY 2010. After this action is completed, FEMA will no longer use its temporary CORE workforce for base FEMA programs. In our FY 2011 request, only the CORE employees charged directly to specific disasters will remain funded by the DRF.

We have also proposed a modest increase of \$23.3 million in our FY 2011 M&A appropriation request for improvements to support neglected facilities. By 2011, FEMA will reach the point where our facilities will be unable to continue to absorb projected and necessary staffing increases and mission responsibilities. FEMA also faces a critical need for adequate resources to maintain and repair our aging and deteriorating facilities. To address these needs, FEMA has developed a five-year capital plan. \$23.3 million is required in FY 2011 to begin critical regional facility acquisitions

and repairs, as well as to support critical and long-overdue capital improvements. Of this amount, \$11.4 million would be allocated for additional facilities to provide adequate space for our workforce and the remaining \$11.9 million would be allocated to facility repairs and capital improvements for existing facilities.

To support all M&A activities, FEMA requests \$902.9 million, which represents a net increase of \$105.3 million or 13.2 percent. This request will annualize the \$105.6 million that was transferred in FY 2010 from the DRF into the M&A account and will fully fund all M&A employees within the M&A account, eliminating the need to seek a transfer authority as has been necessary in the past.

MITIGATING AGAINST HAZARDS

Although some disasters are inevitable, we can and must take steps to reduce their impact. Achieving this goal requires a thorough assessment of risks and robust efforts to reduce vulnerabilities. Mitigation provides a critical foundation to reduce loss of life and property by avoiding or lessening the impact of a disaster, and seeks to break out of the cycle of disaster damage, reconstruction, and repeated damage. Mitigating vulnerabilities reduces both the direct consequences and the response and recovery requirements of disasters.

The Pre-Disaster Mitigation (PDM) Fund provides technical assistance and federal funding to state, local, and tribal governments to support the development and enhancement of hazard mitigation plans aimed at instituting policies and practices, and mitigation projects that involve physical measures to avoid or reduce damage from natural disasters. Operating independently of the DRF, which provides post-disaster Hazard Mitigation Grant Program (HMGP) funding, the PDM Fund offers an annual source for qualified mitigation activities that are not dependent upon a Presidential disaster declaration. The 2007 report from the Congressional Budget Office found that for every dollar invested prior to a disaster, \$3 in future losses to taxpayers are avoided, based on an analysis by CBO of mitigation investments. In addition, the Multihazard Mitigation Council of the National Institute of Building Sciences did a congressionally mandated study and found that every dollar spent on disaster mitigation saves society an average of \$4. Mitigation helps to save lives and reduce property damage.

In FY 2011, FEMA seeks to incorporate pre-disaster mitigation and sustainability principles into both the PDM program and the Department of Housing and Urban Development's (HUD) Sustainable Communities Initiative through a partnership with HUD. This will help support strategic local approaches to sustainable development by coupling hazard mitigation with related community development goals and activities that reduce risks while protecting life, property, and the environment. In support of this effort, the Administration requests \$100 million in FY 2011 for the PDM Fund, the same amount enacted in FY 2010.

The Flood Hazard Mapping and Risk Analysis Program addresses flood hazard data update needs and builds upon the successful Flood Map Modernization program. This effort began in 2004 as a federally funded initiative to improve and modernize the process for updating, maintaining, storing, and distributing the flood hazard and risk information portrayed on Flood Insurance Rate Maps (FIRMs). Federal statutory requirements direct FEMA to review the flood hazards maps on a five-year cycle and address flood hazard data update needs.

To meet this requirement, FEMA requests \$194 million in FY 2011 for the Flood Hazard Mapping and Risk Analysis Program, a net decrease of \$26 million from the level enacted in FY 2010. However, this reduction will be offset by fees collected through the National Flood Insurance Program (NFIP) and efficiencies created through the implementation of Risk Mapping, Assessment and Planning (Risk MAP) and through FEMA's use of digital rather than paper maps.

The National Flood Insurance Fund (NFIF) is a premium revenue and fee-generated fund that supports the NFIP. The NFIP provides flood insurance on a national basis to owners of properties located in vulnerable areas. Currently the NFIP insures more than 5.6 million residential and commercial policyholders, totaling approximately \$1.1 trillion in insurance coverage. By supporting the flood hazard reduction grant programs and floodplain management efforts, the NFIP estimates that more than \$1.2 billion in flood-related losses are avoided annually.

FEMA requests \$169 million in fee authority in FY 2011 for the discretionary NFIF funding which is a \$23 million increase from the FY 2010 enacted level, based on estimated fee collections resulting from increases in policy fees that will go into effect by May 1, 2010.

