

Testimony of Robert Eckels
Chair, Governor's Commission for Disaster Recovery and Renewal
Senate Small Business & Entrepreneurship Committee
Field Hearing, September 25, 2009
Galveston, Texas

Good afternoon Chairman Landrieu and members of the committee. Thank you for the opportunity to testify this afternoon on Texas' ongoing recovery efforts. Specifically, I appreciate the focus on small business recovery because it is often overlooked in the federal assistance process.

My name is Robert Eckels, and I was appointed by Governor Rick Perry in October 2008 to Chair the Governor's Commission for Disaster Recovery and Renewal. I was previously Harris County Judge during Hurricanes Katrina and Rita, so I am intimately familiar with disaster recovery both in the short-term and long-term. I appreciate the opportunity to share with you today.

Commission

The Governor's Commission is comprised of state and local elected officials, members of the business community, and other private citizens who were personally affected by the 2008 hurricanes. The Commission was charged with assisting our local communities in recovering from the 2008 storms, renewing our communities, and reducing the impact of future storms.

The Governor gave the Commission some guiding principles to aid in executing these charges. Local governments are best equipped to assess their own damage and develop recovery plans tailored to their communities. But these communities need additional resources from an integration of private, public, and non-profit assistance to recover and to prepare for future disasters.

To carry out its charge, the Commission held four public hearings, in Galveston, Harlingen, Beaumont, and League City, as well as work group sessions in Port Arthur and Houston. The Commission heard testimony from federal, state, and local officials, as well as private industry, private non-profit organizations, and citizens. Everyone who testified has been affected by the hurricanes of 2008, and

in some cases, by previous disasters. Some people sustained damages to their personal property or businesses. Others spoke on behalf of their constituents or their employees. The Commission also heard from groups who offered business solutions for future disasters or recommendations from previous disaster experience.

Public testimony was invaluable in gathering firsthand knowledge of the issues that individuals, businesses, and local jurisdictions have been facing. Some of the issues need a local solution, while others would benefit from a coordinated partnership with the state. Other problems are a result of federal regulations or a lack of federal financial assistance.

The Governor's Commission presented its preliminary report to the Governor and the Texas Legislature on March 26th, 2009, with several recommendations and findings for swift action. Many of the Commission's recommendations are incorporated in legislative changes passed by the 81st Texas Legislature and signed into law by Governor Perry. Included in the legislation was more than \$600 million in disaster-related appropriations to state agencies and departments, higher education institutions, local independent school districts, healthcare facilities, and a disaster contingency fund.

The State disaster contingency fund may be used as match dollars on federal projects for local jurisdictions suffering financial hardship as a result of a declared disaster. Any state or local governmental entity may request money from the disaster contingency fund to pay for disaster preparation and recovery. The State can use the funds to pre-position equipment, personnel, and other vital resources for future disasters.

Community Development Block Grants

As you know, in November 2008, Congress appropriated more than \$6 billion in Community Development Block Grants (CDBG) for 2008 natural disasters. The U.S. Department of Housing and Urban Development (HUD) announced a first round allocation of \$2.1 billion dollars in disaster recovery assistance to 13 States and Puerto Rico. Of that amount, HUD allocated \$1.3 billion dollars to the State of Texas. After waiting more than six months, and at the persistence of Governor Perry and others, including members of this committee, HUD made their second

(and final) allocation of CDBG funds in June 2009. Of the second allocation, Texas received \$1.7 billion in disaster assistance.

Governor Perry has designated the Texas Department of Rural Affairs (TDRA) as the lead agency in partnership with the Texas Department of Housing & Community Affairs (TDHCA) for administration of the CDBG funds. Round 1 awards for the \$1.3 billion have already started going out the door, and millions of dollars in grants have reached applicants.

Although HUD announced the second round of funding in June, the federal guidelines were not published until mid-August. TDRA has worked quickly to draft an amended Action Plan for Round 2 funds and is in the process of gathering public comment on the proposal.

After hearing public concerns about TDRA's initial Round 2 draft plan, Governor Perry directed TDRA to develop a new formula for proposed allocation. The new plan allocates more than 90% of the funds to the regional Councils of Government (COGs) based on a model of surge, wind, and rainfall damage in disaster declared counties and considers the low to moderate income (LMI) population. As you know, HUD dollars are targeted at LMI, and this population tends to have lower property values and less capacity to absorb rising utility rate and tax increases to cover damage repairs.

TDRA also received extensive feedback requesting more local control for the direction of the funds. Local officials and staff felt they were best equipped to identify their communities' priorities for recovery and many of the original state-directed funds in the plan were removed. The new proposal provides recommended housing and non-housing allocations by region, but regions will be allowed to move funds between housing and non-housing interchangeably based on need.

The deadline for submission to HUD of the amended Action Plan is September 30th.

Business Recovery

Since the Federal Emergency Management Agency (FEMA) and CDBG primarily address housing and infrastructure needs, there are limited options for business owners needing disaster assistance. The Small Business Administration has approved over \$200 million in business loans, but many businesses are still struggling or have closed their doors. Due to population decreases or the temporary relocation of people while their homes and communities are repaired, there are a reduced number of business patrons. This severely affects the tax base in small communities that are already struggling to pay cost share on FEMA projects and cover other needed repairs ineligible for FEMA assistance.

A year after Hurricane Ike, according to FEMA, only about 70 percent of the project worksheets have been paid, and many applicants are still undergoing revisions to their project worksheets because of underestimation by FEMA the first time around. The administrative nightmare of applying to FEMA, HUD and private insurance to hopefully recoup a majority of damages takes a toll on individuals and local jurisdictions. Without housing and city infrastructure, people can't return to their jobs. And unfortunately, Hurricane Ike hit the Texas coast during one of worst economic downturns in modern history, causing an overwhelming burden for many families and business owners.

But there has been rebuilding, and Texans will recover. In August, the University of Texas Medical Branch emergency room reopened on Galveston Island. After many months, miles of debris have been cleared. Although the Galveston Chamber of Commerce lost 180 member businesses, they have gained more than 130 new ones. The Texas General Land Office just announced over \$135 million in coastal protection projects.

Federal Action

As we move forward, I would encourage members of this committee to continue their efforts to revise the Stafford Act to accommodate recovery from catastrophic events. With the statutes as they exist now, the time between a disaster and when assistance reaches individuals is entirely too long primarily because of statutory requirements and administrative guidelines.

In closing, I appreciate the opportunity to testify today, and look forward to answering questions.