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HURRICANES KATRINA AND RITA: OUTSTANDING NEED, SLOW PROGRESS

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

FIELD HEARING IN NEW ORLEANS, LOUISIANA

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HURRICANES KATRINA AND RITA: OUTSTANDING NEED, SLOW PROGRESS

MONDAY, JANUARY 29, 2007

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
New Orleans, Louisiana

The Committee met, pursuant to notice, at 9:10 a.m., in the Louisiana Supreme Court Building, New Orleans, Louisiana, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Landrieu, and Obama.

OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. Good morning. This hearing will come to order.

First I want to thank the folks at the Supreme Court for giving the three of us the opportunity to realize a dream we will never realize to feel like justices——

UNIDENTIFIED AUDIENCE SPEAKER. Mr. Chairman, why don't you tell the victims of Hurricane Katrina why you will not probe the White House?

Chairman LIEBERMAN. I will be glad to——

UNIDENTIFIED AUDIENCE SPEAKER. In my hand, I have 100 signatures of victims of Hurricane Katrina. Why don't you tell them why——

Chairman LIEBERMAN. We will——

UNIDENTIFIED AUDIENCE SPEAKER [continuing]. You will not probe the White House?

Chairman LIEBERMAN. Thank you.

UNIDENTIFIED AUDIENCE SPEAKER. Stand up for justice. We want somebody to stand up for justice. Probe the White House.

Chairman LIEBERMAN. We will be happy to accept those petitions and glad to deal with that question as this hearing goes on and, of course, in any questions and answers we would have with the media.

I thank you all very much for being here. In some sense I want to respond to that expression of emotion because it is hard to come back to New Orleans more than a year and a half after Katrina without feeling that emotion.

I came here about 2 weeks after landfall, and personally, it was hard not to be shaken by what I saw. In my time as a Senator, I have probably been to four war battlefields after the wars were completed, and I said after my visit to New Orleans on that day

and to the Gulf Coast of Mississippi that I had never seen such devastation as I saw that day.

I had never seen it so broad, so deep, so overwhelming in total. And it motivated a response from the Federal Government, State and local government. Our Committee did an investigation of the failures of government to act. But we are here today to say that we understand that the work is not done, to put it mildly.

Last week this Committee organized for this 110th session of Congress. This is the first hearing we have held since that organization, and it is a way for us to say that we know that our work is not done.

I know that a lot of people in New Orleans, and the Gulf Coast particularly, were disappointed that President Bush did not speak of or mention Hurricane Katrina and the unfinished work in the State of the Union speech. I was surprised and disappointed by that as well.

But this Committee is here this morning, and we brought with us some of the leaders in the Administration who continue to work every day on the unfinished business of getting New Orleans and the Gulf Coast as close back to normal as possible. We are going to ask them to report. We are going to ask them, along with State and local officials, to tell us where we are, what more we can do, and we are going to ask them some questions about what we see has not been done yet.

One of the leaders, the great leaders in the battle, I would say, for New Orleans has been my friend and colleague Senator Mary Landrieu. Her unyielding concern for the people of this State, city, and region, coupled with her unrelenting work to keep our government in Washington focused on the challenges and obstacles the people of this city, State, and region face, is a good part of what brings this Committee to this hearing in New Orleans this morning.

As the new Chairman of the Homeland Security and Governmental Affairs Committee, I used an authority I have to create a new Subcommittee. It is a Subcommittee whose jurisdiction is on disaster recovery. This Subcommittee will have authority to examine the widest variety of issues and concerns related to how our government has helped and can better help communities hit by disasters, particularly disasters that are of such great magnitude as Hurricanes Katrina and Rita were that they really are catastrophes, and how we can better protect the people of our country from such catastrophes in the future.

I could not think of a better Senator, a better Member of this Committee, to ask to Chair that Subcommittee than Senator Mary Landrieu, and she will be in that position, in a great position, to lead this Subcommittee, the Senate, Congress, and the Federal Government to face the reality of the challenges that people face every day in this city, State, and region.

I think you know that the record shows that Congress has not been miserly. Congress has provided over $110 billion to the Gulf Coast since Hurricanes Katrina and Rita. That is an unprecedented amount of Federal money, but these were unprecedented disasters. Much of this money was intended to provide housing for the tens of thousands of displaced residents. Yet, as so many of you in this

room know, for all of the funding Congress approved, the reality is that the money is not arriving fast enough or is sitting idly by for some bureaucratic reason while the people of New Orleans continue to suffer and lack adequate shelter.

This morning we are going to try to shed some light on that problem to find out the reasons why this has happened and how we together can break the bureaucratic logjam that blocks too much of the humanitarian relief that all of us want to give to the people who are suffering.

One of the most unsettling, shocking, unacceptable examples, of course, is in the distribution of the $7.5 billion the Federal Government has sent in Community Development Block Grants for the State's Road Home program, which was designed to help individual homeowners rebuild. The numbers are stunning. Over 101,000 homeowners have applied for assistance under this program, but less than 300 homeowners have actually received funding as of last week when I last checked.

How could this be? That is the question I am going to ask over and over again this morning until we get an answer.

Rental assistance is another concern we have. In Louisiana, almost 31,700 storm victims are still receiving rental assistance, and almost 65,000 victims are still in FEMA trailers and mobile homes. Until their houses are rebuilt or other provisions are made for shelter, a basic right in this country, we need to make sure that all those displaced people, homeowners and renters, have a roof over their heads. The needs here are as basic as that, and the rest of the country has to understand that.

On Friday, January 19, I was encouraged that FEMA extended its Housing Aid Programs for victims of Hurricanes Katrina and Rita by at least 6 months. That is good news. But since it did not raise the $26,000 cap on housing assistance, many families may still soon and suddenly find themselves homeless. That is why this morning I want to hear from Mr. Jamieson, who is FEMA's Deputy Director for Gulf Coast Recovery, and Ms. Patenaude, who is HUD's Assistant Secretary for Community Planning and Development, how the Federal Government will make sure that we can protect these people from being homeless again.

It is, as I said at the outset, a little more than a year and a half since Hurricane Katrina, and the unfinished work before us is still immense. I spent some time with Senator Landrieu yesterday, late afternoon and evening, driving around. Downtown looks pretty good. The Central Business District looks pretty good. And yet just go a little bit back and you see neighborhoods that are devastated still, and talk to people and you find that some of the basic services that people expect in a civilized society—shelter, public safety, health care—are still not there for too many people in this city.

The Federal Government, I would say, finally, must continue to help. That is why we are here, and we will continue to come back to show what a great and good Nation does when its fellow citizens are struck by disaster and also, more broadly, to recover the trust and confidence of all Americans who saw their government fail while New Orleans and the Gulf Coast literally drowned.

[The prepared statement of Senator Lieberman follows:]

PREPARED STATEMENT OF SENATOR JOSEPH I. LIEBERMAN

In January 1815, we fought and won the Battle of New Orleans and saved a crucial American city from occupation by the British.

New Orleans is an important part of the commerce and culture, the past, present and future of America. That is why we have come here today. A year and a half after Hurricanes Katrina and Rita, it's time to redouble our efforts to win the new Battle for New Orleans and the Gulf Coast. I hope today's testimony will help us understand what is still needed to get this great American city and region—and most importantly its people—back to where they should be.

One of the leaders in this Battle for New Orleans has been my friend and colleague, Senator Mary Landrieu. Her unyielding concern for the people of her State and region, coupled with for her unrelenting work to keep our government in Washington focused on the challenges and obstacles this area faces, moved me to call this hearing. As the new Chairman of this Committee, I have created a new Subcommittee on Disaster Recovery and asked Mary Landrieu to chair it. This new Subcommittee will have authority to examine a variety of issues and concerns related to how our government helps communities recover from disasters, especially ones of great magnitude—whether it is Hurricanes Katrina and Rita or manmade or terrorist disasters in the future.

We are calling this hearing, "Hurricanes Katrina and Rita: Outstanding Need, Slow Progress." Nearly a year ago this Committee visited New Orleans. We were stunned by the lack of progress from what we had seen on our visit two weeks or so after Katrina. And while some progress has been made since that hearing, we clearly still have a long way to go before your city returns to some sense of normalcy, and your country can feel it has fulfilled its responsibility to you.

Congress has provided over $100 billion to the Gulf Coast region since Katrina and Rita. Much of this money was intended to provide housing for the tens of thousands of displaced residents. This was an unprecedented amount but these were unprecedented disasters.

Yet for all of the funding Congress approved, the reality seems to be that the money is not arriving fast enough or is sitting idle while the people of New Orleans and the Gulf States continue to suffer and struggle. I hope that today's hearing will shed some light on the reasons why and on the way to break this bureaucratic logjam that blocks the humanitarian relief we all want.

One major—and I should say startling—example of the funds having been made available, but not reaching the people who desperately need them, is the painfully slow distribution of Louisiana's $7.5 billion in Community Development Block Grants (CDBG) through the State of Louisiana's "Road Home Program," which was designed to help individual homeowners rebuild.

Nearly 99,000 homeowners have applied for assistance under the program but only 177 homeowners have received funding as of Martin Luther King Jr. Day. How could this be so?

We must find a way to streamline this process to eliminate this extraordinary disconnect and I look forward to hearing from State officials on how we can improve this.

In Louisiana, 31,688 storm victims are still receiving rental assistance, and 64,697 victims are still in FEMA trailers and mobile homes. Until we can rebuild their homes, we need to make sure all those displaced—homeowners and renters—have a roof over their heads.

On Friday, January 19, FEMA extended its housing aid program for victims of Hurricanes Katrina and Rita by at least six months. That's good news. But since it did not raise the $26,200 cap on housing assistance, many families may still suddenly find themselves homeless.

I want to hear from Gil Jamieson, who is FEMA's Deputy Director for Gulf Coast Recovery, and Pamela Patenaude, HUD's Assistant Secretary for Community Planning and Development, how we will make sure these people don't end up homeless again.

We are on our way to the second anniversary of the storms and the challenges before us are still immense. While I have seen inspiring resolve on the faces of the people who are working to rebuild in New Orleans and across the Gulf Coast, I know they can't do it alone. The Federal Government must continue to help in timely and meaningful ways and, in doing so, do what a great and good Nation does when its citizens are struck by disaster, but it must also recover the trust and confidence of all Americans who saw their government compound the problems while New Orleans and the Gulf Coast literally drowned.

Chairman LIEBERMAN. I am honored to have two of my colleagues fellow Members of this Committee with me. Senator Landrieu is a dear friend. I want to say, as the Chairman of this Committee and as a colleague, when it comes to the needs of New Orleans, Mary Landrieu can be a real pest, and——

Senator LANDRIEU. It is good to be a pest.

Chairman LIEBERMAN [continuing]. So I am proud to call on now the Chairman of our new Subcommittee on Disaster Recovery, your own Senator Landrieu.

OPENING STATEMENT OF SENATOR LANDRIEU

Senator LANDRIEU. I thank you, Mr. Chairman.

And sometimes it is good to be a pest. My former colleague, John Breaux, called me a pit bull with Louisiana charm. Sometimes I may be a little short of charm, but we need a pit bull to kind of keep the Federal Government and all of us focused in working to restore this great city and great region.

I want to begin by thanking Senator Lieberman, the new Chairman of the Homeland Security Committee. He has served on that Committee, helped to create that Committee, but he is now chairing that Committee. He could have chosen any place in the world to have his first hearing as Chairman, and he chose New Orleans, he chose this region, he chose the Gulf Coast to indicate a new focus on enhancing and accelerating the help from all different levels to help build this remarkable and unique and irreplaceable place on our planet.

I want to thank Senator Obama who had many places to be this day, but he re-arranged his schedule when we confirmed this hearing to be with us this morning because of his passionate commitment to the issues that we are going to deal with this morning, and I thank him.

I also want to say how grateful I am to be named as the new Chairman of a brand-new subcommittee that is going to be focused on disaster recovery—response and recovery, so that not only can we make better the situation that is facing us, but, as I have promised my Chairman, Senator Lieberman, and made a commitment to my colleagues, I intend to work with those present to build the best Federal Emergency Management response that this country has ever had and a response worthy of the people that paid for it, worthy of the American citizens that showed up every day to go to work, put the uniform on every time we asked them to, and now their government, with our partners in the private sector and faith-based institutions, need to step up and be there for them. They do not ask for much, but they do not have a lot right now.

We lost—1,836 people died in the rising tides and the water. We have had thousands, Mr. Chairman and Senator Obama, die from broken hearts since. We have had 90,000 square miles flooded, which is larger than the size of Great Britain; 650,000 people displaced; 275,000 homes destroyed, more than 200,000 of which were in Louisiana; and thousands of renters who did not own homes but had some modest shelter that also lost their rental units.

We had over a quarter of a million jobs lost, 875 schools ruined in Louisiana alone, 20,000 businesses destroyed, billions and billions of dollars of property damage, 22 levee breaks that put 20 feet

of water in a city in an urban area that sat sometimes in two hurricanes, so we were flooded not once, but twice. For 6 to 8 weeks, the water stood in many places.

Two million people lost power. We still have people without power, without lights, and without clean water; thousands of people still living in trailers with no permanent placement and resettlement options; 16 National Wildlife Refuges closed; 1.3 million acres of forest destroyed, and etc.

We had $4 billion donated by the public, private individuals—we are grateful for every check that was sent of any amount; $600 million by corporations; we are grateful for every corporation that stood up to help us. And over 70 countries have pledged aid. To this unprecedented international enterprise and endeavor, we are grateful.

But today we want to focus on how better FEMA can work with HUD, how better the Small Business Administration can step up, identifying what has not worked and making those changes.

Breaking through as we hear this testimony, Mr. Chairman, of some of the real tight spots that we have got to break through. There has been a lot of lawyering going on in the last year, with all due respect to the lawyers present, but we need to break through some of this lawyering and get down to problem-solving to build a new hospital system, a new health care system, a new school system, and make this housing program work.

There is no doubt that the Federal Government has sent us an extraordinary amount of money, but yet as you have heard me say before, and I will say it again, the people of this region and the Gulf Coast did not build the pipeline that the money came through. We are on the receiving end. When we build pipelines in Louisiana, the oil usually stays inside and so does the gas. But this pipeline that was built from the Federal Government had more holes, as my grandmother would say, than Carter had liver pills. And by the time the money got to us, it was a trickle coming out of the other end. And I intend to find out where those holes are and plug it; I intend to find out where at the other end what we—if we did not do what we were supposed to do at the other end, how to do that better and, as I said, help us create a better system.

We have had a lot of good success, and I know my time is almost up, we have made some great progress in changing some of the FEMA and changing some HUD regulations, pushing money through Community Development Block Grants, doing a temporary handing out of checks so 360,000 kids got to go to school the year after all their schools were destroyed. We have some very positive things to say about what we did. But there is no doubt the road before us is tough and long, and to a lot of people it looks straight uphill. But with us there, I think we can walk up that hill and build a better city, a better region, and be proud of it.

[The prepared statement of Senator Landrieu follows:]

PREPARED STATEMENT OF SENATOR LANDRIEU

INTRODUCTION

Mr. Chairman, I would like to thank you and Senator Obama for taking the time to see with your own eyes the situation on the ground here in South Louisiana. It is vital for all of us to provide true context and texture to the decisions that are

made in Washington. There is no substitute for first hand contact when it comes to understanding the challenge road ahead for this city and the entire Gulf Region.

My time is short, so I will only be able to explore a few issues in these remarks. Let me clarify for the record though that I am not here not to complain or embarrass FEMA. As Director Paulison recently remarked, FEMA has helped more people than it ever has despite overwhelmed systems and huge work volume. The people of the Gulf Coast are not disputing that.

However, I do believe that this hearing will highlight the central disconnect between the Federal response to Katrina and Rita, and the ongoing needs of the people of the Gulf. When Federal Officials excuse their agencies shortcomings, they always note the scope of the disaster and how it overwhelmed their limited capacity to respond. But on the other hand, when Katrina and Rita victims ask for flexibility given the scope of the disaster, the Federal Government retreats behind a massive shield of red tape and inapplicable precedent.

If the Federal Government's ability to respond was overwhelmed, imagine how overwhelmed the victims feel!

So the question remains, since we are dealing with the greatest natural disaster in our Nation's history, why—time and time again—must we confront a business as usual attitude? In short, why are Federal agencies so reluctant to take the steps to make this recovery work?

GLOBAL MATCH

Let me illustrate with an example that is high on the State's agenda before Congress right now. There are over 20,000 Public Works projects currently in different phases of completion in the State of Louisiana. Two-thirds of these 20,000 projects are under $50,000. When conducting business as usual, FEMA provides 90 percent of the funding for Public Assistance Eligible Projects, and the State/local governments must come up with the remaining 10 percent.

Although we are grateful for all the help we received, Louisiana still faces an estimated $40 billion shortfall between the help we have received and the real costs of recovery. So, the business as usual approach does not make any sense. The $1 billion state match that we are required to come up with could be better spent on rental assistance, mental health, rebuilding our schools, and other unmet needs. It's the classic distinction between a hand out and a hand up.

In case you think we are asking for something out of the ordinary, let me remind the Committee that since 1985, the Federal Government has granted waivers on the State match for public assistance in 32 different disasters. Furthermore, according to the Congressional Research Service:

> "If a state or a local government believes that the economic impact from the disaster warrants, officials may contact FEMA to request a reduction in their portion of the Federal cost-share. The regulations specify that an adjustment in the cost-share requirement may be made 'whenever a disaster is so extraordinary that actual Federal obligations under the Stafford Act, excluding FEMA administrative cost, meet or exceed' a specified threshold . . . that threshold is set every year and is determined by damages on a cost per capita."

It has also been well documented that Katrina and Rita were the first and third-most costliest disasters in U.S. history. As such, Louisiana's cost per capita was approximately $6,700, as compared to damages on a cost per capita basis of $390 in New York after September 11, or Florida after Hurricane Andrew where the cost per capita was $139. In both of those instances, the President waived the cost share for Public Assistance, but for Louisiana following these two devastating disasters, President Bush has not waived the cost share.

So an obvious step—one that would show that the Federal bureaucracy is shedding its business as usual approach—would be to waive Louisiana's cost share for Public Assistance. There is a precedent from previous disasters, and there is still time to make the right decision. However, if that is somehow too high a hurdle to jump today, then at least we should be able to address the absurd amount of paper work with the 20,000 public works projects. The State of Louisiana has proposed a concept known as "Global Match" which would reduce red tape while still ensuring that Federal dollars were spent for their intended purposes and goals.

Under a Global Match, the State would still accept responsibility for funding 10 percent of each Public Assistance project, but it would spread this total across the 20,000 projects currently underway in Louisiana. The State would guarantee that the funds obligated from the Federal Government, through FEMA and HUD, would be closely monitored to prevent duplication of benefits and ensure that 90 percent

of eligible project costs be paid with FEMA funds and 10 percent be paid for with HUD funds. Rather than mixing resources from both programs to pay for each individual project, the State would use CDBG funds to pay 10 percent of the aggregate cost of all Public Assistance projects at once.

I believe this is a reasonable solution, and one that will save time and money for everyone involved. I understand that the State has been working with HUD and FEMA for over six months on this particular issue, and I am hopeful that we can work something out in the coming weeks to gain approval for the Global Match concept. This would help the recovery in South Louisiana move more quickly and streamline some of the current bureaucracy slowing down the process.

COMMUNITY DISASTER LOANS

Another glaring example of the bizarre approach that the Federal Government has taken to recovery in the Gulf Coast can be found with the Community Disaster Loan program. In this case, it is not something we can lay at the feet of any agency. This was a mistake brought on by Congress. The Community Disaster Loan Act of 2005 contained a one time provision that forbid FEMA from forgiving any of the loans to local governments given after Katrina and Rita. Once again, we confront a brutal double standard for the worst disasters in American history. Over the last 25 years, the forgiveness rates for these loans has been between 60 and 70 percent.

Do not misunderstand me. I want entities who are able to repay their CDL loans to repay them. We understand that they are loans and not grants. However, for the largest natural disasters in American history, basic equity dictates that the Gulf Coast be evaluated using the same standards that applied to all previous applicants.

Does it really make any sense for the Federal Government to weigh down New Orleans' fragile health care infrastructure with debt? If we pull them under by compelling them to pay CDL loans, who is really going to be left holding the bag? Will the Federal Government really be able to stand idly by and leave a half a million people with no operating hospital? What about the New Orleans School system?

This is a case of business worse than usual. Somehow, our best response for Katrina and Rita is to raise the bar for help. The Federal Government is overwhelmed by this disaster, but somehow the victims—in this case local government—should not be.

BROKEN PROMISES TO OUR SCHOOLS

As we will see on our tour later today, individual houses were not flooded by Katrina but entire communities were destroyed. This was repeated in southwest Louisiana when Hurricane Rita struck in September 2005—literally washing away almost the entire parish of Cameron. In neighboring Vermillion Parish, similar damage occurred and left many residents with only the clothes on their back. I believe that in these types of situations, with the resulting uncertainty that comes, one constant that victims should have is trust in the word of the Federal Government to help you recover. In some cases, that is all many of our constituents were left with—that the Federal Government would be there to help them rebuild.

Well, unfortunately, one government agency broke promises to two of our Louisiana schools devastated by Hurricane Rita: Peebles Elementary in Iberia Parish and Henry Elementary School in Vermillion Parish. In 2005, FEMA repeatedly told these schools that they would receive relocation funding to move schools to higher, less flood-prone areas. Because of this, the two school systems made irreversible decisions, including purchasing land outside the flood plain to build new schools, only to have FEMA reverse itself in November 2006. FEMA's reversal means that these school systems will receive less than half the funding that FEMA initially promised, leaving school officials scrambling to address a sudden shortfall in financing.

I would like to submit for the record a letter I sent on November 21, 2006, on this issue and also state for the record that my office has yet to receive a written response from FEMA on this important issue.

For me, this is a prime example of FEMA's gross mishandling of its mission as it relates to rebuilding and re-establishing schools in the wake of an extraordinary natural disaster like Hurricane Rita. Its position in these two cases would actually encourage schools to rebuild in flood-prone areas, which is contrary to FEMA's central mission of hazard mitigation. It also creates a lack of trust between local officials and the Federal Government, because if you cannot count on them to keep their word following a disaster—who can you trust?

HOST COMMUNITIES

There is a whole area of difficulty that is not even contemplated by the business as usual approach to this disaster—that is the role of host communities. Katrina and Rita caused the greatest human migration in this country in 150 years. Only the Civil War compares for dislocating people. But even comparisons to the Civil War miss the mark. The dislocation caused by war on our own soil occurred over a 4 year period. Hurricanes Katrina and Rita forced a million people to leave their homes in 14 days. It was like the Civil War on fast forward.

To the unending credit of local governments across the country, when these evacuees showed up in their communities, they did not summon their lawyers and accountants. They did not ask for advanced payment. They did not wonder about matching funds. They simply displayed the limitless generosity of the American people.

They all understood that this was not business as usual, and they counted on the fact that the Federal Government would understand that as well. But we have not. So, under the Stafford Act, we still only pay overtime for first responders and other critical personnel. But look at the situation in Houston. Mr. Robert Eckels, the County Judge for Harris County, Texas, testified before this committee in 2005 regarding the huge disincentives that this rule provides host communities. 500 of Harris County's public health workers were reassigned to treat incoming evacuees. They were not working overtime. They were totally reassigned from helping the people of their county to helping evacuees. If the Stafford Act is not designed to cover circumstances like that, we clearly need to revamp the Stafford Act.

Closer to home, we have the City of Baton Rouge. Overnight, it became the largest city in Louisiana, and its population grew by nearly a third. Imagine the traffic congestion, the strain on schools, and the strain on public health caused by this onrush of people. Yet, the Stafford Act and the Federal response contemplates very little help for cities grappling with this kind of situation. However, our public policy should be just the opposite. The Federal Government needs strong partners at the local and state level when combating a disaster. We need to be able to tell mayors, parish governments, and county governments who are doing the right thing, WE HAVE GOT YOUR BACK. We will not let you drown while trying to help. In short, we need to be able to look someone like Baton Rouge Mayor Kip Holden in the eye and say that he has a real Federal partner. We are not there today, but I hope that with the work of this Committee, we will get there. In light of this issue, I would like to submit a letter for the record from Mayor Kip Holden of Baton Rouge outlining his ongoing needs relative to this issue.

INEQUITY

Finally, I want to take a moment to discuss an issue that has been making headlines in the papers here in Louisiana and across the Nation. When Mike Brown announced a couple of days ago that politics had played a role in the way the Federal Government responded to Louisiana's needs versus Mississippi's needs he made newspaper headlines. But he did not announce anything that people who have lived through these disasters did not know. When you think about it, what could be more business as usual than politics playing with the allocation of money. The numbers speak for themselves.

Mississippi has received $5.5 billion in Community Development Block Grant money for their home rebuilding program. The latest estimates indicate that Mississippi will spend approximately $1 billion on that program. That leaves the State of Mississippi with $4.5 billion in very flexible dollars to pursue essentially whatever Governor Haley Barbour wants.

It is well documented that the loss of Mississippi housing constituted 20 percent of all homes lost over the course of the two storms. Louisiana, by contrast lost 77 percent of all the homes lost in Katrina and Rita. If real equity and not politics had decided numbers, Louisiana would have $21 billion in CDBG funding. Instead my State received significantly less than half that amount. In fact, we were capped during the first traunch of CDBG funding of receiving no more than 54 percent. That cap served no other purpose than to ensure a disproportionate share of funding to Mississippi.

This is not an attempt to diminish the real suffering of the people of Mississippi. The people of Louisiana do not begrudge them one dollar of Federal funding. But what we cannot abide is misplaced comparisons between recovery in the two states. That is not to say that officials in Louisiana are blameless for what happens here. But we do need to start with a common understanding of the context. Mississippi has received more resources to address less damage. It's an inequity that

Louisianans have been grappling with for nearly two years now. It is time that the Federal Government restore a little balance to the equation.

CLOSING

Mr. Chairman, I do not want to leave the people of Louisiana with the impression that everything is business as usual, and that all elements of the Federal Government are reacting the same way. Our people will always remember the United States Coast Guard literally descending like angels to rescue people off of roof tops. The Small Business Administration has taken some real steps forward in recent days—going so far as to lend personnel to our clerks of court to speed up Road Home paperwork processing. Our own Federal workforce at the National Finance Center performed heroically. The Department of Justice has really stepped forward in trying to help New Orleans combat the current crime wave. These are all people and agencies that understand that business as usual is not good enough. However, for recovery to work, we need more of them.

In closing, let me thank you, Chairman Lieberman, once again for holding this field hearing, as well as my colleague Senator Obama for coming to Louisiana at this important time in the recovery phase. Thanks also to other Members of the State's delegation who have joined our Committee today.

I believe that, as elected officials, we must ensure that the Federal Government is doing its part to speed up recovery in the next 519 days, by becoming more efficient and more responsive to taxpayers. Disaster victims are victimized a second time by excessive bureaucratic requirements, and it is they who foot the bill in good times and deserve a hand up in bad times. I look forward to working closely with my colleagues on the Committee to achieve this goal, not only for my constituents here in Louisiana, but also for those in other parts of the country.

I thank the Chairman and ask that a full copy of my statement be included in the record.

Chairman LIEBERMAN. Thank you, Senator Landrieu.

The Committee was very pleased that Senator Barack Obama chose to come on the Committee this year. He is only a freshman, so many of you may not have heard about him yet. I was proud from a Committee point of view that he chose to become a Member of the Committee; next thing you know, he is running for President.

I do want to say that, as Chairman of the Committee, I am grateful that Senator Obama has brought his considerable capabilities and his compassion and his competence and his commitment to get things done as a Member on this Committee. And as Senator Landrieu said—it is the obvious, but I want to thank him for it—he had a lot of other demands on his time, a lot of other places he could have been. I take it to be a measure of his commitment to work with us to bring New Orleans and the Gulf Coast back that he is here with us today. I am proud to introduce our new Committee Member, Senator Barack Obama of Illinois.

OPENING STATEMENT OF SENATOR OBAMA

Senator OBAMA. Thank you, Mr. Chairman.

Good morning, everybody. I am happy to be back in New Orleans today. And I want to thank you, Mr. Chairman, for holding this hearing. I want to thank Senator Landrieu who is tenacious in her pursuit of equity with respect to the Gulf and Louisiana and New Orleans.

She is an outstanding representative on behalf of this State, and I am grateful that she has not allowed those of us in the Senate to forget that there is more work to do.

In my previous trips to this city, I have toured the Lower 9th; I have toured St. Bernard Parish and Lakeview; I saw the broken landscape of a battered city; I walked around and visited shuttered

businesses and empty homes; I listened to FEMA and local officials talk about the work that was left to do, the schools that were still closed, the hospitals that are not functional, the trailers that were meant to be temporary, but now seem disturbingly permanent; and I walked to the places where the levees breached and the waters rushed in and the flooding began.

Now, as Chairman Lieberman stated, it was a humbling and heartbreaking scene. But I have also seen hope in New Orleans. I had the great privilege of giving the commencement address to the graduates of Xavier University, graduating only a few months late despite the unbelievable obstacles and great odds that had been placed before them. I met with students who survived the horrors of the hurricane and then spent the first half of their senior year scattered throughout the country, but who would later join together to form the largest class ever to graduate from that fine university.

I toured Musicians' Village where hometown heroes like the Marsalis family and Harry Connick Jr. were working with Habitat for Humanity and met some of the young people from all across the country who were here painting and hammering nails and building homes, and it made me confident that the sweet sounds of New Orleans will ring from those streets once more.

So I know that despite great odds and incredible challenges, New Orleans is still a place of hope. And there are many people in this room who have put their heart and soul into renewing and revitalizing this wonderful city.

What I do not know and what I am hoping to find out today is whether those of us in the Federal Government are doing what we need to do to help the people of New Orleans rebuild. And I have seen the reports on the Housing Authority's plans to raze several low income housing developments, but I have not seen concrete plans to meet the long-term housing needs of all the people who have been displaced in the region.

I know that the health infrastructure has not yet been rebuilt, and so I am trying to figure out how health care needs are being met or not being met and how we are dealing with the mental health needs of families here, especially children.

I am concerned about the stories about the criminal justice system. Just coming into the courthouse today, I have heard stories from judges of the unbelievable difficulties that those in the criminal justice system are still facing, just basic things: Having enough beds to keep those who need to be detained, making sure that you have basic forensic labs and other equipment that will allow the criminal justice system to operate. It appears that public safety issues are dominating in part because people simply do not have the infrastructure to do what needs to be done.

I continue to be unclear whether we have eliminated the waste, fraud, and abuse in Federal contracting processes. I have asked many times whether the no-bid contracts that were handed out in the wake of the hurricanes have been terminated, and unfortunately, I still have not received a clear answer. So I hope we get some answers to the questions that we have today because the rebuilding of the City of New Orleans is not just good for the Gulf Coast or the State of Louisiana, it is good for our Nation.

In the weeks after Hurricane Katrina, I think all of us felt ashamed; I know I did. We looked at what had been allowed to happen here and we said: Never again. Never will we turn our backs on our fellow citizens. Never will we forget what happened here. And the American people, through their own initiative, were true to their word. The amazing outpouring of concern and concrete help that came from all across the country was encouraging.

The President came down, and he said: We will do what it takes. We will stay as long as it takes to help citizens rebuild their communities and their lives.

That is what the President said. Seventeen months later, we heard not a single word, not one word in the President's State of the Union Address about New Orleans, not a single word.

And so I have one more set of questions to ask today, and that is: Were we being honest when we said we would do whatever it takes, that we would stay as long as it takes? I think it made a lot of people in New Orleans, in Louisiana, and those of us who are concerned all across the country wonder whether we are in danger of actually forgetting New Orleans. And that is shameful. We should be ashamed if we forget.

And over 230 years ago, a fire raged in a major American city due, in part, to government incompetence. The fire was dismissed as a dying remnant from a fire the day before, so the response was slow and the result was disastrous. More than 200 people lost their lives in that fire. Out of a population of 300,000, 100,000 were left homeless, more than 2,000 acres were ravaged, and 17,500 buildings were destroyed.

But that city was rebuilt. Through the determination of private and public partners, the city was rebuilt. And in less than 22 years later, that city, my hometown of Chicago, hosted the World Exposition and established its place among the world's greatest cities. That is what America can do when it puts its mind to it. We now live in a far wealthier Nation than we did then, so it is not as if it cannot be done.

So I just want to remind people that while I know that the Bears are not overly popular around here these days, we have to remember that we have come together in the past to help great American cities like Chicago and San Francisco rebuild. It is not as if there is no precedent for it. What it requires is a sense of fellowship, a sense of common citizenship. New Orleans has to be one more example of the sense that we are one Nation. We all have a stake in this, and we have to ensure that we are all doing our part.

Thank you very much, Mr. Chairman.

[The prepared statement of Senator Obama follows:]

PREPARED STATEMENT OF SENATOR OBAMA

Good morning. I am happy to be back in New Orleans today and I want to thank Chairman Lieberman for holding today's hearing.

In previous trips to this city, I've toured the lower Ninth Ward, St. Bernard Parish, and Lakeview. I saw the broken landscape of a battered city. I walked among the shuttered businesses and empty homes. I listened to FEMA and local officials talk about the work left to do, about the schools still closed and the hospitals that aren't functional and the trailers that were meant to be temporary but now seem frighteningly permanent. And I walked to the places where the levees breached and the water rushed in and the flooding began.

But I've also seen the face of hope here in New Orleans. I had the great privilege of giving the commencement address to Xavier University last August, and I saw the faces of proud young men and women who overcame great odds and unbelievable obstacles. I met the students who survived the horror of the hurricanes and then spent the first half of their senior year scattered throughout the country, unsure of whether they would ever return to their school, but who would later join together to form the largest class to ever graduate from that fine university.

I toured the Musician's Village, where hometown heroes like the Marsalis family and Harry Connick, Jr. are working with Habitat for Humanity to develop homes for displaced musicians and others, and I know that the sweet sounds of New Orleans jazz will ring from those streets once more.

So I know, despite great odds and incredible challenges, that New Orleans is still a place of hope.

But what I don't know, and what I hope to find out today, is whether we in the Federal Government are doing our part to help the people of New Orleans rebuild.

I've seen reports on the Housing Authority's plans to raze several low-income housing developments, but I haven't seen concrete plans to meet the long-term housing needs of all the displaced people in New Orleans.

I know the health infrastructure is still being rebuilt—so I want to ask, how are the health care needs of the city being met? How are the mental health needs of the city being met—especially the children?

I'm also still unclear on whether we have eliminated the waste, fraud, and abuse in the Federal contracting process. I've asked many times whether the no-bid contracts handed out in the wake of the hurricanes have been terminated, and unfortunately, I still haven't received a clear answer.

And so, I hope we get some answers today, because rebuilding the City of New Orleans is not just for the good of the Gulf Coast, or the State of Louisiana, it is for the good of our Nation.

In the weeks after Katrina, an ashamed Nation looked at what had been allowed to happen here and said "Never again. Never will we turn our backs on these people. Never will we forget what happened here." The President came down and said, "We will do what it takes, we will stay as long as it takes, to help citizens rebuild their communities and their lives."

Just 18 months later, we heard not one word—not one word—in the President's State of the Union address about New Orleans. And so I have one more set of questions to ask today: "Are we willing to do whatever it takes? To stay as long as it takes? Are we in danger of forgetting about New Orleans?"

Over 230 years ago, a fire raged through a city. Due in part to government incompetence, the fire was dismissed as a dying remnant from a fire the day before, so the response was slow, and the result was disastrous. More than 200 people lost their lives in that fire. Out of a population of 300,000—100,000 were left homeless. More than 2,000 acres were ravaged, 17,500 buildings were destroyed, and more than $222 million in property was lost.

But that city rebuilt. Through the determination of private and public partners—the city rebuilt. And less than 22 years later, that city, my hometown of Chicago, hosted the World Exposition and reestablished its place among the world's greatest cities.

So, while I know our Bears aren't too popular around here these days, we must all remember, we have come together to help other great American cities rebuild. New Orleans must be one of those. We all have a stake in this, and we must ensure that all of us are doing our part.

Chairman LIEBERMAN. Thank you, Senator Obama.

We will go to the first panel of witnesses now.

We appreciate very much the attendance of the witnesses. They are exactly the people that we wanted to have here today.

We are going to ask the witnesses to limit their opening statements to 6 minutes, if at all possible, and then we will have plenty of time for questions and answers.

The first witness is Donald E. Powell; I know he's now familiar here in this city as the Federal Coordinator for Gulf Coast Rebuilding through the U.S. Department of Homeland Security.

Thanks for being here, Mr. Powell.

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

Mr. POWELL. Thank you, Mr. Chairman. Chairman Lieberman, Senator Landrieu, and Senator Obama, good morning.

Senator OBAMA. Morning.

Mr. POWELL. It is my pleasure to be here with you today.

It is been nearly 18 months since Hurricanes Katrina and Rita ravaged this city and the Gulf Coast and about 15 months since President Bush asked me to oversee the Federal efforts to support the State and local leaders who are driving the rebuilding effort.

I have spent countless hours with the good people of the Gulf Coast, and I have to say that this has been one of the most challenging, mind-boggling, and frustrating times in my life. It also has been the most exciting, important, and fulfilling work I have ever been part of, and I say that because I know that any frustrations or challenges I have faced pale in the comparison to what the citizens of Louisiana and Mississippi have endured over these 18 months.

These citizens are counting on their government not just at the Federal level, but, more importantly, at the State and local level to help them rebuild their lives and communities. And I am humbled and inspired by their profound responsibility and the opportunity that comes with it.

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.

What does that mean practically? Each day our staff and I work closely with those in the affected region, including public and private stakeholders, to identify and prioritize the needs for the long-term rebuilding. We communicate these realities to the decision-makers in Washington, advising the President and his leadership team on the most effective, integrated, and fiscally responsibile strategies to ensure the success of the long-term rebuilding.

Finally, and this is really where we are in the process right now, we work with other Federal agencies and our State and local partners to help ensure the successful implementation of these strategies.

Progress is being made. The President has stood in Jackson Square and vowed that the Gulf Coast would be rebuilt stronger and better, and we are following through on that commitment.

As you know, thanks to the leadership of the President and Congress and the generosity of the American taxpayer, the Federal Government has committed more than $110 billion toward recovery and rebuilding. These funds are helping to lay the groundwork for a better and stronger future.

Levees, housing, and infrastructure, it starts with safety and security. Since we are in New Orleans, let me focus on the levees. President Bush promised a better and stronger hurricane protection system and security, nearly $6 billion for the U.S. Army Corps

[1] The prepared statement of Mr. Powell with an attachment appears in the Appendix on page 85.

of Engineers to repair and enhance the levees, make the entire hurricane protection system better and stronger by 2010, and jump start the restoration of the wetlands surrounding the Greater New Orleans area. Today, for almost all of New Orleans metro area population, the levees are at pre-Katrina levels or better, and they are on their way to being better than ever before.

The President is also committed to helping rebuild lives and communities. And we have made significant investment to restore housing and infrastructure. Most significant are the $16.7 billion in Community Development Block Grants to help thousands of individual homeowners rebuild their homes and neighborhoods. I know my colleague from HUD will share more detail about the challenges Louisiana has faced with implementing this program, as we are certainly concerned that this money has not reached the hands of the citizens who need it.

Infrastructure. FEMA has funded billions of dollars to repair and replace damaged public infrastructure on the Gulf Coast, including roads and bridges, schools, water systems, public buildings, and public utilities. And we continue to work closely with FEMA to improve the PW process and get this money into the hands of communities. The State also has a clear responsibility to expedite and speed up your process.

Transformation work. These brick-and-mortar investments are critical, and we must do all that we can to ensure their success. But as I have said on many occasions, if all we do is rebuild the fixed environment then we have failed.

The things closest to my heart, the work that gets me out of the bed every morning, is the opportunity to support the transformation of this entire region of the country, a region that in reality was facing significant challenges long before Hurricanes Katrina and Rita washed ashore.

Although many of these woes are State and local in nature, we would be remiss if we did not embrace the opportunity to work alongside our friends at the State and local level to address these critical challenges. In New Orleans it means education, continuing to support the transformation of the New Orleans school system so that every child has an opportunity to top-notch education.

Health care, working to achieve true reform of a flawed two-tiered system of care so that Louisiana citizens gain greater access to high quality care.

Criminal justice, working to support the local leaders who are responsible for ensuring a more safe and just city for their citizens.

Workforce development, helping to prepare workers for better jobs with higher wages.

Affordable housing, giving more people the opportunity to move into home ownership.

Jobs, helping to stimulate a more robust, diverse economy that will help build a broader middle class for all citizens.

These are the elements of recovery that are truly the most important. They hinge on the work to transform the social systems that have failed people for years, and this does not happen overnight. But we are committed to doing our part.

Let me reiterate that now is a time for leadership and action at all levels of government. We, at the Federal level, will continue to

do everything we can to support our State and local partners, but as is the case for all these issues, if the local folks are not driving the change and leading the way, then we will ultimately fail.

In conclusion, the pace of recovery is frustrating for everyone, and a great deal of work remains. But I ask you to remember that Hurricanes Katrina and Rita were some of the largest catastrophic events to ever hit the United States. This unprecedented disaster has required an unprecedented, unscripted response, and it is going to take a long time to complete.

But I think it is important that we keep our eyes on the long-term vision. These past 18 months have been about getting through the recovery, clearing the path for rebuilding, and beginning to lay the foundation for a better and stronger future, and we have made significant progress.

Senators, 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 is doing all that it can 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 more than just a tragedy; it will also be a story of modern renaissance. The Gulf Coast States and their leaders have a chance to restore their communities to reverse decline, reject failure, and revive hope and opportunity. I look forward to working with these leaders to ensure that we do not let this opportunity pass.

Thank you, and I welcome your questions.

Chairman LIEBERMAN. Thanks, Mr. Powell. We will go through the panel, and then we will come back to the questions.

Stephen Preston is the Administrator of the Small Business Administration. I know, Mr. Preston, that you are relatively new in the office and came on after the onset of the hurricanes. We appreciate your effort and look forward to your testimony now.

STATEMENT OF HON. STEVEN C. PRESTON,[1] ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Mr. PRESTON. All right. Thank you. Good morning, Chairman Lieberman. Thank you, Senators Landrieu and Obama. Thank you for inviting me to discuss the recovery process both here in Louisiana, as well as in Mississippi, following the Gulf Coast hurricanes in 2005.

This summer during my confirmation hearing, I pledged to address the challenges the agency faced in its disaster operation as job No. 1, and I appreciate the ability to provide you with a status report.

As you probably already know, the SBA is responsible for making loans to disaster victims, both small business owners as well as homeowners. As of today, 98 percent of the approved borrowers

[1] The prepared statement of Mr. Preston with an attachment appears in the Appendix on page 104.

have received all of their money, some of their money, or chosen not to borrow.

Currently we have about $5 billion in SBA disaster assistance funds at work rebuilding the businesses and homes of hurricane victims in the Gulf. Approximately $2 billion in additional commitments are available to be disbursed. These remaining commitments are to about 25,000 borrowers, the vast majority of whom have already begun receiving disbursements; however, many of these borrowers, we believe, continue to experience a number of outside challenges in proceeding with their lives, which is resulting in a delay in their seeking to draw down those funds.

I came to the agency almost 11 months after Hurricane Katrina. In that time, the agency had processed over 420,000 loan applications and had worked very hard to address the unprecedented nature of the disaster by expanding capacity primarily in three areas: Information systems, people, and facilities.

Building this capacity was absolutely essential in meeting the demands. By that time, while the loan approval process was largely completed, the agency faced a different challenge: Closing the loans and distributing the money. Over 120,000 borrowers were still in our process representing over $7 billion of loan commitments.

So we set out quickly to dig into the issues and understand why. First, we listened very hard to our borrowers who are experiencing the difficulties. Next, we listened to our employees who are close to the action to get their perspective on what those issues were. And then finally, we dug very deep into our operational processes where we saw a number of issues leading to high error rates, steep backlogs, critical processes, and decisionmaking bottlenecks.

So during August and September, we invested thousands of man hours to fully re-engineer our processes to eliminate our backlogs, to dramatically reduce our response times, and to improve the support we give to disaster victims throughout the process.

We called every one of our borrowers to do two things: First, to introduce them to the new process where they would have a single relationship manager as a point of contact, and second, to ensure that we understood their status so that we could provide the right kind of support to them.

This outreach enabled us to build a database so we could track what issues all of our borrowers have and to address them better. One example of this is that the database showed us that our customers were having difficulties obtaining title and deed records from the local clerks' offices. To better assist those borrowers, the SBA has now placed employees in the Land Records Office right here in Orleans Parish, and we have reached out to other parishes and counties offering the same support.

Also because we have regular conversations with our customers, we can also informally poll our case managers on issues that the borrowers face. Our people have also become advocates for the borrowers, and we are now able to connect a loan and a document to a life and a story.

One example of the challenges we have had was in a process, a very critical process, which we call loan modifications. This summer we had a backlog of 50,000 to 80,000 loans with an average age of over 70 days. This backlog was a major cause of the delays

we experienced in disbursing funds. Today those modifications are down to under 5,000, and the average age is now 10 days, which very much represents cycle time just working through documents.

I also believe we are seeing the benefit of the new process in our more recent disasters that we deal with where 98 percent of our loan approvals are being completed within the target 14 to 16 days.

I believe we are coordinating well both with Louisiana and Mississippi in support of their respective grant programs. In Mississippi we are turning around information requests in a matter of hours, and we look forward to being very responsive to the LRA as their process continues to ramp up.

Nonetheless, we know we still face challenges. Frankly, we hear it directly from our borrowers. We continue to focus on better training for employees so they can serve the borrower needs more effectively. We also have issues to address on the information technology side. But we have put in place metrics and mechanisms to see these issues in a much more timely manner and to address them as they arise. And most importantly, we put methods in place for greater interaction with our customers so we can get that input directly.

I would also like to highlight that the SBA is working to support the needs of small businesses in the Gulf in a number of other ways through our regular financial assistance programs 7(a) and 504, as well as the Gulf Opportunity, or GO Loan pilot program, all of which are lending programs.

Our GO Loan program, in particular, has expedited small business financing to communities along the Gulf Coast. To date, we have provided over 500 GO Loans totaling over $42 million to small businesses.

Additionally, we remain dedicated, along with our partners, to offer training and counseling while assisting small businesses in an effort to acquire government contracts. As we look forward to the coming months, our efforts will be focused on a number of activities: First of all, continuing to disburse the loans that we have made commitments to; second, ensuring that we are responsive in providing the State with information to support their grant programs; third, completing the process re-engineering work that we have begun and continuing to improve automation to ensure that it is fully in place for future disasters; documenting detailed search plans so that we have well-documented road maps and implementation models in place based on the size and nature of the catastrophe; and finally, exploring ways to work for the private sector should we determine that the private sector can provide more efficient and effective support in certain circumstances.

So in closing, I would like to thank you for having me here to testify. The 2005 hurricanes overwhelmed disaster response at many levels, certainly the SBA was no exception. Our people worked very hard, often around the clock, to help provide disaster victims with the support they needed while their lives were torn apart by the hurricanes. However, I would like to highlight that those are the same people who have now come back and fixed the processes and are today enabling the SBA to play its part in rebuilding the Gulf and improved the agency's ability to respond in the future. And I am very thankful for their dedication and their

resolve because without it, we could not have come this far. Thank you.

Chairman LIEBERMAN. Thanks, Mr. Preston. Appreciate your testimony.

Pamela Patenaude is the Assistant Secretary for Community Planning and Development of the Department of Housing and Urban Development. Thank you for being here.

STATEMENT OF HON. PAMELA PATENAUDE,[1] ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. PATENAUDE. Good morning, Mr. Chairman, Senator Landrieu, and Senator Obama. I am pleased to be here today in New Orleans on behalf of Secretary Alphonso Jackson.

As the Assistant Secretary of HUD's Office of Community Planning and Development, I am responsible for the $16.7 billion in Community Development Block Grant disaster recovery funds. On December 30, 2005, President Bush signed legislation providing $11.5 billion in CDBG disaster recovery funding. Within one month, Secretary Jackson allocated these funds to the five affected Gulf Coast States based upon unmet needs for disaster relief and long-term recovery. Six months later, the President signed legislation providing an additional $5.2 billion in CDBG disaster funds, which the Secretary promptly allocated.

