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GAO'S ANALYSIS OF THE GULF COAST RECOVERY: A DIALOGUE ON REMOVING THE OBSTACLES TO THE RECOVERY EFFORT

HEARING

BEFORE THE

AD HOC SUBCOMMITTEE ON DISASTER RECOVERY

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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GAO'S ANALYSIS OF THE GULF COAST RECOVERY: A DIALOGUE ON REMOVING THE OBSTACLES TO THE RECOVERY EFFORT

THURSDAY, APRIL 12, 2007

U.S. SENATE,
AD HOC SUBCOMMITTEE ON DISASTER RECOVERY
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2 p.m., in Room SD–342, Dirksen Senate Office Building, Hon. Mary Landrieu, Chairman of the Subcommittee, presiding.

Present: Senators Landrieu, Stevens, and Carper.

OPENING STATEMENT OF CHAIRMAN LANDRIEU

Senator LANDRIEU. Good afternoon. The Subcommittee on Disaster Recovery will come to order. I am pleased to welcome our panel and call our Subcommittee to order, and we are looking forward to some excellent testimony to help us get started off in the right direction on this brand-new and very important Subcommittee of the Homeland Security and Governmental Affairs Committee.

I am a new Member of the full Committee, Senator Stevens has served for many years, but neither one of us are strangers to the work that is before us in terms of disaster prevention, response, and recovery.

Let me begin by saying how pleased I am to have Senator Stevens serve as my Ranking Member. We are looking forward to working very closely together on this Subcommittee to do the work that is before us.

I will recognize the panelists in just a moment, but I do have an opening statement, and I would like to begin the first hearing of the Subcommittee to signify the significance of what we are doing by reading partially into the record the weather message that came over the news service on Sunday, August 28. There have been other messages read like this in the history of our country, but I thought part of this was worth reading. This is Sunday, August 28, 2005:

" . . . Devastating damage expected . . . Hurricane Katrina . . . a most powerful hurricane with unprecedented strength . . . rivaling the intensity of Hurricane Camille in 1969.

"Most of the area will be uninhabitable for weeks . . . perhaps longer. At least one-half of well-constructed homes will have roof

and wall failure. All gabled roofs will fail . . . leaving those homes severely damaged or destroyed.

"The majority of industrial buildings will become non functional. Partial to complete walls and roof failure is expected. All wood framed low rising apartment buildings will be destroyed. Concrete block low rise apartments will sustain major damage . . . including some wall and roof failure.

"High rise office buildings and apartment buildings will sway dangerously . . . a few to the point of total collapse. All windows will blow out.

"Airborne debris will be widespread . . . and may include heavy items such as household appliances and even light vehicles. Sport utility vehicles and light trucks will be moved. The blown debris will created additional destruction. Persons . . . pets . . . and livestock exposed to the winds will face certain death if struck.

"Power outages will last for weeks . . . as most power poles will be down and transformers destroyed. Water shortages will make human suffering incredible by modern standards.

"The vast majority of . . . trees will be snapped or uprooted. Only the heartiest will remain standing . . . but be totally defoliated. Few crops will remain. Livestock left exposed to the winds will be killed."

This was issued by Max Mayfield the day before Hurricane Katrina, which was a Category 5 storm out on the Gulf, but then it turned into a Category 3—by probably no other than God's grace—before it hit. But, nonetheless, the predictions came true. And this government, and at the Federal, State, and local level, along with many private sector corporations and businesses, as well as individuals, have been dealing with the aftermath of this situation.

While we have made some progress, this record will show, as this Subcommittee works, that the progress has not been sufficient, and that will, I think, be very clear as this Subcommittee goes forward.

But devastating damage, uninhabitable for weeks, not just in the city of New Orleans but in the parishes of St. Bernard and Cameron along the Mississippi Gulf Coast, homes were destroyed, widespread long-term power outages, lack of water, and shelter. This all happened, and Hurricane Katrina, as I said, was not even the storm that it could have been. It could have been a Category 5, with winds over 155 miles an hour and storm surges over 18 feet. But as Max Mayfield stated—and he said this upon his retirement, which was just this year, on January 3—Max Mayfield, a great American stated, "We are eventually going to get a strong enough storm in a densely populated area to have a major disaster. I know people don't want to hear this, and I am generally a . . . positive person, but we are setting ourselves up for this major disaster."

This was this year, after Hurricanes Katrina and Rita hit the Gulf Coast, and Max Mayfield was one of the ones that helped to write this warning, trying to get the attention of the country.

That is why this Subcommittee has been formed, and I want to thank Senator Lieberman for helping to form this Subcommittee. He has reorganized, as Chairman of the Homeland Security and Governmental Affairs Committee, this Subcommittee and another one that will be chaired by Senator Pryor, who is also going to

serve as a Member of this Subcommittee, to stay focused on the real threats to the Nation from natural disasters and manmade disasters of a catastrophic scope.

As I mentioned, I have the great help and support of Senator Stevens in this endeavor. We also have Senator Carper, who has agreed to serve, former Governor of Delaware, who brings his own set of abilities and experiences, as well as Senator Domenici from New Mexico, a longstanding Member of the Senate and former Chair of the Budget Committee, who understands that it is one thing to talk, it is another thing to apply resources to actually deal with the problem.

So we are going to build a better FEMA, at a minimum. We are going to make sure that we are prepared as a Nation. We are going to establish, and help establish with the cooperation of other committees, safe and effective evacuation methods and routes. We are going to make certain that the Federal role is clear and decisive in terms of what it can do to help citizens fully recover their lives, their homes, their dreams, their businesses, their families, their communities, their livelihoods. And, of course, we are going to do this trying to prevent as much loss of life as possible.

We intend to work hard on this Subcommittee. We have drafted a very ambitious schedule which Senator Stevens has helped me to outline. We intend to be very problem-solving. We intend to be very focused on solving immediate problems of this current recovery that is under way along the Gulf Coast, which, by most measures, will last for at least a decade, depending on whether you are in Waveland, Chairman Powell, or whether you are in New Orleans, or whether you are in St. Bernard, or whether you are in Lower Cameron. But it is also going to stay focused on the future so that we can hopefully mitigate against the damage that is sure to come from another serious storm and get the response better coordinated at every level.

So I am going to submit the rest of my statement to the record and only to end with a chart that I had the staff blow up, because one of my main goals is to get this country to grasp the scope of this disaster and to get their arms, their head, and their heart around the scope of this disaster. And I have to say I do not think I have been very successful, but just because I have not been successful yet does not mean I am going to stop trying.

I do not know how many more speeches I have to give or how many Senators I need to bring down or how many House Members I need to bring down. But like Senator Stevens has gotten half the Senate over to Alaska in his term to see actually how big of a place Alaska is, which people still have a hard time understanding, Senator, I thought maybe I would have these blown up. And if you bear with me just a moment and look at the first one, this was done by GAO, which is why I asked them to be one of our first to testify.[1]

If you will see the far screen, it is Hurricane Camille. Now, for any of you from the southern part of the country, Hurricane Camille was the measure before Hurricane Katrina. It was, "Did you live through Camille, before Camille, or after Camille?" In the

[1] Charts submitted for the Record by Senator Landrieu appears in the Appendix on page 119.

lore of hurricanes, Hurricane Audrey was when my mother was a child; Hurricane Camille was when I was a child. And we were always waiting for the next big one. Well, we think we got it with Hurricanes Katrina and Rita.

But Hurricane Camille, which is still talked about in barrooms and restaurants all over the South, you can see the damage was severe, but that is what it represents. You can see the casualties, the homes, etc.

Then you look over here to Hurricane Andrew, where you can see 2 million people evacuated. You can see the damage, etc.

But then I want you to take a hard look at this chart for Hurricane Katrina. The overwhelming damage that has been done in terms of casualties, building loss, homes destroyed, people evacuated was about the same. But nothing else was the same. The evacuation was the same—about 2 million people fleeing to higher ground, trying to find safety, confused about where the storm was really going to come, not having the communication systems that they needed, not sure what roads were going to be open, not sure what hotels would be available, not enough shelters for everybody, not enough water in the cart. Two million people fled and had to find safety within 48 hours. But the sad story of this is that many of them still cannot get back because there were no homes to come back to, no office buildings, no small businesses—20,000 lost.

And to finally just say for the record that the most I have been able to ascertain to date is that the impact of Hurricane Andrew to Florida was $139 per capita. When the World Trade Towers collapsed in New York after being hit by terrorists, the impact on New York State was $390. The best figures that I have to start this Subcommittee off with, the impact of Hurricane Katrina alone—not counting Hurricane Rita—is $4,700 per capita in the State of Louisiana. When we add Hurricane Rita and when we add Mississippi—because those numbers are very hard for us to get, and I am working on them as fast as anybody in Washington—that may go up.

But that is what this Subcommittee's job is. This is not a Subcommittee focused on getting trailers to tornado sites. And I know tornadoes are terrible and tornadoes can destroy a lot and they can destroy hundreds of homes. And that is a major disaster. But this Subcommittee is going to focus its energy on catastrophic disasters because we have found the Federal Government, and to some degree State governments and local governments, wholly unprepared to either react to quickly, respond to effectively, or help this part of the country to rebuild.

Now, the final thing I will say is this: America has spent a good part of its career building itself. It is what we do every day here to make a more perfect union, and we do a lot of rebuilding around the world, and we do it pretty well. It is about time we start doing a better job right here at home after catastrophes like this.

So I will submit the rest of my statement for the record.

OPENING STATEMENT OF CHAIRMAN MARY L. LANDRIEU

URGENT—WEATHER MESSAGE
NATIONAL WEATHER SERVICE NEW ORLEANS LA
1011 AM CDT SUN AUG 28 2005

. . . DEVASTATING DAMAGE EXPECTED. . . . HURRICANE KATRINA . . . A MOST POWERFUL HURRICANE WITH UNPRECEDENTED STRENGTH . . . RIVALING THE INTENSITY OF HURRICANE CAMILLE OF 1969.

MOST OF THE AREA WILL BE UNINHABITABLE FOR WEEKS . . . PERHAPS LONGER. AT LEAST ONE HALF OF WELL CONSTRUCTED HOMES WILL HAVE ROOF AND WALL FAILURE. ALL GABLED ROOFS WILL FAIL . . . LEAVING THOSE HOMES SEVERELY DAMAGED OR DESTROYED.

THE MAJORITY OF INDUSTRIAL BUILDINGS WILL BECOME NON FUNCTIONAL. PARTIAL TO COMPLETE WALL AND ROOF FAILURE IS EXPECTED. ALL WOOD FRAMED LOW RISING APARTMENT BUILDINGS WILL BE DESTROYED. CONCRETE BLOCK LOW RISE APARTMENTS WILL SUSTAIN MAJOR DAMAGE . . . INCLUDING SOME WALL AND ROOF FAILURE.

HIGH RISE OFFICE AND APARTMENT BUILDINGS WILL SWAY DANGEROUSLY . . . A FEW TO THE POINT OF TOTAL COLLAPSE. ALL WINDOWS WILL BLOW OUT.

AIRBORNE DEBRIS WILL BE WIDESPREAD . . . AND MAY INCLUDE HEAVY ITEMS SUCH AS HOUSEHOLD APPLIANCES AND EVEN LIGHT VEHICLES. SPORT UTILITY VEHICLES AND LIGHT TRUCKS WILL BE MOVED. THE BLOWN DEBRIS WILL CREATE ADDITIONAL DESTRUCTION. **PERSONS . . . PETS . . . AND LIVESTOCK EXPOSED TO THE WINDS WILL FACE CERTAIN DEATH IF STRUCK.**

POWER OUTAGES WILL LAST FOR WEEKS . . . AS MOST POWER POLES WILL BE DOWN AND TRANSFORMERS DESTROYED. **WATER SHORTAGES WILL MAKE HUMAN SUFFERING INCREDIBLE BY MODERN STANDARDS.**

THE VAST MAJORITY OF NATIVE TREES WILL BE SNAPPED OR UPROOTED. ONLY THE HEARTIEST WILL REMAIN STANDING . . . BUT BE TOTALLY DEFOLIATED. FEW CROPS WILL REMAIN. LIVESTOCK LEFT EXPOSED TO THE WINDS WILL BE KILLED.

"We're eventually going to get a strong enough storm in a densely populated area to have a major disaster. I know people don't want to hear this, and I'm generally a very positive person, but we're setting ourselves up for this major disaster."

—Max Mayfield, January 3 2007—upon resigning as head of the National Hurricane Center

Devastating damage. . . .

Area uninhabitable for weeks . . .

Homes destroyed, wide-spread, long-term power outages, lack of water and shelter. . . .

This all happened. And Hurricane Katrina wasn't even the storm it could have been. It could have been a true Category 5—with winds over 155 miles per hour and storm surges over 18 feet—but thankfully, it weakened. However, the "big storm" is still waiting to happen. And it could happen. As Max Mayfield stated this January. There will be another major storm that hits and devastates one of our cities. This could happen. To New Orleans. To Houston. To Miami. To Charleston. To New York. And the question is—are we prepared? Did we learn from Hurricanes Katrina and Rita?

This is why Chairman Lieberman and I created this Subcommittee—the Subcommittee on Disaster Recovery. We created it for many reasons:

- To make sure that we are prepared.
- To establish safe and effective evacuation methods and routes.
- To make certain that we have a FEMA that works.
- To ensure that our citizens can fully recover their lives, their homes, their families, their communities, and their livelihoods.
- To prevent the loss of life that occurred.
- To protect the elderly, the disabled, those without means.

We intend to work hard on this Subcommittee. We have drafted an ambitious schedule in which we intend to oversee the recovery of the Gulf Coast from the hurricanes of 2005—removing impediments to the recovery and eliminating the red tape that threatens to drown our people a second time. We intend to solve problems in this Subcommittee and build a better FEMA. Today is the first of many hearings—hearings that will oversee the recovery at hand in the Gulf States and also look to the future to determine what must be done to recreate the most effective

disaster response and recovery system possible. That is my charge, my commitment, and my responsibility—and you will find that I am very serious about it.

I would now like to officially bring to order this first hearing of the new Subcommittee on Disaster Recovery. I am absolutely thrilled to be joined by Senator Ted Stevens, the Ranking Member of this Subcommittee, along with Senators Pete Domenici, Tom Carper, and Mark Pryor. I look forward to working with these wonderful colleagues of mine, all of whom, I know, share my dedication and passion for both the current recovery efforts underway and the future preparedness of this country to handle a catastrophe.

If you look behind me, you will find three charts that illustrate the magnitude of three of our Nation's most costly and deadly hurricanes. First, you see the damage of Camille, which at the time was a storm like none the country had experienced. Growing up on the Gulf Coast, I would often hear about Camille and the awesome power of that storm. This Category 5 hurricane took over 250 lives and cost nearly $10 billion in damages, in 2005 dollar terms. The next extremely serious storm that most of us clearly remember is Hurricane Andrew, which was a $38 billion storm in 2005 dollars, and devastated Homestead, Florida and the surrounding area.

Now please take a moment and just look at the startling image that is Hurricane Katrina. If you look closely, the purple area is superimposed over the striped and solid blue areas which represent the impacts of Hurricanes Camille and Andrew. I saw this chart for the first time two days ago and my heart nearly stopped. This chart is wonderful because at first glance, it looks like some kind of massive mistake—like the printer broke and the ink just splattered all over the page. But that's not the case. This is Hurricane Katrina—and Hurricane Katrina only—and does not mention Rita. This is the enormity of it all. This is the massive impact and rebuilding that we are dealing with. This illustrates the scale and the magnitude of this disaster and what we are now dealing with.

I want to draw the numbers out from this chart a bit more for everyone here to consider, 1,836 people perished in Hurricane Katrina's murky floodwaters, 90,000 square miles of Gulf Coast land was devastated by Hurricane Katrina, an area that dwarfs the land mass of Great Britain, 650,000 people were displaced, and 275,000 homes were completely destroyed, more than 200,000 of which were in Louisiana. Thousands of renters lost their rental units. In Louisiana alone, a quarter of a million jobs were lost, 20,000 businesses were destroyed, billions and billions of dollars of property damage was incurred, and as you know, there were 22 levee breaks that filled the city with up to 20 feet of water in some places for 6 to 8 weeks. These facts are well illustrated by the chart behind me.

This Subcommittee has jurisdiction over the way we house victims during and after disasters. We also have responsibility over any and all long term recovery activities. Through this new Subcommittee, we have an opportunity to make sure that what has taken place since Hurricane Katrina never takes place in any other city, State, or region in this country. Through the Gulf Coast's misfortune, we have a shot at making a disaster recovery mechanism that provides Federal, State, and local actors both the resources and the flexibility to rebuild in the aftermath of disaster efficiently and intelligently.

I would like to thank the three distinguished panels for making the trip to Capitol Hill; particularly those from Louisiana and Mississippi, who made the long journey during your hectic work week. I understand that every moment for you away from the recovery effort is a moment that could have been spent making a difference. We sincerely hope that your presence here will help guide this Subcommittee towards improving our disaster recovery efforts.

At the request of Chairman Joe Lieberman and Ranking Member Susan Collins, who have been steadfast and ardent advocates for the Gulf Coast beginning when the first winds of Hurricane Katrina blew on until this very day, GAO has begun a series of reviews and reports on the progress of the Gulf Coast recovery. GAO has been asked to keep track of a variety of matters that deal with the recovery specifically, but also in a broader manner, the entire recovery effort. We are very grateful that GAO has taken on this, which is a massive and ever evolving task, and I am certain that our request will be broadened as we seek to find ways to further improve our mechanism.

I read GAO's testimony, and while I appreciate the effort, I am concerned. I am concerned because despite their hard work, there are significant questions as to whether the Federal contribution truly meets the needs for the scale of a disaster, or rather, catastrophe caused by the 2005 hurricane season. There are a number of questions that need to be answered:

(1) Are the funds appropriated by Congress adequate to fulfill the needs of the 90,000 square miles of devastation suffered by the Gulf Coast?
(2) Is there a need for the Congress to appropriate more funds in the future to help rebuild? What processes are in place to assess the need for more funds and how are those needs communicated to the White House and the appropriators in Congress?
(3) Do the damages and issues that we see so effectively illustrated on this chart warrant the waiver of the 10 percent public assistance match requirement—from here the answer is clearly yes?
(4) Was using CDBG the right choice for this recovery? Were there enough CDBG funds distributed?
(5) Does it make sense to deduct the money received from SBA loans and other forms of critically needed assistance from the CDBG funds provided to storm victims, when these dollars were meant to be a completely separate pot of assistance meant to bring our people back home and get our cities moving again?
(6) Is enough being done for people who did not own their homes and our large renting population?
(7) What are some of the differences between Mississippi and Louisiana's housing programs?
    (a) What are some of the pros and cons for both programs?
    (b) Is either State truly moving as quickly and effectively as they could be moving to get money out of the door and into the hands of storm victims?
    (c) How are both States taking care of renters and low income individuals through their CDBG funds?

These are questions that are left outstanding from GAO's preliminary work and if GAO cannot answer these questions now, I will ask my colleagues to join me in requesting that GAO delve further into the recovery to provide answers in the weeks to come.

I am pleased that once again the Federal Coordinator, Chairman Donald Powell has interrupted his schedule to join us. The Chairman has been very responsive to Congress, and his reputation for being truly concerned for the rebuilding and for truly caring about the people so gravely impacted by catastrophic aftermath of the hurricanes precedes him. Chairman Powell has a difficult position. As the Federal Coordinator, he is the liaison between the Federal, State, and local actors participating in the recovery activities. GAO has praised the job the Chairman is doing, and I agree that he is working hard. However, I question whether the authority he was provided by the President is adequate for such a heavy responsibility and hope to hear from both GAO and the Chairman on whether they believe the role of the Federal Coordinator can be strengthened and most meaningfully used in the years to come.

I am also interested to learn more about what the Chairman thinks are some of the challenges facing the recovery, both with regard to the CDBG programs and the Public Assistance programs that are being used to deliver vital recovery resources. What I hope will not happen is what happens all too often at these hearings, the Federal Coordinator comes and tell me everything is alright. Believe me, I know that everyone is working hard and doing their best—but everything is not perfect. For example, there are over 20,000 Public Works projects currently in different phases of being administered in the State of Louisiana, and State and localities throughout the Gulf Coast are finding that the original estimates for rebuilding were grossly understated by FEMA, I want the Chairman to explain what is being done to ensure that the worksheets are updated so that the proper amount of funds are provided for these projects. This is just one of a myriad of problems, and they all need answers.

I am equally interested to hear from the State and local panels made up of individuals from Mississippi and Louisiana. It is essential that we begin to foster a dialogue between the actors, which is something I hope to do, with the help of Senator Stevens. We need to hear from them, what they're experiences have been up until this point. We need to hear what suggestions they have for the Federal Coordinator, and the Coordinator needs to communicate his concerns to them. This hearing, through GAO's work, will provide an excellent overview of the many working parts of this recovery. However, a far more critical examination of these policies and programs must be undertaken before we can believe to rest comfortably assured that our efforts are the right efforts and are effective. While we did not intend for this hearing to get into the weeds of the different programs, we do hope that today we can paint a clear picture of what programs are in motion and where problems are apparent from the Federal, State, and local levels.

I am excited to begin the work and to lead this new Subcommittee in its effort to look after the efforts being made to rebuild the lives of our fellow American citizens. With the help of Senator Stevens, we can make sure that we are adequately prepared to respond to a disaster or catastrophe—whether it occurs in Louisiana or Alaska, Seattle, Miami, or any where else in this country. I would like to turn it over to the Ranking Member Senator Stevens for his opening statement.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Well, thank you very much. I am delighted to join you on this new Subcommittee, and I would ask you to put my opening statement in the record also.

In a State like ours, which is one-fifth the size of the United States and half the coastline of the United States, we have disasters almost daily. And we understand the problems that you have just outlined. I did take a trip, as you know, one of the first trips down to your area, and I was appalled at the damage I saw and some of the failures of the systems that were there that should have prevented some of that damage. But I am anxious to go through some of the findings as a result of this disaster with you and to see what we can do to prevent a repetition of the type of losses your area has suffered.

But I also am very interested in trying to find ways to have a better warning system for disasters, to have a better system of preparation for people to know where they can go when there is a disaster, to really have disaster coordinators available on a basis before the emergencies exist.

We know areas which are prone to particular types of disasters. We are earthquake prone, and most people do not know we had a typhoon off the northwest coast of Alaska not too long ago. It is the first one in history.

There is change going on in our climate. I think some of those things can be prevented from becoming disasters if we understand them and try to work in advance.

So I am delighted you are willing to take this on. I am happy to work with you and am looking forward to the testimony today.

[The prepared statement of Senator Stevens follows:]

PREPARED STATEMENT OF SENATOR STEVENS

I am pleased to be here with my colleague Senator Landrieu for the inaugural hearing of the Subcommittee on Disaster Recovery discussing the Gulf Coast recovery efforts.

I wanted to take the opportunity to thank the GAO for giving us a preview of their report, which I understand will be available by June. I am sure all of us here today will be interested in your findings.

I also wanted to thank the Federal Coordinator and all of the local and State officials here today for taking the time to come here to assist us in understanding the current situation in the Gulf Coast region.

I, and my fellow Alaskans, understand your plight. The most powerful earthquake ever measured in North America, the Good Friday earthquake, had its epicenter in Prince William Sound less than 75 miles from Anchorage causing extensive regional damage. Our State must face the full gambit of natural disasters from earthquakes to tsunamis to forest fires to volcanoes. We understand your situation and want to help.

When regional disasters such as these occur, the Federal Government must step in to provide assistance and expertise. Effective and efficient rebuilding cannot occur, however, without a partnership among the Federal, State, and local governments.

I am eager to hear how this partnership is progressing, both to better address the situation in the Gulf Coast region and to better prepare ourselves for future events.

Senator LANDRIEU. Let us begin with our first panel. We have received a report, which I have read in detail, and I am pleased to have the Director of Strategic Issues with the U.S. Government Accountability Office (GAO), with us, Stanley Czerwinski. I am very happy to have you with us, and, of course, Chairman Don Powell, who is the Federal Coordinator for Gulf Coast Rebuilding, who has a tremendous amount of hands-on experience and has been a pleasure to work with through these last almost 2 years now, it will be in August.

So why don't we begin, Mr. Czerwinski, with your testimony, please.

TESTIMONY OF STANLEY J. CZERWINSKI,[1] DIRECTOR OF STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. CZERWINSKI. Madam Chairman and Senator Stevens, thank you for asking GAO to assist you with oversight of the rebuilding of the Gulf Coast. As you mentioned in your opening statement, Madam Chairman, you are absolutely right. This could take years, maybe decades, and the rebuilding challenge promises to surpass the challenges faced in the immediate response and recovery.

In such a time, congressional oversight becomes especially important, and at your request, what we have done is try to analyze some of the key challenges facing you and today give you some preliminary observations. Our goal is to help you try to set an agenda for oversight of this area.

Today what I would like to do is to focus on three issues: First of all, the resources needed to rebuild the Gulf Coast; second is the mechanisms that the Federal Government has to deliver those resources; and, third, the partnerships that are going to be needed to be put in place among the Federal Government, State and local governments, and private for-profit and nonprofit players to make this happen.

CBO estimates the loss in the Gulf Coast at between $70 and $130 billion. That is a very conservative estimate because the key word there is "loss"—not what it takes to rebuild. There are other reputable estimates that run as high as 50 to 100 percent higher than that amount. Regardless of what number you choose, the bottom line is that the problem is huge, and it is going to take the concerted effort and investment of the Federal Government, State and local partners, and the nonprofit and for-profit sectors.

Congress has already made available over $110 billion to the Gulf Coast. The vast majority of that money, though, has gone into the immediate response and recovery, with a much smaller amount going into rebuilding. The good news is that the money that is out there for building today is enough to address what you are facing today, though not necessarily in the future. The bad news is that the money is not getting into the hands of those who need it fast enough. It is like if you are driving in your car and your gas gauge says the tank is reading pretty good, but yet your engine light is coming on and saying, "We are not getting enough gas." You do not know which to believe. In this case, you believe both.

[1] The prepared statement of Mr. Czerwinski appears in the Appendix on page 39.

What I would like to do is talk a little bit about the mechanisms being used to deliver the money to the Gulf Coast.

Faced with the need to get money to the Gulf Coast very quickly, the Congress did the prudent thing. It looked at vehicles it had on the shelf to deliver money, and essentially there were three. Today I want to focus on two of them, primarily: One is FEMA's Public Assistance Program and the other is HUD's Community Development Block Program.

Before I do that, I wanted to spend a second on the other piece, and that is, GO Zones. GO Zones are tax credits. The tax credits are very good at making deals come together, but they are not very good at starting the project. They are the sweetener that can make it finally happen.

If you look at what has been used for GO Zone credits, right now you will find very little. But I urge you not to use that as a measure of the sense of the quality of that mechanism and to think about what you are going to need going forward, because it actually will complement the other two mechanisms I want to talk about today.

The two major vehicles I want to talk about are Public Assistance in FEMA's program and CDBG, which is part of HUD.

Public Assistance is project based, essentially going to State and local governments to help them rebuild their public infrastructure—buildings, utilities, roads, etc. Because it is project based, it has very specific rules that the State and locals have to follow and a very detailed process. This has certain strengths. It helps ensure the Federal Government that it is not paying more than it should. It also keeps you from doing projects that should not be or overbuilding. But there is also a cost to this because it is a very cumbersome, time-consuming process.

Madam Chairman, as you noted in your opening statement, there are disasters and there are catastrophic disasters. Public Assistance is best used in typical disasters, and it works best looking at a specific project. When you start to have a whole area that is destroyed, you start to run into some problems with Public Assistance: Because it looks at particular structure, it does not look at the comprehensive piece. Then what the State and locals find themselves doing is going through a lot of effort to try to get just one particular piece that may or may not make sense in the overall scheme.

An example would be if an area had a police station in one area, say a courthouse in another, and a jail in another. Under Public Assistance, they would get funding for each individual piece, where it is, to rebuild it the way it was. If you have to rebuild all three at once, it may make sense to bring it together, and you could do it a little bit more efficiently. It is very hard to do this under the Public Assistance Program.

The Community Development Block Grant Program is the exact opposite of that. It is money that is given to State and local governments with wide discretion, and in the case of Mississippi and Louisiana, they chose to do the same thing. And it was actually, I think, the right thing. They focused on housing, particularly homeownership.

In this case, what becomes important is to look at how the States have actually implemented it, because once the Federal Government gives them money, it is really up to the States to do what they want with it.

Louisiana and Mississippi faced very different circumstances. As you know, the major challenge in Louisiana is the population loss. The people are gone. You want to bring them back. In Mississippi, it is more an issue of stock. How do you rebuild the housing stock? So it is not surprising that both States chose different programs.

I know you have a representative from the Louisiana Recovery Authority (LRA) up here later today, so I will not go into much detail on that program. I will leave it to Ms. Fraiche, except to say that Louisiana came up with a catch-all program that says let's bring everybody home and let's try to rebuild.

Mississippi took a much more targeted approach, and what they did was in two phases. The first phase is for homeowners who were outside the floodplain and, therefore, did not have flood insurance, but because the extent of surge from Hurricane Katrina was so large, they actually lost their homes. These are people who did everything they should. They had private insurance, but not flood insurance. This program is designed to make them whole. It is very easy to identify those people and to reach those people, and Mississippi has. They are virtually done with phase one. The second phase, though, of Mississippi's program is much more challenging in that it is trying to get everybody else, i.e., low and moderate homeowners, those who were uninsured and underinsured. In that case, Mississippi has not distributed any benefits yet. That phase of the program really has not started.

At this Subcommittee's request, we are beginning a review of the CDBG program and how it is implemented by the States of Louisiana and Mississippi, and we will be reporting more to you later.

I would now like to turn to the role of the Federal Gulf Coast Coordinator. We have spent a lot of time on the Gulf Coast, and we have done a lot of talking to State people and local people in Louisiana and Mississippi, and we have heard one thing uniformly from them: They tell us this man is doing a great job. They have very high praise for him. They say that he and his staff are engaged, hands-on, on the ground, and making improvements.

What I would say is that improvements in my characterization are at the micro level. When there is a problem, they trouble-shoot it. When there is an issue, they push it forward. When there is a challenge, they raise it. They are working with State and local governments to help them get their message across. For example, Louisiana officials told us that the Office of the Coordinator helped them make the case to the Federal Government that they needed more CDBG funds, and they got it. That is exactly the right approach that we would say for this stage of rebuilding. However, we are about to hit a critical stage of rebuilding that requires us to think about where we want to go beyond this.

I mentioned different funding streams coming together: Public Assistance for infrastructure, CDBG for housing, GO Zones for economic development. Right now those streams and those delivery mechanisms are all working in isolation.

To give you an example, if you want people to come back, you have to rebuild the homes. But if you do not have the infrastructure there along with the homes, they still will not come back. Or if they do come back but you do not have economic development, what will they come back to?

So the challenge then is to bring together these different pieces in a concerted way, and also to bring it together with the players who really have to take responsibility. It is not just a Federal program. It is the responsibility of those on the Gulf Coast.

There is a lot of interplay going on between the communities, and, Madam Chairman, you know the area much better than I do. For example, we were speaking to the CAO in St Bernard's Parish, and he told us, "We have a plan to rebuild, but we realize that anything that we do is inextricably linked to what New Orleans does."