FEMA also requests \$3.0 billion in fee authority in FY 2011 for mandatory NFIP funding, which is a \$50.5 million increase over the FY 2010 enacted level based on estimated policy rate increases effective in October 2009 and October 2010. The mandatory NFIP fee authority will fund the Flood Mitigation Assistance and Repetitive Flood Claims programs, in addition to the NFIP operating expenses.

ENHANCING THE PREPAREDNESS OF OUR NATION

Active participation by all segments of society in planning, training, organizing, and heightening awareness is an essential component of national preparedness. Although efforts have traditionally focused on preparedness of the government and official first responders, we must start with our citizens. The preparedness of our citizens, and the enhancement of their ability to care for themselves and assist their neighbors in emergencies, is critical to response and recovery success. When safely provided, neighbor-to-neighbor assistance decreases the burden on emergency responders. Our citizens should be seen as force multipliers who can offer specialized knowledge and skills, and allow emergency responders to focus on the most vulnerable segments of society.

After neighbors, law enforcement, emergency services, and fire personnel are the first to respond to an incident, and are usually the first to identify and commence preparation for an emerging event. We must continue to ensure that these organizations and personnel are properly trained, and fully supported.

Through grants, training, exercises, and other support, the State and Local Programs (SLP) appropriation enables FEMA to fulfill its role as the principal component of DHS responsible for assisting state and local governments in the prevention of, protection against, response to, and recovery from natural and man-made disasters.

FEMA requests \$4 billion in FY 2011 for the SLP appropriation, which is a decrease of \$164.61 million from the FY 2010 enacted level. The request also proposes to consolidate several current grant programs into a larger State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI). This consolidation gives states and urban areas the flexibility to spend grants through SHSP and UASI according to their identified priorities, rather than tailoring their needs to “fit” the multiple grant programs that currently exist. State, local and tribal partners have stated that they would like to see some consolidation of similar grant programs, in order to reduce the administrative and application burdens. This budget is responsive to this important stakeholder feedback.

Proposed funding levels within the SLP appropriation are as follows:

- **State and Regional Preparedness Program:** This program includes four grant programs – the SHSP; the Emergency Management Performance Grants (EMPG); the Regional Catastrophic Preparedness Grants Program (RCPGP); and the Firefighter Assistance Grants Program. The Firefighter Assistance Grants Program actually consists of three individual programs: the Assistance to Firefighter Grants (AFG) program, the Staffing for Adequate Fire and Emergency Response (SAFER) program, and the Fire Prevention and Safety (FP&S) program. In FY 2011, FEMA requests \$2.04 billion for the State and Regional Preparedness Program, which is the same amount as requested in FY 2010, but is a decrease of \$313.7 million from the FY 2010 enacted level. The Administration also proposes to realign the Firefighter Assistance Grants and the Emergency Management Performance Grants into the SLP appropriation.
- **Metropolitan Statistical Area (MSA) Preparedness Program:** The proposal for this program includes four grant programs – the Urban Areas Security Initiative (UASI); the Buffer Zone Protection Program (BZPP); the Port Security Grant Program (PSGP); and the Transit Security Grant Program (TSGP). In FY 2011, FEMA requests \$1.75 billion for the MSA Preparedness Program, which includes an increase of \$201 million from the FY 2010 enacted level.

- **Training Measurement and Exercise Program:** This program funds the National Exercise Program, the Continuing Training Grant Programs, the National Domestic Preparedness Consortium, and the Technical Assistance and Evaluation and Assessment Program. In FY 2011, FEMA requests \$210.59 million for the Training Measurement and Exercise Program, which is the same amount as requested in FY 2010.
- **Management and Administration:** Funding for this activity includes traditional operational and program management support resources for the Grants Program and National Preparedness offices. This funding supports the salaries and benefits for headquarters and regional staff, travel, rent, printing and supplies, related preparedness activities, and the business processes and systems necessary for all stages of grants management. The proposal is for program management and administration costs not to exceed 4.7 percent of the total funding of the State and Local Programs (including the Firefighter Assistance Grants and Emergency Management Performance Grants). In addition, we are also proposing that funding for Grants Program and National Preparedness management and administration be transferred to the FEMA M&A appropriation account after enactment.

The mission of the United States Fire Administration (USFA) is to provide national leadership to foster a solid foundation for fire and emergency services stakeholders for prevention, protection, preparedness, and response. USFA prepares the nation's emergency responders through ongoing and, when necessary, expedited training, to help evaluate and minimize community risk, improve protection of critical infrastructure, and better prepare to react to all types of emergencies. USFA coordinates with other federal, state, and local emergency service agencies, the private sector, and with colleges, universities, and other DHS educational consortium participants.

To continue to build these preparedness capabilities, FEMA requests \$45.93 million for USFA in FY 2011, which is an increase of \$342,000 for pay inflation, as compared to the FY 2010 enacted level.

