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United States Government Accountability Office
Washington, DC 20548

June 29, 2007

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: Preliminary Information on Rebuilding Efforts in the Gulf Coast

The size and scope of the devastation caused by the 2005 Gulf Coast hurricanes presents the nation with unprecedented rebuilding challenges.¹ These storms destroyed wide swaths of housing, infrastructure, and businesses and displaced hundreds of thousands of people from their homes. Today, nearly two years since these hurricanes made landfall, rebuilding efforts are at a critical turning point. The Gulf Coast and the nation are facing the daunting challenges of rebuilding. Our recent work in southern Louisiana and New Orleans confirms that some communities are still without basic needs, such as schools, hospitals, and other infrastructure, while the doors of many businesses remain closed.

Over the coming years, perhaps decades, many neighborhoods and communities will need to be rebuilt—some from the ground up. At the same time, major decisions will need to be made regarding a wide range of issues including coastal restoration, levee protection, infrastructure, land use, and economic recovery. Agreeing on what rebuilding will be done, where, how, and—particularly important—who will bear the costs will be key to moving forward with the rebuilding process.

To assist you in your oversight responsibilities, we briefed your staff on several occasions during the past few months on the results of our preliminary work in Louisiana and Mississippi—the two states most directly affected by the 2005 Gulf

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

Coast hurricanes.² This letter transmits information provided during those briefings (see enc. I). Specifically, these slides (1) place the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast; (2) discuss two key federal programs that provide rebuilding assistance to the Gulf Coast states, with an emphasis on the Community Development Block Grant (CDBG) program; (3) describe differences in Louisiana's and Mississippi's approach to using CDBG funds; and (4) provide some observations on planning activities in Louisiana and Mississippi and the role of the federal government in coordinating Gulf Coast rebuilding efforts. We also raise a number of questions that the committee may wish to consider in carrying out its oversight function in reviewing rebuilding efforts in the Gulf Coast. We have since updated some of the information in enclosure I, using new information, which became available after the briefings.

In 2005, Hurricanes Katrina, Rita, and Wilma battered the Gulf Coast region, devastating whole communities and neighborhoods, leaving hundreds of thousands of people without shelter and employment. Hurricane Katrina—the first of these storms—made landfall in Mississippi and Louisiana in August 2005 and alone caused more damage than any other single natural disaster in the history of the United States. Katrina destroyed over 300,000 homes—nearly ten times the number of homes destroyed by Hurricanes Camille and Andrew combined—and affected approximately 90,000 square miles—an area larger than the size of Great Britain.³ Hurricane Rita followed shortly in September 2005, making landfall in Texas and Louisiana. Hurricane Wilma was the last of these disasters to strike the region, making landfall in southern Florida in October 2005 and inflicting widespread damage across the state.

Our work largely focused on rebuilding efforts in Louisiana and Mississippi—the two states most directly affected by the 2005 Gulf Coast hurricanes. In conducting our work, we toured affected parishes in southern Louisiana and several affected cities along the coast of Mississippi. Further, we interviewed officials from the Department of Homeland Security's (DHS) Office of the Federal Coordinator for Gulf Coast Rebuilding and from the Federal Emergency Management Agency (FEMA). We also met with a range of state and local officials in these states and representatives from private and nongovernment organizations.

In addition, to place the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast, we reviewed the funds designated for hurricane relief and rebuilding in the four emergency supplemental appropriations acts enacted between September 2005 and June 2006. We also drew on our previous work that examined federal funding for the 2005 Gulf Coast

² We also testified before your Subcommittee on Disaster Recovery on April 12, 2007, about a number of issues resulting from our preliminary work in the Gulf Coast. For additional information, see *Gulf Coast Rebuilding: Preliminary Observations on Progress to Date and Challenges for the Future*, GAO-07-574T (Washington D.C.: April 12, 2006).

³ Hurricane Camille—a category 5 hurricane—struck the Gulf Coast of Louisiana and Mississippi in 1969. Hurricane Andrew—a category 5 hurricane—made landfall along the coast of Florida in 1992.

hurricanes.⁴ Further, we reviewed two studies on the estimated costs of the impacts of the 2005 hurricanes.⁵ Although we found no study that comprehensively estimated costs, these studies—which estimated selected categories of losses—were generally the broadest in scope based on our search of readily available studies. We did not independently verify the accuracy of information included in these studies.

To discuss two key federal programs that provide rebuilding assistance to the Gulf Coast states, we reviewed federal statutes and HUD regulations governing the CDBG program and FEMA written policies and procedures for disbursing funds to public assistance grantees. We also obtained data from FEMA on the amount of Public Assistance funds obligated to Louisiana and Mississippi and reviewed state documentation from Louisiana and Mississippi related to each state's use or planned use of CDBG funding. To describe differences in Louisiana's and Mississippi's approach to using CDBG funds, we analyzed key documentation from Louisiana and Mississippi regarding each state's homeowner assistance programs and criteria for disbursing CDBG funding. We focused on the states' homeowner assistance programs, given that Louisiana and Mississippi allocated the vast majority of their share of CDBG funding to homeowner assistance.