What we would suggest is that there is a need to look at the vehicles that we are using to provide the funding and the partnerships at the State and local level together and to come up with essentially a coordinated approach. In this regard, we believe that the Federal Coordinator is in a unique position. He has built up good will. He is highly respected and now has an opportunity to shape where things go in the future.

How do we bring the resources together? How do we essentially increase the partnerships among the various parties and then leverage private investment? Today, in giving the coordinator a chance to talk about his role, I think that the Subcommittee is giving him an opportunity to articulate his vision of where he wants this to evolve and what we can do to help it.

In sum, we believe that Congress has done a very good job of using the tools at hand to deliver benefits so far. The mechanisms that we are using do have some limitations. In the future, there may be more need for resources, but right now the major challenge is getting the resources to those who need them. Before we address the need for more resources we need a concerted vision, a strategy, a goal, that not only talks about how we deliver the money but also what the partnerships of the Gulf Coast do.

In this environment, we believe that congressional oversight is especially important, and we are very appreciative of you asking us to help you. As you go forward, we are ready to help you with any kind of work that you would like us to do, and we look forward to working with you throughout.

That concludes my statement, Madam Chairman. I would be happy to answer any questions you may have.

Senator LANDRIEU. Thank you very much, and we will have some questions.

I would like to turn to Don Powell, who is the coordinator, in just a moment, and refer the Subcommittee Members that, as you all are aware, GAO is a great resource for us, and they have already conducted and completed, as of my last review, approximately 25 to 30 individual reports on individual subjects related to this disaster response and recovery. So I recommend them to the core staff and Members of the Subcommittee.

Mr. Powell.

TESTIMONY OF DONALD E. POWELL,[1] FEDERAL COORDINATOR FOR GULF COAST REBUILDING, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. POWELL. Thank you. Good afternoon, Subcommittee Chairman Landrieu, Ranking Member Stevens, and distinguished Members of the Senate Homeland Security and Governmental Affairs Subcommittee on Disaster Recovery. I am Don Powell, and I am pleased to appear before you today as the Federal Coordinator of Gulf Coast Rebuilding. I am here today to discuss the progress we have made in the Gulf Coast region and both the challenges and opportunities we face in this unprecedented domestic recovery, as well as the long-term rebuilding effort.

Before I begin my testimony, I would like to thank Senator Landrieu for inviting me here today. I understand this is the inaugural hearing for the newly formed Subcommittee on Disaster Recovery, and I am honored to be on its first witness panel.

Although Senator Landrieu and I were introduced by Hurricane Katrina, we have developed a dynamic working relationship and, more importantly to me, a deep friendship based on honesty and mutual respect. Our shared vision and work for New Orleans and the great State of Louisiana has been based on common principles and has remained above partisan discourse. And for that, Senator, I am grateful.

In the aftermath of the most powerful and destructive natural disaster in our Nation's history, President Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding and asked me to coordinate the long-term Federal rebuilding effort in support of State and local officials.

The President is committed to supporting the local recovery and rebuilding efforts in Alabama, Florida, Louisiana, Mississippi, and Texas from the damage sustained from Hurricanes Katrina, Rita, and Wilma in 2005. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we strive to ensure that State and local governments have the resources they need to help the residents get back on their feet. Whole communities were ravaged by Hurricanes Katrina and Rita, but I am confident that together we will see a better tomorrow for our fellow Americans in these affected areas.

Fundamentally, my job is to ensure that the Federal Government provides thoughtful, coordinated, and effective support to the State and local leaders who are driving the long-term rebuilding and renewal of the Gulf Coast. I do this by working closely with the people in the affected regions, including stakeholders from the public, private, and nonprofit sectors to identify and prioritize the needs for long-term rebuilding. I then communicate those realities to the decisionmakers in Washington, advising the President and his leadership team on the most effective, integrated, and fiscally responsible strategies for full and vibrant recovery. Finally, I work with other Federal agencies to help ensure the successful implementation of these strategies.

President Bush has made a commitment that the Federal Government would be a full partner in the recovery and rebuilding of

[1] The prepared statement of Mr. Powell appears in the Appendix on page 56.

the areas devastated by Hurricanes Rita and Katrina, and he is keeping that promise. To date, the Federal Government has committed more than $110 billion for the recovery effort through programs as varied as HUD's Community Development Block Grants, funding the Corps of Engineers, FEMA Public Assistance funding for infrastructure, Small Business Administration loans, and Department of Education and Department of Labor Federal grant funding, just to name a few. This figure does not include the cost of the GO Zone tax legislation from which some provisions were extended to the end of the 109 Congress at the President's urging.

This Administration also understands the importance of being good stewards of the substantial amount of taxpayers' money that has been spent on this effort. We rely on State, local, and congressional oversight and accountability mechanisms in place to assist in the 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 review the various plans and strategies brought to us from the region to ensure that they are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

It has now been over 18 months since Hurricane Katrina tore through an area of the Gulf Coast equivalent to the size of Great Britain. A few weeks later, Hurricane Rita followed Hurricane Katrina's path into the Gulf of Mexico and then made landfall on the coast of Texas and Louisiana. In many towns and communities along the Gulf Coast, we have been pleased and even encouraged by the progress being made. For today's purposes, I will focus mainly upon my work in Mississippi and Louisiana.

The President has made it abundantly clear that the vision and plans for rebuilding the entire Gulf Coast should take a bottom-up approach that starts from local and State leadership, not from Washington, DC. Rebuilding should be an exercise in coordinated, thoughtful, and prudent planning, but not centralized planning.

In that spirit, Governors Blanco and Barbour brought together diverse and talented teams tasked with rebuilding their respective States. Governor Blanco formed the Louisiana Recovery Authority (LRA) and Governor Barbour formed the Mississippi Development Authority (MDA). Our office has worked well and tirelessly with both the LRA and MDA to assist them in finding the best pathways to success, and we will continue to do so until they no longer request our assistance.

From the beginning, the people of Louisiana all agreed that levees were paramount to the revitalization of New Orleans, and the President made it clear that public safety is a critical part of the long-term rebuilding in that area. People must feel safe and secure in their decisions to come back, whether as a resident or a business owner. President Bush promised a better and stronger hurricane protection system, and the current New Orleans levee system is far better than it was before Hurricane Katrina. But our work is still ongoing. Specifically, the President requested and secured nearly $6 billion for the U.S. Army Corps of Engineers to repair and enhance the levees and the entire hurricane protection system. The planned improvements will be the best, most comprehensive system even known by New Orleans.

It should be noted, however, that hurricane and flood damage reduction systems have one primary purpose: To reduce risk. There will never be a guarantee that the risks are completely eliminated, and this is especially true for the areas like New Orleans that are below sea level. It is simply not possible to design a system that will eliminate all risk of flooding from every conceivable storm or track of storm imaginable. Each and every storm has its own unique characteristics, from storm surge to wind speed to length of storm.

Given this reality, it is important for citizens to take precautions to safeguard their homes and their lives by utilizing safe building standards and adhering to at least the minimum required base flood elevations, carrying property and flood insurance, demanding a meaningful evacuation plan from their State and local officials, and following that evacuation plan when instructed to do so.

The most pressing need for Federal assistance in both Louisiana and Mississippi was housing. The Community Development Block Grants Program was chosen because it is a well tested mechanism for a long-term disaster recovery that provides the State with the greatest flexibility in how funds may be spent. This flexibility is one of the primary attributes of the CDBG funds because it allows State leaders, those closest to the local issues, to make the decisions on where to best use the money.

Both Louisiana and Mississippi used their CDBG funds to establish a homeowner grants program to assist their citizens in rebuilding. The Louisiana Recovery authority established the Road Home Program, and Mississippi utilized the Homeowner Assistance Program.

To help communities replenish their funds spent on public infrastructure, there is FEMA's Public Assistance Program. Historically, this process has worked well, but the size and scale of Hurricanes Katrina and Rita made the program more sluggish than people along the Gulf Coast would like. To that end, and at our urging, several months ago FEMA made significant changes in its operations in Louisiana and Mississippi in an effort to streamline processes and hasten the delivery of Public Assistance funding to applicants seeking to rebuild infrastructure.

In Louisiana, for example, FEMA increased staffing of experienced personnel and added an experienced senior public assistance officer dedicated to each parish. FEMA has also reduced average processing of grants from many months to several weeks by removing bottlenecks and creating better reports to track the status and progress of Project Worksheets (PW). We also continue our work with our State partners so that they may find ways to expedite their respective processes as well.

President Bush is committed to rebuilding the Gulf Coast, and rebuilding it better and stronger than it was before Hurricanes Katrina and Rita. A tremendous amount of progress has been achieved and a tremendous amount of work still lies ahead. We move forward each day determined to ensure that the Federal Government continues to do its part to support and strengthen the State and local leaders who must drive the rebuilding effort.

I am confident that when history writes the book on Hurricanes Katrina and Rita, it will be a story of renewal. The Gulf Coast

States and its leaders have a chance to restore their communities and revive hope and opportunity. Thank you.

Senator LANDRIEU. Thank you, Chairman Powell.

I would like to now recognize Senator Carper, who has joined us. We thank him very much for being a part of this Subcommittee, and we would like to start now the first round of 5 minutes each. And then if we go to a second round, then to our next panel.

Let me begin, if I could, Mr. Czerwinski, with you. You mentioned the $110 billion, and that is a number that is thrown around here a lot for different reasons, but we will leave those aside. I would like to just get clear for the record if you could, say, break down the $110 billion, as you did in your testimony but repeat it. How much has gone for immediate short-term individual assistance, how much for the insurance, which people paid premiums for, although the program came up? And what has been basically the remaining for the rebuilding effort? You said most of the money has gone for the short term, a smaller amount for the long term, and could you be a little bit more clear about those numbers?

Mr. CZERWINSKI. Sure, Senator Landrieu. When it comes to disasters, it is very difficult to come up with precise accounting of funds because of the way that it is budgeted. A lot of the money goes into what they call a Disaster Relief Fund and it gets mixed together for various purposes. So what I will talk about is rough magnitudes.

Of the major pieces that go into rebuilding, as Chairman Powell mentioned, the single major piece is Community Development Block Grants, and that one runs about $17 billion, so we know that piece is exactly for rebuilding.

There is a segment of the Public Assistance Program, as I mentioned, that goes to rebuilding. That is harder to tease out because it gets mixed in for other processes like debris removal. So that is harder to figure out. But it is certainly not larger than what is going out in Community Development Block Grants.

And then there are a few other pieces.

Senator LANDRIEU. Well, it is very important for the country to understand this, so if you want to present this testimony to the Subcommittee in a different way, then you can. But it is very important for us to have on the record of this Subcommittee as much as we can where this $110 billion has gone to, to date, so we can arrive at whether we have spent enough or not spent enough or what it is going to. So I think for the purposes here, we can say that not much more than $16 billion has gone to the long-term recovery. It could be another half of that amount or—would that be fair?

Mr. CZERWINSKI. That is probably fair.

Senator LANDRIEU. I do not want to lead you here.

Mr. CZERWINSKI. That is probably a fair rough magnitude to talk about.

Senator LANDRIEU. We know that $23 billion went to flood, and, Chairman Powell, if you have these numbers?

Mr. POWELL. Yes, I do.

Senator LANDRIEU. Twenty-three billion dollars went to flood. The rest of it basically went to immediate emergency shelter, individual temporary assistance in the direct aftermath of the disaster

because of the multitude, millions of people involved in that evacuation, re-sheltering effort, etc. Is that correct?

Mr. CZERWINSKI. That is correct, Madam Chairman.

Senator LANDRIEU. OK. In your statement, you talked about the most flexible program, the Community Development Block Grant initiative. As you will recall, our delegation—I will use this word carefully, but it is kind of what we were doing—flailing around, looking for what might work in a situation that appeared to all of us to overwhelm what was currently available and came upon the Community Development Block Grant, looking for a more quick, flexible way to get money to Mississippi and Louisiana, because we were not able to identify any other mechanisms through FEMA or HUD, even though that goes through HUD, but others to do it. And I think given the choices we had, we made the best choice.

Are there today impediments—and what are they, one or two impediments—to that Community Development Block Grant program that is keeping the money that you said from getting to the people at the other end that need them? And, Chairman Powell, if you want to jump in and answer this question as well. But would you identify the barriers? Or do they not exist?

Mr. CZERWINSKI. Well, first of all, you did a very good job in picking Community Development Block Grants.

Senator LANDRIEU. Well, I don't know if we did, but——

Mr. CZERWINSKI. In our sense, that is a very good way of delivering money, and HUD has done a good job of coming up with a way to expedite that funding.

Where there is an issue is in the balance between determining accountability on one end and getting recipients and benefits on the other, and, frankly, the State has struggled some with that. And in this regard, lately HUD has stepped in and provided some technical assistance because this is something that HUD does every day, with varying degrees of success. But that is probably the major issue—determining how much verification you need versus how much need there is to get the benefits to people.

Senator LANDRIEU. Mr. Powell, do you want to add anything?

Mr. POWELL. Yes. I think clearly that the CDBG offered the best vehicle for flexibility. I think it is important that we recognize that these programs were designed by the State, with the State's need, and that is the reason you find the State of Louisiana's plan a little bit different than the State of Mississippi's. They are developed by the States.

What you may be referring to, Senator, is the issue as it relates to the 10 percent—I will just bring it up, the 10 percent about the "red tape"——

Senator LANDRIEU. Good, because I was going to ask you about that.

Mr. POWELL. Yes. And it is law that both HUD and FEMA have to follow different courses as it relates to, for instance, environmental charges.

But at the end of the day, these plans are designed by the State. They are designed by the State, and we in our office are in constant contact with those people to make sure that there is no impediment, that the Federal Government is not an impediment to

making sure that those things run smoothly, as smoothly as they should.

Senator LANDRIEU. My time is up. Senator Stevens.

Senator STEVENS. Well, I would ask you, Mr. Powell, what would you think about having these areas that are disaster prone have Federal Coordinators in advance, having them be part of the preparation for and activities regarding to prevention of damage should the disasters occur?

Mr. POWELL. I have thought about that, Senator, and every catastrophic event, especially one such as this one—incidentally, I have not found a way to describe this one that appropriately describes it—is unique. And it may be best—I think clearly we have learned some lessons from this, and I think we have changed the way we do business.

I don't know if it would be good business to have someone in place before. I think it is more important to make sure that we have procedures and policies and regulations in place that will speak to the immediate relief and understanding some things that maybe we can do better the next time around. I think it is important that we have policies, procedures, and laws in place, perhaps more than having a coordinator in place. I think the coordinator really plays a role more in the long-term recovery, and I think it is important for us to distinguish between long-term and immediate relief.

Senator STEVENS. Well, my mind goes back to one of the major floods we had, and I found that as we recovered, we had the Small Business Administration in one place, we had the Red Cross in another, we had the State welfare people here, and we had FEMA there. And people did not have their cars anyway. We took it upon ourselves to find a mall, and we put these people all in the same place, and we provided some transportation to bring people to there. And so they were coordinated in terms of what efforts, what assistance might be available to help them recover from the activities.

Another one I go back to, I remember James Lee Witt with FEMA, and we had a monstrous fire, and it was beginning of spring. We had some rental allowances for them to go live in town until the houses were built. We looked at it and said, Well, why don't we just give you the allowances. You can rent a trailer for your own house and you can be there and supervise your rebuilding. Another place we organized and went to schools and churches, and we had prepositioned disaster recovery—blankets, etc.—already out there.

Now, it does seem to me that in most instances we wait until it is over to find out what people need, and we do not have prepositioned activities, we do not have prior coordination methods. There was no reason for these people to have to go four different places to determine which one is going to help them after a disaster.

Now, you cannot anticipate what happened in New Orleans unless you went down and took a look at some of the faulty design of some of those flood barriers. But the concepts that are involved in it are the same. When we were down there, they were having to find some way to go 3 and 5 miles apart to find out what assist-

ance is going to be made available to them from any particular agency when they should have had some coordination prior to it, saying if there is a disaster, this is what is going to happen.

As a matter of fact, we at one time under the Stafford Act required disaster pre-planning and had a plan in effect to be executed. Those unfortunately fell apart.

I remember once we went to the Valdez with Senator McClelland and the whole Appropriations Committee, looking at the situation as far as the pipeline was concerned there, and we asked what would happen if there was an oil spill from one of these tankers. And they came out with these small boats, and they actually dumped about 200 dozen tennis balls in the water, and they had these skimmers to pick them up that showed us what would happen. Well, 15 years later, it happened, but no one knew where even the tennis balls were. And we now have in our areas citizens advisory committees that advise on how to prepare, how to execute the rescue and recovery activities should a disaster happen. Why shouldn't that be national?

Mr. POWELL. I think the National Response Plan is for immediate Federal response. The State government also has a role, and it is critical in those procedures, and I think it is a partnership. And that is the reason we can probably do a better job in coordinating with the State.

However, my focus, again, is on long-term rebuilding, but I think there is no question that coordination, both at the State level and the local level and the Federal Government, could be better.

Senator STEVENS. It is taking a long time down there in Senator Landrieu's place to decide what the design of these new houses are going to be and how they are going to have to be constructed in this recovery period. Don't you think that could have been planned in advance, too?

Mr. POWELL. Absolutely. I do, Senator. I think it is important that somehow we empower people to make decisions. I think that is critically important, make decisions on the ground, understanding that sometimes those decisions are going to be poor and they are going to exercise poor judgment. But sometimes the culture is such that no one wants to make a decision.

Senator STEVENS. Do you work under FEMA?

Mr. POWELL. No, sir. I work with FEMA. We are part of DHS.

Senator STEVENS. Thank you very much.

Senator LANDRIEU. Thank you, Mr. Chairman.

One of the reasons that some of the decisions were hard to make is because no one could really make them without the flood maps, and the flood maps, which are being designed by the Federal Government for Louisiana and Mississippi, are not even yet complete, and it is 18 months. So before someone can rebuild a house, they need to have an elevation. They do not have their elevation, so it is very difficult. That is just one of a dozen things that are, I think, holding people up. So either people like me who can make quick decisions are having a hard time.

Go ahead, Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you, Madam Chairman.

Gentlemen, welcome. We are delighted that you are here. Thank you for your stewardship.

Mr. Powell, you spoke about the kind of working relationship, good working relationship that you and the folks who work for you have developed with our Chairman, and I think that speaks volumes really for both of you. And it inures to the benefit of the folks that she represents and the folks that pay our salaries.

Senator Landrieu has dragged, I think, most of us down to New Orleans in the months since Hurricane Katrina struck there, and when I was down a year or so ago, we had another Subcommittee hearing, and I may touch on a couple things that we covered at that Subcommittee hearing.

But we got in a helicopter and we ended up flying down around the coastal wetlands to see really how they are disappearing and to have a better understanding of how dramatically their disappearance is going to affect the future of New Orleans and other surrounding neighborhoods and communities.

Let me just ask you, if I could, how have concerns about the Army Corps of Engineers' plans to rebuild levees in New Orleans and to restore the coastal wetlands affected the recovery effort? Have doubts about the Corps' ability to build a reliable product played a role in keeping residents from returning home?

Mr. POWELL. It is critical, Senator. The safety of the citizens in that area is the most important thing. I can recall when I first went down there, and I came back and visited with the Administration. I said there are three issues in New Orleans: One is levees, two is levees, and three is levees. It is critical.

The integrity of the levee system is of paramount importance, and I know that the Corps of Engineers understand their charge and their responsibility. I think they did extraordinary work right after the storm in repairing the breaches, inspecting the 220-mile levee system for any weakness in making those repairs. The levee system is better and stronger today than it was before Hurricane Katrina. The President is committed to making sure that this levee system is better than it has ever been.

Shortly, there will be the results of a study that has been in the marketplace for some time that will model storms, and that study will be the plan that the Corps will use in order to build and protect against a 100-year flood. And that should be out within the next 30 to 60 days.

So the Corps is committed and this Administration is committed to rebuilding the levee system to the 100-year flood protection.

Senator CARPER. You mentioned the No. 1 issue is levees, No. 2, levees, No. 3, levees. Would No. 4 be coastal wetlands and rebuilding the coastal wetlands?

Mr. POWELL. The whole hurricane protection system, which would include the wetlands. Incidentally, that is another reason—and Senator Landrieu worked very hard, I can assure you. She was passionate about this.

Senator CARPER. I have noticed.

Mr. POWELL. Well, what I am about to say is that this President led the effort for the revenue sharing, and I think the State legislature and the people of Louisiana have dedicated the income from that to restore the wetlands. So hurricane protection includes the

wetlands and the levee system and the whole hurricane protection system.

Senator CARPER. Good. Mr. Czerwinski, do you have any comments on my question?

Mr. CZERWINSKI. I think the point that you make, Senator Carper, talks about the interlocking nature of anything that we do so that when we look at the different aspects of rebuilding, we have to look at them as they affect one another. So you are absolutely right when you talk about the wetlands being a priority, but it also has to be fitting in with the way that the State and local governments want to go about doing all developments not just in wetland areas. They have to be partnering in that.

Senator CARPER. Alright. Thanks.

Another committee that I serve on, the Banking Committee, is chaired by Senator Chris Dodd of Connecticut, and we held hearings a day or so ago, and we focused on flood insurance. And, Mr. Powell, I think you mentioned somewhere in your testimony that people have got to be responsible in how they rebuild by carrying flood insurance, and there is a requirement, actually, in a lot of places to have it. Not all the lenders are actually doing what they ought to be doing under the law, but can you give us any information about the availability of flood insurance and maybe other forms of homeowners' insurance in the area that we are talking about?

Mr. POWELL. Well, in designated areas that are designated flood areas, flood insurance is available through the government. It is an issue that we in our office have been dealing with for some time. We assembled the CEOs of the major insurance companies in America, a year or so ago.

As you mentioned, it is important that local people establish building codes to make sure the buildings codes are sufficient. I think insurance companies are looking at that.

It is also important to understand, in my view, that insurance is a State issue and it is a marketplace issue. Its affordability is an issue along the entire Gulf. This is not unique to Louisiana and Mississippi, as you know, and Florida and the whole coastal line. But it is a market issue and one that we believe that the market in time, together with working with the State, will resolve.

Senator CARPER. Madam Chairman, thank you. Gentlemen, thank you very much for your testimony.

Senator LANDRIEU. Thank you.

If the Subcommittee would allow me just to follow up with a few more questions, then we will go on to our next panel. And if you have others for this panel, please jump in. But I need to follow up, though, with you, Chairman Powell. As well as we work together, and we do, and respect each other, we have very different opinions about certain things, and I want to follow up on this levee issue.

You say in your testimony, "President Bush promised a better and stronger hurricane protection system." This statement seems inconsistent, however, with the Administration's recent request to shift $1.3 billion previously allocated between levee projects instead of authorizing an additional $1.3 billion.

This Congress has put the $1.3 billion back in the budget. The President says he has issued a veto threat saying it is neither necessary and it is extraneous and it is not cost-effective.

I know you have to carry the President's message, but what would you say if I argued with you that his words are not matching his budget documents?

Mr. POWELL. Senator, let the record also reflect that I am a New Orleans Saints fan. I am not a Cowboy fan.

Senator LANDRIEU. See how he tries to divert.

Senator CARPER. He is good. [Laughter.]

Senator LANDRIEU. He is good, but I am not going to let him off the hook.

Senator CARPER. We can learn from him.

Senator LANDRIEU. Yes.

Mr. POWELL. I spend a lot of time briefing the President on the Gulf Coast area. Without question, there is no reservation in my mind he is committed to building the levee system better and stronger than it has ever been. There is no question in my mind that he is committed to spending the necessary money to protect the people against a 100-year flood. No question in my mind.

The vehicle, as I understand it, the reason for transferring the $1.3 billion from one supplemental to another supplemental—and I am not a legislative person, and I do not understand the mechanics of that, but I do understand his commitment—was to make sure that work did not cease and to make sure that work would continue and would not stop. Because as I understand it, when Congress appropriates it, it appropriates it for specific issues. The way I describe it in my simple mind, you have five or six checkbooks and you can only write a check out of that account for specific areas. So when that checkbook has a zero balance and this one has money in it, we want to transfer it from that checkbook to that checkbook in order that the work would continue. But there is no question in my mind about his commitment.

Senator LANDRIEU. You have described the process, but I have to get on the record that the checkbook system only works if you have someone actually filling in when all the checkbooks go down to zero, with the appropriate amount of money. Now, if you start off short $1 billion, it does not matter how much is in each checkbook, because at the end you are still going to be $1 billion short, and that is my problem and that is our problem.

We are $1.3 billion short, and we cannot get this money, if it is moved, out of the regular appropriations, and I will tell you why. The total appropriations for the entire United States of America for new construction for the Corps of Engineers is only $1.5 billion. So I most certainly cannot be put in the position as the appropriator representing Louisiana to go ask the Committee for all the money they have for this levee project. And I am not going to do it.

So I need you to take this message back to the President. This money has to come to us through emergency supplemental. It can come in this emergency supplemental or another one. I cannot fund this through regular appropriations, and he needs to ask for it. And if he does not, we will put it in the supplemental.

The other thing I want to ask—and then I am going to go on to the other panel—is on the 10-percent waiver. You mentioned it,

Mr. Czerwinski, and I need to let the Subcommittee Members and the staff focus on this, 10 percent of all of the FEMA Public Assistance money, correct? Because it is a 90–10 split.

Mr. CZERWINSKI. Correct.

Senator LANDRIEU. We have asked for a waiver of that 10 percent to expedite these projects because every elected official along the Gulf Coast for the most part, that I know of—and if there is one that has not put his name to this, then please let me know. But everyone I have talked to—big city mayors, little city mayors—says that this 10-percent match—it is not that we do not have the money. It is the way it is being required to put it up is causing just a complete shutdown of these projects.

So while the money is there, you say—I am not sure I agree—the money to rebuild, they cannot access it because of our rule. We have asked that rule to be waived, and, again, the President is blocking it.

So what would you say to that? And then we are going to go to the next panel.

Mr. CZERWINSKI. We talked to a lot of State and local officials about this issue and uniformly heard the same thing, Madam Chairman, and that is, when you have a disaster of this magnitude, it becomes virtually impossible for the local governments to come up with the up-front money on their own. Their fiscal capacity is down. Their needs are great.

So what they then have to do is rely on contractors who can essentially front the money for them, i.e., the big contractors. Of course, what this means is that the larger contractors know they have a position that is to their advantage, and there is a large carrying cost to that. So that is one effect of it.

The other is that it tends to squeeze out the smaller contractors from being able to participate, which are typically your local contractors. So it does have a hamstring effect on getting the projects done.

Senator LANDRIEU. So, to conclude, not only does it increase the risk of large contractors who cease to be interested in fronting the money when they have not been paid for the last project they did, but it also puts a damper on the small local contractors, the ones you want to get back in business because they are the ones leading their own recovery. Many of these small business owners are trying to rebuild their own homes and businesses. Is that correct?

Mr. CZERWINSKI. The way the small contractors would get involved is if it was sub-contracted to them, but then what you are doing is you are putting a pyramid in place, which has additional costs. And the way the large contractors carry this is they raise their bid. If they know they are getting their money later versus earlier, and they know that there are not many other games in town, then they can charge more for the construction.

Senator LANDRIEU. And it is true this was waived in September 11, 2001, and it was waived in the previous disasters, correct?

Mr. CZERWINSKI. We have issued reports that have shown that in other disasters it has been waived.

Senator LANDRIEU. Thank you. Let's go to the next panel. Thank you very much. And if you all could stay to hear this next panel,

I would appreciate it because it is some excellent testimony that we are about to receive, unless you have to run. But thank you.

Thank you all very much. Our next panel is leading members of the recovery effort along the Gulf Coast. I will introduce them as they are seated here and ask them to summarize their statements for the record. I think we are limiting the time to 3 minutes each for opening statements and then a round of questions. Let me just briefly introduce them:

Donna Fraiche, who is an outstanding leader in the city of New Orleans and is chairing the Long-Term Community Planning Task Force for the Louisiana Recovery Authority, is representing herself and her committee and also Dr. Norman Francis, who leads the recovery effort for Louisiana. Ms. Fraiche practices law as a member of the Health Care and Public Policy Department in New Orleans, Baton Rouge, and Washington. She has recently served as Chair of the Board of Trustees at Loyola University. She is the treasurer of the Louisiana Supreme Court Historical Society, and she has given numerous, untold hours to this recovery.

Ms. Fraiche, we appreciate you being here.

Our next panelist is the Hon. John Tommy Longo from Waveland, Mississippi. Mayor Longo is a lifelong resident of the great city of Waveland, of about 10,000 before the storm. He attended St. Stanislaus High School and then studied business at Pearl River and Mississippi College. He lived through the storm in Waveland with his family and has an amazing story of survival and recovery to tell. He will tell part of that today.

Thank you, Mayor, for being with us and for your bravery and your help.

Dr. Ed Blakely is the Executive Director of Recovery Management of the City of New Orleans, basically recently on board, I think for the last 6 months. But he comes with a long history of urban and community planning and regional development, most recently chairing the Urban and Regional Planning and Director of the Planning Research Centre at the University of Sydney. Prior to that he was Dean of the Graduate School at the New School's University; and worked very closely, Senator Stevens, with our former colleague, Bob Kerrey, who gave very glowing compliments. He previously served as Professor and Chair of the Department of City and Regional Planning at the University of California at Berkeley and has helped with the recovery on the West Coast and also in New York.

We thank you, Dr. Blakely, for joining us.

Ernie Broussard is a good friend from the western part of the State, from Cameron Parish. Mr. Broussard has been directing the efforts of the revitalization, and he chairs the Cameron Parish Planning and Development Authority. He has a degree in planning and urban design from the University of Southwest Louisiana, and he has given some excellent help over the last 18 months to that region. He has over 30 years of experience in government, capital project management, land use administration, and the parish and the region could not have a better person on than Mr. Broussard. Plus he is actually a Cajun cowboy, leads the annual rodeo and roundup, and I have been to rounding up with him before.

And it is good to see you, Mr. Broussard, and thank you for being here.

Ms. Fraiche, why don't we start with you.

TESTIMONY OF DONNA D. FRAICHE,[1] CHAIRMAN, LONG-TERM COMMUNITY PLANNING TASK FORCE, LOUISIANA RECOVERY AUTHORITY

Ms. FRAICHE. Thank you very much. Madam Chairman, Senator Stevens, and Members of the Subcommittee, my name is Donna Fraiche. I am a long-time resident of New Orleans, Louisiana. I have nearly 50 family members, some even on the Mississippi Gulf Coast, that were directly affected by the storms, and I have the house that everybody is coming to. But I think I am the only one here on the panel today not being paid to be here. In my other life, I do have a law practice sometimes.

Thank you so very much for inviting me to speak on behalf of the Louisiana Recovery Authority, more commonly known as the LRA, about the progress of our recovery and the long-term challenges Louisiana is facing in the aftermaths of these hurricanes—Katrina and Rita, the two most catastrophic and costly disasters in American history.

In October 2005, the LRA was established by executive order of the Governor of the State of Louisiana, Kathleen Blanco, to plan and coordinate recovery efforts and special funding in the aftermath of these catastrophes. The legislature later codified the work of this body, and I chair the Long-Term Community Planning Task Force.