The Radiological Emergency Preparedness Program (REPP) assists state, local, and tribal governments in the development of off-site radiological emergency preparedness plans within the emergency planning zones of Nuclear Regulatory Commission (NRC) licensees of commercial nuclear power facilities. The REPP fund is financed from user fees assessed and collected from NRC licensees to cover budgeted costs for radiological emergency planning, preparedness, and response activities in the following year.

FEMA requests \$33 million in fee authority for REPP in FY 2011, which is an increase of \$361,000 for pay inflation, as compared to the FY 2010 enacted level.

PROVIDING EFFECTIVE EMERGENCY RESPONSE

Because it is impossible to eliminate all risks, a resilient nation must have a robust capacity to respond when disaster strikes. This response must be grounded in the basic elements of incident management. When an incident occurs that is beyond local response capabilities, communities must be able to obtain assistance from neighboring jurisdictions and regional partners quickly, making a robust regional capacity vital to effective emergency response.

Strong FEMA Regions are critical to our ability to maintain and sustain robust partnerships with our stakeholders within the public and private sector that will help ensure the most efficient leveraging of national expertise, resources, and capabilities in future responses to all-hazard events. FEMA will continue to further empower our regional offices to improve quality and consistency in all aspects of disaster preparedness and management, including disaster response. Regional situational awareness of operations must be used to properly shape policy and planning.

The FEMA team has continued to improve coordination and connectivity with interagency, military, and DHS partners through upgrades to our network of operation centers, including the National Response Coordination Center, Regional Response Coordination Centers, the Response Watches, and the FEMA Operations Center.

FEMA's Operational Teams – the Incident Management Assistance Teams (IMAT), the Urban Search and Rescue (US&R) Task Forces and Mobile Emergency Response Support (MERS) teams – continue to be deployed in support of disasters and National Security Special Events.

The IMAT can rapidly deploy to an incident or incident-threatened venue, provide leadership in the identification and provision of federal assistance, and coordinate and integrate inter-jurisdictional response in support of affected state(s), tribe(s) or U.S. territory(s). IMAT teams support efforts to meet emergent needs, provide initial situational awareness for federal decision-makers, and support the initial establishment of a unified command. Moreover, the IMAT can establish an effective federal presence within 12 hours of notification and are self-sufficient for a minimum of 48 hours to augment potentially scarce local resources.

The US&R system is comprised of 28 Task Forces that provide a coordinated, national, all-risk capability for locating, extricating, and stabilizing victims of structural collapse incidents resulting from natural or manmade causes, including terrorism and weapons of mass destruction. These Task Forces are highly trained and possess the necessary expertise to provide medical treatment to victims in heavy rescue situations. FEMA distributes readiness grants to each of the US&R Task Forces to provide the US&R system crucial funding for equipment and training.

Within the FEMA M&A appropriation, there is funding for the US&R Task Forces. FEMA requests \$28 million for the US&R Task Forces in FY 2011, which is the same amount as requested in FY 2010.

HELPING COMMUNITIES RECOVER RAPIDLY FROM DISASTERS

The Robert T. Stafford Act Disaster Relief and Emergency Assistance Act authorizes the President to provide federal assistance to supplement state and local governments' disaster response, recovery, readiness, and mitigation efforts. Under the Homeland Security Act, as amended by the Post Katrina Emergency Management Reform Act, the FEMA Administrator has been delegated the responsibility for administering the Stafford Act's federal assistance program. Through the DRF, FEMA can fund authorized federal disaster support activities as well as eligible state, territorial, tribal, and local actions, such as providing emergency protection and debris removal. The DRF also funds:

- The repair and rebuilding of qualifying disaster-damaged infrastructure;
- Post-disaster hazard mitigation initiatives;
- Financial assistance to eligible disaster survivors; and
- Fire Management Assistance Grants for qualifying large wildfires.

Major disasters and emergencies may be the result of natural or man-made hazards, and are normally declared by the President in response to gubernatorial requests for assistance. States request federal assistance to supplement their available resources and certify that a given disaster is beyond their capacity or capability to respond.

FEMA requests \$1.95 billion for the DRF in FY 2011, which is a net increase of \$350 million from the FY 2010 enacted level to support the five-year average obligation level for non-catastrophic disaster activity.

The Administration is submitting, concurrent with the FY 2011 request, a \$5.1 billion supplemental request for the DRF. These funds are needed due to continuing obligations associated with previous disasters including hurricanes Katrina, Rita, and Wilma in 2005 and 2006, the 2007 California wildfires, and hurricanes Gustav and Ike in 2008, among others. These supplemental funds are needed immediately to allow us to continue our response and recovery efforts from these large catastrophic events.