To provide observations on planning activities in Louisiana and Mississippi, we reviewed state and local planning documents on long- and short-term planning rebuilding activities in each state and met with a range of representatives from nonprofit and private agencies involved in various planning efforts across the state. Further, in Louisiana, we observed local planning meetings in Orleans Parish, while in Mississippi, we observed planning activities in the city of Biloxi.

We conducted our work between July 2006 and June 2007 in accordance with generally accepted government auditing standards.

Summary

While the federal government has provided billions of dollars in assistance to the Gulf Coast, a substantial portion of this aid was directed to short-term needs, leaving a smaller portion for long-term rebuilding. It may be useful to view this assistance in the context of the costs of damages incurred by the region and the resources that may be needed to rebuild. While there are no definitive or comprehensive estimates of costs, the various estimates of aspects of these costs offer a sense of their

⁴See GAO, *Disaster Relief: Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes*, GAO-06-834 (Washington, D.C.: Sept. 6, 2006).

⁵For additional information see, *Macroeconomic and Budgetary Effects of Hurricanes Katrina and Rita*, Statement of Douglas Holtz-Eakin, Director, Congressional Budget Office, before the Committee on the Budget, U.S. House of Representatives, Oct. 6, 2005, and Mark L. Burton and Michael J. Hicks, *Hurricane Katrina: Preliminary Estimates of Commercial and Public Sector Damages* (Huntington, W.Va.: Marshall University, September 2005).

magnitude. For example, estimates from the Congressional Budget Office (CBO) put capital losses resulting from Hurricanes Katrina and Rita in the range of \$70 billion to \$130 billion⁶ while another estimate from the Center for Business and Economic Research at Marshall University put losses solely from Hurricane Katrina—including capital losses—at over \$150 billion.⁷ In addition, the State of Louisiana estimates that the economic impact on its state alone could reach \$200 billion. Such estimates raise important questions regarding additional assistance that will be needed to help the Gulf Coast rebuild—including how the assistance will be provided and by whom.

To date, the federal government has provided most long-term rebuilding assistance to the Gulf Coast states through two key programs, which follow different funding models. Specifically, FEMA's Public Assistance program provides funding primarily to state and local governments to repair and rebuild damaged public infrastructure for specific projects that meet program eligibility requirements, as defined by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act).⁸ The Housing and Urban Development's (HUD) CDBG program, on the other hand, provides funding for neighborhood revitalization and housing rehabilitation activities, affording states broad discretion and flexibility in deciding how to allocate these funds and for what purposes. To date, the affected states have received \$16.7 billion in CDBG funding from supplemental appropriations—so far, the largest share of funding specifically targeted to long-term rebuilding.⁹

With the vast number of homes that sustained damage in Louisiana and Mississippi, both of these states allocated the bulk of their CDBG funds to homeowner assistance.¹⁰ Specifically, each state developed an assistance program to compensate homeowners whose homes were damaged or destroyed by the 2005 hurricanes. With many of its residents living in other states and debating whether to return to Louisiana, Louisiana's Road Home program aims to encourage homeowners to return

⁶According to CBO, capital losses include housing, consumer durable goods, and energy, other private-sector and government losses. For more information see, *Macroeconomic and Budgetary Effects of Hurricanes Katrina and Rita*, Statement of Douglas Holtz-Eakin, Director, Congressional Budget Office, before the Committee on the Budget, U.S. House of Representatives, Oct. 6, 2005.

⁷This estimate includes damages only to commercial structures and equipment, residential structures and contents, electrical utilities, highways, sewer systems, and commercial revenue losses. For more information see, Mark L. Burton and Michael J. Hicks, *Hurricane Katrina: Preliminary Estimates of Commercial and Public Sector Damages* (Huntington, W.Va.: Marshall University, September 2005).

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

⁹Pub. L. No. 109-148, 119 Stat. 2680, 2779-80 (Dec. 30, 2005); Pub. L. No. 109-234, 120 Stat. 418, 472-73 (June 15, 2006).

¹⁰A portion of these allocations also was directed to other housing programs such as rental housing and public housing, as well as to projects intended to alleviate expenses associated with housing, such as utility and insurance costs.

to the state and begin rebuilding.¹¹ Mississippi's homeowner assistance program—administered in two phases—aims to compensate homeowners who suffered losses due to Katrina's storm surge. Phase I is targeted to homeowners located outside FEMA's designated flood plain who were otherwise insured, while Phase II is targeted to uninsured or underinsured homeowners located in or outside the flood plain. As of May 30, 2007, Louisiana has received 141,235 applications and awarded 23,043 grants to eligible homeowners. For Phase I of its program, Mississippi has received 18,965 applications and awarded payments to 12,950 eligible homeowners. Mississippi has received 11,529 applications for Phase II of its program and awarded 28 grants to eligible homeowners.