Under both emergency supplemental appropriations, Secretary Jackson allocated the maximum amount of money allowed by law to the State of Louisiana, a total of $10.4 billion. Prior to the appropriation of the disaster recovery funds, HUD staff was in constant contact with State officials throughout the Gulf Coast region as they worked to design their housing, economic development, and infrastructure programs with existing resources.

HUD granted an unprecedented number of waivers increasing the flexibility of the traditional HOME and CDBG programs to address the immediate needs of hurricane victims. Within 3 weeks of the first CDBG disaster supplemental, HUD cut red tape to expedite funding so the Gulf States could effectively utilize the allocated funds. With citizen participation, the States developed creative solutions and submitted initial disaster recovery action plans for HUD's approval. Under Secretary Jackson's leadership, these plans were promptly reviewed, and the necessary waivers were identified, enabling States to execute their programs as quickly as possible.

Throughout the implementation process, States continued to revise and amend their disaster recovery plans to make them more effective in meeting the changing needs of their communities. To date, HUD has approved recovery action plans totalling $10.5 billion. The five Gulf Coast States have spent approximately $1.2 billion in CDBG disaster recovery funds.

I would like to highlight some of the examples of the progress made to date. More than 10,000 families in Mississippi have received checks under the State's Homeowner Grant Program. The State of Mississippi has used CDBG disaster recovery funding to

[1] The prepared statement of Ms. Patenaude appears in the Appendix on page 114.

complete a master plan for the long-term regional solutions to water, sewer, and storm drainage needs. This master plan is a necessary first step in the redevelopment of existing neighborhoods, as well as the creation of new, safer communities.

Mr. Chairman, we recognize the enormous challenges that lie ahead, particularly for Louisiana. It has been nearly a year and a half since the storms hit. Like many of you here today, Secretary Jackson is not satisfied with the pace of recovery here in Louisiana.

The Secretary has met and continues to meet with officials administering the Road Home program. Through this ongoing dialogue with recovery officials, obstacles in the recovery process have been identified.

As Louisiana and the other Gulf Coast States develop solutions for their rebuilding efforts, HUD will continue to offer guidance and to assure compliance with the law, including the prevention of fraud, waste, and abuse.

Congress was clear in its intent. The Federal Government would not dictate to local communities how to carry out the recovery and rebuilding process. The Gulf Coast States have the principal responsibility for the design, implementation, and performance of their rebuilding efforts.

Mr. Chairman, distinguished Members of this Committee, I can assure you that Secretary Jackson and the entire HUD family remain committed to assisting the victims of Hurricanes Katrina and Rita as they rebuild their communities. I want to thank you for the opportunity to appear before this Committee today, and I look forward to answering your questions.

Chairman LIEBERMAN. Thanks, Ms. Patenaude. As you know, we want to come back and ask you some more questions about the Road Home program.

Gil Jamieson is FEMA's person in charge of Gulf Coast Recovery, Deputy Director. Mr. Jamieson, before you start, I do want to indicate first, to thank you for that 6-month extension on the Housing Aid Programs for victims of the hurricane; second, to make clear, in my opening statement I referred to the $26,200 cap that was not changed. I understand that is a matter of law or statute, not anything within your administrative authority. And I would like, maybe in the question-and-answer period—because we have made one unsuccessful attempt at raising that cap legislatively—to come back and ask you if you have any estimates of what the impact of not raising the cap will be on people becoming ineligible for housing assistance.

Please go forward with your testimony.

STATEMENT OF GIL H. JAMIESON,[1] DEPUTY DIRECTOR FOR GULF COAST RECOVERY, FEDERAL EMERGENCY MANAGEMENT AGENCY, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. JAMIESON. Senator, I am happy to say in relation to that we have found a way to get around that cap so that we can get financial assistance to those that need it, so we are proceeding along that line.

[1] The prepared statement of Mr. Jamieson appears in the Appendix on page 117.

Chairman LIEBERMAN. Well, I welcome that news. And anytime you can make a legal end-run that has a good result for people, even Members of Congress will welcome it.

Mr. JAMIESON. Senator, I am the Reggie Bush of New Orleans in terms of end-runs.

Senator, it is a pleasure to be here. And, Senator Landrieu, it is great to see you. Senator Obama, it is my pleasure to be here.

I am FEMA's Deputy Director for Gulf Coast Recovery. I will update you today on our progress in Hurricanes Katrina and Rita along the Gulf Coast with particular emphasis in Louisiana.

A year ago, Director Paulison appointed me as FEMA's Deputy Director for Gulf Coast Recovery. In that position, I lead and coordinate FEMA's Gulf Coast Recovery efforts and serve as the principal point of contact between myself and Mr. Powell. Prior to that appointment, I served as the Deputy Principal Federal Official to Commandant Thad Allen of the Coast Guard during the responses to Hurricanes Katrina and Rita.

And I also served as the Principal Federal Official for last year's hurricane season down here in 2006. I am a longtime FEMA civil servant, and I have worked in the agency since its inception in 1979.

To administer FEMA's programs, I established Transitional Recovery Offices in Alabama, Mississippi, Louisiana, and Texas. The TROs were established to ensure that FEMA's programs are administered correctly and delivered consistently and aggressively across the Gulf. Each TRO is led by a director who reports to me. We have over 3,300 people working in TROs in the four States.

Over 70 percent of the Louisiana workforce are from the local area, and many were disaster victims themselves. The Louisiana TRO is headquartered here in New Orleans with field offices in Baton Rouge and Lake Charles.

Through our TROs, we have worked diligently to balance expediency and accountability. The collaboration has—with our State and local counterparts, and this collaboration has resulted in significant progress; although, clearly challenges remain.

Our focus in Louisiana, as well as other States, is in three programmatic areas: Public assistance, individual assistance, and mitigation. I will take this opportunity to highlight our progress in each of these areas in Louisiana.

The Public Assistance Program provides funding for the repair of roads, bridges, buildings, and utilities. Funds are provided by FEMA to the State who administers the program. Local governments receive funding through the State. All of the damages to eligible projects in Louisiana will eventually be described by approximately 23,000 project work sheets. FEMA has obligated over $4.5 billion to Louisiana under the Public Assistance Program. This represents 72 percent of the total public assistance claims in Louisiana.

More than 21,000 project work sheets have been written for Hurricanes Katrina and Rita applicants, over 90 percent of the expected total; $4.5 billion has been obligated to the State, and the State has disbursed $2 billion of these funds to local applicants.

FEMA has listened to the criticisms of State and local parish officials about the pace of public assistance. In response, we have

modified our approach to public assistance activities in Louisiana to improve accountability and streamline our processes. We have established a new management team. We have retrained staff. We have established mentoring programs for newer staff. We have retained program experts, maintained maximum continuity with applicants. We have refined the cost estimates of projects. We have placed 28 teams in Orleans and St. Bernard's parishes to assist them in the condemnation and demolition process. And we are working with the parishes to identify projects on a priority basis that are critical to recovery so that we can focus on these high priority projects.

There are many keys to the recovery in the Gulf region, but public safety is paramount among them. The FEMA Transitional Recovery Office representatives are working with Louisiana law enforcement officials to support the rebuilding of the criminal justice system and to assist local law enforcement with their crime-fighting efforts.

FEMA is augmenting security at travel trailer group site parks with reportedly high crime activity, and we are assessing our options for security at commercial sites. FEMA is expediting public assistance related to criminal justice. We have streamlined our process for processing information to law enforcement officials to help identify known felons and sex offenders. We have met with law enforcement officials to explain these streamlining procedures for sharing information on residents at FEMA trailer sites, and we have worked closely with law enforcement at our sites for drug sweeps and sting operations, and to date, there have been more than 200 evictions for criminal activity in FEMA parks.

FEMA has increased the number of park managers from 25 to 77. To date, we have obligated more than $194 million to Orleans Parish for damages to its criminal justice system. This amount includes over $7 million used to construct temporary jail facilities, $120 million has been obligated to NOPD, New Orleans Police Department, for such costs as the replacement of their vehicles, the preservation of case documents, the repairs to facilities including their headquarters' building.

Debris removal and demolition continue to be a significant project for the public assistance. To date, the Corps of Engineers under mission assignment from FEMA has removed over 50 million cubic yards of debris in Louisiana. This amount of debris would fill the Superdome 10 times over.

FEMA has completed more than 10,500 home demolitions in Louisiana. Over 90 percent of the remaining demolitions are in St. Bernard and Orleans Parishes where an estimated 12,000 demolitions are still expected. FEMA has deployed a significant number of resources and is actively assisting Orleans and St. Bernard Parishes to address delays with demolitions.

Many city and parish departments are facing severe staffing problems and are operating with reduced staff. While FEMA cannot provide operating expenses for these offices, we have co-located FEMA staff with State and local counterparts wherever possible.

Providing assistance to individuals is at the forefront of our recovery efforts. To date, FEMA has provided more than $5.4 billion to individuals and families in Louisiana. This funding has provided

more than 857,000 households from Louisiana with housing assistance for home repairs and rental assistance, and there are 314,000 Louisianans who have received funding to meet other needs including personal property, transportation assistance, medical and dental assistance, and other expenses such as moving and storage.

In Louisiana, FEMA has housed over 87,000 households in temporary housing units, travel trailers, and mobile homes. In a sign of progress, the number of households currently living in temporary housing has decreased to 62,000. Eighty percent of the temporary housing units are in private sites where individuals are living in these travel trailers while they are rebuilding their homes.

For predisaster renters or those without a private site, FEMA has constructed 115 group site parks in Louisiana. Travel trailers and mobile homes are intended only as short-term solutions. To fill the need for emergency housing, FEMA and the State have continued to face challenges in transitioning individuals back to permanent homes.

President Bush has directed FEMA to provide an extension of the direct housing and financial assistance programs supporting the victims of Hurricanes Katrina and Rita. The new extensions will allow the Administration to continue to provide housing assistance through August 31, 2007.

This extension will give us additional time to work with the disaster victims, Federal, State, local partners, and voluntary organizations to transition victims to more permanent housing.

Our mitigation program offers opportunities to build back stronger and smarter. The National Flood Insurance Program has paid out over $13 billion against 187,000 claims in Louisiana alone. To date, 99 percent of all claims filed have been closed. We see that as a significant step toward recovery.

The Hazard Mitigation Grant Program funding is available to States following a disaster to fund cost-effective mitigation projects. Funds may be used to do such things as floodproofing properties, evauating and acquiring homes. In Louisiana, over $1.47 billion will be available for this purpose. We will continue to work with the State to align this program with the Road Home program.

While there are obstacles, they are not insurmountable. FEMA is poised to work with the State to successfully administer the program in a fair and equitable manner.

Although I focus my comments on recovery programs in Louisiana, I would like to highlight some of our Gulf Coast initiatives. I am pleased to say that all of our new contracts in place along the Gulf Coast have been fully and openly competed with an emphasis on local and minority firms.

Finally, in 2006 Congress approved an emergency supplemental for $400 million to FEMA for a Pilot Program that could identify and evaluate new disaster housing alternatives. Alabama, Florida, Louisiana, Mississippi, and Texas are invited to submit applications for what they consider to be the most innovative disaster housing solutions. FEMA used a competitive grant process to ensure projects would maximize the selection criteria and receive first consideration in the funding for those awards. HUD will manage this evaluation of the Pilot Program, and we look forward to learn-

ing from these pilot projects so that FEMA can find new ways to do emergency housing better in future disasters.

In conclusion, the President is committed to the recovery and the rebuilding of the Gulf Coast, and FEMA will remain here on the ground until the job is finished. In our TROs, we have piloted many new initiatives, and they have contributed not only to the recovery of the Gulf Coast, but have also contributed to the retooling and improvement of FEMA.

I look forward to your questions and discussion about FEMA's efforts. Thank you very much.

Chairman LIEBERMAN. Thanks, Mr. Jamieson.

I thank you for the comment you made at the end. I suppose it is obvious, but sometimes it is important to say the obvious, which is that FEMA is committed to staying here on the ground until the job is done, and obviously, the job is not going to be done for some time to come, so I thank you for that.

Our final witness on this panel is Gregory Kutz. His formal title with the U.S. Government Accountability Office is Managing Director, Forensic Audits and Special Investigations Unit. Mr. Kutz is well-known to our Committee, and I would say that his title, in my mind, is one of the best friends American taxpayers have.

Thanks for coming to New Orleans this morning, Mr. Kutz.

STATEMENT OF GREGORY D. KUTZ,[1] MANAGING DIRECTOR, FORENSIC AUDITS AND SPECIAL INVESTIGATIONS UNIT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. KUTZ. Thank you, Mr. Chairman, Senator Landrieu, and Senator Obama for the opportunity to discuss fraud, waste, and abuse related to Hurricanes Katrina and Rita.

Today I will discuss lessons learned from our work that can help to minimize fraud, waste, and abuse for ongoing recovery efforts. Given limited resources, every dollar that is wasted is one less dollar that is available to help those that are truly in need.

My testimony has two parts: First, a summary of our past findings, and second, the key elements of an effective fraud prevention program.

First, we estimated that through February 2006, $1 billion, or 16 percent, of individual assistance payments made by FEMA were fraudulent and improper. We also reported on fraud, waste, and abuse related to the use of purchase cards by the Department of Homeland Security.

Some examples of our findings include: Millions paid to individuals using Social Security numbers belonging to deceased individuals; millions paid to individuals using bogus damaged property addresses such as above-ground cemeteries here in New Orleans; $12 million paid to Federal and State prisoners incarcerated at the time of Hurricanes Katrina and Rita; 34 percent of the property bought by FEMA with purchase cards is lost or stolen, including laptops, boats, and GPS units; and finally, the Meals Ready-to-Eat, or MREs, that I have in my hand is another example of waste. Tens of thousands of these MREs were bought with purchase cards in 2005 to support relief efforts. However, today they remain in

[1] The prepared statement of Mr. Kutz with attachments appears in the Appendix on page 133.

storage in a warehouse in El Paso, Texas. According to DHS and FEMA, they are taking actions to address our recommendations to improve fraud, waste, and abuse prevention controls.

Let me move on to my second point, the importance of fraud prevention to ongoing recovery efforts. Our work across the government has shown that fraud prevention is the most efficient and effective means to minimize fraud, waste, and abuse. The examples that I just described are symptoms of an ineffective fraud prevention program.

Examples of fraud prevention controls include validation of eligibility, system edit checks, and fraud awareness training. These controls should happen before taxpayer money is disbursed. Once taxpayer funds are improperly disbursed, the government can only hope to recover a few pennies on the dollar.

Prior to implementing any fraud prevention controls, they should be field-tested. Why? To ensure that they are working appropriately and that legitimate victims are not denied benefits. As fraud prevention controls increase, the risk increases that legitimate victims will be rejected, thus a safety net must be in place to quickly handle exception cases.

Although more costly and less effective than fraud prevention, fraud detection, monitoring, and investigations are also critical. Key elements of the detection process include data mining for fraud and the establishment of fraud hotlines. Aggressive investigation and prosecution of individuals who commit fraud sends a message that the government will not tolerate individuals stealing disaster money.

The Hurricane Katrina Fraud Task Force has investigated and indicted over 500 individuals to date. We have referred over 20,000 individuals that we believe committed fraud to the Task Force. Schemes identified through these investigations should be fed back into the fraud prevention program for future disasters.

In conclusion, the good news is that the vast majority of individual assistance payments went to qualified people; however, our work shows that tens of thousands of individuals took advantage of the opportunity to commit fraud. As several of you have mentioned, Americans are generous as demonstrated by their support for victims of these disasters; however, continued widespread fraud, waste, and abuse will erode public support for these efforts.

Effective government fraud prevention programs can provide the Congress and American taxpayers with confidence that fraud, waste, and abuse will be minimized for ongoing recovery efforts.

Mr. Chairman, that ends my statement. I look forward to your questions.

Chairman LIEBERMAN. Mr. Kutz, thanks very much for your excellent work on behalf of the taxpayers and our government.

Always infuriating to hear about people taking advantage of programs when they do not really deserve to or need to, and we are going to respond to the suggestions, as I believe the Administration has, and I will ask some questions about that to make sure we minimize that fraud. But thanks for your excellent testimony.

Before we go to this first round of questions, I want to thank Louisiana Supreme Court Chief Justice Pascal F. Calogero, Jr., Justice Catherine D. "Kitty" Kimball, Justice Bernette J. Johnson,

Justice Chet D. Trayler, who ae here, Justice Jeffrey P. Victory, Justice Jeannette T. Knoll, and Justice John L. Weimer, for hosting us today. It is an honor to be here in this great chamber.

I note the presence and want to welcome our colleague in Congress from Louisiana, William Jefferson, as well.

It happens that the three Members of the Committee who are here happen to be Democrats. This is a Committee that has functioned in a very non-partisan way.

The Ranking Republican, immediate past Chairman, Senator Susan Collins, Republican of Maine, sends her regards. She could not be here today. We worked very closely on our investigation of governmental response to Hurricane Katrina on our report, which was tough, and on our recommended legislation, which has now passed and is being implemented to reform FEMA.

We also invited Senator Landrieu's colleague, Senator Vitter, to be here today, but he could not be here.

We are going to do 6-minute rounds of questions.

Ms. Patenaude, I want to go to you first about the Road Home program because I know there is a lot of concern about it, and it stands out for being both the extension of what certainly seems like a lot of money from the Federal Government, $7.5 billion to the Road Home program, and yet the numbers show 101,000 homeowners applied for assistance, only 300 have actually received funding as of last week.

What happened? And what can we do to get that money moving to the people who need it?

Ms. PATENAUDE. Thank you, Mr. Chairman.

That is not an easy question to answer: What happened? If I can just go over the dates.

In the spring, in April 2006, the State of Louisiana submitted an action plan, a disaster action plan, to HUD, and in that plan,they make mention of the Road Home program, but the details had yet to be worked out. HUD immediately approved that initial action plan that did provide money for infrastructure on May 9. On May 12, Louisiana submitted a detailed Road Home action plan to HUD for review, and that plan was approved on May 30 making those funds available.

The Governor of Louisiana obviously had the responsibility for the design and implementation of the program, and policy decisions were made as to how that program would be implemented. And the original design was not the program that is currently being implemented.

So the State came back to HUD with a plan in August 2006. We immediately turned that plan around with the approval within 2 weeks, identified the necessary waivers, and granted those waivers so that the State could execute that plan.

Chairman LIEBERMAN. So the original design just was not working?

Ms. PATENAUDE. The original plan, I believe, could have worked, but there were longer delays involved in it. It was not a compensation program; it was a rebuilding——

Chairman LIEBERMAN. Right.

Ms. PATENAUDE [continuing]. Program that would have required additional environmental reviews. That is one of four areas that we do not have the authority to waive.

Chairman LIEBERMAN. So the revised plan was approved by HUD in August, did you say?

Ms. PATENAUDE. Correct.

Chairman LIEBERMAN. All right. So here we are now at the end of January, and it is still only 300 homeowners receiving funding out of over 100,000 applicants. What is happening?

Ms. PATENAUDE. The State of Louisiana actually started the Pilot Program in the late summer with the initial population of about 400 people, and the design of the program obviously took time, but also the ramp-up time to be able to handle 100,000 applicants took significant time to build the systems for verification.

And although we have identified some of the obstacles, I do not think that I am in a position to be able to explain what is happening. I believe that HUD has done everything to facilitate that program being expedited.

Chairman LIEBERMAN. So you would say that the delays and the very small percentage of people that have received assistance is not the fault of HUD?

Ms. PATENAUDE. That is correct, Mr. Chairman.

Chairman LIEBERMAN. All right.

I am going to ask Mr. Leger, who is Chairman of the Housing Redevelopment Task Force for the State, who is on the second panel, that same series of questions.

Mr. Jamieson, tell me a little bit, because I am encouraged, about how you are going to be able to continue the housing assistance to people who hit that $26,200 cap, and, just briefly, if you can explain to everybody here why that is so significant.

Mr. JAMIESON. Senator, it is extraordinarily significant. The cap is talking about all moneys that FEMA can provide to individuals who receive direct Federal assistance, people who are in rental units that we are paying their monthly rental. It also includes other needs expenses that FEMA can provide in terms of direct Federal assistance.

Chairman LIEBERMAN. So these are people—we are talking about tens of thousands of people, of course?

Mr. JAMIESON. Yes, sir, we are. Right.

Chairman LIEBERMAN. And these are people that have been receiving rental assistance since right after the hurricanes?

Mr. JAMIESON. Yes, sir. That is correct. There are——

Chairman LIEBERMAN. I do not know if you have a number. I am curious about how many have hit that cap or are close to it.

Mr. JAMIESON. Sir, what we are doing is we are not looking at the cap, just to put it in plain English. Those folks who are receiving rental assistance from us, quite frankly, that is one of the better solutions.

One of the stories here that is a hard story is that with the devastation, the housing stock, particularly rental units, have been completely devastated.

Chairman LIEBERMAN. Right.

Mr. JAMIESON. So when we find a rental unit for someone whose rental unit before has been destroyed, we are able to put them in

it, we are able to continue those payments and help them with their monthly rental payments. We think that is the greatest solution.

Now, what we have to do is that we have to not continue that assistance as long as the ability for those folks to repay, it represents a permanent housing alternative to them. But we are not asking people to leave, we are not terminating assistance for those who clearly have had their primary property affected, there is no housing alternative for them. We are continuing that assistance.

Chairman LIEBERMAN. Well, I appreciate that very much. That is a very humane and just response.

Just for the record afterward, I am interested in knowing how many thousands of people here in the Gulf Coast, as a result of your willingness and capacity not to apply that cap, will continue to receive this assistance, which effectively stops them from being homeless. So I appreciate what you have done.

Let me ask you a final question. I received a call from a man named Harold Shapeburger, who is the head of the International Association of Firefighters, represents firefighters here in New Orleans, when he heard I was coming here for this hearing. You are not going to be surprised to hear that the firefighters, according to Mr. Shapeburger, are very agitated by the dilapidated conditions in more than half of the fire stations in New Orleans, some of them operating out of trailers, etc.

What can FEMA or any of us at the Federal Government level do to overcome that basic disability to carrying out a fundamental public safety responsibility here in New Orleans?

Mr. JAMIESON. Senator, you know that Chief Paulison, the fire service, there is no dearer cause to his heart——

Chairman LIEBERMAN. Right.

Mr. JAMIESON [continuing]. Than ensuring that we have public safety preserved. What FEMA can do, if there are damages to those buildings, those public buildings, we can create temporary offices and areas for them to work out of as we have with NOPD, in terms of their crime lab, for instance. If the building was damaged as a result of the disaster, we can, certainly through our Public Assistance Program, write a project work sheet and repair that building that was caused as a result of disaster damage.

In some of the instances here and in the fire service, there is issues of our not being able to cover those basic operating expenses, which are fundamentally a municipal responsibility.

Chairman LIEBERMAN. Right.

Mr. JAMIESON. Anything that is disaster related, we can, sir, cover that under our Public Assistance Program.

Chairman LIEBERMAN. So you are able to—he was not talking to me, as I heard it, about operating costs, but it was more about the actual fire stations. So FEMA is able to help with the reconstruction or repair of those stations?

Mr. JAMIESON. Yes, Senator, that is correct.

Chairman LIEBERMAN. So why then at this point are there still more than half of the stations, I gather, that are not able to be used?

Mr. JAMIESON. Sir, I do not have a very specific answer to that question. Part of what is going on right at the moment is our sup-

port that is needed to help them characterize those damages, write those scopes of work.

Chairman LIEBERMAN. Right.

Mr. JAMIESON. We are doing that wherever we can. And in many instances, we are also doing what are called alternate projects, and that is, where you have a number of different structures that have been damaged by the storm, as opposed to repairing those structures, they may want to create one newer facility. So in some instances, they are not coming forward yet to us to decide exactly what they want to do, but we stand prepared and ready to engage with them in any of those damages.

Chairman LIEBERMAN. I would like to keep in touch with you on that one.

Mr. JAMIESON. Yes, sir.

Chairman LIEBERMAN. Thanks. My time is up. Senator Landrieu.

Senator LANDRIEU. Thank you.

Let me begin, if I could, with Mr. Powell. And begin by saying, I have been with you in countless meetings and in many hearings, and I want to thank you for your sincere commitment to New Orleans and to the region.

But I do want to ask you a big-picture question because for all the challenges before us, this is, to me, one of the things at the heart of this situation. As you know in the first few weeks of the storm, it became apparent that the Federal Government in some ways had been caught flatfooted in this disaster. It was overwhelming all of our systems.

Our military systems, while they did a beautiful job, there was some initial complications. FEMA, the Stafford Act, was woefully inadequate to handle the breadth of this disaster. So we scrambled with you to come up with a new approach or—not a new approach, but an added approach, and that approach came through the Community Development Block Grant that had been used before in disasters but in a very limited scale.

Your testimony says, the Community Development Block Grant program was chosen because it is a well-tested mechanism that provides States with the greatest flexibility on how funds may be spent. It allows those closest to the problems to make direct CDBG grants. In fact, that is the greatest attribute, they are flexible and allow State leaders to make decisions where best to use the money.

I have two problems I want to ask you about, and this will come in the testimony of the second panel. When we got the total amount of Community Development Block Grant funding, which was our way to move around to FEMA that was not designed to handle our situation to try to move money down to Mississippi and Louisiana, these are how the dollars came out: $10 billion for Louisiana, $10.4 billion, and $5.2 billion for Mississippi. Let me repeat that: $10.4 billion for Louisiana, $5.2 billion for Mississippi.

According to every estimate I have seen, Louisiana has seven times the damage in terms of loss of homes, displacement of people, schools, hospitals, etc. If you read other charts, it is three times. So I have done the numbers, and they are as follows: If we got parity with Mississippi, assuming Mississippi is the right model, which I could argue, but let us just take your word for it and the President's word that Mississippi is the model—I will accept it—

if we accept them as the model, we are either short $18 billion for Louisiana if you multiply by seven, or —I'm sorry—$42 billion if you multiply by seven or $18 billion if you multiply by three.

Now, my question to you is: How are you delivering this news, and when, to the President of the United States?

Mr. POWELL. Senator, as you recall, when the CDBG was agreed upon as the best vehicle, as I described in my testimony—and you and I had numerous conversations about—because of the flexibility that the States have to spend their money, I still believe that was the right decision.

Congress allocated the first tranche of CDBG money. Congress restricted the CDBG money that no State would receive more than 52 percent. Thus, because of that restriction made by Congress, we came back down to Louisiana, sat down with the leadership in Louisiana, determined what the needs were as it related to the destroyed housing, built consensus, and determined that there was an additional $4.2 billion needed for housing in Louisiana.

Senator LANDRIEU. Can I stop you right there——

Mr. POWELL. Sure.

Senator LANDRIEU [continuing]. Because that was an honest answer, but I need my colleagues, because the basis of this record has to begin with a fundamental understanding, despite this Senator's repeated protest and the protest of our delegation, our voices were not heard. And there was a cap, an arbitrary cap that cannot be justified by any objective measure of the damage.

And then our State leaders, both at the local and State level, were given the bad news that you have to build a model with a third of the money and do not complain about it and just go about doing it. And that is the card—the hand that was dealt to us. I have never accepted that hand, and I will not accept it today.

Now, having said that, I want to move to some things that we can help, given this situation, to move our people through, but I do expect that message will be brought to the President and the Office of Management and Budget. And I just want to say, if I can have your allowance, Mr. Chairman—you are very gracious with me with this time. But I am also going to deliver a message to the President that when he presents a supplemental spending bill to rebuild Iraq, which we expect to receive shortly, that there better be some additional funding to rebuild Louisiana and Mississippi. Let me just ask this.

Mr. JAMIESON. Senator, let me——

Senator LANDRIEU. Just one thing.

Chairman LIEBERMAN. Come to order.

Senator LANDRIEU. I just want to ask a second thing. FEMA and HUD have been given a tremendous responsibility, and I realize that your agencies that you had before the storm were not sufficient, and you are struggling under how to operate together.

Are you located together right now in the State? Are FEMA and HUD located in a building together where you can work, or are you still in your separate buildings?

Mr. JAMIESON. Senator, during the early days of response, FEMA established us a joint field office——

Senator LANDRIEU. But right now where are you?

Mr. JAMIESON. We are on the West Bank in Orleans, in Orleans Parish, and Lake Charles and then Baton Rouge.

Senator LANDRIEU. Where is HUD?

Ms. PATENAUDE. Our HUD office is here downtown, Senator Landrieu.

Senator LANDRIEU. OK. One thing I might suggest, since this is unprecedented, is we figure out a way to get these offices at the Federal level at least either in the same building, or in a closer proximity, also with SBA about where they could work better because our people are really depending on that.

Third, one of the things we would like to correct—and the State will testify to this, and the city, that will really help—is we also were shortchanged by not having the opportunity to get our 10 percent waiver. Now, first of all, we are grateful. Normally in a disaster—everybody should know—the locals have to pay 25 percent, the Federal Government pays 75 percent. If it is bad, we are supposed to pay 10 percent, the Federal Government pays 90 percent.

But our problem, this disaster, Mr. Chairman, is so huge, and the numbers are so huge, $110 billion, that both Mississippi and Louisiana are struggling with our 10 percent. And it has been waived for Florida. It was waived for every storm when their proportionate per capita was much less. And my staff will hand me these numbers, but I vaguely remember one storm being $139 per capita. Our storm is $6,000 per capita.

So the 10 percent, Mr. Powell, was waived for other storms, but we still have the added responsibility to pick up a $1 billion match. We have asked—first of all, we have told you we cannot afford it. Nobody listens to us. So we said, OK, well maybe we will pay it. Let us just write you a check for $1 billion, because we have $2 billion sitting in an account in Baton Rouge, our surplus money, which is a whole other story, but, no, I am sorry, we cannot receive your check.

You have to file—how many, Walter—45,000 individual reimbursement documents in order for us to receive your 10 percent match. So I am going to say this for the record: I am going to ask you to forgive the 10 percent, which we have every right. If you will not, I am going to demand that you allow us to pay it globally because, otherwise, the taxpayers are going to really be ripped off, Mr. GAO, if I have to go through every single document to justify 10/90, 10/90, 10/90. It is a horror story that our people are living through.

I have run out of time, but obviously I have many other questions, Mr. Chairman.

Chairman LIEBERMAN. And we will do a brief second round of questions.

Thanks, Senator Landrieu. Senator Obama.

Senator OBAMA. Thank you, Mr. Chairman.

Mr. Powell, I just want to make sure I understood a bit of the testimony that—back and forth between you and Senator Landrieu.

Am I correct that statutorily you are not able to ensure that Louisiana is getting the same amount of per-capita spending or per-damage spending as Mississippi is, that was locked into the statute originally authorizing the expenditure of money?

Mr. POWELL. The original CDBG money, as approved by Congress, restricted no State could receive more than 52 percent, and that is the reason we came and worked with the local people to determine how much more money the State of Louisiana would need in CDBG money. We went back to the President and told him that number was about $4.2 billion. Under his leadership, under his insistence, Congress approved the additional $4.2 billion for the State of Louisiana to bring it up to $10.4 billion.

Senator OBAMA. Right. But I guess what I am understanding from Senator Landrieu is that despite that additional $4.2 billion——

Senator LANDRIEU. It is still short.

Mr. POWELL. Correct.

Senator OBAMA [continuing]. That it is still substantially short relative to what would be fair if you just looked at the amount of damage and you allocated the money proportionately.

I am correct, Senator Landrieu, that is the argument you are making?

Senator LANDRIEU. Yes.

Mr. POWELL. Well, we responded, again, when we came back to Louisiana to look at the facts, the damage. I am an old banker.

Senator OBAMA. Right.

Mr. POWELL. And so the integrity of the numbers were very important to our office. We came back, looked, and determined what were the actual damages in Louisiana. We worked very closely with representation from the LRA to determine what the damages were. We came to a consensus that the damages were X. We did the multiplication——

Senator OBAMA. OK. Well, let me just——

Mr. POWELL [continuing]. And so we came back.

Now it was based upon the facts, not based upon how much money some other States got. It was based upon the facts.

Senator OBAMA. Well, fair enough. I just want to make the record clear. Senator Landrieu, as I understand it, is asserting that there was much more damage in Louisiana than Mississippi, and if you look at the amount of money allocated between Louisiana and Mississippi, that Louisiana's been shortchanged.

Now, what I am hearing from your testimony is you believe that the $4.2 billion——

Mr. POWELL. Additional money.

Senator OBAMA. Additional money that was provided actually put the two States on even footing relative to the damage that they experienced.

Either Louisiana did not get a sufficient proportion of the money, or based on your best assessment after the $4.2 billion was allocated, it did. And I am just asking which do you think that is?

Mr. POWELL. The latter.

What I am saying is, it was based upon the actual damages, not based upon the comparison of other States. The original CDBG money that Congress allocated—because of the shortfall, that is when we came back and worked with the people in Louisiana, LRA, looking at the facts, how many homes were destroyed, what was the infrastructure, how much additional money would Lou-

isiana need to meet their damages, meet their needs, that number was $4.2 billion.

Senator OBAMA. All right. Mr. Powell, I am running out of time, so I do not want to belabor this. I just wanted the record to show there seems to be a factual dispute here because what I am understanding Senator Landrieu to suggest is that experts who have looked at it have concluded that there was far more damage in Louisiana, and yet the amount of money that is being allocated to Louisiana, as opposed to Mississippi, is not sufficient to deal with that disproportion of damage that was created.

Now, what I think you have just testified is that based on the facts and your assessment on the ground, you think that, actually, the allocation is fair. I think it is important at some point for us to pursue this because we may have opportunities to modify this statute, and I want to establish that for the record.

Mr. POWELL. We have also been very responsive in saying, should there be needs for more money, show us evidence of that, let us understand those, and we will be happy to discuss that.

Senator OBAMA. Right.

And I want to make clear for the record, by the way, I do not think that Mississippi is unduly benefiting in the sense that they have got a lot of work to do, too, and there are a whole bunch of small towns in Mississippi that have been devastated, and they are still having problems rebuilding. So I am not interested in a situation where we are robbing Peter to pay Paul; I am just suggesting that it appears that Louisiana may be experiencing a shortfall in terms of the amount of resources.

Let us focus on the resources that have been allocated. There has been a lot of discussion about the Stafford Act. Senator Landrieu's point, I think, is fairly straightforward.

I am reading from a *Wall Street Journal* article just this weekend discussing the fact that: The White House has kept in force a set of rules known as the Stafford Act. Under its guidance, rebuilding funds must be accompanied by a 10 percent match from local governments under the theory that localities will not misspend if their money is also on the line. Similarly, FEMA will cover only 75 percent of a project's costs until the job is complete. The Stafford Act has been waived in the past. It did not apply to Manhattan in September 2001 or South Florida following Hurricane Andrew, but it remains in place along the Gulf.

Why have we not shown more flexibility on that?

Mr. POWELL. I think there are two things. The Administration has shown flexibility. The Federal Government paid for 100 percent of the debris removal in most of the parishes, most of the hardest hit parishes in Louisiana, as well as some in Mississippi. So I think there was some flexibility.

Second issue is, there was about $1 billion of the CDBG money that was given to Louisiana that could be used for the match, for the local parishes.

Senator OBAMA. I would just recommend you take a look at this article because it is depressing to see the degree to which local communities are having an extraordinarily difficult time coming up with the match money. Even when they come up with the match money, there is great difficulty processing, just to get basic infra-

structure in place. And it strikes me that whatever flexibility has been shown, it is not enough flexibility.

I know I am over my time, but I am going to go ahead and ask more questions. Hopefully we will have a final round.

I want to just focus a little bit on the day-to-day experience of ordinary homeowners in dealing with this devastation because obviously if you go into the 9th Ward or St. Bernard Parish or other areas, it is a brutal situation for ordinary homeowners. They are paying rent to live somewhere else; they are still paying their mortgage; they are still paying flood insurance because they are afraid that if their insurance lapses that they will not be able to get insurance in the future. In some cases, the insurance companies, if they were lucky enough to have private insurance, have not paid up the way they should, and they are tied up in litigation. It appears that basic infrastructure in many of these communities is still not forthcoming. Not to mention the problems that the criminal justice system is still having, which I think are apparent to many in the area.

For the individual homeowner, for the average homeowner who is living in a trailer, maybe coming back and forth from another city, what prospects do they have to see some immediate improvement in the rebuilding of their homes given that, for example, the Road Home program seems to be clogged, there does not seem to be that much movement in terms of long-term housing? What are we doing to actually kick-start the process of getting folks back in their homes in these communities?

And I am happy for anybody to answer it. If you want to start, Mr. Powell, and then we can maybe get an answer from HUD and FEMA as well.

Mr. POWELL. That is a tough question and a complex question.

Let me speak to three or four issues. One is, as it relates to housing—I think housing is very important to everybody in Louisiana—as we talked about the CDBG money and the Road Home program, under the Governor's Road Home program, that money is set aside to reimburse up to $150,000 for those people in Louisiana that have lost their homes. Our office sits down with all the components of the Road Home program on a weekly basis to make sure that the Federal Government is not an impediment to anything that would restrict the Road Home program getting money into the hands of the recipient, but at the end of the day, it is a contractual obligation between the State, and in this case, ICF. It is a contractual obligation. We do everything we can to make sure that we can speed that up, including talking to the contractor, talking to the locals, talking to the State government.

The second thing is, the Congress, under the leadership of the President, has some tax incentives for affordable housing. I think we are beginning to see some of those begin to start. I talked to a developer last Friday that is going to build 1,000 units in New Orleans because of the tax incentive that the Federal Government has allowed developers to use.

I think, also, the basic core infrastructure, the project work sheets, as someone testified, there is about $6.3 billion estimated for the State of Louisiana; 71 percent of that has been obligated to

the State. Only 44 percent has come from the State to the locals. That is critically important.

SBA has committed just in the State of Louisiana $6.3 billion to assist homeowners in small businesses. As also the testimony—the flood insurance has paid a tremendous amount of money to homeowners in Louisiana.

I would also say that we are beginning to see—and I think it will be revealed this week—the Unified New Orleans Plan, which I think is critical to the rebuilding of New Orleans. But I think the Federal Government has laid the foundation, and the CDBG money and the public assistance moneys and tax incentives to rebuild the Gulf Coast.

Senator OBAMA. Thank you, Mr. Chairman. I know we are running out of time. We will have the second round of questions.

I just want to point out—and I know you are deeply concerned about this—that this money that has been allocated is still not reaching ordinary folks here in New Orleans and in Louisiana, and until it does, all the numbers and the meetings and the planning that is being done is inadequate. So I know you have been working very hard on this, and I am not trying to single you out.

Mr. POWELL. I share your frustrations.

Senator OBAMA. Well, you and I, I can only imagine, are not as frustrated as the folks who are living in those trailer homes.

Mr. POWELL. Right.

Chairman LIEBERMAN. Thanks, Senator Obama. You are absolutely right, and that is part of why we came here today.

Because, as I said at the outset, the first reactions up until now by the Federal Government have not been miserly, they have been generous, $110 billion. I do not mean it is up to the need, but a lot of money has been put forth from the rest of America. And the really frustrating part, and I know you feel it as we do, but the recipients are the worst victims of it. It is just not moving quickly enough, and I know some of this is the obstacles we set up; that is, the government sets up to avoid waste and fraud. But we have got to figure out how to honorably and efficiently get money out to where Congress and the President want it to go.

Mr. Powell, I wanted to just put this in this context in terms of time. I spoke to somebody recently who was working on recovery from Hurricanes Katrina and Rita for the Federal Government perspective who said nobody in America would probably believe this, but we are going to be involved in this for probably a decade, for 10 years, to really do a recovery. And this was not a disaster, but a catastrophe.

Does that sound right to you? Is this—will it take a decade to get New Orleans and the Gulf Coast back to where we want them to be?

Mr. POWELL. Senator, I do not know. I just know that this President is committed to stay as long as necessary to rebuild. It is complex. It is, as you said, a catastrophic event that is undescribable. I do not know, but I do know that our office every day we wake up making sure that every component, every department, every agency of the Federal Government is doing what they can and should be doing to assist the long-term rebuilding of the Gulf Coast.

Chairman LIEBERMAN. I appreciate that.

But I guess maybe I would just ask this question because you talked about the Administration: You would say that the Federal Government will continue to be involved in the recovery of New Orleans and the Gulf Coast beyond the next 2 years of the Bush Administration——

Mr. POWELL. Absolutely.

Chairman LIEBERMAN [continuing]. Right?

Mr. POWELL. Yes, sir.

Chairman LIEBERMAN. Mr. Jamieson, how does that 10-year projection seem to you from the FEMA point of view?

Mr. JAMIESON. Senator, I think it is reasonable. Other large disasters, Hurricane Andrew, Northridge earthquake, we have had—certainly FEMA has had a presence out there. We have talked a lot today about the money that has flowed through the Public Assistance Program, and quite frankly, we are just starting now with the bricks-and-mortars phase of that. So the monitoring of those projects, the actual building of those projects, we will be here to see those through, working with our State partners.

Chairman LIEBERMAN. OK. I think that is very important for us to have said. It is important for us in Congress to understand that this is a commitment and a responsibility that we have to the Gulf Coast and New Orleans that will go on, in my opinion, that is right, for at least a decade, and we have got to be able to educate our constituents around America that this is the responsibility we have to part of the American family that suffered a grievous loss, and it is not going to be done. Patience comes hard often in matters like this.

What we will see in our tour that we will take afterward is not on the mind of the people of our country understandably. They have gone on to other matters. They remember the horrible suffering that they saw in the first days after landfall, but it is our responsibility, and our Committee takes it on as leaders, to not turn away from the continuing need of this region.

And I thank you, Mr. Powell and Mr. Jamieson, for being direct and honest about the length of the commitment that is going to be required by the Federal Government.

Senator Landrieu.

Senator LANDRIEU. Let me do this quickly.

Mr. Preston, thank you very much. I know you were not the SBA director when this catastrophe happened, and because I hope in large measure of our delegation expressing our views of the previous administrator, he is no longer there and we have a new administrator and you are it, and we are happy to work with you.

But one of our major problems with SBA is that even though you have given out a good number of your loans, it seems as though—and this is what I would like to resolve—when people get their Road Home money, and these average grants are, let us say, $78,000, it is a maximum of $150,000, they are being required to pay back their SBA loan. Now, I have written 10 letters and had many meetings on this subject, and I am determined to get this changed.

If people have to pay you back and then pay some of their back credit card bills, there is not going to be any money left to build

any homes, and I have got a quarter of a million of them to build. So I need you to answer: Why are you requiring them? Is it something we are requiring of you, and if so, what would you recommend for us to change?

Mr. PRESTON. Yes. Thank you for the question, and also I would just like to thank you and the support your staff has given us in understanding the issues as you see them, Senator Landrieu.

We are, under both the Small Business Act and under the Stafford Act, required to look at what is called a duplication of benefits calculation. We can extend loans to people for rebuilding of real estate and for personal property on the residential side to the extent that they have not already been compensated for that damage. So for example, if there is $100,000 loss on a home and the combination of the SBA loan and a grant exceeds that, a portion of that grant needs to repay the loan.

Now, one of the issues I want to address—and this is something that concerns me very much; I have heard it from people down here, as I have done town halls down here; certainly I have heard it from your staff—is that it is very important that we understand that the original estimates that were made for the calculation of these loans do not always reflect the reality in the marketplace today in terms of cost to rebuild.

So for example, we may have done a calculation a year ago to say the damage was $100,000, when in reality today it is $120,000 or $130,000. So we have done a number of things to address that. First, we have taken a look at external indicators, and we continue to increase our cost estimates to accommodate what we think the market is saying today. That expands the total benefit for the disaster victims. It reduces the amount of the loan they would have to repay.

Second, to the extent that it is still not sufficient, every person who gets a Road Home grant we call; we explain the benefit to them; we let them know the benefit has been expanded; and if it is still insufficient, we allow them to come back to us to show evidence that they need more money, and we will work with them on that.

Senator LANDRIEU. OK. And let me say for the record, that is why when you read the newspaper and they say how dissatisfied people are, it is because they have been waiting for a year and a half, Senators, to get a check to help them only to be told before they walk out the room, they have to cut a check either to their mortgage holder or their banker for the mortgage or the SBA for the loan they have. No wonder people are complaining and the articles are in the paper.

But thank you for what you are doing, but let me say this for the final, when we created the Community Development Block Grant—and you can go back and read the congressional testimony—at least from our delegation and some Republicans in Congress as well and Republicans in our delegation, it was meant to be in addition to everything that had been created because we recognized that what had been created was not working. So it was not Congress' intention—and I have challenged that phrase that you cannot duplicate benefits—we meant for these benefits to be duplicate because we knew that what we were giving people was not

enough. We put CDBG on top only to be trapped in the Stafford Act—no duplication.

Now, I have as good a lawyer as you do, but I am tired of talking to my lawyers. And I am going to be talking on the floor of the Senate to get this finished because it was never Congress' intention to get us caught in that—that is a general phrase—and you do not want people double-dipping. I understand that. But this was a meant double-dip because the one dip was not enough. You see what I am saying? We knew it was not enough, so we made a second dip, and now we cannot get to the second dip.

But I have to ask one more question. This is for FEMA. This is just one little example, but it is systematic. Peebles School and Henry Elementary School, two elementary schools not in Orleans Parish—one is Vermilion and one is Iberia—to give the scope of this disaster, miles away from where we sit, there are two little elementary schools—there are hundreds of schools in this condition—your people told them 6 months ago that you would rebuild their schools. I went down and cut the ribbon, as any smart politician would do, to say thank you, FEMA's done a good job, trying to be positive, went down to these schools. Six months later my phone rings and says, FEMA said they are not building our schools.

Now, tell me: How do you change a work order and what gives you that right?

Mr. JAMIESON. Senator, this is clearly an example of where we had some folks out there who were inexperienced. And Peebles Elementary School, what we have to do is if there is 50 percent of the rebuilding cost of that school, we can replace that school. The inspectors who were out there told the school officials that the school would be replaced, that the damages were over 50 percent, and quite frankly when we got experienced inspectors in there, we were not able to come close to that 50 percent threshold.

But I will say that we are able to put temporary school facilities there; we are assisting with the rebuilding of that school at a different location.

The school officials will be able to sell the property value for where they are now, use it toward that other school, and all of the costs of the repairs that would go into that old school will be able to be attributed to the rebuilding of the new school.

Senator LANDRIEU. OK. My time is up, and I thank you, but we are going to press that issue for those two schools and the many others in their same category.

Chairman LIEBERMAN. Thanks, Senator Landrieu.

And I note for the record that the Stafford Act is specifically part of the jurisdiction given to the new Subcommittee we have created that Senator Landrieu will be chairing, so I presume—I know you will get into that.

Senator Obama.

Senator OBAMA. Let me ask a question to Mr. Jamieson.

It was recently announced that FEMA would be cutting off 100 percent funding for debris removal in temporary facilities in the five most damaged parishes in southeast Louisiana and that State and local officials would have to start picking up the tab on January 1, 2007.

Now, my understanding is there is still thousands of homes that need to be demolished and removed.

Why are we cutting off aid now? If I am not mistaken, this was not done after September 11, it was not done after Hurricane Andrew. What is different here?

Mr. JAMIESON. Senator, it is important to say that we are not cutting off aid. We are working with the city officials on the demolition process. There are very difficult issues there with homeowners in terms of right of entry, and that is just individuals struggling with whether or not they want their properties to be demolished and how they will be compensated if they are demolished.

Senator OBAMA. All right. So the report was incorrect that you are cutting off the funding?

Mr. JAMIESON. No, sir. The 100 percent for debris removal did end on the end of December. It moved to a 90 percent, 10 percent cost share. As we have indicated before, that CDBG dollars——

Senator OBAMA. So this is part of the Stafford Act——

Mr. JAMIESON. Yes, sir, it is.

Senator OBAMA [continuing]. Issue that we have been raising generally?

Mr. JAMIESON. Yes, Senator. Yes, it is.

Senator OBAMA. OK.

So I am still not clear why we have shifted to that 10 percent at this particular juncture in time. Was the sense that somehow New Orleans was in such great shape at this point—these parishes were in such good shape that we did not need to—that we could go ahead and sock them that extra 10 percent?