The Emergency Food and Shelter Program provides grants to nonprofit and faith-based organizations at the local level through a National Board to supplement their programs for emergency food and shelter. Nearly 12,000 nonprofit and local government agencies in over 2,500 cities and counties across the United States receive grant awards. Emergency Food and Shelter funds are used to supplement food, shelter, rent, mortgage, and utility assistance for people with non-disaster related emergencies. FEMA requests \$100 million for the Emergency Food and Shelter Program in FY 2011. This is the same amount as requested in FY 2010.

Working with partners and stakeholders, FEMA, together with our federal partners, will continue to support recovery programs that more seamlessly support affected communities and balance the

assistance needs of the states, communities, and individuals with the agency's need to serve as a good steward of taxpayers' funds. In the coming year, FEMA will build upon the results of the Catastrophic Event Preparedness effort and the direction provided by the Long Term Disaster Recovery Working Group, the National Disaster Recovery Framework, the National Disaster Housing Task Force and other related taskforces and workgroups to implement a more robust, efficient and cost-effective federal program to meet the needs of survivors.

CONCLUSION

Madam Chairwoman, I believe that the Administration's FY 2011 budget proposal represents a thoughtful, responsible approach to improving our nation's resilience to all hazards. The budget proposal will enable the entire emergency management team to achieve our strategic goals to mitigate hazards, enhance our nation's preparedness, ensure an effective emergency response capability and assist those communities that do experience disasters to rapidly recover.

But more importantly, our budget will help us empower and strengthen communities and individuals. As I noted at the outset, Madam Chairwoman, FEMA is not the entire team. We are only part of the team – a team that includes all Americans. The more that we can do to ensure that each individual and family is prepared for disasters, the better prepared we will all be as a nation. I look forward to working with you, distinguished Members of this Subcommittee, and other Members of Congress to communicate this message to the American people so that we can become a more resilient Nation.

This concludes my testimony today. I am prepared to answer any questions the Committee may have.

Question#:	1
Topic:	PFO
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)
Witness:	William Craig Fugate, FEMA Administrator
Organization:	U.S. Department of Homeland Security

Question: When will the Committee receive, in writing, a statement that the Administration will not appoint Principal Federal Officials for major disasters and emergencies under the Stafford Act, and does not object to prohibition on such appointments in law?

Response: Please consider this response as the Administration's statement on this issue. The Secretary of Homeland Security will not appoint a Principal Federal Official (PFO) when a Federal Coordinating Officer (FCO) has been or is likely to be appointed in conjunction with a major emergency or disaster declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act).

Question: When will the conforming change to the President's Fiscal Year 2011 Budget Request (withdrawing the request to strike section 522 of the FY 2010 Appropriations Act) be submitted to Congress?

Response: Although no budget amendment will be submitted for this purpose, the Administration has no objection to the restriction on the use of funds for a position designated as PFO for Stafford Act events. Congress has restricted the Department from using appropriated funds for PFOs when there is a Stafford Act declaration pursuant to multiple appropriations acts. Section 522 of the FY 2010 Department of Homeland Security Appropriations Act (Pub. L. 111-83) continues this restriction, but allows the Department to waive the prohibition if certain conditions are met. Although the Secretary of Homeland Security appreciates the flexibility that Congress afforded the Department in Section 522, the Secretary has determined that the waiver authority as outlined in that section will not be utilized.

Question: When will conforming changes be made to administrative planning and response documents including the National Response Framework and Homeland Security Presidential Directive-5 to reflect this change and current law?

Response: FEMA will update DHS planning and response documents as necessary to account for this change by the end of FY2010. Additionally, we will alert our partners in the emergency response and first responder community about this clarification.

Question#:	1
Topic:	PFO
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)
Witness:	William Craig Fugate, FEMA Administrator
Organization:	U.S. Department of Homeland Security

Question: Who will be drafting those changes?

Response: HSPD-5 is a White House document. It will be updated by the White House, when and if they choose to update it. DHS has no say of what the White House does with HSPD-5.

Question#:	2
Topic:	mitigation
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Question: The President's Fiscal Year 2011 Budget Request for Pre-Disaster Mitigation (PDM) states that PDM will partner with the "Sustainable Community Initiative". Please explain what this is and how this will impact the PDM program? Will it affect the application process? If so, how? Will it affect the selection process? If so, how?

Response: FEMA considers disaster resilience to be an integral component of sustainability. FEMA intends to apply an evaluation factor into the FY2011 PDM competitive application review process that would allow additional points to be given if the application demonstrates how the proposed mitigation activity will enhance the ability of the community to increase its resilience to impacts of future natural hazard events. This factor will contribute to the overall scoring of the application used in the selection process. FEMA will develop criteria for the evaluation factor that may include demonstration that the mitigation activity would contribute to community recovery after a natural hazard event, and demonstration that the mitigation activity contributes to the overall sustainability of the community. FEMA will determine an approach for sharing with HUD the information we receive in sub-applicants' responses as we continue our partnership with HUD.

