

STATEMENT OF FEDERAL COORDINATOR DONALD E. POWELL
OFFICE FOR GULF COAST REBUILDING
BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
FEBRUARY 15, 2006

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee:

I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding to discuss the progress we have made in the Gulf Coast region and the challenges and opportunities we face in the intermediate recovery and long-term rebuilding effort.

In the aftermath of one of the most powerful and destructive natural disasters in our nation's history, President George W. Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding by Executive Order 13390 to be housed under DHS and Secretary Chertoff. I was charged by the President to coordinate the long-term federal rebuilding efforts by working with State and local officials to reach consensus on their vision for the region.

Let me begin by telling you it is a great honor to have been appointed by the President to this very important post. He is committed to doing whatever it takes to support the recovery and rebuilding efforts of Alabama, Florida, Louisiana,

Mississippi and Texas along the Gulf Coast. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we will make sure that these Americans get back on their feet and rebuild their lives. Whole communities have been ravaged by Katrina and Rita, but I am confident that together we will see a better tomorrow for our fellow Americans in these affected areas.

Our job is to work closely with people on the ground to identify and prioritize the needs for long-term rebuilding. We then communicate those realities to the decision makers in Washington, and advise the President and his leadership team, including Secretary Chertoff, on the most effective, integrated, and fiscally responsible strategies for a full and vibrant recovery.

The President has made it abundantly clear that the vision and plans for rebuilding the Gulf Coast should come from the local and State leadership, not from Washington, D.C. Rebuilding should not become an exercise in centralized planning. If federal bureaucrats determine the path of rebuilding, local insight and initiative will be overrun and local needs overlooked. In addition, if the heavy hand of federal government impedes the private sector's proven ability to speed the recovery, it will take longer and be more expensive to rebuild.

President Bush made a commitment that the Federal government would be a full partner in the recovery and rebuilding of the areas devastated by Hurricanes

Katrina and Rita, and he is keeping that promise. The Federal government has already committed more than \$87 billion for the recovery effort, and the President's 2007 budget estimates that an additional \$18 billion will be included in an upcoming 2006 supplemental package, which would bring the total to well over \$100 billion. That figure does not include the tax relief of the GO Zone legislation, which will be approximately \$8 billion. Markets must be encouraged and allowed to work properly without interference from government. Money spent should not compete with or hinder private sector involvement but, rather, serve as a catalyst to encourage growth. We also understand the importance of being good stewards of the substantial amounts of money that have been, and will continue to be, spent on this effort. The Administration has put into place financial management practices and has enhanced audit and investigative resources for the Inspectors General to safeguard federal spending. We also call on the Congressional oversight and accountability mechanisms in place to assist in the fiduciary protection of the American taxpayer. If Americans see their tax dollars being ill-spent, their support – which is critical - will wane. It is my duty to ensure that any plans or strategies are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

RECOVERY ASSISTANCE

Hurricanes Katrina and Rita left many of our fellow citizens stunned and uprooted. The federal government has and will continue to support evacuees through direct

financial assistance and temporary housing. This Administration believes in the government's duty to provide resources and support on behalf of the American people, and to rally this nation's armies of compassion

As of February 2, 2006, FEMA had provided the following direct financial and housing assistance:

- 136,502 mobile homes and travel trailers have been purchased for a total cost of \$2.5 billion (as of 2/2).
- 74,189 mobile homes and travel trailers are occupied (as of 2/2).
- 6,292 mobile homes and travel trailers are ready for occupancy but are vacant (as of 2/2).
- \$5.1 billion in assistance to 1,044,916 applicants under the Individual Housing Program (IHP) for Katrina in all states (as of 2/7).
- 1,704,006 FEMA registrations from Hurricane Katrina declared disasters – LA, MS, AL (as of 2/7).

In addition to housing assistance, FEMA has also assisted in the disposal of over 62 million yards of debris, or over 60% of the total amount to be removed from the affected area.

LEVEES

When I made my first trip to the Southeast Louisiana region I asked everyone I visited with, “what are the three most important issues?” The answer, time and again, was “Levees, levees, levees.” The President agrees that public safety is the most critical part of long-term rebuilding in that area. People must feel safe and secure in their decision to come back – whether as a resident or a business owner.