Restoration of the region's housing and infrastructure is taking place in the context of broader planning and coordination activities. In Louisiana and Mississippi, state and local governments are engaged in both short- and long-term planning efforts. For example, the Louisiana Recovery Authority has coordinated a statewide rebuilding planning effort and has developed a comprehensive rebuilding plan that will help direct rebuilding policy and Louisiana's long-term spending over the next 50 years. Mississippi created an overall plan to serve as a framework for subsequent planning efforts in affected areas of the state, based on the work of the Governor's Commission on Recovery, Rebuilding, and Renewal.¹² Moreover, the President established the position of Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region within the Department of Homeland Security (DHS) to coordinate and support the rebuilding activities at the federal, state, and local levels.

As states and localities begin to develop plans for rebuilding, there are difficult policy decisions Congress will need to make about the federal government's contribution to the rebuilding effort and the role the federal government might play over the long-term in an era of competing priorities. Based on our preliminary work, we raise a number of questions the Committee may wish to consider in carrying out its oversight of Gulf Coast rebuilding efforts, to include the following:

- How much will it cost to rebuild the Gulf Coast and how much of this cost should the federal government bear?
- How effective are current funding delivery mechanisms—such as Public Assistance and CDBG—and should they be modified or supplemented by other mechanisms?

¹¹ Although not discussed in this report, the Road Home program also provides assistance for rental property owners and renters to address housing needs of low- to moderate-income individuals in the most heavily damaged areas. The objectives of the rental assistance component of the program include providing capital to owners of small rental properties to repair and reconstruct damaged units, providing affordable rents for working families, and supporting redevelopment in impacted communities.

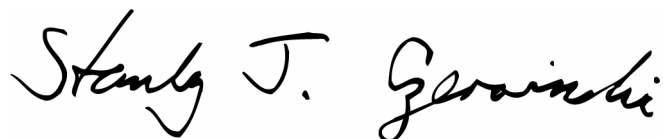
¹² The commission's work culminated in 238 recommendations that were included in a final report entitled *After Katrina: Building Back Better Than Ever* (Dec. 31, 2005).

- How can the federal government further partner with state and local governments and the nonprofit and private sectors to leverage the public investment in rebuilding?

We provided the Secretary of DHS with a draft of this report on May 11, 2007. In its oral response, DHS informed us that it had no formal comments on the report. We also provided Louisiana and Mississippi officials an opportunity to review relevant aspects of this report. Any technical or clarifying comments that they provided as part of that review have been incorporated where appropriate.

We are sending copies of this report to the Chairman and Ranking Member of the Subcommittee on Disaster Recovery, the Secretary of the Department of Homeland Security, the Federal Coordinator for Gulf Coast Rebuilding, and interested congressional committees. We will make copies to others on request. In addition, the report will be available on GAO's Web site at <http://www.gao.gov>.

If you or your staff have questions regarding this report, please contact me at (202) 512-6806 or by email at czerwinski@gao.gov. Individuals making key contributions to this report include Charlesetta Bailey, Dean Campbell, Roshni Davé, Peter Del Toro, Laura Kunz, Brenda Rabinowitz, Michael Springer, and Diana Zinkl.



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Enclosure



Preliminary Information on Gulf Coast Rebuilding

Objectives

As agreed, our objectives were to:

- (1) place the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast;
- (2) identify the key federal programs that provide rebuilding assistance to the Gulf Coast states, with an emphasis on the Community Development Block Grant (CDBG) program;
- (3) describe differences in Louisiana's and Mississippi's approach to using CDBG funds; and
- (4) provide some observations on planning activities in Louisiana and Mississippi and the role of the federal government in coordinating Gulf Coast rebuilding efforts.

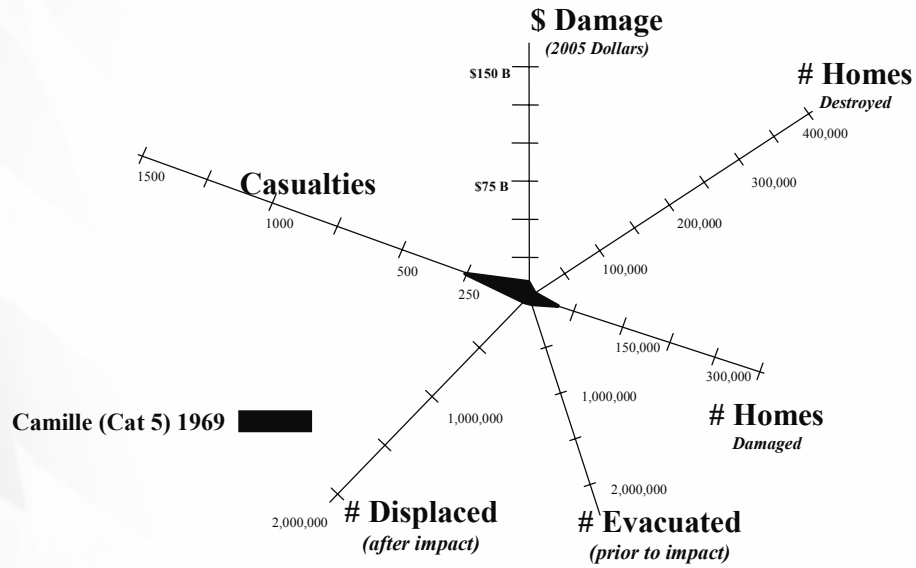
In addition, we raise a number of questions that Congress may wish to consider in carrying out its oversight of the Gulf Coast.