There is a difference in the timeframes in which FEMA and HUD are implementing their FY 11 PDM and Sustainable Community Initiative (SCI), respectively. FEMA's FY 11 PDM program guidance was issued June 1, 2010, with applications due December 3, 2010. HUD is opening its FY 2010 application period for the Community Challenge Planning Grant Program (a component of the SCI) on June 24, 2010, with full applications due August 23, 2010. FEMA will coordinate with HUD on the results of our FY 2011 PDM applications relative to resiliency as part of our partnership.

Question: A significant number of people who live in Standard Flood Hazard Areas do not pay for flood insurance coverage even though they live in an area where the risk has been identified. What would you say is the effect of that on the Disaster Relief Fund?

Response: Attached are two charts (entitled "Individual Assistance and Flood Insurance Chart" and "Visio-NFIRA (4)" showing the relationship between disaster assistance, NFIRA, flood insurance, and GFIP.

Question: Are there any impediments to more effective mitigation efforts? If so, what are they?

Question#:	2
Topic:	mitigation
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Response: One of the primary impediments to effective mitigation efforts are the competing economic priorities at the State, local, and individual level. Currently, many State and local entities are under significant financial strain which is severely limiting available resources. However, even in better financial times State and local entities must balance a range of competing needs. As a result, prioritizing resources for an investment in long term risk reduction can be difficult. Because the benefits of mitigation are realized in the future while the costs must be borne today, mitigation is sometimes perceived as an obstacle to economic viability for both communities and individuals.

In some cases there is a lack of capacity at the State and local level to promote and implement mitigation solutions. Mitigation staff at the State and local level is generally required to fill a variety of roles, and have a wide range of responsibilities. This is even more prevalent in the post disaster setting when the majority of State and community resources are generally directed to immediate response and recovery efforts. However, the post disaster timeframe can be the time when the opportunity to identify and implement mitigation solutions can be greatest. This sometimes limited capacity can hinder mitigation efforts.

An additional potential impediment to effective mitigation is the lack of community based planning that evaluates how risk reduction can promote community resiliency and economic viability. Although this type of planning is becoming more prevalent, many communities have not considered risk reduction measures as a means to improve long term economic viability. This limitation causes many communities to focus on the cost of mitigation, including opportunity costs, rather than the long term benefits. As more comprehensive planning becomes more prevalent, communities should be able to better understand the long term return on investment from mitigation measures.

Question: What can we be doing better in mitigation?

Response: FEMA is continuously working to improve our mitigation related efforts. A few specific areas in which FEMA believes improvements can be made include:

- Building stronger partnerships throughout the mitigation community, primarily with State and local entities, professional organizations, and other federal agencies. More robust partnerships will allow all entities to improve the efficiency of mitigation efforts.
- Better communication of the benefits and successes of mitigation. More readily available information about the potential benefits of mitigation measures will aid decision makers when considering mitigation options. FEMA is continuing to

Question#:	2
Topic:	mitigation
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

focus on better communication, including the development of loss avoidance studies that can help quantify the economic value of mitigation actions already taken.

- Improving the delivery of FEMA mitigation grant programs by simplifying the process of applying for and receiving grants. FEMA is continuing to work to streamline the requirements and guidance related to its mitigation programs to allowing State and local officials to more easily identify potential funding sources.
- Encourage more comprehensive planning efforts that more realistically consider the impacts of disaster on local communities' resilience, sustainability and economic viability. These efforts should identify measures that both reduce the risk of future disasters but also help communities increase their long term economic viability. FEMA is currently partnering with other federal agencies (e.g. HUD and EPA) to identify opportunities for more integrated and comprehensive planning.

Question#:	3
Topic:	EMAC
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Question: Does the Administration's Fiscal Year 2011 Budget Request include funds for implementing the Emergency Management Assistance Compact (EMAC)?

H.R. 3377 reauthorizes the grants used to carry out the compact. Does the Administration have a view on reauthorization of EMAC grants?

Response: Activities to support implementing the Emergency Management Assistance Compact (EMAC) are provided for in FEMA's base budget proposal for FY2011 and includes \$4 million.

Question#:	4
Topic:	DRF
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Question: Do you think that it would be better if the annual request for funding for the Disaster Relief Fund would not exclude “catastrophic events” when calculating the five year average expenditure?

Is the Administration considering alternative methods for estimating the annual request for the Disaster Relief Fund in order to avoid needing as many supplemental appropriations?