The President responded quickly by asking Congress to authorize his \$3.1 billion commitment to make the levees that surround the New Orleans area stronger and better than they had ever been before. In addition to returning the levee system to pre-Katrina levels before next hurricane season, the President’s request to Congress also included the addition of flood gates and pumping stations to interior canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proof pumping stations. I receive routine briefings from the Army Corps of Engineers and they are on track to meet their deadline for pre-Katrina strength before the beginning of the next hurricane season.

HOUSING

After the Administration made its commitment to rebuild the levees stronger and better, the next issue on the minds of the people of the Gulf Coast was housing. As a part of the DOD reallocation, Congress set aside \$11.5 billion in Community

Development Block Grant (CDBG) funds for the Gulf Coast. The CDBG program is a well-tested mechanism that provides states with great flexibility in how funds may be spent. The \$11.5 billion given by the Department of Housing and Urban Development (HUD) is the full amount appropriated by Congress for CDBG in the disaster supplemental, enacted December 30, 2005. These funds will be available once each state submits a detailed plan to the federal government outlining its use of the funds. The greatest attribute of the CDBG funds is that they are flexible and allow the state leaders – those closest to the local issues – to make the decisions on where best to use the money.

The housing issue is of paramount importance. Many have spoken about H.R. 4100, the Louisiana Recovery Commission (LRC). The Administration shares the goal of rebuilding Louisiana and the Gulf Region and we are grateful to Congressman Baker's leadership on this important issue; however, we support CDBG monies as the most efficient funding instrument in recovery funding. In fact, the Louisiana legislature is currently reviewing a proposal that would use CDBG monies and other federal assistance to create a similar housing corporation on the state level. I look forward to working with the state on that plan. However, if after spending all the allocated Federal funds there are remaining unmet needs, we will continue to work with Congress to help ensure that additional resources are available and needs are met.

ECONOMY

The President, along with Congress, has also been mindful about the renewal of the region's economy. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation, providing approximately \$8 billion in tax relief over five years, will help revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Some of the principal provisions within the Gulf Opportunity Zone Act of 2005 include tax-exempt bond financing for both residential and nonresidential property, changes to the low-income housing credit, bonus depreciation, expensing for certain demolition and clean-up costs, just to name a few. Simply put, this law renews businesses, rebuilds homes, and restores hope.

In the affected area, the Small Business Administration (SBA) has adapted and ramped up its capacity in order to provide loans and working capital to small businesses and families. Small Business Administration disaster loans provide vital low-cost funds to homeowners, renters, and businesses to cover uninsured disaster recovery costs as well as loans for the working capital needs of businesses affected by disasters. Since last year's hurricanes, SBA's Disaster Loan Program has approved over \$4.3 billion in disaster loans to over 60,000 homeowners, renters, and businesses along the Gulf Coast. Given SBA's ongoing commitment to small business owners in this region, it is imperative that Congress approve any monies to SBA in the upcoming 2006 supplemental package.

Workforce development will also be critical to long-term economic security.

Secretary of Labor Elaine L. Chao and I attended a meeting in December 2005 with the President, labor leaders, civil rights groups and business associations to discuss workforce initiatives and overall employment issues facing the region.

We tasked those leaders with devising a plan to prepare the workers of the region for the future of the Gulf Coast economy. We recently completed that plan and look forward to implementing the program in May 1, 2006 in New Orleans.

We want to help create as many jobs as possible in the Gulf Coast and prepare its residents to fill those jobs. To do this, we have set an ambitious goal that we are committed to achieving – this public/private initiative will train 20,000 new workers for careers in construction and skilled trades by the end of 2009. We will continue to work to help make the Gulf Coast a great place to invest, do business, and live.

CONCLUSION

President Bush is committed to rebuilding the Gulf Coast. The Federal government will continue to facilitate and help strengthen, but not replace, State and local government or private initiatives and we will help our fellow citizens meet the challenges of reconstruction and rebuild their lives and communities for the years to come. The residents of this area and the President can agree on this: Failure is not an option.

There is no doubt that a tremendous amount of work is still ahead of us but we are heartened and encouraged by the progress made. We are proud of the work that has been accomplished to date on both the State and Federal level. We look forward to working with leaders in Alabama, Florida, Louisiana, Mississippi, and Texas in the days, weeks and months ahead to assist in the implementation of their respective visions while also serving as a good steward of taxpayer dollars, which the distinguished members of this panel, along with your colleagues, have helped secure.

Mr. Chairman, this concludes my testimony. Again, I appreciate this opportunity to appear before you as the Federal Coordinator for the Gulf Coast Rebuilding. I am prepared to respond to any questions that you may have.

Thank you.