Mr. JAMIESON. Well, Senator, I do not think it is socking them the 10 percent. Literally, within the State, over 90 percent of the debris has been picked up, and 100 percent by the Corps of Engineers.

Senator OBAMA. Why not just finish the job I guess is what I am wondering, why ask for the 10 percent at this point? Is it just a matter of principle or—why not just continue the waiver?

Mr. JAMIESON. Not so much a matter of principle, Senator, as it is a partnership with our State partners. That is not necessarily getting passed on to the local governments. The State has agreed to pick up that 10 percent.

Senator OBAMA. OK.

Mr. JAMIESON. You can use Federal dollars to pay for that 10 percent match, but it is an indication that this is not strictly a Federal rebuilding effort; it is a partnership with State and local governments.

Senator OBAMA. OK.

Ms. Patenaude, I would like to just ask quickly about HUD and the Disaster Voucher Program. My sense is that there have been some significant waits in the Disaster Voucher Program. We are using essentially the Section 8 model when there is just not a lot of rental housing, period, here in the area. And so I am just wondering how is that program going? Is this a program that your office is going to continue to rely on as an approach to getting people in permanent as opposed to temporary housing?

And while we are on it, why don't you go ahead and talk about the fact that a lot of public housing now is being razed, but it is

not yet clear what plans exist to house those persons who previously lived in those units. So could you just talk a little bit about those issues?

Ms. PATENAUDE. Thank you, Senator Obama.

I am not the Department's subject expert on the matter of public housing, but I will attempt to answer your question to the best of my ability.

Senator OBAMA. OK.

Ms. PATENAUDE. The public housing issue, that is in litigation right now, so what I can tell you is that the Department—HANO is in receivership, HUD is running the Housing Authority of New Orleans—has rehabilitated 2,000 of the units. Prior to the storm, there were 7,000 units, but 2,000 of those units were not occupied. To date more than 1,000 families have returned and are occupying those units.

On the Disaster Voucher Program, the Congress—I believe that was part of the first supplemental. The Disaster Voucher Program was developed to assist those families that were currently receiving HUD Section 8 assistance. That supplemental, I believe, was the only supplemental for the Disaster Voucher Program.

I am just going to look to Mr. Powell for confirmation on that.

Mr. POWELL. That is correct.

Ms. PATENAUDE. And as Mr. Powell stated earlier, the Road Home program, the grant component to homeowners is only one of four components. So we have the low income housing tax credits that will develop future affordable housing units, including public housing, and they will be using CDBG to leverage that. We have a small rental program in which landlords will be given incentives to keep rents affordable. And the Road Home is starting to accept applications today on that program for landlords to apply. So there are several components to the Road Home program, not just the 100,000 families that are eligible to date for the grant.

Senator OBAMA. Well, it sounds like we may need to talk to somebody who is specifically in charge of some of these issues to get more details.

I know I am out of time, but I want to just ask one last question to Mr. Kutz. I am very pleased with the work that your office has done in terms of ferreting out waste and abuse. I want you to address what has been a larger theme in some of the testimony and hearings and some of the reports and articles that I am reading, and that is: How do we appropriately strike the balance between wanting to prevent fraud and abuse and the risk of creating a bureaucracy that is so cumbersome that ordinary folks who are just trying to access help to rebuild their lives can do so?

The fraud and abuse that I have been most concerned about has to do with, for example, no-bid contracts, tarps that are overbilled by 50, 100, and 150 percent, the Federal Government overpaying on a whole host of issues. I will not belabor some of these points that I have made to FEMA directly.

On the other hand, I would hope that we have got a way of dealing with fraud and abuse that does not leave people waiting for a year or 2 years to get applications processed. And I am wondering whether you just have some suggestions in terms of best practices based on what you have seen in terms of what are useful anti-

fraud and abuse provisions and steps that can be taken that do not hinder our ability to help legitimate small businesses or homeowners in their effort to rebuild their lives.

Mr. KUTZ. Yes. We do not believe that there is necessarily a trade-off between having effective fraud prevention and getting money quickly to victims, and so oftentimes when you hear about delays, it is issues related to planning, human capital, ineffective processes, or lack of automated and integrated systems. So we certainly believe that if you have those types of things that you can do both because it is just as important to protect American taxpayers——

Senator OBAMA. Absolutely.

Mr. KUTZ [continuing]. As it is to get money to victims. Both of those are important things because we want to see support from the public continue for these recovery efforts.

Senator OBAMA. Does your office give advice to some of these other agencies in terms of how to set up those systems? Because I completely agree with you that there should be no contradiction, and yet I think oftentimes prevention of fraud and abuse is used as the excuse for failing to provide prompt customer service to folks who need help.

Is your office involved with helping to facilitate and execute this planning and putting automated systems in place and so forth?

Mr. KUTZ. Yes, I would agree it is used as an excuse oftentimes to cover up for bigger problems. But, yes, we have issued, with respect to the work we have done so far, dozens of recommendations to the Department of Homeland Security and FEMA that can get an effective fraud prevention program in place and get money quickly to disaster victims. And we work with their contractors, too, like ChoicePoint, who they are using to do some of the automated up-front checks because one thing you should understand, some of these verifications can be done in a matter of seconds, so it is difficult to understand how things can get bogged down.

Senator OBAMA. How from a matter of seconds it ends up being three or four——

Mr. KUTZ. Or 9 months or a year——

Senator OBAMA [continuing]. Weeks, months, years?

Mr. KUTZ. Because, again, Social Security numbers can be validated instantaneously, properties can be validated instantaneously, and matches can be validated. So I mean, that, again, is something that needs to be worked on.

Senator OBAMA. Thank you for your indulgence, Mr. Chairman. I thought that is an important point to get on the record so that these issues do not get confused.

Chairman LIEBERMAN. Thanks, Senator Obama, very important point. I appreciate the exchange.

I thank the witnesses very much for your testimony this morning. Thank you for what you do every day. You are our representatives. You are the people charged with the very difficult task of implementing and realizing the hopes that the Federal Government has to help the Gulf Coast recover. And as we said a moment ago, this is not a year's work; this is many years' work.

I want you to know that this full Committee and particularly Senator Landrieu's Subcommittee are very eager to do at least two

things: First, is to continue to oversee how these programs are working, and the second is to be there for you, for the residents and leaders of the Gulf Coast. Let us know when you think something is not working, and let us figure out how we can work together to produce results. That is what we are all about.

We thank you for your testimony today.

We will probably want to come back and visit with you in a few months either here or in Washington, and then I know the Committee and Subcommittee will return to New Orleans and the Gulf Coast regularly. Thanks for your testimony. Thanks for your work.

I will call the second panel, the Hon. C. Ray Nagin, Mayor, City of New Orleans; Walter J. Leger, Chairman of the Housing and Redevelopment Task Force of the Louisiana Recovery Authority; and Suzanne T. Mestayer, Chairman of the Board of Greater New Orleans, Inc.

I think the three of you heard the first panel. I want to restate that this is not the beginning of the end of the interest of our Committee; this is the beginning and the continuation of the interest the Committee has had through our investigation report, legislation, but, again, we know, as I said, this is a long journey we are on together, and your role for State and local government is critically important to it, so we thank you for being here.

Mayor Nagin, good friend, welcome and appreciate your testimony now.

STATEMENT OF HON. C. RAY NAGIN,[1] MAYOR, CITY OF NEW ORLEANS

Mayor NAGIN. Good morning, ladies and gentlemen of this Committee. I am C. Ray Nagin, Mayor of New Orleans, one of America's most beloved and culturally distinctive cities and a city which is facing the challenge of recovering and rebuilding after the worst natural and manmade disaster to occur in the United States of America.

I am also here representing my other parish leaders, the parish presidents from the damaged areas. We have similar challenges, and this story is not unique to New Orleans but is one that is being experienced in just about every parish that has suffered some form of devastation.

To the Chairman, Senator Lieberman, to Senator Landrieu, Senator Obama, distinguished Members and guests of the U.S. Senate Committee on Homeland Security and Governmental Affairs, thank you for coming to New Orleans to continue your support for the rebuilding of our city. I also applaud the actions you took to establish subcommittees that will focus more thoroughly on recovery and preparedness issues.

I am eager to work with the Disaster Recovery Subcommittee under the leadership of Senator Landrieu to better coordinate the recovery of this area.

I would also like to thank the American people and people all over the world for the generosity they have shown in responding to our needs with donations, supplies, and human labor to help us restore our city and our hope.

[1] The prepared statement of Mayor Nagin appears in the Appendix on page 152.

In the spirit of restoration, let me take a few moments to describe the economic conditions and the progress that was taking place pre-Katrina, as we now refer to those times before the event. I also would like to remind you that we are 5 months from the next hurricane season that will start shortly.

Prior to Hurricane Katrina, New Orleans had a population of 455,000 residents, more than $3 billion in construction activity, 215,000 housing units, and a viable and growing Central Business District. Tourism, which has always been the main economic driver of the city, hit a record with 10.1 million visitors coming to the city each year and thousands of people cruising from our port.

Adding color and vitality to our city was Hollywood South, one of the newest and most exciting activities taking place in our city. It was rapidly making its mark, bringing in multimillion dollar films to the Crescent City.

The economic landscape was also looking better for working class families. We moved 38,000 people off the poverty rolls in the city, and an estimated 40,000 businesses were in operation, representing $8 billion in annual revenues.

I have just mentioned a few indicators showing that we were moving New Orleans in a positive direction, and as far as we were concerned, the future was positive. Then Hurricane Katrina hit, and that happened 17 months ago.

Where are we today? Today we have been able to overcome some obstacles to stabilize our city so that our residents can return if they choose to or have the ability to return. Since the flood, we have undertaken many critical infrastructure repairs that most cities take for granted, which include street light replacement and repairs of over 7,000 street signs and 12,000 potholes and counting. Utilities have been restored, the critical utilities to all sections of the city.

Hurricane Katrina also led to the largest cleanup in U.S. history. I think those statistics have been already quoted. To date more than 90 percent of storm-related debris has been removed from the city, and over 8,000 vehicles have been towed from public right-of-ways.

The New Orleans Recreational Department sustained more than $60 million in damage to parks and facilities, and today we only have four multi-service centers, 33 playgrounds, and two stadiums that are now open for our children, senior citizens, and the like.

Because of this experience, New Orleans is in a different place than it was in 2005. We cannot use traditional government and business methodologies in a post-Katrina environment and expect to successfully expedite this recovery. The executive level of city government has been reorganized to reflect a paradigm shift that has occurred in this city and this region. In addition to operations, planning and development, and law, a new Office of Recovery Management has been added to my executive team.

In addition, we are focusing our own limited funding in a direction that will speed up the recovery and the rebuilding process in the city to aid working families, seniors, and small businesses. The top priorities for this Administration are recovery, public safety, repopulation, infrastructure repair, responsible fiscal management, and the enhancement of the quality of life of our citizens.

Today, we maintain a very delicate balance of all of our limited general fund dollars. We have produced a 5-year budget plan that keeps costs in line with spending, ensures responsible management of the community disaster loans, and focuses on responsibility and realistic budget initiatives which center on public safety and recovery of our city.

Our population has grown steadily over the past 17 months since the storm. According to GCR, a local firm, and the University of New Orleans' survey, we estimate there are now between 230,000 and 250,000 people living in New Orleans.

I have committed to leveraging the limited resources we have that are available to accelerate our recovery. To that end, we have launched several new programs to make it easier for citizens to repair their homes so that they can return.

Recently, the One New Orleans Road Home Fast Track Program was launched to provide our citizens who are registered with the Road Home program with no-interest $50,000 expedited loans that are administered by two local banks in this area.

We have taken $11 million in CDBG money that comes to us annually, we have direct funding from HUD on an annual basis, and we have leveraged that 5–1 to create a pool, a self-replenishing pool.

Other programs will provide assistance to seniors and low to moderate income families for gutting, remediation, and demolition. Our target is 5,000 homes for gutting and remediation and 10,000 demolitions by year end.

Our new Office of Recovery Management is a centerpiece of our recovery efforts. It will guide recovery and set strategies. It is led by a world renowned recovery expert, Dr. Ed Blakely, who is here with us today. It also will coordinate all Federal funds for the parish and will interact with and be the primary contact for entities such as the Louisiana Recovery Authority, FEMA, HUD, Fannie Mae, and others.

It has been mentioned that we are in the final stages of a three-part unified planning process. I would submit to you it is the most comprehensive planning process that any city has gone through in this State and, I would submit to you, probably in the country. The first phase was centered on the Bring Back New Orleans Commission, which I started 30 days after Katrina's landfall. Key focus areas for the Commission were land use, flood protection, public transit, culture, education, health care, economic development, and government effectiveness. This Commission gave us its final presentation in December 2005.

For the next phase, the City Council focused on the flooded areas and did neighborhood plans. And now we are receiving the unified plan, the final version, which takes all elements of those plans and has gone through an exhaustive public input process that we are really proud of.

Once we have this plan formally accepted, which we expect to expedite, we will then move quickly to overhaul our zoning ordinance to put forward a comprehensive zoning ordinance and a master plan so that everybody clearly understands the rules of engagement for operating in the City of New Orleans.

Let me quickly move to challenges to the recovery. While we remain committed to accelerating our own recovery, several challenges remain. First, our highest priority is to ensure the safety and security of our citizens. Our recovery will not be complete until the government can certify the level of hurricane and flood protection committed to us.

We ask Congress to fulfill the Federal commitment made for 100-year protection and to ensure that future protection levels are planned, funded, executed properly, and achieved.

The Federal investment alongside our local commitment to mitigation and risk management will ensure that we, as a Nation, never again face a horrific and expensive situation that Hurricane Katrina, the failed levees, and the flood brought to us.

Next, the public infrastructure of the City of New Orleans experienced damages estimated to be over $1 billion. The primary resource for the reconstruction of public infrastructure is public assistance in the Robert T. Stafford Act, which is a reimbursable program. The extent of the damage to our economy and the multitude of the damage to our infrastructure makes it impossible for us to finance our own recovery up-front. As of January 18, FEMA has written 815 project work sheets just for the City of New Orleans totalling $334 million.

The city has received $145 million in reimbursements from the State. These figures reflect only the city government's needs. This is much larger when added to the other major agencies, such as the New Orleans Public School System, the Sewerage and Water Board, and Regional Transit Authority. A needed change to the Stafford Act would establish a definition of catastrophic disaster for events such as Hurricane Katrina to be differentiated in a scale from major disasters and to amend the time frames and formulas for assistance that a catastrophic disaster would call for. The extent of the devastation should determine the level of response. This trigger should automatically provide up-front funding, extend deadlines for applications for assistance, extend the 100 percent reimbursement time frames for emergency work, increase assistance calculated for all grant programs, and make provisions for rapid delivery of operational funds for devastated jurisdictions and their critical agencies that are totally shut down after such an event.

Our criminal justice system provides an excellent illustration of FEMA's systemic problems of undervaluations. FEMA has obligated a total of $98 million for the rebuilding of our criminal justice facility, most of which was for emergency costs immediately following the storm. The city estimates it will cost $68 million to restore our criminal justice system. FEMA has obligated only $14 million for permanent repairs to these facilities, 20 percent of the amount needed. And based upon our local laws, we cannot put forth a contract until we have the dollars available for that contract to move forward.

We had a big challenge—and I would ask this Committee to look at this—FEMA uses a calculation that is called R.S. Means which is about the replacement costs that it takes to fix a public facility. That was being incorrectly calculated, causing much of the struggle that we have. This does not include the city's estimates for police district stations or any allowances for mitigation under Section 406

of the Stafford Act, which could add an additional $35 million to $45 million in eligible costs for the criminal justice system.

Even in the face of these daunting realities, ladies and gentlemen—and I am running low on time—we continue to find creative solutions for leveraging the limited resources that we have to rebuild our city and help our citizens return home. Working with the City Council, we have been able to pass ordinances last year to allow us to use approximately $30 million of our own limited funds slated for other projects, such as libraries and recreational facilities, and apply them to the critical structures, such as the criminal court buildings, to accelerate our recovery. But our recovery cannot continue in this manner.

I strongly urge you to return responsibility and accountability to the local government. Local government cannot be effective without the dollars and the resources necessary to affect change. You can also greatly assist us in our recovery by ensuring that we receive some direct funding of Community Development Block Grants and hazard mitigation funding. Because New Orleans received 57 percent of all the damage in Louisiana, we should receive 57 percent of all funding.

If that percentage is hard coated, there would be less temptation to start talks about what is going to be left over and how those funds can be used in other non-disaster areas.

We have established an ethics review board that is in the process of selecting an inspector general.

My administration's track record of transparency and responsible fiscal management will continue.

In the last Congress, as I close, a special provision was made to lift the cap of the amount available through the Community Disaster Loan Program. We thank you for that. At that time, an additional change was inserted to remove the President's discretion over loan cancellation based upon need. We now ask you for a provision to put back into law to allow the cancellation of these loans. This is a remedy that has been available to other jurisdictions that have suffered a disaster, and we ask you for the same.

Ladies and gentlemen of the Committee, I do not want to take up any more of your time. I have many other things that we can talk about. I look forward to a discussion in answering your questions, and I really appreciate your being here. This recovery is not moving as fast as it needs to move, and you are going to hear lots of justifications for why it is not happening. But from my perspective, not having resources at the local level is the absolute killer of this recovery.

There is an African proverb that says: When elephants dance, all the grass gets trampled. Well, two elephants are dancing right now, the Federal Government and the State Government, and New Orleans and the devastated parishes in this community are being trampled. Thank you.

Chairman LIEBERMAN. Thank you, Mayor. Thanks for your testimony. And we will accept your full statement for the record insofar as you were not able to deliver it.

I want to say in passing that you make a very important point, several, but what I want to point to is that what we saw here with

Hurricanes Katrina and Rita, that these were not just disasters, not just major disasters, they were catastrophes.

Mayor NAGIN. Yes.

Chairman LIEBERMAN. And the law does not recognize that difference. And the legislation reforming FEMA that came out of the Senate Committee and the Senate, we, in fact, had a whole section with greatly altered authority on waivers for FEMA in the case of a catastrophe. Unfortunately, the House would not go along with it so it was not in there, but I have confidence that Senator Landrieu will revisit that through her Subcommittee.

Mr. Leger, I know that—actually, I have read some statements you have made along these lines, about the fact that this was not just a disaster but a catastrophe, and that is part of the problem in the implementation. We thank you for being here and look forward to your testimony now.

STATEMENT OF WALTER J. LEGER, JR.,[1] CHAIRMAN OF THE HOUSING AND REDEVELOPMENT TASK FORCE, LOUISIANA RECOVERY AUTHORITY

Mr. LEGER. My pleasure. Mr. Chairman, Senator Landrieu, Senator Obama, I have been challenged by my staff to hold my comments to 6 minutes. Some have said it takes me more than that to say my name. So I am going to work real hard and speak very fast and try not to be too repetitive.

I am a volunteer member of the Louisiana Recovery Authority. I guess, actually, we did not volunteer; we were drafted by the governor. And with me today are several other members of the Board, including John Smith, Donna Fraiche, and Calvin Mackie.

I am also, prior to August 29, 2005, or was, a longtime resident of St. Bernard Parish. I am now a resident of the great City of New Orleans as a refugee and fly the flag of St. Bernard on my home as the St. Bernard embassy in exile. And by the way, we are on higher ground here, the great City of New Orleans, but I hope to get back home soon.

I want to thank you for letting me speak to you today, and let me first express my personal—and on behalf of other homeowners, like myself, who have lost their homes, members of the Recovery Authority, and public servants and otherwise express our gratitude to Congress and the American people for their unprecedented generosity, both emotionally and financially, since the two storms here in Louisiana in 2005.

As you know, Hurricane Katrina was by far the single most devastating and expensive disaster in American history. What you might not know is the storm that hit Louisiana 3 weeks later, Hurricane Rita, was the third most expensive in history. Many of us in the Lower 9th Ward of New Orleans and in St. Bernard were actually inundated by waters from both storms. As we basically dried out, more water came from another storm, from a second breach in the same levees.

Hurricanes Katrina and Rita caused an estimated $100 billion in damages to homes, property, businesses, and infrastructure in all

[1] The prepared statement of Mr. Leger with attachments appears in the Appendix on page 163.

of south Louisiana. About $40 billion of these losses are covered by private hazard and flood insurance, and we sincerely are thankful for the estimated $26 billion that is flowing to various parts of the State to rebuild our homes and our infrastructure.

But that still leaves a gap of $34 billion, or put another way, that is about $20,000 in uncovered losses for every household in the State of Louisiana.

This funding gap does not include the 127,000 jobs and 4,000 businesses in south Louisiana that simply have not come back. Louisiana's economy shrunk by $11.5 billion last year. This does not count all of the emergency and social service requirements incurred by State and local governments.

So while Federal aid and private donations have been great and unprecedented, Louisiana still has enormous unmet needs, and we need your help, Congress' continued strong support, going forward. But I now want to start with the billions that have already been appropriated, and I am going to go right to the point, if you do not mind. To spend the funds already appropriated more quickly and efficiently, we desperately need your help to cut the red tape and face our crisis of what I call federalism with strings.

There are three areas we need quick and immediate intervention: First, Congress needs to instruct FEMA to allow us to use our CDBG funds to provide a global match for FEMA programs. The easy solution would be: Get rid of the match that Louisiana has to make. That will save us $1 billion we can use on other programs. But short of that, we have been told no.

So we propose, 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 for local governments. The best way to do this is use CDBG funds to pay for a few dozen large projects that represent 10 percent of the overall cost of our FEMA-approved projects. We propose, then, use the FEMA funds to cover the other 20,000 projects, Senator Landrieu, that represent the other 90 percent of costs.

Instead of spreading CDBG among 20,000, put it aside into a few selected, put the FEMA moneys into the rest, and we are done. If 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 two State bureaucracies and two separate Federal bureaucracies of HUD and FEMA at the same time.

Our plan is clearly allowed under FEMA regulations and the Stafford Act. If implemented, it will cost the Federal Government no additional expense. The other solution, as I mentioned, is for FEMA or Congress to authorize 100 percent for cost share, 100 percent cost share by the Federal Government for Hurricanes Katrina and Rita, which we have repeatedly requested of the Administration and which was granted with respect to September 11, for Hurricanes Andrew and Hugo, but I did not even remember Hurricane Iniki in Hawaii. But that would resolve our global match issues completely and would allow the State to invest that nearly $1 billion in other programs.

Second, Congress needs to direct FEMA to approve our use of hazard mitigation funds in support of the Road Home housing program as requested, required, and negotiated by Mr. Powell in the

early stages in negotiations in 2006. The State did not want to use HMGP, Housing Mitigation Grant Program, moneys in this way. But we were told the Administration would not support our request for additional CDBG funding at the level needed, and we were instructed to use HMGP to fill our funding gap.

As of today, FEMA has been unwilling or, potentially, legally unable to approve nearly $1.2 billion of funding that is desperately needed for the already slow Road Home program. Without that funding, the Road Home program can come to a halt.

Third, Congress needs to instruct the SBA on the difference between a loan, Senator Landrieu, as you pointed out, and a grant. Right now, homeowners who receive a homeowner grant are required to pay their loan back with the grant. There are about $2.3 billion in loans out by SBA now that we have a limited amount—$10 billion sounded like a lot of money to me when I first heard about it—that we are supposed to give to help homeowners. If we have to take those grants that we give to homeowners, have them pay off their loans, we are really down to $8 billion, $7 billion, and the homeowners have lost the capital needed to build homes. There is no duplication. A loan, Members of Congress, is different than a grant. I do not need high-price lawyers to tell me that, and certainly the homeowners in the State of Louisiana do not either.

Next, we would like to request that Congress take immediate action to address what we consider—and, Senator Landrieu, you mentioned it again—disproportionate distribution of recovery aid. Our State received between 75 and 80 percent of all damages along the Gulf Coast from these two devastating storms. Yet time and time again, we have received less than our proportionate share of funding and assistance.

I would like to talk to you more about it on your questioning, but the examples are numerous, just to hit a few, and are demonstrated in our written testimony, which we have already submitted at length.

Congress initially capped our CDBG funding at 52 to 54 percent, and we were told they could not—there was no discretion to do otherwise. In a 6-month fight and with the help of Mr. Powell, we were able to get another $4.2 billion. Some of you will recall that you had to defend that $4.2 billion from other States who wanted a piece of it also, but we ultimately got it.

Congress appropriated equal amounts to Louisiana and Mississippi for colleges and universities even though our State had three times as many colleges and universities severely damaged and destroyed. Federal departments allocated funds for schools, historic restoration, and hospitals without recognition of the fact that our damages were far greater in all of those categories.

We lost 2,600 hospital beds; Mississippi lost 79 beds. Both States got the same allocation in that allocation. That took place just a few weeks ago. FEMA, on a smaller program but significant to many, stopped funding our Louisiana Swift bus service from Baton Rouge to New Orleans. Yet they had continued previously similar service in Houston for medical students for more than 3 years in Texas after Tropical Storm Allison.

Most recently, Louisiana received only $74.5 million from FEMA for the $400 million Alternative Housing Pilot Program while Mis-

sissippi, a State with approximately one quarter the need, received four times the money, at $280 million dollars.

We have, as you pointed out, Mr. Chairman, more than 64,000 people still living in FEMA trailers. They are not trailers as you might imagine; they are travel trailers. They are useful for weekend excursions by people who take weekend trips, but our citizens, 64,000, are living in them and calling them home every night. We need to get them out of there.

Even the issue of cost share match shows how this catastrophe has been treated differently. The States impacted by Hurricanes Andrew, Iniki, Hugo, etc., and in the context of September 11, in those efforts the maximum requirement was eliminated. Louisiana, hit by the first and third most expensive disasters in U.S. history, which were caused by Federal levee failures, must pay a 10 percent cost share that will cost us $1 billion.

We are not asking for handouts. We have been paying our share. We have been fighting the fight, and many of you have been fighting for us. We ask for fairness and parity. We want cost share taken into account with respect to the magnitude of the damage caused by these two horrible hurricanes, and we would like to see relative levels of damage computed, mathematically, objectively, for our sake and for the sake of future events. Hopefully one like this will never occur again.

In conclusion, I would just like to suggest to you that we know, we homeowners, we in south Louisiana, the Mayor, Ms. Mestayer, and those of us here know we are at war here. Our enemies are not Mideastern terrorists; our enemies have names: Hurricanes Katrina and Rita. And they have field marshals, they have generals, and those generals and field marshals are red tape and government restrictions. They are darkened streets and mold in our houses, but the one we fear the most is apathy and indifference.

Abraham Lincoln once said: If this country is ever vanquished, it will not be by aggression from without, but by the failure of the citizens to do their duty from within. I can assure you, Senators, our citizens are doing their duty in this war every single day. They are fighting every single day.

Our concern is and has been—and you represent something other than our concern—that those in Washington have forgotten about us and will forget about us. We need you as our allies in our war because I can assure you we will fight this war, and we will win this war, but we need your help and your assistance in those regards that you can do so.

And I thank you for allowing me to be here, and I did not live up to my promise.

Chairman LIEBERMAN. But you gave a stirring ending, and you are absolutely right, and I assure you we have not forgotten, and we will not let apathy triumph in this case over the desire of a great part of our country to return to normal.

Ms. Mestayer, thank you for being here.

STATEMENT OF SUZANNE T. MESTAYER,[1] CHAIRMAN OF THE BOARD, GREATER NEW ORLEANS, INC.

Ms. MESTAYER. Yes. Thank you. Greater New Orleans, Inc. is an economic development organization that represents the 10 parishes in the Greater New Orleans region. I am here today representing that organization, and I am going to skip over most of my introductory remarks for the sake of time, but I do want to thank you, our Committee Chairman, Senator Joe Lieberman, as well as Senators Landrieu and Obama, for holding this session here in New Orleans, which is very meaningful to us to address our needs and to check on the status of the progress that we are making in response to this storm.

The progress has been painfully slow. I think we would all agree with that. And we ask for your assistance as we are trying to deal with such critical issues as infrastructure, insurance, workforce, HUBZone designations, marketing issues, and many things that are not getting quite as much attention as others. We hope that we can get some cooperation and assistance from the Federal Government in these areas.

The hurricane-stricken areas are struggling to repair and rebuild billions of dollars of infrastructure. And while it crosses all of the industries in which we operate, not just one, I do want to specifically mention the importance of our port. It is fundamental to this city and critically important. Every time I hear about the dramatic infrastructure needs, it reminds me of why we are located here and the importance of our port.

Our need for infrastructure dollars so far exceeds anything that we have access to at this point in time that it really is an enormous concern, and I know that a tremendous amount of dialogue has already gone on today about the 10 percent match. Needless to say, if our government would treat this situation consistently with past disasters, then clearly that extra 10 percent would be available. We so desperately need it. We hope that you can figure a way to waive that 10 percent so that we can invest additional money into our infrastructure.

One of the greatest challenges with which we are dealing is one that has not been spoken about in depth this morning, and that is insurance.

Many businesses are experiencing five-fold premium increases on their insurance policies and ten-fold deductible increases on renewals. It is impacting all sectors in which we are operating and all size employers in this region.

Greater New Orleans, Inc. has an insurance task force which is comprised of representatives from the insurance industry, the real estate industry, banking, and many other private sector leaders from our community who are developing potential solutions to this problem.

However, I must tell you, there are no easy solutions, and there are no silver bullets.

Work is ongoing to develop a comprehensive strategy involving Federal and State legislation, as well as the obvious private sector initiatives which need to happen. I must tell you, we desperately

[1] The prepared statement of Ms. Mestayer appears in the Appendix on page 189.

need some sort of a backstop commitment on a temporary basis from the Federal Government because without affordable insurance, we cannot renew this community. We ask that you remain open to discussions as to how the Federal Government can help us on a limited basis with this enormous obstacle as we try to put this community back together again.

Hurricane Katrina also created a dire need to replenish the region's workforce. We are woefully short on skilled workers to fill the needs of our employers, and along with the Louisiana Department of Economic Development, we urge the Federal Government to consider increasing the current number of Guest Work Visas which are available over the next few years within this region. It is not anyone's intention to replace domestic workers with foreign substitutes, but instead to fill these short-term gaps in our current workforce, which has decreased so dramatically since the storm.

As an example to you, we are currently working with a foreign-based flooring company, which is considering investing in this region. They need to bring foreign workers in to construct their facility and do intend to engage and hire American workers, as they become available, to operate this business. The workforce required to build this facility is not currently available, and the extended Visas would accelerate the development of this business here. And as a flooring company, it is particularly important to our rebuilding process. This is just one illustration of the type of work that we are looking at and the things that could enable us to more quickly rebound from an economic development standpoint.

Another one is to expand the Historically Underutilized Business (HUB) program to the entire Gulf Opportunity Zone. Our smaller businesses need to have this kind of an enhancement to ensure that they benefit from the opportunities of the growth and rebuilding of this region.

Finally, the disasters of Hurricane Rita and Hurricane Katrina have caused tremendous damage to our tourism section. I do want to mention that industry in particular. It is causing conventions to turn away, vacationers to choose other locations, and hindering our economic development overall. We are urging the Federal Government to assist us in providing funds to help us to remarket our region and rebuild our cultural economy.

Our cultural assets, such as arts and music, are intrinsically linked to the very important tourism industry that we have here in this city. We must find the funds to restore these cultural assets and attract our wonderful visitors back to this area.

Greater New Orleans, Inc. would like to offer its expertise, its energy, its resources to this Committee with a firm commitment to work with you and your staff to narrow the Federal relief options for consideration in the upcoming congressional sessions, which are very ambitious but critically important to the renewal of this great city and the Gulf Coast region.

Thank you very much.

Chairman LIEBERMAN. Thanks, very much, Ms. Mestayer.

Thanks to all of you for excellent testimony.

We are just going to do one round of questions because we do want to leave plenty of time to go out to the neighborhoods to see with our own eyes what is happening there and also to listen to

some of the people who live there. But I assure you, again, that this is not the last of the hearings that our Committee or Subcommittee will hold.

Mr. Leger, let me give you a chance to give us a little bit more testimony on the Road Home program. You have heard me ask the representative of HUD on the first panel, $7.5 billion of Federal money, 101,000 applicants for housing assistance, less than 300 actually received it so far. Ms. Patenaude from HUD essentially said it is not HUD's fault.

Is it the State's fault? If not, whose fault is it?

Mr. LEGER. Let me tell you, it is the fault of Hurricanes Katrina and Rita, and it is the fault of a catastrophe of historical proportions. There are a lot of faults, and there are a lot of things that can be done to fix it.

Now, let me give you a little bit of historic perspective, if I may. Our chairman, Dr. Norman Francis—who could not be here—often says when people say it is slow, he says: Compared to what?

We homeowners were able to apply for SBA loans in October 2005. The SBA representative explained to you and we understand there is some 30,000 SBA loans that still have not been disbursed 16 months later. That infrastructure to deliver long preceded Hurricanes Katrina and Rita. But what we are a victim of is, I would submit to you, what I called in my opening remarks "federalism with strings." We love federalism; it is fundamental to our government. But the Federal Government says: We are going to give you money, and you do it, you solve it. But it wraps that money in red tape, and the strings are held in Washington.

HUD, by the way, has been outstanding, and particularly Mr. Jan Opper, who was here today, head of Disaster Recovery, has been outstanding in helping us maneuver legally around the regulations. But nonetheless, those regulations on CDBG moneys exist, and they are HUD regulations, and the maneuvering itself has caused delay.

Let me give you a couple of examples. The HUD representative explained to you that we submitted a plan, then we submitted an alternative plan.

Chairman LIEBERMAN. Right.

Mr. LEGER. Once the initial plan was submitted, we were told: Whoa, you have a construction program; therefore, on every single 124,000 properties, you are going to have to do environmental impact statements on properties that were already owned by homeowners who were living in them before the environment was impacted by broken Federal levees. So we had to adjust and maneuver around that and change the whole program.

Lead abatement, 25,000, the Federal Government wants to give it to us, we would love to abate lead.

Chairman LIEBERMAN. Is the answer to suspend or in some way modify those kinds of ongoing requirements in the case of a recovery from a catastrophe like this?

Mr. LEGER. Yes, and how does that bring us to the problems we are having today?

Now do not get me wrong, our contractor has had some difficulties in performance.

Chairman LIEBERMAN. Because the State hired somebody to run the program?

Mr. LEGER. Yes. But in all fairness, Mississippi started their program in January 2006 and now has 10,000 grants out. We started—this program really started—was not fully funded until June 2006. We are 6 months behind. We are rapidly catching up with them. Our program is five to six times bigger. Our problems reach from Texas to Mississippi. We have people in flood zones, inside levees, outside levees, communities like St. Bernard and Cameron totally, 100 percent, destroyed.

But what the difficulty in the regulations is that, now that we have modified the program, Mr. Opper and his staff have helped us maneuver around, we have other problems, and that is—and the big holdup, I would submit, in the program itself is verifications.

I heard Mr. Kutz, the——

Chairman LIEBERMAN. Yes, GAO.

Mr. LEGER [contuing]. Accounting representative point out that verifications should take place instantly. They should. They do not.

Chairman LIEBERMAN. Let me interrupt because my time is done. I want to ask the Mayor.

So I hear what you said about the red tape, that the contractor you hired had some problems. Let me just ask you for a quick answer. Are you over the problems now? Do you think that the housing assistance is going to flow more quickly under the Road Home program?

Mr. LEGER. Well, what we are seeing is a pickup. I am hopeful that we are over the problems. The LRA, which is really policy driven——

Chairman LIEBERMAN. Right.

Mr. LEGER [continuing]. And largely volunteers, we have engaged, the Office of Community Development is engaged with the contractor. I think we have solved a lot of the holdups.

One big one that we are still stuck with is doing title examinations required under the program and verifications by insurance companies of what HUD calls duplication of benefits. We cannot—you cannot force the insurance companies to cooperate with us.

Chairman LIEBERMAN. I thank you for that answer. We will stick with you on it.

Mayor Nagin, you were not here on the first panel. I mentioned to the representative from FEMA that Mr. Shapeburger from the firefighters union had called about the conditions in more than half of the fire stations. Mr. Jamieson from FEMA said that he thought FEMA money could be used for the repair and reconstruction of it, not for operation.

Give me your quick response to what is going on there and how that could be fixed.

Mayor NAGIN. The issue is tied up in a fundamental problem that we are having, and that is the designation or the estimation of what it costs to repair a particular facility. Using my example of the criminal justice system where we think it takes 80 percent more than what FEMA thinks to restore the criminal justice system; the same issue is slowing down the recovery in the fire stations also.

Chairman LIEBERMAN. Thank you. I want to keep working with you on that.

This last question invites a big answer, so let us just agree that it is the beginning of a conversation.

Mayor NAGIN. OK.

Chairman LIEBERMAN. Part of what galvanized, embarrassed, infuriated the Nation in the days after Hurricane Katrina hit landfall was obviously not just the enormity of the natural disaster, but that Hurricane Katrina, in essentially breaking apart the civil society—the governmental structure of a great American city—revealed something that we do not get forced to focus on every day in most of our cities and in a lot of rural areas, and that is poverty.

Mayor NAGIN. Yes.

Chairman LIEBERMAN. There are two Americas. That is part of the suffering that we saw at the Superdome and the Convention Center.

And so the question—and therefore, you have people who are already struggling now totally upended. The disaster hurts everybody, but it hurts the poor more.

Mayor NAGIN. Yes.

Chairman LIEBERMAN. As we think about not only this disaster recovery, but in the future recovery from catastrophes—this is why I say it is an unfair question to ask without a lot of time—just give me the beginning of your thoughts. What specially should we put into the law to recognize the reality that there are two Americas?

We are not going to make one America in disaster recovery; that requires a lot of other work in a lot of other areas like education and job training, etc. But give me a beginning of an answer to that question.

Mayor NAGIN. That is a big question. When we solve that one, we all can go home.

Chairman LIEBERMAN. Yes.

Mayor NAGIN. You know, Senator, from my perspective, Hurricane Katrina exposed an ugly underbelly of our country that most people were shocked to see around the world, and I think it is more class than anything——

Chairman LIEBERMAN. Yes.

Mayor NAGIN [continuing]. But there are racial issues associated with it also. You know me, I am going to speak directly, so if you ask me a question, I am going to try and answer it to the best of my ability.

Chairman LIEBERMAN. That is what I expected.

Mayor NAGIN. But I think the tragedy of Hurricane Katrina has lingered for so long, and I just do not see the will to fix it. I do not see the will to really fix New Orleans. I hear all these numbers, the hundreds of billions of dollars that are flowing. I hear the arguments about why they are not flowing. And then I look at what we are doing in Iraq and how we can spend money at an unprecedented level there, how we can set up temporary hospitals and designate money to rebuild their economy, and we have this dance going on in New Orleans, and it is hurting.

We do not have mental health beds right now. There is lots of post-traumatic stress disorder that nobody is talking about. Stress is up, heart attacks are up, strokes are up. We cannot track sui-

cides very effectively, but I can tell you, pre-Katrina compared to post-Katrina, we have 50 percent more deaths in the City of New Orleans.

And I keep waiting for somebody to step forward and say: Look, this was a disaster, but let us fix it and let us apply all the resources we have.

And I am not asking you for any more money. I just want the money that you have already allocated to go to my citizens to make their lives better.

Chairman LIEBERMAN. Thank you. Good beginning of an important conversation.

Look, we have the resources. We are a great Nation.

Mayor NAGIN. Yes.

Chairman LIEBERMAN. And the question is whether we have the will.

And on another measure, the will and the competence to break through the red tape that is keeping the aid that we have already authorized and appropriated from getting to the people who need it. Thank you, Mayor.

Mayor NAGIN. Thank you.

Chairman LIEBERMAN. Senator Landrieu.

Senator LANDRIEU. First to Mayor Nagin, and then to Mr. Leger and Ms. Mestayer, thank you very much for your testimony.

Mr. Mayor, we all have a job to do at the Federal, State, and local level, and as you know, we have tried to step up—and you have, as well, and the Governor—to do everything we can. But I would like to get back to the question that I started the hearing with because I am a little bit troubled about a comment—and I do not know if you meant it in this context—about not needing any additional money, just getting the portion of what we have.

To bring back that if the State was not given its proportional share, which I think has been well-documented in this hearing—and I do not think we need any more testimony—then it will follow that New Orleans will not get its proportionate share, St. Bernard will not get its proportionate share, St. Tammany, if you start with the State of Louisiana not getting its proportional share. And just really more as a comment than a question, it might be really helpful for the parish presidents and the mayors to come up with a solid, sound request on that.

Because if we all put our shoulder to the wheel to get the general fund of money that is necessary, like Ms. Mestayer said, through Community Development Block Grant, that covers it all. That is for housing, schools, hospitals, and infrastructure. And if we start out so far behind, it is hard then—and I can most certainly appreciate the difficulty that you and the Governor, as the largest city to the State, going through because New Orleans was so hard hit. Now, it is not harder hit than St. Bernard——

Mayor NAGIN. Yes.

Senator LANDRIEU [continuing]. That lost 95 percent of the homes.

Mayor NAGIN. I agree.

Senator LANDRIEU. And it is about the same as Cameron Parish, which is a little parish that nobody ever talks about—they only have 10,000 people and about a million ducks—but Cameron Par-

ish was basically wiped off the map, Senators Obama and Lieberman, a poor little parish—I mean actually a big parish, rich, a few people, a lot of ducks, and Hurricane Rita kind of wiped that community and the southern part of that parish out.

But the point is, if we cannot get the right amount to come into the State——

Mayor NAGIN. Right.

Senator LANDRIEU [continuing]. It is very difficult for us to again then get the fair amount to everyone. That is No. 1.

But my question is this: With respect to police and fire, which is directly under the jurisdiction, Mr. Mayor, of you and the City Council—and I know you all are really struggling—the work sheets have become an issue with the Fire Department. In other words, we need $20 million to build a fire station. FEMA says, you have to sign this work order; I am only giving you $5 million.

Mayor NAGIN. Right.

Senator LANDRIEU. I can understand why the work order is not signed. I would not sign it either. Because once you sign that paper and submit it, you are agreeing that your fire station only costs $5 million——

Mayor NAGIN. Yes.

Senator LANDRIEU [continuing]. When you know it actually costs $20 million. So I want to put the Federal Government on record that I am going to do an investigation of these work sheets in my Subcommittee because I cannot have my people criticized for not filing them when I understand why they are not filing them because they know the fire station costs $20 million to build, but FEMA's assessment is $5 million. I am going to tell them not to sign the work sheets.

But having said that, Mr. Mayor—and I realize we have a problem—what are your specific plans for this Police Department? Because our phone has been ringing off the hook about the situation with violent crime, and I know that—and I am helping send you resources—but could you just say three things that you think that you are doing that we could help you with to get to the bottom of this crime situation either in resources through the Police Department or through the prosecutor's office or through the court system and the juvenile court system that we could help you to get a handle on this crime situation?

Mayor NAGIN. Three things, very quickly: PWs, making sure that the project work sheets use replacement costs so that we can get the work going on the facilities that we need.

Second, the things that the Federal Government has already recently agreed to do, providing us with more resources as it relates to DEA, FBI, crime labs, you name it. Those two things can help us the most.

And then, third, we had started an initiative prior to Hurricane Katrina to do crime cameras, and we only have a limited amount of money to spend. So any financial support to put more crime cameras that are digital that can record activity and can be used against criminals would be tremendous. So those three things would be great.

But, Senator, let me just clear up what I am talking about as far as the money. I recognize and appreciate and agree with you that

Louisiana does need more money to complete this rebuild. That is not where I am. What I am more interested in is getting these dollars flowing quicker. That way I think we can make an even stronger case, once the dollars are being spent, to go back to the Federal Government and get what we actually deserve.

Senator LANDRIEU. OK.

And, Mr. Leger, real quickly, could you explain for the record as briefly as you can—and this could take a whole hearing—why the differences. We have talked about this, Mississippi and Louisiana. But their Road Home program, I understand, allocated just checks to people; literally checks were written to people with—they did not have to commit to rebuild; they did not have to commit to stay; they could have taken that check and gone to live in New York or Connecticut or Chicago. But our plan was designed specifically to incentivize people to return. They do not have a flood zone; we do.

Could you give just a minute of testimony about that? And, again, this is not a criticism of Mississippi. We just have to acknowledge that their situation was different and act accordingly.

Mr. LEGER. And you are exactly right, Senator Landrieu. And it is a long, complicated answer. But the short answer is this: Mississippi was given plenty of money. We were given money that we had to leverage with. Mississippi's problems, as terrible as they were, were not nearly as complex or as devastating as ours from coast to coast.

Mississippi's program, for example, the phase of the program that everyone says moves so quickly, gives money only to people outside of the flood zone, people that were not required to have flood insurance. If we implemented the same program here, that means people in Lakeview, in Gentilly, in Broadmoor, in New Orleans East, and in 80 percent of St. Bernard Parish would be getting zero. Their program was simpler.

With the money that we had to leverage and with the Federal restrictions on duplication of benefits, we had to create leverage, and with the concept, also, that with a city like New Orleans, 80 percent devastated, a parish like St. Bernard, and I beg you not, 95 percent destroyed, all but three of the 27,000 homes destroyed, still looking for those three, with that kind of infrastructure devastation, we had to leverage, and our philosophy was—demanded by local government, by legislators, and otherwise, was: We want to incentivize the rebuilding of our cities and our infrastructures, and, accordingly, consistent with the expenditure with CDBG and CDBG regulations in order to incentivize and replace what we insist on being pre-storm equity, it calls for a little bit more complication and for protection.

And, Senator Obama, I just wanted to add that prevention of fraud is a major factor here in Louisiana. We heard ad nausea at the beginning that people in Washington did not trust us, that we could not spend it. And we decided you will not have the problem that unfortunately FEMA had with the loss of $1.6 billion to fraud. We cannot—with the limited funds we got, we cannot afford it. So we have built in a number of safeguards. One point—every dollar that goes to a criminal or a fraud could have gone to a homeowner to help rebuild.

So there are some things in there. I do not think they are a big slowdown on the program, but there are multiple layers of complications caused largely, Senator, I would submit, by the fact that we did not get full funding proportionate to the need.

Chairman LIEBERMAN. Thank you. Thanks, Senator Landrieu.

Senator OBAMA. Well, first of all, thank you all for your testimony.

I want to indicate for the record that Mayor Nagin, I agree with you that the amount of money that we are spending in Iraq and the sense of urgency and the unwillingness to concede defeat there if it were matched with respect to what we did here would I think mean that we would be doing more and be more focused on it at the Federal level and be investing more resources.

So I think that is an important point for us to underscore for the record here, that you get a sense at the Federal level that although boxes are being checked and plans are being submitted, there is not a sense of urgency out of this White House and this Administration to get this done. And if nothing else, I hope that this hearing helps restore that sense of urgency. This is not something that is impossible to accomplish if we all determine that it needs to be accomplished. And you get a sense that will has been lacking over the last several months, despite some good efforts by Federal officials here on the ground. Having said that, I think, obviously, there is still work that has to be done by local officials as well, so I just want to touch on a couple of things.

Mr. Leger, your testimony, I think, gave a number of excellent recommendations in terms of steps that the Federal Government can take. You did acknowledge that, with respect to the Road Home program, that the contractor had some initial problems.

Just very briefly, at what point would you consider firing the contractor?

Mr. LEGER. Well, Senator, that is not my prerogative. But I will tell you——

Senator OBAMA. At what point would you consider your group recommending firing the contractor?

Mr. LEGER. The Louisiana legislature passed a resolution suggesting that the contractor be fired. I immediately, again as a volunteer, met with a number of those legislators that had authored the resolution, and my question was: Now what? Where do we go from here? Do we hire a new contractor, and will that cause unnecessary delays?

Senator OBAMA. So your feeling is you are too far down the road with them to fire them?

Mr. LEGER. We may be.

Our choice is: Do we change the pilot because the ship is having difficulty navigating the channel, or do we work with the pilot and make sure we get this ship home? That seems to be the choice of everyone at this point.

Senator OBAMA. I am just curious: Are there any penalties for them failing to perform in the way that I assume the original contract spoke to?

Mr. LEGER. I am not familiar with the contract itself. It was negotiated through the Office of Community Development of the

State of Louisiana. There are benchmarks, and the State, I am sure, has considered its alternatives.

