



*APRIL 6, 2005 TESTIMONY OF:
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SECRETARY OF COMMERCE*

*BEFORE THE:
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES*

“STRENGTHENING AMERICA’S COMMUNITIES INITIATIVE”

OPENING

Chairman Oxley, Ranking Member Frank, members of the Committee:

Thank you for the opportunity to appear before you to discuss the President’s Strengthening America’s Communities Initiative. It is my distinct pleasure to be here today alongside my distinguished colleagues, Secretary Jackson and Deputy Director Johnson – both outstanding members of the President’s team.

The issue before the Committee today, the Strengthening America’s Community Initiative, has garnered a great deal of attention and has raised important questions about how we can best serve the American people. I know how important these issues are to the members of this Committee, the Congress, and the people you represent. I hope that through today’s hearing, I am able to provide useful insight into the President’s proposal.

The President and the Administration start with the belief first and foremost that the tremendous economic prosperity America enjoys has not reached all corners of our country. There are areas experiencing high levels of unemployment and poverty that deserve – that need – federal assistance, and the President is committed to providing that assistance.

The President and this Administration also believe that while the federal government has a significant role in supporting community and economic development initiatives, there is no reason why the federal delivery system of these important resources should be disjointed, duplicative, and overly complex. There has got to be a better way – and I believe that the President’s Strengthening America’s Community Initiative is critical to the economic health and well-being of those communities that need assistance the most.

BUILDING THE CASE

As the 21st Century economy emerges, there are great opportunities that lie ahead. There are also great challenges. To deal with the new challenges of the 21st Century, we must apply new solutions and new approaches to best serve those most in need. We cannot expect to meet tomorrow’s challenges with yesterday’s tools. Over the last 40-plus years, the federal government has spent over \$100 billion dollars on anti-poverty programs. Certainly, our programs to assist our citizens have played an important role in providing individuals in need necessary services, not to mention a sense of dignity.

But the federal government’s record regarding community-based anti-poverty programs, such as we are discussing here today, is mixed.

Yes, we can all point to individual programs or projects that have been successful; but what we cannot do is adequately quantify the overall benefit of the federal expenditures over the long term. We all share a desire to help struggling communities. Is it asking too much that we also measure, over time and with the very best tools available to us, the overall benefit to those we have pledged to assist? I think we best do that by demanding quantifiable results for the people for which these programs exist. The debate is not between spending money or not spending money; it's between settling for the status quo or seeking to do better. The President believes we can do better than our current system.

If those of us in this room were given the task of designing, from scratch, the federal delivery system for community and economic development resources, I'm sure we'd have our differences, but I am convinced we would not develop a system that involves 35 separate programs spread across seven different cabinet agencies.

That's where we are today. American communities face a federal maze of programs and departments. Dealing with the federal government does not have to be a daunting task. We can, and should, do better on behalf of America's communities.

DESCRIBING THE INITIATIVE IN BROAD STROKES

The President's Strengthening America's Communities Initiative would take 18 of the 35 federal community and economic development programs – principally the direct grant programs – and consolidate their funding into a single, new grant program called Strengthening America's Communities.

This consolidation would greatly ease access to the federal system. For distressed communities with limited resources and expertise, the President's plan reduces the number of federal bureaucracies they need to deal with from 18 to 1. I think that's important. The federal government should not require communities already short on resources to devote a large proportion of those resources to negotiate a myriad of federal bureaucracies.

Much of the debate surrounding this proposal is focused on the level of funding proposed in the President's budget. The Administration believes that by better focusing these resources we can achieve greater results with the funding level proposed in the President's budget. I believe it is fair to say that there is always significant give and take on what an appropriate level of funding is for a given program or set of programs. While these debates are appropriate and healthy, it is important that the need for significant reforms not get lost in the annual debate on appropriate funding levels. Having said that, please allow me to bring an important fact to the Committee's attention. In FY 2005, the federal government will spend on the overall suite of community and economic development programs a total of \$16.2 billion. The President's proposed budget for FY 2006 calls for overall spending for community and economic development programs of \$15.5 billion. This represents a 4% decrease – not the major reduction that some are claiming.