Response: The FY 2011 President’s Budget for the Disaster Relief Fund (DRF) is \$1.95 billion, an increase of \$350 million over FY 2010 enacted. This amount is based on a funding methodology that uses the 5-year average obligation level for non-catastrophic disaster activity. The funding methodology assumes that catastrophic events - those with obligations above \$500 million - will be funded through supplemental appropriations.

The Administration is always looking at better ways to estimating the annual request for the Disaster Relief Fund. It is difficult to predict with any certainty future catastrophic disasters and catastrophic disaster costs can have great variability, both in the amount and the ultimate timing. Consequently, the FY 11 Budget continues to use this methodology.

Question#:	5
Topic:	DHAP
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Question: HUD and FEMA recently announced an extension of the Disaster Housing Assistance Program (DHAP) for Hurricane Ike.

Do you anticipate transferring any additional funds to HUD for DHAP for Hurricane Ike?

Response: We will continue to work with HUD to review any DHAP requirements that cannot be addressed within current funding levels.

Question: Please provide the total amount of funds given to HUD for DHAP for both Hurricanes Katrina/Rita and Hurricane Ike respectively.

Response: HUD has received approximately \$800 million to assist families through DHAP. To date, HUD has provided approximately \$500-million of rental assistance for both DHAP Katrina (\$330 million) and DHAP Ike (\$120 million) and also includes security and utility deposits (approximately \$13 million each).

Approximately \$340 million of the funds received have also been used for associated program costs such as Administrative fees and Case Management fees.

These figures are what HUD's records indicate based upon current DHAP Katrina reconciliation efforts and current advances in DHAP Ike which goes through October 2011, plus a program close-out period. Included is \$441,769,037 in FEMA rental assistance figures; dollar amounts have been provided by HUD and have yet to be reconciled with the OCFO. Breakdown of rental assistance figures provided in the attached charts.

Question: Please also provide the following for each disaster (Hurricanes Katrina/Rita and Hurricane Ike.):

What was the total amount provided in rental payments for units that were occupied by disaster survivors?

Response: Dollar amounts provided by HUD and have yet to be reconciled with the OCFO, but are approximately \$504,114,773. Breakdown provided in the attached charts.

Question#:	5
Topic:	DHAP
Hearing:	FEMA budget oversight
Primary:	The Honorable Eleanor Holmes Norton
Committee:	TRANSPORTATION (HOUSE)

Question: What was the total provided for unoccupied units?

Response: Zero.

Question: What was the total provided to HUD or other agencies for administration, management fees?

Response: Approximately \$360,000,000 have been used for associated program costs such as Administrative fees and Case Management fees; dollar amounts have been provided by HUD but have yet to be reconciled with the OCFO. Breakdown provided in the attached charts.

Question: Are there any plans to recoup unused DHAP funds from HUD? If so, how much do you expect to recover? If not, why not?

Response: Approximately \$50,250,000; please note that the \$50 million dollars to be returned to FEMA is a ballpark figure which was provided earlier this year. This number is subject to change based upon our current reconciliation efforts. Breakdown provided in the attached charts.

**The Honorable Craig Fugate
Federal Emergency Management Agency**

Within seven days, please provide the Subcommittee with the status of the proposal in the FY 2010 to move Pre-Disaster Mitigation to a formula.

Within 30 days, please provide the Subcommittee with a list of the amount of funds for projects by state that were being held up due to the lack of money in the Disaster Relief Fund.

PDM Response:

In FY2010 FEMA asked that PDM grants be awarded through a base-plus-risk allocation program. Congress denied this request. In FY2011 FEMA is asking that PDM grants be awarded through the same procedures as in FY2010 enacted appropriation.

DRF Response:

This information reflects the DRF Unfunded Projects through April 30, 2010.

Total dollars unfunded rose by \$277M to \$996.6M (our largest bi-weekly increase to-date).

- o Of the \$277M, \$256M is an increase from the LATRO
- o Major increases for LATRO by Applicant are as follows:
 - Recovery School District up by \$89M
 - State of LA, Facility Planning & Control up by \$63.6M
 - Port of New Orleans up by \$20M
 - St. Bernard Parish up by \$15M

Please note the backlog of DRF Unfunded (Deferred) Projects resulting from Immediate Needs Funding is now impacting 49 states and territories – as listed below.