Senator OBAMA. OK.

Mr. LEGER. But that is not my field.

Senator OBAMA. All right. Mayor Nagin, just on the issue of public safety, you mentioned getting the facilities up and running?

Mayor NAGIN. Yes.

Senator OBAMA. And it strikes me that it is going to be very hard to get folks back if they feel like crime is out of control, and I know that it is a priority for you to make sure that folks come home.

Mayor NAGIN. Yes.

Senator OBAMA. Two specific questions. Are there specific things that the Federal Government should be doing right now and that you are working with Senator Landrieu's office that you want to mention—or Senator Vitter's office that you want to mention for the record so that when we go back to Washington, we can say: Here is some specific things that we can do to make sure that there are cops on the streets, that the DAs are doing their job, that there are detention facilities, things that we can do at the Federal level? That would be point No. 1.

Point No. 2: Are you still having problems in terms of police officers having to worry about their own situation, still living in trailers, their families disrupted, and so forth? And if that is the case, have you prioritized providing assistance to firefighters, police officers, DAs, the public safety infrastructure so that at least they are stabilized and they can start helping the residents here?

Mayor NAGIN. Everything that we are doing from a prioritization standpoint starts with public safety. So we focus on a real-time basis, what are the needs of the Police Department, what are the needs of the firefighters, EMS, you name it, and other critical city workers.

So we have come up with all sorts of programs. We have adjusted their pay to reflect the realities of the post-Katrina environment. We have worked with the Police Foundation, for example, to put together programs to help officers to find homes that have had their homes damaged. We have also enhanced our recruiting efforts to try and market New Orleans as a good place for police officers to work. We have streamlined our civil service procedures to make it easier for post-certified officers to join our organization. And we work with the firefighters on a lot of different fronts also.

As far as what we can do to show that the Federal Government continues to support us, the things I have talked about earlier, everything that is slowing us down deals with project work sheets and housing assistance to make sure that our firefighters and our police officers can stabilize their families. We have an attrition challenge right now. We are losing about 17 officers a month on the police side. So what has happened with the U.S. Attorney, FBI, DEA, continuing to push for that.

And I floated an idea. I think when President Clinton was in office, he helped to fund 100,000 police officers around the country.

Senator OBAMA. Right.

Mayor NAGIN. And I remember that was very effective. So a similar program like that—we are talking to Senator Landrieu about

it—to see if there is a way to reimplement that, it would be great for us.

Senator OBAMA. That would be specifically targeted.

I know we are out of time. I want to just make a comment about Ms. Mestayer, your testimony. You provided some important insights into the struggles that businesses have in regaining their footing here.

You mentioned bringing in foreign workers as stopgap measures. I am sympathetic that there may be circumstances in which that is necessary. I would hope that whatever planning is being done, including with the business community, includes the notion that there are a whole bunch of New Orleans residents that could benefit from training and do some of this work. And I do not know how much of that is built into all the planning that has been done, but it strikes me that there are Gulf Coast residents who could be trained to do the work—and I do not know how technical and complicated floor contracting is. I have trouble putting a nail in a wall—but it strikes me that over the last year we could have been training a whole lot of young men and women who had been displaced by the hurricanes in some of these jobs, and they could be doing the work.

I know your intent was not to suggest that the workers were not available. I am making a larger point. I know there is a shortage of contractors here. That is part of what is driving up costs. Had there been a system in place to make sure that these training opportunities were available, some of that shortage might have been relieved.

Ms. MESTAYER. If I could respond to that, please.

Absolutely. And, in fact, there are programs that have rolled out within the past 12 months, which in phases over a 3-year period, I believe the number is 20,000 worker trainings within the construction—workforce training programs——

Senator OBAMA. I know what you mean.

Ms. MESTAYER. You know what I mean—over the next 3 years. So that, in fact, training is in place and has been funded through the Federal Government. And so that is all happening.

My comment was made with reference to accelerating some of the redevelopment when we have an investment that is ready to go, except today, right now, they do not have workers available. So that is a temporary solution and not intended to be a retrenchment away from doing our own workforce development.

Senator OBAMA. Thank you very much, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Obama. I do want you to know, and notwithstanding your statement of modesty—I have seen you and heard you hit the nail on the head.

Thank you for laughing, witnesses. I appreciate that.

Listen, thank you. This has been a great panel. You have been very helpful to us. We came to listen. We came to learn. We did both. Most important of all, I want the witnesses and the people of this region to know that we shall return and continue to return until this job, a national responsibility, is completed.

I want to again, in closing, thank the Justices of the Louisiana Supreme Court for their hospitality. I particularly want to thank the Clerk of Court, John Tarlton Olivier, and his staff for their ex-

traordinary support of this hearing, which was way beyond the call of duty. Also, I want to thank the Louisiana National Guard and the New Orleans Police Department for their time and efforts. Thanks to all the witnesses.

The record of this hearing will remain open for 15 days for any additional comments you wish to file.

The hearing is adjourned.

[Whereupon, at 12:25 p.m., the Committee was adjourned.]

APPENDIX

Office of the Mayor-President

City of Baton Rouge
Parish of East Baton Rouge

222 St. Louis Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

225/389-3100
Fax 225/389-5203

MELVIN L. "KIP" HOLDEN
Mayor-President

January 26, 2007

To: Senator Mary Landrieu

While we were fortunate to escape the total devastation experienced by many parishes, Hurricanes Katrina and Rita severely impacted East Baton Rouge Parish. Heavy winds, rain, flooding, and power outages occurred throughout the parish. Downed trees obstructed roads and highways. Public safety personnel responded immediately to alleviate threats to life, health, and property not only for our residents, but also for the thousands of evacuees who came to our parish. Our faith-based and non-profit organizations opened their facilities to feed, clothe, and shelter evacuees, emergency responders, and military personnel.

Immediately after Hurricane Katrina, we began working with FEMA to recover our expenses. FEMA has written approximately 80 project worksheets for the City-Parish of East Baton Rouge, including 34 project worksheets for faith-based and non-profit organizations that contracted with us. We have received over $26 million in reimbursements, but throughout the process, we experienced many problems and delays. The following highlight some of the problem areas:

- The City-Parish responded immediately with public safety personnel. Our overtime costs were significant. However, we did not receive any reimbursement until approximately two months after Hurricane Katrina. FEMA's numerous changes to overtime reimbursement policies caused confusion and delays.

- Debris removal of approximately $14 million was our single largest expense. Again, the first reimbursement was not received from FEMA and the State of Louisiana until two months after the storms. Other problems included:
  - finding responsible bidders immediately after the storm,
  - not being allowed to use contracts already in place,
  - assignment of multiple debris project officers who offered conflicting information on expense eligibility, and
  - FEMA's unwillingness to give any guidance on debris contracts.

- Our agreements with faith-based and non-profits were uncharted territory. FEMA continually advised us that there was no mechanism to reimburse these organizations. We were not able to offer a Memorandum of Understanding or reimbursement process to the organizations until March 2006, over six months after Hurricane Katrina. We still have concerns about the City-Parish's liability for events at the shelters and our ability to recover funds that we have paid to shelters if their expenses are ultimately determined to be ineligible. Also, some of the faith-based organizations have been unable to repair shelter facilities due to cash-flow problems. For large projects, FEMA and the State will not release funds until the shelter has paid for the repairs.

- The appeals process has been very difficult and time consuming. The appeals submitted by the City-Parish have remained unanswered for an extended period of time.

We appreciate this opportunity to share the City-Parish's concerns regarding FEMA. We look forward to working with you to make improvements.

Sincerely,

Melvin L. "Kip" Holden
Mayor-President

ONE BATON ROUGE IS BETTER

02/14/2007 10:08AM

MARY L. LANDRIEU
LOUISIANA

United States Senate
WASHINGTON, DC 20510-4804

November 21, 2006

VIA U.S. Mail & Telecopier 202-646-3600

Mr. R. David Paulison
Director
Federal Emergency Management Agency
U.S. Department of Homeland Security
500 C Street, S.W.
Washington, DC 20472

Re: Landrieu Project No. 116406
Always refer to the Landrieu Project No. when communicating with this office.

Dear Mr. Paulison:

Last week, an official from the Federal Emergency Management Agency (FEMA) notified some public school authorities in south Louisiana that the agency is denying their requests for relocation funding for schools that were significantly flooded during the devastating hurricanes that hit Louisiana in 2005. Moreover, this FEMA official explained that the denial will substantially reduce the amount of public assistance provided to these school systems despite their extended reliance on relocation assurances from FEMA officials. Because this imprudent denial will cause tremendous harm to the affected school systems and their students as well as further erode confidence in FEMA, I respectfully request that you immediately address this situation.

Although FEMA's denials apply to multiple school systems, I am most familiar with the Peebles Elementary School in Iberia Parish because of my visit to the school and agency communication with my staff. In August, an official with the Federal Coordinator for Gulf Coast Rebuilding sent my staff repeated email messages stating that "the [Peebles] school was approved for relocation in late July." Likewise, FEMA gave similar assurances to the local school authorities. Nevertheless, FEMA's apparent reversal and denial is now based on its determination that the flooded school facility fails to satisfy the regulation that it "be subject to repetitive heavy damage" because heavy damage cannot be documented before the 2005 flooding. Such an arbitrary conclusion is wrong for the following reasons:

(1) FEMA's current interpretation ignores the regulation's plain language which does not require "repetitive heavy damage" but rather that the facility "be subject to repetitive heavy damage." (emphasis added). Clearly, the school facility is "subject to repetitive heavy damage" otherwise FEMA would not have classified its site as a flood plain.

(2) FEMA's current interpretation encourages the school systems to repair the existing schools that are in flood plains and thereby subjects the taxpayers to another FEMA

payout before relocation will be approved. Such an approach wastes tax dollars and is counter to FEMA's mitigation mission.

(3) FEMA's current denial is not mandated by law but rather is a discretionary determination. Because FEMA misled the local authorities who detrimentally relied on its initial statements, FEMA should execute its discretion mindful of fairness principles as well as the effect its apparent reversal has on its reputation and the resulting impact on its ability to discharge its mission.

As a designated member of the Senate Committee on Homeland Security and Governmental Affairs for the upcoming 110th Congress, I am extremely concerned about FEMA's gross mishandling of the Peebles Elementary School in Iberia Parish as well as any other affected school systems. Accordingly, I encourage you to take swift and decisive action on this matter so that further damage is averted and the innocent school children will have a safe permanent place to get an education.

In closing, I look forward to your most immediate response.

With kindest regards, I am

Sincerely,

Mary L. Landrieu
United States Senator

cc: The Honorable Donald E. Powell, Federal Coordinator for Gulf Coast Rebuilding
Ms. Sheila M. Greenwood, Office of the Federal Coordinator for Gulf Coast Rebuilding
Mr. Sonny Baudry, Superintendent of the Iberia Parish School Board

Statement of Charmaine Caccioppi
President, Louisiana Association of United Ways
and the United Way for the Greater New Orleans Area

Senate Committee on Homeland Security & Governmental Affairs
"Hurricanes Katrina and Rita: Outstanding Need, Slow Progress"
January 29, 2007

Dear Mr. Chairman and Distinguished Members of the Committee:

As the president of the Louisiana Association of United Ways, I am honored to provide for you written testimony on behalf of the United Ways of Louisiana to be submitted for your careful review on this Monday, January 29, 2007 hearing entitled "Hurricanes Katrina and Rita: Outstanding Need, Slow Progress."

I hope this written testimony will mark the beginning of a long and productive relationship with your Committee as we move forward in addressing the continuing needs of the Gulf Coast residents/communities affected by Hurricanes Katrina and Rita.

Hurricanes Katrina and Rita represent the most costly and deadliest hurricanes in the history of the United States, devastating the north-central Gulf Coast of the United States. Most notable were the catastrophic effects on the city of New Orleans, Louisiana, and in coastal Mississippi. Due to its sheer size, Katrina and Rita devastated the Gulf Coast as far as 100 miles (160 km) from the storm's center. One month later, Hurricane Rita added insult to injury.

It is important for this Committee to better understand the programmatic investment as well as the monetary investment currently being invested by United Ways throughout the Country to assist this region in addressing the critical needs of our citizens.

The United Way of America through its Hurricane Response and Recovery Fund has invested over $20 million to help local United Ways respond to this crisis, meet short term needs, and stabilize their organizations. These investments were both timely and essential. It is clear that we will be dealing with the challenges left behind by Hurricanes Katrina and Rita for a very long time in overlapping phases of relief, recovery, and rebuilding.

We will now provide you with a comprehensive report on steps that the United Ways are taking to ensure we invest in and expedite the essential services our citizens so critically need to rebuild their lives and their communities.

- Helping Families and Children at FEMA Trailer Camps
- Providing Mental Health Services and Case Management through 2-1-1
- Bringing Evacuees Home
- Building Gulf Coast Community Assets for the Long Term
- Securing Resources for Future Recovery and Rebuilding Needs

- Evaluating Progress and Results

I now invite you to review the following information which is designed to demonstrate exactly what United Way and its partner agencies are doing to empower our citizens to be independent and self-sufficient. It is our hope that you will carefully examine exactly how the United Way programs contribute to successful economic development initiatives and how we are impacting the lives of all our citizens as we work to contribute our wide variety of expertise on a multitude of fronts to better expedite the recovery process:

Need

Patience is wearing thin with the slow pace of recovery in southeast Louisiana. Evacuees and resettled residents who own flooded properties are in a never-ending holding pattern, waiting for responses to mountains of paperwork, squeezing families into tiny trailers in thinly populated neighborhoods, protesting parsimonious insurance and Louisiana Recovery Authority settlements, trying to secure reliable contractors, and hoping to shorten the long Road Home. The choices for former renters are sparse as landlords of the limited number of existing rentals have increased prices by 61-72%,[1] 7,500 units of public housing are slated for demolition by HUD and most subsidized rental units were swallowed up by floodwaters -- only 1,200 families have been accommodated with Section 8 housing vouchers in the city as opposed to 9,000 before Katrina.[2]

In our region post-Katrina and Rita, the need for mental health services has increased dramatically as adults and children try to cope with losses of homes and assets, family members and neighbors, jobs and schools and familiar routines. According to survey findings from a recent study by Ronald C. Kessler, et.al., "Mental Illness and Suicidality after Hurricane Katrina,"[3] the prevalence of both serious mental illness and mild-moderate mental illness among adults over 18 has doubled since Hurricane Katrina. This is consistent with evidence of the adverse effects on mental health after other major disasters.

Mental illness and "normal" stress is exacerbated by formidable challenges to recovery: in particular, severe damage to housing structures has made locating affordable and adequate housing grueling for people returning to the area. In Orleans Parish, over 71% of housing units were damaged by Katrina. Some poorer areas of the parish received even more damage; in the Lower 9th Ward, an area with a poverty rate of over 36%, 100% of renter-occupied housing units and 87% of owner-occupied housing units were damaged. The surrounding parishes were also dramatically affected: in St. Bernard Parish, 97% of renter-occupied housing units and over 78% of all occupied housing received major or severe damage; in Plaquemines Parish, 80% of houses were damaged, most severely; in St. Tammany Parish, 70% of houses were damaged and in Jefferson Parish 53%.[4]

In addition to the housing crisis, Hurricanes Rita and Katrina, and especially the flooding in Greater New Orleans, seriously impacted the child care industry, damaging over 80%

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[1] U.S. Department of Housing and Urban Development, available at www.gnocdc.org/reports/fair_market_rents.html

[2] *Times Picayune*, December 8, 2006

[3] Bulletin of the World Health Organization, available at http://www.who.int/bulletin/volumes/84/10/06-033019.pdf

[4] *Current Housing Unit Damage Estimates, Hurricanes Katrina, Rita, and Wilma*, Department of Homeland Security Report, February 12, 2006.

of the Class A, state-licensed child care centers[5]. Most of these centers served lower income families participating in the Child Care Assistance Plan (CCAP). As of November 30, 2006, only 77 of 272 (28.2%) Orleans Parish child care centers have reopened, plus three new centers.[6] According to the Louisiana Department of Social Services, as of October 2006, open are only 2 of 24 (7%) child care centers in St. Bernard Parish and 9 of 14 (64%) in Plaquemines Parish. The current child care shortage is slowing economic recovery. Employers anxious to restart their businesses, from hotels to hair salons, are finding it difficult to recruit needed employees; in fact, several have contacted United Way's Success By 6 to investigate starting their own child care centers. Fees have risen in the few child care programs that have opened, or will soon open, making them even less accessible to the families who need the care for their children in order to get job training, find a job, and/or keep a job. Even though Mississippi has rebuilt over 85% of their pre-Katrina child care centers, there is a critical need for the child care system both there and in Louisiana to increase quality and sustainability of its providers.

The situation is exacerbated by the fact that the Greater New Orleans area ranks among the poorest areas of the country. Before Katrina devastated the Gulf Coast, the poverty rate of New Orleans, 27.9%, was over twice the national rate of 12.4%, Tangipahoa Parish's poverty rate was 22.7%, Plaquemines Parish 18%, Jefferson Parish 13.7%, St. Bernard Parish 13.1%, and St. Tammany Parish 9.7%.[7]

The majority of New Orleans residents remain displaced. The latest survey reveals that in November 2006, only 200,655 persons resided in the city as opposed to 437,186 in July 2005.[8]

A year and four months after Katrina, there are over twenty-three FEMA trailer clusters (what FEMA refers to their trailer "parks" or "camps") located throughout the United Way for the Greater New Orleans service area[9]. The clusters' original purpose immediately following the storm was to provide temporary housing until affordable housing became available. Because long-term occupancy was not the primary goal when these clusters were established, many factors that play a large role in the health, mental health and personal economic recovery process were not taken into account— safe play space and meeting space for children and families, transportation to/from necessary appointments for new housing, counseling, the acquisition of employment and, for those on fixed incomes, being able to heat the trailer safely.

Responses

The Louisiana Association of United Ways (LAUW) and the United Way for the Greater New Orleans Area (UWGNOA) know intimately the agencies that were here and are still open and also the new agencies that were born to respond to pressing needs. We convene and provide leadership for overcoming challenges never before experienced by any region in the United States. To help our neighbors recover, we are committed to proven best practices as well as the development of fresh ideas borne of this particular confluence of geography, events and resources.

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[5] *The Katrina Index: Tracking Variables of Post-Katrina Recovery*, a report by The Brookings Institution (November 16, 2006), available at www.gnocdc.org

[6] Agenda for Children map available at www.gnocdc.org.

[7] According to 2000 US Census data, 19.6% of total Louisiana residents lived in poverty.

[8] *The Katrina Index*, November 16, 2006.

[9] Number of FEMA Trailer Clusters provided by FEMA Voluntary Agency Liaison and Tangipahoa Unmet Needs Committee. Those clusters include 8 in Orleans, 3 in Plaquemines, 7 in St. Bernard, 4 in Tangipahoa and 1 in St. Tammany Parishes.

1. Helping Families and Children at FEMA Trailer Camps

Based on more than twenty years of experience working in temporary housing settlements in post-disaster and emergency settings around the world, Save the Children has demonstrated that fostering community building amongst residents and providing a forum for working together on commonly identified goals and problem solving is an essential step toward building trust. Such experience will benefit children and families in the temporary housing FEMA trailer clusters.

The cramped quarters of the FEMA clusters has caused stress levels to rocket, resulting in increased substance abuse, violence, sexual abuse, and domestic violence and leaving parents unable to ensure the protection of their children. Save the Children has created a model program, the Safe and Protective Communities Project, which will provide a protective environment for children living in the FEMA trailer clusters. The program will help establish community spaces, facilitate the development of a civil society throughout the cluster community and coordinate local, private, and public organizations in addressing the residents' needs.

The Louisiana Association of United Ways and the United Way for the Greater New Orleans Area, partnering with Save the Children on the Safe and Protective Communities Project, will bring to the table organizations that have proven experience in helping meet the social service needs of the individual FEMA clusters. Currently, this project is being conducted in two clusters and will be replicated to eight more cluster sites when appropriate partners have been identified. In one current location -- the Diamond site in Plaquemines Parish where families are currently living in 300 closely compressed trailers, Save the Children and United Way are working with YMCA of Greater New Orleans, Boys and Girls Clubs and Emergency Communities to provide counseling services, community building programs, after school child care, computer teaching classes, recreational programs and year-round youth programs.

In addition to assisting with the social service needs of the clusters, LAUW/UWGNOA will also be partnering with local non-profits to provide transportation to/from the cluster sites and propane vouchers to individuals on fixed incomes to help heat their trailers.

Throughout LAUW/UWGNOA's service area, many of the FEMA trailer clusters are located outside the city center and in rural areas. In Tangipahoa Parish for instance, the distance between one trailer cluster and the nearest Office of Family Services is approximately 40 miles.[10] LAUW/UWGNOA, partnering with Tangipahoa Voluntary Council on Aging and other local non-profits, provides transportation to/from medical facilities, counseling sessions, social service offices, and job interviews.

As we enter into another winter season post Katrina and see the cost of propane on the rise[11], many families on fixed incomes go without cooking or heating their trailers because they cannot afford the cost of refilling their propane tank on a weekly basis. As related by case managers working in the FEMA clusters, the families are resorting to the use of electric heaters, not only increasing the cost of their utilities, but also endangering themselves and other trailers in the cluster with a potential fire hazard. LAUW/UWGNOA, partnering with American Red Cross of SELA, provides first-aid and

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[10] Average Round-trip mileage from FEMA Trailer Cluster Hwy 90 West to OFS, provided by Tangipahoa Council on Aging- Public Transportation Coordinator.
[11] US Department of Energy, *http://tonto.eia.doe.gov/oog/info/twip/twip_propane.html*

safety classes about how to live in the trailers safely; we will also provide propane vouchers to households on fixed-incomes, reducing the risk of potentially tragic accidents.

2. Providing Mental Health Services and Case Management through 2-1-1

LA 2-1-1

Under the aegis of the Louisiana Association of United Ways, 2-1-1 provides information and referral for individuals or families in distress due to emotional difficulties, abuse, violence, and everyday post-Katrina stresses. Before Hurricane Katrina, the six 2-1-1 centers received an average of 200 calls daily; during Hurricanes Katrina and Rita, 2-1-1 averaged 5,000 to 6,000 calls daily, peaking at 7,358. The current rate of calls is about 400 daily.

There are six 2-1-1 provider centers located around the state. After the storms and displacement of residents throughout the state, local United Ways reinvigorated their efforts to coordinate a statewide infrastructure for information and referral with the goals of providing statewide crisis intervention and seamless service between the regions. No small task, agreements between all six providers, local United Ways and the Louisiana Association of United Ways has now been signed.

In 2006, the Louisiana state legislature allocated $750,000, its second year of funding, to enhance and expand the current service delivery infrastructure through the Department of Social Services, adopting the Louisiana Association of United Ways 2-1-1 model. United Way for the Greater New Orleans Area with the Louisiana Association of United Ways is leading the effort to raise the balance of $1.5 million dollars to support technology enhancement, staff training and data resource development to track community impact and use this data to plan and implement services needed now and in the future.

To respond effectively to the increased number of calls and to strengthen 2-1-1's crisis intervention component, the statewide system needs to hire and train additional support coordinators and information referral specialists so that callers in crisis will have their immediate needs met with later follow-up with the agency to which the citizen was referred. Through the 2-1-1 VIA LINK/United Way partnership, the 2-1-1 VIA LINK Cope Line for the New Orleans area is certified by the American Association of Suicidology, as is 2-1-1 in Baton Rouge, which is serviced by a different provider. All call centers must have counselors who are specifically trained to assist in suicide intervention and prevention. LA 2-1-1 seeks to partner with expert trainers such as the Mental Health Association of New York. Save the Children has offered to train our 2-1-1 personnel to help children coping with disaster. We are currently seeking a million dollars in funding to reach this goal.

United Ways throughout Louisiana and across the country are asking Congress to pass the Calling for 2-1-1 Act into law immediately. We must insist on providing all citizens access to the most sophisticated technology available to assist them in accessing the most up to date information and referral service so they can help rebuild their lives. This 2-1-1 service is an invaluable tool to assist legislators who are consistently trying to respond to a wide variety of constituent request. It is also important for each of you to recognize the importance of the data collection associated with this service after all, smart planning based on reliable data enhances the advancement of great public policy.

2-1-1 Mississippi

In additional to supporting efforts that address the needs of approximately 8,000 new residents as a result of Katrina, United Way of the Capital Area has taken the responsibility of providing and coordinating statewide crisis related services. One of the most valuable tools in providing support to residents affected and gathering data is 2-1-1 Mississippi. Approximately 39% of 2-1-1 Mississippi calls received are from the 6 Gulf Coast counties directly affected by Hurricane Katrina. In addition, another 15% of the calls are Katrina related. During the last two months, calls that require crisis counseling have increased tremendously. To sustain the service and provide additional support for those in crisis, 2-1-1 Mississippi needs $200,000 annually for the next two years.

3. Bringing Evacuees Home

LAUW/UWGNOA is pursuing several strategies to help displaced residents of the greater New Orleans area come home.

Beacons of Hope

One of the most successful programs to originate locally in response to post-Katrina needs, these community centers were begun in Lakeview, the area devastated by the 17th Street Canal levee break, in one woman's home as a one-stop gathering place for returning residents who found a clearinghouse for information necessary for their recovery and the availability of essential communication tools: computers, telephones, fax machines. The Beacons, now numbering eight in the Lakeview area with 8-12 additional new centers planned, provide meeting space for community groups to plan the rebuilding of their neighborhoods, loan tools such as lawn mowers, weed eaters, saws and hammers so that residents can begin cleaning their property, assign volunteers to patrol the neighborhood for blocked storm drains and broken streetlights, poll residents to see who is returning or not, and a wealth of other activities.

Only one of the Beacons currently provides mental health counseling through a social worker. LAUW/UWGNOA seeks to provide a rotating 2-1-1 Field Specialist with training in mental health, information and referral and crisis management who will carry a laptop with the 2-1-1 database to train Beacon volunteers in how best to serve frustrated community residents and advise them about whom to call for help.

Each new Beacon of Hope cost only $12,223 to outfit. LAUW/UWGNOA will collaborate with African-American, Latino and Vietnamese churches and community organizations to introduce similar community centers in other severely impacted communities such as Gentilly, New Orleans East, Lower Ninth and Seventh Wards, and St. Bernard and Plaquemines Parishes.

Housing Rebuild, Transitional Housing and Relocation Assistance

LAUW/UWGNOA has been involved in a multitude of programs to rebuild homes, help with transitional housing and provide relocation assistance through community centers, on-site relief, and food and clothing distribution. Partners range from grassroots organizations providing the only services available in desolate areas where residents are struggling to rebound to more traditional approaches in areas that are further along in rebuilding, through local Leadership 18 agencies and new organizations that have

sprung up to meet immediate needs. Programs include gutting, rebuilding and repairing homes, food kitchens, day care, rental subsidies, and emergency shelter grants. The need is as vast as the acres of empty homes that once composed vibrant neighborhoods.

Congress has the awesome responsibility to see to it that adequate funding is made available to increase services/treatment capacity to address the crisis currently facing so many of our citizens. We must provide adequate financial resources to meet the ever growing demand for services.

Support for Long Term Recovery Organizations and the Greater New Orleans Disaster Recovery Partnership

LAUW/UWGNOA provides relief and rebuilding assistance for those impacted by the hurricane not only through the programs we fund, but also through Unmet Needs/Long-Term Recovery Organizations and the Greater New Orleans Disaster Recovery Partnership.

Each parish has an Unmet Needs/Long-Term Recovery Organization (LTRO) with assigned United Way staff liaisons. The committees are composed of representatives from disaster response agencies, social services agencies, government liaisons, faith-based organizations and advocacy groups. Each committee reviews cases presented to them by case managers whose clients' needs have not been met through the case management system; the committee members then pool resources to meet demonstrated need on a case-by-case basis. For example:

> An 84-year-old woman in Port Sulphur lost every shred of the house that had been in her family for over 87 years; she had no insurance, lives on a fixed income, and received $20,000 from FEMA for her losses. Through the committee's coordinating efforts, Mennonites are providing construction management and volunteer labor, Salvation Army and Southern Mutual Help are providing building materials, and LAUW/UWGNOA is matching her $20,000 to pay for electrical and other contractors.

The LTROs also address the bigger picture of recovery. For example, with a program piloted in Jefferson Parish, the Christian Reform World Relief Committee is conducting a door-to-door needs assessment in Plaquemines, Washington and Tangipahoa Parishes.

In addition to providing expertise and community linkages, United Way acts as the fiscal agent for five of the seven local LTROs, with the addition of Washington Parish to the six parishes in our region.

LAUW/UWGNOA is also the fiscal and administrative agent for the Greater New Orleans Disaster Recovery Partnership (GNODRP), which works with representatives from each participating parish Unmet Needs/Long-Term Recovery Committees as well as multi-parish organizations and national entities. Its goal is seamless, quality services across the parishes. This is accomplished through task forces focused on case management, volunteer management and rebuild, and donations management. For example, the case management committee developed policies and procedures to assure quality case management and is also bringing funders together to better meet needs. The partnership addresses the lack of coordination between parishes and service providers that often hampers recovery efforts.

Congress must insist on the implementation of incentives that help to encourage effective collaboration and continued implementation of strong public private partnerships.

Coordination with local United Ways in diaspora communities

LAUW/UWGNOA's long term recovery coordinator manages the above activities, working with United Ways, and orchestrates efforts through the LTROs to ensure quality service delivery and success for returning residents.

Mississippi Volunteer Center

The Mississippi Gulf Coast continues to make significant advancements in rebuilding communities hardest hit by Hurricane Katrina. United Way of South Mississippi has played a major role in the recovery efforts by:

- establishing the Long Term Recovery Committees in Harrison and Hancock Counties and funding rebuilding and repairing of existing homes;
- building child care collaborations to not only meet the current demand, but to also raise the quality and capacity of child care providers in the area;
- partnering with mental health providers to increase access to mental health services for children, adults and the elderly;
- taking a leadership role in establishing a nonprofit housing organization supported by Coast business and government leaders to meet the enormous need for workforce housing.

There is still much to be done. For over 16 months, approximately 15,000 volunteers per day are working to rebuild homes and lives across the coastal counties. One of the greatest gaps in coordinating the volunteer efforts is the lack of a central volunteer center. United Way has been called upon by local and State leaders to establish a volunteer center that would offer support for existing volunteer programs as they phase out operations, provide volunteer management and training, and serve as a ready community resource when disaster strikes again. Based upon data collected from similar-size communities, the cost of establishing and stabilizing a full-service volunteer center would be $75,000 per year for two years. UWSM will house this service in our current facility. Support is needed to hire staff, gather data and provide the essential services to communities that will be recovering and rebuilding for years to come and we are doing all we can to identify grant funding to assist in our long term commitment to meet these needs.

4. **Building Community Assets for the Long Term**

The bitter debate over the future of flooded public housing projects and the absence of affordable rental housing at any price has overshadowed the exploration of building long-term assets for low-income citizens. Starting with $1 million committed by AFI and matched by UWA, LAUW/UWGNOA is raising other funds to launch a five-year, $5 million Individual Development Accounts (IDAs) project designed to meet post-Katrina needs for home or vehicle ownership and for starting or expanding a child care business. However, we must do more to coordinate and encourage diverse solutions to the housing crisis and strategies that will lead to subsidized home purchase for low-income citizens rather than continuing dependence on subsidized rent.

We encourage Congress to work on advancing an agenda that will increase funding for Individual Development Accounts to ensure all hard working American citizens have an opportunity to realize the dream of home ownership and asset building.

Advocacy for Housing Solutions

Within the last sixteen months, we have witnessed disconcerting fluctuations in the local housing markets both for rentals and private ownership. A one-bedroom apartment in New Orleans Metro area that rented for $531 prior to Katrina currently rents for $725.[12] In Plaquemines Parish, the average sale price for a home pre-Katrina was $253,643 while the current sale price for the same location is $285,578 and in St. Bernard Parish, the average sale price for a home pre-Katrina was $115,741 while the current sale price for the same location is $43,874.[13]

As the Louisiana Association of United Ways and the United Way for the Greater New Orleans Area seek housing solutions for southeastern Louisiana and Mississippi, we must actively advocate that public policy around housing reflect the reality of our current environment. We intend to work through our public policy arm and in conjunction with other state organization, and partner with community organizations (New Orleans Neighborhood Development Collaborative, ACORN, and the Urban League) that share our objectives to enable low-income residents to return, rebuild and regain financial independence. These strategies may include promoting the relaxation of certain federal government regulations around home ownership (so that, for example, a low-income family could purchase a double shotgun home and rent one-half of the property), develop incentives for affordable housing development and home purchases for public housing and low income residents, and/or work to stabilize the rates of rental properties.

National and Gulf Coast advocates, developers, service providers and faith based groups urge you to support the introduction and passage of U. S. Senator Mary Landrieu's bill to extend the placed-in-service date requirement for Gulf Opportunity Zone (Go Zone) Low Income Housing Tax Credits (LIHTC) through 2010. Such a rebuild change is urgently needed to insure that states like Mississippi and Louisiana are able to rebuild housing damaged and destroyed by Hurricane Katrina/Rita using all of the federal resources already allocated to the Gulf. We also encourage support of the following:

- To continue the Disaster Voucher Program until the end of 2007 and make sure that it is fully funded to meet the demand.
- Continue to allow local housing authorities to use voucher funds to rebuild and rehab public housing units.
- Require HUD to issue "tenant protection vouchers" to fully replace affordable housing resources destroyed by the storms.
- Ensure that Gulf Coast agencies do not lose Section 8 voucher funding as a result of the effects of the hurricanes.

[12] Katrina Index: New Orleans Metropolitan Association of Realtors (NOMAR)
[13] Katrina Index: New Orleans Metropolitan Association of Realtors (NOMAR)

The Greater New Orleans Faith-Based Initiative

LAUW/UWGNOA is partnering with the Faith Center for Community Development of New York to work with African American Churches in the Greater New Orleans Area to help empower congregations to rebuild their church communities *and* their neighborhoods. Churches are the mainstay in African American communities and where congregants have traditionally turned for help. The Greater New Orleans Faith-Based Initiative will unite United Way's expertise, programs and local relationships with FCCD's expertise, programs and national relationships to develop African-American houses of worship into centers of neighborhood rebirth. The Faith Center will recruit IDA prospects, support the reopening/expansion of faith-based child care centers and help guide faith-based organizations in implementing innovative solutions to New Orleans' housing crisis through the development of church land trusts and other means to create new affordable housing units and/or facilities for people with special needs such as seniors, disabled citizens and the homeless.

Child Care Rebuild and Business for Louisiana and Mississippi

Prior to Katrina, we saw too often that our early child care system was one that did not prepare our children with the necessary tools to start school, much less succeed. Post-Katrina, we have an opportunity to rebuild the child care industry upon sound business practices and with quality programming and services for the children of our communities. LAUW/UWGNOA and our Success By 6 initiative has been focused on bringing child care facilities up to standards promulgated by the National Association for the Education of Young Children (NAEYC) and achieve NAEYC accreditation. In January 2007, the State of Louisiana will implement a quality rating system that Success By 6 was instrumental in bringing into existence before the hurricanes.

LAUW/UWGNOA and our associates in Mississippi intend to increase the number of high quality and financially sound child care centers in the Mississippi and Southeast Louisiana area with the following partners:

- *Fast Forward Restart* assists hurricane-affected companies and non-profit organizations throughout the Gulf-Coast area to restart, restructure and refocus their businesses, enabling them to move forward.
- *Good Works Network* provides training, technical assistance, and management support services to low income and disadvantaged micro entrepreneurs and to non-profit organizations.
- *Idea Village* assists high-growth businesses by providing in-depth business consultation, including setting operational goals, advising and consulting on strategic business matters, connecting entrepreneurs to business mentors, and facilitating access to professional services and capital resources.

To meet the rebuilding needs with high quality results, LAUW/UWGNOA will implement the Educare Model developed by the Chicago-based Ounce of Prevention Fund, which seeks to intervene in generational poverty and promote best practices in early education.[14] LAUW/UWGNOA's Success By 6 is the lead organization and fiscal agent for the Greater New Orleans Rebuild Child Care Collaborative (GNORCCC), working with private and public stakeholders to leverage public and private assets with the goal of facilitating permanent, systemic change in the development, delivery and funding of child care providers and early learning programs in southeastern Louisiana. Our partners

[14] www.educaretulsa.org

in GNORCCC are Agenda for Children, Children's Defense Fund - Louisiana, Louisiana State Department of Social Services, Greater New Orleans Afterschool Partnership, Institute of Mental Hygiene, Louisiana Association for the Education of Young Children, Louisiana Recovery Corps, Louisiana State University Ag Center, Save the Children, Tulane University Institute of Infant and Early Childhood Mental Health and the United Way's Women's Leadership Initiative. GNORCCC's purpose is not only to reconstruct but also to restructure this critical industry with quantity and affordability to meet the population's needs and the quality essential to benefit our children, families and communities. For example, all funds granted through GNORCCC's efforts for capital projects will be used to rebuild and outfit facilities based on NAEYC standards.

We encourage Congress to stand firm on insisting that high quality standards are enforced to ensure all children have access to early child care programming which better prepares them to succeed once they enter school.

Congress should continue to make available increased financial incentives to all small businesses who implement high quality standards of operation. The United Way is also committed to working with Congress to ensure we provide a solution to help make affordable health care coverage a reality to all the dedicated employees of the child care industry.

5. Securing Resources for Future Recovery and Rebuilding Needs

The decimation of businesses in the greater New Orleans area had a concurrent impact on LAUW/UWGNOA's ability to conduct successful work campaigns. LAUW/UWGNOA had raised over $18 million in the 2004 campaign. In 2005, the team was successful in raising $11 million in a campaign that extended into 2006, and $8.5 million came in from non-campaign resources to help our ailing region, including generous grants from United Way of America and local United Ways around the country. In 2006, again with a campaign extending into the next calendar year through March 2007, LAUW/UWGNOA hopes to raise $14 million from local businesses and $6 million from resources outside of the area. The need for additional, significant resources will continue in the foreseeable future, and grant seeking staff will be needed beyond this year to continue to identify, cultivate and solicit funders.

We want Congress to recognize that United Ways throughout the Gulf Coast are working hard to secure private grant funding to continue the vitally needed programs which are proven to have greatest impact on our citizens/communities. We know that our commitment to leverage these private dollars will only enhance our economic and community impact.

6. Evaluating Progress and Results

The rebuilding of a region -- like any quality program, small or large -- requires proper research, collaboration with experts, measurement of outcomes and a thorough evaluation throughout the programs' duration. Throughout this proposal, LAUW/UWGNOA identified core components to reclaiming our community and making it stronger than before. Each strategy has been extensively researched, benefiting from the expertise of partnering community-based organizations, and all have program outcomes that will be used in the evaluation process. The outcomes for each strategy are:

Strategy	Anticipated Outcome
Helping Families and children at FEMA Trailer Clusters	To improve the quality of life for those living in the FEMA trailer clusters.
Providing Mental Health Services and Case Management through 2-1-1	To answer all 2-1-1 suicide and/or crisis intervention calls with a high level of skill.
Bringing Evacuees Home	Evacuee's returns home to a physically and mentally safe environment.
Building Community Assets for the Long Term	The housing environment is less hostile and more conducive to low income residents being able to purchase a home.
Securing Resources for Future Recovery and Rebuilding Needs	The ability to successfully address emergency needs as they arise.

Understanding the importance of evaluating the progress and results of these strategies, LAUW/UWGNOA will provide a match of $100,000 for an organization or individual, hired through an RFP process, to review these strategies thoroughly and determine that we are achieving the identified outcomes.

Attached for your careful review is the documentation supporting this report.

THE GREATER NEW ORLEANS AREA
The Current Condition
December 6, 2006

Non-Group Quarters Population Estimates

	Census 2000	July 2005	January 2006	November 2006
Orleans	467,033	437,186	158,353	200,665
Jefferson	451,109	448,578	411,305	439,968
Plaquemines	26,029	28,282	20,164	20,024
St. Bernard	66,441	64,576	3,361	25,489

Katrina Index: The Brookings Institution, November 16, 2006 and The Times Picayune, November 29, 2006

Housing

- The pace of new home renovations has slowed in the past month in the city of New Orleans, while demolitions continue unabated.
- The housing market in the New Orleans region has cooled: the number of homes put up for sale has remained essentially unchanged while the number of homes sold has dropped in the past month.

Economy

- Overall, the level of new businesses and public services remain stagnant.
- The overall employment picture for the New Orleans region and the state of Louisiana has remained the same over the past month, while the general employment trends in Orleans Parish have slightly worsened.

Katrina Index: The Brookings Institution, November 16, 2006

- Student enrollment in all of the major public and private universities in the New Orleans region is smaller this fall semester than in 2005.
- Due to funding hurdles, the Regional Transit Authority and Entergy will continue to operate bus and transit lines and utility service, respectively, at existing low levels.

Status of Evacuees

- According to the latest BLS figures, 55.1 percent of the estimated 1.1 million evacuees were in the labor force in September, down from 63 percent in August.
- ... Between August and September, the number of evacuees who are in the labor market but remain displaced from their home declined by 98,000 evacuees, the largest decline in displaced workers since Katrina.

Katrina Index: The Brookings Institution, October 11, 2006

Current Housing Unit Damage Estimates: Major Damage → Destroyed
Hurricanes Katrina, Rita, and Wilma

State	Owner-Occupied Housing Units		Renter-Occupied Housing Units		Total	
	#	%	#	%	#	%
Alabama	2,912	.2%	772	.2%	3,684	.2%
Florida	17,535	.4%	5,664	.3%	23,199	.4%
Louisiana	122,592	11.0%	82,145	15.5%	204,737	12.4%
Mississippi	40,507	5.4%	20,879	7.2%	61,386	5.9%
Texas	9,274	.2%	2,829	.01%	12,103	.2%

Parish	Owner-Occupied Housing Units		Renter-Occupied Housing Units		Total	
	#	%	#	%	#	%
Jefferson	20,339	18.1%	13,972	21.9%	34,311	19.5%
Orleans	53,474	61.1%	51,681	51.3%	105,155	55.9%
Plaquemines	3,722	52.3%	1,457	76.5%	5,179	57.4%
St. Bernard	13,736	73.2%	5,936	93.1%	19,672	78.3%
St. Tammany	13,611	24.4%	3,931	29.0%	17,542	25.3%

Analysis by the U.S. Department of Housing and Urban Development, Revised April 7, 2006

Average Monthly Home Sales Prices

Parish	Pre-K 8/05	High	Low	Current 9/06
Orleans – East Bank	$244,793	$1,050,000	$175,126	$249,888
Orleans – West Bank (Algiers)	205,621	298,790	184,928	196,863
East Jefferson	242,028	267,013	212,606	230,218
West Jefferson	164,798	285,013	145,389	165,525
St. Bernard	115,741	92,643	11,000	43,874
Plaquemines	253,643	389,000	221,100	285,578
St. Charles, St. James and St. John the Baptist	175,811	227,388	167,726	200,263
East St. Tammany	168,456	217,702	159,849	186,605
West St. Tammany	242,372	313,857	251,180	312,558

Katrina Index: New Orleans Metropolitan Association of Realtors (NOMAR)

Fair Market Rents in New Orleans Metro

Year	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
FY 2004	$463	$531	$661	$899	$1,089
FY 2005	522	578	676	868	897
FY 2006	725	803	940	1,206	1,247
FY 2007	755	836	978	1,256	1,298

Katrina Index: U.S. Department of Housing and Urban Development

Labor Force Size and Unemployment Rates

	6/05	11/05	1/06	6/06	10/06
Returning Evacuees					
Labor Force		233,000	351,000	600,000	421,000
Unemployment Rate		12.5%	2.9%	5.9%	7%
Displaced Evacuees					
Labor Force		256,000	355,000	359,000	247,000
Unemployment Rate		27.8%	26.3%	25.9%	17.9%
Orleans					
Labor Force	209,742	140,280	134,081	141,656	138,635 (9/06)
Unemployment Rate	7.1%	10.5%	6.4%	7.3%	5.2%
New Orleans Metro					
Labor Force	640,271	470,608	426,833	444,153	432,051 (9/06)
Unemployment Rate	5.6%	17.5%	7.8%	7.2%	4.6%

Katrina Index: U.S. Bureau of Labor Statistics

Transportation – New Orleans
Operational and Closed Public Transportation Routes

	# of Riders	# of Operational Routes	# of Closed Routes
Pre-K	124,000	57 (100%)	0 (0%)
10/9/05	431	9 (16%)	48 (84%)
10/8/06	19,184	28(49%)	29 (51%)

Katrina Index: New Orleans Regional Transit Authority

Proportion of Open Public Schools

	Orleans		Jefferson		Plaquemines		St. Bernard		St. Charles, St. James, St. John		St. Tammany	
Pre-K # of Schools – % Open 10/6	117	49%	84	100%	9	78%	15	20%	40	100%	52	100%

Katrina Index: LA Dept. of Education and Parish School Systems

Proportion of Operational Child Care Centers

	Orleans		Jefferson		Plaquemines		St. Bernard		St. Tammany	
Pre-K # of Child Care Centers - % open 10/06	266	28%	197	81%	14	64%	24	7%	76	97%

Katrina Index: LA Dept. of Social Services Bureau of Licensing

Proportion of Major Hospitals in Operation

	Orleans		Jefferson		St. Bernard	
Pre-K # of Hospitals - % Open	22	59%	14	93%	2	0

Katrina Index: LA Hospital Association and Independent Hospitals

Success By 6 Donations to Child Care Centers Post Katrina

Child Care Center	$25,000 Taylor Grant 03.2006	$25,000 UW Entergy Grant 08.2006	$25,000 Taylor Grant 09.2006	Training Incentive $3,000	$300 in Learning Materials	Fax Machines 06.2006	WLI Books 07.2006	Fisher Price Sand Castles 08.2006	Appliances 08.2006 (W/D, Rfg., Stove)	Appliances 12.2006 (W/D, Rfg., Stove)	Child Care Companion Project	9 Training Hrs.
Abeona House Child Discovery Center				X			X	X		X		X
Academy of Knowledge					X							X
Angels Haven				X				X				X
Asia Baptist Church Day Care										X		
Auntie B Preschool & Daycare										X		
Babykeeper Day Care Center					X							X
Beary Cherry Tree of Jefferson Inc.					X		X	X				X
Booker Academy, Inc.					X							X
Boutte Christian Academy										X		
Building Blocks Academy				X								X
Busy Hands and Feet				X	X	X						X
Cabbage Patch Kids												
Candyland Kinder Kollege					X	X						X
Catholic Charities		X				X						
Children are Our Specialty, Inc.										X		
Children's Center/UNO					X		X					X
Children's College				X								X
Children's World				X			X					X
Clara's Little Lambs Preschool Academy				X			X			X		X
Clear Head Learning Center #1										X		
Clear Head Learning Center #2										X		
Creative Learning Preschool & Nursery										X		
David Drive Daycare & Preschool				X			X					X
Dillard University					X							X
Discovery Kids										X		
Dryades YMCA Day Care				X		X		X			X	X
East St. Tammany Rainbow Child Care						X						
El Yo Yo Bilingual Head Start				X	X							X
Fellows Childrens Academy								X		X		
First Presbyterian Child Development Program				X				X				X
Genisis DayCare & Early Learning Academy				X								X
Gilda's Preschool Academy	X	X	X	X		X			X	X		X
God is Love Day Care & Preschool Center				X								X
Grapaul's Care										X		
Grace Child Care Center		X				X		X	X			
Happy Kids Preschool	X	X	X	X		X	X		X	X	X	X
Happy Times Day Nursery										X		
Hume Child Development Center		X		X					X			X
Jesus Little Lambs				X								X
Jewish Community Center						X						
Joan's Daycare-The Training Center					X							X

Child Care Center	$25,000 Taylor Grant 03.2006	$25,000 UW Entergy Grant 08.2006	$25,000 Taylor Grant 09.2006	Training Incentive $3,000	$300 in Learning Materials	Fax Machines 06.2006	WLI Books 07.2006	Fisher Price Sand Castles 08.2006	Appliances 08.2006 (W/D, Rfg., Stove)	Appliances 12.2006 (W/D, Rfg., Stove)	Child Care Companion Project	9 Training Hrs.
Kay's Day Care Center								X		X		
Kiddy College Learning Center								X				
Kid's Corner					X							X
Kids of Excellence				X				X		X		X
Kid's World Childcare and Learning Academy					X			X				X
Kid's World Daycare					X							X
Kingsley House							X				X	
L&L Nursery and Learning Center Preschool								X				
Leslie Head Start					X							X
Louise Head Start					X							X
LSUHSC Eli Infant & Toddler Family Program					X							X
Mattie's Little Angels				X				X				X
McMillian's First Steps										X		
Mickey & Minnie Preschool and Nursery					X		X			X		X
Mid City Academy of Preschool Learning				X			X					X
Newcomb Children's Center										X		
Noah's Ark										X		
Precious Little People								X				
Preschool Learning Center										X		
Rashad Learning Center						X				X		
Richard Smallworld				X								X
Royal Castle Child Development Center	X	X	X	X		X	X		X		X	X
Shell's Day Care				X				X		X		X
Simply Yours Daycare										X		
Smart Start Academy				X								X
St. John the Bpatist Head Start				X								X
St. Stephen Central School								X				
Temple's Preschool										X		
Terence Day Care Center					X					X		X
That Amazing Place										X		
The Akhigbe's Child Care Center								X				
The Viney Reynolds Parent Child Development Ctr.				X			X					X
Tot's Nursery					X							X
True Colors Child Care School								X				
Upperroom Bible Church Preschool										X		
Uptown Learning Center/The ARC or GNO				X		X			X			X
Urban League Early Head Start							X	X				
West Metairie Kids World					X							X
Wilcox's Academy of Early Learning										X		
YMCA Child Development Center						X	X	X				
YMCA Preschool Learning Center						X	X	X				

Child Care Center	$25,000 Taylor Grant 03.2006	$25,000 UW Entergy Grant 08.2006	$25,000 Taylor Grant 09.2006	Training Incentive $3,000	$300 in Learning Materials	Fax Machines 06.2006	WLI Books 07.2006	Fisher Price Sand Castles 08.2006	Appliances 08.2006 (W/D, Rfg., Stove)	Appliances 12.2006 (W/D, Rfg., Stove)	Child Care Companion Project	9 Training Hrs.
Total Value/# of Items	$75K	$150K	$75K	$81K	$6k	14 Faxes	600 Books	21	24	65	N/A	405 hrs.
Total # of Centers Receiving	3	6	3	27	20	14	15	21	6	30	4	40

Bolded agencies are United Way funded agencies and SB6 Pilot Sites.