The commitment is to rebuild Louisiana safer, stronger, smarter. That is our litmus test by which we measure this important work. I want to personally thank the Members of this Subcommittee who have traveled far to Louisiana to witness firsthand the magnitude of the disasters. I would also like to express our sincere gratitude to Congress and the American people for their unprecedented generosity. Congress has appropriated $110 billion to help the five States hit by the hurricanes in 2005, and we estimate roughly $59 billion in Federal hurricane response that has been allocated to Louisiana. However, most of these funds went to pay for emergency response and contractually obligated flood insurance payments to policyholders. We are thankful for the estimated $26 billion that has been allocated to the State to help us rebuild homes and our fiscal infrastructure, but it is important to put that number in perspective as the GAO suggested.

Hurricanes Katrina and Rita, exacerbated by the failures of the Federal levee systems, which flooded an area 9 times the size of Washington, DC, caused an estimated $100 billion in damages to homes, properties, businesses, and infrastructure in Louisiana alone. Congressional appropriations were about $26 billion, but our families and businesses have received $40 billion in insurance payments compared to $100 billion in physical damages, and that leaves us with a hole of $35 billion as a gap necessary to rebuild South Louisiana. Put another way, it is about $20,000 per household in the State of uncovered losses.

[1] The prepared statement of Ms. Fraiche appears in the Appendix on page 70.

We sustained 77 percent of the Gulf Coast total housing damage, 22 parishes across South Louisiana were declared disasters, impacting 2 million people.

But you have called today's hearing to focus on the progress of this recovery and the long-term challenges. Let me address that. It would be foolish to ask for Federal assistance without a visionary plan for recovery and implementation.

In an effort to turn this tragedy into opportunity, Louisiana has embarked on one of the most ambitious and dynamic planning efforts in our Nation's history. From the ground up, this combines efforts of local, State, and Federal partners along with experts, stakeholders, and citizens in a comprehensive, long-term planning known as "Louisiana Speaks." Unlike most other LRA programs, this was funded almost entirely through donations of private citizens and national philanthropic organizations raised through the Louisiana Recovery Authority support foundations. With this we hired a "dream team" of top professional planners and architects to develop best practice resources to support the planning and redevelopment for individuals, neighborhoods, parishes, and regions.

Through Louisiana Speaks, tens of thousands of citizens across South Louisiana, including those that are still displaced, were asked and their voices were heard. Acknowledging this immense planning task at hand, the State and the LRA began working with FEMA to establish long-term community recovery teams in order to address parish-level recovery, with supporting implementation of prioritized recovery projects by setting aside $200 million in CDBG flexible funds currently available to the State.

Additionally, the board has stated its intention to expand these allocations by $550 million if we could just get that 10-percent FEMA match waived.

In addition, funding for these purposes will be one step closer to ensuring sustainable long-term recovery for local communities, and to give you an example, the LRA helped to secure funding from the Rockefeller Foundation to create a citizen-driven, grass-roots plan for the entire city of New Orleans, know as UNOP, and we are working closely with Dr. Blakely to implement that plan.

We also put together pattern books used by the architects, the contractors, and citizens for approximately 100,000 people in the State and tool kits free of charge on how to plan.

Mother Nature wiped out entire communities where I grew up, including St. Bernard, but there is a silver lining to these events in that the destruction provided us the opportunity to locate and identify where to rebuild safer and smarter.

We had an extensive public outreach to engage citizens in development of this vision. In fact, we did paper ballots we distributed to individuals all over the area and outside in many of the States where we focused on five key recovery planning questions, spanning economic development, coastal recovery, growth land use patterns, and risk management property rights. This is the largest and most inclusive regional planning outreach ever conducted in the United States, and we have gotten tens of thousands of responses—mandates, as it were, for public policy. This includes ballots from displaced residents in 32 different States. The response

rate was even better than after September 11, 2001, where New York received 2,000 responses.

A team of national experts, local planners, and we hope elected leaders of the future are now using this data to create a consensus-based vision for South Louisiana, which will be released and delivered to Congress in May 2007. And to make this long-term vision a reality, we set aside $50 million in CDBG funds for regional investment projects. But, again, if Congress appropriates additional funds or waives the 10-percent FEMA match requirement, this board has made its intentions clear that it would use a portion of that additional funding to increase the allocations to the separate regional investment pools.

There are three areas where you can make this happen, if I could go very quickly and give you those, Senator Landrieu.

First, Congress needs to waive that 10-percent match in FEMA's Public Assistance. This process is choking us with red tape associated with the monitoring and oversight required by two Federal agencies—FEMA and HUD—for 20,000 separate construction projects. If nothing changes, we are forced to produce nearly 2.6 million documents—that is documents, not pages—in order to comply with dual Federal paperwork requirements. We offer a solution to this problem in a global match, but so far our recommendations have not been heeded. A Federal waiver could cut the red tape in half and allow our State to invest some $700 million in CDBG funds and other critically needed recovery programs.

Second, Congress needs to direct FEMA to approve our use of hazard mitigation funds in support of the Road Home Program that was required by Chairman Powell or transfer the funds to HUD where they can be directly used. The State did not want to use these monies in this way, but we were told that because of the law, because of the regulations, this was the only way that we could use that funding. As of today, FEMA, after exhaustive negotiation, has been unwilling to approve nearly $1.2 billion of funding that is desperately needed for the Road Home Program. If we cannot reach an appropriate agreement on this funding, there will be a tremendous shortfall.

Finally—and I do mean finally—I would like to request that Congress take immediate action to address the disproportionate distribution of recovery aid. Our State received almost 80 percent of the damage, yet time and again, we have received less than our proportional allowance, and examples are numerous. They are in the written testimony. I can go through the numbers of colleges, schools, hospitals that were impacted because of the massive amount of space that we are dealing with, geographic region we are dealing with, and population. And that is why there is a difference between Louisiana and Mississippi. These are, as Chairman Powell said, very different storms that affected—the same storms affected different places in different ways. We have 64,000 people in the State of Louisiana still calling FEMA trailers "home" every night, yet FEMA has denied our repeated requests to take this into account.

Louisiana must pay 10 percent of its cost share. We talked about the fact that in every other disaster it has been waived, including September 11, 2001.

So, in closing, in order to truly realize and implement these citizen-driven long-term plans, we cannot afford letting bureaucratic road blocks stand in the way. We must identify these problems. We must address them immediately. And I ask you to seriously consider the solutions we have proposed to this Subcommittee today.

Thank you so very much.

Senator LANDRIEU. Thank you very much. Mayor Longo.

TESTIMONY OF HON. JOHN THOMAS LONGO,[1] MAYOR, CITY OF WAVELAND, MISSISSIPPI

Mr. LONGO. Thank you very much. I want to thank you for this opportunity to speak to this Subcommittee. I also want to take this opportunity to thank the House and the Senate as a whole for their support since Hurricane Katrina. Also, in all of your areas, the tremendous support we have received from faith-based foundations and groups from around this country. I don't know what we would have done in Waveland and on the Mississippi Gulf Coast if it would not have been for the help, and we still to this day need their continued help.

We had a coastwide charette that the governor sponsored to come up with a plan, and we had world-renowned architects and engineers that came to the coast. Waveland participated in that early on. We also brought those world-renowned architects and engineers and matched them with our own local architects and engineers and came up with our own local plan in Waveland. We brought them there for a week-long, intensive workshop with our community that was very well attended by our citizens that had returned home by that time.

There have been many positives across the State because of the Federal support that we have received, but there are many areas such as Waveland, Bay St. Louis, Pass Christian, and Hancock County that are still critical, critical areas and still emergency disaster zones. We continue to need that declaration of emergency.

A little over 50 percent of our population has been able to return home. Fifty percent of those individuals, those families, are still living in FEMA trailers. That creates problems in itself. We all know that those FEMA trailers were not meant to be called "home" for long. Being in there for going on 2 years has caused great problems and overloads for our law enforcement, our cities, our mental health infrastructure, our schools, our churches, and our families. It has just continued to cause problems, as it has been prolonged, and it is going to continue to build, and the problems are going to get worse before they get better, I am afraid.

It was such a catastrophic event, and there is such total destruction. Everything seems to be tied together. We had such total loss in Waveland. The first 5 miles coming inland was just basically wiped off the map. We had 100 percent of our water and sewer infrastructure destroyed, 100 percent of our buildings were destroyed. In order to even bring families back to live in FEMA trailers, you had to have water, sewer, and power there. So we needed help just to be able to piece those systems together until we could come up with the Project Worksheets for the long term and get

[1] The prepared statement of Mr. Longo appears in the Appendix on page 104.

those done. Even the FEMA engineers in the field said that we would be lucky if we could piece those sewer and water systems together for 3 months. That was back in September 2005. We just got the first phase approved by FEMA to begin with the replacement of the 100-percent destroyed sewer system this month. And they have had it for almost 5 months. They already have the second phase in their hands to get that approved.

It has been a problem that we have run into with the Project Worksheets. We have over 151 to date in the city of Waveland. We have close to $200 million worth of Project Worksheets. And with the continued rotation of personnel every 3 months or so and there being nobody on the ground, as Mr. Powell mentioned earlier, that can make decisions, and we found out, unfortunately, in doing the Project Worksheets and asking questions or getting variances in those worksheets and having it signed off on paper, being told 6 months later that we had to pay back the money we had received because it was not worth the paper it was written on, yet this was a person that was being called a specialist. So who do we—we have to listen to someone, and so we have been told time and time again to follow the CFR. We certainly do not have a problem with that. We understand the CFR very well, except that there are problems with the CFR that just do not match or do not meet a catastrophic event of this size.

Senator LANDRIEU. Mayor, one more minute.

Mr. LONGO. One of them has already been mentioned, the 10-percent match that we have to come up with. Ninety-eight percent of our residential structures and our commercial structures were substantially destroyed. We have no economy, so we had to build back an economy. In order to build back the economy, we needed to get the infrastructure in place. In order to do that, we needed to have labor and personnel come back. So, again, it is all tied together. So a waiver of that 10 percent.

Senator LANDRIEU. Mr. Mayor, can you wrap up in 30 seconds?

Mr. LONGO. Yes, ma'am. Also, on the mitigation grants, there is a 25-percent match that is needed there. All of the buildings—and we lost 100 percent of our buildings—need that 25-percent match so that there can be some help there.

Finally, one of the areas that's holding back the rebuilding, residents coming back and rebuilding, of course, is insurance and getting the CDBG grants into the hands of the personnel, the people that need it, the end users, the cities at the end. And there are numerous areas where we could use help.

The community disaster loans, I know you have talked about that, the possibility of Federal forgiveness in that area, those are going to begin to come due for all the cities and communities in Mississippi and Louisiana.

So I will go ahead and wrap up there. Thank you.

Senator LANDRIEU. Thank you, Mr. Mayor. Thank you very much.

And let me remind everyone that we are going to have a round of questions, so we will get to come back to some of these points and go over them. Dr. Blakely.

TESTIMONY OF EDWARD J. BLAKELY,[1] EXECUTIVE DIRECTOR, RECOVERY MANAGEMENT, CITY OF NEW ORLEANS

Mr. BLAKELY. Thank you, Senator Landrieu and Senator Stevens. It is really a pleasure to be here. It is unfortunate I have been in four such disasters, including riots, earthquakes, and fires, and terrorist attack. So I have seen it all, basically, and I think what I would like to focus on is some of the things Senator Stevens talked about: How do we prepared in advance rather than try to deal with it afterward? My testimony is fairly complete on what we have experienced.

I think we have to understand here that we are not dealing with a disaster in a city. We are dealing with the total destruction of a city. We have not had to deal with that in this country. We certainly dealt with it in the Second World War overseas, and we used a very different process.

It is important to understand that the rebuilding process is a rebuilding process and not a reconstruction process. It means you have to start over. And Donna Fraiche has already mentioned the fact that we have engaged in a planning process that has very different ways of doing business. And without the resources to do that, we cannot complete that task.

We need the Stafford Act to understand that there is a difference between a disaster and a catastrophe, and I think you have mentioned that yourself, Senator. A catastrophic requires the restoration of all services, the redesign of your entire emergency network, and the development of different public assistance programs. These things should be thought of in advance, not at the time of the disaster, or your chances of recovery are much less.

So I applaud Senator Stevens for having thought about this, and I think the States would be prepared to engage in that, but that will require some critical front-end funding.

In addition to that, we have to look at what has been done and what lessons we can learn from that. In the case of the Corps of Engineers, we have to start looking at providing them with enough data, information, and dollars so they can do projections better than they have done in the past, and the systems have to be designed so they can meet those projections.

We have to think about reforming, altering, or changing FEMA's mission for rebuilding and perhaps even a different agency that might operate out of HUD, which is a building agency versus a disaster agency.

The 10 percent, I will echo with everyone else, should be forgiven, but even waiving the 10 percent does not give you any money for a reimbursement program. A reimbursement program assumes you have an economy to reimburse something from. So in the cases of the two previous witnesses, I agree with them on the 10 percent, but there should be a forward-funding program so that people can begin the process, rebuild their economy, and then be reimbursed.

Finally, CDBG should be made far more flexible that programs should be funded and not projects, programs for rebuilding. A patchwork of projects will never lead to a full-fledged rebuilding. So

[1] The prepared statement of Mr. Blakely appears in the Appendix on page 106.

there has to be flexibility, there has to be strong will, and there has to be cooperation, and I applaud Don Powell for his attempts to bring those things, but legislation will be required so they happen.

Thank you.

Senator LANDRIEU. Thank you, Dr. Blakely. Mr. Broussard.

STATEMENT OF ERNEST BROUSSARD, JR., AICP/CEcD,[1] EXECUTIVE DIRECTOR, CAMERON PARISH PLANNING AND DEVELOPMENT AUTHORITY

Mr. BROUSSARD. Madam Chairman, Senator Stevens, it gives me great pleasure to be here and to speak on behalf of the general citizenry of Cameron Parish in southwest Louisiana. What we had prepared for you chronicles a somewhat stellar list of responses to your inquiries for our presentation today. I want to surmise, however, that in the spirit of time and brevity, you have heard our discussions on the 10-percent match. You have heard our discussions on the insurance, and on the inflexibility of some of our Federal agencies.

I want to thank Senator Landrieu for a Herculean effort for keeping Rita on the agenda. We do not want to downplay the importance or the magnitude of Hurricane Katrina and what happened in southeast Louisiana. However, we had another Category 5 event that will ultimately be surmised as magnitude in the history of the parish. Eighty percent of our industrial tax base, three-quarters of the population, not to mention 25,000 head of livestock perished in that event.

However, our parish is recovering. We are clean. We have removed debris, and we are energizing and re-gentrifying our parish, platform by platform, structure by structure. But we are, however, having significant challenges.

Now, Cameron Parish has elected to engage in a strategic planning effort that is more deliberate and probably more profound than the recovery of the US–14 that envisioned. That is our challenge, Senator. We can ill afford to talk about recovery without looking at remodeling. The problem with our FEMA standards, the problem with working with CDBG—and I do not want to undermine the importance of having that money available to us. But the models that are necessary for full recovery, when you have a disenfranchised population, a disenfranchised socioeconomic structure, does not work in a typical application. Those are the things that we need to do, and we will chronicle those issues under the governance of our master plan, for Cameron Parish, Cameron Square, Calcasieu Pass, related bridgeworks, of course, regentrification of our housing, are being met first by the local community where we feel that tax increment financing packages, the restructuring of our budget, not to mention some advanced tax payment by local industry is what we are doing to help ourselves first, and I think Secretary Powell mentioned that is the first cornerstone in recovery when a community is willing to come up and commit itself.

However, to partner with my colleagues at the podium, the current situation involving the design and implementation of a public

[1] The prepared statement of Mr. Broussard appears in the Appendix on page 113.

assistance program and the PWs foundered miserably for us, whereas each PW represents anywhere from 30 to 50 percent below what it would have been to replace the structure as is. Most of us involved with recovery—and I think Dr. Blakely touched on that—you did not rebuild as you were. You have to come up to current-day standards. You have to come up with present-day techniques.

Our challenge is to encourage repopulation of our communities with the advent of increased elevations, increased insurance, some of which insurance claims have not been completed to date; increased building codes, and knowing full well that with the completion of that construction we will be looking at a 30-percent higher building cost as well as insurance premiums.

Overall, we want to thank the Federal Government and, Senator, your involvement in our recovery. But knowing now that the mission of southwest Louisiana is very prominent in energy, homeland security, defense, and, of course, coastal restoration, we feel that modifications that we have chronicled in our written statements are going to be paramount to you in that regard.

In closing, I would like to just remind everyone that Cameron Parish is still very much critical to southwest Louisiana. We are crucial to Louisiana, but we are essential to America because we represent significant energy, homeland security, and environmental status. Thank you, Senator.

Senator LANDRIEU. Thank you, Mr. Broussard.

Let me add to that testimony. I have recently visited Cameron Parish, Senator Stevens, and you will be particularly happy to know, because you are a leader on energy, that literally within about a 50-mile radius of Cameron, there are the largest liquefied natural gas facilities in the Nation, which would be in southeast Texas and southwest Louisiana, for a number of reasons. These parishes and counties are the only ones giving permits. People have the technology and the information to build them and the willingness to build them. So while this is a rural parish, it is not a non-important parish for our State or for the country.

Mr. BROUSSARD. Exactly, Senator. I would like to just close that statement. At the end of the day, when the water recedes, Cameron Parish will represent 25 percent of the Nation's daily demand in liquefied natural gas. Between its four major LNG plants and the nine processors, pipeline processors that are there, clearly we have a platform in the energy theater of this Nation as well as we are the portal to a $300 billion petrochemical industry, and the barrier island to three major watersheds—the Mermentau, Sabine, and the Calcasieu.

Thank you for your comments on that, Senator.

Senator LANDRIEU. OK. And I have a few questions, and then I am going to turn to Senator Stevens, and then we will wrap up in just a few minutes.

Each of you mentioned in your testimony these Project Worksheets. Would you each take 30 to 45 seconds, and talk about the weaknesses of this Project Worksheet relative to what you are each doing? One of you is rebuilding a small city, one of you is rebuilding a big one, one of you is rebuilding a parish. And, Ms. Fraiche, you are trying to rebuild the whole southern part of the State.

So could you just give 45 seconds to these 23,000 Project Worksheets that we have?

Ms. FRAICHE. Thank you so much. Well, without the global match, I can tell you, without the waiver of the FEMA matching cost, that paper keeps piling up, because with the Project Worksheets, there is a requirement from FEMA—and these have to be FEMA related projects, but with CDBG it is a different set of worksheets. So you have to decide which projects you are going to submit under the Project Worksheets, which projects you are going to submit under the CDBG project.

The CDBG projects, it is at least 2,680 required documents that are needed for each specific project.

Senator LANDRIEU. Would you repeat that?

Ms. FRAICHE. It is 2,680 required documents. These are not just pages.

Senator LANDRIEU. Documents for each?

Ms. FRAICHE. Of 20 CDBG projects, which are Community Development Block Grant projects, like infrastructure projects. But if you are doing it on an individual project basis, a school or a utility system or a particular fire hydrant, as it were, it could take 2,680,000 documents, not pages. So it is two separate submissions for the same project, just the paperwork.

Senator LANDRIEU. Now, with that testimony, I would just like the audience to get in their mind trying to rebuild Europe with this system. I guess in our lifetime, rebuilding Europe after the Second World War comes closer to what we are tasked to do here. It might not be exact, and I realize it was a war, not a catastrophe. And it was international; this is one area. But it just gets us to really think beyond where we are.

Mr. Mayor, your 45 seconds?

Mr. LONGO. Yes, ma'am. There is also different breakdowns in the Project Worksheets. There are small projects; there are large projects. The large projects like for buildings tend not to be real close to what the real cost is. As a matter of fact, one of the other panelists alluded to that. Say it is a building that is going to cost $400,000, but the worksheet, they kind of figure that because we are dealing with slabs, figure it at $300,000. And the gentleman that we were working with that was overseeing it, the Public Assistance gentleman, did not understand why we wanted to be so—why we were so insistent that they get us close to the real cost, because when that building is truly built, as they were mentioning earlier, it is 30 percent more. We are going to have to float that money. Somebody has got to pay the cost or the contractor is going to have to cover it or carry it over. But what is going to truly end up happening is the city is going to have to carry that difference.

We do not have that difference to carry. We are already having a problem coming up with the 10 percent. To add another $100,000 or $200,000 or $300,000, and then there is the PWs, and I will finish with this. The PWs for equipment, we lost every piece of equipment, and there is no benefit or anything to where if you maintained equipment very well, if you had a motor grader, that may cost $100,000 on the market today, but it was 5 years old, as an example that I have, and it was well maintained, it was well running. So you continue to use it, continue to get the best use out of

taxpayer dollars. You probably are only going to get a couple hundred dollars for that piece of equipment. So we cannot replace equipment based on the Project Worksheet.

Senator LANDRIEU. The cities cannot even re-buy work trucks, pick-up trucks, or tractors.

Mr. LONGO. Fire trucks.

Senator LANDRIEU. To start building their cities if they wanted to. Dr. Blakely.

Mr. BLAKELY. Well, I just wanted to comment on that, that if a piece of equipment is old, it has been depreciated to almost nothing, but it is still in a working state. So you have really got a problem if you get $25 for an automobile. What can you buy?

I just want to mention some other things here. One of them is the turnover of FEMA staff. Since I have been in the city, in 4 months we have had three turnovers of essential staff. So even though Don Powell helped us very much, some of the projects he helped us get in have been turned over, de-obligated, by new people. So even his work is undermined by FEMA's turnover. I think it is very important that the person who starts the job finishes the job.

Second, we have many FEMA worksheets prepared on four stories of a five-story building. The first story was underwater when the worksheet was prepared. As a consequence, we have underestimated—not just underestimated. We have underestimated the essential infrastructure.

Finally, sometimes the power system was in the basement. FEMA will pay to put it back in the basement, but not on the roof. It does not make much sense, does it?

Senator LANDRIEU. No, it does not. Mr. Broussard.

Mr. BROUSSARD. Madam Chairman, I want to thank you for giving me 45 seconds that I could speak the rest of the afternoon on. [Laughter.]

But I would like to tell you, out of our 434 Project Worksheets that are active today—and that is for equipment, infrastructure, and, of course, buildings—our PWs are running anywhere from 30 to 40 to even sometimes 50 percent underwritten by the original FEMA staff. Regrettably, there is no one to hold accountable because of the changeover that Dr. Blakely mentioned.

Now, you take a facility that already has a PW that is underwritten, then you add the insurance penalties and the increased construction costs, which in an area of recovery runs anywhere from 25 to 40 percent because of the difficulty to get materials and contractors. Then to add to the 10 percent that you have to find to augment that, it puts communities that are already distressed in a foundered position. And until we are able to monitor that and change some of the socioeconomic standards that are identified in both HUD and FEMA regulations, cities will continue to founder as they try to recover.

Senator LANDRIEU. Senator Stevens, do you have some final questions?

Senator STEVENS. Madam Chairman, I was just sitting here thinking about some of the things that we have done, and I appreciate your comments, Dr. Blakely. When we had a gigantic flood in the central part of Alaska, Fairbanks, about 50 square miles flood-

ed. We and the State Legislature had to figure out what to do, and we decided we would pay the community the taxes for every facility that had been harmed, they were substantially destroyed. And they used that money to start the restoration of the streets and the sewers and waterways. And we agreed that anyone that would sign their contracts to start rebuilding their place before a specific date, the money the State paid would be equivalent of them paying their taxes 2 years in advance.

The net result was that the infrastructure for rebuilding the local community, the streets, the highways, streets and sidewalks and sewers and whatnot, that equipment came in to meet those contracts, and with the local people it enabled them, through loans to buy that equipment, and it all started rolling because one thing started working.

I get the feeling that the area I saw, as I said, which is more damage than anything I have ever seen, except for China during World War II, the impact of what I am hearing is there has not been any starter dollars.

Mr. BLAKELY. That is right.

Senator STEVENS. You have not had the ability to start somewhere.

Mr. BLAKELY. We have not had start-up dollars.

Senator STEVENS. To restore the private enterprise, get the local contractors, get the housing people, get the money for the people to start bringing in building material, etc., but do it in on a private sector basis and find a way to stimulate the restoration of the private sector in order to start the rebuilding process from within your own community.

I am worried about the 10 percent match. That obviously should have been waived a long time ago. And it should be waived. But it should be waived conditioned upon some commitment of the people who are going to have their homes and buildings, etc., restored entering into some agreement to pay back something. That does not seem to be a key here in terms of getting these things going, and I do not know whether it is a failure of our Federal system or a failure of the process we are dealing with. But the New Orleans I saw was really a series of associated small areas that were united into New Orleans. They were just like Los Angeles, several different cities just absorbed by the metropolis that continued to expand.

I do hope there is some way to divide this and get some areas going so that the basic systems can start rebuilding, and from that will flow a lot more cooperation with the Federal assistance if it can be done. But we do have to do a lot to find some way to get a key to this area and have it rejuvenate much faster than previously from the testimony we heard this afternoon it is going to happen. I do not know what it is. I do think we ought to have some sort of a meeting sitting around a table here with some of these people from the area and the Federal assistance to see if we cannot find some ways to start the process working again.

I hope that we can work together.

Mr. BLAKELY. Could I just mention two keys to what you just suggested? Because I think it is important. I was in two rich States—California and New York—where the money was available

to kick-start the process. And Alaska is a relatively rich State. Louisiana is not. And let's just be frank. We did not have that kind of money available to kick-start our own recovery.

It could be that we did much like the disaster loans, make a loan to the State, a significant loan to the State, requiring us to pay it back over some period of time to kick-start our recovery rather than a reimbursement program, which depresses our economy.

Senator LANDRIEU. That is an excellent idea, and, unfortunately, our time is short because, as Mr. Broussard said, we could spend all afternoon on these and hundreds—go ahead. Senator Stevens is going to run. We thank him very much.

As we conclude this first hearing, please rest assured that this Subcommittee is committed to work week after week after week, month after month, year after year, until we get this right. It is not working in Waveland, it is not working in New Orleans, it is not working in Cameron—and not because the people at this table are not putting their best foot forward, and it is not because some people up here are not putting their best foot forward. It is the system that we are operating under is not flexible, bold, strong, or large enough to get the job done. And despite all of the good work of individuals, of the faith-based community, and of the government acting within these constraints, obviously we have a problem if 18 months after a storm in the city of Waveland, which is not a big place but it is an important place—it is your place, Mr. Mayor. It is a place a lot of us know well—cannot get their sewage system established 18 months after a storm.

So I ask you, if you do not have a sewer and water system, how do you have houses, schools, hospitals, businesses—large, small—or manufacturers? Now, this is America in 2007. I think we need to think about how we get a sewer system up faster than 18 months after one is destroyed. And if we can do that, then maybe we can rebuild New Orleans, Cameron, America's energy coast.

But I challenge those listening to this hearing and the staff here. We can pat ourselves on the back all day long, talk about what great work we do. But the system is not working for the people that we are elected and appointed to serve. And we have got to change it. This Chairman is committed to that reform and change.

I thank you all for joining me today, and the meeting is adjourned—oh, I am sorry. Ernie, you wanted to—Ernie wants to make a presentation. We will stop for one minute. Ernie, come on. You can make a presentation to me. You all better hold on because you want to see this.

Mr. BROUSSARD. Senator, can they hear us?

Senator LANDRIEU. They can hear us, I think.

Mr. BROUSSARD. Ladies and gentlemen, in the spirit of southwest Louisiana and our recovery efforts, we have a very unique and very embryonic community. We are very heavy in coastal restoration, marsh recovery, and, of course, wetland maritime. But to commemorate the return of our citizenry back to southwest Louisiana, we put on an inaugural cattle drive. We lost about 20,000 head of cattle throughout the storm, but we brought them back. And with the cattle we brought back our leaders in both Washington and Baton Rouge. Our governor was there. Quite frankly, our Senator is a very accomplished rider.

Senator LANDRIEU. Thank you. I did not fall off.

Mr. BROUSSARD. To assist her in not only dealing with FEMA, Homeland Security, and our other legislators, we wanted to install a memorial set of spurs for the Senator.

[Applause.]

Senator LANDRIEU. For FEMA, right. We are going to spur them on to better work. Thank you all very much.

Mr. BROUSSARD. Thank you, Senator.

Senator LANDRIEU. The hearing is adjourned.

[Whereupon, at 3:54 p.m., the Subcommittee was adjourned.]

APPENDIX

United States Government Accountability Office

GAO

Testimony

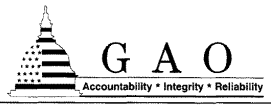
Before the Subcommittee on Disaster Recovery, Committee on Homeland Security and Governmental Affairs Committee, U.S. Senate

For Release on Delivery
Expected at 2:00 p.m. EDT
Thursday, April 12, 2007

GULF COAST REBUILDING

Preliminary Observations on Progress to Date and Challenges for the Future

Statement of Stanley J. Czerwinski
Director, Strategic Issues



GAO-07-574T

April 12, 2007

GAO
Accountability·Integrity·Reliability
Highlights

Highlights of GAO-07-574T, a testimony before the Subcommittee on Disaster Recovery, Committee on Homeland Security and Governmental Affairs, U.S. Senate

GULF COAST REBUILDING

Preliminary Observations on Progress to Date and Challenges for the Future

Why GAO Did This Study

The size and scope of the devastation caused by the 2005 Gulf Coast hurricanes presents unprecedented rebuilding challenges. Today, more than a year and a half since the hurricanes made landfall, rebuilding efforts are at a critical turning point. The Gulf Coast must face the daunting challenge of rebuilding its communities and neighborhoods—some from the ground up.

This testimony (1) places the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast, (2) discusses key federal programs currently being used to provide rebuilding assistance, with an emphasis on the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program, (3) describes Louisiana's and Mississippi's approach to using CDBG funds, and (4) provides observations on planning activities in Louisiana and Mississippi and the federal government's role in coordinating rebuilding efforts.

GAO visited the Gulf Coast region, reviewed state and local documents, and interviewed federal, state, and local officials.

What GAO Recommends

Although GAO is not making recommendations in this testimony, GAO raises questions that the Subcommittee may wish to consider in its oversight of Gulf Coast rebuilding.

www.gao.gov/cgi-bin/getrpt?GAO-07-574T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stanley J. Czerwinski at (202) 512-6806 or Czerwinskis@gao.gov.

What GAO Found

While the federal government has provided billions of dollars in assistance to the Gulf Coast, a substantial portion was directed to short-term needs, leaving a smaller portion for longer-term rebuilding. It may be useful to view this assistance in the context of the costs of damages incurred by the region and the resources necessary to rebuild. Some damage estimates have put capital losses at a range of $70 billion to over $150 billion, while the State of Louisiana estimated that the economic impact on its state alone could reach $200 billion. Such estimates raise important questions regarding additional assistance that will be needed to help the Gulf Coast rebuild in the future.

To date, the federal government has provided long-term rebuilding assistance to the Gulf Coast through 2 key programs, which follow different funding models. The Federal Emergency Management Agency's public assistance program provides public infrastructure funding for specific projects that meet program eligibility requirements. HUD's CDBG program, on the other hand, provides funding for neighborhood revitalization and housing rehabilitation activities, affording states broad discretion and flexibility. To date, the affected states have received $16.7 billion in CDBG funding from supplemental appropriations—so far, the largest share of funding targeted to rebuilding.

