

Testimony of Bill Johnson to the
Committee on Financial Services

on the

“Economic Disaster Area Act of 2009”



June 19, 2009

Bob Riley
GOVERNOR



Bill Johnson
DIRECTOR

State of Alabama

June 18, 2009

The Honorable Barney Frank
Chairman, Financial Services Committee
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Frank:

On behalf of Governor Bob Riley, I bring greetings. I want to thank you and the Committee for providing me the opportunity to testify at this hearing concerning our opinion of the discussion draft of the "Economic Disaster Area Act of 2009." At the outset, I want to commend the Chairman and the Committee for taking the initiative to address hardships and difficulties experienced by many of the nation's cities and communities related to high unemployment and declining home values.

We believe the President and Congress have provided timely leadership and a large amount of financial resources through the American Recovery and Reinvestment Act of 2009. We believe we will soon begin to see the benefit of this large investment in various sectors of the nation's economy. With this will come greater optimism, growth in private investment, and increased employment. The energy, automobile, and financial sectors will once again provide a challenging and exciting opportunity for American ingenuity to flourish.

More specifically about the CDBG program:

- CDBG has lost significant ground over the last several years. In 1982, Alabama received approximately \$32 million; this year we will receive approximately \$26 million. Factoring the lost value of money, we are at about 40 percent of the funds we received in 1982. Therefore, rather than creating an additional category of entitlement communities based on the unemployment rate and decline in home values, the CDBG allocation should be increased to such a level communities that are hurting will understandably benefit.
- The CDBG program has provided much needed improvements to accommodate the needs of low and moderate income households. However, even as the CDBG fund has been declining for many years, the aging of infrastructure has

created a significant rise in need for additional resources. ADECA compiled a list of \$5 billion worth of projects in anticipation of stimulus funds. We received only \$7 million.

- The Federal requirements and HUD's handling and oversight of requirements involving fair housing and equal opportunity, labor standards, and the environmental process have made the program slow and cumbersome to implement. After over three years attempting to recover from damages left in the wake of Hurricane Katrina, Alabama is still struggling to complete disaster projects. Congress has often asked, and rightly so, about the slow expenditure rate for the CDBG program. While the myriad laws and regulations are well intentioned, their implementation processes have effectively eliminated room for the application of common sense. Sadly, while the CDBG program has a perfect format to address a variety of community needs, the difficulty in timely implementation of these activities make it less than an ideal program to help communities with high unemployment and declining home values.
- While the high unemployment rate is clearly hurting some areas more than others, the job creation requirements under the CDBG program are extremely onerous. The creation of the right climate for job growth will require investment in infrastructure, retraining of employees and appropriate education initiatives. While these can be challenging CDBG activities, they are not easily implemented within a short time span.
- The long-term goal of the nation should be to rebuild aging and crumbling infrastructure and build new infrastructure to accommodate the needs of the 21st Century. To this end, the CDBG program is well suited to play an appropriate role.
- Affordable housing is one of the nation's most critical needs, and likewise, CDBG can play a significant role. CDBG assistance can provide the infrastructure necessary to support construction of affordable housing as well as breathe new life into aging housing through rehabilitation activities.
- Specifically in Alabama, Hurricane Katrina caused wide-spread damage in the coastal communities. While approximately \$96 million in CDBG disaster assistance has helped to rebuild much of the infrastructure and housing and brought some normalcy to the lives of residents, affordable housing continues to remain the single most pressing need affecting disaster impacted households. In our estimation, the State of Alabama needs \$100 million to fully address the affordable housing needs of Katrina victims.
- The quickest and the most effective way the Congress can address the need of cities and communities hurt by high unemployment and declining home values is

by increasing the CDBG appropriation and providing added amounts to communities meeting certain thresholds. The Congress should define certain broad goals for the expenditure of added money and leave as much as possible to the ingenuity of the cities and communities to address their hardships. The federal agencies should be empowered and challenged to refrain from creating new, burdensome, and bureaucratic rules that have the effect of encumbering and slowing the program implementation.

In summary, while the Community Development Block Grant program could provide the right platform to address the hardships of cities and communities suffering from high unemployment and declining home values, the implementation rules are burdened with time consuming bureaucratic processes involving fair housing and equal opportunity, labor standards, environmental clearances and a host of other requirements. Congress certainly has the ability to waive many if not all of these requirements, and make expediency, efficiency and effectiveness the primary requirements.

Finally, on behalf of Governor Bob Riley, I want to again thank you and the Committee for giving the State of Alabama an opportunity to present its' views related to draft "Economic Disaster Area Act of 2009."

Sincerely,



Bill Johnson
Director

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