According to The Annie E. Casey Foundation 2006 KIDS COUNT Data Book, Louisiana's overall ranking on the 10 measures of the condition of children is 49th of the 50 United States. Louisiana ranked 43rd in the percentage of adults with bachelor's degrees; 45th in high school dropout rates; 47th in average ACT scores, 37th in per pupil expenditures, and 50th for the percent of teens not attending school and not working. Post-Katrina, New Orleans' school system is fractured into a handful of schools supervised by the Orleans Parish School Board, the lowest performing schools taken over by the state's Board of Elementary and Secondary Education (BESE), a group of well-developed charter schools in the Algiers neighborhood, and dozens of new charter schools licensed by either the parish or the state. This is a time of opportunity to transform the city and its schools to benefit our youngest citizens and assure for them a brighter future.

The mission of School To Career (STC) is to be a catalyst for the improvement of regional schools. We impact both the academic performance and the mental/emotional well-being of students, preparing them for successful and productive lives while they help to rebuild and revitalize their own communities and region. We accomplish these goals through the following strategies:

✓ Start-up facilitation of small, academically and technologically advanced, career-focused high schools:

STC connected partners and assisted with the strategic and business planning necessary to launch a New Orleans public charter high school, Priestley School of Architecture and Construction, which opened on September 7, 2006 and has already been hailed a success in New Orleans' post-Katrina system of schools.

STC is brokering the replication of a New Technology High School for the Algiers Charter School Association, working with the Gates-funded New Technology Foundation in Napa, CA and the BESE, with a projected opening date of Fall 2007.

In January 2007, STC began convening potential collaborators who are eager to establish a Maritime High School in New Orleans.

✓ Professional development for teachers and implementation of innovative and highly successful curricula and methodologies.

STC is creating a Career Awareness Curriculum for Pre-K through 8th grade, to introduce children to the broad array of job opportunities and to instill in them the idea that work is positive, engaging, fulfilling and fun.

STC is seeking support to implement a unique teacher training program in two high schools to address the stress and trauma which have risen with increased severity as a result of Hurricane Katrina. Building Bridges to Dreams will help teachers develop in students strategies to work more collaboratively, become more self-reflective, make better decisions, and develop courage to take responsibility for themselves. The anticipated outcomes are increased attendance, improved academic achievement and increased pass rates.

✓ Special Projects: Due to a ten-year history of effective relationship-building, STC was contracted by the national office of America's Promise to manage a two-year Katrina's Kids project that is focusing on mental health, community service and improved student performance.

In sum, STC plays a pivotal role in the transformation of public education by performing the four key functions of an effective intermediary: 1) convening collaborators; 2) connecting business, education and community service partners; 3) measuring impact; and, 4) modeling best practices in order to influence policy -- all with the vision that all students graduate from high school prepared for post-secondary learning, eager to pursue a career and committed to community service and life-long learning.

Prepared Statement of Donald E. Powell

Federal Coordinator for Gulf Coast Rebuilding

U.S. Department of Homeland Security

January 29, 2007

Chairman Lieberman, Senator Landrieu and distinguished Members of the Senate Homeland Security Committee:

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 pleased to be here today to discuss the progress we have made in the Gulf Coast region and the challenges and opportunities we face in this unprecedented domestic recovery as well as the long-term rebuilding effort.

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 by working with state and local officials to reach consensus on their vision for the region.

The President remains committed to supporting the recovery and rebuilding efforts of Alabama, Louisiana, Mississippi and Texas along the Gulf Coast. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we strive to ensure that residents get back on their feet and rebuild their lives. 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 public and private stakeholders, 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 toward 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 grant money, just to name a few. This figure does not include the costs of the GO Zone tax legislation, just recently extended at the President's urging 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 nearly 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. My testimony today will focus on the New Orleans area – arguably the city hit hardest by Katrina and the ensuing failure of its levee system - whose recovery has been slower than other cities along the Gulf Coast.

The President has made it abundantly clear that the vision and plans for rebuilding the entire Gulf Coast including New Orleans, LA, 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, Governor Blanco brought together a diverse team tasked with rebuilding Louisiana by her formation of the Louisiana Recovery Authority (LRA). My office has worked well and

tirelessly with the LRA 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 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.

I will now outline two areas that demonstrated the most immediate, "first-tier" need for federal assistance: housing and levee repairs.

HOUSING

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 $11.5 billion, Louisiana was given $6.2 billion initially by Congress. However, as we learned more about the unique flood vulnerability of Louisiana, the President requested, and Congress granted, an additional $4.2 billion in CDBG funds in the supplemental package last June 2006, making a total of $10.4 billion for the state of Louisiana alone. The CDBG program was chosen because it is a well-tested mechanism that provides a state with the greatest flexibility in how funds may be spent. CDBG allows those closest to the problem to make direct grants. In fact, that's the greatest attribute of the CDBG funds: they are flexible and allow the state leaders – those closest to the local issues – to make the decisions on where to best use the money.

With this in mind, Governor Blanco's LRA designed a program to disburse those funds to needy homeowners and she contracted with ICF International to administer the Blanco Road Home Program. There has been much discussion in the news about the slow progress by which these funds (the first $6.2 billion of which was appropriated in December of 2005) have been disbursed to citizens of Louisiana. I have repeatedly met with the CEO of ICF and my staff maintains a weekly conversation with ICF requesting a status update and asking how we can help expedite their process. I have offered Governor Blanco and LRA Executive Director Andy Kopplin any assistance available by the federal government to move these monies into the hands of those who need it most, which is our shared goal. The Administration remains respectful that the Blanco Road Home Program is a state-run and state-designed program and sympathizes with the enormity of their task, but believes that a more expeditious program is necessary.

Receiving a check from the Blanco Road Home Program is, however, only the first step for residents looking to rebuild in New Orleans. New Orleans residents must make rebuilding decisions that are aligned with the City's overarching recovery plan. Just recently that recovery plan was unveiled and shared with New Orleanians after months of intensive citizen involvement, input and meetings. The plan represents a comprehensive roadmap for the city's long-term recovery with the goal of rebuilding safer, smarter, and stronger. It proposes aggressive, concrete strategies for reducing the flood risk of households located in high-risk areas of the city but requires strong, sustained local leadership to implement this recovery plan. Toward that end, we are pleased that Mayor Nagin hired Dr. Ed Blakely to lead the long-term recovery efforts for the City of New Orleans.

We also recognize the emphasis that must be placed on the construction of rental and affordable housing in this region. Before the storm, 54% of Orleans Parish alone was comprised of rental housing units, compared to a national average of 34%. With this high level of need in the region, the Federal government and the State government have both placed a high priority on the rebuilding of rental and affordable housing stock.

As a part of the $10.4 billion in CDBG funds, Louisiana has dedicated $1.5 billion to redevelop rental housing in storm-impacted areas. These funds will create an estimated 36,000 to 51,000 units, in a broad mixture of deeply affordable units, mixed income development, small rental properties and other tax credit projects. These programs work in tandem with the eighteen times the normal allocation of Low-Income Housing Tax Credits (LIHTC) which are a part of the President's GO Zone initiative.

Finally, HUD and the Housing Authority of New Orleans (HANO) plan to redevelop four of HANO's largest public housing projects, which are severely distressed and obsolete. These aging properties comprise approximately 4,000 units. HANO plans to redevelop these properties as mixed-income, mixed-use developments that are significantly de-concentrated and blend into the community. HANO is financing its redevelopment activities in large part through 2006, 2007, and 2008 GO Zone Tax Credits. When redevelopment is completed, HANO plans on providing a total of approximately 3,000 public housing units as well as another approximately 1,000 units of affordable, market rate, and homeownership units. In the meantime, HANO has repaired and reoccupied approximately 1,100 units at Guste, Fischer, Iberville and River Garden and has plans to reoccupy 1,000 additional units in the future.

LEVEES

From the beginning, everyone agreed that levees were paramount to the revitalization of New Orleans and the President agrees 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 as of today the 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 in 2010 will be the best, most comprehensive system ever known by New Orleans. The work includes higher levees, stronger floodwalls 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 has been added to levees at several sites and additional pumping capacity and floodgates are being added at the outfall canals. The Corps has been working tirelessly since September of 2005 and, as a result, over 220 miles of levees and floodwalls have been repaired and restored. The Corps' work to upgrade the hurricane protection system will continue through 2010.

It should be noted, however, that hurricane and flood protection 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 impossible 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 fact, it is important for citizens to take precautions to safeguard their homes and their lives by utilizing safe building standards, carrying property and flood insurance, and demanding a meaningful evacuation plan from their state and local officials.

Nearly every person with whom we conferred on the levees also spoke to the importance of the Louisiana wetlands, which have been eroding for many years. These wetlands and barrier islands historically served as a buffer against hurricanes coming from the Gulf of Mexico toward the Louisiana shore. Their erosion has made the impact of the storms coming ashore in recent years worse than before. To help focus resources on mitigating losses to wetlands and barrier islands, the State amended its Constitution to dedicate the State's share of revenues realized from off-shore oil and gas royalties to wetlands and coastal restoration, hurricane protection including levee maintenance (which is a 100% state and local cost and responsibility), and other environmental projects. This new source of federally-derived state revenue results from recently enacted legislation, which was supported by the Administration. The new legislation will give Louisiana and other Gulf Coast states a share of royalty payments for oil and gas produced off their shores. The enactment of this legislation opens 8.3 million acres in the Gulf of Mexico, and states along the Gulf Coast will receive a 37.5% share of the royalties paid by companies on the oil and gas they extract from this area. The new legislation could generate hundreds of millions of dollars for Louisiana in the coming years.

FEMA PUBLIC ASSISTANCE/PROJECT WORKSHEETS

Several months ago FEMA made significant changes in its operations in Louisiana in an effort to streamline processes and hasten the delivery of public assistance funding to applicants in Louisiana to rebuild infrastructure. 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. As a result, FEMA has obligated $4.5 billion of an estimated $6.3 billion (72%) in Public Assistance funds in Louisiana in total, and $766 million of an estimated $1.185 billion in Orleans Parish alone. Of the total funds obligated to the State by FEMA, Louisiana has disbursed approximately $2.1 billion (45% of total obligated) to the local parishes. We remain committed to helping the state and locals find ways to expedite their respective processes.

LOCAL ISSUES

Hurricane Katrina dealt the state, and New Orleans specifically, a hefty blow and exacerbated a number of challenges that existed long before the storm. Although we recognize that many of these issues are state and local in nature, we would be remiss if we did not embrace the opportunity to work alongside our friends at the state and local level to address these critical challenges. Some of the more difficult issues include revitalizing systems of healthcare and public education system, and curbing violent crime.

Healthcare

Prior to the 2005 hurricanes, Louisiana consistently ranked among the lowest of the states in many significant health care quality indicators. Its uninsured population was among the highest in the nation (19%) and, per capita, the state experienced 43% more emergency room visits and

18% more outpatient hospital visits than the national average. While many of its private hospitals were "overbedded," uninsured and underinsured patients were consigned, by the state's "two-tier" structure, to the Charity Hospital system, experiencing excessively long waits and overcrowding. The significant disruption occasioned by the hurricanes – including loss of the main Charity Hospital in New Orleans – presents an opportunity for significant health care reform.

With U.S. Health and Human Services (HHS) Secretary Leavitt's encouragement, the state formed the Louisiana Healthcare Redesign Collaborative (the Collaborative) to develop a redesign plan including: money follows the person, not institutions; patients have a medical home; care is patient-centered and prevention oriented; focus on ambulatory rather than emergency room care; quality driven care, and care that takes maximum advantage of advances in Health IT interoperability. The Secretary committed to using federal flexibility in granting budget neutral Medicaid waivers consistent with these principles, but made it clear that we would not do so for a plan that just rebuilds the old, two-tier system. We continue to work closely with the state to ensure their success.

Public Education

I am pleased to report that key state and local leaders have recognized the opportunity they have to restructure and improve New Orleans' public school system. In response to long-standing challenges, Governor Blanco signed legislation that placed more than 100 of the district's lowest-performing schools under State control during a special legislative session in the fall of 2005.

State and local leaders are taking action by laying the groundwork for significantly improved education systems. The State has invited experienced and successful charter operators to play an unprecedented role in the rebuilding of the school system.

More than seventy percent of K-12 schools have reopened in Louisiana, including about half of the K-12 schools in New Orleans. Of the 56 currently operating public schools in New Orleans, 60 percent are charter schools. The Department of Education has provided more than $20 million through a special charter school grant to Louisiana to assist in planning, designing, opening and reopening charter schools, which are provided greater flexibility in their operations in exchange for strong accountability for results.

This is just one example of the nearly $2 billion that has been provided to help re-open schools and colleges, aided schools and colleges that accepted thousands of students who had to leave New Orleans, and used to provide relief to college students with Federal loans.

Criminal Justice

The storm also heightened several pre-existing challenges in New Orleans' system of criminal justice. Immediately after the storm, the Federal government worked to address these challenges through the Southeast Louisiana Criminal Justice Recovery Task Force – a cooperative effort between State and local entities, FEMA, and the Department of Justice (DOJ) – to assist local planning for the long-term renewal of safe and effective emergency services, law enforcement, criminal justice, and legal services. Our office continues to work closely with these Federal and local partners to help the state and locals rebuild a system that will effectively restore safety and

security to New Orleans. To date, FEMA has obligated more than $195 million in public assistance funds for the Orleans parish criminal justice system for facility repair, vehicle replacement, and other emergency services. These include funds for the New Orleans Police Department, the Orleans Parish Criminal Sheriff's Office, and the Orleans Parish Civil Sheriff's Office.

The Department of Justice (DOJ) has also given $60 million to the state of Louisiana in justice assistance grants (JAG) and Katrina relief law enforcement infrastructure funds of which nearly $30 million was disbursed to the New Orleans area alone. DOJ has temporarily assigned extra attorneys to New Orleans to assist the U.S. Attorney's office for the Eastern District of Louisiana and the Department is in the process of hiring additional Assistant U.S. Attorneys (AUSAs) for the District. The Bureau of Alcohol, Tobacco, and Firearms (ATF) has assigned additional Special Agents to New Orleans to supplement the Violent Crime Impact Team (VCIT), which focuses on reducing gun crime. The FBI, in partnership with federal, state, and local law enforcement, launched a Violent Crime Intelligence Initiative to gather information on violent criminals and is assigning six additional FBI Agents experienced in homicide and other violent crime investigations to work with federal, state and local agencies. Four additional FBI Agents have already arrived in New Orleans to pursue non-violent criminals who seek to defraud the various relief programs, and two Intelligence Analysts were added to the Baton Rouge FBI office to support the Katrina Fraud Task Force.

In addition, the United States Marshals Service (USMS) assigned additional Deputy Marshals and an Investigative Research Analyst to supplement the Crescent Star Fugitive Task Force. The

Task Force locates and arrests violent felony fugitives across 13 parishes in the Eastern District of Louisiana. During 2006, the Marshals located nine of the New Orleans Police Department's top fugitives and the Crescent Star Fugitive Task Force closed 603 felony warrants.

As the New Orleans crime situation has worsened in recent months, my office is very concerned about the safety of New Orleans' citizenry and the implications for the rebuilding effort. In response, I called Mayor Nagin and Police Chief Riley and asked what can be done to stem this tide. Mayor Nagin stated the need for police surveillance cameras and a new police headquarters building. Chief Riley also requested funding for a new Police Headquarters building and through our letter to Mayor Nagin (see attached) I explained that FEMA funded the design work for this facility in December 2005 and the final Project Worksheet (for over $2 million) in September 2006. These funds allow construction for floors 2 through 5 to be occupied in May 2007. An additional Project Worksheet for roughly $800,000 has been written for the restoration of the first floor, but to date the City has not issued the Notice to Proceed on the design work. FEMA recognizes the importance of this facility and eagerly awaits the city's needed paperwork for a resolution. In addition, we continue to work closely with FEMA and Attorney General Gonzalez to ensure that the Federal government is doing all it can to support state and local officials in ending this plague of violence.

As we work to address the immediate crisis, we are also helping to plant the seeds for a safer, stronger community over the long-term. That's why DOJ has provided funds to restart a Police Athletic League and expand Boys and Girls Clubs in the impacted area, while also working to strengthen the Weed and Seed program with expanded safe havens for young people.

In the end, our most important efforts continue to be assisting the city and state officials to ensure the fundamental elements necessary to protect the citizens of New Orleans: namely a strong police force that can get criminals off the street, an effective court system, and a functional District Attorney's office that can prosecute violent offenders.

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 encouraging 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 that received the most significant damage to their housing stock were extended until 2010, providing an additional $539 million in tax relief for the region over five years. Simply put, this law renews businesses, rebuilds homes, and restores hope. We are confident that the GO Zone, in tandem with the entrepreneurial spirit of New Orleans, will go a long way toward restoring the Crescent City's 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. In addition, our office has collaborated with the Department of 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. We have also partnered and participated with MBDA at the National Minority Enterprise Development Week Conference in Washington, D.C. to educate minority business enterprises and investors about GO Zone opportunities.

To continue to accelerate the city's recovery and spur long-term economic growth, I have set a goal to attract 10,000 new jobs to the New Orleans metro area over the next two years. The "100 From 100" initiative will aim to attract more high-wage, high-skill employers by asking 100 companies to commit to moving 100 jobs to the region. We are hopeful that companies across the country will join this effort to rebirth an American city, while taking advantage of the business opportunity that exists on the Gulf Coast—an unprecedented opportunity to do well by doing good.

Workforce development will also be critical to the region's long-term economic security. 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 the future of the Gulf Coast economy. To help meet the objective to train new workers for careers in construction and skilled trades, the Department of Labor awarded $10 million in grants as part of the initiative.

In addition, we are working with the Department of Labor to support state and local stakeholders working to transform the regional economy of southeast Louisiana. DOL's WIRED initiative provides a framework to help these local leaders diversify their economy and develop strategies to create high skill and high wage opportunities for workers.

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 all that we can 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 look forward to working with these leaders to ensure that we do not let this opportunity pass.

U.S. Department of Homeland Security
Washington, DC 20528

Office of the Federal Coordinator
for Gulf Coast Rebuilding

January 19, 2007

The Honorable C. Ray Nagin
Mayor of New Orleans
1300 Perdido Street, Suite 2E04
New Orleans, LA 70112

Dear Mayor Nagin:

I was glad to have the opportunity to speak with you last week regarding our mutual concern over the ongoing violent crime in New Orleans. Pursuant to our conversation and my letter dated January 10, 2007, I am writing to update you on my progress regarding your requests for Federal assistance with criminal justice in New Orleans. During our conversation, you identified the following needs:

1. Grant money to procure surveillance cameras
2. An expedited response to the Project Worksheets already filed with the Federal Emergency Management Agency (FEMA) to rebuild the damaged Police headquarters building, as well as other criminal justice-related Project Worksheets

Regarding surveillance cameras, I understand that the U.S. Department of Housing and Urban Development (HUD) has already been working with your office and Superintendent Riley on this issue, and that great progress has been made toward a resolution. As of today, HUD has secured Federal resources so that the City of New Orleans can lease and maintain surveillance cameras to increase security at housing authority locations. As soon as the City provides HUD the necessary data, based on Geographic Information System maps, on appropriate locations for the cameras this issue will be resolved.

As to the Project Worksheets to rebuild the damaged Police headquarters building, I have been informed that FEMA funded the design work for this facility and others in December 2005 and the final Project Worksheet for $2,112,547 in September 2006. As a result of this funding, construction will allow floors 2 through 5 to be occupied in May 2007. An additional Project Worksheet for $864,410 has been written for the restoration of the first floor, but to date the City has not issued the Notice to Proceed on the design work. Recognizing the importance of this facility, FEMA has proceeded expeditiously to meet this need and we await the city's needed paperwork for a resolution.

Regarding all other criminal justice-related Project Worksheets, I have worked with FEMA to perform a thorough review of the situation. To date, FEMA has obligated more than $195 million in public assistance funds for the Orleans parish criminal justice system for

facility repair, vehicle replacement, and other emergency services. These include funds for the New Orleans Police Department, the Orleans Parish Criminal Sheriff's Office, and the Orleans Parish Civil Sheriff's Office.

Through our review, five key challenges have been brought to my attention, as well as potential solutions to those challenges as outlined below:

1) **Challenge:** Project implementation is hampered by commingled assets and responsibilities. Many of the buildings are owned by the City of New Orleans, but are actually operated by different agencies (i.e. the City owns the Community Corrections Center, but it is operated by the Criminal Sheriff).
Potential Solution: The Orleans Parish Criminal Sheriff and the City of New Orleans should establish a formal agreement stating that all repairs should be the responsibility of the Orleans Parish Criminal Sheriff.

2) **Challenge:** Local staff size and capability has been greatly diminished as a result of Katrina (i.e. pre-Katrina, Capital Projects Administration had 30 employees and is now at 6).
Potential Solution: The city should increase efforts to replace staff as necessary to resume day-to-day operations, as well as speed up the recovery effort. As I have offered many times, I remain ready to assist you in identifying available human resources both from the public and private sector. Just recently, the Small Business Administration (SBA) proactively worked with the Orleans Parish Clerks Office to form a partnership that allows the SBA to provide the needed human and technical resources to expedite the title replacement process. Perhaps a similar model would work in your Capital Projects Administration.

3) **Challenge:** New Orleans has limited funds to hire architects and engineers to begin project implementation.
Potential Solution: The City should petition the State for their established programs for advance funding for Architect & Engineering services.

4) **Challenge:** The city cannot solicit bids or award contracts to begin the construction process unless they have the actual monies in place for that project. At the same time, the State requires that a contract must be in place prior to advancing funding for architectural and engineering fees.
Potential Solution: The City of New Orleans should amend their ordinances to allow the city to solicit bids/proposals and award contracts utilizing obligated FEMA Public Assistance funds prior to disbursement by the state. Should there be additional ways that the Federal Government can improve its process we would welcome your recommendations.

5) **Challenge:** Due to the massive amounts of design and construction work currently underway across the state, and the fact that local and state laws limit the contractor pool to Louisiana- licensed contractors, there are not enough qualified contractors to complete the work at hand.

Potential Solution: The City and the State should adopt a procedure that will allow qualified contractors to work on recovery projects while their request for a license is being processed. The licensing process should be expedited at the state and local level.

To ensure that these issues achieve resolution as quickly as possible, my staff will be reaching out to your office to set up a follow-up call for Monday January 22, 2007. My hope is that we can resolve the challenges listed above, as well as any other outstanding issues that might hinder the swift completion of these vital public assistance projects. It is my goal that the Federal Government never hinders the progress of New Orleans' rebuild.

I know we share the belief that this ongoing plague of violent crime is unacceptable and must be stemmed. While this letter addresses the issues that you raised previously, I continue to extend my offer to discuss any further ideas that you have regarding Federal assistance to meet this critical challenge.

Sincerely,

Donald E. Powell
Federal Coordinator

SENATE HOMELAND SECURITY AND GOVERNMENT AFFAIRS COMMITTEE
FIELD HEARING
JANUARY 29, 2007
NEW ORLEANS, LA

Testimony of
Administrator Steven C. Preston

Good Morning Chairman Lieberman, Ranking Member Collins and distinguished members of the Committee. Thank you for inviting me to discuss the recovery progress both here in Louisiana as well as in Mississippi following the Gulf Coast Hurricanes in 2005. I am Steven Preston, Administrator of the U.S. Small Business Administration. This summer during my confirmation hearing, I pledged to address the challenges the Agency faced in its disaster operation as job number one, and I appreciate the ability to provide you with a status report.

As of today, 97 percent of the approved borrowers have received all of their money, some of it or chosen not to borrow. Currently, we have $5 billion in SBA disaster-assistance funds at work rebuilding the businesses and homes of hurricane victims in the Gulf. Approximately $2 billion in additional commitments are available to be disbursed.

These remaining commitments are to about 25,000 borrowers, the vast majority of whom have begun receiving disbursements. Many of these borrowers, we believe, are experiencing a number of outside challenges in proceeding with their lives, which is resulting in a delay in their ability to draw down funds.

I came to Agency almost 11 months after Katrina. In that time, the Agency had processed over 420,000 disaster loan applications, and had worked very hard to address the unprecedented nature of this disaster by expanding capacity in three areas: information systems, people and facilities. Building this capacity was absolutely essential in meeting the demands.

By that time, while the loan approval process was largely completed, the Agency faced a different challenge—closing the loans and distributing the funds. Over 120,000 borrowers were still in our process representing over $7 billion of loan commitments.

So we quickly set out to dig into the issues and understand why. First, we listened hard to our customers, who were experiencing the difficulties. Next, we listened to our employees who were close to the action to get their perspective. Then we dug deep into the operational processes where we saw a number of issues leading to high error rates, steep backlogs in critical processes and decision-making bottlenecks.

During August and September, we invested thousands of man-hours to fully re-engineer our processes to eliminate our backlogs, dramatically reduce response time, and improve the support we give to disaster victims throughout the process. We called all of

our borrowers to do two things: (1) introduce them to a new process where they would have a single relationship manager as a point of contact and (2) ensure we understood their status so we could provide the right kind of support. This outreach enabled us to build a database so we could track what issues all of our customers have and work to address them better. One example of this is that the data base showed us that our customers were having difficulties obtaining title and deed records from their local clerk offices. To better assist our customers, SBA has placed employees in the land records office right here in Orleans Parish, and we have reached out to other parishes and counties offering the same support.

Because we have regular conversations with our customers, we can also informally poll our case managers on other issues they face. Our people have also become advocates for the borrowers and we are now able to connect a loan and a document to a life and a story.
So where do we stand?

One example of the challenges was in our critical loan modifications process. This summer we had a backlog of 50,000-80,000 loans with an average age of over 70 days. This backlog was a major cause in the delays we experienced in disbursing funds. Today our modifications in process are fewer than 5,000 and the average age is under two weeks.

I also believe we are coordinating well with both Louisiana and Mississippi in support of their respective state grant programs. In Mississippi, we are turning around information requests in a matter of hours, and we look forward to being very responsive to the Louisiana Recovery Authority as their process continues to ramp.

Nonetheless, we know we still face challenges. We continue to focus on better training for our employees so they can serve our customers needs. We have issues to address in our information technology infrastructure. We have put metrics and mechanisms in place to see issues in a timely manner and address them as they arise. But most importantly, we have methods in place for greater interaction with our customers.

I would also like to highlight that the SBA is working to support the needs of small businesses in the Gulf in a number of other ways through our regular financial assistance programs 7(a) and 504, as well as our Gulf Opportunity, or GO Loan pilot program. Our GO Loan program in particular has expedited small business financing to communities along the Gulf Coast. To date, we have provided over 500 GO Loans totaling more than $42 million as small businesses return home. Additionally we remain dedicated, along with our partners, to offer training and counseling while assisting small businesses in their effort to acquire government contracts.

As we look forward to the coming months, our efforts are focused on a number of activities:

1. Ensuring we are responsive in providing the states with information to support their grant programs.

2. Completing the process reengineering work and continuing to improve automation to ensure that it is fully in place for future disasters.

3. Documenting detailed surge plans, so that we have very clear, well-documented road maps and implementation models in place, based on the size and nature of the catastrophe.

And;

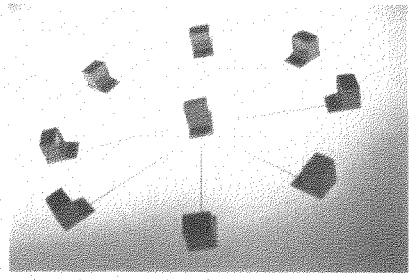
4. Exploring ways to work with the private sector should we determine that the private sector can provide more efficient and effective support in certain circumstances.

In closing, thank you for having me here to testify. The 2005 hurricanes overwhelmed disaster response at all levels, certainly SBA was no exception. Our people worked – often around the clock to try to help the disaster victims whose lives were torn apart by the hurricanes. Those are the same people who fixed the process and are, today, enabling SBA to play its part in rebuilding the Gulf and improving our ability to respond in the future. I am very thankful for their dedication and their resolve.

U.S. Small Business Administration

SBA

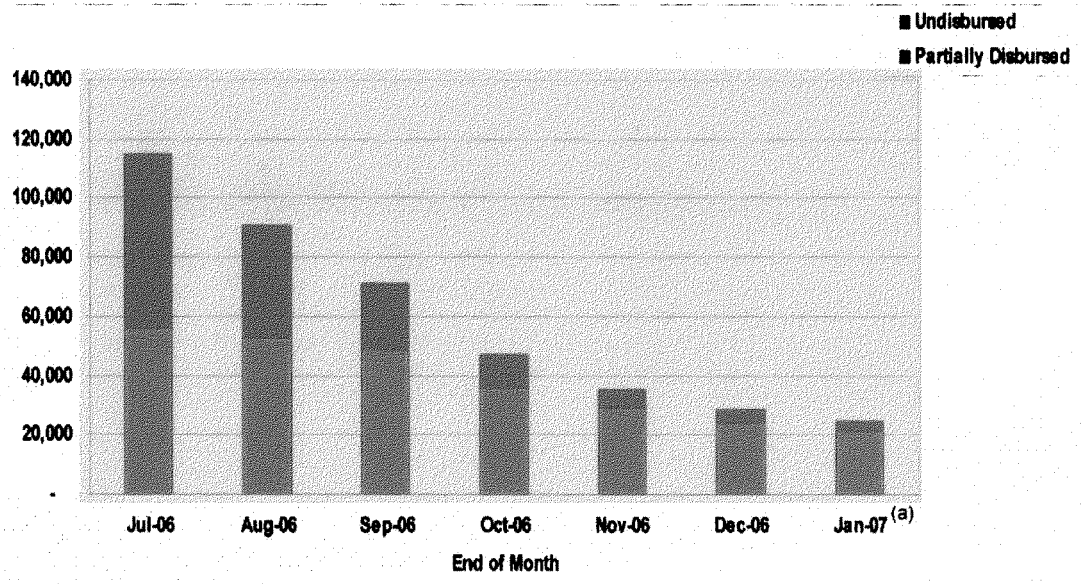
Your Small Business Resource



Disaster Recovery at the SBA

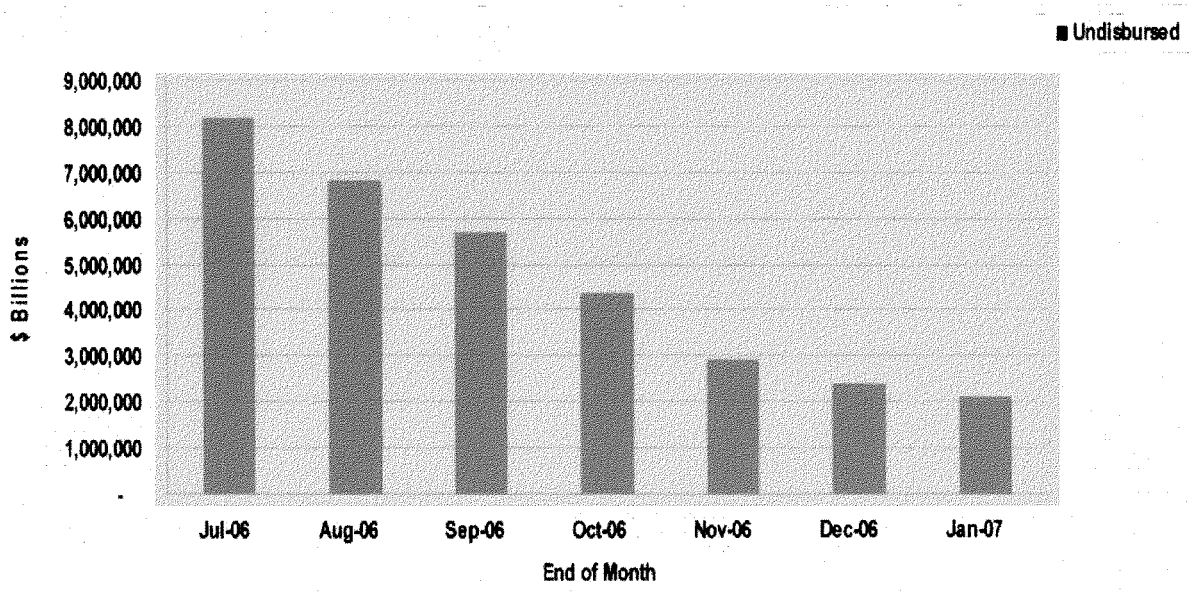
January 29, 2007

Loans still in Process

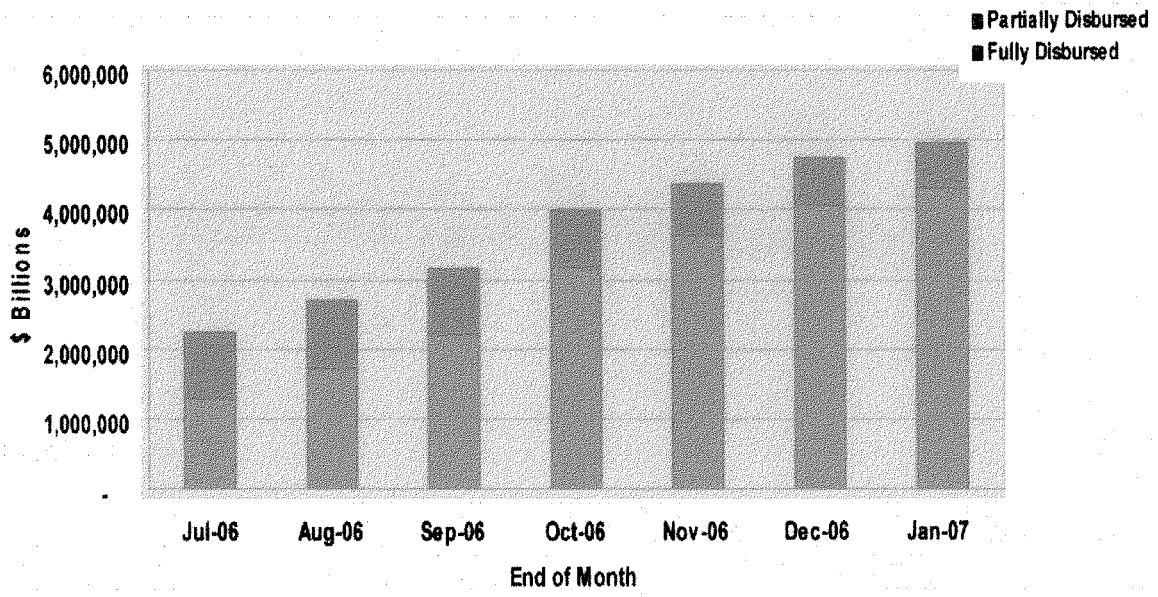


(a) January figures for the entire presentation are as of 1/25/07

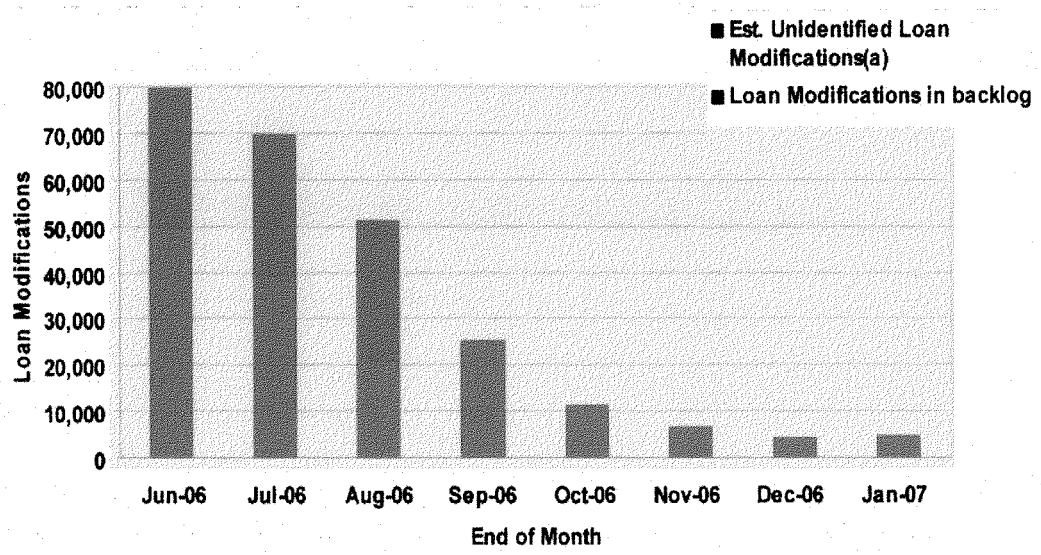
Undisbursed Loan Commitments



Cumulative Disbursements

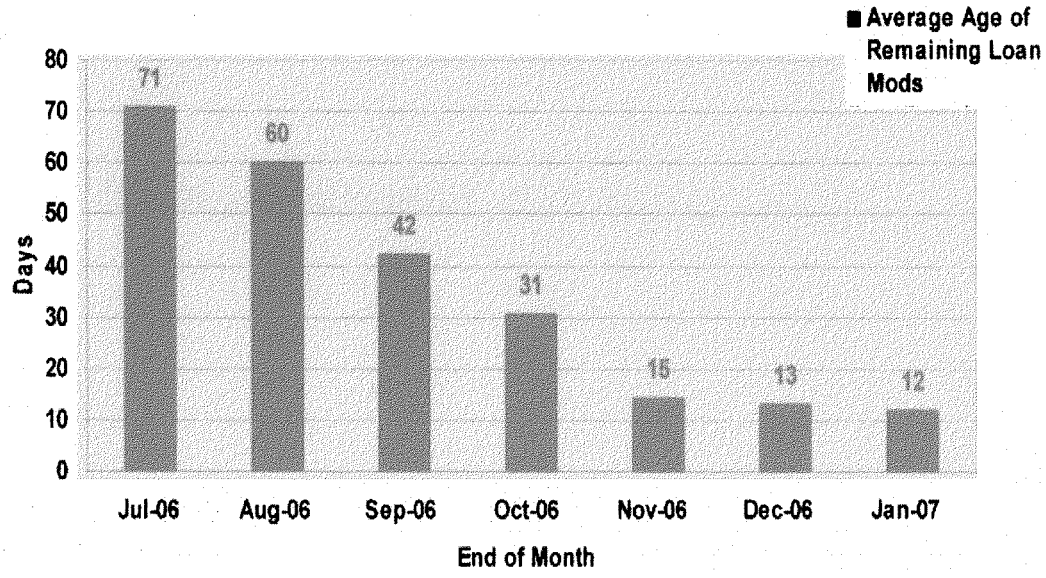


Loan Modification Backlog Numbers

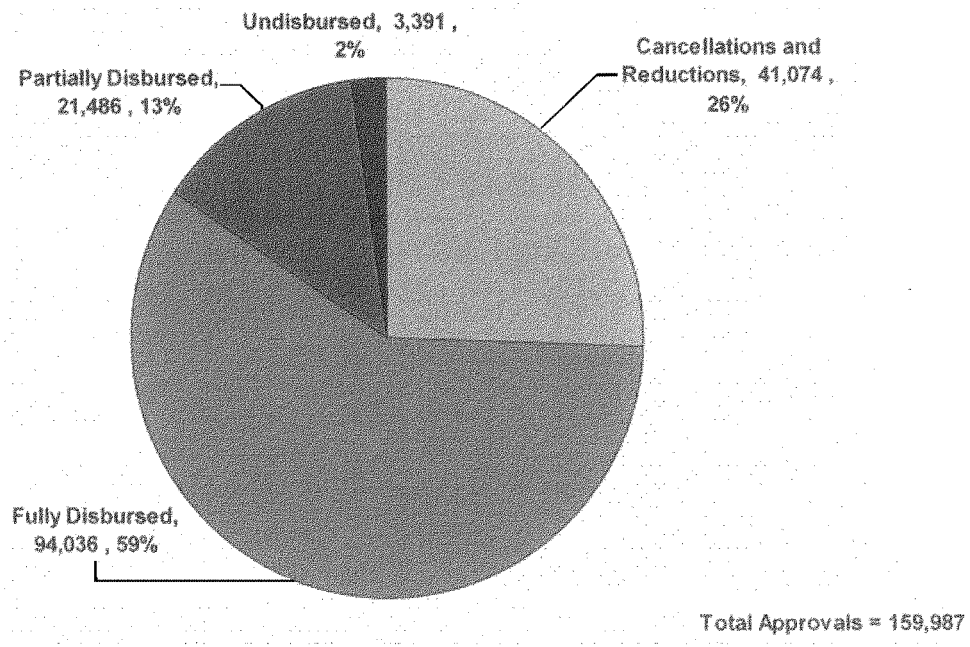


(a) Estimate approximately 20,000- 30,000 "unrecorded" modifications in backlog

Loan Modification Backlog Aging



Status of 160,000 Approved Gulf Coast Hurricane Applications



ASSISTANT SECRETARY PAMELA HUGHES PATENAUDE

HURRICANES KATRINA AND RITA:

OUTSTANDING NEED, SLOW PROGRESS

TESTIMONY BEFORE THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

JANUARY 29, 2007

Thank you, Mr. Chairman. On behalf of Secretary Jackson, I am pleased to appear before this Committee. My name is Pamela Hughes Patenaude and, as the Assistant Secretary for HUD's Office of Community Planning and Development, I am responsible for the administration of $16.7 billion in Community Development Block Grant disaster recovery funds for the Gulf Coast Region.

On December 30, 2005, President Bush signed legislation providing $11.5 billion in CDBG disaster recovery funding. Within one month, Secretary Jackson allocated these funds based on unmet needs for disaster relief and long-term recovery to the five Gulf Coast States. Last June, after the President signed legislation providing an additional $5.2 billion, the Secretary promptly allocated these funds among the affected states.

In both of these emergency supplemental spending bills, Secretary Jackson allocated the maximum amount of money allowed by law to the State of Louisiana, -a total of $10.4 billion.

Yet, even before Congress appropriated these emergency funds, HUD staff was in constant contact with state officials throughout the Gulf as they worked to design their individual housing, economic development, and infrastructure programs with existing resources. It should be noted here that the recovery and rebuilding effort is one that requires all partners: States, local officials, Gulf Coast Rebuild, HUD and all federal agencies, to work together effectively.

While parts of New Orleans were still under water, HUD granted an unprecedented number of waivers increasing flexibility of the HOME and CDBG programs to address the urgent needs of hurricane victims.

Within three weeks of the first CDBG disaster supplemental, HUD cut red tape to expedite funding, so the Gulf States could begin to put their recovery funds to work.

With citizen participation, the states developed creative solutions and submitted initial disaster recovery action plans for HUD's approval.

Under Secretary Jackson's leadership, we promptly reviewed these plans, issuing necessary waivers, so states could execute their programs as quickly as possible.

During implementation, states continue to revise and amend their disaster recovery programs to make them more effective in meeting the needs of their communities.

HUD has approved disaster action plans totaling $10.5 billion. Gulf Coast States have spent approximately $1.2 billion in CDBG disaster recovery funds. These funds are intended to help those who have lost their homes, to restore needed infrastructure, and to promote long-term recovery.

Here are some examples of the progress made to date with these funds:

- Under the Mississippi Homeowner Assistance Program, more than 10-thousand families have received checks to help compensate them for their losses and assist them as they rebuild their lives.

- Mississippi has also used critical CDBG recovery funding to complete a master plan for infrastructure that develops long-term regional solutions to water, sewer, and storm drainage needs of Gulf Communities. This master plan is a necessary first-step in the redevelopment of existing neighborhoods and the creation of new, safer communities.

Mr. Chairman, we recognize the enormous challenges that lie ahead, particularly for Louisiana. Having said that, it's been nearly a year-and-a-half since these storms hit, and like many of you here today, Secretary Jackson is not satisfied with the pace of recovery here in Louisiana.

The Secretary has met and continues to meet with officials administering the Road Home Program and, together, we have identified obstacles that impede progress.

As Louisiana, Mississippi and the other Gulf Coast States develop solutions to their challenges, HUD will continue to offer guidance and assure compliance with the law, including the prevention of waste, fraud, and abuse.

Congress was clear in its intent: The Federal Government would not dictate to local communities how their recovery must go. The Gulf States and their governors are designated with the principal responsibility for the design, implementation, and performance of their rebuilding efforts.

Mr. Chairman, Members of the Committee, Secretary Jackson and I understand that people need help now. Secretary Jackson is committed to using our full authority to assist these families to recover, to stimulate economic development in the Region, and to restore hope to communities throughout the Gulf. Thank you and I welcome your questions.

TESTIMONY OF

GIL JAMIESON

DEPUTY DIRECTOR FOR GULF COAST RECOVERY

FEDERAL EMERGENCY MANAGEMENT AGENCY

DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

SENATE COMMITTEE ON

HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

NEW ORLEANS, LOUISIANA

JANUARY 29, 2007

Introduction
Good morning, Senator Lieberman, Senator Collins, Senator Landrieu and other members of the Committee. My name is Gil Jamieson, and I am the Deputy Director for Gulf Coast Recovery in the Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS). It is my pleasure to be here with you today to update you on our recovery efforts from Hurricanes Katrina and Rita along the Gulf Coast, and particularly in Louisiana.

Background
On January 26, 2006, I was appointed FEMA's Deputy Director for Gulf Coast Recovery under Director R. David Paulison. Reporting directly to Director Paulison, I lead and coordinate FEMA's Gulf Coast recovery efforts and serve as the principal point of contact between FEMA and Donald Powell, the President's Coordinator for the Recovery and Rebuilding of the Gulf Coast Region. My position was established in order to ensure that FEMA's programs are consistently and effectively administered throughout the Gulf Coast Region. Prior to this appointment, I served under Admiral Thad Allen as his Deputy Principal Federal Official (PFO) during the response to Hurricanes Katrina and Rita. I am a long-time FEMA civil servant, having worked in the Agency since its inception.