With the vast number of homes that sustained damage in Louisiana and Mississippi, each state allocated the bulk of its CDBG funds to homeowner assistance. Louisiana developed an assistance program to encourage homeowners to return to Louisiana and begin rebuilding while Mississippi developed a program to target homeowners who suffered losses due to Katrina's storm surge that were not covered by insurance. As of March 28, 2007, Louisiana has awarded 4,808 grants to homeowners with an average award amount of $74,250. Mississippi has awarded 11,894 grants with an average award amount of $69,669.

Restoring the region's housing and infrastructure is taking place in the context of broader planning and coordination activities. In Louisiana and Mississippi, state and local governments are engaged in both short-and long-term planning efforts. Further, the President established a position within the Department of Homeland Security to coordinate and support rebuilding activities at the federal, state, and local levels.

As states and localities begin to develop plans for rebuilding, there are difficult policy decisions Congress will need to make about the federal government's contribution to the rebuilding effort and the role it might play over the long-term in an era of competing priorities. Based on our work, we raise a number of questions the Subcommittee may wish to consider in its oversight of Gulf Coast rebuilding. Such questions relate to the costs for rebuilding the Gulf Coast—including the federal government's share, the effectiveness of current funding delivery mechanisms, and the federal government's efforts to leverage the public investment in rebuilding.

Madam Chair and Members of the Subcommittee:

I appreciate the opportunity to participate in today's hearing to discuss our preliminary work and observations on Gulf Coast rebuilding issues. The size and scope of the devastation caused by the Gulf Coast hurricanes presents the nation with unprecedented rebuilding challenges.[1] Wide swaths of housing, infrastructure, and businesses were destroyed, leaving more than 1,500 people dead and hundreds of thousands of others displaced without shelter and employment. Today, more than a year and a half since the hurricanes made landfall, rebuilding efforts are at a critical turning point. The Gulf Coast and the nation must now face the daunting challenges of rebuilding. Our recent work in southern Louisiana and New Orleans confirms that some communities are still without basic needs, such as schools, hospitals, and other infrastructure, while the doors of many businesses remain closed. Many Gulf Coast neighborhoods and communities will need to be rebuilt—some from the ground up.

Current rebuilding activities, including the bulk of federal rebuilding assistance, are directed primarily towards restoring the region's stock of livable housing and essential infrastructure. Over the coming years, perhaps decades, significant and complex challenges lie ahead. Major decisions will need to be made regarding a wide range of issues including coastal restoration, levee protection, infrastructure, land use, and economic recovery. All levels of government, together with the private and nonprofit sectors will need to play a critical role in this process. Agreeing on what rebuilding will be done, where, how, and—particularly important—who will bear the costs, will be key to moving forward with the rebuilding process.

My testimony today will offer some preliminary observations on rebuilding efforts in the Gulf Coast that may assist you in your oversight of these activities—now and over the longer term. I would like to: (1) place the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast; (2) discuss the key federal programs that provide rebuilding assistance, with an emphasis on the Community Development Block Grant (CDBG) program; (3) describe some differences in Louisiana's and Mississippi's approach to using CDBG funds; and (4) provide some observations on planning activities in Louisiana and Mississippi and the role of the federal government in coordinating Gulf Coast rebuilding efforts. Finally, I will raise questions that Congress may

[1] In this report, unless otherwise noted, we refer to hurricanes Katrina, Rita, and Wilma collectively as the Gulf Coast hurricanes.

wish to consider in carrying out its critical oversight function in reviewing rebuilding efforts on the Gulf Coast.

My statement is based largely on our work in Louisiana and Mississippi—the two states most directly affected by the Gulf Coast hurricanes. Specifically, we interviewed state and local officials as well as representatives from nongovernmental organizations in these two states and analyzed state and local documentation related to rebuilding funding and allocations and planning initiatives. We also interviewed various federal officials from the Federal Emergency Management Agency (FEMA) and the Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region within the Department of Homeland Security (DHS)[2] and analyzed federal regulations and state policies regarding Gulf Coast federal funding. We performed our work in accordance with generally accepted government auditing standards.

A Relatively Small Portion of Federal Gulf Coast Assistance Is Targeted to Long-Term Rebuilding, While Estimates of Loss Suggest Great Need

To respond to the Gulf Coast devastation, the federal government has committed an historically high level of resources—over $110 billion—through an array of grants, loan subsidies, and tax relief and incentives. The bulk of this assistance was provided between September 2005 and June 2006 through four emergency supplemental appropriations.[3] A substantial portion of this assistance was directed to emergency assistance and meeting short-term needs arising from these hurricanes, such as relocation assistance, emergency housing, immediate levee repair, and debris removal efforts. Consequently, a relatively small portion of federal assistance is available for longer-term rebuilding activities such as the restoration of the region's housing and infrastructure. Later in this statement, I will discuss in greater detail the two programs that the federal government has used so far to provide assistance to the Gulf Coast for longer-term rebuilding.

[2] Throughout this report and unless otherwise noted, we refer to this official as the Federal Coordinator for Gulf Coast Rebuilding.

[3] Provided to 23 agencies, these appropriations totaled $88 billion. Pub. L. No. 109-61, 119 Stat. 1988 (Sept. 2, 2005); Pub. L. No. 109-62, 119 Stat, 1990 (Sept. 8, 2005); Pub. L. No. 109-148, 119 Stat. 2680 (Dec. 30, 2005); and Pub. L. No. 109-234, 120 Stat. 418 (June 15, 2006). Besides these four main supplemental appropriations acts, a number of authorizations and programs provided the remaining assistance. Congress increased the borrowing authority of the National Flood Insurance Program to cover the large number of hurricane-related claims. Pub. L. No. 109-65, 119 Stat. 1998 (Sept. 20, 2005); Pub. L. No. 109-106, 119 Stat. 2288 (Nov. 21, 2005); and Pub. L. No. 109-208, 120 Stat. 317 (Mar. 23, 2006). In addition, Congress passed the Gulf Opportunity Zone Act to provide tax relief benefits and incentives to affected businesses. Pub. L. No. 109-135, 119 Stat. 2577 (Dec. 21, 2005).

It is useful to view the federal assistance provided to the Gulf Coast within the context of the overall costs of the damages incurred by the region and the resources necessary to rebuild. Although there are no definitive or authoritative estimates of these costs, the various estimates of aspects of these costs offer a sense of their magnitude. For example, early damage estimates from the Congressional Budget Office (CBO) put capital losses from Hurricanes Katrina and Rita at a range of $70 billion to $130 billion[4] while another estimate put losses solely from Hurricane Katrina—including capital losses—at over $150 billion.[5] Further, the state of Louisiana has estimated that the economic impact on its state alone could reach $200 billion. While the exact costs of damages and rebuilding the Gulf Coast may never be known, they will likely surpass those from the three other costliest disasters in recent history—Hurricane Andrew, the September 2001 terrorist attacks, and the 1994 Northridge earthquake.[6] These estimates raise important questions regarding additional assistance that will be needed to help the Gulf Coast rebuild in the future—including how the assistance will be provided and by whom.

Two Key Federal Programs That Provide Long-Term Rebuilding Resources Use Different Approaches

The federal government has so far used two key programs—FEMA's Public Assistance and the Department of Housing and Urban Development's (HUD) CDBG programs—to provide long-term rebuilding assistance to the Gulf Coast states. These two programs follow different funding models. Public Assistance provides funding on a project-by-project basis—involving an assessment of specific proposals to determine eligibility, while CDBG—a block grant—affords broad discretion and flexibility to states and localities.

[4] According to CBO, capital losses include housing, consumer durable goods, and energy, other private-sector and government losses.

[5] This estimate includes damages only to commercial structures and equipment, residential structures and contents, electrical utilities, highways, sewer systems, and commercial revenue losses. For more information see, M.L. Burton and M.J. Hicks, *Hurricane Katrina: Preliminary Estimates of Commercial and Public Sector Damages* (Huntington, W.V.: September 2005).

[6] According to CBO, losses from Hurricane Andrew—a Category 5 hurricane that struck the coast of Florida in 1992—totaled about $38.5 billion in 2005 dollars. The losses from the terrorist attacks on September 11, 2001, were estimated at $87 billion in 2005 dollars, of which $35.2 billion were privately insured losses. Further, the earthquake that struck Northridge, California in 1994,which measured 6.7 on the Richter scale—resulted in $48.7 billion in losses, as measured in 2005 dollars.

Public Assistance Grants

FEMA's Disaster Relief Fund (DRF) supports a range of grant programs in providing federal assistance to state and local governments, nongovernment organizations, and individuals when a disaster occurs. One of its largest programs—Public Assistance—provides assistance primarily to state and local governments to repair and rebuild damaged public infrastructure and includes activities such as removing debris, repairing roads, and reconstructing government buildings, and utilities.[7] Pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),[8] this assistance is limited to either a fixed-dollar amount or a percentage of costs for restoring damaged facilities. Specifically, applicants submit requests for work which is considered for eligibility and subsequent funding. FEMA obligates funds for approved projects, providing specific amounts to complete discrete work segments on projects, while state and local governments pay the remainder based on the state's cost share agreement with FEMA. As of March 16, 2007, FEMA has obligated about $4.6 billion to Louisiana and about $2 billion to Mississippi through its Public Assistance program.

Community Development Block Grants

HUD's Community Development Block Grant program—so far, the largest federal provider of long-term rebuilding assistance—received $16.7 billion in supplemental appropriations to help the Gulf Coast states rebuild damaged housing and other infrastructure.[9] As shown in figure 1, Louisiana and Mississippi were allocated the largest shares of the CDBG appropriations, with $10.4 billion allocated to Louisiana, and another $5.5 billion allocated to Mississippi. Florida, Alabama, and Texas received the remaining share of CDBG funds.[10]

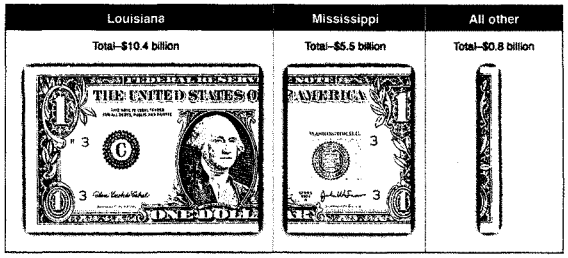
[7] FEMA's Disaster Relief Fund provides grant assistance through its Individual Assistance Program—which provides aid to individuals affected by a disaster. Its Hazard Mitigation Program provides grant assistance to communities to implement long-term hazard mitigation measures following disasters. In addition to grant assistance, the DRF also reimburses federal agencies through mission assignments for relief and recovery work ordered by FEMA.

[8] The Stafford Act, as amended, establishes the primary programs and processes for the federal government to provide major disaster and emergency assistance to states, local governments, tribal nations, individuals, and qualified private nonprofit organizations. 42 U.S.C. §§ 5121-5207.

[9] Pub. L. No. 109-148, 119 Stat. 2680, 2779-80 (Dec. 30, 2005); Pub. L. No. 109-234, 119 Stat. 418, 472-73 (June 15, 2006).

[10] Texas received over $503 million, Florida received about $183 million, and Alabama received nearly $96 million. HUD Notice of Allocations and Waivers. *71 Fed. Reg.* 7666 (Feb. 13, 2006); *71 Fed. Reg.* 63,337 (Oct. 30, 2006).

Figure 1: Breakdown of Total CDBG Allocations to Gulf Coast States



Source: GAO analysis of Louisiana Recovery Authority and Mississippi Development Authority.

These formula-based grants afford states and local governments a great deal of discretion in designing directed neighborhood revitalization, housing rehabilitation, and economic development activities. In some instances, Congress has provided even greater flexibility when allocating additional CDBG funds to affected communities and states to help them recover from presidentially declared disasters, such as the Gulf Coast hurricanes.[11] The Federal Coordinator for Gulf Coast Rebuilding has said that the CDBG program allows state leaders "who are closest to the issues" to make decisions regarding how the money should be spent.

To receive CDBG funds, HUD required that each state submit an action plan describing how the funds would be used, including how the funds would address long-term "recovery and restoration of infrastructure." This process afforded the states broad discretion in deciding how to allocate their funding and for what purposes. To coordinate and oversee the state's rebuilding efforts, Louisiana created the Louisiana Recovery Authority (LRA) within the state's executive branch.[12] As part of its responsibility, the LRA was also charged with establishing spending priorities and plans for the state's share of CDBG funds, subject to the approval of Louisiana's state legislature. Mississippi developed its spending plans through the

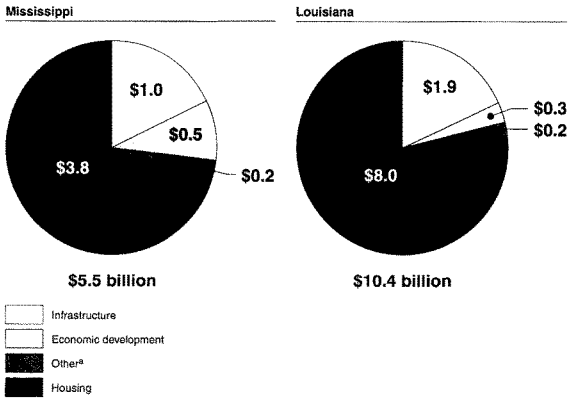
[11] CDBG funds supported recovery efforts in New York City following the terrorist attacks of September 11, 2001; in Oklahoma City following the bombing of the Alfred Murrah Building in 1995; and in the city and county of Los Angeles following the riots of 1992.

[12] The LRA was created at the direction of Governor Blanco by executive order in October of 2005 and subsequently authorized by the state legislature in early 2006.

Mississippi Development Authority (MDA)—the state's lead economic and community development agency within its executive branch—and the Governor's Office of Recovery and Renewal. In contrast to Louisiana, Mississippi's state legislature was not involved in the approval process for these state funding decisions. Consistent with HUD requirements, both Louisiana and Mississippi published their action plans to solicit public input within their state regarding the planned use of CDBG funds.

As shown in figure 2, each state allocated the majority of its share of CDBG funding to housing priorities. The remaining funds were allocated primarily to economic development and infrastructure priorities.

Figure 2: In Louisiana and Mississippi Most CDBG Rebuilding Funding Allocated to Housing



Source: GAO analysis of agency provided data.

[a]In Mississippi, "other" refers to wind insurance mitigation and funds not yet programmed by the state. In Louisiana, "other" refers to funding for planning and administrative activities.

Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Policies and Procedures

With the vast number of homes that sustained damage in Louisiana and Mississippi, each state had opted to direct the vast majority of their housing allocations to homeowners, although each state tailored its program to address the particular conditions in its state. A portion of these allocations also was directed to other housing programs such as rental housing and public housing, as well as to projects that will alleviate costs associated with housing, such as utility and insurance costs. Louisiana and Mississippi homeowner assistance programs are similar in that each is designed to compensate homeowners whose homes were damaged or destroyed by the storms. In each program, the amount of compensation that homeowners receive depends on the value of their homes before the storms and the amount of damage that was not covered by insurance or other forms of assistance.[13] However, these programs differ in their premise and eligibility requirements.

Louisiana's Homeowner Assistance Program Aims to Restore a Displaced Population

Louisiana witnessed a significant population loss in the wake of the Gulf Coast hurricanes, with many residents living in other states and debating whether to return to Louisiana. The LRA, in consultation with state and federal agencies, developed a program to restore the housing infrastructure in Louisiana, using CDBG funds from supplemental appropriations, as described earlier. Referred to as the Road Home, this program is designed to encourage homeowners to return to Louisiana and begin rebuilding.[14] Under the program, homeowners who decide to stay in the state and rebuild in Louisiana are eligible for the full amount of grant assistance—up to $150,000—while those leaving the state will receive a lesser share. Accordingly, aside from the elderly,[15] residents who choose to sell their homes and leave the state will have their grant awards reduced by 40 percent. Residents who do not have insurance will have their grant awards reduced by 30 percent. Further, to receive compensation, homeowners must comply with applicable code and zoning requirements

[13] Pursuant to federal statute and HUD requirements for the CDBG program, homeowner assistance with these funds may not duplicate benefits derived from any source received by the homeowner as a result of damages incurred during the hurricanes. Thus, the state with CDBG funds cannot duplicate insurance, FEMA, or other payments received by the homeowner.

[14] Although not discussed in this statement, the Road Home program also provides assistance for rental property owners and renters to address housing needs of low- to moderate-income individuals in the most heavily damaged areas. The objectives of the rental assistance component of the program include providing capital to owners of small rental properties to repair and reconstruct damaged units, providing affordable rents for working families, and supporting redevelopment in impacted communities.

[15] Refers to individuals that are 65 years of age or older.

and FEMA advisory base flood elevations when rebuilding and agree to use their home as a primary residence at some point during a 3-year period after closing.

As of March 28, 2007, the Road Home program had received 119,945 applications, of which 60,675 had been verified and an award amount had been calculated.[16] Applicants were then asked to decide how they wanted to proceed (for example, whether to rebuild or sell). As of that date, 25,597 applicants notified the program of their decision. Of those, the program awarded payments to 4,808 homeowners with an average award amount of $74,250.

Mississippi's Homeowner Assistance Program Aims to Compensate Losses

In Mississippi, Katrina's storm surge destroyed tens of thousands of homes, many of which were located outside FEMA's designated flood plain and not covered by flood insurance. Mississippi developed a two-phase program to target homeowners who suffered losses due to the storm surge. Accordingly, Phase I of the program is designed to compensate homeowners whose properties were located outside the floodplain and were otherwise fully insured. Eligible for up to $150,000 in compensation, these homeowners are not subject to a requirement to rebuild. Phase II of the program, on the other hand, is designed to award grants to uninsured and underinsured homeowners with incomes at or below 120 percent of the Area Median Income (AMI). Eligible for up to $100,000 in grant awards, these homeowners must demonstrate that they meet current building codes and standards as a condition to receiving their grants. While they are required to rebuild in south Mississippi, they are not required to stay in their homes once they have been rebuilt. In addition, homeowners who do not have insurance will have their grant reduced by 30 percent, although this penalty does not apply to the "special needs" populations as defined by the state (i.e., elderly, disabled, and low income).[17]

As of March 28, 2007, Mississippi had received 18,465 applications for Phase I of its program, of which 14,974 were determined eligible for consideration.[18] Of those, Mississippi awarded payments to 11,894 homeowners with an average award amount of $69,669. Mississippi has yet

[16] Louisiana's Road Home Program began accepting applications on August 29, 2006.

[17] "Low income" homeowners are those with incomes at or below 60 percent of the AMI—which ranges by county.

[18] Mississippi's Homeowner Assistance Program began accepting applications in April 2006.

to complete processing applications for any of the more than 10,000 uninsured and underinsured homeowners in Phase II of the program.

It is clear that Louisiana's and Mississippi's homeowner assistance programs are proceeding at different paces. While we did not assess the causes for these differences, we have begun work as requested by the Senate Homeland Security and Governmental Affairs Committee to examine particular aspects of the CDBG program that may provide important insights into these issues.

Louisiana and Mississippi Are Engaged in Planning Activities, While the Federal Government Has Assumed a Coordination Role

Restoring the region's housing and infrastructure is taking place in the context of broader planning and coordination activities; in Louisiana and Mississippi, state and local governments are engaged in both short- and long-term planning efforts. The federal government—specifically, the Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region—is responsible for coordinating the activities of the numerous federal departments and agencies involved in rebuilding as well as supporting rebuilding efforts at the state and local level. Based on our preliminary work, I would like to describe some of these activities being undertaken in Louisiana and Mississippi as well as the activities of the federal government.

Planning Activities in Louisiana

What will be rebuilt in many areas of Louisiana remains uncertain, as a number of planning efforts at the state and local levels are still evolving. At the state level, the LRA has coordinated a statewide rebuilding planning effort that included retaining professional planners and moving towards a comprehensive rebuilding plan. To facilitate this effort, the LRA endorsed Louisiana Speaks—a multifaceted process for helping the LRA develop a comprehensive rebuilding plan for Southern Louisiana and for providing rebuilding planning resources to homeowners, businesses, communities, and parishes. For example, Louisiana Speaks developed and distributed a pattern book for homeowners, architects, and permitting officials about how to redesign and rebuild commercial and residential buildings. Through this process, local design workshops—called charrettes—have been developed to guide neighborhood planning efforts in the impacted areas, while teams of professional planners, FEMA officials, and LRA officials and representatives work with affected local parishes to develop long-term parish recovery plans. Through extensive public input, Louisiana Speaks also seeks to develop a regional plan for Southern Louisiana, focusing on a number of critical challenges for the state's redevelopment. The regional plan will evaluate economic, environmental, and social issues that affect Southern Louisiana and explore alternative

ways that growth and development can be accommodated in the context of varying environmental, economic, and cultural changes. The state of Louisiana will then use the regional plan to help direct rebuilding policy and Louisiana's long-term spending over the next 30 years.

Given the central importance of the city to Louisiana's overall economy, I would like to highlight planning efforts in New Orleans. After several attempts to develop a rebuilding plan for New Orleans—including the Bring New Orleans Back Commission, efforts initiated by the city council, Urban Land Institute, and others—in August 2006, New Orleans embarked on a comprehensive rebuilding planning process, which continues to date. Referred to as the Unified New Orleans Plan (UNOP), this effort was designed as a grassroots approach to planning to incorporate the vision of neighborhoods and districts into multiple district-level plans and one citywide plan that establishes goals and priorities for rebuilding the city. In particular, the citywide plan will include priority programs and projects for repairing and rebuilding the city over a 5- to 10-year period and will help to inform critical funding and resource allocation decisions by state and federal agencies. The citywide plan is currently under review by the New Orleans Planning Commission.

Planning Activities in Mississippi

Mississippi created an overall plan to serve as a framework for subsequent planning efforts in affected areas of the state. More specifically, in September 2005—within days of the hurricanes' landfall—Governor Barbour created the Governor's Commission on Recovery, Rebuilding and Renewal to identify rebuilding and redevelopment options for the state. Comprised of over 20 committees, the Commission held numerous public forums across multiple counties in an effort to solicit input and public participation from residents throughout the state. In December 2005, the commission's work culminated in a final report containing 238 policy recommendations aimed at addressing a range of rebuilding issues and concerns across the state, from infrastructure and economic development to human services and finance.[19] The report also addressed potential financing mechanisms identifying state, local, private, and federal sources. Further, the recommendations identified parties responsible for implementing the recommendations, including the creation of new state and regional entities to oversee selected recommendations. In addition, Governor Barbour created the Office of Recovery and Renewal to oversee

[19] Entitled *After Katrina: Building Back Better Than Ever*, this report made recommendations to the Governor's Office and a range of federal, state, and local stakeholders involved in the state's rebuilding efforts.

and coordinate implementation of these recommendations. Also charged with identifying funding for rebuilding projects, the office continues to work with public and private entities as well as state and local governments.

Local governments in south Mississippi are also engaged in rebuilding planning activities. For example, modeled after the Governor's Commission on Renewal and Recovery, the city of Biloxi established a volunteer steering committee to develop a rebuilding plan for the city. Biloxi's final rebuilding plan resulted in 162 recommendations to address core issues affecting the city, such as infrastructure, economic development, human services, and finance. In addition, the steering committee commissioned a separate rebuilding plan for East Biloxi—a low-lying area that had been heavily damaged by Hurricane Katrina—that included 27 recommendations for addressing this area of the city. A number of other impacted communities in south Mississippi have undertaken planning initiatives as well.

Coordination at the Federal Level

In light of the magnitude of the Gulf Coast hurricanes, the administration recognized the need to provide a mechanism to coordinate with—and support rebuilding activities at—the federal, state, and local levels. More specifically, in November 2005, the President issued executive orders establishing two new entities to help provide a governmentwide response to federal rebuilding efforts. The first of these orders created the position of Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region within the Department of Homeland Security.[20] Accordingly, the Federal Coordinator is responsible for developing principles and goals, leading the development of federal recovery activities, and monitoring the implementation of designated federal support. The Coordinator also serves as the administration's focal point for managing information flow, requests for actions, and discussions with Congress, state, and local governments, the private sector, and community leaders.

Our discussions with state and local officials in Louisiana revealed a largely positive disposition towards the Federal Coordinator and his role in support of the Gulf Coast. During our field work, for example, Louisiana state and local officials said the Coordinator had played an integral role in

[20] "Establishment of a Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region," Exec. Order No. 13,390, 3 C.F.R. 205 (2005).

helping to identify and negotiate an appropriate level of CDBG funding for the state.

The second executive order established a Gulf Coast Recovery and Rebuilding Council within the Executive Office of the President for a period of 3 years.[21] Chaired by the Assistant to the President for Economic Policy, the council includes most members of the Cabinet and is charged with examining issues related to the furtherance of the President's policy on recovery and rebuilding of the Gulf Coast.

Selected Questions for Congressional Oversight of Gulf Coast Rebuilding

Rebuilding efforts in the Gulf Coast are at a critical turning point—a time when decisions now being made in community rooms, city halls, and state houses will have a significant impact on the complexion and future of the Gulf Coast. As states and localities begin to assume responsibility for developing plans for rebuilding, there are difficult policy decisions Congress will need to make about the federal government's contribution to the rebuilding effort and the role it might play over the long-term in an era of competing priorities. Based on the preliminary work I have discussed today, the Subcommittee way wish to consider the following questions as it continues to carry out its critical oversight function in reviewing Gulf Coast rebuilding efforts:

- How much will it cost to rebuild the Gulf Coast and how much of this cost should the federal government bear?
- How effective are current funding delivery mechanisms—such as Public Assistance and CDBG—and should they be modified or supplemented by other mechanisms?
- How can the federal government further partner with state and local governments and the nonprofit and private sectors to leverage the public investment in rebuilding?

Madam Chair and Members of the Subcommittee, this concludes my statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

[21] "Creation of the Gulf Coast Recovery and Rebuilding Council," Exec. Order 13,389, 3 C.F.R. 203 (2005).

GAO Contacts and Staff Acknowledgments

For information about this testimony, please contact Stanley J. Czerwinski, Director, Strategic Issues, at (202) 512-6806 or Czerwinskis@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Charlesetta Bailey, Dean Campbell, Roshni Davé, Peter Del Toro, Laura Kunz, Brenda Rabinowitz, Michael Springer, and Diana Zinkl.

Related GAO Products

Hurricanes Katrina and Rita Recovery

Hurricane Katrina: Allocation and Use of $2 Billion for Medicaid and Other Health Care Needs. GAO-07-67. February 28, 2007.

Disaster Assistance: Better Planning Needed for Housing Victims of Catastrophic Disasters. GAO-07-88. February 28, 2007.

Small Business Administration: Additional Steps Needed to Enhance Agency Preparedness for Future Disasters. GAO-07-114. February 14, 2007.

Small Business Administration: Response to the Gulf Coast Hurricanes Highlights Need for Enhanced Disaster Preparedness. GAO-07-484T. February 14, 2007.

Hurricanes Katrina and Rita: Federal Actions Could Enhance Preparedness of Certain State-Administered Federal Support Programs. GAO-07-219. February 7, 2007.

Hurricanes Katrina and Rita Disaster Relief: Prevention is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Effort. GAO-07-418T. January 29, 2007.

Hurricane Katrina: Status of Hospital Inpatient and Emergency Departments in the Greater New Orleans Area. GAO-06-1003. September 29, 2006.

Catastrophic Disasters: Enhanced Leadership, Capabilities, and Accountability Controls Will Improve the Effectiveness of the Nation's Preparedness, Response, and Recovery System. GAO-06-618. September 6, 2006.

Disaster Relief: Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes. GAO-06-834. September 6, 2006.

Coast Guard: Observations on the Preparation, Response, and Recovery Missions Related to Hurricane Katrina. GAO-06-903. July 31, 2006.

Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations. GAO-06-714T. May 4, 2006.

Hurricane Katrina: Planning for and Management of Federal Disaster Recovery Contracts. GAO-06-622T. April 10, 2006.

Hurricane Katrina: Status of the Health Care System in New Orleans and Difficult Decisions Related to Efforts to Rebuild It Approximately 6 Months after Hurricane Katrina. GAO-06-576R. March 28, 2006.

Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery. GAO-06-442T. March 8, 2006.

Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts. GAO-06-246T. November 8, 2005.

Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts. GAO-06-235T. November 2, 2005.

Hurricane Katrina: Providing Oversight of the Nation's Preparedness, Response, and Recovery Activities. GAO-05-1053T. September 28, 2005.

TESTIMONY OF DONALD E. POWELL

FEDERAL COORDINATOR FOR GULF COAST REBUILDING

UNITED STATES DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

UNITED STATES SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON DISASTER RECOVERY

"GAO's Analysis of the Gulf Coast Recovery: A Dialogue on Removing Obstacles to the Recovery Effort"

THURSDAY, APRIL 12, 2007

Subcommittee Chairwoman Landrieu, Ranking Member Stevens and distinguished Members of the Senate Homeland Security and Government Affairs' Subcommittee on Disaster Recovery:

My name is Donald E. Powell and I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding. I am here today to discuss the progress we have made in the Gulf Coast region, and both the challenges and opportunities we face in this unprecedented domestic recovery as well as the long-term rebuilding effort. Furthermore, like you, I read the Government Accountability Office's (GAO) testimony on their review of Gulf Coast rebuilding issues and found it a balanced report on the recovery effort to date.

Before I begin my testimony today, I would like to thank Senator Landrieu for inviting me here today. I understand that this is the inaugural hearing for the newly formed Subcommittee on Disaster Recovery and I am honored to be on its first witness panel. Although Senator Landrieu and I were introduced by Hurricane Katrina, we have developed a dynamic working relationship and, more importantly to me, a deep friendship based on honesty and mutual respect. Our shared vision and work for New Orleans and the great State of Louisiana has been based on common principles and has remained above partisan discourse.

In the aftermath of the most powerful and destructive natural disaster in our nation's history, President George W. Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding and asked me to coordinate the long-term federal rebuilding efforts in support of state and local officials.

The President remains committed to supporting the local recovery and rebuilding efforts in Alabama, Florida, Louisiana, Mississippi and Texas from the damage sustained from Hurricanes Katrina, Rita, and Wilma. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we strive to ensure that state and local governments have the resources they need to help their residents get back on their feet. Whole communities were 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.

Fundamentally, my job is to ensure that the Federal government provides thoughtful, coordinated, and effective support to the state and local leaders who are driving the long-term rebuilding and renewal of the Gulf Coast. I do this by working closely with people in the affected regions, including stakeholders from the public, private, and non-profit sectors, to identify and prioritize the needs for long-term rebuilding. I then communicate those realities to the decision makers in Washington, advising the President and his leadership team on the most effective, integrated, and fiscally responsible strategies for a full and vibrant recovery. Finally, I work with other Federal agencies to help ensure the successful implementation of these strategies.

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 committed more than $110 billion for the recovery effort through programs as varied as HUD's Community Development Block Grants, funding for the Corps of Engineers, FEMA Public Assistance funding for infrastructure, Small Business Administration loans, and Department of Education and Department of Labor federal grant funding, just to name a few. This figure does not include the costs of the GO Zone tax legislation, from which some provisions were extended at the end of the 109th Congress with the President's urging. This extension runs through the end of 2010 for areas that experienced the most significant housing damage.