Scope and Methodology

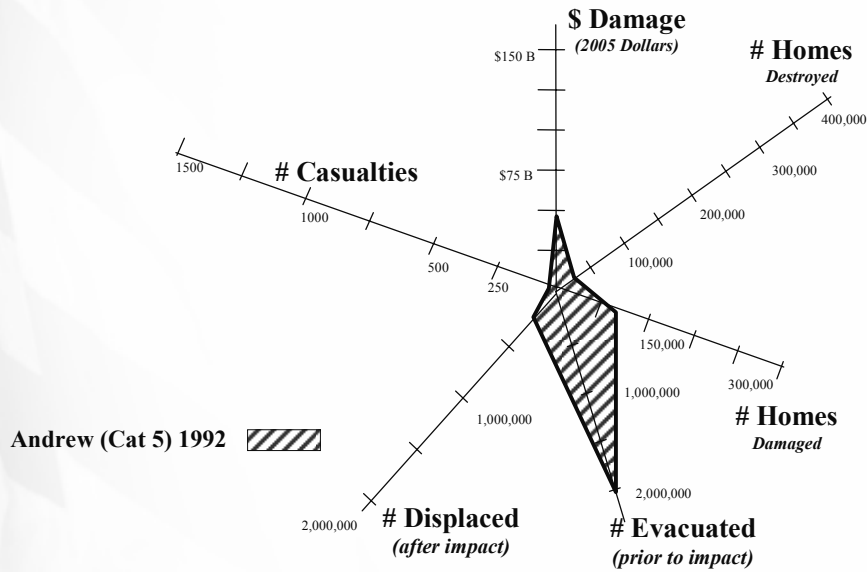
- For this work, we:
 - Interviewed federal, state, and local officials in Louisiana, Mississippi, and Washington, D.C.
 - Observed local recovery planning meetings in New Orleans, Louisiana, and Biloxi, Mississippi.
 - Reviewed and analyzed federal, state, and local documentation on a range of issues related to Gulf Coast rebuilding efforts, such as CDBG funding allocations, state homeowner assistance programs, and state and local planning efforts.
 - Reviewed selected studies related to the budgetary and economic impacts of Hurricanes Rita and Katrina.
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Background: The Impact of Hurricane Camille



Source: DHS.

Background: The Impact of Hurricane Andrew



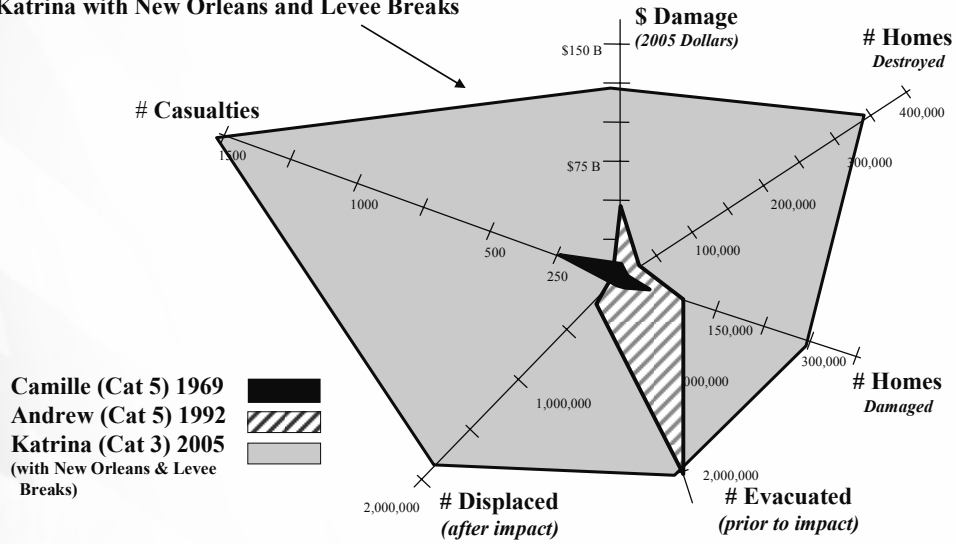
Source: DHS.

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

Katrina with New Orleans and Levee Breaks



Source: DHS.