Overview of Recovery
To administer FEMA's recovery and mitigation programs, I established Transitional Recovery Offices (TRO) in Alabama, Mississippi, Louisiana, and Texas. The TROs were established to ensure that FEMA's recovery and mitigation programs are administered correctly and delivered consistently and aggressively across the Gulf. Each TRO is led by a Director, who reports to me. James Stark, retired from the US Coast Guard and a New Orleans' resident, is the Director of the Louisiana TRO. Since the four TROs were established in April 2006, we have hired over 1800 additional staff to support FEMA's recovery and mitigation efforts. A significant number of staff are from the local areas, and many were disaster victims themselves. The Louisiana TRO is headquartered in New Orleans, with field offices in Baton Rouge and Lake Charles.

Nearly 18 months after Hurricane Katrina and Rita, the Gulf Coast States continue to press forward and make progress toward recovery. The recovery is not without its challenges, as the magnitude of these storms presented an unprecedented level of destruction. FEMA continues to be an integral part of the recovery. Through our TROs in Alabama, Mississippi, Louisiana, and Texas, we have worked diligently to balance expediency and accountability, and support the efforts of our State and local counterparts. This collaboration has resulted in significant progress.

Our focus in Louisiana, as well as the other States, is in three programmatic areas: Individual Assistance, Public Assistance, and Mitigation. Each area represents a primary section within the TROs, and we see successes and challenges in each. There have been a number of positive signs of recovery, especially since the one-year anniversaries of the storms in August and September. I will take this opportunity to highlight our progress in each area.

Overview of Recovery in Louisiana

Individual Assistance:
For the past 18 months, Individual Assistance programs have worked hand in hand with hundreds of thousands of individuals. Individual Assistance programs are at the forefront of FEMA's recovery activities. The success of recovery will be made up of the individual stories of Katrina and Rita survivors.

- FEMA has provided more than $5.4 billion to individuals and families in Louisiana under the Individuals and Household Program, with more than $122 million distributed since the one year anniversary of Katrina.
- More than 857,000 households from Louisiana have been approved for Housing Assistance totaling more than $3.8 billion. Housing Assistance includes temporary housing, and repair and replacement activities. This figure also includes rental assistance and expedited housing assistance, which accounts for 80 percent of the $3.8 billion.
- 314,000 Louisianans have received more than $1.6 billion in Other Needs Assistance, which includes personal property replacement, transportation assistance, medical and dental expenses, funeral expenses and assistance with other expenses such as moving and storage.

Direct Housing

FEMA's Direct Housing Operations provide temporary housing to tens of thousands of Louisiana residents throughout the State.

- There were 96,000 eligible households for direct housing in Louisiana.
- FEMA has housed over 87,000 households in temporary housing units (travel trailers and mobile homes) since the disasters. In a sign of progress, the total number of households currently living in temporary housing has decreased to 62,000, and 96 percent of the housing requests have been resolved.
- 80 percent of temporary housing units are on private sites where individuals are rebuilding their homes.
- For pre-disaster renters or those without a private site, FEMA has constructed over 115 group sites in order to house individuals in Louisiana.

Individual Assistance Challenges

The primary challenge for the Individual Assistance Program going forward is to work with the remaining 62,000 individuals who are still being housed by FEMA. Travel trailers and mobile homes are intended only as short term solutions to fill the need for emergency housing and, as we progress from the response phase to recovery, FEMA and the State face a challenge in transitioning individuals into permanent solutions. While flood insurance, Small Business Administration loans, and the Road Home Program help address the needs of homeowners, renters are experiencing difficulties in finding solutions to their long term housing requirements. This population is significant, as the

proportion of renters in pre-Katrina New Orleans was reported to be 53 percent of residents. However, FEMA has explored other alternatives, including:

- creating a Rental Resource team that assists households by researching available rental resources in the affected areas. Lists of properties are made available to households and the Disaster Recovery Center staff so that as properties become available, households have more alternatives in reaching their permanent housing solution. In the last month alone, the team identified more than 3,000 available houses, apartments, and condos in Orleans, Jefferson and St. Tammany parishes.
- Recertification teams are visiting the families who are living in the travel trailers and mobile homes to discuss their permanent housing plans, provide information about available rental resources, and to identify mobile homes and travel trailers that may no longer be needed.
- Opening a Welcome Home Center for individuals in the New Orleans area. In addition to providing FEMA, Small Business Administration, and case management services through the City of New Orleans, the center serves as a resource for mitigation specialists, crisis counselors, and voluntary agencies working to help households recover.

Extension to FEMA's Housing Program

President Bush has directed FEMA to provide an extension of direct housing and financial assistance programs supporting victims of Hurricanes Katrina and Rita. The new extensions will allow the Administration to continue to provide housing assistance through August 31, 2007. Ordinarily, FEMA's financial and direct housing assistance may be provided for 18 months following a disaster declaration. An extension to this period may be provided if, due to extraordinary circumstances, it is deemed to be in the public interest. This extension will give us additional time to work with disaster victims, Federal, State and local partners, and volunteer organizations, to transition victims to more permanent housing solutions.

Public Assistance:
FEMA's Public Assistance program is a vital and visible part of the recovery. FEMA has been extremely active in working with the State and local governments to restore, rebuild, or rethink public services and facilities. Though funded by FEMA, the Public Assistance program is administered by the State; and local governments and other eligible applicants receive their funding through the State.

Project Worksheets

All of the damage to eligible projects in Louisiana from Hurricanes Katrina and Rita will eventually be described by an estimated 23,000 Project Worksheets (PW). Project Worksheets are jointly developed by FEMA, State and public/private applicants. I would like to briefly provide an overview of the progress we have made in this area.

- FEMA has obligated over $4.5 billion to the State of Louisiana under the Public Assistance program for specific Project Worksheets. This represents 72 percent of the estimated total expenditures from Katrina and Rita. Of that amount, over $1 billion has been obligated since the one-year anniversary.
- More than 21,000 project worksheets have been written for Katrina and Rita applicants, over 90 percent of the expected total.
- Of the $4.5 billion FEMA has obligated to the State of Louisiana, the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) has disbursed $2.025 billion of these funds and has the remaining $2.475B immediately available for disbursement to their Parishes.
- FEMA has also recently developed a status report that shows total and weekly progress of the entire Public Assistance program, which will be distributed to the media and local stakeholders on a weekly basis.

While we believe that this is extraordinary progress given the scope of the devastation, we realize that this storm forces us to rethink our business process here in the Gulf. In addition to obligating funds as quickly as possible, FEMA has modified its approach to Public Assistance activities in Louisiana to improve accountability and streamline our processes.

- In addition to re-training staff, establishing mentor programs for newer Public Assistance staff, and changes in the management team, FEMA has also retained the use of experts in various fields to refine the needs and cost estimates of projects requested by the State and its sub-grantees.
- As we move closer to the completion of projects, FEMA will continue to work with the State and other applicants to ensure accurate and timely completion of projects.
- FEMA is working with the parishes to identify high priority projects that are crucial to recovery and giving those projects priority status for review and approval.
- FEMA is also working closely with the local governments to identify opportunities to leverage other funding streams to bridge any FEMA Public Assistance funding gaps that may arise.
- For the PWs that have not yet been written, FEMA is ready to engage as soon as the applicants are ready. We have the right skill sets and the right people to focus on the applicant's highest priorities. Public Assistance teams meet with applicants weekly to discuss problems and engage in the Parishes' top concerns.

There are many keys to the recovery of the Gulf region, especially safety. FEMA TRO representatives are working with Louisiana law enforcement officials to support the rebuilding of the criminal justice system and assist local law enforcement with their crime fighting efforts.

- FEMA is augmenting security at group sites with reportedly high criminal activity, and we are reassessing our options for security at commercial sites.
- FEMA is expediting projects related to the criminal justice system, which was identified as one of New Orleans' top recovery projects.
- FEMA has streamlined the process for requests for information from law enforcement to improve the flow of information.

- FEMA has met with law enforcement officials to explain these streamlined procedures for sharing information on residents at FEMA trailer sites.
- Additional staff will also provide a greater FEMA presence in group and commercial parks, distribute flyers and expand the call center to take calls from applicants reporting security concerns. The number that the community can call is 1-888-294-2822.
- Volunteer Agency (VOLAG) staff will coordinate and enlist community volunteers to organize neighborhood watches.
- All law enforcement jurisdictions are asked to treat commercial and FEMA trailer sites as part of their communities and provide patrols to these neighborhoods just as they would patrol other neighborhoods in their jurisdictions.

FEMA has worked closely with law enforcement at our commercial sites for drug sweeps and sting operations and recently assisted with an amber alert at one of the group sites. To date, there have been more than 200 evictions for criminal activity in FEMA group sites. FEMA has increased the number of FEMA park managers from 25 to 77. FEMA park security reports criminal activity to park managers and provides detailed incident reports to local law enforcement when criminal activity occurs at the sites.

To date, more than $194.1 million has been obligated to Orleans Parish for damages to its criminal justice system. Specifically, $120.3 million has been obligated to the New Orleans Police Department (NOPD) for such costs as the replacement of law enforcement vehicles, the preservation of case documents and records, and repairs to permanent facilities including the Recruitment and Applicant Investigation Division and the Headquarters building on Broad Street. Funds were used to provide emergency equipment and supplies for the 911 Call Center in New Orleans. Recipients of FEMA monies obligated for the Orleans Parish criminal justice system include the District Attorney's Office, the Orleans Parish Criminal Courts and others. Included within the Orleans Parish total funding was $7.1 million that was used to construct temporary jail facilities on Gravier Drive and South White Streets.

Debris Removal and Demolitions

Of course reconstruction cannot fully begin until debris resulting from the storm has been removed and sites cleared for construction. Debris removal and demolitions continue to be significant projects for the Public Assistance program. Without these services, construction and recovery activities are impeded, slowing the return of the local population to their homes and businesses.

- To date, The U.S. Army Corps of Engineers (USACE), through mission assignment from FEMA, has removed over 50 million cubic yards of debris, an amount of debris that would fill the Superdome more than 10 times.
- 4 million of the total 50 million cubic yards of debris has been removed since the Katrina one-year anniversary.
- FEMA has completed more than 10,500 home demolitions in Louisiana. Over 90 percent of the remaining demolitions are in two parishes, Orleans and St. Bernard. An estimated 12,000 demolitions are still expected in Orleans Parish alone. FEMA

has deployed significant resources and is actively assisting Orleans and St. Bernard parishes to address delays with demolitions.

- In Orleans Parish:
  - Nine FEMA teams are working in the City of New Orleans to process demolition cases;
  - Seven FEMA field assessment teams are working to determine properties eligible for demolition;
  - Six USACE teams are providing structural analysis of buildings;
  - We are working with the City of New Orleans to establish an ordinance for quicker demolition of condemned or abandoned properties in less than the current 120 day period; and
  - We are working with Mayor Nagin to allow our contractors to "cap" utilities instead of city inspectors to expedite the demolition process.

- There are six FEMA teams working the demolition issues in St. Bernard Parish.
- FEMA is also removing trees killed by salt water saturation, as well as debris on private property and in rights of way. Over 97 percent of this mission is complete. Of the estimated 44,000 private properties where eligible debris has been identified, 35,940 of those properties have been cleared.
- In coordination with the Environmental Protection Agency (EPA), nearly 39 million pounds of hazardous waste (including household hazardous waste) have been cleaned up and 387 thousand "white good" units removed.

Public Assistance Challenges

While progress has been made in streamlining and expediting funds to the State and local governments, a number of unique and significant hurdles remain facing the State and local governments. FEMA anticipates working closely with them to resolve these issues.

- Many city and parish departments are facing severe staffing problems and are operating with reduced staff. While FEMA cannot provide operating expenses for these offices, we have co-located FEMA staff with State and local counterparts whenever possible. In addition, FEMA has a number of liaisons and experts working throughout the impacted areas to assist subgrantees in developing their PW packages.
- Cost plus percentage of cost contracts are prevalent throughout the State and are illegal to use for Federally-funded projects. In many instances, extensive cost reasonableness tests must be performed on these contracts by FEMA Public Assistance staff. The reasonableness tests typically lead to significant reductions in eligible funding. Subgrantees are then forced to find alternate sources of funding to make up the shortfalls between FEMA eligible costs and the costs incurred under cost plus percentage of cost contracts. FEMA maintains that costs incurred through this contracting mechanism are not acceptable because they do not meet Federal procurement standards. Therefore, these costs are scrutinized to determine whether they are indeed reasonable. FEMA has offered its acquisition staff to provide technical assistance and training to local governments to assist them in ensuring their procurement methods meet Federal standards.

- By law, FEMA is required to reduce any award of its grant funds if a flood damaged facility is located in the 100-year floodplain and was uninsured for floods. The result is a reduction in an applicant's ability to rebuild or repair facilities and begin large scale construction projects. The total mandatory flood reductions for Hurricane Katrina are over $243 million due to applicants not insuring their flood damaged facilities located in the 100-year floodplain.
- Local governments must clear a number of hurdles to condemn properties, which is a necessary first step before a property can be demolished. This is fundamentally an issue of due process, and a local responsibility. To ensure that people's property rights are protected, FEMA will adhere to State and local laws in addressing individual properties.

***Mitigation*:**

FEMA's Hazard Mitigation funding is available for individuals and public entities to prevent future losses of lives and property due to disasters; to implement State or local hazard mitigation plans; to enable mitigation measures to be implemented during immediate recovery from a disaster; and to provide funding for previously identified mitigation measures to benefit the disaster area. Grants are administered through the State and may be used for both pre- and post-incident mitigation activities.

Building Back Better

FEMA's primary mitigation efforts over the last year have focused on working with local communities to rebuild better and safer communities.

- FEMA is re-evaluating its floodplain maps, which have not been updated since 1985. While those flood maps are being modernized, FEMA provided local communities with the Advisory Base Flood Elevations (ABFE) as interim guides on rebuilding. The ABFEs are guidance for minimum elevation levels. The Louisiana Recovery Authority is requiring individuals that are rebuilding under the Road Home program to rebuild to these minimum elevation levels.
- To date, 35 Louisiana communities have accepted the elevations while 5 are still in progress. FEMA has also worked with the State to ensure that all future home construction meets international building standards, which works in conjunction with the ABFEs to provide a better level of protection against future storms.

Hazard Mitigation Grant Program (HMGP)

Authorized under the Stafford Act, HMGP funding is available to States following a disaster to fund cost-effective mitigation projects. Funds available under HMGP may be used to flood-proof existing properties; acquire and relocate homes from hazard-prone areas; and develop State and local standards to protect new and substantially improved structures from disaster damage. Potential projects submitted by applicants must conform to the State Hazard Mitigation Plan and meet environmental/historic preservation requirements. FEMA may contribute up to 75 percent of the costs of the projects. This program is not designed for immediate response, but as a long term solution to flooding

and other hazards. Louisiana has until March 2008 to submit its proposals. The amount of HMGP funds made available to the State is formula driven, based on the total amount of disaster grants provided. For Louisiana, over $1.47 billion will be available under the HMGP for Hurricanes Katrina and Rita.

- To date, FEMA has formally received four HMGP project applications. FEMA is still evaluating two of the projects, but we have already determined that two of the projects are eligible for FEMA funding.
- The State has also provided an additional 150 project applications to FEMA for a preliminary, informal review and we have returned 27 back to the State.
- Due to the extraordinary circumstances resulting from Katrina and Rita, FEMA worked with the State Emergency Management agencies affected by the Hurricanes in Louisiana and Mississippi to develop the Katrina/Rita Reconstruction Pilot. This Pilot policy will provide a 75 percent Federal cost share of up to $150,000 to eligible homeowners to demolish and rebuild their homes, provided the new construction does not exceed 10 percent of the structure's original footprint.

Flood Insurance

FEMA is actively involved in two areas regarding flood insurance: disbursement of the National Flood Insurance funds and flood insurance rate maps (FIRMS). The National Flood Insurance program has paid out over $13 billion on over 187,000 claims in Louisiana alone. To date, 99 percent of all claims filed have been closed. We see that as a significant step towards recovery as individuals are able to make choices about long term housing plans.

FEMA's work with the FIRMs will also provide more accurate estimates of risk and potential flood hazard areas. FEMA provides the maps to communities that participate in the National Flood Insurance Program, and FEMA plans to release the maps this year. The first step in this process was the release of the ABFEs and this will be followed by the preliminary maps, which will be released this year.

While FEMA's recovery and mitigation efforts are primarily focused on the programs I have described above, I would also like to take this opportunity to provide you with an update on FEMA's acquisition efforts that support our response and recovery programs.

Individual Assistance – Technical Assistance Contracts (IA-TACs) Awarded for the 2005 Hurricane Season

Background and Status

Prior to Hurricane Katrina in 2005, FEMA had started the procurement to award a five-year contract to one or more firms who would provide technical assistance support for disaster response and recovery efforts. That contract award was initially planned for completion by late September or early October but was not complete when Hurricane Katrina struck.

Anticipating the need for contractual support as Hurricane Katrina was heading toward the Gulf Coast, FEMA moved forward with the award of Individual Assistance-Technical Assistance Contracts (IA-TACs) to four large firms to assist with Katrina tasks; these firms are Fluor, CH2M Hill, Bechtel and the Shaw Group.

Accordingly, there were four IA-TACs awarded in September. A contract was signed on September 3, 2005 to Fluor Enterprises, and on September 30, 2005, CH2M Hill, Bechtel National, and Shaw Environmental & Infrastructure were each awarded contracts. These four contracts were awarded each with an initial ceiling of $500 million. However, in order to support the Katrina effort, the ceilings were adjusted upwardly as referenced below.

- The ceiling for Fluor was raised to $1.364 billion
- The ceiling on the Shaw contract was raised to $950 million
- The ceiling for Bechtel was raised to $575 million
- The ceiling for CH2M-Hill was raised to $525 million.

FEMA has partnered with the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) to administer the four FY 2005 IA-TAC contracts. This includes negotiating task orders and providing audit support. This has significantly improved the overall administration and management of the IA-TAC contracts, representing a combined value of $3.67 Billion.

All field activities relative to the four FY 2005 IA-TAC contracts ceased on November 30, 2006, leaving only a small number of tasks that were extended and close-out activities to be done after that date. The current estimate-to-complete for all work under the four FY 2005 IA-TAC contracts remains at approximately $3.2 billion, leaving a management reserve of $470 million (13 percent). As of December 1, 2006, 88 out of the 104 task orders (85 percent) have been finalized. This equates to $2.9 billion of the total $3.2 billion (91 percent) estimate-to-complete for all work.

Work Completed by the Four FY 2005 IA-TAC:

- **Fluor** predominately supported the State of LA.
  - As of September 30, 2006, Fluor installed 53,000 units in individual, group, and commercial sites.
  - Fluor installed 49,000 temporary housing units.
  - There are approximately 100 group sites in LA, of which Fluor has installed approximately 50 percent.

- **CH2MHill** supported TX, LA, AL, and MS.
  - As of September 30, 2006, CH2MHill installed 28,000 units in individual, group, and commercial sites.
  - CH2MHill installed 23,000 temporary housing units and is the only contractor that is supporting all four States.

- **Bechtel** supported MS.
  - Bechtel has installed 36,000 temporary housing units, and they continue to support the design and construction of group sites in the State of MS.

- **Shaw Group** predominately supported LA and assisted with TX.
  - Shaw has installed 34,500 temporary housing units.
  - As of September 30, 2006, Shaw will have installed 35,700 units in individual, group, and commercial sites.

- **Close outs:** Remaining task orders should be completed by March 31, 2007.
- **Funding:** The below charts reflect contractual commitments, obligations, and invoices paid through January 18, 2007 on each of the contracts.

	Fluor	**CH2MHill**	**Bechtel**	**Shaw Group**
Funds Obligated	1,331,549,357.57	465,011,653.86	518,934,984.50	844,103,671.51
Invoices Paid	1,179,371,586.80	417,154,837.90	488,580,991.60	705,722,499.49

	Total
Funds Obligated	3,159,599,667.44
Invoices Paid	2,790,829,915.79

As of 30 November, 2006, no additional efforts were supported by IA-TAC I. Management and Administration Task Orders are still open to support closeout functions of the IA-TAC I contracts.

All orders are in the process of being closed out in a period of 18 to 24 months by DCMA.

Major Contracts Awarded for the 2006 Hurricane Season

Individual Assistance – Technical Assistance Contracts (IA-TAC IIs)
On August 9, 2006, FEMA awarded six IA-TAC II contracts using full and open competitive procurement procedures. The indefinite delivery/indefinite quantity (ID/IQ) contracts will be in effect over a two-year period which began in August 2006; each has a contract ceiling of $250 million.

These contracts are intended to support FEMA's implementation of the Agency's Individual Assistance programs. Task orders issued in response to a disaster under these contracts will require the contractors to utilize local firms to the maximum extent practical for additional subcontracting opportunities.

Work in Progress for IA-TAC II:

- **Fluor** has been given one task order to retrofit four group sites to meet UFAS standards.

- **CH2M Hill** has not been awarded any additional task orders.

- **Bechtel** has not been awarded any additional task orders.

- **Shaw Group** has been awarded two tasks.
  - Shaw has provided evaluation planning for the 2006 and 2007 hurricane seasons for LA facility management of shelter support (The State was divided into two regions; the other region was awarded to PaTH).
  - Shaw has also been tasked to retrofit five group sites in LA to meet UFAS standards.

- **PaTH** has been given the task of providing evaluation planning for the 2006 and 2007 hurricane seasons for LA facility management of shelter support.

- **Post BS &J/DSA** has been awarded the task of developing group sites in New Mexico.
  - Post BS &J/DSA has installed 75 travel trailers.

- **Funding:** The charts below reflect obligations and invoices paid through January 18, 2007 on each of the contracts.

	Fluor	**CH2MHill**	**Bechtel**	**Shaw Group**	**PaTH**	**Post BS&J/DSA**
Funds Obligated	2,812,915	1,214,616	1,598,771	1,896,233	1,225,457	5,610,961
Invoices Paid	377,159.44	487,578	799,287.81	85,228	181,906.27	882,392.57

	Total
Funds Obligated	14,358,953
Invoices Paid	2,813,552.09

- **Task Orders Awarded To-Date:**
  - Group Site Modifications: Uniform Federal Accessibility Standards (UFAS) Group Site Modification
    - Group Site A—UFAS retrofit to four group sites in Louisiana—Fluor, $1,650,050
      - Park East Port authority/Crying Eagle
      - Riverside Mobile Estates

    - Alvin Perret Mobile Home Park
    - Lionel Bailey
- Group Site B—UFAS retrofit to five group sites in Louisiana—Shaw, $1,128,949
    - Algiers Vacant School Lot
    - KW Esplanade
    - Lemann I
    - Lemann II
    - Jefferson Flea Market

Maintenance and Deactivation Contracts (MDCs)
There were 36 Maintenance and Deactivation contracts awarded in April and May of 2006 for the Gulf Region. Each contract has a ceiling of $100,000,000 over a five-year period. The bidding process was limited to 8(a) firms and Small Business firms residing or primarily doing business in the affected region.

- Fifteen of these contracts were awarded to Louisiana businesses, of which eight were 8(a) Small Disadvantaged Businesses and seven were Small Business Concerns. Among this group, five were HUBZone Small Business Concerns, nine were Woman-Owned Business Concerns, and two were Veteran-Owned Business Concerns.

- Ten maintenance and deactivation contracts were awarded in Mississippi—five to 8(a) Small Disadvantaged Businesses and five to Small Businesses. Of these businesses, three were HUBZone Small Business Concerns, three were Woman-Owned Business Concerns, and one was a Veteran-Owned Business Concern.

- In Texas, two contracts were awarded to 8(a) Small Disadvantaged Businesses and three were awarded to Small Businesses. Among these were two Woman-Owned Business Concerns, one Veteran-Owned Business Concern, and one Service-Disabled Veteran-Owned Business Concern.

- In Alabama, three contracts were awarded to 8(a) Small Disadvantaged Businesses and three were awarded to Small Businesses, including one HUBZone Small Business Concern.

In November 2006, the remaining haul & install requirements for LA and MS were transferred from the IA-TAC contractors to the MDCs using the relocation provisions of those contracts. The LA and MS MDCs were invited to compete for the associated task orders.

Ground Maintenance Contracts
Grounds Maintenance contracts were awarded to 14 firms in Louisiana and 5 companies in Mississippi in September of 2006. The bidding process was limited to Service-Disabled Veteran-Owned Small Business (SDVSB) firms residing or primarily doing business in Louisiana and Mississippi, respectively.

Mississippi Blocking, Leveling, and Anchoring Contracts
The Mississippi Blocking, Leveling, and Anchoring contracts were awarded in September to six companies. Bidders were required to be HUBZone-certified with the Small Business Administration and to be residing or primarily doing business in Mississippi.

Security Contracts
The Security contracts were awarded to three companies for requirements in Mississippi and Louisiana. One contract was awarded in January, one in February, and one in September.

Other Contracts

- Base Camps: FEMA negotiated blanket purchase orders (BPAs) which support future base camp requirement agreements in the Gulf Coast region. These BPAs include provisions for all necessary supervision, professional staff, labor support, material, supplies and equipment as necessary to establish a base camp within 72 hours within disaster-impacted areas and support the operation of maintaining a base camp with staff and support for a minimum of 300 occupants and a maximum of 2000. These contracts, awarded in October 2006, and expired at the end of 2006. Future base camp requirements will be supported through a national contingency contract, and the agency intends to have this contract in effect before the hurricane season begins in 2007.
- Group Sites: On January 10, 2007, FEMA announced a pending procurement for the design-build of new Group Sites in Louisiana and Mississippi. This procurement is restricted to and set-aside for small business residing or primarily doing business in the States of Louisiana and Mississippi and is intended to support the program's current requirements to build sites in the New Orleans area as well as any emerging requirements in both Louisiana and Mississippi over the next three years.
- UFAS Hauling and Installation: FEMA awarded five Indefinite Delivery Indefinite Quantity (IDIQ) contracts to Louisiana small businesses in September 2005 for the hauling and installing of UFAS compliant trailers and buildings and the installation of UFAS compliant ramps. Currently, all five contractors continue to provide services to FEMA to ensure that FEMA applicants with disabilities are provided temporary housing that meets their needs and that FEMA is in compliance with the timelines set forth in the Settlement agreement from the Federal class action lawsuit, Brou v. FEMA. The contractors' performance is continually monitored for timeliness and quality assurance.
- Group Site UFAS Modifications: FEMA has been in negotiations with a Louisiana 8(a) Tribally-owned firm to support the retrofit of approximately 40 group and exclusive sue sites to meet Uniform Federal Accessibility Standards. This procurement, expected to be awarded by the end of January 2007, represents a significant step forward in FEMA's ability to support the disabled community, as well as local small business concerns.

Alternative Housing Pilot Program
Finally, I would like to provide you with an overview and update of the Alternative Housing Pilot Program.

Background
In the 2006 Emergency Supplemental, Congress appropriated $400 million to FEMA for a pilot program that could identify and evaluate new alternatives for housing disaster victims in the aftermath of a disaster. The appropriations language requires that areas hardest hit by the hurricanes of 2005 be eligible grantees; therefore AL, FL, LA, MS, and TX were invited to submit applications for what they considered to be the most innovative disaster housing solutions. FEMA used a competitive grant process to ensure projects that maximize the selection criteria receive first consideration in the awards. The Alternative Housing Pilot Program (AHPP) Grant Guidance was released September 15, 2006, and applications from the Gulf Coast States were due October 20, 2006. Each of the five eligible States submitted an application, which collectively contained 29 projects. The States' proposals totaled almost $1.2 billion in requested grant money. However, $388 million has been made available for award, with three percent ($12 million) to go toward administrative costs, management costs, the pilot evaluations, and amendments, as needed. The Department of Housing and Urban Development (HUD) will lead a formal evaluation of the pilot projects.

Selection Process
A Technical Review Panel compromised of FEMA experts assessed the soundness of projects from a building science, engineering, historic preservation, logistics, and mitigation perspective. A National Evaluation Panel compromised of experts from the Office of the Federal Coordinator for Gulf Coast Rebuilding, HUD, American Institute for Architects, FEMA, DHS Preparedness, the National Emergency Management Association, and a private sector construction/engineering firm met in seclusion for one week to review proposals and assessments of the Technical Review Panel. After the National Evaluation Panel discussed the merits of each project, each panelist individually scored the merits of the submission based on the AHPP grant guidance criteria. Panelists were prohibited from sharing these final scores with each other. Panelists were also invited to provide written comments on each project. Based on this information, the Primary Selecting Official determined that the most meritorious construction projects from each State should be awarded an AHPP grant, which maximizes the number of competitive States receiving funding.

Results
The following five projects were selected for AHPP grants:

State	Project	Requested Funds	Partial Funding	Recommended Award	Ranking by National Evaluation Panel
Mississippi	Green Mobile	$6,930,450	85%	**$ 5,890,882**	1
Mississippi	Park Model and Mississippi Cottage	$400,000,000	69%	**$ 275,427,730**	2
Louisiana	Cypress Cottage Partners	$87,696,906	85%	**$ 74,542,370**	3
Texas	Heston Group	$19,378,500	85%	**$ 16,471,725**	4
Alabama	City of Bayou La Batre	$18,432,1100	85%	**$ 15,667,293**	6

Current Status and Next Steps
Projects selected for possible funding under AHPP were announced on December 22, 2006. The FEMA Grants Office and Gulf Coast Recovery Office are contacting the States for any clarifications needed in order to ensure a project is viable. Some of the issues may include: site/location of projects, compliance with local zoning and permit regulations, blue prints, architectural and engineering drawings, budget and cost information, and UFAS compliant housing units. This is part of the pre-award negotiation procedure. Upon completion of all pre-award procedures, the grantee may access 50 percent of its grant funds. In order to access the remainder of the grant funds, all pre-construction activities must be successfully accomplished. This includes compliance with all Federal requirements that apply to a particular project (i.e. NEPA, NHPA). States will be requested to provide additional information for the appropriate FEMA review before additional awards can be made. FEMA is establishing an Inter-Agency Agreement (IAA) with HUD. HUD will manage the evaluation of the pilot projects. FEMA personnel in each of the TROs will assist with the day-to-day monitoring of the AHPP projects.

Conclusion
The President is committed to the recovery and rebuilding of the Gulf Coast, and FEMA will remain here on the ground until the job is finished. In our TROs, we have piloted many new initiatives that have contributed not only to the recovery of the Gulf Coast but have also contributed to the re-tooling and improvement of FEMA. These initiatives and our lessons learned will help to improve the effectiveness of FEMA's programs in future disasters. I look forward to discussing FEMA's efforts with the committee.

United States Government Accountability Office

GAO

Testimony
Before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

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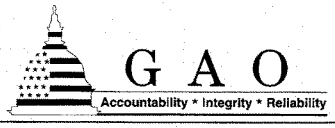
HURRICANES KATRINA AND RITA DISASTER RELIEF

Prevention Is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Efforts

Statement of Gregory Kutz, Managing Director
Forensic Audits and Special Investigations



GAO-07-418T

January 29, 2007

GAO
Accountability·Integrity·Reliability
Highlights

Highlights of GAO-07-418T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

HURRICANES KATRINA AND RITA DISASTER RELIEF

Prevention Is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Efforts

Why GAO Did This Study

Hurricanes Katrina and Rita destroyed homes and displaced millions of individuals. While federal and state governments continue to respond to this disaster, GAO has identified significant control weaknesses—specifically in the Federal Emergency Management Agency (FEMA)'s Individuals and Households Program (IHP) and in Department of Homeland Security (DHS)'s purchase card program—resulting in significant fraud, waste, and abuse. In response to the numerous recommendations GAO made, DHS and FEMA have reported on numerous actions taken to address our recommendations.

Lessons learned from GAO's prior work can serve as a framework for an effective fraud prevention system for federal and state governments as they consider spending billions more on disaster recovery. These lessons are particularly important because funding that is lost to fraud, waste, and abuse reduces the amount of money that could be delivered to victims in need.

Today's testimony will (1) describe key findings from past GAO work and (2) use the results from that work and GAO's other experiences to discuss the importance of an effective fraud, waste and abuse prevention program.

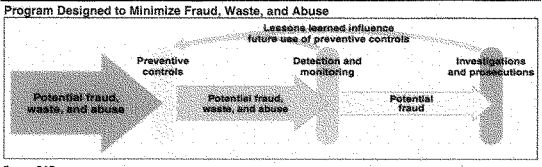
www.gao.gov/cgi-bin/getrpt?GAO-07-418T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or kutzg@gao.gov.

What GAO Found

Prior GAO audit and investigative work on FEMA's controls over IHP payments and DHS's controls over purchase cards emphasizes one fundamental concept—that fraud prevention is the most effective and efficient means of minimizing fraud, waste, and abuse. GAO estimates that FEMA made about 16 percent or almost $1 billion dollars in improper and potentially fraudulent IHP payments to registrants who applied using invalid information, illustrating what can happen when fraud prevention controls are ineffective. For example, GAO found that FEMA made payments based on bogus damaged addresses, false identities, and identities belonging to federal and state prisoners. These findings highlight the need for effective controls over all types of recovery disbursements. With effective planning, relief agencies should not have to make a choice between speedy delivery of disaster recovery assistance and effective fraud prevention. Finally, GAO's findings of significant control weaknesses in DHS's purchase card program leading to fraud, waste, and abuse further underline the need for an effective framework for fraud prevention, monitoring, and detection as shown below.

Program Designed to Minimize Fraud, Waste, and Abuse



Source: GAO.

Our work on disaster assistance programs in particular show that preventive controls should be designed to include, at a minimum, a requirement that data used in decision making is validated against other government or third-party sources to determine accuracy. Inspections and physical validation should also be conducted whenever possible to confirm information prior to payment. System edit checks should also be used to identify problems before payments are made. Finally, providing training on fraud awareness is important in stopping fraud before it gets into any type of recovery program.

Fraud detection and monitoring is also critical, although more costly and less effective than preventive controls. Key elements of detection include data mining for fraudulent information and performing reviews to establish the accountability of property and funds. The final element of a fraud prevention program is the collection of identified improper payments and the aggressive investigation and prosecution of individuals who commit fraud as a preventive measure for future disasters. These elements are most costly, and collecting money after it has been disbursed is far less effective than up front prevention—FEMA has collected only $7 million of the estimated $1 billion in potential improper and fraudulent IHP payments.

Chairman and Members of the Committee:

Thank you for the opportunity to discuss the fraud prevention lessons learned as a result of the fraud, waste, and abuse that occurred as part of the overall hurricanes Katrina and Rita recovery efforts. Making landfall in August 2005, Hurricane Katrina was the costliest hurricane, and one of the deadliest, in U.S. history. In May 2006, this committee reported that Hurricane Katrina was responsible for over $150 billion in damages and over 1,500 deaths, with thousands more reported missing. Hurricane Katrina devastated much of the Gulf Coast; the storm surge caused major or catastrophic damage along the coastlines of Alabama, Louisiana, and Mississippi. About 80 percent of New Orleans was flooded when levees protecting the city broke, and ultimately Hurricane Katrina affected 90,000 square miles. Hurricane Rita caused further devastation, making landfall on the Gulf Coast in September 2005, causing an estimated $9.4 billion in damages and killing seven people. These two hurricanes posed numerous, unprecedented challenges for the federal government and state and local governments in the Gulf Coast region. For example, the Federal Emergency Management Agency (FEMA) received far more applications for housing and "other needs" assistance, and awarded more grant money in 2005–2006 for Hurricanes Katrina and Rita than for all of the hurricanes that resulted in a disaster declaration in 2004 (Ivan, Charley, Frances, and Jeanne) and 2003 (Isabel and Claudette) combined.[1]

The recovery effort in the Gulf Coast region in response to the two hurricanes is unprecedented and will, over time, require an even more substantial amount of funding. Testimonies we delivered on February 13, June 14, and December 6, 2006,[2] identified significant fraud, waste, and abuse in just one of the programs FEMA uses to provide disaster recovery assistance—the Individuals and Households Program (IHP). As of October 2006, FEMA reported to Congress that it had delivered approximately

[1] GAO, *Hurricanes Katrina and Rita: Unprecedented Challenges Exposed the Individuals and Households Program to Fraud and Abuse; Actions Needed to Reduce Such Problems in Future*, GAO-06-1013 (Washington, D.C.: Sept. 27, 2006).

[2] GAO, *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, GAO-06-403T (Washington, D.C.: Feb. 13, 2006); GAO, *Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between $600 Million and $1.4 Billion*, GAO-06-844T (Washington, D.C.: June 14, 2006); GAO, *Hurricanes Katrina and Rita Disaster Relief: Continued Findings of Fraud, Waste, and Abuse*, GAO-07-252T (Washington, D.C.: Dec. 6, 2006).

$7 billion in IHP aid for hurricanes Katrina and Rita. Areas we have highlighted related to FEMA's IHP program included our estimate of $600 million to $1.4 billion of payments FEMA disbursed based on invalid registrations made through February of 2006. These improper and potentially fraudulent payments arose from breakdowns in preventive controls that failed to identify bogus registrations made using information such as invalid Social Security numbers and bogus damaged addresses. Numerous other areas of internal control weaknesses resulted in additional fraud, waste, and abuse. For example, we have identified duplicate claims for hurricanes Katrina and Rita, payments to nonqualified aliens, improper use of the government purchase cards, and missing or stolen government computers, printers, and other items. Our testimony before this committee on July 19, 2006,[3] identified additional examples of fraud, waste and abuse related to the use of Department of Homeland Security (DHS) purchase cards for response and recovery efforts. Based on these findings, we have made recommendations to FEMA and DHS to develop effective systems and controls to minimize fraud, waste, and abuse. In response to our recommendations FEMA and DHS have identified numerous actions they have taken to address our recommendations, and improve internal controls.

Crucial internal controls and control weaknesses we identified during our work on the IHP program, and requirements in the Comptroller General's Standards for Internal Control in the Federal Government,[4] are directly relatable to controls over disaster recovery assistance efforts. Lessons learned from our findings of fraud, waste, and abuse related to Katrina and Rita can serve as a lesson for federal and state governments as they consider spending substantial sums—estimated to be billions of additional dollars—on Katrina and Rita recovery efforts and for future disaster recovery spending beyond Katrina and Rita. Identifying and adopting these lessons are crucial because disaster assistance and recovery funds that is lost to fraud, waste, and abuse reduce the amount of money that could be delivered to alleviate the pain, suffering, and needs of legitimate victims of disasters. Further, fiscal challenges facing federal and state governments

[3] GAO, *Purchase Cards: Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity*, GAO-06-957T (Washington, D.C.: July 19, 2006). This work was performed jointly with the DHS Office of Inspector General.

[4] The Federal Managers' Financial Integrity Act of 1982 (FMFIA) required that GAO issue standards for internal control in government resulting in the issuance of *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

only increase the need for pressure on agencies to best ensure that available disaster relief funding is spent as efficiently and effectively as possible. My testimony today will (1) summarize the key findings of fraud, waste, and abuse from our past work related to hurricanes Katrina and Rita recovery efforts and (2) use the results from that work and GAO's other experiences to discuss the importance of an effective fraud, waste, and abuse prevention program.

To address our objectives, we reviewed prior findings from GAO audits of hurricane Katrina and Rita relief efforts. We also reviewed applicable guidance on internal control standards from the Comptroller General's *Standards for Internal Controls in the Federal Government.*[5] We conducted our audit work in accordance with generally accepted government auditing standards and conducted investigative work in accordance with standards prescribed by the President's Council on Integrity and Efficiency.

Summary

Findings from our prior work on FEMA's IHP payments and DHS's purchase card program show that fraud, waste, and abuse related to hurricanes Katrina and Rita disaster assistance are significant. Due to the need to provide assistance quickly and expedite purchases, programs without effective fraud prevention controls can end up losing millions or potentially billions of dollars to fraud, waste, and abuse. For example, for the FEMA IHP program alone, we estimate that through February 2006, FEMA made about 16 percent, or $1 billion, in improper and potentially fraudulent payments to registrants who used invalid information to apply for disaster assistance. Subsequent findings showed additional improper and potentially fraudulent payments for IHP and acquisitions made using DHS purchase cards.

The following are some examples from our work related to the hurricane Katrina and Rita recovery efforts that are symptomatic of an ineffective fraud, waste, and abuse prevention program.

- Millions of dollars paid to individuals who used bogus damaged property addresses, invalid Social Security numbers, or duplicate registrations.

[5] GAO/AIMD-98-21.3.1.

- Millions of dollars in payments to thousands of registrants who used Social Security numbers that had never been issued or belonged to deceased individuals.
- Millions of dollars paid on over 1,000 registrations containing the names and Social Security numbers of individuals incarcerated in federal or state prisons during the hurricanes.
- FEMA provided thousands of registrants rental assistance money while at the same time providing rent-free housing in hotels, apartments, and FEMA trailers.
- FEMA provided about $20 million dollars in potentially duplicate payments to individuals who registered and received assistance twice, for both hurricanes Katrina and Rita, using the same Social Security number and damaged address.
- Several million dollars worth of IHP payments were made to ineligible nonqualified aliens.
- Several payments made of fictitious registrations that GAO submitted using bogus identities and addresses.
- A year after DHS used the purchase cards to pay for items intended to assist in providing disaster relief, 34 percent of these items could not be located and are presumed lost or stolen.

These examples highlight lessons learned with respect to the importance of federal and state governments establishing effective prevention programs in order to minimize such fraud, waste, and abuse. An effective program would include fraud prevention controls, fraud detection, monitoring adherence to controls throughout the entire program life, collection of improper payments, and aggressive prosecution of individuals committing fraud. These controls are crucial whether dealing with programs to provide housing and other needs assistance, or other recovery efforts. With effective planning, relief agencies should not have to make a choice between speedy delivery of disaster recovery assistance and effective fraud prevention.

The results of audit work on FEMA's IHP payments and DHS purchase card controls serve to emphasize the fundamental concept that fraud prevention is the most effective and efficient means to minimize fraud, waste, and abuse. Preventive controls should be designed to include, at a

minimum, a requirement that application data be validated against other government or third-party sources to determine whether registrants provided accurate information on their identity and place of residence. Further, such preventive controls should include physical verification, edit checks to identify problem registrants and claims (e.g., duplicates) before payments are made, and training on fraud awareness and potential fraud schemes for all key government and contractor personnel.

Although more costly and less effective than preventive controls, fraud detection and monitoring is also a necessary element of an effective overall fraud prevention program. Key elements of an effective detection process include data-mining for fraudulent and suspicious registrants and reviews to establish the accountability of property and funds. Our investigations into lost or stolen items bought for relief efforts show the importance of establishing and maintaining accountability over assets easily converted to personal use, such as laptop computers. Another element of an effective fraud prevention program is the collection of identified improper payments and the aggressive investigation and prosecution of individuals who committed fraud against the federal government. While our evidence shows that collection actions after money has gone out the door are far less effective than up front preventive controls, the deterrent value of prosecuting those who commit fraud sends the message that the government will not tolerate individuals stealing assistance money and serves as a preventive measure for future disasters. In addition, lessons learned from investigations and prosecutions should be used to improve up front fraud prevention controls as well.

Prior Findings of Fraud, Waste, and Abuse

Audit work we performed on FEMA's IHP payments and DHS's purchase card program identified widespread fraud, waste, and abuse. Findings from these audits and our related investigations show the result of ineffective preventive controls. As shown by our IHP work, ineffective preventive controls can result in hundreds of millions or potentially billions of dollars in improper and fraudulent payments. In addition, our work on DHS purchase cards showed that control weaknesses in government purchasing programs can also result in fraud, waste, and abuse.

Between February and December 2006, we testified on three different occasions that potentially improper and fraudulent activities related to the

IHP program are significant. Our February 2006 testimony[6] focused on control weaknesses that resulted in FEMA making thousands of Expedited Assistance[7] (EA) payments that were based on bogus registration data. Specifically, we found that FEMA made millions of dollars in payments on registrations containing Social Security numbers that had never been issued or belonged to deceased individuals. In addition, we also found that numerous registrations we selected for investigation contained bogus damaged address. We also successfully submitted fictitious registrations and received payments using bogus identities and addresses.

Our second testimony in June 2006[8] discussed breakdowns in internal controls, in particular the lack of controls designed to prevent bogus registrations. These breakdowns resulted in an estimated 16 percent or $1 billion in payments made through February 2006 based on invalid registrations. The statistical sample testing used to reach this estimate found payments made on registrations that contained invalid identities, bogus addresses, addresses which the registrant did not live in at the time of the disaster, and duplicate registrations. Our data mining also found that FEMA paid millions of dollars on over 1,000 registrations containing the names and Social Security numbers of individuals incarcerated in federal or state prisons during the hurricanes, and paid millions of dollars in IHP payments to individuals who claimed a Post Office box as their damaged physical address in order to receive assistance.

In our December 2006 testimony[9] we found additional instances of IHP fraud, waste, and abuse, including duplicate housing assistance provided to thousands of individuals living in FEMA-provided housing. Specifically FEMA paid registrants rental assistance money while at the same time providing rent-free housing in apartments and FEMA trailers. We also found that FEMA provided about $20 million dollars in potentially duplicate payments to individuals who registered and received assistance twice using the same Social Security number and damaged address. These

[6] GAO-06-403T.

[7] Because of the tremendous devastation caused by hurricanes Katrina and Rita, FEMA activated expedited assistance to provide fast track money—in the form of $2,000 in expedited assistance payments—to eligible disaster victims to help with immediate, emergency needs for food, shelter, clothing, and personal necessities.

[8] GAO-06-844T.

[9] GAO-07-252T.

individuals registered once for Hurricane Katrina and then again for Hurricane Rita using the same Social Security number and damaged address. FEMA also paid several million more dollars worth of IHP payments to registrants who were ineligible nonqualified aliens. Based on data we received from several universities in the area, we identified that FEMA made IHP payments to more than 500 ineligible foreign students, despite receiving, in some cases, evidence clearly showing that they were not eligible for IHP benefits. The December 2006 testimony also pointed to the small amount of money that FEMA had been able to collect from improper payments as of November 2006. Specifically, in contrast to the $1 billion in potentially improper and/or fraudulent payments we estimated through February 2006, FEMA had detected, as of November 2006, about $290 million in improper payments, and had collected only $7 million.

Our work on DHS purchase card controls found weak accountability over FEMA computers, printers, Global Positioning System (GPS) units, and other items bought for hurricane relief efforts using government purchase cards. Thirty-four percent of items obtained with purchase cards that we investigated could not be located and are thus presumed lost or stolen. As of October 2006, more than 40 computers, 10 printers, 20 GPS units, and 2 flat-bottom boats are missing. In addition, 18 other flat-bottom boats purchased by FEMA were in its possession, but FEMA did not own title to any of them. Based on these findings, and the findings on the IHP program, we have made recommendations to FEMA to develop effective systems and controls to minimize the opportunity for fraud, waste, and abuse in the future. FEMA has generally concurred with most of our recommendations and has reported on actions to improve prevention of fraud, waste, and abuse for the future.

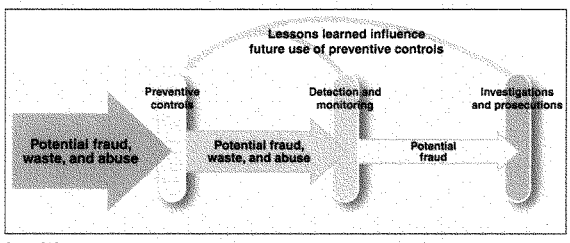
Framework for Fraud Prevention, Detection, and Prosecution

The results of our work serve to emphasize the overall lesson learned that fraud prevention is the most effective and efficient means to minimize fraud, waste, and abuse. It also demonstrates that the establishment of effective fraud prevention controls over the registration and payment process, fraud detection and monitoring adherence to those controls, and the aggressive pursuit and prosecution of individuals committing fraud are crucial elements of an effective fraud prevention program over any assistance programs with defined eligibility criteria, including disaster assistance programs.

The very nature of the government's need to quickly provide assistance to individuals adversely affected by disasters makes assistance payments more vulnerable to applicants attempting to obtain benefits that they are

not entitled to receive. However, it is because of these known vulnerabilities that federal and state governments need to have effective controls in place to minimize the opportunities for individuals to defraud the government. Figure 1 provides an overview of how preventive controls help to screen out the majority of fraud, waste, and abuse, and how detection controls and prosecution can help to further minimize the extent to which a program is vulnerable to fraud.