This Administration also understands the importance of being good stewards of the substantial amounts of taxpayer money that have been spent on this effort. We rely on state, local and Congressional oversight and accountability mechanisms in place to assist in the 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 review the various plans and strategies brought to us from the region to ensure that they are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

It has now been over 18 months since Hurricane Katrina tore through an area of the Gulf Coast equivalent to the size of Great Britain. A few weeks later, Hurricane Rita followed Katrina's path into the Gulf of Mexico and then made landfall on the coast of Texas and

Louisiana. In many towns and communities along the Gulf Coast we have been pleased, and even encouraged, by the progress being made. Like GAO's testimony, mine will focus mainly upon my work in Mississippi and Louisiana.

The President has made it abundantly clear that the vision and plans for rebuilding the entire Gulf Coast should take a "bottom-up" approach that starts from local and state leadership, not from Washington, D.C. Rebuilding should be an exercise in coordinated, thoughtful, and prudent planning, but not centralized planning.

In that spirit, Governors Blanco and Barbour brought together diverse and talented teams tasked with rebuilding their respective states. Governor Blanco formed the Louisiana Recovery Authority (LRA), and Governor Barbour formed the Mississippi Development Authority (MDA). My office has worked well and tirelessly with both the LRA and MDA to assist them in finding the best pathways to success and we will continue to do so until they no longer request our assistance. Although there are a number of immediate short-term needs, rebuilding cannot be seen in the short term – there must be a long-term vision of where each state wants to be five, ten, or twenty years from now, and a path must be drawn to get there from where we are today

When I first began this job there were two very decided problems: levees and housing. The Administration has worked diligently to get the necessary funds for both projects. I concur with GAO's assessment that these areas have received the "bulk of federal

rebuilding assistance" but would be careful to point out that without these building blocks, nothing else would be possible or, quite frankly, necessary.

LEVEES

From the beginning, the people of Louisiana all agreed that levees were paramount to the revitalization of New Orleans and the President made it clear that public safety is a 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. President Bush promised a better and stronger hurricane protection system and the current New Orleans levee system is far better than it was before Katrina. But our work is still ongoing. Specifically, the President requested and secured nearly $6 billion for the U.S. Army Corps of Engineers to repair and enhance the levees, and the entire hurricane protection system. The planned improvements will be the best, most comprehensive system ever known by New Orleans. The work includes higher levees, stronger floodwalls, perimeter protection, and greater interior drainage capability. For example, levees were re-constructed with erosion-resistant clay and floodwalls were repaired with more stable T-wall versus original I-wall construction. In addition, new erosion protection will be added to levees at several sites and additional pumping capacity and floodgates are being added at the outfall canals. The Corps has worked tirelessly since September of 2005 and, as a result, over 220 miles of levees and floodwalls have been repaired and restored and their work to further upgrade the system will continue for several years.

Because the initial cost estimates have proven too low given the rising cost of materials and labor in the area, the FY08 Budget contains proposed FY07 Supplemental language

to shift $1.3 billion originally allocated to 4th Supplemental work to 3rd Supplemental projects. The proposed shift in funds will allow work to continue on projects authorized prior to Hurricane Katrina while cost estimates for a higher level of protection are being revised. By this summer, the Corps plans to have actionable cost estimates for 100-year protection. The Administration's commitment to hurricane protection remains strong and, once these estimates are known, we plan to seek additional funds as necessary.

It should be noted, however, that hurricane and flood damage reduction systems have one primary purpose—to *reduce* risk. There will never be a guarantee that the risks are completely eliminated and this is especially true for areas (like New Orleans) that are below sea level. It is simply not possible to design a system that will eliminate all risk of flooding from every conceivable storm or track of storm imaginable. Each and every storm has its own unique characteristics, from storm surge, to wind speed, to length of storm. Given this reality, it is important for citizens to take precautions to safeguard their homes and their lives by utilizing safe building standards and adhering to at least the minimum required base flood elevations, carrying property and flood insurance, demanding a meaningful evacuation plan from their state and local officials, and following that evacuation plan when instructed to do so.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The most pressing need for federal assistance in both Louisiana and Mississippi was housing. The Community Development Block Grants (CDBG) program was chosen because it is a well-tested mechanism for long-term disaster recovery that provides a state

with the greatest flexibility in how funds may be spent. This flexibility is one of the primary attributes of the CDBG funds because it allows state leaders – those closest to the local issues – to make the decisions on where to best use the money.

In December 2005, as a part of the Department of Defense (DOD) Reallocation, Congress set aside $11.5 billion in Community Development Block Grants (CDBG) funds for the Gulf Coast. Of that initial $11.5 billion, Congress inserted language stating that no state shall receive more than 54% of the money and, thereby, allocated Louisiana $6.2 billion and Mississippi $5.1 billion. Once the Administration learned more about the unique flood vulnerability of Louisiana, the President requested, and Congress granted, an additional $4.2 billion in CDBG funding for Louisiana as a part of the supplemental package passed last June 2006. This appropriation brought Louisiana to a total of $10.4 billion in CDBG funding alone. In addition, Congress also used the June 2006 Supplemental to allocate an additional $1 billion in CDBG for the other four Gulf States (Alabama, Florida, Mississippi, and Texas).

Both Louisiana and Mississippi used their CDBG funds to establish a homeowner grants program to assist their citizenry in rebuilding. The Louisiana Recovery Authority established the Road Home Program and Mississippi utilized the Homeowner Assistance Program. As of April 2, 2007, the Road Home Program had 120,680 applicants and had closed on 5,444 homeowner applications, representing $394 million (6.3% of available funding) with an average grant of $72,287. For that same date, the Mississippi Development Authority showed 18,465 applicants (14,974 eligible) with 11,894 checks

issued to homeowners, representing $829 million (16.3% of available funding) with an average grant of $69,699. (See Attachment A)

FEMA PUBLIC ASSISTANCE

The Federal Emergency Management Agency's (FEMA) Public Assistance program helps communities by replenishing funds spent by those communities to rebuild public infrastructure. The funds are provided through the Disaster Relief Fund (DRF). In essence, once the President declares an event as a "major disaster", a county (or parish as is the case in Louisiana) can be eligible for Public Assistance from FEMA. The actual request for funds comes in the form of a Project Worksheet (PW). The FEMA regional teams work with the county (or parish) to survey the site and produce an "estimate" of the damages, which is detailed on a PW. This PW is then submitted into an internal regional FEMA review. In Louisiana it is submitted to the State for an additional review and then submitted to FEMA Headquarters for a final review. Once a PW is reviewed and approved, FEMA obligates the eligible funds back to the State. The State may then "draw down" these funds when an applicant submits an invoice for reimbursement.

At its core, the FEMA Public Assistance program is a reimbursement program and that has created some difficulties for some of the smaller, cash-poor areas. There are, however, payment advancements for Architecture and Design or Construction costs. If additional costs are discovered once the project is underway, FEMA must work again with the applicant to determine the value of the additional cost and submit a revised

estimate, or "version". This version then goes through the review process and, once approved, the new funding is deposited to be drawn down by the applicant upon request.

Historically, this process has worked well but the size and scale of Hurricanes Katrina and Rita made the program more sluggish than people along the Gulf Coast would like. To that end and at our urging, several months ago FEMA made significant changes in its operations in Louisiana and Mississippi in an effort to streamline processes and hasten the delivery of public assistance funding to applicants seeking to rebuild infrastructure. In Louisiana, for example, FEMA increased staffing of experienced personnel and added an experienced senior Public Assistance Officer dedicated to each parish. FEMA has also reduced average processing of grants from many months to several weeks, by removing bottlenecks and creating better reports to track the status and progress of project worksheets. Attached is a graph demonstrating the most recent PW funds status for both Louisiana and Mississippi (Attachment A). We also continue our work with our State partners so that they may find ways to expedite their respective processes as well.

ECONOMIC DEVELOPMENT

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 will help revitalize the region's economy by providing incentives for businesses to create new jobs and restore old ones. Some of the principal provisions included in the Gulf Opportunity Zone Act of 2005 include additional tax-exempt bond authority for both residential and nonresidential

property, expanding the low-income housing credit, bonus depreciation, expensing for certain demolition and clean-up costs, to name just a few. At the end of 2006, certain provisions for areas along the Gulf Coast that received the most significant damage to their housing stock were extended until 2010, providing an additional estimated $539 million in tax relief for the region over five years. Simply put, this law can help renew businesses, rebuild homes, and restore hope. We are confident that the GO Zone, in tandem with the entrepreneurial spirit of the Gulf Coast will go a long way toward restoring the economy.

We meet often with regional and national business leaders to promote the economic opportunities on the Gulf Coast. Last year, I joined Commerce Secretary Carlos Gutierrez in leading a delegation of business leaders to Louisiana and Mississippi on a "Gulf Coast Investment Mission" that highlighted investment opportunities, including Federal GO Zone tax incentives. The U.S. Department of Commerce's Economic Development Administration (EDA) has awarded forty-two investments totaling over $24 million to the Gulf Coast region since Katrina. The EDA and its partners estimate that these investments will generate more than $235 million in private capital investment and will create over 2,000 jobs. In addition, our office has collaborated with the Commerce's Minority Business Development Agency (MBDA) to host a series of Gulf Coast Business-to-Business Linkage Forums in New Orleans and in Biloxi, Mississippi, to promote joint ventures and teaming arrangements between Gulf Coast 8(a) firms and MBDA clients from outside of the region. These linkage forums are an effective tool in increasing the scale and capacity of small and minority-owned firms, such that these

businesses are better positioned to secure procurement opportunities relating to hurricane recovery and to rebuilding the Gulf Coast region.

Workforce development will also be critical to the region's long-term economic security and the Department of Labor (DOL) has been an active partner in the rebuilding. In December 2005, I joined the President and Secretary of Labor Elaine L. Chao in convening a meeting with labor leaders, civil rights groups, and business associations to discuss workforce initiatives and overall employment issues facing the region. Out of that meeting grew an ambitious public-private initiative, the "Pathways to Construction Employment" initiative, to prepare the workers of the region for pressing needs in the post-Katrina economy. As part of this initiative, the DOL has awarded $10 million that is projected to train nearly 8,000 new workers (2,900 from Louisiana and 4,800 from Mississippi) for careers in construction and skilled trades. This funding is in addition to the more than $350 million in other workforce-related aid that has flowed to the Gulf Coast from DOL.

Just two weeks ago, I joined the Assistant Secretary of Labor and a DOL technical assistance team that is working with a group of public and private stakeholders in Southeast Louisiana committed to implementing a regional economic development strategy aimed at diversifying their economy and creating more high-skill and high-wage opportunities for workers. This effort—a public-private initiative, driven entirely by local leadership, engaging the non-profit and private sectors, with focused, effective, and appropriate support from the Federal government—serves as a model for the kind of

collaboration that will ultimately be most fruitful in bringing about lasting change on the Gulf Coast.

CITY OF NEW ORLEANS

The GAO testimony accurately assesses the importance of the City of New Orleans' revitalization to Louisiana's overall economy and benefit. The City of New Orleans has engaged in several iterations of recovery planning over the last 18 months, the most comprehensive of which was the Unified New Orleans Plan, or UNOP, which engaged citizens – including still-displaced New Orleanians – and policy officials, as well as engineers and urban planners, in a five-month planning process that culminated in a city-wide recovery plan completed in January 2007 and now subject to review and approval by the City of New Orleans Planning Commission.

The City's Executive Director of Recovery Management, Dr. Edward Blakely, announced on March 29, 2007, the first phase of implementing the city-wide recovery plan. The total cost of this first phase is estimated at $1.1 billion, of which 60 percent is for city-wide infrastructure repairs and improvements and the remaining 40 percent is for targeted investment in 17 "Target Recovery Areas" throughout the city. The largest portion of the targeted funds ($145 million) will be used to redevelop and cluster homes, businesses, and services in two designated "Rebuild Areas" that are located in the Lower 9th Ward and New Orleans East. Although the financing for this $1.1 billion plan has not yet been secured, a defined plan is seen as a positive step for the city.

CONCLUSION

President Bush is committed to rebuilding the Gulf Coast—and rebuilding it better and stronger than it was before Hurricanes Katrina and Rita. A tremendous amount of progress has been achieved. And a tremendous amount of work still lies ahead. We move forward each day, determined to ensure that the Federal government continues to do its part to support and strengthen the State and local leaders who must drive this rebuilding effort.

I am confident that when history writes the book on Hurricanes Katrina and Rita, it will be a story of renewal. The Gulf Coast States and their leaders have a chance to restore their communities and revive hope and opportunity. I will continue to work with these leaders to ensure that we do not let this opportunity pass.

TESTIMONY OF DONNA FRAICHE,

MEMBER OF THE BOARD

OF THE

LOUISIANA RECOVERY AUTHORITY,

BEFORE THE

SUBCOMMITTEE ON DISASTER RECOVERY, COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS, U.S. SENATE

April 12, 2007

Madam Chair, Senator Stevens, and Members of the Subcommittee, my name is Donna Fraiche, and I am a long-time resident of New Orleans, Louisiana.

Thank you for inviting me to speak to you today on behalf of the Louisiana Recovery Authority about the progress of our recovery and the long-term challenges Louisiana is facing in the aftermath of Hurricanes Katrina and Rita– two of the most catastrophic and costly disasters in American history.

In October 2005, the Louisiana Recovery Authority, more commonly known as the "LRA," was established by an Executive Order of Governor Kathleen Blanco to plan and coordinate recovery efforts and special funding in the aftermath of these catastrophes. The State Legislature later codified the work of this body, and by way of Legislative statute established the LRA as the agency responsible for directing recovery policy throughout the region. As a volunteer member of this appointed Board, I serve as Chair of the LRA's Long-Term Community Planning Task Force.

In this capacity, it is my duty to guide long-term planning initiatives that will help us fulfill our mission to ensure that Louisiana rebuilds safer, stronger and smarter than before.

I serve as a volunteer on this Board, because I truly believe in this mission. With nearly 50 family members—some in Waveland, MS, some in St. Bernard, some in New Orleans—that were directly affected by the storms and I feel a very deep and personal commitment to my family members, and to the people of Louisiana to everything I can to further the progress of recovery.

The LRA's objectives cover a broad spectrum of sectors by foucising on four key areas of work: securing funding and other resources for the recovery; establishing principles and policies for redevelopment; leading long-term community and regional planning efforts; and ensuring transparency and accountability in the investment of recovery funds.

The LRA works in tandem with the state's Division of Administration's Office of Community Development (OCD), which is running the Road Home housing programs and is administering the delivery of the special Community Development Block Grant appropriations provided by Congress for Katrina and Rita recovery.

Together, our offices have worked closely with the US Department of Housing and Urban Development (HUD), Chairman Powell's office, the US Small Business Administration (SBA), state agencies, local government leaders and others in an effort to facilitate the recovery of south Louisiana. The opportunity to assist the citizens of the State of Louisiana in this massive recovery effort has been an honor for me, and a challenge that I will never forget.

I would like to begin by expressing our sincere gratitude to the Congress and the American people for their unprecedented generosity after the storms of 2005.

I would also like to personally thank the members of this committee who have traveled to Louisiana to witness the scale and magnitude of these disasters first hand.

As you know, Hurricane Katrina was by far the single most expensive disaster in American history. What you might not know is that the storm that hit us three weeks later—Hurricane Rita—ranks third on the all-time list.

Together, the storms—and the failure of the federal levee system which flooded an area nine times the size of Washington, DC—caused an estimated $100 billion dollars in damages to homes, property, businesses and infrastructure in Louisiana alone.

Now, about $40 billion dollars of these losses are covered by private hazard and flood insurance, and we also recognize and are sincerely thankful for the estimated $26 billion that has been allocated to the State to help us rebuild our homes and physical infrastructure. There is a huge and obvious $34 billion gap in funding that is absolutely necessary to rebuild south Louisiana.

If this number is surprising to you, let me take a moment to explain how we arrived at this estimate.

In response to the 2005 hurricane season, the Federal government committed nearly $110 billion for disaster recovery. This was spread out over five of the Gulf States , in response to the three major storms that devastated the Gulf Coast in 2005.[1]

While not all of this has been obligated, we estimate roughly $59 billion in federal recovery funds have been committed to Louisiana. While this level of funding is unprecedented, its important you realize that the magnitude of these disasters was also unprecedented. As a result of hurricanes Katrina and Rita and the failure of the federal levee system, Louisiana sustained nearly 77 percent of the Gulf Coast's total housing damages. 22 parishes across south Louisiana were declared disasters, which impacted a population of more than 2 million people.

Of the $59 billion that has been committed to Louisiana, more than half of this was used to fund immediate disaster relief services such as health care, individual assistance to victims, SBA loans and grants and insurance payments made to policyholders—like my mother—who have paid into the National Flood Insurance Program their whole lives..

As I mentioned, this leaves approximately $26.4 billion that is available to Louisiana for rebuilding and construction projects.

But even with this we still have a gap of $34 billion dollars… or put another way, that's about $20,000 in UNRECOVERED losses for every household in the state.

This funding gap does NOT include the 127,000 jobs and 4,000 businesses in Southeast Louisiana that haven't come back, which shrunk Louisiana's economy by $11.5 billion last year.

Nor does this gap account for all of the emergency and social service costs that have incurred and continue growing each day. .

So while federal aid and private donations have been unprecedented, Louisiana still has enormous unmet needs and we will need the Congress' continued strong support going forward.

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[1] This includes Alabama, Florida, Louisiana, Mississippi and Texas which were impacted by hurricanes Katrina, Rita and/ or Wilma.

But you have called today's hearing to focus on the progress of our recovery, the long-term challenges Louisiana is facing, and proposed solutions to these challenges, so let me address that now.

Louisiana is no stranger to adversity or tragedy. Since Hernando de Soto claimed the territory for Spain in 1541, the region has weathered French, Spanish, British and American successions, the War of 1812, the Civil War, Reconstruction, the yellow fever epidemic, the flood of 1927 and hurricanes Betsy and Camille. And, still, the destruction of hurricanes Katrina and Rita wreaked unprecedented havoc on the state.

The hurricanes struck the Gulf Coast, less than four weeks apart, damaging more than 200,000 homes, 81,000 businesses and 870 schools, taking nearly 1,500 lives and initially displacing more than 1.3 million Louisiana residents. Together the two storms and the failure of the federal levee systems in the Greater New Orleans area left behind a legacy of destruction that will exert its impact on Louisiana and the U. S. for generations.

Housing

In the months immediately following the disasters, the LRA began working to lay the foundation for Louisiana's recovery by focusing its efforts on the restoration of Louisiana's devastated housing stock. Working in tandem with the state's Division of Administration's Office of Community Development (OCD), the LRA developed the broad policies for the Road Home program, which is now the largest single housing program ever created. Through our program, eligible homeowners who suffered damage from Hurricane Rita or Katrina may receive up to $150,000 in compensation for their losses to help them get back in their home. As mandated by the federal law, we must deduct insurance benefits and FEMA assistance from their grant. For homeowners to qualify for assistance through The Road Home program:

- They must have owned and occupied the home as their main residence at the time of Hurricane Katrina or Rita

- The home must be a single- or double-unit structure (this includes duplexes where the owner resides in one of the units)
- The property must have sustained at least $5200 in damage from hurricanes Katrina or Rita
- Homeowners who were uninsured but should have carried insurance (for example, those who lived in a flood plain but did not have flood insurance) are eligible for the program, but they will incur a 30 % penalty.

Through The Road Home, eligible homeowners have three compensation options:

- Stay and repair or rebuild your home
- Sell home to the state and relocate elsewhere in Louisiana
- Sell home to the state and relinquish status as homeowner thereby incurring a 40% award penalty

In Louisiana, recovery was about rebuilding housing stock and bringing people home. For that reason, we included a provision in the Road Home that gave people incentive to return to Louisiana by providing funding eligibility based on full-market value if they came back to the state, but only 60% of market value if they decide to sell their home to the program and move elsewhere. This provision is important to the rebirth of south Louisiana. And all Road Home participants are provided with a choice of all options – including ones that do provide full market value if they return home. In addition, homeowners may receive the full award and still move if they "assign" their rights to the grant to a new purchaser who agrees to comply with all program requirements.

For those pioneers that used their own resources to begin repairs and are already back in their homes, the owner is still eligible to apply, provided the initial eligibility criteria are met. Road Home compensation benefits are determined by calculating the lesser of the uncompensated damage cost or the uncompensated loss of value up to $150,000.

One of the most difficult challenges we faced in designing the Road Home program – both the homeowner and small rental programs – has been dealing with certain federal regulations that can hamstring recovery programs. Although Congress appropriated the CDBG funds to give us the resources we needed to repair and rebuild the damaged homes of Louisianan's impacted by Katrina

and Rita, a repair program like the one we envisioned when we first went to Washington would have been subject to time-consuming, expensive, and cumbersome environmental reviews. These environmental reviews may be appropriate for highway construction and other major construction efforts and may even seem manageable when a state or city is doing a few dozen housing rehabs for low income families. However, they are cumbersome, time consuming, and expense, and therefore inappropriate for repairing and rebuilding 123,000 houses which will occupy the same footprint they did before the storms. They should have been waived by Congress when these programs were funded. Not desiring to subject our citizens to these unnecessary and costly burdens, the Road Home program was reinvented as a "compensation" program, providing compensation grants, forgivable compensation loans for low income families, and elevation grants for homeowners who will agree to live in an elevated home (rather than being paid to elevate). This redesign of our program was unfortunately necessary so the program could be implemented as quickly as possible, but this new program design still requires us follow many cumbersome CDBG regulations and has meant that we have had to be creative in order to run a program that meets our goals.

Another area where red tape has limited our efficiency and progress relates to our use of Hazard Mitigation Grant Program (HMGP) funds in support of the Road Home housing program as required by Chairman Powell. The State did not want to use HMGP monies in this way – but we were told the Administration would not support our request for CDBG funding at the level needed, and instructed us to use HMGP to fill our funding gap, even though we were concerned about the red tape associated with it. As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the Road Home program.

Much of this bureaucracy would be eliminated if Congress directed FEMA to approve our use of HMGP toward the Road Home program or if Congress moved the funds to HUD for implementation. Considering HUD has already approved our program and our proposed use of funds, this route may avoid a time consuming attempt to amend the Stafford Act. We urge Congress to act quickly on this issue on our behalf, since FEMA has been unwilling to do so.

The estimated cost of damage is based on a home evaluation. To determine the estimated cost of damage, a home evaluator will visit the home, assess the damage, work in progress, or completed work to estimate the overall hurricane-related damage inflicted on the home. To determine the pre-

storm value, homeowners may provide an "arm's length" appraisal (i.e., an appraisal ordered by a lender in conjunction with a loan, not an appraisal ordered by the homeowner) that was completed from January 1, 2000, up to the day before one of the hurricanes affected the homeowner (August 28, 2005, or September 23, 2005). These appraisals will be adjusted to reflect the market rate as of the second quarter of 2005, using figures released by Office of Federal Housing Enterprise Oversight.

Homeowners may also provide an appraisal that was performed post-Katrina or post-Rita to determine the pre-storm value of the home. If an arm's length appraisal is provided, the pre-storm value will be based on the appraisal. If an appraisal is not provided, The Road Home program will determine pre-storm value through alternative data sources.

The compensation grant does not need to be repaid provided the covenant requirements are met including agreeing to:

- Remain in the property for three years (five years if a forgivable compensation loan is received) and use the property as its primary residence.
- Comply with Advisory Base Flood Elevation guidelines (if the residence sustained 51% or more damage according to the local municipality).
- Maintain flood insurance (if in a floodplain) and hazard insurance.
- Ensure that construction complies with building codes.
- A homeowner will sign the covenant at closing. A homeowner may choose to assign the covenant requirements to another homeowner.
- If a homeowner receives a forgivable compensation loan, they are required to maintain owner-occupancy for five years. The homeowner cannot assign the five-year owner-occupancy requirement. If the owner moves out of the home prior to fulfilling that requirement, he or she must pay back the affordable compensation loan on a prorated basis.

We estimate more than 120,000 homeowners are eligible for the program funded by $6.375 billion in Community Development Block Grants and $1.125 billion in Stafford Act Hazard Mitigation Grant Program funds.

For a moment, I should outline the road we traveled to get this program funded in a way that would provide assistance for everyone that needed it to get back in their home – regardless of whether they had insurance or were inside or outside of the flood plain.

In December of 2005, Congress approved $11.5 billion in supplemental appropriations for the Gulf Coast [P.L. 109-148][2]. When this legislation passed, it was approved with a provision capping funding for any one state at no more than 54% of the total appropriated – even though Louisiana received 75-80% of the total damages from Katrina and Rita.

This situation resulted in Louisiana receiving $6.2 billion in assistance, as compared to $5 billion for Mississippi, which experienced a far smaller proportion of total losses. When the State was notified of its $6.2 billion allocation of the supplemental appropriations, we were grateful and appreciative. However, we notified Congress and the White House that that level of funding was insufficient to meet our housing needs in the State of Louisiana, and that additional funding would be needed.

While the White House requested an additional $4.2 billion on February 15th 2006, it took Congress another four months to provide a second supplemental appropriation for the Gulf Coast[3], with hundreds of thousands of Louisiana citizens living in trailers all the while. Once again, however, Congress limited any one state from receiving more than $4.2 billion, once again prohibiting HUD from being able to use its discretion to allocate funds based on the comparative damage levels in each state affected by the storms which would have resulted in Louisiana in receiving an even larger appropriation.

Let me address something we hear about quite often – the comparisons between Mississippi's progress and Louisiana's progress and between Mississippi's program and Louisiana's program. I want to be very clear on this. If we had designed an identical program to theirs, we would have chosen to exclude anyone living in a flood zone. That would have meant some of the most deserving homeowners – those who lost their houses due to the failures of federal levees – in

[2] P.L. 109-148 was signed by President Bush on December 30, 2005, and a notice of award was published by the U.S. Department of Housing and Urban Development (HUD) on January 25, 2006.
[3] P.L. 109-234, which was signed by the President on June 15, 2006, and a notice of award was published by HUD on July 11, 2006.

Gentilly, Lakeview, the Lower Ninth Ward, St. Bernard Parish and Cameron Parish in Southwest Louisiana would have been excluded and left with nothing.

Nor could our low-income families – of which we have a substantial percentage – afford to wait until a second round of homeowner assistance was developed that provided extra assistance to those families with incomes below 80% of the median. Although it added another calculation and verification step to our process, forgivable compensation loans of up to $50,000 for low-income families have been part of our program since its inception.

But as I alluded to earlier, the chief difference between our program and that of our neighbors to the east comes down to one thing. Mississippi's housing program received full funding in December of 2005, while Louisiana waited six more months before our program was fully funded.

So here we are, seven and a half months later. Let me outline the action taken since then:

- The same week we received program approval from HUD, the state's Division of Administration signed contractor ICF International to implement to Road Home program.
- The company set up 10 housing centers throughout the State of Louisiana and another in Houston, Texas. In Louisiana they are in Calcasieu, Cameron, East Baton Rouge, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Terrebonne, and Vermilion parishes.
- More than 123,000 applications have been received and recorded.
- Housing counselors have conducted almost 95,000 in-person appointments with applicants.
- Almost 62,000 benefits have been calculated totaling $4.7 billion with grants averaging about $76,000.
- Out of the more than 26,000 homeowners that have returned their award letters, nearly 23,000 have chosen to stay and rebuild in Louisiana. To date, almost 7,000 homeowners have closed on their grants.

But we would not be here today if this process were free of roadblocks and hard times. The greatest challenge we are facing relates to the most important step of all – the actual award closing.

To that end, we are continuing to apply pressure to ICF, insurers and lenders to address roadblocks and expedite the verification and closing process as much as possible, and have spent considerable time and effort to make sure that required data sharing with FEMA and SBA can occur effectively.

But as I have learned in my brief career in government, nothing is as simple as it might appear.

We did in fact receive full funding for the program in June of 2006. But those funds came down to us in Louisiana wrapped in red tape with strings leading back here to Washington. I discussed much of this bureaucratic inertia before Senator Lieberman's Committee on Homeland Security and Governmental Affairs during their field hearing in New Orleans in January and received commitments from the Chairman, Senator Landrieu and Senator Obama to explore what options we have for eliminating some of these barriers to our recovery. Senator Landrieu has been leading much of this fight on our behalf for some time now.

One particular area that should be addressed immediately is the SBA's failure to distinguish the difference between a grant and a loan. Although SBA's loans were every bit as slow in coming to our homeowners in the months after the storms as these Road Home grants, many Louisiana families have now received them and are taking advantage of the SBA's lower interest rates on the capital they need to repair and rebuild. As any loan, the borrower signs a binding contract to repay the government this money. However, under regulations of the SBA, if a homeowner receives a grant to rebuild, it must use those funds to repay the SBA, placing a homeowner in a situation again of limiting their resources to rebuild. Since our grant program provides only a portion of the funds

Even the SBA Administrator has admitted that a subsidized-interest-rate loan is not the same thing as a grant, and that a borrower – regardless of the grant – has an obligation to repay the loan note. Nonetheless, SBA has not adjusted their policy. Homeowners going to closing today are having their grant amounts reduced to repay this money back to the federal government immediately, even though they may need it to complete their repairs and have an ongoing responsibility to the federal government (which has already budgeted for these loans) to repay the note with interest.

Another one of the most stringent delays of the program has come from federal requirements that a homeowner's insurance benefits and the Federal Emergency Management Agency's (FEMA) assistance for structural damage must be deducted from our calculation of a homeowner's grant assistance. The deduction of insurance and FEMA funds designed to prevent a "duplication of benefits" are two examples of deductions and corresponding verifications that we have no choice

but to include in our program design, but that are taking significant resources and time in order to comply with when attempting to move as quickly as possible to provide assistance to homeowners.

Road Home Rental Programs

Across southern Louisiana, approximately 82,000 rental housing units received major or severe damage from Hurricanes Katrina and Rita. Replacement of the damaged or destroyed rental housing in the hurricane ravaged areas is vital to the return of families and a strong workforce, and is a lynchpin of Louisiana's recovery.

All sectors of the economy have reported a workforce shortage due to a lack of affordable housing. Rental housing stock is also imperative to support the return of the high portion of residents that were renters prior to the storms, particularly in New Orleans, as well as the return of homeowners transitioning into repaired and rebuilt homes over the coming months. The repair of rental housing will also help to stabilize soaring rental rates, and help to stabilize communities through reducing blight.

For these reasons, the LRA in close coordination with OCD designed several programs to support the redevelopment of rental housing in storm-impacted areas. Recognizing that the funds available would only rebuild a portion of the units lost due to the hurricanes, the LRA allocated funds for the Workforce and Affordable Rental Programs by formula to ensure that those parishes with the most damaged or destroyed rental housing stock would have adequate resources to replace significant numbers of affordable rental units. Resources are also allocated in a way to prioritize affordability and mixed-income development goals, and to produce units in all ranges of affordability. The Road Home Workforce and Affordable Rental Housing Programs have four broad goals:

- To ensure that the workforce needed to accommodate full economic recovery has access to affordable rental housing;
- To provide affordable rental housing to low income households who could not otherwise afford to return to their communities;
- To ensure that affordable rental housing is provided in the context of high-quality, sustainable mixed-income communities, and

- To ensure that a portion of affordable rental units will host supportive services for families with special needs or high risks following extended displacement.