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

- To respond to the Gulf Coast devastation, the federal government committed over \$110 billion in resources through grants, loan subsidies, and tax relief and incentives.
 - The bulk of this assistance was provided to 23 agencies through four emergency supplemental appropriations totaling \$88 billion.¹



P.L. 109-61

September 2, 2005



P.L. 109-62

September 8, 2005



P.L. 109-148

December 30, 2005



P.L.109-234

June 15, 2006

¹Besides these four main supplemental appropriations acts, a number of authorizations and programs provided the remaining assistance. Congress increased the borrowing authority of the National Flood Insurance Program to cover the large number of hurricane-related claims and passed the Gulf Opportunity Zone Act to provide tax relief benefits and incentives to affected entities.



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

- A substantial portion of this assistance was directed to emergency and short-term needs, such as relocation assistance, emergency housing, immediate levee repair, and debris removal.
- Consequently, a relatively small portion of federal assistance provided thus far is available for longer-term rebuilding activities, such as the restoration of the region's housing and infrastructure.



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

- Moreover, it may be useful to view this assistance in the context of the costs of damages incurred by the region and the resources needed to rebuild.
 - Early damage estimates from the Congressional Budget Office (CBO) put capital losses (to include housing, consumer durable good, and energy and other private sector and government losses) from Hurricanes Rita and Katrina at a range of \$70 billion to \$130 billion.²
 - Another estimate from the Center for Business and Economic Research at Marshall University put losses solely from Hurricane Katrina—to include capital losses—at over \$150 billion. This estimate was limited to damages affecting commercial structures and equipment, residential structures and contents, electrical utilities, highways, sewer systems, and commercial revenue losses.³
- Further, the state of Louisiana estimates that the economic impact on its state alone could reach \$200 billion.

² For additional information see, *Macroeconomic and Budgetary Effects of Hurricanes Katrina and Rita*, Statement of Douglas Holtz-Eakin, Director, Congressional Budget Office, before the Committee on the Budget, U.S. House of Representatives, Oct. 6, 2005.

³ For additional information see, Mark L. Burton and Michael J. Hicks, *Hurricane Katrina: Preliminary Estimates of Commercial and Public Sector Damages* (Huntington, W.Va.: Marshall University, September 2005).

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

- While the exact costs of damages and rebuilding the Gulf Coast may never be known, they will likely surpass those from the three costliest disasters in recent history—Hurricane Andrew, the September 2001 terrorist attacks, and the 1994 Northridge earthquake.

Disaster	Type of disaster	Cost in billions (2005 dollars)
Hurricane Andrew (1992)	Category 5 hurricane	\$38.5
Northridge earthquake (1994)	Earthquake measuring 6.7 on the Richter scale	\$48.7
September 11 attacks (2001)	Acts of terrorism	\$87.0

Source: CBO.

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

- The federal government has provided long-term rebuilding assistance to the Gulf Coast states through 2 key programs—FEMA’s Public Assistance and HUD’s CDBG programs. Each of these programs follow different funding models.

Public Assistance

- Project-based grants that provide assistance primarily to state and local governments to repair and rebuild damaged public infrastructure and includes activities such as removing debris, repairing roads, and reconstructing government buildings, and utilities.
- Pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),⁴ and FEMA regulations, this assistance is limited to either a fixed-dollar amount or a percentage of eligible costs for restoring damaged facilities or other eligible projects.

⁴ The Stafford Act, as amended, establishes the primary programs and processes for the federal government to provide major disaster and emergency assistance to states, local governments, tribal nations, individuals, and qualified private nonprofit organizations. 42 U.S.C. §§ 5121-5207.

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

- To receive public assistance, applicants must submit requests for work which are then considered for eligibility, based on criteria under the Stafford Act and FEMA regulations. Specifically,
 - Proposed work is considered for eligibility through “project worksheets”—applications for specific funding amounts to complete discrete work segments. Among other things, project worksheets document the scope of the work, cost estimates, damage descriptions and dimensions, and special considerations for each work segment.
 - FEMA obligates funds for approved projects, providing specific amounts to complete discrete work segments on large projects. States reimburse applicants for costs that meet the Stafford Act’s public assistance eligibility criteria and FEMA reimburses the states for the federal share.
- As of June 15, 2007, FEMA has obligated over \$4.6 billion to Louisiana and over \$2 billion to Mississippi through its public assistance program.⁵

⁵In both states, a substantial portion of this assistance was obligated to emergency and response items, such as debris removal.



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

Community Development Block Grant

- Formula-based grants that afford states and local governments a great deal of discretion in designing directed neighborhood revitalization, housing rehabilitation, and economic development activities.
- During disasters, such as the Gulf Coast hurricanes, Congress has provided even greater flexibility when allocating additional CDBG funds to affected communities and states.
 - Other examples of CDBG funds supporting recovery efforts during disasters include: in New York City following the terrorist attacks of September 11, 2001; in Oklahoma City following the bombing of the Alfred Murrah Building in 1995; and in the city and county of Los Angeles following the riots of 1992.