At the end of the day, the President and this Administration are committed to targeting federal assistance toward those areas most in need. Clearly, the challenge of substantially reducing poverty and helping communities transition to 21st Century economies cannot be taken lightly. Those communities that face the biggest challenges should receive the most assistance from the federal government. But we as the government can't do it alone. Yes, the government is an important part of equation, but not the only part.

COMMERCE'S STRENGTHS

The areas that have been most successful in reducing poverty and creating economic prosperity are those areas that have successfully leveraged the private sector. The best anti-poverty program is a good job.

The Department of Commerce is focused on building prosperity. In today's economy, we must recognize that to achieve prosperity our community and economic development efforts must be strategically aligned. By making sound investments in community development we lay the foundation for successful economic development that attracts private sector investment and higher-wage jobs. These successes lead to higher tax revenue at the local level that in turn can result in more community and economic development.

One of the key reasons the President selected the Department of Commerce as the home for the new program is that of all the federal departments engaged in community and economic development, the Commerce Department works closest with the private sector, and has had the most success in leveraging private sector resources. Commerce also has a strong record in grant administration.

While the proposal is to consolidate funding for the 18 programs into one new program, the Administration intends the new program to offer communities broad flexibility in the use of the funds. We recognize that each community is different and will need to take a different road to tackle its individual community and economic development challenges.

LEGISLATIVE PROPOSAL

The Administration will submit legislation to Congress to provide more detail on the Initiative. We look forward to working with the Congress and our stakeholders as the bill moves through the legislative process.

The underlying premise of the President's proposal enjoys diverse support. Experts on development including the Initiative for a Competitive Inner City, the Progressive Policy Institute, and the U.S. Council on Competitiveness have all called for some form of consolidation of the federal community and economic development portfolio. These organizations have recognized that the current system is not designed optimally and places undue burdens on America's most distressed communities.

We acknowledge that there is a good deal of misinformation surrounding this proposal. Based on what I've heard over the past few weeks, I think it is important to immediately dispel some common misperceptions.

First, we seek to expand flexibility for communities—not limit it. Under the President's proposal, funds would flow directly to communities and states in a formula grant form. In general, the types of projects that communities currently undertake with federal community and economic development programs will be eligible under Strengthening America's Communities. What we ask for in exchange for this broad flexibility is an agreement on performance measures so we can quantify the benefits at both the community level and program level over the long term.

Second, this initiative bolsters local control. By using a formula grant mechanism for the bulk of the funds, communities and states will have more control and can better prioritize the expenditure of development funds based on local priorities. We'd rather have local organizations make their case for grant funding to their local city hall or state capitol as opposed to federal bureaucrats here in Washington.

Third, the President is committed to easing bureaucratic red tape. This is consistent with the President's Management Agenda introduced in 2001. By streamlining the number of bureaucracies from 18 to 1, we simplify access to federal assistance—especially for those communities with the greatest need.

Finally, the President is committed to ensuring that the most-distressed communities get the most assistance. While we anticipate the vast bulk of CDBG entitlement communities will qualify for the new program, our intent is to focus resources in the areas of greatest distress. Many areas, including poor, urban and rural communities, would see an increase in their federal assistance compared to the current system.

In order to make the Initiative the best program our government can offer, the President has directed me to gather the best and brightest of our nation's economic and community development professionals to provide advice and recommendations on all policy issues involved in implementing the Initiative. I am pleased to announce that I have formed and assembled that Advisory Committee, and it will have its inaugural meeting next Thursday and Friday, April 14-15 in Fresno, California. The Committee represents a broad range of opinions from all portions of the Country. Local public officials, academic leaders, community service providers,

development experts, and financial services providers are all represented on this blue ribbon Committee. The Committee is scheduled to complete its written report around the end of May and I look forward to learning from their work and sharing this work with the Congress.

CLOSING

Mr. Chairman, Ranking Member Frank and members of the Committee, thank you for the opportunity to appear before you today. I realize that the President's Strengthening America's Communities Initiative is a bold new approach and that you have many legitimate questions. Along with my colleagues at this table, I look forward to working with this Committee to shape the proposal. In the meantime, I thank you for this opportunity to discuss these serious issues. I look forward to providing you as much information as I can in advance of the Administration's forthcoming legislative proposal.