To support the programs, the State has set aside a total of $1.5 billion in CDBG funds, which will supplement the estimated $1.7 billion worth of private investments triggered by Congress's expansion of the Low Income Housing Tax Credit (LIHTC) program in the GO Zone legislation. Through the CDBG and LIHTC investments in rental housing, we hope to create an estimated 35,000 units in a broad mixture of deeply affordable units, mixed income development, and 1 to 4 unit rental properties. Of CDBG programs, the LRA has designated $667 million for the Low Income Tax Credit "Piggyback" Program and $869 million for the Small Rental Property Program.

Low-Income Housing Tax Credit (LIHTC) and LIHTC "Piggyback" Program

Through legislation creating the GO Zone, Congress authorized a special allocation of Low Income Housing Tax Credits (LIHTC) to repair and construct affordable rental housing. The LRA made $667 million in CBDG funds through the Piggyback Program, which will be paired with LIHTC, to make feasible mixed income development, deeply affordable units, and units for the elderly and disabled in permanent supportive housing—characteristics not usually found in LIHTC financed developments.

To date, the Louisiana Housing Finance Agency (LHFA), which is the housing finance agency for the state, in conjunction with the LRA and the Louisiana Division of Administration's OCD have worked to allocate 2006 GO Zone Credits and to forward allocate approximately $186 million in 2007 and 2008 GO Zone tax credits. The total development cost of these transactions is approximately $2.7 billion and is expected to yield 17,000 units of rental housing. The last round was awarded in December 2006, and is required to be placed in service by December 31, 2008.

A portion of these LIHTC credits in the 2007 and 2008 rounds were awarded on December 13 along with $440 million in CDBG funds through the Piggyback to provide gap financing and Project Based Rental Assistance in order to assist 33 projects. These projects will create more than 5,700 new rental units in storm damaged areas.

- These include redevelopment of four storm-impacted public housing developments. One of these housing projects will also be producing 244 single family homes for middle income purchasers, bringing the total number of units in these developments to 5,981.
- 26 of these developments will be mixed income projects serving a range of residents including both extremely low income households and market rate tenants.
- In most cases, these mixed income developments will contain at least 60% market rate units and at least 20% deeply targeted units – affordable to households earning less than 40% of the Area Median Income.
- In a few instances, most notably in the redevelopment of Public Housing projects, a second mixed income model was used. In these developments at least 30% of the units were market rate and no more than 33% were deeply targeted units.

The Piggyback Program will also help special-needs populations achieve stable housing and successful lives by providing incentives for developers to create Permanent Supportive Housing (PSH) units. All of the developments in assisted with in the 2007 and 2008 rounds will provide at least 5% of their units for Permanent Supportive Housing (PSH). Many will provide more PSH units than the required set aside. This effort represents the first major development of PSH in the State of Louisiana and the very first PSH units to be provided in mixed income settings. The program aimed to support an estimated 3,000 units with supportive housing services. Other HUD programs such as the McKinney Vento Act, Project Based Section 8 Vouchers, Section 811, and Section 202 program funds will supplement supportive efforts.

While PSH units will be created through the Small Rental Property Program, the need for vouchers for supportive housing units that can be integrated throughout the community remains. PSH households will require rents affordable for households at 30% AMI down to zero income. Vouchers will be needed to bridge the rent-gap between these affordable units and units that may be underwritten to support rents at the 50% to 80% AMI level.

Project Based Vouchers and Permanent Supportive Housing

As discussed above, the need for housing units that can support those with significant disabilities and the homeless is critical for the recovery and for the healthcare delivery system in the affected

areas of Louisiana. The State has made a commitment to 3,000 units of PSH that are designed for this purpose. The Road Home program expects to rebuild as many as 35,000 rental units but as many of these as possible that can be for supportive housing where they are integrated within the broader community is an important goal as well. Throughout this process, we've worked closely with local and national advocates who are strongly in favor of the commitment the LRA and the State has made.

The State's plan is going to require vouchers with flexibility that can be attached to units as they are developed. These vouchers, called project-based vouchers, enable rents for units to be subsidized down to a level that is affordable for this population of special needs individuals. To meet this goal of 3,000 units throughout the affected parishes where rebuild is occurring, the State will need an additional 3,000 project based vouchers to be committed to the State of Louisiana for allocation to these new units. In order for this recovery to be accessible to all Louisianans who are displaced, especially those with special needs, PSH and the funding for rent subsidies are critical. For that reason, we ask Congress to award through HUD an additional 3,000 housing vouchers.

Small Rental Property Program

Before the disaster, a large portion of low to moderate income working families resided in single-family homes, "doubles" and small, multi-family buildings with four or fewer units that were owned and operated by small-scale landlords, especially in New Orleans where an estimated 70% of rental property was owned by small landlords. In the wake of the storms, it became clear that an unprecedented number of these small, rental properties had been destroyed or severely damaged and were at severe risk of becoming blighted after the storm. For many renters, especially in and around New Orleans, housing was not affordable prior to the storms. According to the 2000 census, over two-thirds of the very low income households, households earning less than 30% AMI, paid over 30% of their incomes for rent, the HUD standard for affordability.

The Small Rental Property Program will provide gap financing in the amount of $869 million, including administrative costs, for the repair of an estimated 18,000 small rental units. In doing so, the program will provide safe and affordable rental housing for working families. The funding will

be split among the 13 most impacted parishes according to each parish's documented damage to rental units.

The gap financing will enable repairs to occur and limit the amount of debt and debt service required for properties, so that the owners will be able to charge affordable rents. The program will also prevent blight by rebuilding damaged properties and will stabilize rents in traditional neighborhoods by increasing the supply of housing.

The first round of the program was launched on January 29th, and ended March 15th for as much as $200 million in funding. Award letters will be released in the next few weeks, and the second round will commence immediately thereafter. As the program does not have enough resources to fund all damaged properties, the program currently anticipates a number of rounds of funding to give small landlords multiple opportunities to apply. Multiple rounds will also allow for the program to change award incentives as the results of each round are assessed.

The program will be limited to property owners who owned the unit before the storm, and will provide priority to owner-occupied properties who are not eligible for the Homeowner Program, namely, owner occupants of 3 and 4 unit buildings. The program is limited to 1 to 4 unit rental properties.

On a competitive basis, the program will provide from $18,000 to $72,000 per rental unit. The size of the incentive is determined by the level of affordability provided and the size of the unit. In exchange for accepting financial incentives, property owners will be required to provide affordable rents for households earning at or below 80% AMI. Rents are affordable if they comprise less than 30% of a household's income. Incentives available will be in three tiers based on the income level of the tenants to be served. The maximum amount of subsidy will go to rental units where rents are affordable for households with incomes at or below 50% AMI. Landlords may also choose to apply to the program and propose to charge rents affordable to households at or below 80% AMI, or at or below 65% AMI. The incentive award is in the form of a no payment, forgivable loan at 0% interest, due only upon resale of the property or failure to comply with the agreed-upon restrictions on rents and household incomes during the specified commitment period.

An exception to the rule of pre-storm ownership will be allowed for non-profit entities. There will be a 5% set-aside for non-profits. While non-profits will be allowed to have purchased units since the hurricane, they will be required to provide an affordable unit for twenty years. In addition, non-profits will be in a position to provide units to house supportive services.

First Time Homebuyer Program

Recognizing that households who were renters before the storm could benefit from home ownership, a first time homebuyers pilot program will be created by the Louisiana Housing Finance Agency to allow low- and moderate-income homebuyers to purchase damaged properties and to carry the home through the repair process. The pilot program will be funded through the budget for the Small Rental Property Program through a $40 million set aside. The program will be available in the early spring.

Bringing Residents Home

Rental Registry:

Because the replacement of rental housing will fall far short of the rental housing lost due to insufficient resources, and many residents displaced by hurricanes Rita and Katrina are far from home and inadequately housed, the State is giving priority placement to hurricane displaced residents for all subsidized rental housing units. A total of $2 million in CDBG funds has been budgeted to provide the following resources to displaced renters to help facilitate their return home.

Louisiana has initiated a Call Center and Homeowner Registry to allow former homeowners to indicate their interest in returning to their neighborhoods and investing in their homes. Eligible renters will be notified by mail, telephone, and the www.LouisianaRebuilds.info web portal to the greatest extent possible of the opportunity to access rental information, rental support and other needs for returning citizens.

From www.LousianaRebuilds.info , renters are referred to a web database, www.LAHousingSearch.org, where affordable rental housing is listed, and where they can access

applications for income-assisted housing. www.LAHousingSearch.org is sponsored by the Louisiana Department of Health & Hospitals and the Louisiana Housing Finance Agency and is a free, online, searchable registry of housing in Louisiana. Landlords can list properties and benefit from the statewide marketing campaign. Renters may use the site to identify housing and features, both rental and for-sale. Any property owner will be able to list available properties, but units available through the Small Rental Property Program and all units providing supported services will be automatically listed.

Vouchers:

The storm left thousands of residents displaced not only across the state, but in communities across the country. The GO Zone LIHTC allocations, Piggyback Program, and Small Rental Property Program are creating units that will rebuild housing units and should help bring rents down, but units won't be replaced on a significant scale for another year to well over two years. During the rebuilding period, returning home isn't accessible to the middle and lower income tier families unless they are able to secure a FEMA travel trailer site. Citizens who desire to move back and are able to afford their pre-storm rent levels still have difficulty moving home because of a limited housing supply and high rents. Resources to fund a flexible rent subsidy tied to the areas with most displacement would help to provide a stable housing for displaced citizens and transition people home as housing is replaced.

Even those who have a housing option, a job waiting, and the means to pay rent in Louisiana have no way to return. There are hundreds of available units awaiting former public housing residents who have no means to obtain transportation home. FEMA paid to bus families away after the storm, but has not agreed to fully cover their costs of returning home. The need for transportation assistance would enable these residents to begin their journey home, reestablish their links to their communities, and reestablish their careers.

Extension of Placed in Service Date for GO Zone LIHTC's:

The GO Zone LIHTC and CDBG funding for recovery has given Louisiana the opportunity to replace a portion of its lost rental housing stock. Nevertheless, the hurricanes continue to hinder our ability to rebuild housing nearly two years later. Increased construction costs, labor costs, utility costs, and insurance costs have made tax credit projects underwritten last year unfeasible and threaten their viability. Not only do stalled projects risk not being constructed, but the lack of construction is a real deterrent to other private investment.

Current law requires projects receiving 2007 and 2008 GO Zone tax credits with a 30% increase in qualified basis and located outside of the designated qualified census tract to be placed in service on or before December 31, 2008. Approximately 65% of the units receiving tax credits in the GO Zone, underwritten with the increase in qualified basis, are at risk of losing the very credits required for viability if these deadlines are missed. To insure that the units at risk are successfully developed, the LRA, along with the LHFA and its nonprofit partners, the Louisiana Association of Nonprofit Organizations (LANO) and the New Orleans Neighborhood Development Collaborative (NONDC), are requesting Congress to extend the December 31, 2007 placed in service deadline to December 31, 2009, and to extend the December 2008 placed in service deadline to December 31, 2010.

Per Capita Tax Credits:

In addition, Louisiana receives approximately $8.6 million of Per Capita tax credits annually to satisfy the housing needs of the state. However, Hurricanes Katrina and Rita displaced tens of thousands of households in the GO Zone and distorted the supply and demand balance for affordable housing throughout the entire state. Because GO Zone credits can only be used in Difficult Development Areas within the GO Zone, there is an immediate need for additional Per Capita tax credits to fund the housing needs of people who fled the GO Zone and are now living and working in other regions of the state. To meet the increased demand for housing in non-GO Zone areas of the state, we are also recommending that Congress increase the state's annual Per Capita allocation of low-income housing tax credits from $8.6 million annually to $17.2 million annually for the next five years.

Insurance:

Louisiana is also experiencing increases in the cost of insuring single family homes and rental housing developments. We have preliminarily estimated that insurance premiums have increased one-and-one-half to two times the pre-hurricane rate in the wake of Hurricanes Katrina and Rita. These increases have placed a tremendous burden on home buyers, homeowners and rental housing developers, and especially low- to moderate-income residents.

To help reduce the increased cost of homeowner insurance, a portion of the interest on mortgage loans financed with the LHFA's $236 million of single family mortgage bonds issued during 2006 was allocated directly back to low-income borrower's insurance escrow account as an insurance premium increase offset. The Insurance Premium Offset program deposits up to $165.00 per month into a low-income borrower's escrow account to help take the sting out of higher insurance premiums—as well as providing 30-year fixed rate interest rates, prior to the 2% rebate, at 4.5%.

The LHFA, along with the LRA and OCD, is currently working to develop a similar program for rental housing developers. We are most concerned with the ability of rental housing developments with debt service coverage ratios of 1.2 or less to absorb the higher insurance premiums. Approximately 30 to 35 projects fall within this category of the 240 projects in our pipeline. This represents approximately 2,800 to 3,000 of the 17,000 tax credit units approved for development.

Healthcare:

The damage to the state's health care system was equally severe. In Louisiana alone, Hurricanes Katrina and Rita initially closed thirty hospitals; the doors to ten hospitals remain shut, including seven in New Orleans.

Health care providers are included in the economic interruption alluded to earlier, succumbing to the same factors that have prevented the resurrection of local retailers, law firms or restaurateurs. Physicians and hospital executives alike have joined the stream of business owners testifying to the Louisiana Recovery Authority (LRA) on the challenges facing their enterprises in recovery.

To quantify the impact of that destruction on the health care delivery system as a whole, consider the data offered by the Louisiana Business Recovery Report, the most comprehensive survey of

business activity since the storms that was recently released by the LRA and conducted by LSU. The report indicates a 41.3% decline in the number of health care service providers open in Orleans Parish between the summer of 2005 and the summer of 2006. Inclusive of firms of all types, from independent pediatric practices to orthopedic specialist groups to acute care hospitals, this decline is indicative of the general reduction in available health care services across storm-affected areas.

So while federal aid and private donations have been unprecedented, Louisiana still has unprecedented needs and we will need the Congress's continued strong support going forward.

The LRA prioritized the immediate restoration of health care services in New Orleans and across Louisiana. The LRA was responsible for recommending to Governor Blanco and the Louisiana Legislature the allocation of approximately $220 million in emergency Social Services Block Grants provided by Congress to support diverse human services for victims of Katrina and Rita, designating $101.7 million for the creation and restoration of health care services in the affected areas. Of that total, $80 million was allocated for behavioral health services, including mental health care, substance abuse treatment, and community-based services for storm victims with developmental disabilities. The remaining $21 million support the restoration of primary care services, going primarily to restore services the safety net community facilities that uninsured patients depend on.

To sustain the services of the LSU health system in the interim, another $57 million in SSBG funds were allocated to the LSU Health Sciences Center and the LSU Health Care Services Division to support the maintenance of essential safety net health care services in the hurricane-damaged areas, and to sustain and restore operation of LSU medical education programs.
The LRA provided the 10% match for state and local government infrastructure restoration under the FEMA Public Assistance program, including public health care facilities.

The LRA has also recommended allocations of CDBG funds to support the construction of two critical hospitals in the most parishes most devastated by Katrina and Rita. First, the LRA authorized the use of approximately $6 million in CDBG funds to help finance- the new $22 million South Cameron Memorial Hospital, the only hospital in the parish and one which has been designated a critical access facility.

Second, perhaps most critical to the long-term resurgence of the health care system in the New Orleans region will be the LRA's recommendation of $300 million in CDBG funds to support land acquisition, planning and construction start-up costs for a new academic medical center in the downtown medical district. The new teaching hospital will serve as the home to LSU's dynamic medical training programs; will anchor the region's emerging biosciences economy and push for National Cancer Institute Designation; and will offer high-quality, efficient medical centers of excellence to patients of all incomes. We also anticipate it will be part of an exciting joint venture with the Veteran's Administration, in which the hospitals will be built side-by-side and share many services.

The LRA also used CDBG funding to address the medical professional supply shortage, creating the Recovery Workforce Training Program in the summer of 2006. One of six economic sectors covered by the program, the health care workforce training opportunities generated by the workforce training program will ultimately receive an estimated $14 million in CDBG support.

For Louisiana citizens, however, access to health care services in the wake of Katrina and Rita exceeded the reach of state-generated programs, making the federal response to date critical. The $2 billion delivered by the Deficit Reduction Act in February 2006 relieved states of one of the more pressing challenges they faced in the aftermath of Katrina—providing funding to displaced citizens who were relocated after the storms. The DRA funds and the related Medicaid demonstration waiver showed a welcome recognition of the fact that the effects of natural disasters are not confined to physical destruction in a given geographic region. The resulting allocation of nearly $700 million to the Louisiana Medicaid program, combined with the allocation of an additional $132 million for uncompensated services delivered by private providers, guaranteed the continuity of health care services to the most vulnerable storm victims in the months following the storm.

Unfortunately, such unique initiatives did little more than pay for temporary services for storm victims, and they have proven to be insufficient to restore consistent health care access in the affected communities. The DRA services payments have done little to alleviate the severe financial pressures of operating in the post-Katrina and Rita environment. Health care providers in and around the affected areas face very real increased costs of doing business in the post-storm

environment, costs that have prevented the return of many providers and continue to disable the system and limit the access of all patients to critical, consistent health care.

Chief among those systemic financial pressures is labor costs, driven skyward by the perpetual labor shortage that has grown to crisis mode in the most affected regions. The labor shortage debilitates recovering providers in ways that go far beyond elevated costs resulting from simple supply and demand economics. The delayed restoration of services at LSU University Hospital, which has been unable to open the number of beds physically prepared for patient care by the fact that it administrators cannot find sufficient staffing, has exacerbated the burden of uninsured patients on private hospitals and independent providers. Without that traditional anchor of the region's safety net system, uninsured patients are left to seek care from other providers.

The Governor and state legislature stepped in to provide additional support our health care providers by allocating $120 million in state general funds to cover these uncompensated care costs since the expiration of federal assistance through the Deficit Reduction Act (DRA).

But additional federal resources are required to help restore access to quality health care in our devastated communities, and we had hoped that the distribution of Category IV funds of the DRA would have been of greater assistance.

The LRA and Dr. Fred Cerise, Secretary of Health and Hospitals, began making requests in the Spring of 2006 for assistance under Category IV, a provision of the DRA that Congress created to grant flexible funding for the restoration of health care access in the communities devastated by Hurricane Katrina.

Secretary of Health and Human Services Michael Leavitt has demonstrated a strong commitment to helping Louisiana to improve its health care delivery system. Louisiana providers and policymakers willingly joined Secretary Leavitt in an intensive effort to craft a long-term health care financing redesign model over the course of 2006. In fact, Dr. Norman Francis, chairman of the LRA Board of Directors, joined Governor Kathleen Babineaux Blanco and Secretary Leavitt as the primary signers of the charter creating the initiative.

Yet while participants in the redesign efforts focused their efforts on long-term changes, the immediate recovery needs of providers in the affected areas continued to compound. Funding to restore health care access in the areas most heavily affected, authorized under Category IV of the DRA, did not come until February 2007, a harmful delay.

Then, when CMS finally acted on Category IV allocations in February 2007, the total amount of funding and the state-by-state distribution of those funds—with Louisiana receiving only 45% of the allocation—was inconsistent with the scale and scope of the devastation wreaked by Katrina to Gulf Coast health care systems.

Recall that in Louisiana alone, Hurricanes Katrina and Rita initially closed thirty hospitals; the doors to ten hospitals remain shut, including seven in New Orleans, as a result of physical damage, provider supply and other cost factors.

In the allocation made this past February, CMS opted to distribute adjustments for increased labor costs among Medicare providers using proportions of 2005 Medicare payments made to providers in the affected areas, distributing to Louisiana only 45% of $160 million. Such a distribution method has no connection to the current financial pressures impacting post-Katrina health care supply in the Gulf Coast.

It is simply not appropriate to base the distribution of Category IV funds designed to support the restoration of health care access on the distribution of population when the devastation of the health care service capacity and supply should be the determinant.

One particular area where Louisiana's health care system has faced enormous increases in costs has been in the provision of an adequate labor supply. Our health care labor costs are exorbitantly higher because of the labor supply shortage. Consider housing availability, perhaps the biggest barrier to growth in labor supply in all sectors—77% of the total housing units severely damaged or destroyed in from the three 2005 Hurricanes are in Louisiana. Compounding the delayed recovery is the fact that the construction industry faces a similar labor shortage in dealing with the massive level of destruction, driving the cost to rebuild skyward compared to pre-Katrina levels.

At the same time that CMS disregarded the relative level of physical damage in Louisiana, the agency also ignored the sheer scope of the impact on labor supply that Katrina and Rita had across South Louisiana when it allocated only $15 million for a labor recruitment and retention program for a four-parish region around Greater New Orleans. This program has spurred an aggressive response from providers and proves that our request for much larger and multi-year statewide initiative was well justified. Dr. Fred Cerise has detailed the same need to the committee in his testimony today.

In addition to the delays in awarding Category IV funds, the time-limited nature of DRA-supported services for storm victims means that it has been unable to address the severity of the barriers we face in returning our health care system in Louisiana to normalcy as our challenges are acute and long term.

The tardy restoration of health care services in affected regions is debilitating community recovery in ways that far exceed its direct effect on the wellbeing of Louisiana citizens.

But there are clear solutions to the systemic problems plaguing the restoration of the Louisiana health care system. With immediate help from Congress in providing the flexible funding necessary to address the shortcomings in our health care system and in ensuring that funding will be equitably distributed based on the magnitude of the damages from the 2005 Hurricanes, we can restore our health care systems.

The DRA was a good first step, but it is well past time for Congress to take the next necessary steps to allocate additional funds to address immediate health care shortages, and to make such allocations commensurate with the level of devastation to each state's health care system.

Long-Term Planning

In an effort to turn tragedy into opportunity in the aftermath of Hurricanes Katrina and Rita, Louisiana has also embarked on one of the most ambitious planning efforts in this nation's history.

This work combines the efforts of local, state and federal partners along with many experts, stakeholders and citizens into a comprehensive long term planning program, known as Louisiana Speaks.

Unlike most other LRA programs, Louisiana Speaks is almost entirely funded through donations from private citizens and national philanthropies that have been raised through the LRA Support Foundation.

With these private funds, the LRA, hired a dream team of top professional planners and architects to develop resources that support planning and redevelopment for individuals, neighborhoods, parishes and the region. But this is not a top-down planning process. Through Lousiaina Speaks, the LRA has engaged tens of thousands of citizens from across south Louisiana—including those who are still displaced—to ensure that everyone's voice can and will be heard .

One month after the storms, Governor Blanco, and the LRA, partnered with the American Planning Association and the American Institute of Architects to host the Louisiana Recovery and Rebuilding Conference in New Orleans. The results of this three day conference outlined five priorities which continue to guide the planning function of the LRA: (1) Create infrastructure that supports recovery by restoring confidence, enhancing quality of life, and withstands future disasters; (2) Promote economic growth that benefits everyone; (3) Provide public services that enhance quality of life for everyone; (4) Pursue policies that promote a healthy environment; and (5) Plan and design communities that advance livability.

Acknowledging the immense planning task at hand, the State, the LRA also began working with FEMA's ESF-14 Long Term Community Recovery (LTCR) division to establish long-term community recovery teams to address parish-level recovery needs in the most heavily impacted parishes of the state.

These teams, which consisted of experts in areas such as economic development, engineering, coastal issues, environmental issues, architecture, and planning, worked to develop parish-level recovery plans that formed the basis for community recovery planning in the most affected parishes.

In an effort to support a broad-based community driven process for developing parish priorities, the LRA together with FEMA hosted Louisiana Recovery Planning Day in January 2006. This event served as one of several opportunities for Louisiana citizens and community organizations to have an impact on the recovery planning effort for their parishes. More than 3,000 citizens participated in 30 open houses held throughout Louisiana, Georgia, Tennessee and Texas.

While parish-level planning is ongoing, many of the plans and key recovery projects identified through this process have been submitted to the LRA and other state, federal and non-profit entities for funding.

We are supporting implementation of locally prioritized recovery projects identified through the LRA/FEMA Parish Planning process by setting aside $200 million in CDBG funds that are currently available to the state, and the Board has stated its intention to expand the parish pool by $550 million to implement local plans for Louisiana's long-term recovery IF Congress appropriates additional funds OR waives the 10 percent FEMA match requirement. With additional funding for these purposes, we could be one step closer to ensuring a sustainable long term recovery for our local communities.

As these parish recovery plans were being developed, the LRA also began working with world-renowned planners to develop exemplary community plans for neighborhood recovery and redevelopment in Calcasieu Parish, Cameron Parish,Vermilion Parish, and St. Bernard Parish. The LRA also sent parish and municipal planning personnel to attend workshops aimed at implementing these community-driven local plans. As a result, a number of those and other local municipalities have adopted zoning codes so businesses and citizens can come back to better communities and neighborhoods in safer areas.

When it became clear that there was an impasse in planning efforts in the City of New Orleans, the LRA helped to secure funding from the Rockefeller Foundation and other foundations to create a citizen-driven, grassroots plan for the entire City of New Orleans. This plan is what has become known as the UNOP plan.

Still facing the reality of citizens spread across the United States, the LRA then allocated $2mil in CDBG funds to support the citizen outreach process, led by American Speaks, which guided the final consensus-driven recommendations of UNOP. This plan, which has become THE recovery plan for the City of New Orleans, now serves as the foundation for the City's newly released neighborhood recovery program.

The LRA is working closely with Dr. Ed Blakely, Executive Director of Recovery Management for the City of New Orleans, to implement New Orleans' recovery plan, as well as with all the affected parishes and their plans.

Last August, the LRA also began widely distributing the Louisiana Speaks Architecture Pattern Book and Planning Tool Kit to citizens across the state.

As you know, Hurricanes Katrina and Rita caused unprecedented devastation throughout South Louisiana, destroying more than 123,000 houses, 82,000 rental units and 18,000 businesses.

Mother Nature combined with the failure of Federal levees wiped out entire communities including where I grew up—St. Bernard Parish. She damaged our entire coast. In many communities, she left behind a blank slate for us to rebuild.... and we must use this opportunity to rebuild safer, stronger, and smarter.

The Pattern Book and Tool Kit are helping us rebuild in a time-honored way and restores the sense of place that is specific only to Louisiana by providing a kind of 'DNA code' for our communities and our inherited architecture.

These books have proven to be valuable resources in the rebuilding effort—to date nearly 100,000 copies have been distributed to citizens across the state free-of-charge.

And finally, Louisiana Speaks recently concluded an extensive public outreach campaign to engage citizens in the development of a regional vision for 35 storm impacted parishes of South Louisiana. From January 22 through February 10, citizens had an opportunity to weigh-in through paper "ballots," distributed through local libraries, civic groups and as inserts in the major newspapers of

South Louisiana, an online poll, or phone survey to indicate their preferences on 5 key recovery planning questions – spanning economic development, coastal recovery, growth/land use patterns and risk management – property rights.

This campaign represents the largest and most inclusive regional planning outreach initiative ever conducted in the United States, generating 23,260 responses, including 1,300 ballots from displaced residents living in 32 different states. This response rate far exceeds similar efforts conducted in other parts of the U.S., including the long-term planning outreach initiative conducted in New York after September 11th, which received roughly 2,000 responses. This level of participation epitomizes the level of commitment Louisianians have to rebuilding their communities.

A team of national experts and local planners led by world renowned regional planner Peter Calthorpe are now using this data, along with previous citizen input to create a consensus-based vision for South Louisiana that will be released in May 2007 and will be delivered to Congress as Louisiana's Long Term Plan for a sustainable recovery.

Based on best practices for planning and redevelopment and input from tens of thousands of citizens, the Louisiana Speaks Regional Plan will identify near-term strategies for rebuilding our communities, schools and infrastructure, and provide a long-term vision that will guide recovery and growth over the next 50 years.

This grassroots, citizen-driven Regional Vision will provide a broad strategic framework and priorities for moving Louisiana forward. Its innovative design will allow us to integrate planning for economic development, transportation, coastal protection and restoration and community growth—thus allowing us to leverage future investments effectively and accelerate the pace of Louisiana long term recovery.

To make this long term vision a reality, the LRA board has set aside $50 million dollars in CDBG funds for regional projects, but again, if Congress appropriates additional funds or waives the 10% FEMA required match, the board has made its intentions clear that it would use the additional funds to increase the pool funds available to implement the long-term regional vision.

This plan will also complement and support parish and local plans like Cameron Parish's Plan and New Orleans' Recovery Plan (which the gentlemen at the table can speak to) – plans that the LRA has laid the foundation for through our planning function. Our plan will include an overall vision map, proposed regional infrastructure projects, and recommended changes to statewide policies and funding priorities to mitigate risk, safeguard future investments and make Louisiana more insurable. This plan, comprehensive in nature, will help ensure a sustainable recovery for the State of Louisiana.

While this plan will serve as a roadmap for Louisiana's future, it will also serve as a reminder of our unmet needs.

As I mentioned before, Louisiana still has enormous unmet needs and we will need the Congress's continued strong support to implement many of these long-term community plans.

In the meantime, we desperately need your help to cut the red tape and help us spend the funds you have provided more quickly.

Let me give you two areas where you can make this effort happen:

FIRST: Congress needs to instruct FEMA to allow us to use our CDBG funds to provide a "global match" for FEMA programs.

Consistent with Congressional intent, the State has committed a portion of our CDBG funds to cover the cost-share FEMA has assessed Louisiana under the Public Assistance program.

The best way to do this is to use CDBG funds to pay for a few dozen large projects that represent 10% of the overall cost of our FEMA-approved projects. We will then use FEMA funds to cover the other 20,000 projects that represent the other 90% of costs.

If the global match is not approved, we face a situation in which 20,000 projects—not a few dozen—will have to be funded and monitored by <u>two</u> separate state and <u>two</u> separate federal agencies using <u>different</u> criteria.

Our plan is clearly allowed under FEMA regulations and the Stafford Act. *If implemented, it will cost the Federal government no additional expense.*

Another solution is for FEMA or Congress to authorize 100 percent cost-share for Hurricanes Katrina and Rita—which we have repeatedly requested of the Administration and which was granted after 9-11, Hurricane Andrew and Hurricane Iniki. That would resolve the global match completely, and would allow the state to invest some $700 million in CDBG funds in other critically needed recovery programs.

SECOND: Congress needs to direct FEMA to approve our use of Hazard Mitigation funds in support of The Road Home housing program as required by Chairman Powell;

The State did not want to use HMGP monies in this way – but we were told the Administration would not support our request for CDBG funding at the level needed, and instructed us to use HMGP to fill our funding gap, even though we were concerned about the red tape associated with it.

As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the Road Home program. If we cannot reach an appropriate agreement on the use of HMGP funding, there will be a tremendous budget shortfall that will affect everyone receiving grants from the Road Home Program.

DISPROPORTIONATE DISTRIBUTION OF RESOURCES

Next, I'd like to request that Congress take immediate action to address the disproportionate distribution of recovery aid.