Figure 1: Program Designed to Minimize Fraud, Waste, and Abuse



Source: GAO.

The Importance of Fraud, Waste, and Abuse Prevention to Katrina and Rita Recovery Efforts

Preventive controls are a key element on an effective fraud prevention program and are also described in the Standards for Internal Control in the Federal Government.[10] The most crucial element of effective fraud prevention controls is a focus on substantially diminishing the opportunity for fraudulent access into the system through front-end controls. Preventive controls should be designed to include, at a minimum, a requirement for data validation, system edit controls, and fraud awareness training. Finally, prior to implementing any new preventive controls, and well in advance of any disaster, agencies must adequately field test the new controls to ensure that controls are operating as intended and that legitimate victims are not denied benefits.

Fraud prevention can be achieved by requiring that registrants provide information in a uniform format, and validating these data against other government or third-party sources to determine whether registrants

[10] GAO/AIMD-98-21.3.1.

provided accurate information on their identity and place of residence. Effective fraud prevention controls require that agencies enter into data-sharing arrangements with organizations to perform validation. In the current environment, agencies have at their disposal a large number of data sources that they can use to validate the identity and address of registrants. However, our work related to FEMA's management of the IHP program for hurricanes Katrina and Rita found that its limited—or sometimes nonexistent—use of a third-party validation process left disaster assistance programs vulnerable to substantial fraud. For example, FEMA's failure to implement preventive controls to validate the identity of individuals who applied using the telephone resulted in FEMA making millions of dollars in payments to individuals who used Social Security numbers that had never been issued or belonged to deceased individuals. Another method of data validation is through physical inspection of the disaster damage prior to payment. While physical inspections in a timely manner may not be possible to prevent all fraudulent and improper payments, our work found that FEMA continued to make payments without a valid physical inspection of our undercover registration's bogus addresses, months after the hurricanes had occurred.

System edit checks designed to identify problem registrants and claims (e.g., duplicates) before payments are made are also a crucial lesson learned with respect to ensuring that obviously false or duplicate information is not used to receive disaster relief payments. System edit checks are most effective if performed before distribution of a payment. Edit checks should include ensuring that (1) the same Social Security number was not used on multiple registrations and (2) the registrant provides a verifiable physical address on which the disaster damage is based. In the case of FEMA's IHP program, ineffective edit checks resulted in millions paid to registrants who claimed the same damages twice, once for Hurricane Katrina and once for Hurricane Rita, and registrants who submitted multiple registrations using the same name, Social Security number, or address. Ineffective edit checks also resulted in payments being made based on obviously false data, including payments of millions of dollars to individuals who used a Post Office box as their damaged physical address in order to receive assistance.

Beyond validation and edits, lessons learned show that other controls, including a well-trained work force that is aware of the potential for fraud, can help prevent fraud. Fraud awareness training with frontline personnel—specifically on the potential for fraud within the program and the likely types of fraud they could encounter—is crucial to stopping fraud before it gains access into the program. In addition, when implementing

any new controls, it is important to field test all systems prior to putting them in place. On top of reducing the risk of untested controls allowing substantial fraud, field testing also helps to ensure that new controls do not improperly deny benefits to valid registrants. A safety net for those registrants who are wrongly denied disaster relief due to preventive controls should always be in place to ensure they receive assistance.

Detection and Monitoring Help Assure that Funds Are Used for Disaster Recovery

Even with effective preventive controls, there is substantial residual risk that fraudulent and improper disaster relief payments can occur. Our work has shown that agencies must continue their efforts to monitor fraud and improper payment vulnerabilities in the execution of disaster relief programs, even if these efforts are more costly and less effective than preventive controls. Detection and monitoring efforts are addressed in the Standards for Internal Control in the Federal Government and include data-mining for fraudulent and suspicious transactions and reviews to establish the accountability of funds. Also, control weaknesses identified through detection and monitoring should be used to make improvements to preventive controls to reduce the risk for fraud, waste, and abuse in the future.

The data-mining we performed to search for anomalies in registrant data and purchase card transactions show how important constant monitoring and detection can be. Through data-mining, we found rental assistance payments to individuals who were residing in FEMA-provided hotel rooms, trailers, and apartments and payments to ineligible, nonqualified aliens. We found examples of multiple registrations citing the same address or bank accounts, and numerous residents in a damaged apartment building all relocating to the same location, which may also suggest fraud. By comparing applicant data in FEMA's own databases, we identified duplicate applications submitted for both Katrina and Rita, but intended to cover the same damage to the same residence. By comparing recipient data against federal and state prisoners' databases, we identified instances where prisoners had fraudulently registered for and received disaster relief payments while incarcerated. Our examples illustrate that data-mining efforts should be done in a manner that uses creative solutions to search for potential fraud using all available data sources. To the extent that data-mining identifies systematic fraud, intelligence should be fed back into the fraud prevention process so that for future disasters the fraud is detected and prevented before money is disbursed.

Depending on the type of assistance provided and the means in which the assistance was distributed, it can be important for an agency to monitor

the use of disaster relief funds. Our review of FEMA's IHP program found that while the vast majority of debit card transactions that were not withdrawn as cash appeared to have been used for disaster-related needs, we did find a number of purchases for nondisaster items such as football tickets, alcohol, massage parlor services, and adult videos. In addition, our review of items bought with DHS purchase cards found that many items bought for use in disaster relief were lost or stolen. By monitoring these types of uses, agencies may be able to ensure that disaster funds are used to help mitigate losses and not used for inappropriate items or services.

Collection Efforts, Investigations, and Prosecutions Are Far Less Effective than Up Front Fraud Prevention

Another element of a fraud prevention program is the collection of improper payments and the aggressive investigation and prosecution of individuals who committed fraud against the government. These back-end controls are often the most costly and less effective means of reducing losses to fraud, waste, and abuse. However, the deterrent value of prosecuting those who commit fraud sends the message that the government will not tolerate individuals stealing assistance money, and thus serving as a preventive measure for future disasters. Our experience is that investigations and prosecutions are a necessary part of an overall fraud prevention and deterrence program, but should be a last resort when all other controls have failed. For hurricanes Katrina and Rita, the Justice Department has set up the Katrina Fraud Task Force, which has successfully investigated and prosecuted numerous individuals who received assistance fraudulently from FEMA.

In December 2006, we testified to the difficulty of collecting on improper payments after they have been disbursed. Specifically, in contrast to the $1 billion we estimated to be improper and potentially fraudulent payments—an estimate derived from statistical sampling—FEMA determined that it had overpaid nearly 60,000 registrants about $290 million as of November 2006. These overpayments, which FEMA refers to as recoupments, represent the improper payments that FEMA reported it had detected and for which it had issued collection letters. Although FEMA had identified about $290 million in overpayments, as of late 2006, FEMA stated that it had only collected nearly $7 million. The small amount of money that FEMA had collected on overpayments related to hurricanes Katrina and Rita further emphasizes the need for preventing fraud, waste, and abuse prior to payments going out the door.

Lessons learned from our prior work show that, while investigations and prosecutions can be the most visible means to deal with individuals intent on perpetrating fraud schemes, they are also the most costly and should

not be used in place of other more effective preventive controls. Still, by successfully prosecuting such individuals, agencies can deter others who are thinking of taking advantage of the inherent vulnerabilities in disaster relief programs. We have already referred thousands of cases we have identified as potentially improper and fraudulent to the Katrina Fraud Task force for further investigation and expect to refer others for additional investigation and possible prosecution.

Conclusions

Our Katrina and Rita work to date has shown that there are at least tens of thousands of individuals that took advantage of the opportunity to commit fraud against the federal government. Our work shows that for one FEMA individual assistance program alone it is likely that over $1 billion has been lost to fraudulent and improper payments. With potentially billions of dollars of additional spending likely for Katrina and Rita recovery, state and federal agencies should implement lessons learned with respect to the importance of effective fraud, waste, and abuse prevention programs. With effective planning, relief agencies should not have to make a choice between speedy delivery of assistance and effective fraud prevention. Going forward, FEMA and other agencies involved in disaster recovery efforts must work hard to develop and institute effective controls that will ensure victims are provided assistance as quickly as possible while also minimizing fraud, waste, and abuse.

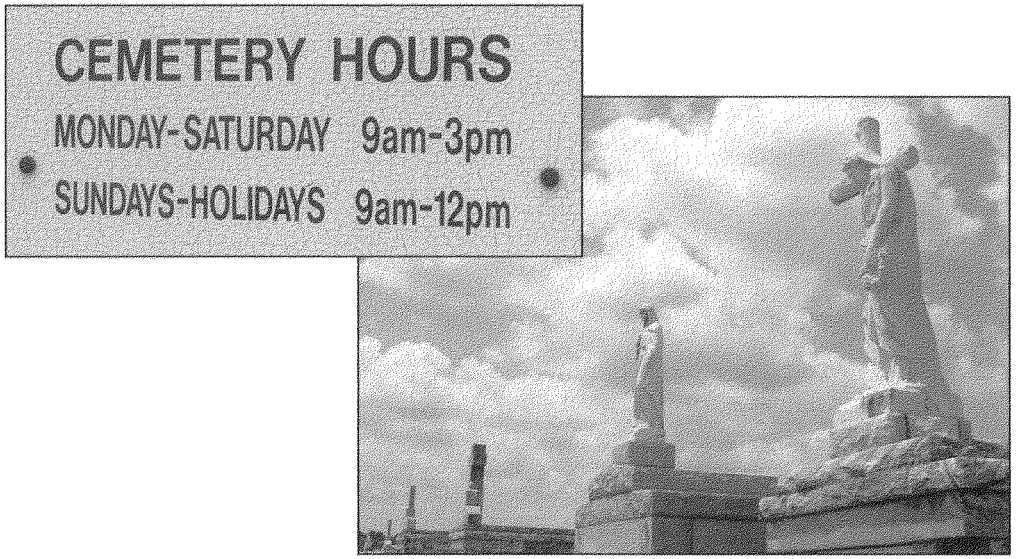
Chairman and Members of the Committee, this concludes my statement. I would be pleased to answer any questions that you or other Members of the Committee have at this time.

Contacts

For further information about this testimony, please contact Gregory Kutz at (202) 512- 7455 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

GAO

Bogus Address Associated With Potentially Fraudulent Case Study



Source: GAO.

GAO

Comparison of GAO Improper Payments Estimate with FEMA Overpayments and Collections

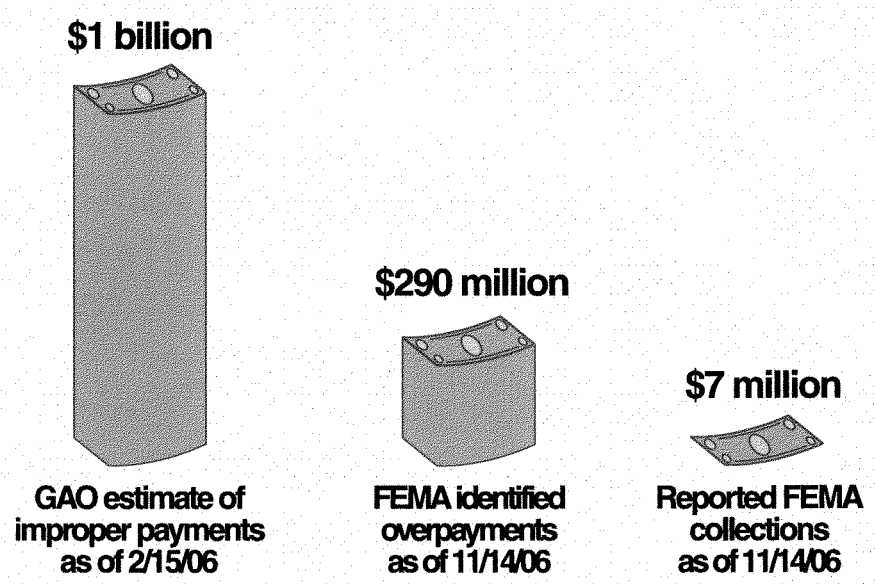
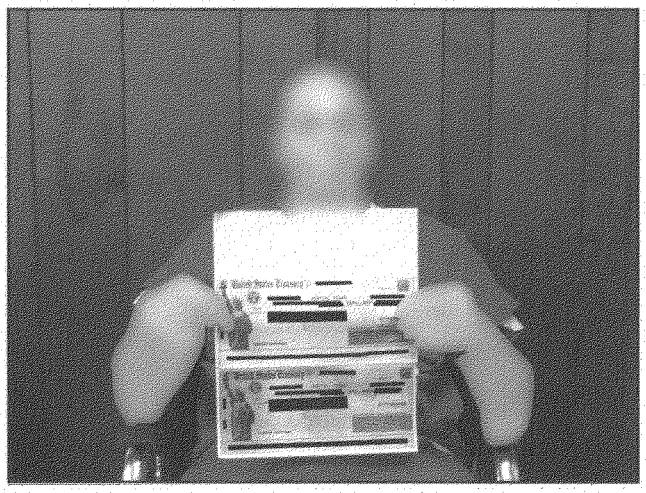


Illustration not to scale

Source: GAO analysis and FEMA data.

GAO
Accountability * Integrity * Reliability

Inmate Posing With Images of His $2,000 Expedited Assistance and $2,358 Rental Assistance Checks



Source: GAO (digitally altered).

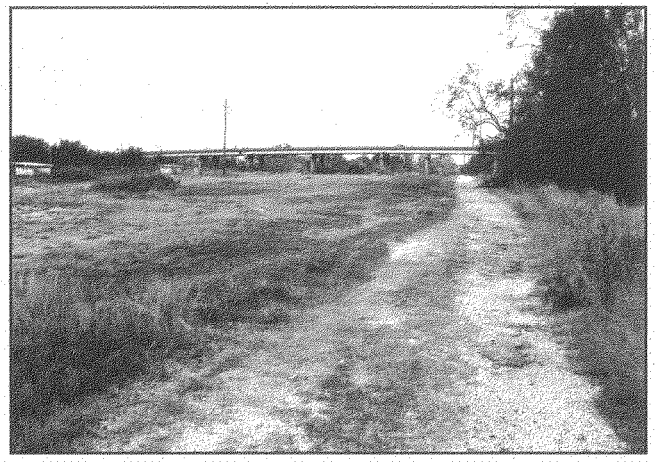
GAO

Unused MREs in El Paso, Texas

Source: U.S. Customs and Border Protection, Border Patrol Tactical Unit.

GAO
Accountability * Integrity * Reliability

Bogus Address Associated with Potentially Fraudulent Case Study



8 Individuals

61 Registrations with payments

$122,000 in payments

61 Social Security Numbers Used

Source: GAO.

Senate Committee on Homeland Security & Governmental Affairs

Hurricanes Katrina & Rita: Outstanding Need, Slow Progress

January 29, 2007

Testimony of C. Ray Nagin
Mayor, City of New Orleans

I am C. Ray Nagin, Mayor of New Orleans, one of America's most beloved and culturally distinctive cities, and a city which is facing the challenge of recovering and rebuilding after the worst natural and man-made disaster to occur in the United States of America.

To Chairman and Senator Lieberman, Ranking Member and Senator Collins, Senator Landrieu, Senator Obama, distinguished members and guests of the United States Senate Committee on Homeland Security and Governmental Affairs: Thank you for coming to New Orleans to continue your support for the rebuilding of our city. I also applaud the actions you took to establish subcommittees that will focus more thoroughly on recovery and preparedness issues. I am eager to work with the Disaster Recovery Subcommittee under the leadership of Senator Landrieu to better coordinate the recovery of our area.

I would like to again thank the American people and people all over the world for the generosity they have shown in responding to our needs with donations of money, supplies and human labor to help us restore our great city and our hope. I am humbled and amazed by the spirit of compassion and goodwill that we continue to experience in this region.

I. New Orleans Pre-Katrina

I would like to take a moment to describe New Orleans before Hurricane Katrina and the breaching of the levees. New Orleans had a population of 455,000 residents, more than $3 billion in construction activity, 215,000 housing units and a viable and growing Central Business District.

Tourism has always been the main economic driver of the city and prior to Hurricane Katrina, tourism hit a record, with 10.1 million visitors coming to the city each year and thousands of people cruising from our port.

Adding color and vitality to the city was "Hollywood South," one of the newest and most exciting activities taking place in New Orleans. It was rapidly making its mark as an

economic development driver as well, with multi-million dollar films being made in the Crescent City.

The economic landscape was also looking better for working families. We moved 38,000 people off the poverty rolls in the city. An estimated 40,000 businesses were in operation, representing $8 billion dollars in annual revenues.

II. Hurricane Katrina's Impact

Hurricane Katrina was the largest and most costly disaster in American history. More than 1,400 Louisiana residents lost their lives. Katrina produced the first mandatory evacuation in New Orleans history, and the largest displacement of people in U.S. history -- 1.3 million. More than 200,000 New Orleanians remain displaced.

New Orleans sustained 57% of all the damage in Louisiana. Of our 188,251 occupied housing units, 134,344 sustained reportable damage, and 105,155 were severely damaged. Residential damage in Orleans parish was $14 billion.

Statewide, 81,000 businesses were impacted. The City of New Orleans lost $168 million in annual revenue, 50 percent of its operating budget. City government was forced to reduce its employees by 3,000 — half its workforce.

What the wind didn't destroy, the water did. Approximately 95 percent of the city's nearly 350 buildings were damaged at an estimated cost of more than $400 million. This does not include equipment and inventory such as police radios and New Orleans Recreation Department supplies. For example, 700 city vehicles were lost, at a cost of $128 million. Experts predict Katrina's final damage totals will be about $250 billion.

Katrina affected our courts, prisons, schools, parks and playgrounds, pools and libraries. Our infrastructure, those physical and permanent installations that allow the city to provide basic services to its citizens, were decimated. This includes all utilities, roads, drainage, communications, water supply and other facilities, such as bridges and pumping stations.

With 80 percent of New Orleans under water for almost a month, the damage done by the moisture was extensive, but as harmful to our infrastructure was the damage done by the weight of the water. In all, 480 billion pounds of water poured into our city and sat for almost a month. Simply stated, portions of the city collapsed under the weight of the water. Entire areas were pushed even further below sea level. Hundreds of miles of underground utilities -- electric, gas, water, drainage, cable and phone lines -- were damaged.

Rebuilding our infrastructure is key to recovery in New Orleans and one of this administration's top priorities. We cannot begin to rebuild communities until we have these foundational needs in place to support them.

III. Immediate Response to Katrina

After the hurricane, we focused on five key areas: Search and rescue of people trapped and stranded; evacuation of the Louisiana Superdome, Ernest N. Morial Convention Center and bridges; patching the levee breaks; draining the floodwaters; and recovery of the dead.

After successfully dewatering the city, we conducted environmental testing to clear any concerns about toxicity, returned utilities to a delicate but operational level and began repopulation of the city in areas with little or no damage/flooding.

IV. Where Are We Now

Within one year, all hurricane-related repairs to city street lights on all major and minor streets were completed. The city utilized two contractors to replace 2,781 emergency stop signs. By the end of 2006, we repaired and replaced a total of 7,322 street signs and repaired more than 12,000 potholes. Since the flooding, we have also cleaned more than 3,000 storm drains and more than 350,000 feet of drain lines. In excess of 3,700 damaged parking meters are now working. And to date 7,747 vehicles have been towed from staging areas and public rights-of-way.

Hurricane Katrina also led to the largest clean-up in U.S. history. It produced 35 million tons of debris, enough to fill the Louisiana Superdome more than 10 times. To date, more than 90 percent of storm related debris has been removed from the city.

Although the New Orleans recreational department sustained more than $60 million in damages to parks and facilities, to date four multi-service centers, 33 playgrounds and 2 stadiums are open.

VI. Accelerating Our Own Recovery

New Orleans is a different place than it was in 2005 —the paradigm is shifting. *We can not use traditional government and business methodologies* in a Post-Katrina environment. The Executive Level of City government has been reorganized to reflect this shift. Operations, Planning and Development, Law and a new office of Recovery Management have been added to my executive team.

In addition, we have focused our own limited funding in a direction that will speed up the recovery and rebuilding process in the city to aid working families, seniors and small businesses. The top priorities for this administration are recovery, public safety, repopulation, infrastructure repair, responsible fiscal management and the enhancement of the quality of life for our citizens.

Today, we maintain a delicate, cautious balance of our limited general fund dollars. My finance team works diligently with an advisory board of economic and finance experts from around the country, and we have, for the first time, produced a five-year budget plan

that keeps costs in line with spending, ensures responsible management of the Community Disaster Loan (CDL) and focuses on responsible and realistic budget initiatives which center on public safety and recovery of our city.

Although I expect it to be several years before New Orleans is again as large as it was before Katrina, our population has grown steadily in the 17 months since the storm. According to a University of New Orleans survey, there are now between 235,000 and 250,000 people living in New Orleans.

I have committed to leveraging the limited resources that we have available to accelerate our recovery. To that end, we have launched several new programs to make it easier for citizens to repair their houses so they can return to their homes, their neighborhoods and our city.

A. *One New Orleans* Road Home Fast Track

I created the ***One New Orleans* Road Home Fast Track** program to enable New Orleans citizens to begin their home repair work while waiting for their proceeds from the Louisiana Road Home program, an initiative designed to provide homeowners with compensation of up to $150,000 for their losses to Hurricanes Katrina and Rita.

The two-year pilot ***One New Orleans* Road Home Fast Track** program provides construction loans to accelerate neighborhood revitalization projects throughout Orleans Parish. Homeowners can borrow up to $50,000 to renovate their Orleans Parish homes without waiting for their Road Home award. Homeowners would need to qualify for the loans, and the city would pay closing costs as well as the interest for six months on the amount of the homeowner's expected Louisiana Road Home award up to $50,000.

Homeowners pledge to repay the loan upon receipt of their Road Home awards.

The program was created by using $11 million in grant funds and locally generated dollars. Two local banks matched the city's investment 5 to 1 and began administering the process last week.

B. Gutting/Remediation

Many homeowners whose properties were destroyed as a result of Hurricanes Katrina and Rita cannot afford to hire contractors to do the work necessary to gut or demolish their damaged homes.

We created two programs during the development of this year's budget to address this issue. Our Gutting and Remediation program will use $15 million in grant funds to gut and board up to 5,000 homes. This program targets seniors and low- to moderate-income families.

The demolition program, which addresses the need to demolish certain properties, will use $5 million in grant monies to pay for 10,000 demolitions by the end of 2007.

C. Post-Katrina Adjudicated Property Program

We have involved the private sector in our recovery efforts as frequently as possible.

Through the Post-Katrina Adjudicated Property Program, 2,500 abandoned and blighted properties were awarded to non-profit community and private developers in August 2006. Another 4,000 properties are slated for award by the New Orleans Redevelopment Authority (NORA) by the end of 2007.

Adjudicated properties are sold for half of their appraised value.

D. Office of Recovery Management

As we accelerate our recovery, it will be led by our Office of Recovery Management, which is being directed by Dr. Edward Blakely, a renowned scholar, urban planner and redevelopment strategist.

The office will guide recovery and set strategy. It also will coordinate all Federal funds for the Parish and will interact with and be the primary contact for entities such as the Louisiana Recovery Agency (LRA), FEMA, HUD, Fannie Mae and many others.

E. Citywide Planning

Citywide planning is nearly completed and includes three phases:

i. Phase I – Revisioning

This phase was centered on the Bring New Orleans Back Commission, which I started 30 days after Katrina's landfall.

Key focus areas for the commission were land use, flood protection, public transit, culture, education, healthcare and economic development and governmental effectiveness.

The commission gave its final presentation in December 2005.

ii. Phase II – Neighborhood and Citywide Recovery Planning

This phase was funded by the New Orleans City Council, the Rockefeller Foundation and the Greater New Orleans Foundation. It involved the development of 13 district plans by people living in those districts with support from top national planning firms. These district plans have been knitted together with a set of city-wide strategies, implementation

and financing recommendations. The Unified Plan has involved citizens in New Orleans and the diaspora in unprecedented levels of public participation throughout its process. Two weeks ago, the final recommendations received resounding support in the third and final Community Congress meeting of more than 1300 citizens in four cities across the country.

iii. Phase III – Comprehensive Master Plan with accompanying CZO

The Unified Plan will be presented first to the City Planning Commission, then to the City Council and lastly to my office. It will then become the official blueprint for the city's recovery strategy, and will inform a comprehensive overhaul of the City Zoning Ordinance (CZO).

F. New Orleans Redevelopment Authority (NORA)

NORA is a key institutional partner in our recovery. NORA was established by the Louisiana Legislature "to eliminate and prevent the spread of slums and blight in accordance with community improvement plans."

NORA puts adjudicated, blighted housing back into commerce to create affordable housing options. NORA has been revamped to aid in the City's disaster recovery.

VII. Challenges to Recovery

A. Flood and Hurricane Protection

Our highest priority is to ensure the safety and security of our citizens. Our recovery will not be complete until the government can certify the level of hurricane and flood protection committed to us.

While we are grateful for the resources that have been sent to fulfill the promise made by the President and supported by Congress, we need and deserve the best-designed hurricane and flood protection in the world – not only for our citizens whose homes and businesses suffered for the faults in a system they had counted on, but for the important energy, transportation, and trade infrastructure that serves our region and the whole country. We ask Congress to fulfill the federal commitment made for 100 year protection, and to ensure that future protection levels are planned, funded and achieved.

The federal investments, alongside our local commitments to mitigation and risk management will ensure we as a nation never again face the horrifying and expensive situation that Hurricane Katrina and the flood brought upon us all.

B. Evacuation & Shelter

I want to thank this committee for the work it has done to restructure FEMA to provide more accelerated response and recovery to disasters. The lessons we learned from

Hurricane Katrina and our subsequent preparation for the 2006 Hurricane season lead me to suggest that further steps be taken to prepare all regions of the country for the possibility of a natural or man-made disaster.

Before Hurricane Katrina, the city successfully evacuated the approximately 90% of our citizens who had the means to self-evacuate. However, a significant portion of our population needed assistance to evacuate.

These individuals included those who rely on public transportation and do not even posses a personal vehicle, those that do not have the funds to self evacuate, the elderly who were unwilling to spend the many hours in traffic trying to evacuate the area, and those living in their home but still needing medical assistance. I would like to remind this committee that these type of citizens are not unique to just New Orleans; this is an issue that confronts every major metropolitan area.

For the 2006 hurricane season we worked diligently to solve this problem and developed an extensive Citizen Assisted Evacuation Plan that could have been implemented successfully had a major hurricane threatened the New Orleans area. This plan was dependent on State and Federal assets of buses, rail, and air that the city does not own and can not afford to contract for itself. The federal and state government accrued costs this year for having the resources available.

I believe it would be beneficial to ask FEMA to fund a cost benefit study of evacuation versus sheltering for the small but significant part of our population – 20,000 to 30,000 people who are unable to self evacuate and will need assistance to get out of harm's way. We know that millions need to be spent every year to have evacuation contingencies in place that analysis might show could be better spent on a state of the art permanent regional shelter. This study could analyze if the money spent towards the construction of a properly built facility to shelter citizens would, in the long run, be less expensive than the repeated evacuation of New Orleans citizens when hurricanes threaten.

Even if construction of a hurricane proof shelter is the course of action taken for hurricanes, being prepared for "all hazards" would still require the development of effective evacuation plans. As stated earlier, our evacuation problems are the same as any other metropolitan area and for that reason I strongly encourage you to push for the development of a National Rail Evacuation Plan with AMTRAK that would be available to all jurisdictions in preparing for disasters.

Coupled with this should be the establishment of Federal Regional Sheltering Plans capable of housing thousands of evacuees in the event of disasters in any part of the country. The state of Louisiana's sheltering plan requires the movement of the most populated portion of the state to much less populated areas of the state to be apportioned among every church, school, or any other type facility capable of housing individuals. Other states are asked to assist if the evacuation needs exceed the available resources. A Regional Shelter destination maintained and operated by the Federal government would provide a far more effective and viable means by which to shelter individuals. This

concept could be even more important in the case of a Weapons of Mass Destruction event in a major city.

C. Public Assistance and Funding

A principal issue hampering the recovery effort relates to the slow pace and awkward method of funds reaching the local level. The public infrastructure of the City of New Orleans -- including city office buildings, courts, police and fire stations, streets and playgrounds -- experienced damages estimated to be over $1 billion. The primary resource for the reconstruction of public infrastructure is Public Assistance in the Robert T. Stafford Act, which is a reimbursement program. The extent of the damage to our economy and the magnitude of the damage to our infrastructure make it impossible for us to finance our own recovery up front. As of January 18, FEMA had written 815 project worksheets totaling an estimated $324 million; the city had received only $145 million in reimbursements from the state – a deficit of almost $200 million on an estimate already significantly below what the cost of replacement or reconstruction is expected to be. These figures reflect only the City Government's needs, and are much larger when added to those of other major agencies, such as the New Orleans Public School System, Sewerage and Water Board, and Regional Transit Authority.

A needed change to the Stafford Act would establish a definition of "catastrophic disaster" for events such as Katrina to be differentiated in scale from "major disasters," and to amend the timeframes and formulas for assistance that a "catastrophic disaster" would call for. The extent of the devastation should determine the level of response. This trigger should automatically provide up front funding, extend deadlines for applications for assistance, extend the 100% reimbursement time frames for emergency work, increase assistance calculations for all grant programs and make provisions for rapid delivery of operational funds for devastated jurisdictions and their critical agencies.

Our Criminal Justice System provides an excellent illustration of FEMA's systematic problems of under-valuations. FEMA has obligated a total of $98 million for the rebuilding of our Criminal Justice facilities, most of which was for emergency costs immediately following the storm.

The city estimates it will cost $68 million to restore our Criminal Justice System. FEMA has obligated only $14 million for permanent repairs to these facilities -- 20 percent of the amount we need. This includes neither the City's estimates for police district stations nor any allowances for mitigation under Section 406 of the Stafford Act, which could add an additional $35 to 45 million in eligible costs.

Even in the face of these daunting realities, we continue to find creative solutions for leveraging the limited resources that we have to rebuild our city and help our citizens return home. Last year, with the cooperation of City Council, we were able to change Ordinances to allow us to use approximately 0$30 million of our own funds that were

slated for other projects such as our libraries and recreational facilities and apply them to critical structures such as the criminal court buildings to accelerate our own recovery.

D. Community Disaster Loan

In the last Congress, a special provision was made to lift the cap on the amount available through the Community Disaster Loan Program. At that time, an additional change was inserted to remove the President's discretion over loan cancellation based on need. We now ask for a provision to be put back into law to allow the cancellation of these loans. This is a remedy that has been available to other jurisdictions that have suffered a disaster, and we ask for the same provision in New Orleans.

E. Housing

With so many units destroyed by wind and water, New Orleans is experiencing a crisis in the availability and affordability of housing units. The private market, aided by some of the tax incentives of the GO Zone passed by Congress, is providing some relief. Twelve thousand units in major apartment complexes are back on line or under construction. Individuals have obtained more than 130,000 building permits since Katrina for a dollar value of $3.5 billion – a number that represents the acquisition of what typically would be five years of building permits in one year. Many of these projects have moved forward, but many are held up by delays in the release of funds from the Louisiana Road Home program. As of January 24, more than 101,000 homeowners in Louisiana had applied for funding; 258 had received their awards, which averaged $82,581.

F. Availability and Cost of Insurance

In the aftermath of Hurricane Katrina, many insurance companies have stopped writing policies in Louisiana or are charging exponentially higher rates than before. We will work with the state and will ask Congress to help identify short term remedies and long term solutions to this crisis.

The federal government has an important role in providing a strategic backstop to state and regional programs so that insurance is available and affordable to everyone.

G. Healthcare

We have made great strides in enhancing the provision of healthcare in our city. Immediately following Katrina, all hospitals in New Orleans were shut down. Today, seven hospitals in the city proper are either open or undergoing renovations. The hospital bed capacity in the region has increased significantly and will continue to increase. Although we have lost large numbers of health care professionals, we are to receive grant funding from the Department of Health for recruiting to fill that gap. Our ultimate goal is to institute a better model of healthcare that will allow citizens to have insurance so they

will have a legitimate choice in their options and healthier outcomes. To that end, Dr. Kevin Stephens, director of the City of New Orleans Health Department along with a committee of dedicated medical professionals have presented a groundbreaking health plan to the State. I have also received support from Secretary of Health Michael Leavitt on developing a modern, effective health care model for all citizens.

The provision of mental health services poses a particular challenge in a region that has seen such loss, death and destruction. The city has observed higher levels of stress and depression, which is understandable in light of obstacles our residents face in reestablishing their lives in a changed environment. The city has fewer than 50 hospital beds for inpatient psychiatric care - about 17% of pre Katrina capacity. We estimate that 20 of the 200 psychiatrists who were here before the storm have returned to continue their practices. The City's Health Department is in the process of assessing our community's mental health needs and is in dialogue with local and state health officials to develop strategies to increase the mental health resources that are available for citizens.

H. Public Safety

In our pioneering efforts to rebuild our city, we also are uncovering a dark side of our progress – crime. As our city has repopulated, violent crimes have increased as criminals have attempted to redraw turf boundaries within a smaller "footprint."

At the same time, reduced staffing levels in the police department have reached a critical point. According to a study by The Rand Corporation, our attrition rate is approximately 17 police officers a month, double the attrition rate before Katrina. At that rate, the police department could lose more than 200 police officers a year.

Public safety has been a critical concern of our administration and we have made aggressive efforts to focus on violent crimes, targeting murders. In increasing the presence of police officers on the street, shared cooperation with the Criminal Sheriff's Office, the District Attorney, judges and the community, we are confident that for the first time, we have all aspects of criminal justice system on the same page and we will not give up until we make our streets safe. We also would like to thank the Federal government for its support of our police department in helping to make our streets safe.

VIII. Close

Those of us who witnessed the darkest days and have participated in the daily struggle to bring back the city we love can see the forward direction in which New Orleans is moving. But we all know there are too many who have not yet found a way to come home and that monumental tasks lie ahead in rebuilding the infrastructure that will support their needs.

I do not profess to have all the answers, but the experience of Katrina, the worst national disaster in the history of the United States, has forced us look at response and recovery in

a totally different manner. I truly hope that no other city experiences devastation at the level we have during the last 18 months. I feel strongly that by championing some of the above concerns, your committee can better prepare this nation for any disaster that might occur, whether natural or man-made.

As mayor of the city of New Orleans representing citizens who have returned to the city and those still scattered all over the country, I cannot express to you the urgency of my testimony today.

Although, I have outlined some of the steps we have taken to replace city services and discussed my administration's commitment to speeding up our own recovery with whatever funding we can find, the reality is that it has been 17 months since Katrina, Rita and the flooding that followed and citizens are tired, frustrated and angry. Worst of all, they are losing hope. We need systemic, meaningful change now.

Ladies and gentlemen, thank you for allowing me to speak with you on the status of our recovery and the challenges we and the nation face. I believe the proposed policies and legislation will accelerate our recovery and assist any other city that faces a disaster of catastrophic proportions. With your assistance, our hard work and the good will of the American people, we will succeed in rebuilding this queen of American cities.

WRITTEN TESTIMONY OF WALTER LEGER, MEMBER OF THE BOARD
OF THE
LOUISIANA RECOVERY AUTHORITY,
BEFORE THE
U.S. SENATE SUBCOMMITTEE ON RESPONSE & RECOVERY

JANUARY 29, 2007

Senator Lieberman, Senator Landrieu, and Members of the Subcommittee, thank you for inviting me to speak to you today about the progress of Louisiana's recovery after Hurricanes Katrina and Rita, and some of the issues that are slowing our efforts to bounce back after these catastrophic storms. Your interest and concern is greatly appreciated. I am with you today on behalf of our Chairman, Dr. Norman Francis, who sends his regards to you as you pursue this Subcommittee's work today and over the coming year. Through Senator Landrieu's nomination, Dr. Francis was recently awarded the Medal of Freedom by President Bush, and he has been a courageous and tireless leader throughout his life, as well as throughout the recovery effort.

My name is Walter Leger, and I am a member of the Board of the Louisiana Recovery Authority and a long-time resident of St. Bernard Parish in southeast Louisiana. The Authority, more commonly known as the "LRA," was created by Governor Kathleen Blanco to coordinate recovery efforts and special funding related to Hurricanes Katrina and Rita. I serve as the Chair of the Board's Housing Task Force. The LRA works in tandem with the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), who administers the State's responsibilities related to FEMA's Public Assistance and Hazard Mitigation Programs -- and in fact, Colonel Jeff Smith from GOHSEP is sitting here in the room with me today. The LRA also works with the Division of Administration's Office of Community Development, 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. Suzie Elkins from OCD is also here in the room with me today. Together, our organizations have worked closely with FEMA, Chairman Powell's office, HUD, SBA, state agencies, the Parishes, 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 start my testimony today by providing my sincerest thanks to the Congress for their unprecedented generosity and concern for Louisiana and its citizens after Hurricanes Katrina and Rita impacted our state. Even with all of the problems and all of the concerns, we recognize that you have done your best to be responsive to our recovery needs, and that you too have been blazing new trails in trying to meet the needs of our State. These disasters caused

damages the like of which we have never seen in our country before, and your willingness to help and your desire to rise to the challenge has been noted and appreciated.

The suffering of the people and communities of south Louisiana has been truly extraordinary – more than in any other disaster in United States history:

- Katrina and Rita represented an over $100 billion event, including insurance and other losses. Think of it – a hundred BILLION dollars! That's more economic impact on Louisiana and our country than it takes to pay for 500 days of the Iraq war!

- Over 200,000 homes were destroyed in our state by Hurricanes Katrina and Rita, more than six times lost in Mississippi and dramatically more lost than in any other disaster ever.

- We had some parishes, including my home parish of St. Bernard, which experienced devastation over 100% of the footprint of the community.

- More than 1.3 million people were evacuated during the period after the storms, and to date, approximately a quarter-million are still unable to return to their homes due to disaster damages.

- More than 81,000 businesses were affected by the storms in the most impacted parishes, including over 18,000 businesses, both large and small, that suffered direct flooding or catastrophic damages. In the most devastated parishes, there are 4,200 fewer business establishments today than there were prior to the storm. And the hemorrhaging is not yet over – with fewer customers, mounting debts, and employees returning to the south Louisiana coast, and given uncertainties about the level of protection that many communities can expect from Federal levees, we have solid evidence that we are continuing to lose businesses even today.

- The loss of these businesses directly translates into a loss of employment for citizens. As of the end of the second quarter of 2006, the labor market making up the Greater New Orleans area was still down 127,800 jobs (21%) from pre-Katrina levels. Although it has recovered faster than Southeast Louisiana, the labor market making up the Southwest Louisiana/Lake Charles metro area remains down by 415 jobs. Although it might seem these jobs merely shifted elsewhere, that does not bear out either: At the statewide level, Louisiana remains down overall by about 84,100 jobs.

- And our communities themselves became victims of this disaster, often losing so many personnel and tax base that their very capability to recover has become strained.

Given the level of impact from these back-to-back storms – which individually were the first and third most costly disasters in U.S. history – it is surprising that we are as far along as we are right now. In the past sixteen months, we have worked with FEMA, the Department of Housing and Urban Development, and others, and have actually achieved a great deal together:

- Over $2 billion in Federal assistance – nearly twice that disbursed in Mississippi and substantially more than distributed in similar time frames in response to any other disaster in history – have been provided to our local and parish governments to reimburse them for debris removal, emergency protective measures, and to begin permanent repair work on public facilities and infrastructure;

- Our debris operations – Federal, State, and Parish – have made great progress, with over 62 million cubic yards of debris removed from our streets and neighborhoods;

- Approximately 96% of all assistance requested by our Cities and Parishes thus far that was eligible for payment through FEMA's Public Assistance Program to fix public buildings and infrastructure has been provided;

- We have designed and are implementing *The Road Home*, the largest single housing program ever created and implemented. We are using both HUD CDBG and FEMA Hazard Mitigation funding to compensate homeowners who are repairing and rebuilding housing that was significantly damaged by the hurricanes;

- Our programs will also see over $3 billion invested in the creation of over 30,000 units of affordable rental housing, including many thousands of units located in new mixed income communities. A special program for small landlords is being launched today to help repair their properties;

- In order to contribute to the economic recovery, Louisiana has launched a loan and grant program to assist thousands of small business with grants to keep the succeeding businesses afloat, funds to address our critical workforce shortages, and incentives to retain and attract vital research leaders at our impacted colleges and universities;

- The LRA has led a regional planning effort, and has supported local planning efforts, to look at how to leverage the recovery period so that South Louisiana rebuilds safer, smarter, and stronger than it existed before the 2005 hurricanes; and

- The Governor and the Louisiana legislature have addressed countless recovery issues and have expended substantial resources to address needs that are not met through Federal appropriations and programs.

Unfortunately, despite this progress, our South Louisiana communities are still suffering greatly – more than they should be this long after a disaster. In many ways recovery has yet to be felt in our neighborhoods, and in our homes. My neighborhood in St. Bernard Parish is a perfect example – most homes are still vacant and heavily damaged, roads, water and sewer are in disrepair, most businesses have yet to return.

The simple truth is that recovery is not happening quickly enough. Things need to change.

One common thread weaving through most of the problems we are having with recovery relates to one simple fact: that the Stafford Act and its implementing regulations, as well as many other

Federal programs, were never designed to address the needs of States and communities that are impacted by truly catastrophic disasters. Instead, FEMA, HUD, and we have been forced to continually try to fit a square peg into a round hole in an effort to help people and their communities, often with great difficulty, delay, and limited effect.

The cost burden of these catastrophic events, both on the State of Louisiana and on our Parishes, has made it difficult – or even impossible in some instances – for us to meet the requirements of our recovery while maintaining even basic governmental services.

We have not been able to sufficiently assist the most impacted parishes and local agencies to help them grapple with the extraordinary tasks that they now face. Simply put, many of the most hard-hit local governments and organizations are overwhelmed, and neither we nor FEMA have all the tools we need to help them. And many of the actions we must take in order to deliver the assistance we need to deliver – such as housing assistance provided through the Road Home program and infrastructure repair funding – remain burdened by conflicting and complex Federal program requirements, rules, and regulations that hinder our recovery.

I would like to take a few moments of your time to discuss some of the problems we now face, and how they are impacting our recovery. Before beginning, I want to stress that my purpose in mentioning these issues is not to cast blame. Instead, it is in an effort to be constructive, in hopes that Congress and the Administration can begin to address the problems we have before us and make the necessary changes to rule, regulation, or law to address the needs that we now have, and to prepare our country to more effectively help others in future catastrophic disasters.

Furthermore, it appears that federal funding allocations have not been made judiciously and in recognition of the disparity of damages afflicted upon Louisiana by comparison to other states. In every category of damages – from schools shuttered, homes damaged, businesses ruined, citizens displaced, unemployment assistance paid, and simply the geographic area of damages from being Ground Zero for two catastrophic storms in 2005 – Louisiana suffered the disproportionate share of damages, and its recovery will logically require the higher share of assistance to recover. However, in most categories of federal assistance in response to Hurricanes Katrina and Rita, Congress and federal agencies have repeatedly awarded funds in proportions that are not reflective of damages and needs.

At the LRA, we strive to ensure that funds are allocated according to damages to our most impacted parishes. Furthermore, following our own course of action, HUD has enacted requirements that a certain percent of disaster CDBG funds allocated to Louisiana must be spent in the most severely damaged parishes. Sadly, the same course has not been followed by Congress in dealing with its disaster fund allocations across many areas of federal assistance – disaster CDBG funds, university assistance, and an alternative housing pilot program, to name a few.

This is done to the detriment of Louisiana's citizens and its recovery. While the State of Louisiana has focused its immediate funding priorities to address housing and infrastructure repairs, our economy – particularly our small businesses – and our communities' recovery plans will require additional assistance as they fight for survival.

The stakes have never been higher. Some of the issues I am about to discuss with you could very well derail the long-term recovery of south Louisiana if they cannot be successfully addressed. They could also have devastating effect on State services, the economy, and the very culture that makes our state both bright and vibrant, unless together we can take appropriate action. Without the nation's help – YOUR help – the pace of recovery in south Louisiana will continue to be slow, and both Louisiana citizens and our nation will suffer for it.

COST SHARE BURDEN:

The costs of responding to truly catastrophic disasters such as Katrina and Rita are extraordinary at all levels of government. For the State of Louisiana, the impact for FEMA cost-share alone, even after it was adjusted from 75% to 90% Federal share for Public Assistance, is over $1 billion. This, in a state that generates only about $7 billion in annual tax revenues! This $1 billion bill also does not include the many costs absorbed by the State which are ineligible for Federal reimbursement, including paying for the increased demand for social services, support for economic development and recovery; helping our communities plan their futures in the wake of these catastrophic events; paying to bring buildings up to the International Building Code (which will make them safer from future disasters); and paying for facility repairs that are required by law but not covered by FEMA assistance or insurance.

At the local level, some of our parishes have had their economic heart torn out through the loss of tax base, residents, and economic vitality. Some of our communities are struggling to survive.

Based on this severe impact, *and the fact that much of the damages we experienced were the result of the failure of Federal levees which should have held in the face of a Category 3 event like that which we experienced*, we need the Administration's and Congress' support to adjust the Federal cost-share to 100%. It is all about the severity of the impact and the need to treat Louisiana fairly. After the tragedy of 9/11, Congress provided New York with 100% federal cost share to recover from the disaster. They looked at magnitude of what the city was facing and leaned forward to cover much of the expense. FEMA also approved significantly higher cost share adjustments for numerous disasters including Hurricanes Hugo, Andrew and Iniki, yet the same favorable treatment has not been shown Louisiana even though the projected per capita impact of Hurricanes Katrina and Rita in our state exceeds the costs of those disasters by many multiples. In fact, Louisiana's per capita impact is projected to be $6,700 for every man, woman and child in the State – more than thirteen times that of any other disaster in U.S. history.

As of this point in time, the State of Louisiana as already paid its fair share of costs for this disaster. In addition to disaster costs unrelated to Federal relief programs, we have also paid approximately $400 million to FEMA already to match costs associated with their programs. We are doing what we can, but there are limits to what a state the size of Louisiana can do for itself. We are stretched and are nearing the breaking point.

<u>The federal government should waive this state cost-share responsibility, as they did for New York following 9/11, and increase the federal cost share to 100% for all disaster relief programs authorized in the Stafford Act including public assistance and hazard mitigation</u>. In the case of

Public Assistance, this would only require a regulatory change, as the Stafford Act provides for a minimum Federal share of 75%, but offers no maximum cost-share. The President has this authority to make this happen today. In the case of Hazard Mitigation and Individual Assistance, this would entail an amendment to the Stafford Act or providing an exception to the cost-share structure found in that legislation.

In the face of such catastrophe – particularly since much of it was the result of the failure of levees for which the Federal government had responsibility -- Louisiana's communities should not be required to come up with billions of dollars in cost share.

GLOBAL MATCH

In absence of adjusting the cost-share match requirement for the State, another issue that we face in the recovery – and the one that could have the most immediate impact on our ability to continue current disaster operations – is the issue of Global Match.

In its simplest form, this issue revolves around the State's ability to utilize a portion of the approximately $12 billion appropriated by the Congress to the State of Louisiana through the Department of Housing and Urban Development's (HUD's) Community Development Block Grant Program (CDBG) to support our recovery.

When Congress generously provided its appropriation to help the State meet its immediate needs, the Governor and the LRA determined that the majority of the CDBG funds would be allocated to the "Road Home" program for providing housing to Louisiana citizens. Consistent with Congressional intent however, the State committed a portion of the HUD dollars to cover the non-federal cost-share match of FEMA's public assistance (PA) and hazard mitigation programs.