**DRF Un-Funded Projects Report as of 04-30-10
Totals by Category**

Category	Total
Infrastructure	\$ 848,290,830
Mitigation	\$ 117,769,731
Fire Management	\$ 30,565,025
Grand Total	\$996,625,587

DRF Un-Funded Balance Per State as of 04-30-10

State	Amount
AK	\$ 5,537,443
AL	\$ 26,709,264
AR	\$ 13,495,905
AS	\$ 8,099,494
AZ	\$ 983,360
CA	\$ 40,202,631
CO	\$ 43,874
CT	\$ 153,661
DC	\$ -
DE	\$ -
FL	\$ 62,449,503
GA	\$ 28,785,668
GU	\$ 226,868
HI	\$ 40,069
IA	\$ 193,859,254
ID	\$ 193,637
IL	\$ 1,332,053
IN	\$ 6,393,392
KS	\$ 39,126,066
KY	\$ 2,891,244
LA	\$ 304,931,701
MA	\$ 2,608,301
MD	\$ -
ME	\$ 41,520
MI	\$ 1,309,126
MN	\$ 2,120,992
MO	\$ 3,671,768
MS	\$ 26,957,529
MT	\$ 1,770,658
NC	\$ 5,671,648
ND	\$ 9,536,611
NE	\$ 39,398,759
NH	\$ 6,450,054
NJ	\$ 20,066,010
NM	\$ 6,339,016
NV	\$ 28,750
NY	\$ 37,963,397
OH	\$ 5,095,584
OK	\$ 11,702,345
OR	\$ 471,158
PA	\$ 803,396

PR	\$	4,501,281
RI	\$	-
SC	\$	16,657
SD	\$	778,529
TN	\$	1,512,638
TX	\$	57,551,922
UT	\$	-
VA	\$	3,007,318
VI	\$	2,436,902
VT	\$	240,212
WA	\$	7,765,331
WI	\$	267,530
WV	\$	1,085,558
WY	\$	-
Total	\$	996,625,587

Relationship Between Disaster Assistance and Flood Insurance

Community Status		Previous Flood Insurance Purchase Requirement for Damaged Dwelling ¹	Flood Insurance Policy	Special Flood Hazard Area (SFHA)	IHP except for Real or Personal Property ²	All IHP Assistance	SBA Loans
Participating Community	No	No Flood Insurance Policy	Inside SFHA	N/A	✓	✓	✓
	No	No Flood Insurance Policy	Outside SFHA	N/A	✓	✓	✓
	Yes	No Flood Insurance Policy	Inside SFHA	✓	N/A	N/A	N/A
Sanctioned Community	No	No Flood Insurance Policy	Inside SFHA	✓	✓	✓	✓
	Yes	No Flood Insurance Policy	Inside SFHA	✓	N/A	N/A	N/A
Not Participating (Not Mapped)	No	No Flood Insurance Policy	Outside SFHA	N/A	✓	✓	✓
	N/A	N/A	Not Mapped, Outside SFHA	N/A	✓	✓	✓

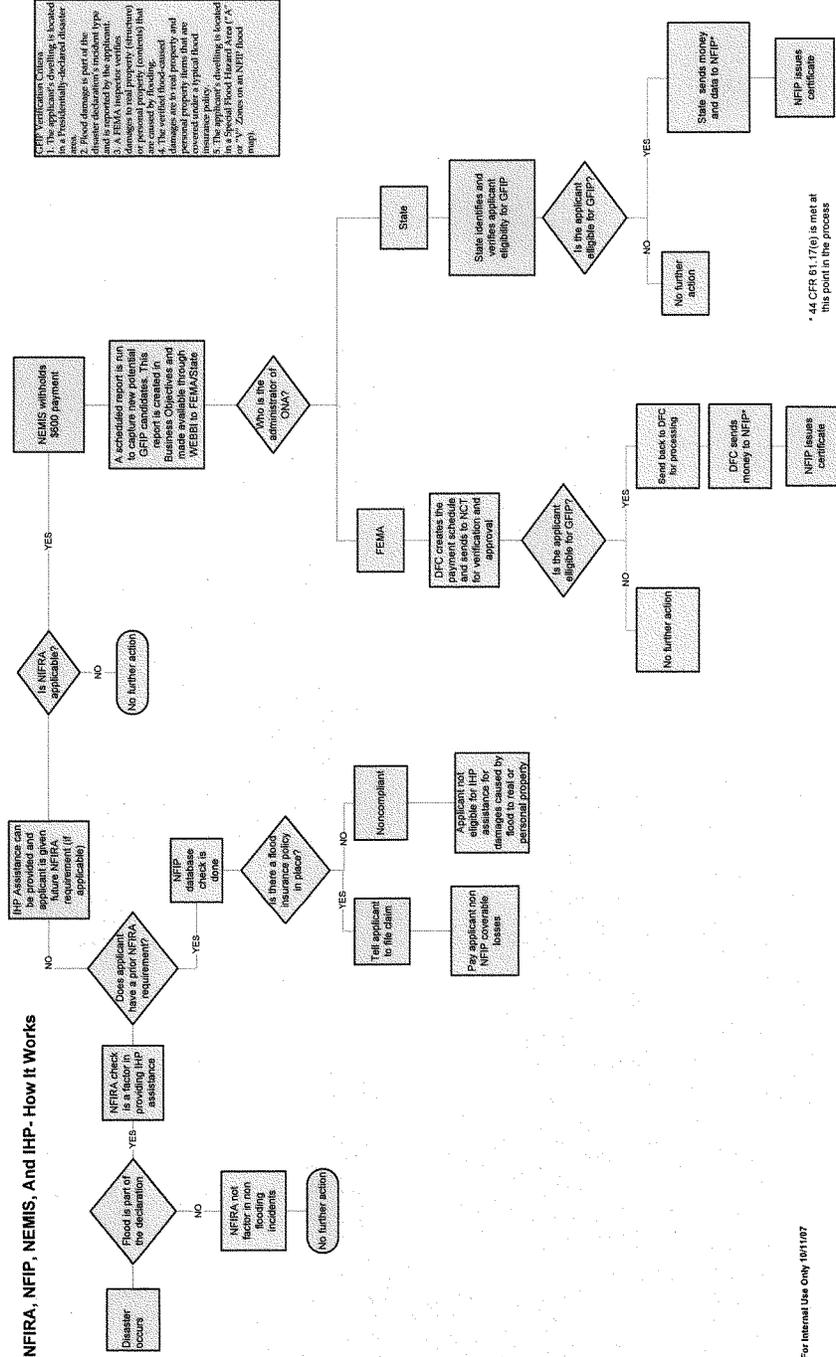
CHART LEGEND
 ✓ = Eligible for the Assistance