Our state received between 75-80 percent of all the damage along the Gulf Coast from these devastating storms, yet time and time again, we have received less than the proportionate share of funding and assistance provided to address critical recovery needs.

The examples are numerous, as demonstrated in my written testimony. For instance:

- Congress initially capped Louisiana's CDBG funding at 54 percent of the total CDBG funds so HUD could not use its discretion to give us what we needed for our recovery efforts, and we had to wage a 6-month fight to get Administration and Congressional approval for an additional $4.2 billion we needed to run our Road Home program.
- Congress appropriated equal amounts to Louisiana and Mississippi for colleges and universities even though our state had three times as many schools and ten times the number of hospitals impacted. These damages are different because Katrina destroyed a very large metro area with tertiary services that must be restored.
- Federal departments allocated funds for K-12 schools, historic restoration, and hospitals without recognizing that our damages were far greater in each of these areas than the proportion we were awarded.
- FEMA stopped funding our LA Swift bus service from Baton Rouge to New Orleans, yet they continued similar service in Houston for medical students for more than three years after Tropical Storm Alison.
- Louisiana received only $74.5 million from FEMA for the $400 million alternative housing pilot program, while Mississippi – a state with approximately one-quarter of the need, received $281 million. We've got 64,000 people still calling a travel trailer home every night, yet FEMA denied our REPEATED requests to take need into account.
- Congress limited Community Disaster Loans to 25% of a jurisdiction's operating budget for the first time ever and eliminated the ability to forgive the loans if economic conditions warrant – even though this was the most extreme and expensive disaster in U.S. history, and in the past, over 90 percent of CDL loans have been forgiven.

Even the issue of cost-share match shows how this catastrophe has been treated differently than many other states in many other disasters.

The states impacted by Hurricanes Andrew, Iniki, and Hugo received 100 percent Federal cost share for FEMA disaster relief costs.

After 9/11, New York received 100 percent federal funding for FEMA recovery efforts.

Louisiana—which was hit by the first and third most expensive disasters in U.S. history, with the damage exasperated by federal levee failures—must pay a 10 percent cost-share match that will cost us an additional $1 billion.

We are not asking for a free ride – in fact, we have already paid more than $400 million toward FEMA relief costs.

What we want is fairness and parity. We want cost-share to take into account the magnitude of damage caused by the Hurricanes for all Gulf Coast states, and we want grant distribution and assistance decisions to be based on the relative levels of damages.

CONCLUSIONS

Yes, we are making progress but as I just outlined, Louisiana is still facing tremendous challenges, and we will need your continued support to overcome these obstacles.

We have learned many lessons from this disaster that can be applied to future disasters anywhere in America.

Hurricanes Katrina and Rita deeply changed South Louisiana, creating the most complex rebuilding effort in United States history. But they also created new opportunities.

What would you do if you were given a chance to draft a new blue print for you're your region? What zoning would you put in place, what kind of neighborhoods would you rebuild--would these neighborhoods be filled with 24 house services like primary and comprehensive health care and school based clinics? Would these neighborhoods link to economic centers? Would they be green and healthy?

Sustainable and walk able-- and safe?

These are the questions we asked of citizens and they resoundingly spoke about what they wanted to see through public private partnership investment. These are not small plans-- these are big plans based on big opportunity to get it right-- this is an opportunity for public policy to be created to allow a better future for Americans.

I am pleased that the Subcommittee on Disaster Recovery has chosen to focus on the GAO report and the tremendously complex long-term challenges and opportunities facing our recovery. It is my sincere hope that through the leadership of this committee, we will ultimately accomplish our mission of rebuilding Louisiana safer, stronger and smarter than ever before.

Thank you for the opportunity to appear before you today. I'd be happy to take any questions that you may have.

Statement of the Honorable John Thomas Longo
Mayor, City of Waveland
April 12, 2007

First of all I would like to thank the Committee for the opportunity to speak. I would also like to thank the Senators, Congress and the Faith Based Organizations and Foundations from around the country for their continued support.

•MANY POSITIVES

*Across the State most and graciously because of Federal support.

•MANY AREAS

*Waveland, Bay St. Louis, Pass Christian and Hancock County were ground zero.

•STILL CRITICAL

*Still emergency disaster zone.

•A LITTLE OVER 50% OF POPULATION ABLE TO RETURN HOME

*50% of those are still in FEMA trailers.

*Problems for City's; Law Enforcement; Mental Health infrastructure, Schools and Families.

•95% COMMERCIAL DESTROYED
98% RESIDENTIAL INHABITABLE

*Economy destroyed
*Financial needs for Government and residents short and long term.

*Housing for Contractors, Volunteers and Citizens.

•INSURANCE

*Single biggest factor in residence not being able to rebuild.

*New insurance. Biggest issue with inability to rebuild and with attracting new businesses.

•GRANT FUNDS AND MONEY MADE AVAILABLE

*Through the Justice Department for Law Enforcement is greatly appreciated.

*No money for fire Services.

*Both are funded through our General Fund.

•1/3 EMPLOYEES PRIOR TO KATRINA

*Need twice of what we needed prior to Hurricane Katrina.

*Grateful to Labor Department. Two months ago extended new employee work grant for six months.

*Don't know what we would do if grant stops.

•100% EQUIPMENT LOST

*Can't replace as FEMA pays depreciated amount (i.e. well maintained motor grater original cost $100,000.00; FEMA paid $200.00).

•BUILDINGS – LOST EVERY CITY BUILDING

*100% Utilities lost ($80,000,000.00 so far)

*Buildings ($100,000,000.00 so far)

•10% LOCAL MATCH

*25% local match on Mitigation

•VACANT APARTMENT COMPLEXES

*No affordable Housing.

•COMMUNITY DISASTER LOANS

*Possible forgiveness

Immediately following Katrina every understood the enormity of the worst natural disaster in the history of the United States and the need to work together differently than after any other natural disaster(some of C.F.R. rues did not fit) this has changed causing problems from debris removal to financing.

Committee on Homeland Security and Governmental Affairs
Ad Hoc Subcommittee on Disaster Recovery
"GAO's Analysis of the Gulf Coast Recovery: A Dialogue on Removing Obstacles to the Recovery Effort"
April 12, 2007

Testimony of Dr. Edward J. Blakely
Executive Director of
Recovery Management
City of New Orleans

Senator Landrieu, Senator Stevens, and honorable members of the committee: I want to thank you for inviting me to testify before your subcommittee today. As you know, this is not my first experience with disaster recovery. I have been involved at some level in four other large-scale urban disasters: the Oakland earthquake; the Oakland Hills fires; the L.A. riots and earthquake; and the attacks of September 11, 2001, in New York City.

While the particulars of these situations differed, long-term recovery for each required an all-important combination of flexibility by the federal government, effective engagement by state government, and innovation by local officials and citizens.

This combination is all the more essential in New Orleans, where the scale of devastation and subsequent rebuilding dwarf that of any urban disaster in modern American history. Simply put, New Orleans is the only major city in the history of the nation to completely shut down in the wake of a disaster. Vital services collapsed. Eighty percent of its geographical area flooded. A mandatory evacuation was declared, and more than half of the city's population is not yet able to return.

In New Orleans, we are not simply recovering from a natural disaster; we are rebuilding a major American city from the ground up. Thorough communication and partnership among the federal, state, and local levels of government is essential to successfully undertaking this enormous responsibility. It is equally important, however, that the laws intended to assist citizens as they rebuild their community are effective.

We applaud the efforts of Senator Landrieu and this Subcommittee, as well as beginning steps taken by the Homeland Security and Governmental Affairs Committee, to examine how the Stafford Act must be reformed to better address disasters of the magnitude experienced in New Orleans. As has been pointed out by Senator Landrieu and many other members of Congress, the Stafford Act's current legal and policy framework does not match the emergency response and long-term recovery needs of catastrophic disasters such as Hurricanes Katrina and Rita. For example, we know that the nation does not yet have the capacity to shelter large numbers of people who have to be quickly evacuated from urban areas amid pending disaster. Nor are systems in place to comprehensively assist persons who are unable to self-evacuate because of age, income, disabilities or other restrictions on movement. Furthermore, in dealing with the disasters' aftermath,

current federal rules for intergovernmental coordination, funding assistance, and long-term recovery are more suitable for small towns that are hit by tornados than for major metropolitan areas that are significantly destroyed by large-scale catastrophic disasters.

Nineteen months after Hurricanes Katrina and Rita, the inadequacy of the Stafford Act, as well as the inconsistency and lack of flexibility in FEMA's interpretation of it in these extraordinary circumstances continue to plague New Orleans and its rebuilding efforts. For example, project worksheets that define what FEMA will pay the city in reimbursement for its losses due to the hurricanes and flooding have been routinely underestimated. While we have worked with FEMA staff to create new versions of these PWs, the frequent rotations of staff to work with us has meant that we have continually had to begin anew with providing background and substantiation of our claims. In addition, FEMA's public assistance program functions only as a reimbursement process. Given the level of destruction in New Orleans, where more than 300 city buildings were damaged, it is not reasonable to assume that we would be able to make such substantial investments to be reimbursed later. FEMA has made decisions that would allow us to replace destroyed equipment such as vehicles with new products only to reverse it later. This lack of consistency further complicates what is already a challenging process of recovery.

Post-Disaster: Response & Recovery Planning

After a disaster, speed in establishing a template for recovery is essential. Few cities have a plan for recovery before disaster strikes, and there are few professionals in urban planning or any field prepared to provide guidance on how to do it. In New Orleans, Mayor Nagin began by dewatering the city and restoring essential services to every neighborhood as soon as possible. In addition, the Mayor and his administration exercised paramount fiscal responsibility in the face of unprecedented obstacles and complexity, avoiding bankruptcy, minimizing borrowing, and setting the stage for the City's financial recovery.

Mayor Nagin also took on the task of redesigning City government to meet the challenges of recovery. As a result of massive financial losses, Mayor Nagin reduced the City personnel by half. He also redesigned the City's management not only to deal with the disaster but to set the direction for the future.

In what has been one of the true success stories of the rebuilding process to date, the Nagin Administration and the citizens of New Orleans came together to conduct a comprehensive recovery planning process that is a model for ensuring public participation in disaster recovery decision-making.

Over the course of sixteen months, by convening regular neighborhood meetings and in consultation with leading urban planners from throughout the world, New Orleans citizens articulated a vision not merely for how to repair the City but also what New Orleans should be in the future. While giving returned citizens a voice in the city's future

was critical, so was reaching out and engaging thousands of citizens who remain displaced across over thirty states.

With support from the Rockefeller Foundation and the organization America Speaks, this citizen planning process culminated in a series of "Community Congresses," in which thousands of New Orleanians came together via a virtual town hall meeting spanning more than a half-dozen cities nationwide to share ideas for New Orleans' recovery and rebirth. For the first time since Hurricane Katrina, New Orleanians displaced across the nation were together with their fellow citizens back home.

As these processes neared completion, the Mayor conferred upon me the high honor and responsibility to join his leadership team and develop a strategic recovery process to turn these rebuilding plans into reality.

Since January, my staff and I have been reviewing plans and proposals from businesses, community leaders and professional planners. My team and I have been able to turn to the information produced through these processes into a recovery strategy. On March 29, 2007, Mayor Nagin and I unveiled a recovery strategy that is consistent with citizen desires across broad segments of the community.

We based our strategy on five principles that have been embraced by the public:

1. **Continue the healing and consultation:** The trauma of the disaster will remain for many years, so it is necessary to continue a process where people can see, feel and participate in the recovery. The strategic recovery process that we are implementing builds on our citizens' hard work and will continue to empower them to assist in implementing recovery projects and programs for years to come.

2. **Insure safety and security in all neighborhoods:** The levee breeches made all of our citizens feel unsafe regarding the capacity of the levees to be their sole protection. No one can be sure where the next storm will come from or who it will hit. The recent tornados revived the trauma of arbitrary weather patterns. We will have to make all neighborhoods safe with internal safety measures beyond those flood protection systems built by the U.S. Army Corps of Engineers. This will mean new urban design strategies. But we also have to ensure that all neighborhoods experience a reduction of violence in all its forms. To feel safe, one must have a good school, access to comprehensive health care and freedom from exposure to crime.

3. **Build 21st and 22nd century infrastructure:** It would not be good or smart to replace New Orleans' infrastructure as it was. To meet the demands of the future, modern infrastructure -- from water and sewer systems to fiber optic cables and strategies to manage the threat of global warming -- must be installed throughout the City. As we are designing neighborhoods to reduce the risk of flooding, we must anticipate the risk of rising sea levels and storms of increasing strength to

make New Orleans a model of the "future-proofing" that all coastal cities will require.

4. **Diversify the economy:** Tourism and related service-oriented jobs comprise one of the largest sectors of New Orleans' economy. While many new opportunities are opening up in construction and manufacturing, the future of the City and region lie in international trade, bio-medicine and digital technologies. Building the infrastructure, institutions and incentives to attract these industries will create jobs not just for today, but for tomorrow as well.

5. **Design a sustainable settlement pattern:** Our neighborhoods and commercial areas must be designed to meet several challenges. We must rebuild strong enough to deal with the vagaries of nature but also smart enough to attract and retain the brain power that will be the backbone of the next century.

The Recovery Strategy

We will rebuild the City by taking advantage of the unique formula that has made New Orleans such a richly diverse and beautiful City: that is, by restoring its essential neighborhood character. A city like New Orleans already has a very strong and excellent urban fabric, with distinct character in each of its neighborhoods, well laid-out streets, beautiful green spaces and a unique architecture. We have to build onto this fabric or risk laying incompatible new over well-functioning old. As I often have said: New Orleans has good bones.

Therefore, we set several criteria for selecting 17 Target Recovery Areas to catalyze the City's revitalization. We looked for areas of the City that:

1. Are highly visible and represent historical commercial or civic urban centers within the City
2. Possess or are capable of incorporating existing infrastructure and vital services
3. Are capable of harnessing both public funding assistance as well as private-sector driven projects
4. Are conducive to being redeveloped using "clustered" mixed-use development patterns that situate residential properties in close proximity to commercial and public development.
5. Represent areas that can be rebuilt safely utilizing hazard mitigation strategies, including home elevation and levee and public space enhancement.

We divided these 17 areas into three categories:

- **Rebuild zones** require extensive investment to recover
- **Redevelop zones** need substantial urban revitalization to act as epicenters for recovery

- **Renew zones** are places where recovery momentum is already underway through local initiative, or that have not been badly damaged such that small investments will stimulate strong returns

These areas all have one thing in common: they are located at the traditional nodes of commercial traffic and provide opportunities for citizens to locate where the City can provide, in the near term, the combination of civic services and safety they want and deserve.

We will start by identifying the partners in the public and private sector that can take on a challenge of this scale and work with locals to implement it. With our partners, we will develop and present residents with a variety of alternatives for returning to their homes safely. We will pursue creative elevation strategies, such as the elevation of entire neighborhoods, which may be more effective and efficient than for individuals to build elevated structures on their own to different heights along the same street. We will allow neighbors to swap their current properties for newly elevated areas across the street or nearby. We will identify land for the swaps by using properties already in the City's possession, such as previously blighted or abandoned properties that the City can legally claim or unused school sites. These settlement strategies will keep neighborhoods intact but provide safety at a lower cost. Overall, this will result in neighborhoods that are safer, sustainable, and accessible.

Strategic Partnerships for Recovery

A key strategic institution in this process is the New Orleans Redevelopment Authority (NORA). NORA will be the repository of an inventory of blighted and abandoned properties throughout the City. NORA will use the resources of the City to provide the seed capital for rebuilding neighborhoods, beginning with projects in the Target Recovery Areas, through a series of infrastructure and blight bonds. NORA's work will be supported by City programs and services, schools and other civic institutions that will align their priorities and investments to ensure these projects work quickly and well.

To ensure coordination across the many Parish agencies and entities, the Mayor has asked me to chair the newly formed Orleans Parish Recovery Advisory Committee. Through this Committee, we will coordinate our programs with those of the Housing Authority of New Orleans (HANO) so that federally subsidized housing programs are in sync with other neighborhood and citywide recovery efforts; with the various state and local entities responsible for public, private and parochial schools in New Orleans; and with the Sewerage and Water Board, city departments, hospitals, universities, levee districts, sheriffs' office, transport and development authorities, and others.

To support this important and challenging work, federal resources will have to be organized to require that strategic, integrated and consistent recovery initiatives become the mandate for the vast array of federal funds available. The President's representative and Federal Coordinator for Gulf Coast Rebuilding, Chairman Don Powell, is tasked with this responsibility.

Finally, the Office of Recovery Management plays a key role in the City itself and with state and federal agencies. FEMA, the Louisiana Governor's Office of Homeland Security & Emergency Preparedness and the Louisiana Recovery Authority have established or will establish co-located offices with us. We are working with the U.S. Army Corps of Engineers to develop strategies for managing and mitigating risk. The Recovery School District and the Orleans Parish School District will conduct joint facilities planning with us to ensure that public schools anchor the new cluster arrangement and provide the cornerstones of neighborhood recovery implementation efforts.

What We Need to Make our City Whole Again

Our needs have been well articulated by Mayor Nagin, Senator Landrieu, and other members of the Louisiana Congressional Delegation.

First, we need to insure that the physical safety of citizens is guaranteed. We must require and empower the Corps of Engineers to learn the lessons of Katrina and develop a systematic rather than piecemeal approach to providing world class hurricane protection and flood control. They must have the authorization and funding to complete the studies and implement the plans that will be based on that science.

Second, the Stafford Act should distinguish between "catastrophic" and "major" disasters. Presently, the Stafford Act has an established term for "major disaster," which by virtue of its severity and magnitude, qualifies the event for "major disaster assistance." However, as witnessed in the wake of Hurricanes Katrina and Rita, it is evident that when a disaster simultaneously impacts thousands of square miles and virtually shut-down entire metropolitan areas, a separate designation is required to adequately respond to an event of such magnitude.

A "catastrophic disaster" designation should be established based on total population displaced, residential property damage, and the scope of failure of critical infrastructure and other vital services. FEMA's regulations for assistance would then be adjusted accordingly, including up-front funding in lieu of existing reimbursement schemes. Further, a "catastrophic disaster" designation would extend disaster assistance deadlines; extend the 100% reimbursement time frames for emergency work; expand grant program assistance; and make provisions for fast-track, interest-free delivery of operational funds to critical local agencies that support disaster response, recovery planning and strategic coordination.

In moving forward, there already exists federal precedent for establishing separate procedures for catastrophic disasters, by virtue of Homeland Security Presidential Directive (HSPD)-5, and its establishment of a "National Response Plan" (NRP) that is invoked for a declared "Incident of National Significance." When the Secretary of Homeland Security declares an "Incident of National Significance," as was done for Hurricanes Katrina and Rita, the NRP is triggered to ensure that federal-state-local

emergency response coordination is consistent with the larger-scale event. A similar approach is strongly recommended for better guiding FEMA's response and long-term assistance to catastrophic disasters of similar severity and magnitude.

The State of Louisiana has asked that the 10 percent match requirement on FEMA Public Assistance funding for Katrina and Rita be waived. We concur, but it is essential that the CDBG funds currently allocated by the State for that match be distributed to local governments immediately and proportionately based on the LRA's damage estimate formula.

Finally, FEMA needs to use the discretion already inherent in the Stafford Act to make decisions that will help rather than hinder the recovery of New Orleans and the region. They need to follow the directive of the Administration to "do what it takes" (and what they have been given the resources by Congress to do) to rebuild one of America's most beloved and culturally distinctive cities – New Orleans.

As massive as the task before us may be, New Orleans is on the road to recovery. I look forward to lending my experience and my expertise to make the recovery and rebuilding of the great City of New Orleans -- the soul of America -- the most important work the American people will do in this first decade of the 21st Century.

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Darryl Farque
President

Ernest Broussard, Jr., AICP/CEcD
Executive Director

District 1
Magnus "Sonny" McGee
Vice President

Testimony for Disaster Recovery Hearing
As presented by:
Ernest Broussard Jr, AICP/CEcD
Executive Director
Cameron Parish Planning & Development

Madam Chairman, Ladies and Gentlemen of the Committee:

Thank you for this opportunity to present on behalf of the general citizenry of Cameron Parish, the impact story that involves the recovery effort and the related issues associated with the Parish.

On September 24, 2005, a category 4 storm entered the Gulf Region and took dead aim on the Cameron Gulf Coast. Hurricane Rita – packing sustained winds of anywhere between 120 and 140 miles per hour, along with its 12 to 20 foot tidal surge – will be a day that will be remembered in infamy not only for Cameron Parish, but the entire Southwest Louisiana community.

In the aftermath of the storm surge, it would reveal that two thirds of the Parish experienced significant inundation, 80% of the industrial tax base was interrupted or disconnected, along with an additional 1,800 households, 2,000 accessory or farm units, and roughly 17,000 to 20,000 head of livestock left unaccountable. What was even more devastating was the complete removal of historical structures such as churches, schools, and cemeteries, with only the Cameron Parish courthouse standing as a monument in testimony to the resiliency of the Cameron people. This day would change the history of the Cameron community.

Today, however, we are proud to say that we are clean; our infrastructure has been re-energized; and we have removed debris. We are rebuilding – brick by brick, platform by platform. We are about 75% repopulated with roughly 80% of the industrial sector fully operational and expanding. The remaining 2,500 people that have chosen not to relocate at this point are still waiting in the wings for timely resolve of insurance issues and government initiatives, as well as the will to face the uncertainty of higher elevations, the introduction of new building codes, increased insurance premiums, not to mention a 30% increase in the cost of construction itself.

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We have found, however, that as we try to re-gentrify our Parish, there are a series of challenges that heretofore have not manifested themselves. The coastal protection plan that was to maintain and restore Cameron's historical outer barriers took significant damage and needs to be rebuilt if it is going to remain the Barrier Islands to the entire Mermentau, Calcasieu, and Sabine water sheds. The vital water and surface transportation infrastructure is proving to be significantly unable to facilitate construction, industrial, evacuation, and general human needs as previously established.

Furthermore, the mechanics of transferring federal dollars from Washington to the State and, ultimately, to the local individuals and communities that desperately need it has been arduous at best, as it is some 20 months after the storm, and the bulk of recovery dollars have still not reached the hands of the needy to which they were intended. Cameron Parish is a self-help, resilient community, that could be classified as a "Champion in Waiting" with it's characteristics as a "Signature Community" in Louisiana and the hallmark of its history. It is that resiliency that will promulgate the following generational projects:

- Cameron Square with related waterfront development,
- Calcasieu Pass and East Fork Loop re-dredging,
- Related bridgeworks to Calcasieu Pass, "Monkey Island," and the Calcasieu ship Channel,
- $5 million sanitary sewer collection system for Holly Beach,
- Significant improvements in shoulder and intersection upgrades throughout the parish.

These will also be augmented by a series of command centers in the northern, more protected sections of the parish that will be a haven for emergency preparedness, law enforcement, fire prevention and other emergency response personnel.

Another challenge we are facing is helping individuals close the loopholes in current insurance premiums and preparing for the high insurance costs to follow. Cameron Parish has a series of systematic approaches to address these problems by pursuing HERO's low-interest, 105% financing program; a $30 million payment in lieu of taxes (PILOT) program in partnership with Cheniere

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Energy; and a restructuring of the entire parish finances to underwrite unbudgeted recovery standards.

In summary, however, it is clear to us that the federal and state government is ill-prepared to handle a catastrophic event such as witnessed by Hurricanes Katrina and Rita. We suggest the following:

- While recovery is local as well as political, FEMA should have regional offices established throughout the states that will be on a demand-response basis that are fully interfaced with local emergency response efforts.
- Future federal endowments should not come under the Community Development Block Grant (CDBG) initiative or any other program that has significant socio-economic indicators, as presented.
- Assistance should be made directly to the individuals and/or communities affected.
- There should be a concerted, strategic community and recovery plan in place that should be fully implemented with measurable goals adjusted periodically for changes in the economy, community factors, and other indicators in order to endure smart growth and/or "quality community" models, as being suggested

Madam Chairman, on behalf of the entire complement of leadership in Southwest Louisiana with specific reference to Cameron Parish and its immediate citizenry, we thank you for the occasion to bring these issues to light. These hopeful communities are the lifeblood and the first line of defense for a host of socio-economic, energy, defense, and environmental related issues. They should be given prominent consideration. Despite the relatively light population densities, these communities service the entire infrastructure of Southwest Louisiana, the state, and indeed the nation.

I close by saying, "Cameron Parish: critical to Southwest Louisiana, crucial to Louisiana, and imperative to the nation."

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CAMERON PARISH RECOVERY AGENDA

TO: Recovery Allies, Affiliates & Colleagues

Mission Statement:

The leadership of Cameron Parish would like to provide this agenda item to be introduced as a clear establishment our program priorities involving the parish's immediate and long-term recovery efforts. These projects have been ratified by the Cameron Police Jury and have been substantiated through multiple presentations to LRA, the Office of Community Development, and the Governor's office, as well as a myriad of other state and federal agencies.

We therefore, introduce the following:

I. **Cameron Square**

a. The Cameron Square Project includes a multi-building Civic Complex and Square extending from the existing Courthouse to the Cameron Loop. The Civic Complex will include the existing Courthouse adapted to house the Parish Court, District Judge, District Attorney's Office and on the lower level, the driver's license bureau, registrar of voters and office of veteran affairs. The new buildings to be constructed as part of the Civic Complex includes 1) a building to house the Sheriff and Jail; 2) a building to house the Tax Assessor and Clerk of Court; and 3) a building to house the Police Jury, Jury Administration, Office of Emergency Planning and the Coroner. Additionally other new facilities within Cameron Square will house the Public Health Unit, U. S. Post Office, recreation facilities at the end of Cameron Square on Cameron Loop, as well as economic development facilities to support the fishing industry and offshore industry on Cameron Loop. The Cameron Square Project consisting of multi-phases is to be fully implemented over the next three years.

ESTIMATED COST: $35 MILLION

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II. **Calcasieu Pass & East Fork Dredging**

a. In the mid-1980's the Cameron Parish Police Jury in tandem with the West Cameron Port Commission were successful in having a local vote that ultimately approved a multi-million dollar bond issue for the dredging of the Monkey Island Loop. This dredging project was intended to deepen the Loop to twenty-five feet and was envisioned as being an economic stimulus to allow heavy-draft deep water vessels to use the shorelines around the Loop for maritime, fisheries, and other offshore service industries. The aftermath of Hurricane Rita accelerated the amount of silt deposits within the Loop and has now resulted in a maximum draft of only twelve to fourteen feet. The request then as to re-dredge the Cameron Loop including the east fork bypass to a depth of at least twenty-five feet, preferably thirty-five feet, with a total width of the Channel to four hundred feet. This will accommodate heavy ocean-going vessels and result in increased industrial and economic development opportunities as the Parish seeks recovery avenues here at home.

ESTIMATED COST: $13 - 15 MILLION
Reconnaissance Study-Corps of Engineers- $500,000

III. **Holly Beach Sewer System**

a. The essential nature of the project is to provide a safe, healthy system to collect and treat the community wastewater generated by the residents of Holly Beach. From the inception of the Holly Beach community there has been no community sewer system. Individual septic systems have been employed to dispose of the wastewater generated, even though the diminished lot sizes restrict the extent and effectiveness of the field lines. The community is currently not able to comply with State Sanitary requirements for length of field lines. Should this project be implemented, all discharge parameters of the Clean Water Act will be met, as established by the LA Department of Environmental Quality.

ESTIMATED COST: $5 MILLION (traditional mechanical system), or $2 - $2.5 million (Wetlands assimilation system, amount to be confirmed by future engineering report)

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IV. **Bridgeworks to Calcasieu Pass Island & Ship Channel**
   a. Access corridor to bridge the Calcasieu Pass Loop to regain vehicular access to the island to accommodate and enhance significant economic development initiatives.

   ESTIMATED COST: $40 MILLION

V. Parish staff augmentation for extensive PW management - **ESTIMATED COST: $5 million**

VI. Long-term recovery planning and design[1] - **ESTIMATED COST: $3 million**

VII. Coastal restoration & enhancement – **ESTIMATED COST: $25 million**

VIII. **Advanced Planning & Design**
   a. Parish Redevelopment
   b. Land Use
   c. Port Development
   d. Tourism
   e. Coastal Restoration

   ESTIMATED COST: $1million

[1] In addition to discretionary funding, to re-energize and re-gentrify the population, immediate assistance to augment housing construction and insurance subsidies are paramount.

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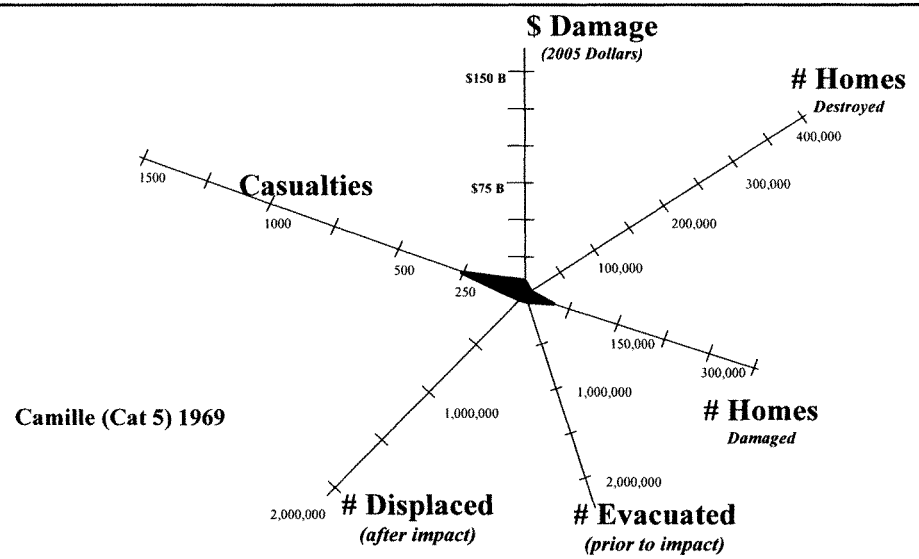
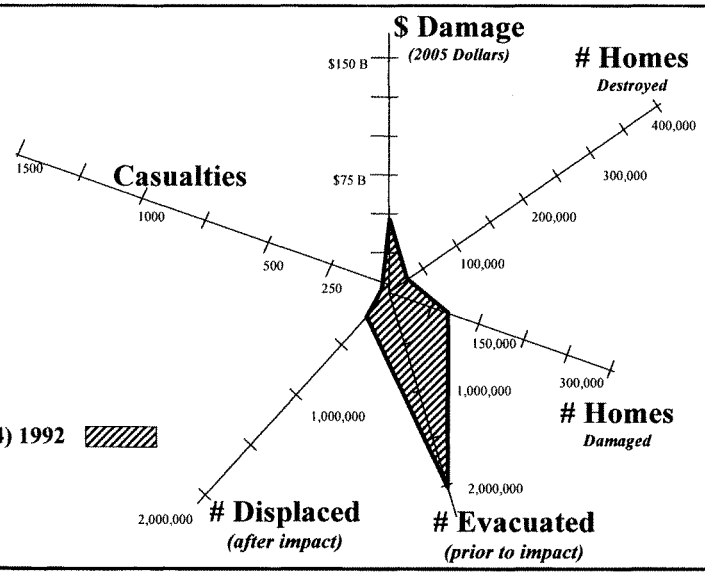
Background: The Impact of Hurricane Camille



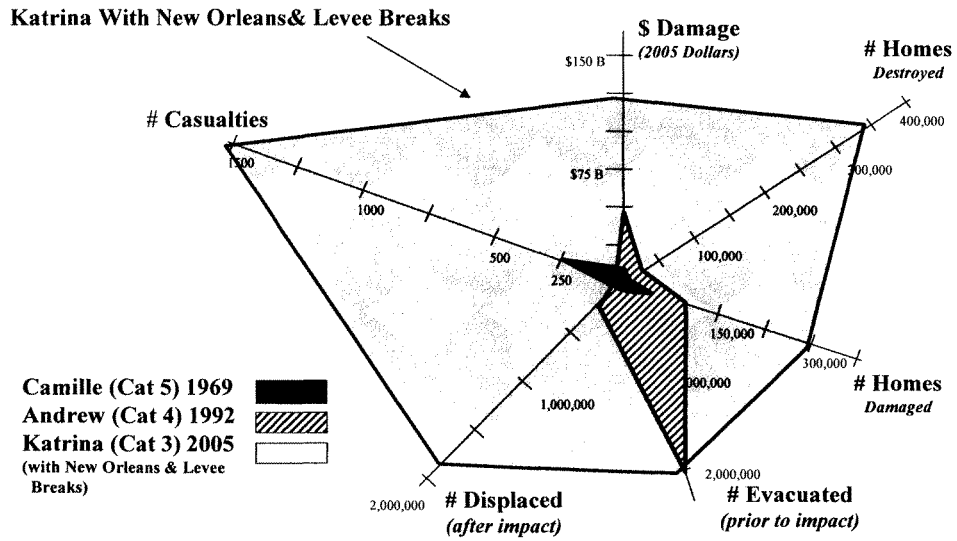
Source: DHS.