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

- To date, the affected states have received \$16.7 billion in CDBG funding from the supplemental appropriations—which is, so far, the largest share of funding specifically targeted to rebuilding.⁶
- Louisiana and Mississippi were allocated the largest shares of CDBG appropriations, with \$10.4 billion allocated to Louisiana, and another \$5.5 billion allocated to Mississippi. Florida, Alabama, and Texas received the remaining share of funds.⁷



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

⁶ Pub. L. No. 109-148, 119 Stat. 2680, 2779-80 (Dec. 30, 2005); Pub. L. No. 109-234, 120 Stat. 418, 472-73 (June 15, 2006).

⁷ Texas received over \$503 million, Florida received about \$183 million, and Alabama received nearly \$96 million.



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

- To receive CDBG funds, HUD required that each state submit an action plan describing how the funds would be used, including how the funds would address long-term “recovery and restoration of infrastructure.” This process afforded each state broad discretion in deciding how to allocate its share of CDBG funding and for what purposes. Specifically,
 - Louisiana developed its action plans through the Louisiana Recovery Authority (LRA)—the state agency created at the direction of Governor Blanco and charged with coordinating and overseeing the state’s rebuilding efforts—and through the state’s Office of Community Development.⁸ These action plans were subject to the approval of Louisiana’s state legislature.

⁸ The LRA was created at the direction of Governor Blanco by executive order in October of 2005 and subsequently authorized by the state legislature in early 2006.

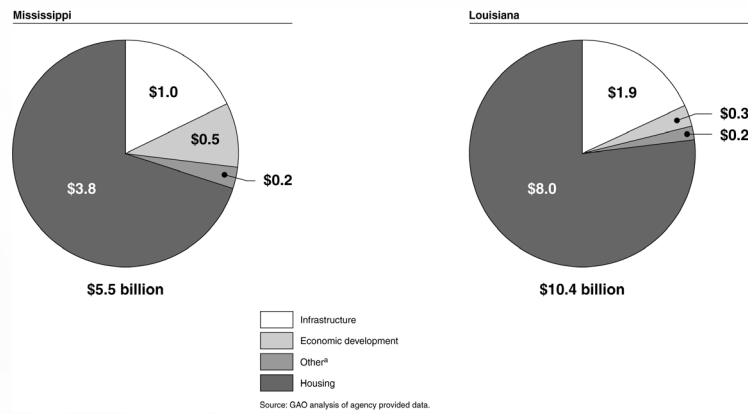


Two Key Federal Programs That Provide Long-Term Rebuilding Assistance Use Different Approaches

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

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

Both Louisiana and Mississippi allocated the majority of their share of CDBG funding to housing priorities. The remaining funds were allocated primarily to economic development and infrastructure.



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



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

- Both Louisiana and Mississippi directed the vast majority of their CDBG housing allocations to homeowners—tailoring their programs to address the particular conditions within their state. A portion of these allocations also was directed to other housing programs such as rental housing and public housing, as well as to projects that will alleviate costs associated with housing, such as utility and insurance costs.
 - Louisiana and Mississippi homeowner assistance programs are similar in that each is designed to compensate homeowners whose homes were damaged or destroyed by the storms. Under each program, the amount of compensation that homeowners receive depends on the value of their homes before the storms and the amount of damage that was not covered by insurance or other forms of assistance.
 - These programs, however, differ in their policies and eligibility requirements.
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

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

- Louisiana witnessed a significant population loss in the wake of the Gulf Coast hurricanes, with many residents living in other states and debating whether to return to Louisiana.
 - The Louisiana Recovery Authority, in close consultation with state and federal agencies, developed a program to restore the housing infrastructure in Louisiana, using CDBG funds from the supplemental appropriations described earlier.
 - Referred to as the *Road Home*, this program is designed to encourage homeowners to return to Louisiana and begin rebuilding.
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

- Under this program, homeowners who decide to stay in the state and rebuild in Louisiana are eligible for the full amount of grant assistance—up to \$150,000—while those leaving the state will receive a lesser share.
 - Except for the elderly, residents who choose to sell their homes and leave the state will have their grant awards reduced by 40 percent.
 - Residents who did not have insurance at the time of the hurricanes will have their grant awards reduced by 30 percent.
 - Further, to receive compensation, homeowners must comply with applicable code and zoning requirements and FEMA advisory base flood elevations when rebuilding and agree to use their home as a primary residence at some point during a 3-year period after closing.
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

- The Road Home Program began accepting applications on August 29, 2006.
 - As of May 30, 2007, the Road Home program has received 141,235 applications, of which 84,136 have been verified and an award amount had been calculated.
 - As of this date, 42,342 applicants have notified the program and decided on a course of action (for example, whether to rebuild or sell).
 - The program has awarded payments to 23,043 homeowners with an average award amount of \$74,514.
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

Mississippi's Homeowner Assistance Program Aims to Compensate Homeowners for Losses