Unfortunately, due to restrictions placed on the use of the CDBG funds by law and a lack of flexibility at the Federal level, it is not possible to effectively use these funds for the non-federal share of the PA program funds. This is because the following criteria must be met in order to utilize the CDBG funds:

1. Environmental requirements placed on CDBG are more restrictive than FEMA's. FEMA is authorized categorical exclusions that expedite the process but HUD must require full review. This would have the effect of slowing the recovery of south Louisiana;
2. It is not possible to retroactively implement environmental reviews, yet the requirements of the post-disaster environment necessitated quick action on projects even before Federal appropriations were approved by Congress or made available to the State by HUD;
3. CDBG funds can only be used for permanent restorative work excluding contents, yet contents are eligible for reimbursement under the Stafford Act; and
4. The Davis Bacon Act applies to the use of these funds, which will potentially exclude many smaller companies from participating as contractors on related work due to the financial and reporting requirements that must be maintained under the Act.

Because of these restrictions and differences between FEMA and HUD programs, if any CDBG funds are used on an eligible project, that project must be monitored by TWO federal agencies: HUD (due to the expenditure of the 10% of project costs using CDBG funds) and FEMA (who oversees the application of their 90% share of the project costs). Based on the current policies and procedures, all 20,000+ project worksheets – which are individual descriptions for any public assistance repair project – and their additional versions will have to be monitored by two separate state and two separate federal agencies utilizing different criteria.

As you can see, this has raised serious concerns in Louisiana in terms of our ability to utilize CDBG funds as the Governor and Congress intended. To address these problems, the State of Louisiana has proposed implementing a more straightforward procedure which is referred to as '"Global Match." Global Match would ensure that all of the eligible financial requirements are addressed in a timely manner while adhering to all applicable federal, state and local laws, regulations and policies. Through the "Global Match" process, the state will guarantee that the funds obligated by the Federal Government through FEMA and HUD will be closely monitored to ensure that there will be no duplication of benefits and that 90% of the eligible project costs will be paid with FEMA funds and 10% will be funded with HUD funds across all projects. It will not occur, however, on each individual project – instead, the funds necessary to total the 10% cost-share match for PA and Hazard Mitigation will be drawn from CDBG and utilized to fund 100% of otherwise FEMA-eligible project work. This will allow the CDBG and FEMA program funds to be spent on individual projects without "mixing" the resources from both programs for all 20,000+ project worksheets, ensuring that administrative and program requirements can be met and the recovery process in south Louisiana can move along more quickly.

This Global Match approach to the provision of cost-share is clearly allowed under FEMA's regulations under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. And interestingly enough, Global Match is allowed and is a common practice under FEMA's Hazard Mitigation Grant Program, also authorized by the Stafford Act. Yet in Louisiana's case, FEMA has refused to approve our request for Global Match for the Public Assistance Program.

The State of Louisiana has taken what I believe to be a common sense and cost- and resource-efficient approach to solving the problems of combining FEMA and HUD monies through its global match proposal. *And if implemented, it will cost the Federal government no additional money.*

In the absence of a solution, or Congress providing legislative language that either eliminates the cost-share requirement or eliminates the many restrictions that remain on the two pots of funding, the State and locals may have to literally cease operations for lack of available funds to cover cost-share. Although the state has other needs for these infrastructure CDBG funds, the state has set these funds aside for match obligations to Public Assistance. With an allowance of a 100% cost-share, the state could distribute these funds to other infrastructure recovery projects in the most devastated areas. However, barring that solution or a solution to make Global Match work, the money to cover these costs simply does not exist elsewhere.

HAZARD MITIGATION FUNDING AND THE ROAD HOME HOUSING PROGRAM

Another legal and regulatory issue that we are facing right now deals with the use of Hazard Mitigation Grant Program (HMGP) funding as part of the Road Home housing program. As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the program out of the mitigation pool available to the State.

This issue has been of great concern to the State of Louisiana, not only because of its impact in terms of time and available resources for the State's housing recovery program, but also because Louisiana included the $1.2 billion of HMGP funding in the Road Home at the direction of the White House and Chairman Powell. The State did not want to use HMGP monies in this way – but we were told that the Administration would not support a request for funding at the level we actually needed, and the use of HMGP money in the Road Home would be necessary to gain approval.

The issue here is the layer upon layer of program requirements of the Hazard Mitigation Grant Program, and our inability to obtain flexibility – or even answers to our questions – on how these provisions can be made to work so as to permit the funds to be utilized as part of the Road Home program.

As you are aware, the design of the Road Home program was developed by the State in close coordination with the Office of Gulf Coast Recovery, in consultation with FEMA and HUD. According to that design, the Governor made a commitment to building back safer and stronger than before by including funding for mitigation. Based on our projections we planned on using $1.2 billion of HMGP funding and more than twice that in CDBG funding to help people elevate their homes, relocate out of harm's way, and incorporate cost-effective mitigation measures in reconstruction.

With regards to the HMGP funding, we anticipate funding two major activities related to housing: (1) the voluntary acquisition of structures on sites that local governments wish to return to open space; and (2) the provision of grants to program participants of up to $7,500 to fund individual mitigation measures on their repaired or new homes – such as installing shutters or hurricane strapping against wind, or elevating appliances to reduce flood losses.

Our desire to pursue mitigation funding for these activities was communicated clearly to FEMA in meetings for more than six months, however in order to fully design the Road Home and establish the structure and systems necessary to manage these resources according to FEMA's rules and requirements, we needed a number of critical answers to questions about how we could make the funding apply. Many of these questions have yet to be answered by FEMA, and some of the answers we have received not only took many months to get, but also raised as many new questions as they answered.

The unfortunate reality is that when we ask questions and need answers on tight timeframes, we don't get the response we need when they are needed. It often takes many months to get a response if we get one at all, and it is extremely rare to get those responses in writing. Whatever

the reason for the delays – be it the multiple layers of review in Washington, the limited willingness of staff to "stretch" and provide guidance on issues that have never come up before, or simple bureaucratic red tape, in the delivery of disaster relief, this type of delay is unacceptable.

Because our questions have persisted unanswered for so long, the State finally prepared and submitted formal applications to FEMA in on December 4 of last year, two for housing acquisition through the Road Home and two for individual mitigation measures. Our hope was to force answers to our questions by presenting FEMA with our proposed structure for the program. What we received back, unfortunately, was not answers to our questions. Instead, we received denials from FEMA related to the use of HMGP funds for acquisitions under the Road Home that provide no citation of law or regulation supporting their decision, and offering no explanation of how we can modify the applications to make them acceptable. And we still have not received an answer to our applications for individual mitigation measures, even though in meetings as far back as August the State and FEMA agreed that the approach we were suggesting would work and the issues have been vetted between the parties for many months.

Unless some accommodation can be made, the current state of affairs may result in our inability to use HMGP funds for the Road Home and may threaten the financial viability of the program for our citizens.

In the denial letter related to supporting home acquisitions, the reason for FEMA's rejection come down to concerns over equal treatment. Specifically, FEMA indicated that they could not fund the State for the Road Home because some of the parishes are pursuing housing acquisitions under different eligibility and with different funding requirements through the more "traditional" HMGP program. In a letter from Director Paulison, FEMA questioned whether it would be fair to cap assistance at $150,000 under the Road Home when the only test under the traditional HMGP program is cost-effectiveness; and whether it would be fair to provide reduced acquisitions funding eligibility for those who are moving out of state or those who did not have flood insurance even though they were in a mapped floodplain, when under the traditional HMGP program the parishes do not have such restrictions.

The fact here is that the provisions that FEMA indicates are troublesome are extremely important to the State's recovery. The funding cap on assistance through the Road Home was put in place out of necessity – even though Congress provided our State $12 billion in special appropriations, our best estimates of the actual need in our state for housing, infrastructure, economic development, social services, and other critical needs was closer to $18 billion. Since we were unable to secure all of the funding we needed, we had to make trade-offs. The simple fact is that we chose to cap the funding available under the program in order to stretch the limited funding we had available to support our State's housing needs so as to provide at least a reasonable level of resourcing to everyone who had significant damage to their homes as a result of Katrina and Rita. If we lift this cap in order to meet FEMA's concerns, we will bankrupt the Road Home, and many of our citizens will be left without any assistance due to lack of funds.

It should be noted that the need to provide housing assistance after a truly catastrophic series of events like Katrina and Rita is different from garden-variety disasters. It's not just about helping

people – it's about restoring neighborhoods and cultures through the redevelopment of housing. It's important to remember that we didn't have a few hundred or a few thousand homes impacted. We had over 200,000 homes. Entire parishes, entire cultures were devastated. 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 go elsewhere. This provision is critical to the rebirth of south Louisiana. And since we provide all Road Home participants with a choice of all options – including ones that do provide full market value if they return home – we believe there is no inequity in the program. People can make their choice on an equal basis.

FEMA was concerned about our decision to design the Road Home so that people who should have had flood insurance but didn't receive 30% less grant assistance under the program. This provision actually supports the intent of Congress and the National Flood Insurance Program by recognizing that those who live in mapped floodplains but do not purchase and maintain insurance should not be treated the same as those who did the right thing and had flood insurance on their properties. To do otherwise would penalize those who paid for flood insurance over the years – Why would anyone ever buy flood insurance if they believed they would receive the same assistance after a disaster as someone who did not have the coverage? A rational person would save the money for the premium and wait for government assistance when a flood occurs.

Even though we disagree with FEMA's interpretation of the Stafford Act and their own regulations, the State of Louisiana tried to work with the Agency to identify a suitable compromise. What we recommended is that the State not forward to FEMA any properties for HMGP funding that are acquired from people moving out of state, or who have been penalized for not having flood insurance. In doing so, our applications to FEMA for HMGP funding would only include properties that met their requirements. Unfortunately, even this common sense approach was rebuffed, with FEMA saying that by "hand-picking" properties for the HMGP program, we were still not treating people fairly. This makes absolutely no sense – every acquisition program ever funded by FEMA was developed by applicants who made determinations as to which properties to include in their application and which they would not. Alternately, given FEMA's objection to these incentives, the state has actually proposed to remove them on properties that local governments ultimately decide to return to open space and thereby draw on funding of FEMA hazard mitigation dollars. To do so, when open space decisions are made by local governments after the conclusion of the homeowner's closing, the program would provide additional compensation to those individuals if they had previously seen their awards reduced below 100% of their compensation grant. This alternative would fully eliminate a discrepancy of benefit between any individuals affected by HMGP dollars. The rationale for the agency's continuing opposition just doesn't seem to make sense.

FEMA also raised concerns about that fact that homeowners do not know for certain at the time they sell their homes to the program whether their homes are to be demolished and turned to open space, or redeveloped. In my mind, this issue is nothing short of silly – our intention is to inform all homeowners of the possible options related to the disposition of their homes, and get them to sign an acknowledgement that they understand and agree to said options. But we cannot

and should not commit ourselves and our parishes to establish and maintain open space unless and until we can show them the whole picture. The nature of our disaster, our mitigation needs, and our recovery planning – although strategically sound for planning purposes and in prioritizing assistance to homeowners – bangs up against the walls of Stafford Act interpretations that resist flexibility, something desperately needed given the unique qualities of the recovery of our devastated communities. We need to show them on a map exactly where the acquired properties are located, so that we and the parishes can make reasoned and rational decisions about where it makes sense to create open space and where it makes sense to redevelop. This must be informed by decisions made by homeowners. Without this flexibility, we will have thousands of individuals making decisions about the disposition of their properties without knowing the big-picture consequences. Such a situation would cause acquisitions to be distributed throughout the community instead of in blocks, thereby creating a "checkerboard effect" that will create problems for the communities.

Clearly we disagree with FEMA on these issues, and believe that their concerns are yet another example of both Federal inflexibility and our county's disaster relief programs not being designed to deal with the real-world problems that exist after a catastrophic disaster. Without a solution on the integration of hazard mitigation funds into the Road Home program, that program will fall far short of the funding necessary to implement that program that was committed by Congress and by the Administration. Since we cannot find an avenue to resolve these issues with FEMA, we must have help from Congress and the Administration to find a solution that allows these critical program components to remain intact. We need to refocus on getting the job done instead of simply throwing up road blocks.

INTERIM HOUSING GRANT DISTRIBUTION

This past Summer, with strong support from Senator Landrieu and the Louisiana Congressional delegation, the Congress approved legislation which provided $400 million to FEMA to look at interim housing solutions that are more permanent and livable than trailers, in recognition that our country needs new options when catastrophic disasters strike. These options are necessary because Katrina and Rita demonstrated that in some events, people cannot return to their homes for extended periods of time, and trying to put a family of four or five into a travel trailer or a single-wide is unacceptable over long periods of time.

After being provided with this funding, the Gulf Coast states were asked by FEMA to prepare proposals, drawing upon the best ideas of the private and public sectors to help solve a major problem that was brought to the nation's attention by Louisiana and Mississippi through the development of "Katrina Cottages" as alternatives to FEMA's trailers and mobile homes.

Based on our discussions with Members of Congress, the intent of providing this assistance was to develop housing options, and to provide additional assistance to the States along the Gulf Coast based on their relative need for replacement housing.

Unfortunately, the distribution of these resources was anything but fair to the people of Louisiana. Even though our State experienced nearly 80 percent of the total housing losses along the Gulf Coast during 2005, and nearly sixteen months later more than 64,000 Louisiana families

still call FEMA trailers "home," a sole political appointee at FEMA determined that Louisiana should only receive $74.5 million of the funding approved by Congress. That's only enough support to create housing for 600 of these families. Mississippi, by contrast – a state that experienced roughly one quarter of the number of damaged homes as Louisiana – received $280 million. What was most disturbing about this process is that it seemed to have been done without any rationale that passes the straight-face test.

Based on how these funds were distributed, all we can assume is that other issues were at play in the determination of where and how much funding was provided.

The State of Louisiana believes that this situation needs to be addressed by Congress. We need you to clarify your intent when you approved this funding, and work with FEMA to correct how funding was allocated. All that we are asking is that the interim housing dollars be distributed fairly, taking into account relative damages and need. Otherwise, we run the risk of playing politics with the recovery of south Louisiana.

OVERALL GRANT DISTRIBUTION

Unfortunately, this is not the only example of what we feel is an unfair distribution of disaster resources or treatment among the States along the Gulf Coast. For example:

- In December of 2005, Congress approved $11.5 billion in supplemental appropriations for the Gulf Coast [P.L. 109-148][1]. 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 appreciative, however we notified Congress and the White House that that level of funding was insufficient to even meet half of the housing need 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[2], 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, even though the other states along the Gulf Coast had already received far more resources as compared to impact than Louisiana had;
- Mississippi's housing program received full funding six months before full funding for Louisiana's housing program was approved last year;

[1] 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.
[2] 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.

- Three times as many universities were damaged in Louisiana than in Mississippi, but both received the same amount of funding to deal with higher-education issues: $95 million[3];
- HHS Secretary Leavitt had a surplus of appropriations made to his agency by Congress in 2005. In early 2006, Louisiana requested emergency funding for hospitals, doctors, other medical workforce needs, mental health, etc. from these funds. In response to this request, Secretary Leavitt awarded $175 million to Gulf Coast states, of which Louisiana received 45% and Mississippi received 38% despite the overwhelming difference of impact on hospitals and other facilities, medical personnel, and mental health needs[4];
- In December 2005, Congress appropriated $235 million to restart school operations and meet the education needs of displaced students in Louisiana, Mississippi, Texas, and Alabama. Of that, Louisiana and Mississippi *each* received $100 million, despite the fact that Louisiana had tens of thousands more students displaced than Mississippi;
- In November 2006, FEMA cut off funding for LA Swift – a vital source of transportation for displaced New Orleans-area residents with no transportation between Baton Rouge, New Orleans, and points in-between for jobs, job searches, and similar recovery efforts. In just fifteen months of operation, the program served more than 750 riders per weekday providing nearly 125,000 rides between Baton Rouge and New Orleans. Louisiana stepped up immediately and began funding the program itself through the Department of Transportation and Development. By comparison, however, FEMA operated the same emergency bus service for Texas Medical Center students for three years following Tropical Storm Alison; and
- The State of Louisiana had its long-term community recovery assistance from FEMA terminated early in 2006 despite the ongoing and significant need for recovery planning support in south Louisiana communities, yet the assistance is still being funded in Mississippi.

As Governor Blanco noted in several recent statements, this pattern is repeated over and over with our hospitals, our schools, and our higher education institutions, among others.

Please understand that we do not wish any less support for Mississippi or other Gulf Coast states. What we want is parity – to be treated the same. We want grant distribution and assistance decisions to take into account relative levels of damages. To make such decisions in any other way, as has happened repeatedly as demonstrated above, is unfair to the people of Louisiana and will negatively and unfairly tilt the relative recoveries of the Gulf coast states.

GETTING PUBLIC ASSISTANCE FUNDS TO LOCALS

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[3] According to a survey of campuses completed by the Association of Jesuit Colleges and Universities and published in *The Chronicle of Higher Education*, Louisiana colleges and universities incurred over $1.28 billion in damages, whereas universities in Mississippi incurred about $87.5 million in physical damage. Furthermore, according to a survey of the *American Council of Education* in September of 2005, approximately 100,000 college and university students in the Gulf region were displaced more than 30 days by the disasters, 73% of whom were from Louisiana institutions.

[4] From "Aid Split Irks La. Delegation", printed in *The Advocate* on 1/19/07.

Next, I'd like to discuss issues that are impacting our ability to distribute FEMA Public Assistance funds to our communities.

As I mentioned at the beginning of my statement, we have had some success in this regard. Over $2 billion – nearly 12,000 payments – have been made to Louisiana parishes and local governmental bodies for eligible losses, representing nearly 96% of requests made by applicants to date.

Unfortunately, the need for funding is greater than we have been able to provide thus far. One reality in south Louisiana right now is that our local governments are just as much victims of the disaster as are their citizens. Many of our parishes have themselves been devastated. For example, the loss of population and tax base in New Orleans has forced the City to take their Contracts Department and reduce it from 35 people before the storms to 2 people today. In some cases, revenues of our jurisdictions have been dramatically reduced due to disaster damages and loss of businesses. The simple fact is that in our hardest hit communities and parishes, the capacity and financial capability no longer exists to rapidly deal with the contracts, planning, and other responsibilities that the recovery requires.

This situation actually worsened after Katrina and Rita, when the Congress provided additional appropriation for the Community Disaster Loan (CDL) program. While this assistance was desperately needed at the time and has kept some of our local jurisdictions operational when they faced economic collapse, the Congress added a provision that eliminated the possibility of forgiving some or all of CDL loan amounts if, after three years, the receiving community can demonstrate continuing and significant economic hardship. This is the first time in the history of the program that the possibility of loan forgiveness in the face of dire economic hardship has not been allowed under the CDL program. The result is that the provision of CDL loans to impacted communities after Katrina and Rita – the most catastrophic events in our nation's history in which the long-term economic hardship of impacted communities is most likely – may eventually result in their economic collapse when loans come due, unless Congress takes action to repeal the provision of law that forbids forgiveness of CDL loans.

At the State level, agency staff have been doing all they can to address these problems to speed recovery at the local level. To the extent they can, they have designated State personnel and contractors to work with the south Louisiana parishes, and in many cases they are located in those very communities, living and working day-in and day-out with their local counterparts. And they have approved limited advances of Public Assistance funding of up to 10% of the face value of FEMA Project Worksheets to locals to help them afford the costs of engineering and design work associated with their projects. This has helped, but more needs to be done.

One solution the state has proposed which would help us address this issue is to have FEMA reconsider how it interprets its regulations related to State administrative costs to allow the State to use a portion of these funds to pay for accountants and engineers to help locals advance their Public Assistance projects.

In summary, FEMA provides administrative costs, calculated as a percentage of total eligible damages, so that a State can pay for carrying out its responsibilities related to the implementation

of FEMA's disaster assistance programs. 44 CFR Section 206.228 describes the eligible use of these funds as follows: "Eligible costs include overtime pay and per diem and travel expenses, but do not include regular time for your State employees." FEMA has chosen to interpret this very narrowly as only overtime, per diem and travel expenses, even though the language does not limit those dollars for only those purposes and nearly all other Federal programs allow administrative costs to be interpreted much more broadly to include the provision of technical assistance to local governments.

Currently, the State has tallied over $20 million of state administrative cost monies – which is expected to be far more than the State will need for the narrow activities allowed by FEMA. If the Congress and this Committee could work with the Administration to have FEMA broaden their interpretation of this regulation, the State of Louisiana could have the resources it needs to fund technical experts at the parish and local level to help them advance their recovery efforts.

So far I have discussed issues related primarily to local capacity that are impacting the pace of recovery. Some of the issues that explain why nearly $3 billion in FEMA Public Assistance monies have not yet been paid to the locals, however, relate directly to the Stafford Act, FEMA's rules and regulations, and operational and policy decisions made by FEMA. For instance, the program is designed as a reimbursement program, requiring documentation such as signed contracts, invoices, and other details before payments on project work can be done. This means that we cannot send FEMA-obligated funds until they are requested, and until appropriate documentation is received.

Another source of problems deals with the Project Worksheets being prepared by FEMA to describe eligible scopes of work for damages. The magnitude of the Katrina / Rita disasters required FEMA to bring in many people to develop PWs who were under trained or under qualified for the task. The result is that most of the PWs that have been prepared provide improper descriptions of damages and assign incorrect valuation to the costs associated with that work. This has created serious problems for our Parishes and local applicants, in that the State's Public Bid Law requires that governmental entities provide assurance that 100% of the funding for public projects be committed and available prior to putting projects out to bid. If you are a Parish with a $1 million Project Worksheet for an improperly described repair that is actually expected to cost $2 million to complete, project bidding must be put on hold until the additional funding is identified.

To their credit, FEMA has recognized this systemic problem, and has agreed to review and prepare versions – or scope revisions – based on an applicant's Architect & Engineering reports. The problem is that the Parishes do not have the capacity to get this work done. The money isn't there.

That is why the State of Louisiana has taken the risk of providing advances of up to 10% of the value of FEMA's current Project Worksheets to help locals fund the A&E work they need to do to correct for the errors on the original PWs. But this, again, is a work-around for a problem has created significant problems and delays in the recovery in south Louisiana.

It should also be noted that due to the financial problems of the City of New Orleans and other municipalities, much of the financial problem that we continue to read about in the papers is linked to ongoing operational costs more than repair costs. Our municipalities are facing very real cash-flow problems. FEMA's regulations prohibit the use of PA funds by applicant's to cover ongoing operational costs and overhead, meaning that the State needs to make sure that FEMA dollars – even those advanced to locals – are used only for project-related costs directly associated with the approved scopes of work. All of these factors limit our flexibility.

ISSUES IMPACTING THE USE OF CDBG FUNDS

I'd like to change focus a bit here for a moment and speak about The Road Home program and some of the issues that we are facing in providing homeowner assistance.

Louisiana's Road Home Program has struggled to exist within the bounds of very restrictive federal provisions. The concept of the program is straightforward: Provide grant assistance to help homeowners rebuild or relocate. From that basic idea, the state has had to bend and weave around regulations designed to guide basic community development across the country, but not designed with the flexibility of disaster recovery in mind.

The Road Home Homeowner Assistance Program has now received over 102,000 applications, out of an expected total population of 123,000 households that suffered major or severe damages according to FEMA estimates. Over 67,000 of these families have had their intake appointment, over 26,000 have received their first grant offer, and more than 11,000 have accepted their award. Despite this significant progress since September, the few hundred Road Home closings that the State's contractor has completed as of today satisfies no one – and in large part, their biggest hang-up is due to the difficulties associated with compliance with Federal requirements. These requirements have caused "hang-ups" and delays prior to closing including the need to conduct insurance payment verifications from insurance companies, verify individual income, and obtain information about FEMA and SBA payments, among others. For owners of severely damaged properties, the program originally sought to award homeowners their full pre-storm value for rebuilding; however, HUD would not allow this calculation if it included their land value (which is necessary for simplicity and basic fairness). If these and other issues can be resolved with your help, we can begin to accelerate closings with Road Home applicants, and tens-of-thousands more Louisianians can quickly obtain the help they so desperately need.

The following provide some examples of other related challenges we face with the use of CDBG funding in this disaster:

- The state of Louisiana sought to help homeowners repair and rebuild. However, repair programs under HUD regulations must follow the onerous, time consuming regulations that are used to ensure that federal transportation projects don't endanger protected wetlands or land in polluted areas. These are not relevant to apply in helping homeowners rebuild homes on the same footprint and on the same property where they and others have lived for many years. Yet, even though HUD has told us that they would like to waive these provisions, their hands are tied because Congressional legislation for the funding does not allow a waiver. This means that, homeowners seeking to use the

funds to rebuild would have had to wade through months of delays from inspections, paperwork, and bureaucratic approvals. As a result, HUD has worked to develop a concept of a compensation grant, which essentially accomplishes the fact of providing assistance to homeowners for the same things, but requires the state to walk around on tiptoes to ensure that no activity triggers the provisions of these onerous, unnecessary federal inspections.

- Similarly, the requirement that all environmental rules must be met prior to commencing a Federally-funded rehabilitation project is getting in the way of our recovery. While we do expect that HUD will be able to allow the use of CDBG funds to cover the cost of home repair work done by homeowners that was started prior to their receiving an award through the Road Home, we are being told that as soon as the award is issued and a homeowner is notified about the environmental review requirements, they will have to be told to stop their reconstruction efforts at that time and wait for the complete environmental review to be completed before they can proceed. According to HUD, this mandatory cessation of work cannot be waived, and will likely result in delays that could run in excess of forty-five (45) days.

- As you are aware, the Davis Bacon Act applies to the use of CDBG funds in this disaster – something that the Governor and the State supports. The delay in obtaining approval to use CDBG dollars as Global Match for FEMA Public Assistance projects, however, has made it difficult to meet this requirement. Because of the disagreements between FEMA and HUD on this issue, substantial time has passed and our recovery could not wait. As a result, many of the projects that we were hoping to use as Global Match have already been initiated by our cities and parishes, and to try to recreate the documentation and adjust the contract instruments to satisfy Davis-Bacon at this time would be onerous and near impossible to achieve. To address this problem, we would like Congress to alter the requirement on the use of Davis Bacon such that it will only apply for Global Match projects that are initiated after the Global Match process is approved.

- The Small Business Administration has made loans to many homeowners in the months after the disaster to help those who could qualify to have lower interest rates on the capital they might 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 NOT to rebuild, but to repay the SBA, placing a homeowner in a situation again of limiting their resources to rebuild. 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. Homeowners going to closing today are having their grant amounts reduced at closing to give this money back to the federal government immediately, even though homeowners need it more today and have an ongoing responsibility to the federal government (which has already budgeted for these loans) to repay the note with interest.

- One of the most stringent delays of the program has come from the Stafford Act requirement that homeowner's insurance benefits and FEMA disaster benefits must be

deducted from their calculation of grant assistance. The deduction of insurance and FEMA funds are two examples of 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.

CONCLUSIONS

To say that Louisiana faces challenges in its recovery is an understatement. Replacing 200,000 homes, rebuilding an economy, addressing the issues created by demographic and economic shifts, reconnecting people to their neighborhoods and cultures again – all complex problems that we need to address.

We are all learning each and every day how to make progress. And we are learning lessons and changing our approaches to take into account the reality that the recovery from catastrophic disasters is fundamentally different than recovery from more garden variety ones. We aren't just rebuilding homes and infrastructure – we are rebuilding civil society and community. That takes new ideas and creativity, along with a commitment to making things work.

Because we are breaking new ground, mistakes have and will be made. Not every creative idea will work. But if we continue to try, and focus on solving problems instead of finding reasons why things can't be done, we can make recovery happen.

Unfortunately, the State of Louisiana is suffering under Federal relief programs that were never designed to address the needs of a catastrophic disaster. We are being limited by red tape, inflexibility, and bureaucratic inertia. We are struggling against people and programs that are not prepared to meet the timelines and requirements of communities in crisis. And we are being forced to fight for equal treatment and fairness in the distribution of disaster relief. These are all areas where Congress and the Administration in Washington, DC can help significantly.

I am pleased that the U.S. Congress has decided to create this new subcommittee to focus on the needs of our nation in disaster response and recovery, because the experience of the last sixteen months has shown serious flaws in our readiness and weaknesses in our laws and regulatory frameworks – at the Federal, state and local levels. Perhaps with the leadership of this subcommittee, we can fix what is wrong, not only so Louisiana can recover more quickly from Katrina and Rita, but also other states in future catastrophic disaster won't have to go through what we have gone through and continue to go through.

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

theadvocate.com

Walter J. Leger Jr.
Footnote 4

Aid split irks La. delegation

State to get $86.6 million for hospitals

By GERARD SHIELDS
Advocate Washington bureau
Published: Jan 19, 2007

WASHINGTON — The federal government announced Thursday that Louisiana will receive $86.6 million to help hospitals and health-care providers still suffering from Hurricane Katrina.

But two members of Louisiana's congressional delegation complained that the state is not getting its fair share of the U.S. Department of Health and Human Services money in relation to the storm damage in the state.

Louisiana will receive 45 percent of $160 million distributed Thursday by HHS Secretary Mike Leavitt.

Neighboring Mississippi received 38 percent of the money or $60.5 million and Alabama received the remainder, $27.8 million.
The money was welcomed but the breakdown was questioned.

"We sustained 70 percent of the damage," said U.S. Sen. Mary Landrieu, D-La. "There has got to be a way to make sure that the state funding is reflective of the damage the state suffered."

In addition to the lump sum grant funding to the state, another $15 million will be granted for the greater New Orleans area to help the region attract doctors, nurses and other health-care providers.

According to health-care analysts, about 50 percent of doctors in the region before Katrina are gone, leaving a shortage.

"Changing wage rates have impacted health-care providers' ability to attract potential workers," Leavitt said. "These grants will help hospitals and skilled nursing facilities respond to that pressure and strengthen access to health-care service in the Gulf Coast region."

Landrieu and U.S. Rep. Bobby Jindal, R-Kenner, attended the meeting with Leavitt before the grants were announced.

The funding was the tail end of $2 billion distributed to the Gulf Coast region under a supplemental congressional spending bill last year, Leavitt said.

Jindal, the former secretary of the Louisiana Department of Health and Hospitals, welcomed the money but agreed that further assistance, particularly as it pertains to higher wage rates for health-care providers, is needed.

Leavitt countered the criticism, saying all initial funding requests made by health-care facilities in the Gulf Coast region have been met. The new money, he said, will keep state health-care systems sound.

The additional grant would bring Louisiana's percentage up to about 49 percent of the grant money issued Thursday.

"We have received requests from the states and met those requests 100 percent," Leavitt said. "This (new money) will be useful to the hospitals in keeping them financially solvent."

In December, Louisiana congressional delegation members objected to the Federal Emergency Management Agency awarding neighboring Mississippi four times more money in alternative housing funds. The delegation has asked the Government Accountability Office, the investigative arm of Congress, to review the selection process.

"Every time money is distributed to our state it seems like Louisiana's percentage of allocation doesn't equal the percent of damage to the state," Landrieu said.

Walter J. Leger Jr.
Appendix A

KATHLEEN BABINEAUX BLANCO
GOVERNOR

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December 28, 2006

R. David Paulison
Director
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472

Dear Director Paulison:

As we discussed during our conversation on Friday, December 23, 2006, on behalf of the citizens of Louisiana, I appreciate the opportunity to participate in FEMA's Alternative Housing Pilot Program. I also have many questions and concerns about the selection and funding process and I would like to follow up with you on the items I requested from your office regarding the Alternative Housing Pilot Program. The items I request FEMA send to my office are:

- A copy of each state's application to the program
- All criteria sheets and score sheets from the review panel and the names and resumes of the review panel.
- Any other documents the review panel or the Primary Selecting Official used in making award decisions

In addition to the issues we discussed, I would like to take this opportunity to ensure that I clearly understand the selection process and the funding allocation process FEMA used to decide the grant awards from this program.

As my staff has explained to me, the selection process began when FEMA convened a National Evaluation Panel of government, non-government and home construction industry officials to assess grant proposals submitted by the five Gulf Coast States (AL, FL, MS, LA, TX). This panel met in Denver to review and rank the 29 submitted projects based on FEMA's selection criteria published in the Final Grant Guidance, issued September 15, 2006.

This assessment and ranking of projects was then forwarded to the office of John R. D'Araujo, Jr., Director of Recovery, who served as the Primary Selecting Official for this program. As the Primary Selecting Official, Mr. D'Araujo's role was two-fold: (1) to prioritize projects based on the assessment of the National Evaluation Panel and (2) to devise and implement a grant award funding strategy for the selected projects.

My understanding of the funds allocation process is as follows. The Primary Selecting Official reviewed the assessment of the National Review Panel and noted that the two top ranked projects were Mississippi's Green Mobile and Mississippi's Park Model and Cottage. But, because these two projects requested more money than was available for the entire program, $6,390,450.00 and $400,000,000.00 respectively, Mr. D'Araujo decided not to fund the total amount requested for projects based on rank.

According to the December 22, 2006 FEMA Congressional Advisory regarding this program: "To maximize the number of competitive states receiving funding, the Primary Selecting Official determined that the most meritorious construction projects from each state should be awarded an AHPP grant. These states were Alabama, Louisiana, Mississippi and Texas."

It is our understanding that based on this decision, each state, with the exception of Florida, received funding for their top ranked project with a reduced grant award. In Louisiana, our top ranked project, which I understand was also ranked third overall, was awarded a grant for up to $74,542,370.00. Mississippi's top ranked project was awarded up to $5,890,882.00, Alabama's top ranked project was awarded up to $15,667,293.00, and Texas' top ranked project was awarded up to $16,471,725.00. Nowhere in FEMA's Final Guidance or our other communications with FEMA's Gulf Coast Recovery Office was there any suggestion that this would be the decision rule by which grant awards would be made. If that process had been communicated formally or informally, we would most certainly have requested the full $400 million available for each of our proposed projects.

After these first initial awards were calculated, there was $287,427,730.00 of available funds left unallocated to projects. At this point, it appears to us that the Primary Selecting Official then decided to allocate the remaining balance of the funds (with the exception of $12,000,000 for FEMA administrative costs), which totaled $275,427,730.00, to Mississippi's second-highest scoring project. So, the first round of grant awards were funded at a reduced rate to each state, and the second round awarded 75% of the entire grant program to one state for one project. Again, nowhere in FEMA's Final Guidance or our other communications with FEMA's Gulf Coast Recovery Office was there any suggestion that this would be the decision rule used. Why would FEMA award $200 million more to the second ranked project than the third ranked project?

Director Paulison, I find this grant announcement and FEMA's explanation of the grant selection and award process the culmination of months of vague, confusing and inadequate guidance from FEMA about the Alternative Housing Pilot Program. When the Preliminary Program Guidance was issued on August 14, 2006, staff members of the

Louisiana Recovery Authority, who I had asked to prepare Louisiana's application, communicated to FEMA our issues with the program. These issues included:

- the 30-day grant application deadline (the state requested 60 days),
- the disconnect between the preliminary program goals, which stated "support for those hardest hit by the hurricanes and those with ongoing housing needs," with FEMA's selection criteria which did not include any consideration for level of impact and housing need,
- a request for specific guidance as to whether sites must be identified in the proposal or housing models could be chosen without regard to site (which lends itself to unit/budget constraints)

These issues, and others, were communicated many times to members of the FEMA Gulf Coast Recovery Office, the office charged with the design, award, and management of the program.

When the Final Guidance was published on September 15, 2006, many of the questions remained unanswered and a great deal of the language remained ambiguous.

The State was in constant communication with FEMA Gulf Coast Recovery Office staff, seeking guidance for the completion of the application. Of particular concern to the State while completing the application was the level of specificity of site location and the preparation of the final budget. With these questions left either vaguely answered or unanswered, the State submitted an application that contained both site-specific and non site-specific projects to cover our bases and maximize our funding opportunities, while noting throughout that each of our site based projects was scalable to larger funding levels. In retrospect, it appears that because funding decisions were made primarily based on budget requests, Louisiana's application was penalized to the extent we submitted the site based projects that were emphasized in FEMA's Final Guidance.

In addition, during the 30-day application period, the State made it very clear to the FEMA Gulf Coast Recovery Office staff that while the program guidance seemed vague, it was our absolute intention to secure as much funding through this program as possible, as our housing need continues to be great. At no point, did any FEMA staff member advise the State of the importance of a specific budget line in grant award funding– the State made it very clear to the Gulf Coast Recovery Office that the application would include a budget (for the total $400 million program amount), but that all of these projects could be scalable to meet the State's housing needs.

Since August, members of the Louisiana Congressional Delegation have communicated many of these same concerns with members of your staff. When it became apparent to them that their concerns about the level of funding not being tied to the disaster housing need in the most affected areas had not been addressed, the entire delegation sent a letter on November 15, 2006 to Secretary Chertoff voicing their concerns (attached). Senator Landrieu sent an additional letter to your office on November 17, 2006 voicing these concerns (attached).

The State of Louisiana continues to have the largest number of occupied FEMA trailers both individually and on group sites of any state impacted by the hurricanes of 2005. Transitioning displaced citizens from trailers and group sites to more livable homes and communities continues to be one of the state's top priorities. We are pleased to have received funding from this program for this purpose, but we believe FEMA has an obligation to respond to our high quality application and our thousands of displaced families with an award far larger than the one announced last week.

Director Paulison, FEMA is charged with being fair and unbiased in its decision making processes. Like so many government agencies, FEMA's decisions affect the lives of millions of American taxpayers. Unlike many other agencies, FEMA's mission is to help those citizens when they need it most – in times of crisis and recovery. From the very inception of this program, when preliminary program guidance was distributed to the states, this appeared to be a process designed to give FEMA maximum discretion to make any decision your agency wanted to make.

Director Paulison, on behalf of Louisiana citizens and American taxpayers, I demand an explanation for how a program intended to help those most affected by the storms of 2005 could have produced such a inequitable outcome.

Sincerely,

Kathleen Babineaux Blanco

Kathleen Babineaux Blanco
Governor

MARY L. LANDRIEU
LOUISIANA

Walter J. Leger Jr.
Appendix B

United States Senate

WASHINGTON, DC 20510-1804

November 17, 2006

Mr. David R. Paulison
Director
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472

Dear Director Paulison,

It is my understanding that FEMA will announce the breakdown of funding for alternative housing projects on Monday, November 20th. At the time the Senate Appropriations Committee, of which I am a member, added funds for this purpose in the Emergency Supplemental Appropriations bill, it was our clear intention that the funds would be allocated fairly, based on need and related to the massive housing losses in Louisiana and in other Gulf Coast states.

We sincerely hope that Louisiana receives its fair share of funding from the $400 million. As you know, housing in Louisiana was ravaged by Hurricanes Katrina and Rita. Hundreds of neighborhoods and communities, once home to many thousands of Americans, sit vacant, ruined and uninhabitable. Over 64 percent of the housing damaged or destroyed by Katrina, Rita and Wilma was in Louisiana. Our state is in urgent need of immediate housing assistance and the use of these funds represent an important part of the response to this need, not only for today but in preparation for possible future storm disasters.

Thank you very much for your consideration of the State's ongoing needs, as well as your consideration of the November 15, 2006 request (attached) made by the entire Louisiana delegation, at this very important time and on this very important matter.

With warmest regards, I am

Sincerely,

Mary L. Landrieu
United States Senator

Congress of the United States

Washington, DC 20515

November 15, 2006

The Honorable Michael Chertoff
Secretary
U.S. Department of Homeland Security
Washington, DC 20528

Dear Secretary Chertoff:

We request that you consider two specific topics concerning the execution of FEMA's Alternative Housing Pilot Program (AHPP) as authorized and funded by Section 2403 of the Fiscal Year 2006 Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery (P.L. 109-234).

Law Authorizing AHPP Designates Housing Damage a Key Criteria

Section 2403 of P.L. 109-234 reads, "Notwithstanding any other provision of law, the Secretary of Homeland Security shall consider eligible under the Federal Emergency Management Agency Individual Assistance Program the costs sufficient for alternative housing pilot programs in the areas hardest hit by Hurricane Katrina and other hurricanes of the 2005 season." On September 15, 2006, FEMA issued its "Alternative Housing Pilot Program Guidance and Application Kit." According to the guidance, "Specific funding levels will not be predetermined or allocated to given states. One or multiple awards may be made based on the quality of the proposals. For this program, the five Gulf Coast States will be eligible for application for the grants and will comprise the list of potential Grantees."

The American Red Cross reports that the hurricanes of 2005 destroyed 213,215 units of housing in the five Gulf Coast states. Louisiana had 137,502 units of housing destroyed by Katrina and Rita (64.4%); Mississippi had 68,729 units of housing destroyed by Katrina (32.2%); Florida had 5,041 units of housing destroyed by Katrina and Wilma (2.3%); Texas had 1,580 units of housing destroyed by Rita (0.7%); and Alabama had 363 units of housing destroyed by Katrina (0.1%).

P.L. 109-234 mandates that the AHPP target states "hardest hit" by the hurricanes of 2005; yet, the agency's "Alternative Housing Pilot Program Guidance and Application Kit" seemingly omits reference to any rating criteria based on this requirement of law. We request information on the manner in which the requirement of law that the AHPP target "hardest hit" areas is fulfilled in the Agency's published rating criteria for project selection.

AHPP Serves as True Pilot for Semi-Permanent and Permanent Housing

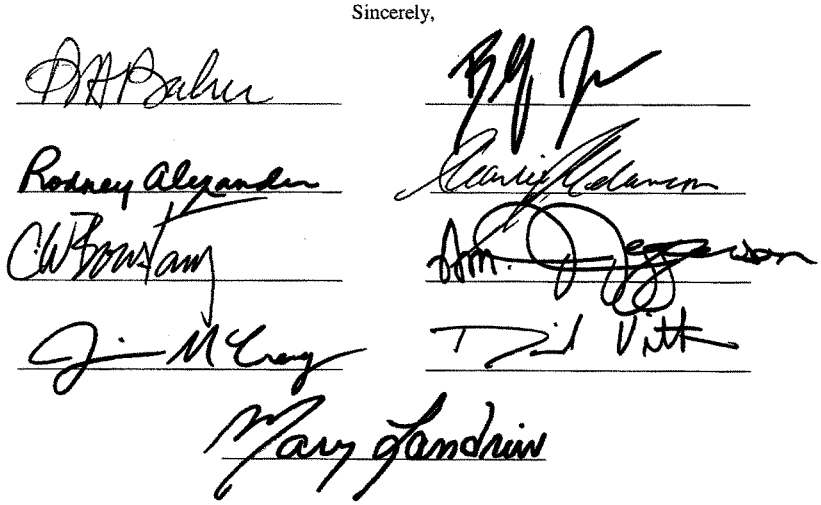
On October 4, President Bush signed H.R. 5441 into law (P.L. 109-273). Section 685 of this legislation removed certain restrictions with regard to the general use of semi-permanent and permanent housing in the wake of presidentially-declared natural disasters. The effect of this new provision of law on the AHPP is profound as it transforms the AHPP from a one time, limited

program to a permanently authorized disaster housing option. Accordingly, the implementation of AHPP may serve as the model for the provision of semi-permanent and permanent housing in future disasters.

Given that presidentially-declared natural disasters are not limited to the Gulf Coast region, it is imperative that the process implemented to provide future semi-permanent and permanent disaster housing options be flexible and easily duplicated across the nation. A strong reliance on free market principles to harnesses the innovation, capacity and infrastructure of private enterprise is essential if future iterations of the AHPP are to be successful. Monolithic, centrally-managed state government programs are costly to operate and difficult to duplicate across the nation. We encourage FEMA to take all appropriate actions within applicable federal laws, rules and regulations to ensure that private capital and market participants (under appropriate supervision—federal or state) fuel and implement the AHPP and future such programs.

The AHPP represents an important opportunity to deliver to victims of the 2005 hurricanes smarter, stronger, and safer housing than existing options allow as well to develop structures and concepts that can be employed in future disaster situations. As FEMA endeavors to execute the AHPP, we appreciate your consideration of the matters raised in this letter.

Sincerely,



cc: R. David Paulison, Director/Under Secretary for Federal Emergency Management

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Testimony of Suzanne Mestayer
Chairman of the Board
Greater New Orleans, Inc.

Senate Homeland Security and Governmental Affairs Committee

"Hurricanes Katrina and Rita: Outstanding Need, Slow Progress"

January 29, 2007

On behalf of Greater New Orleans, Inc., the economic development organization for 10 parishes in the New Orleans region, I would first like to thank Committee Chair Senator Joe Lieberman and his colleagues for holding this special hearing here in New Orleans to address the needs and the rate of progress of our region. We hope that through these deliberations awareness can be raised about the magnitude of the problem and the impact on coastal communities, and ultimately that federal policy solutions can be considered for short term and long term interventions so desperately needed.

Seventeen months ago, Hurricane Katrina ripped through Southeast Louisiana leaving behind wreckage greater than any other disaster in this country's history. Businesses, their employees and their families were faced with a reality that their levee protection and community safety were compromised; our region lacked housing, our healthcare services were disrupted, and we experienced the critical issue of access and affordability of insurance for both homeowners and businesses. This region is struggling to bring home a population, rebuild over 200,000 homes and restore18,000 businesses. The progress is painfully slow and we need your assistance in addressing critical issues such as infrastructure, insurance, workforce, HUB Zone designations and marketing.

Hurricane stricken areas are struggling to repair or rebuild billions of dollars of damaged infrastructure. Our Parishes and the State are responsible for a 10% match to FEMA for infrastructure repair dollars. This 10% match represents millions of dollars parishes could use to aid in their infrastructure needs if the government would treat this situation consistently with past disaster responses. Congress waived local matches after other disasters such as Hurricane Andrew in 1992 and following the 2001 terrorist attack on New York's World Trade Center. No such overarching waiver has been approved for our area after Hurricanes Katrina and Rita, two of the most expensive disasters in U.S. history. We urge the federal government to be consistent with the precedent they have set and help Louisiana's progress by providing this relief.

One of the greatest challenges to our recovery is insurance. Many businesses are experiencing five fold premium increases and tenfold increases in deductibles, impacting all sectors and all size employers throughout this region. Greater New Orleans Inc's Insurance Task force, comprised of representatives of the insurance industry, real estate, banking and other private sector leaders from the community are developing potential solutions to this problem. Work is ongoing to develop a comprehensive strategy involving Federal and State legislation as well as Private Sector Initiatives. We need a limited 3 year backstop commitment from the federal government, providing time for market forces to stabilize. Without affordable insurance, this region cannot rebuild.

Katrina has also created a dire need to replenish the region's workforce. We are woefully short on skilled workers to fill the needs of employers to rebuild or locate in the region. Along with the Louisiana Department of Economic Development, we urge the the federal government to increase the current number of guest worker Visas for hurricane impacted areas over the next 3-4 years to help our region rebuild. It is not the intention to replace domestic workers with foreign substitutes, but instead to fill the gaps in the current workforce which has decreased due to the storms.

For example, we are working with a foreign based flooring company considering investment in the region. They need to bring foreign workers to the state to build their facility and ultimately hire American workers, when available, for operations. The workforce required to build the facility is not currently available and the extended Visas would accelerate the development of this business. As a flooring company, it is particularly important to the rebuilding process.

Expansion of the Historically Underutilized Business (HUB) program to the Gulf Opportunity Zone would be another enhancement to our recovery. By designating the entire Gulf Opportunity Zone a HUBzone, you would stimulate the economic development of small businesses at no cost to the federal government.
Not only would affected manufacturers, information technology companies and other suppliers benefit from this program, but new companies would be attracted to the region, employing Gulf Coast citizens and helping the area to rebuild. y

An additional measure that would greatly assist our local small businesses would be a higher HUBzone requirement on all Katrina-Rita related contracts. This would create an incentive for major contractors to partner with companies headquartered and located in the area. Local companies in the HUBzone would also be able to participate in more nationwide opportunities to perform work outside the area bringing wealth into the region.

Finally, the disasters of Hurricanes Katrina and Rita have caused tremendous damage to our tourism sector causing conventions to turn away, vacationers to choose other locations, and hindering economic development overall.

We are urging the Federal government to invest $100 million in CDBG or other funding which can be used for marketing our region and rebuilding our cultural economy. Our cultural assets, such as the arts and music, are intrinsically linked to tourism. We must find the funds to restore our cultural assets and attract our wonderful visitors back to this area

GNO, Inc. would like to offer its expertise, energy and resources to Senator Lieberman and this committee, with a firm commitment to work with you and your staff to narrow the federal relief options for consideration in the upcoming Congressional sessions, which are ambitious but critically important to the renewal of this great city and the Gulf Coast region. Thank you.

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