Background: The Impact of Hurricane Andrew



Source: DHS.

Background: The Impact of Hurricanes Camille and Andrew Compared to Hurricane Katrina



Source: DHS.

TESTIMONY OF BRYAN McDONALD, DIRECTOR OF GOVERNOR HALEY BARBOUR'S OFFICE OF RECOVERY AND RENEWAL TO THE AD HOC SUBCOMMITTEE ON DISASTER RECOVERY OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS APRIL 12, 2007

I'd like to thank the members of the Ad Hoc Subcommittee on Disaster Recovery of the Committee on Homeland Security and Governmental Affairs for allowing us to tell you about the tremendous recovery that is occurring in our great state. Thank you very much Chairwoman and Ranking Member and distinguished members of the committee for giving me the opportunity to submit this written testimony.

On August 29, 2005, Hurricane Katrina struck Mississippi a grievous blow. Although the eye of the storm landed at the Mississippi-Louisiana line, that eye was more than thirty miles wide, and Katrina completely devastated our entire coastline, from Pearlington to Pascagoula. The miles upon miles of utter destruction are unimaginable, except to those like many of you who have witnessed it with your own eyes. But this hurricane wasn't just a calamity for the Mississippi Gulf Coast. Its impact reached far inland in our state with hurricane force winds extending more than 200 miles from the Coast.

The storm claimed the lives of more than 230 Mississippians. The combination of the storm's slow speed and the shallow waters off the Mississippi shoreline created a storm surge in excess of 30 feet in some areas. More than 80 miles of Mississippi coastline were completely destroyed by the mixture of high storm surge and strong winds. In her wake, Katrina left literally tens of thousands of uninhabitable, often obliterated homes; thousands of small businesses in shambles; dozens of schools and public buildings ruined and unusable; highways, ports and railroads, water and sewer systems, all destroyed.

Damage along Mississippi's Gulf Coast was widespread, as damage estimates totaled more than $125 billion. The Federal Emergency Management Agency (FEMA) reported that 65,380 homes in south Mississippi were severely damaged or destroyed. Electricity was lost for 80 percent of the state's three million residents. More than 45 million cubic yards of debris was left in Hurricane Katrina's wake in south Mississippi—more debris than was created by Hurricane Andrew. Hurricane Katrina's effects on Mississippi alone, therefore, would rank as the largest natural disaster ever to strike the United States.

Our state and our citizens bore the brunt of a hurricane more devastating than anything this nation had ever seen, and the miles upon miles of utter destruction on the ground was unimaginable—except to those who witnessed it with their own eyes.

Hurricane Katrina destroyed thousands of businesses and billions of dollars in sales revenue were lost. Beachfronts and hotels were obliterated. Losses in livestock and agriculture hit our state's farming community especially hard. Small businesses—the lifeblood of many local economies—were wiped out along the coast line, and many were damaged or destroyed miles inland.

Mississippians found themselves having to scramble, adjust, innovate, and make do. However, it was the spirit of our people that pulled us through. Our people are strong, resilient, and self-reliant. They're not whiners and they're not into victimhood. From day one after the storm they got to work and did what had to be done. They helped themselves and helped their neighbors. Their spirit has been an inspiration to us all, and that spirit remains the key to our recovery, rebuilding and renewal.

Mississippi's recovery from Hurricane Katrina can be defined in many ways, through a wide array of analyses. However, several specific markers of recovery exist. Primary among them is the progress made to date in effectively managing and spending Federal recovery monies appropriated to Mississippi.

The Fiscal Year 2006 Department of Defense Appropriations Act (H.R. 2863) included $29 billion for specific needs arising from Hurricane Katrina that was not covered by the Stafford Act. The U.S. Department of Housing and Urban Development (HUD) allocated $5.058 billion to Mississippi for disaster relief and long-term recovery related to the consequences of Hurricane Katrina. The Mississippi Development Authority (MDA), which already administers the state's Community Development Block Grant (CDBG) program, administers Mississippi's share of these funds.

The 2006 Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, appropriated $5.2 billion in CDBG funds for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure directly related to the consequences of the covered disasters. HUD allocated $423 million of these funds to Mississippi of which a minimum of $81.78 million will be used for repair, rehabilitation and reconstruction of the affordable rental housing stock in the impacted areas.

Perhaps the most damaging loss from Hurricane Katrina was the staggering number of homes that were destroyed. More than 200,000 housing units were damaged or destroyed statewide. The costs, both emotional and financial, to property owners may be incalculable. Many of the hardest-hit communities were also some of the poorest and most densely populated. Working with our federal partners, local governments and the private sector, the State of Mississippi is pursuing a comprehensive approach to rebuilding homes in south Mississippi.

HUD approved the $3.423 billion Mississippi's Homeowner Assistance Program Action Plan on April 1, 2006. The release of funds was approved on July 10, 2006. The purpose of this program is to provide a one-time grant payment, up to a maximum of $150,000, to eligible homeowners who suffered flood surge damage to their primary residence on August 29, 2005, from Hurricane Katrina. Eligible homeowners are those who owned and occupied their home on August 29, 2005; maintained homeowners insurance on the property; received flood surge damage; and lived in homes located outside the 100 year flood plain and in Hancock, Harrison, Jackson, or Pearl River Counties. To secure the grant, the homeowner agreed to place a covenant on the property which provided that the rebuild and repair would be in accordance with applicable codes and local ordinances;

that during rebuilding, the home would be elevated in accordance with FEMA advisory flood elevations and that the homeowner would obtain and maintain flood insurance.

MDA opened three service centers on the Mississippi Gulf Coast on April 17, 2006. Between April 17 and May 31, 2006, 15,850 applications were taken. To date, 18,548 Phase I applications have been received through these service centers.

Of the applications taken, 3,618 have been deemed ineligible, but will be considered in the second phase of the Homeowners Assistance Program. Currently, 14,214 applicants have been notified they are eligible to receive a grant and 13,369 of these have completed their grant closing.

As of April 4, 2007, 12,083 applicants have been paid a total of $842,414,036. Each of those applicant's properties now have covenants attached providing for rebuild and repair in accordance with applicable codes and local ordinances and that homeowners have agreed to obtain and maintain flood insurance.

Due to the significant amount of construction anticipated on the Mississippi Gulf Coast and the need to adequately plan and inspect construction activities, MDA provided $5 million in grants to local governments in Hancock, Harrison, Jackson and Pearl River Counties, Mississippi, for the costs incurred by the need for additional permitting and building officials. Also, to address fraud in the application process and contractor fraud related to rebuilding efforts, MDA provided a $5 million grant to the Mississippi State Auditor to establish and operate a Katrina Fraud and Investigation Team.

On December 19, 2006, HUD approved a modification to the Homeowners Assistance Program to redirect $700 million of the original $3 billion initially allocated for Homeowner Assistance Grants to the Phase II Program. The purpose of Phase II is to provide compensation grants up to a maximum of $100,000 to homeowners who suffered flood surge damage to their primary residence as of August 29, 2005, from Hurricane Katrina.

Phase II eligible homeowners are those who owned and occupied their home on August 29, 2005; received flood surge damage; have a household income at or below 120% of Area Median Income (AMI) and their home was located in Hancock, Harrison, Jackson, or Pearl River Counties, Mississippi. MDA began registration for Phase II homeowners in July 2006.

Applicants in both phases of the Homeowners Assistance Program may be eligible for a separate grant of up to $30,000 to defray the costs of elevating their homes out of potential danger areas.

Hurricane Katrina also destroyed or severely damaged 8,600 rental units in Mississippi, 95% of which were located in Hancock, Harrison and Jackson Counties, Mississippi.

The Gulf Opportunity Zone (GO Zone) Act authorizes the Mississippi Home Corporation to allocate approximately $35 million annually in Low Income Housing Tax Credits in 2006, 2007 and 2008. The Mississippi Home Corporation awards these federal tax credits based on a competitive scoring process conducted according to the "Qualified Allocation Plan" approved by the Governor. In August 2006, Mississippi Home Corporation awarded over $10 million of housing tax credits that will facilitate the construction of 1,006 housing units in Hancock, Harrison, Jackson and Stone counties. The coastal units funded with this allocation, coupled with the 228 associated with the tax credits awarded in January 2006, will replace more than 20% of the coastal units damaged by the hurricane. These units are available only to families with incomes of less than 60% of the Area Median Income.

To ensure that more of the tax credits are directed to the areas that need them the most, the MS Home Corporation restructured the Qualified Allocation Plan at the Governor's urging. Not only will the new plan ensure that more credits are used in the lower six counties, the revised plan encourages innovative mixed income developments which will provide new rental housing for families between 60% and 80% of the Area Median Income and new market rate rental units.

Furthermore, The Governor's Office and MDA have submitted additional proposals to use CDBG disaster recovery funds to spur additional rental property development, and we are awaiting HUD approval. While administering the CDBG monies, we have worked closely with HUD and Secretary Jackson, and the relationship that has developed has been one of mutual respect and effectiveness.

In addition to the state's other CDBG housing programs, HUD approved the action plan amendment to address the needs of Mississippi's Public Housing Authorities on August 31, 2006. The purpose of this amendment was to provide funding, in an amount up to $100 million, to the five Housing Authorities that suffered damages to their facilities on August 29, 2005, from Hurricane Katrina. Historically, Housing Authorities have developed, owned, operated and managed multifamily properties and looked primarily to HUD for development capital, maintenance funds, rental assistance and operating subsidies. There were 2,695 rental units pre-storm: 2,534 were damaged or destroyed. Grant allocations have been made based on the percentage of individual Housing Authority dollar damages to the total damages for all five Housing Authorities.

On August 31, 2006, HUD also approved an action plan amendment for the Ratepayer and Wind Pool Mitigation Programs. The objective of the Ratepayer Mitigation is to protect business and residential customers from bearing the entire cost of the utility infrastructure restoration and rebuilding. $360 million has been paid through this program to offset emergency response, restoration and rebuilding costs incurred by the utility companies that would otherwise be passed through to the ratepayers.

As a result of Hurricane Katrina, 16,000 policyholders in the Mississippi Windstorm Underwriting Association (MWUA) faced up to a 400% increase in their annual premiums for wind and hail insurance. This economically debilitating increase results

from a spike in wind risk reinsurance rates for high-risk properties on the Mississippi Gulf Coast as a result of Hurricane Katrina. MDA made a $50 million grant (payable over 2 years) to the MWUA to defray the additional cost to the consumer of wind insurance obtained from MWUA, resulting in an increase of 90% in annual residential premiums rather than the 400% increase initially anticipated. This grant serves as an interim subsidy while the insurance market recovers and stabilizes from its losses due to Hurricane Katrina and the State Legislature enacts structural reforms which ensure a statewide, stable and actuarially sound insurance market for future years.

MDA has also granted $30 million of the disaster recovery funds to reduce the increase of commercial premiums to 142%. Lowering commercial rates will assist in making rental units affordable. Rental property owners build the cost of their commercial insurance into the rental rates charged.

As a result of Hurricane Katrina, many Gulf Coast residents will move inland away from the risk of future storm surges and hurricane force winds. However, for housing to be built to accommodate any migration, water and sewer systems must be expanded to accommodate the growth in an environmentally responsible fashion.

The Mississippi Department of Environmental Quality recently released a master plan for water and wastewater improvements in the lower six counties. This plan will be implemented utilizing the new Gulf Coast Regional Wastewater Authority authorized by the 2006 Legislature. More than $640 million of CDBG funds are allocated for this program, which will help create new housing opportunities while facilitating future economic development in an environmentally sensitive way.

As you can see, significant headway has been made in rebuilding the thousands of homes destroyed by Katrina. Perhaps most significant are the financial vehicles and grants to families and those especially vulnerable to the ravages of the storm. Yet as numerous studies and community forums have pointed out, it is not enough simply to rebuild. Homes must be rebuilt according to modern building codes in areas less prone to future disasters. Stressing the importance of being good stewards of taxpayers' funds, Governor Barbour has put recovery policies in place to ensure that housing is rebuilt in a way that minimizes damages the next time a powerful hurricane strikes Mississippi's shores. The administration recognizes that foresight is needed in the rebuilding effort as well as immediate action.

Thousands of Mississippians are still living in FEMA-provided travel trailers more than 18 months after the storm. The Governor is committed to moving these citizens to improved housing conditions while permanent dwellings are being rebuilt. The state's Alternative Housing Pilot Program is one example of the administration's hands-on approach to ensure no one is left behind, and the needs of all citizens are being met. It is, in fact, yet another example that the State of Mississippi is pursuing a comprehensive approach to address the critical housing needs of the Mississippi Gulf Coast with programs that have never been attempted anywhere in this magnitude.

To ensure a sustainable recovery effort, we are also working hard to continue to strengthen Mississippi's economy. More than one-half billion dollars of our CDBG allocation is aimed at spurring economic development in the entire 49-county Go Zone area. Of this, a significant portion will go to community revitalization projects in the coastal communities, and grants will also be made for for planning, permitting and inspecting activities.

Separate and above this CDBG money, MDOT has received $1.1 billion in federal funds to repair and rebuild state and federal highways and bridges, including the Biloxi Bay and Bay of St. Louis bridges. Once these major corridors reopen in the months ahead, economic redevelopment will occur at an even quicker pace.

Additionally, the State Department of Education received $330 million to reopen and help operate our K-12 schools, and Mississippi higher education received $95 million to help our universities and community colleges. All these were grants of federal money, as was $58 million to support state and local law enforcement, $128 million for social services grants, $74 million from the Labor Department for temporary employment and job training. The Department of Mental Health received $25 million in the wake of the storm, while USDA gave Mississippians an extra $134 million in food stamps as emergency assistance.

Our health care providers have received $73 million as reimbursement for care they provided free to disaster victims; the University of Mississippi Medical Center received $20 million to help pay for such uncompensated care.

Shipbuilders in Mississippi have received nearly $2 billion for emergency measures and repairs because of the storm, and the federal government has appropriated more than a billion dollars for rebuilding military and veterans' facilities in the state.

It is a mind boggling array of numbers, like nothing ever seen before in Mississippi. We are grateful to President Bush and Congress for trusting us with these funds, and we pledge to continue to be good stewards of the taxpayer's money.

Federal monies have contributed greatly to the improving quality of life in coastal Mississippi. However, we are still presented with challenges. For example, the current labor shortage in some sectors has produced bottlenecks in our capacity to rebuild. Also, the rising cost of insurance continues to present financial challenges to our citizens and small business owners.

Rebuilding and expanding our state's economic infrastructure, creating jobs, and stabilizing our state's insurance market are top priorities. Restoring our state's economic base and tax revenues is critical to the long-term recovery of the state. Creating jobs is perhaps the single best way to achieve this goal.

Less than a month after Katrina struck, we rolled out a small business no-interest bridge loan program. Working with local bankers, the state loaned 537 businesses $13.25

million. These loans allowed hundreds of small businesses to begin hiring new employees and resuming operations.

The Mississippi Development Authority (MDA) established Small Business Assistance Centers in each of the most affected counties to provide a one-stop recovery resource for business people. At these centers, business people could talk with counselors from the Mississippi Development Authority, the Small Business Administration Disaster Assistance Office, the MS Small Business Development Centers, the Planning and Development Districts, the Mississippi Contract Procurement Center, chambers of commerce, local economic developers, and volunteers from the Service Corp of Retired Executives. MDA provided free computer usage and Internet access to help businesses regain communications with customers and suppliers.

In less affected areas, MDA held Disaster Recovery Workshops to help business people navigate the array of disaster recovery resources available to them. MDA's Industry Assistance Bureau staff continues to assist small business owners in the affected areas in starting new businesses and expanding existing businesses.

The U.S. Small Business Administration (SBA) has been a strong partner with Mississippi. SBA's business and economic injury loan programs have aided thousands of Mississippi businesses with more than $500 million in loans. SBA has offered Physical Disaster Business Loans of up to $1.5 million to repair or replace businesses that are located in the declared disaster. Additionally, SBA's Economic Injury Loans for small businesses have provided financial assistance to small businesses that suffered substantial economic injury.

Small businesses in 67 Mississippi counties affected by Hurricane Katrina have also taken advantage of U.S. Small Business Administration-backed loans of up to $150,000. The loans, known as Go Loans, have been delivered through local banks and have been handled under an expedited process that in some cases has delivered a response on the loan in 24 hours or less.

SBA has also served as a good partner to Mississippi throughout our homeowner assistance grant process. Prior to disbursing HUD-funded homeowner assistance grants, the state must share information with SBA to ensure no duplication of benefits exists. We would like to thank SBA for their efforts to ensure timely payments to our homeowners. Information is currently being provided on a 48 hour turnaround time.

SBA's assistance, along with the hard work of our state and our citizens, has helped spur a tremendous economic recovery in our state. With employment levels now above pre-Katrina levels, Mississippi's economic recovery is in full swing. Ongoing recovery efforts will require continued investment, innovative partnerships, economic incentives and workforce training.

An example of such an innovative economic incentive, The Gulf Opportunity Zone Act of 2005, was passed by Congress and signed into law by President Bush in December

2005. This legislation grants economic development incentives within 49 counties affected by Hurricane Katrina. Among the incentives for qualifying businesses is 50 percent bonus-depreciation during the first year of service of eligible personal assets and real estate and $4.8 billion in tax-exempt private activity bonds for projects in counties in the designated presidential disaster area. The state is actively working to promote the federal tax incentives included in the GO Zone legislation.

Labor shortages in some sectors critical to rebuilding plague the Mississippi Gulf Coast. The Mississippi Department of Employment Security (MDES) is helping to provide skills and workforce training opportunities to meet the labor demand, especially in the construction and health care industries. The shortage of workers coupled with low unemployment rates will require a comprehensive effort to train coastal residents and reach out to others from across the country.

Because of the hard work of MDES and its employees, thousands of people have found work in temporary recovery jobs. MDES is working to transition temporary job holders into permanent employment when the temporary assignments end. So far, more than 5,000 people have entered training for permanent jobs. Short-term flexible training is being offered by community colleges in construction and health care related fields. Support services, such as transportation and childcare assistance are also available for those that need them. Also, Reintegration Counselors have provided employment counseling services in areas with high concentrations of people displaced by Katrina.

Additional Federal assistance has also enabled other employment recovery efforts. For example, The Mississippi Development Authority is providing funds to the hardest hit communities for the hiring of additional building inspectors and permit officials.

The Mississippi Department of Finance and Administration has worked with FEMA to administer the federal Community Disaster Loan (CDL) program, resulting in $130 million in approved state-guaranteed loans to local governments. Congress made additional funds available for the CDL program in the June 2006 supplemental appropriations bill. Additionally, the Mississippi Development Bank has approved $148 million in loans to local governments.

The Department of Labor, in partnership with Manpower Inc. and MDES, has launched an initiative to help Mississippi workers displaced by Hurricane Katrina. Residents that were relocated more than 150 miles from home are eligible to receive assistance to return to jobs closer to home.

Special assistance was provided to employers who experienced difficulty with filing their third quarter Unemployment Insurance Wage and Tax report because payroll records were lost or damaged.

MDES received $85 million from the Department of Labor for Unemployment Benefits as part of a federal appropriation to address the extraordinary circumstances faced by Mississippi, Louisiana, and Alabama. The money went into the Mississippi

Unemployment Trust Fund and enabled the Fund to retain a healthy balance in spite of the unprecedented claims filed following Katrina. MDES has reported more than 50,000 job placements since October 1, 2005.

The Mississippi Department of Employment Security applied for a National Emergency Grant (NEG) from the Department of Labor within days of Hurricane Katrina. The initial grant request of $50 million was approved and additional funds were secured over the next several weeks. More than $63 million in NEG funds have been received to provide jobs and training to Mississippians.

In addition to the NEG funds, MDES has received $8 million in other workforce development funds from the Department of Labor. These funds have been used in concert with state community and junior colleges to provide training and employment in high-growth and high-demand fields. The Pathways to Construction Training initiative was created through these funds. This program is designed to work through area community and junior colleges to meet the training needs of the construction industry as it engages in rebuilding efforts.

A new Work Opportunity Tax Credit (WOTC) target group was created by the Katrina Emergency Tax Relief Act of 2005. Its purpose is to encourage businesses to hire individuals who previously lived in the hurricane disaster areas, were displaced from their homes, and lost jobs as a result of Hurricane Katrina. Eligible businesses that hire an employee who was impacted by Hurricane Katrina may qualify to receive a federal income tax credit up to $2,400 per eligible employee.

The Workforce Investment Network (WIN) in Mississippi is an innovative strategy designed to provide convenient, one-stop employment and training services to job seekers and businesses. Working through four local Workforce Areas, the WIN system includes 43 WIN Job Centers throughout the state and several part-time offices. Within two weeks of Hurricane Katrina, all the WIN Job Centers were open with extended hours to provide employment services and to process applications for unemployment benefits.

Four WIN Job Centers on the Gulf Coast (Biloxi, Gulfport, Pascagoula, and Picayune) were significantly damaged. A fifth office in Bay St. Louis was completely destroyed. In spite of the loss of property and the personal suffering of staff, MDES began processing Disaster Unemployment Assistance and other disaster related Unemployment Benefit claims on September 12, 2005.

Mobile units were set up where WIN Job Centers were destroyed to handle unemployment claims. A Claims Call Center was created and operated 7:00 a.m. to 6:30 p.m. seven days a week, and the other non-Coast WIN Job Centers throughout the state were open 7:30 a.m. to 6:00 p.m. for at least a month. The WIN Job Center focused on putting people back to work. MDES ran television, radio, and newspaper announcements throughout the state, encouraging people to visit their local WIN Job Center to look for jobs and reminding employers to list their jobs with MDES in order to take full advantage of the resources available to them.

A toll-free number was available for employers to list jobs statewide. The first Katrina Recovery Job Fair was held in Picayune in October 2005. The MDES website was expanded to include links for both employers and job seekers to post jobs, to search for jobs, and to find a schedule of job fairs.

The WIN Centers are committed to providing people services tailored to their individual needs. With that in mind and understanding that Katrina created new employment problems, MDES applied for and received a grant from the Department of Labor to hire 25 Reintegration Counselors. The specially trained counselors provide reemployment and reintegration services throughout the state in areas with high concentrations of individuals displaced by Katrina. Working closely with other agencies and non-profit service organizations, they network to find resources for their clients to help them get back to work.

MDES, its WIN Job Center partners, and the four local Workforce Areas will continue to assertively work to put Mississippians back to work on the Coast and throughout the state as the state recovers from Katrina. As more Mississippians get back to work, more small businesses will continue to open and expand their operations.

Education is the number one economic development issue in Mississippi and in every other state; and it is our number one quality of life issue, too. That is why it is our top priority and why it receives 62% of the state's budget. As such, our schools' recovery from Hurricane Katrina is perhaps one of the finest examples of the many markers of recovery that exist.

Katrina had a devastating impact on Mississippi's public schools. 79 school districts, a total of 263 schools, suffered damage. The storm totally destroyed 16 schools and severely damaged another 24. Only 14 of 152 school districts statewide did not miss any days due to the storm. All told, nearly 80,000 children were out of school in Mississippi immediately after Katrina. However, children did not stay out of school for long, as local school districts and FEMA cleaned up and repaired the schools that received minimal damage and secured portable classrooms for those schools that were more heavily damaged.

Most Mississippi school districts were able to resume operations within two weeks after the storm. A mere six weeks after the storm, all but one school district on the Coast, Bay St. Louis-Waveland, was back open, and that school district opened November 7th. As of the spring semester of the '05-'06 school year, Mississippi K-12 schools on the Coast were operating at nearly 90 percent of pre-Katrina enrollment. Those enrollment numbers are even higher today.

When the battered schools reopened, students immediately went back to work, like the Coast itself went back to work. And the results make a powerful statement. Four schools in Mississippi were recognized as top performers nationally for the 2005-2006 school year. They were nominated as National Blue Ribbon Winners in the year of the hurricane.

The farthest north was Petal High, near Hattiesburg. The other three were all on the Coast - Long Beach High, Biloxi High and Bayou View Elementary in Gulfport.
There is a real lesson to be learned from the administrators, teachers, students and parents that worked tirelessly to ensure that Hurricane Katrina did not cripple education in South Mississippi.

Like our school districts, Local units of government have also faced an array of challenges since August 29, 2005. Six of the eleven coastal cities elected new, first-term mayors less than two months before Hurricane Katrina made landfall. Although all within miles of each other, these eleven cities each had long-standing, distinct identities and enjoyed diverse economies and populations.

The effects of the storm also were unique to each community. Some cities have seen increased sales tax revenues compared to the same period in the previous fiscal year while others look to loans and government grants to provide necessary services in the near-term. The state has provided grants of up to $3 million in direct cash aid to stabilize struggling coastal governments.

Hurricane Katrina left the downtown area of Ocean Springs relatively intact, but completely obliterated the historic downtowns of Bay St. Louis and Pass Christian. Unincorporated areas of Hancock County were Ground Zero for the hurricane's landfall. Northern areas of Jackson and Harrison Counties and the upper counties of Pearl River, Stone, and George Counties all are projected to experience significant housing starts and population growth over the next ten years. The response of local governments has illustrated the common resiliency and confidence of Mississippians.

Of particular note is the stellar job local governments have done working with state and federal officials to manage the process of obligating and closing out more than $ 2.1 billion in Public Assistance dollars through the Federal Emergency Management Agency. To date, FEMA has generated more than 10,000 Project Worksheets for repair and rebuilding projects in Mississippi's communities. FEMA has served as a good partner for the state, and we applaud their commitment to work with the state and locals to make this Public Assistance process efficient, despite the unprecedented destruction of this disaster.

Today, we are working hard to ensure that FEMA focuses its efforts on completion of the Public Assistance closeout process. The state places great priority on completion of the various outstanding project worksheets, and their eventual closeout. Mississippi is committed to working to maintain the positive momentum and cooperative spirit that exists between FEMA, the state, and locals.

In recognition of the cooperative spirit that exists, we also seek to ensure that FEMA headquarters continues to honor critical decisions made by local FEMA leadership and field personnel in the weeks following the disaster. We believe it is important for decisions made by local FEMA leaders during the immediate post-disaster environment to be affirmed and upheld throughout the disaster recovery process. It is critical that

decisions made on the ground carry weight throughout the agency, such that state and local elected officials can act quickly and in good faith based on those decisions.

Of final note, local units of government have provided great leadership in ensuring that Mississippi is built back better than ever. Following the unprecedented Mississippi Renewal Forum in mid-October, which paired Mississippi architects and elected officials with international experts in architecture and urban planning, most cities along the Coast have sponsored more intensive, multi-day charrettes, or planning and design sessions. These sessions attract the talents of worldwide experts and non-profit community building organizations, such as Living Cities, and also provide broad public participation.

Citizen-based groups have also formed which emphasize smart urban planning. "Renaissance commissions" have formed in Pascagoula and Biloxi, and many cities along the Coast have welcomed the Main Street U.S.A. organization to partner with efforts for downtown revitalization.

This testimony would be remiss if it did not also mention the tremendous impact non-governmental organizations have had on our state's recovery. Since the hurricane, we have been overwhelmed by the support of people from across the nation and world willing to help us get back on our feet. Their generosity has been indispensable to Mississippians who are trying to rebuild their homes, communities, and lives. They've been evidence that an awful disaster can bring out the best in people.

Perhaps no sector deserves more gratitude than the faith-based and not-for-profit organizations. These NGOs provided shelter, food, clothing, and financial assistance in the hours following Hurricane Katrina and have been unwavering in their presence and support since then. Many of these volunteer organizations are familiar names, such as the United Way, American Red Cross, Salvation Army, Back Bay Mission, and Catholic Relief Services. Others, such as the Hands On Network, United Methodist Committee on Relief (UMCOR), Kaboom!, and the Mennonites may not have been well known to many South Mississippians before August 29, but now will never be forgotten. Their work and the work of hundreds more like them have restored hope and helped to rebuild lives.

After the untold suffering and loss from the devastation of Katrina, Mississippi is well on its way toward recovery. While the level of federal assistance is unprecedented, debris has been cleaned up at a pace never before accomplished. And, while emergency housing was deployed at a record pace, its pace was not fast enough for those that were in need.

At this point in the recovery process, the state has worked to fulfill the temporary recovery needs of our citizens, while developing solutions for the long-term problems facing storm-wrecked communities. Much of the federal assistance needed to address the projects and policies identified in state and local plans has been procured. As such, the state now finds itself in the implementation phase of recovery.

We understand that our work to recover, rebuild, and renew will take years. More importantly, however, it will also take the continued support our nation's leaders and the American people. Katrina revealed to the world and to ourselves the character and spirit of Mississippians. That revelation creates unprecedented opportunity for us and our state - opportunity for job creation and economic prosperity; for a better quality of life for our people; for greater, more widely spread equity that at any other time in our history.

Indeed, much opportunity lies ahead. Hurricane Katrina, with all its destruction, gave birth to a renaissance in Mississippi that will result in rebuilding our state bigger and better than ever before. Our citizens will be at the heart of that renaissance. The people of our Gulf Coast have been a model of the spirit and character Mississippians. They have remained strong, resilient and self-reliant though they have endured terrible hardships. They bore the worst of Katrina and many are still living in conditions that amount to deprivation, but they persevere.

Our people are rebuilding one day at a time, and we ask for your continued assistance in helping them move forward. Through your efforts and the efforts of the people of our great state, we will rebuild a Mississippi that exceeds anything we have ever known.

Thank You.

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