- In Mississippi, Katrina's storm surge destroyed tens of thousands of homes, many of which were located outside FEMA's designated flood plain and not covered by flood insurance. Mississippi developed a two-phase program to target homeowners who suffered losses due to the storm surge. Specifically,
 - Phase I is designed to compensate homeowners whose properties were located outside the floodplain and had maintained hazard insurance at a minimum.
 - Eligible for up to \$150,000 in compensation, homeowners are not subject to a requirement to rebuild.
 - To receive an award, eligible applicants must place a covenant on their property, providing that flood insurance will be maintained in perpetuity, the home will be rebuilt or repaired to local building codes, and if rebuilt, the home will be elevated to FEMA elevation standards.
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

- Phase II provides assistance to homeowners who received flood surge damage, regardless of whether they lived inside or outside the flood zone or had maintained insurance on their homes. Eligible applicants must have an annual income at or below 120 percent of the Area Median Income (which varies by county).
 - Eligible for up to \$100,000 in grant awards, homeowners are not subject to a requirement to rebuild.
 - To receive an award, eligible applicants—like those in Phase I—must place a covenant on their property, providing that flood insurance will be maintained in perpetuity, the home will be rebuilt or repaired to local building codes, and if rebuilt, the home will be elevated to FEMA elevation standards.
 - Homeowners who did not maintain insurance at the time of the storm will have their grant reduced by 30 percent, although this penalty does not apply to the “special needs” populations as defined by the state (i.e., elderly, disabled, and low income.)
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Louisiana and Mississippi Target the Majority of Their CDBG Funds to Homeowners, but Differ in Their Policies

- Mississippi's Homeowner Assistance Program began accepting applications in April 2006.
 - As of May 30, 2007, Mississippi had received 18,965 applications for Phase I of its program, of which 14,381 were determined eligible for consideration. Of those, Mississippi awarded payments to 12,950 homeowners, while 863 applications were still being processed. The average grant awarded was \$69,669.
 - As of this date, Mississippi has received 11,529 applications for Phase II of its program, of which 4,130 were rolled over from the Phase I program.⁹ Mississippi has awarded payments to 28 eligible homeowners.

⁹ The 4,130 applicants include: (1) homeowners who have been determined ineligible for the Phase I program and (2) homeowners who have been determined eligible for the Phase I program and have received assistance, but still have an uncompensated loss. These applicants can be considered for additional assistance under the Phase II program, although the total amount of assistance between the two programs is limited to \$150,000.



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

In Louisiana, state and local governments are engaged in short- and long-term planning activities

- At the state level, the LRA is coordinating a number of initiatives to support redevelopment through a multifaceted planning process that combines the efforts of federal, state, and local partners, experts and citizens.
- Referred to as *Louisiana Speaks*, the planning process is led by a team of professional planners and architects who have been retained to develop plans and resources for individual homeowners and businesses, communities and parishes, and the region.



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

- Through Louisiana Speaks:
 - an architectural planning tool (referred to as a “pattern book”) has been developed and distributed for homeowners, architects, and permitting officials about how to redesign and rebuild commercial and residential buildings.
 - local design workshops—called “charrettes”—have been developed to guide neighborhood planning efforts in the impacted areas.
 - teams of professional planners, FEMA and LRA officials and representatives have worked with impacted parishes to develop long-term recovery plans.
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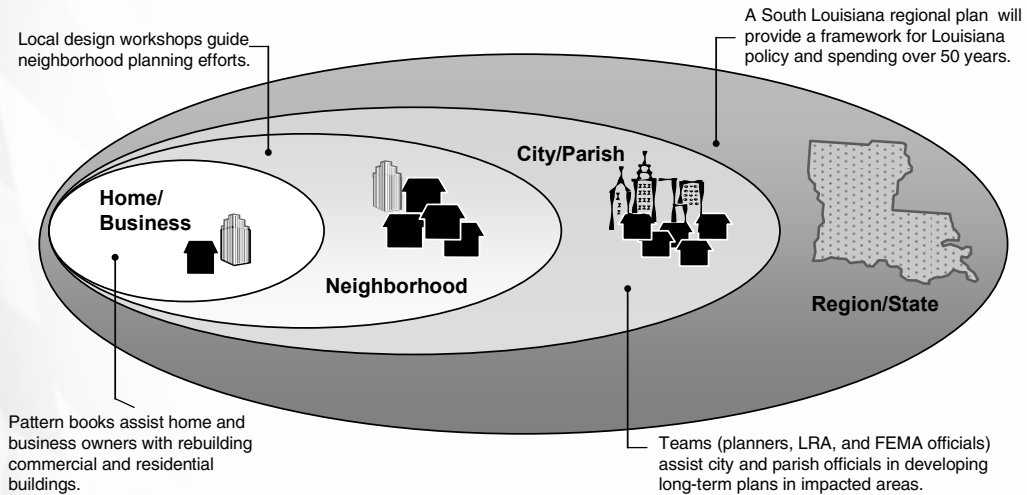


Louisiana and Mississippi Are Engaged in Planning Activities, While the Federal Government Has Assumed a Coordination Role

- In addition, through public input, Louisiana Speaks also developed a regional plan for Southern Louisiana, focusing on a number of critical challenges for the state's redevelopment.
 - The regional plan evaluates economic, environmental, and social issues that affect Southern Louisiana and explores alternative ways that growth and development can be accommodated in the context of varying environmental, economic, and cultural changes. The state of Louisiana will use the regional plan to help direct rebuilding policy and Louisiana's long-term spending over the next 50 years.