¹ For owners, NFIRA Requirements are placed on the address and not on the individual. For renters, NFIRA Requirements are placed on the individual at that address. If a renter moves from that address, the NFIRA requirement does not move with the renter.
² Applicants are still eligible to receive IHP assistance for non-flood insurable items, which includes temporary housing and non-SBA dependent categories of assistance (i.e. OVA Medical, Dental, Funeral, Transportation, and Miscellaneous items)
³ All other forms of Individual Assistance (e.g. Crisis Counseling, Disaster Unemployment Assistance, Disaster Legal Services) are available to eligible applicants regardless of flood insurance requirements.

Definitions:

Requirement to Purchase Flood Insurance-As a condition of receiving disaster assistance and in order to receive any federal assistance for future flood damage to any insurable property, individuals named by FEMA as eligible recipients under Section 408 of the Stafford Act, due to flood damages, must buy and maintain flood insurance.
Special Flood Hazard Area (SFHA)-An area having special flood, mudslide (i.e., mudflow), or flood-related erosion hazards, and shown on an FIRM OR FIRM as Zone A, AO, A1-30, AE, AR, AR/AE, AR/AE, AR/AQ, AR/AH, A99, AH, AO, VI-30, VE, V, M, or E.
Participating Community-A community for which FEMA has authorized the sale of flood insurance under the NFIP.
Sanctioned Community-A community that: 1) has been identified as flood-prone for longer than one year but has not entered the Program; 2) has been identified as flood-prone for longer than one year, but was later suspended from the NFIP for failure to adopt and/or enforce the community's floodplain management ordinance, or 3) a community that withdraws from the Program voluntarily.
Non-Participating Community-Communities that have never been mapped and are not subject to the prohibition for Federal financial assistance.

NFIRA, NFIP, NEMIS, And IHP- How It Works



QFR #000398 – Disaster Housing Assistance Program

Funding information as of April 30, 2010

- \$326,044,178 was provided for rental payments for DHAP Katrina/Rita.

Type of Funding	DHAP Katrina/ Rita Funding	
	Allotted to HUD	Expended by HUD
HUD's Salaries and Expenses	\$18,348,188	\$15,883,567
HAP- Housing Assistance Payment (rent)	374,798,800	326,044,178
PHA Administrative Fees	97,939,227	95,320,752
Placement Fees	49,507,708	49,229,050
Case Management Fees	66,289,486	63,003,592
Recoup, anticipated	\$41,219,441	

Type of Funding	DHAP Ike Funding	
	Allotted to HUD	Expended by HUD
HUD's Salaries and Expenses	\$17,717,874	\$9,448,097
HAP- Housing Assistance Payment (rent)	129,345,973	115,724,859
PHA Administrative Fees	51,055,135	50,045,320
Security Deposit	14,154,086	14,051,197
Utility Deposit	12,287,465	12,235,525
Placement Fees	34,722,000	30,835,000
Case Management Fees	28,756,100	25,865,000
Recoup, anticipated	\$9,030,616	

- \$115,724,859 has been provided for rental payments as of April 2010 for DHAP Ike.

**Dollar amounts have been provided by HUD and have yet to be reconciled with the OCFO.
Breakdown provided in the attached charts.**