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

Illustration of Louisiana's Planning Process



Source: Louisiana Speaks.

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

Highlights of planning efforts in New Orleans

- After a number of attempts to develop a rebuilding plan for New Orleans—including the Bring New Orleans Back Commission, efforts initiated by the city council, Urban Land Institute, and others—in August 2006, New Orleans embarked on a comprehensive rebuilding planning process, which continues to date. Referred to as the Unified New Orleans Plan (UNOP), this effort was designed as a grassroots approach to planning.
 - UNOP's objective is to incorporate the vision of neighborhoods and districts into multiple district-level plans and one citywide plan that establishes goals and priorities for rebuilding the city.
 - UNOP's final citywide plan—approved by the city's planning commission in May 2007 and approved by the City Council in June 2007—includes priority programs and projects for repairing and rebuilding the city over a 5- to 10-year period and will help to inform critical funding and resource allocation decisions by state and federal agencies.
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Louisiana and Mississippi Are Engaged in Planning Activities, While the Federal Government Has Assumed a Coordination Role

In Mississippi, state and local governments are engaged in short- and long-term planning activities

- At the state level, Governor Barbour created the Governor's Commission on Recovery, Rebuilding and Renewal in September 2005 to identify rebuilding and redevelopment options for the state.
 - Comprised of over 20 committees—including both private and public involvement, the Commission held numerous public forums across multiple counties in an effort to solicit input and participation from residents throughout the state.
 - In December 2005, the commission's work culminated in a final report containing 238 policy recommendations aimed at addressing a range of rebuilding issues and concerns across the state, from infrastructure and economic development to human services and finance.¹⁰

¹⁰ Entitled *After Katrina: Building Back Better Than Ever* (December 31, 2005). This report included recommendations to the Governor's Office and a range of federal, state, and local stakeholders involved in the state's rebuilding efforts.



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

- The report also addressed potential financing mechanisms, identifying state, local, private, and federal sources. Further, the recommendations identified parties responsible for implementing the recommendations, including the creation of new state and regional entities to oversee selected recommendations.
- In addition, Governor Barbour created the Office of Recovery and Renewal to oversee and coordinate implementation of these recommendations. Also charged with identifying funding for rebuilding projects, the office continues to work with public and private entities as well as state and local governments.



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

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

The administration established a mechanism to coordinate with—and support rebuilding activities at—the federal, state, and local levels

- In November 2005, the President issued executive orders establishing two new entities to help provide a governmentwide response to federal rebuilding efforts.
- The first order created the position of Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region within the Department of Homeland Security.¹¹ Accordingly, the Federal Coordinator is responsible for developing principles and goals, leading the development of federal recovery activities, and monitoring the implementation of designated federal support. The Coordinator also serves as the administration's focal point for managing information flow, requests for actions, and discussions with Congress, state, and local governments, the private sector, and community leaders.

¹¹"Establishment of a Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region," Exec. Order No. 13,390, 70 Fed. Reg. 67,327 (Nov. 1, 2005).



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

- Our discussions with state and local officials in Louisiana revealed a largely positive disposition towards the Federal Coordinator and his role in support of the Gulf Coast. During our field work, for example, Louisiana state and local officials said the Coordinator had played an integral role in helping to identify and negotiate an appropriate level of CDBG funding for the state.
- The second executive order established a Gulf Coast Recovery and Rebuilding Council within the Executive Office of the President for a period of 3 years.¹² Chaired by the Assistant to the President for Economic Policy, the council includes most members of the Cabinet and is charged with examining issues related to the furtherance of the President's policy on recovery and rebuilding of the Gulf Coast.

¹² "Creation of the Gulf Coast Recovery and Rebuilding Council," Exec. Order 13,389, 70 Fed. Reg. 67,325 (Nov. 1, 2005).

Selected Questions for Congressional Oversight of Gulf Coast Rebuilding

- As states and localities begin to assume responsibility for developing plans for rebuilding, there are difficult policy decisions Congress will need to make about the federal government's contribution to the rebuilding effort and the role it might play over the long-term in an era of competing priorities. Based on our preliminary work and the issues raised in this report, Congress may wish to consider the following questions as it continues to carry out its critical oversight function in reviewing rebuilding efforts on the Gulf Coast:
 - How much will it cost to rebuild the Gulf Coast and how much of this cost should the federal government bear?
 - How effective are current funding delivery mechanisms—such as Public Assistance and CDBG—and should they be modified or supplemented by other mechanisms?
 - How can the federal government further partner with state and local governments and the nonprofit and private sectors to leverage the public investment in rebuilding?
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