

GAO

Testimony

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

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

**GULF COAST
REBUILDING**

**Preliminary Observations
on Progress to Date and
Challenges for the Future**

Statement of Stanley J. Czerwinski
Director, Strategic Issues





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

Why GAO Did This Study

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

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

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

What GAO Recommends

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

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

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

GULF COAST REBUILDING

Preliminary Observations on Progress to Date and Challenges for the Future

What GAO Found

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

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

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

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

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

Madam Chair and Members of the Subcommittee:

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

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

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

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

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

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

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

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

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

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

It is useful to view the federal assistance provided to the Gulf Coast within the context of the overall costs of the damages incurred by the region and the resources necessary to rebuild. Although there are no definitive or authoritative estimates of these costs, the various estimates of aspects of these costs offer a sense of their magnitude. For example, early damage estimates from the Congressional Budget Office (CBO) put capital losses from Hurricanes Katrina and Rita at a range of \$70 billion to \$130 billion⁴ while another estimate put losses solely from Hurricane Katrina—including capital losses—at over \$150 billion.⁵ Further, the state of Louisiana has estimated that the economic impact on its state alone could reach \$200 billion. While the exact costs of damages and rebuilding the Gulf Coast may never be known, they will likely surpass those from the three other costliest disasters in recent history—Hurricane Andrew, the September 2001 terrorist attacks, and the 1994 Northridge earthquake.⁶ These estimates raise important questions regarding additional assistance that will be needed to help the Gulf Coast rebuild in the future—including how the assistance will be provided and by whom.

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

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

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

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

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

Public Assistance Grants

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

Community Development Block Grants

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

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

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

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

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

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



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

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

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

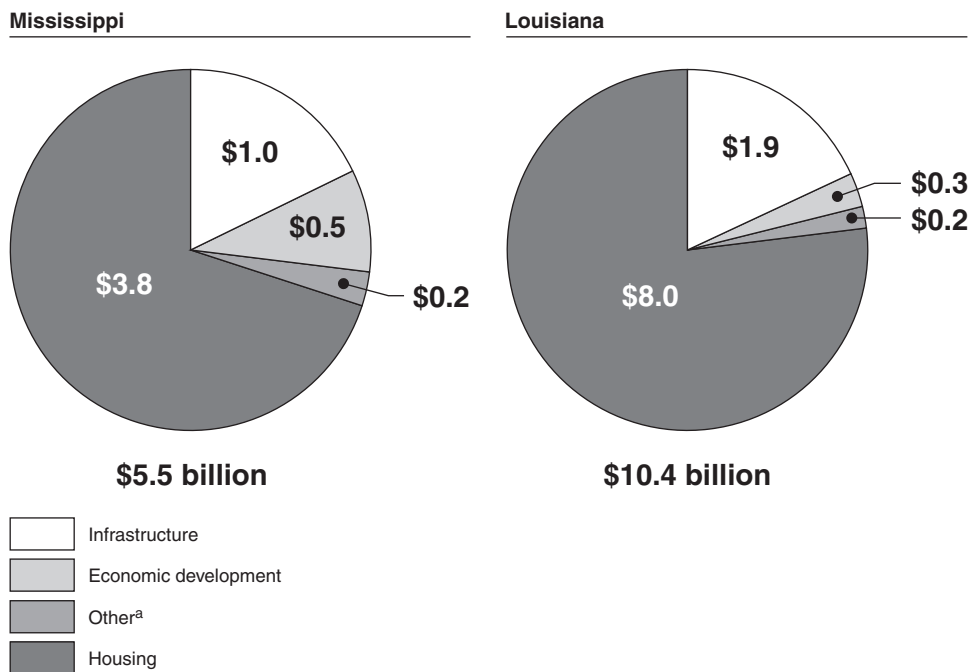
¹¹ CDBG funds supported recovery efforts in New York City following the terrorist attacks of September 11, 2001; in Oklahoma City following the bombing of the Alfred Murrah Building in 1995; and in the city and county of Los Angeles following the riots of 1992.

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

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

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

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



Source: GAO analysis of agency provided data.

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

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

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

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

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

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

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

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

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

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

Mississippi's Homeowner Assistance Program Aims to Compensate Losses

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

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

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

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

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

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

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

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

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

Planning Activities in Louisiana

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

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

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

Planning Activities in Mississippi

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

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

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

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

Coordination at the Federal Level

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

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

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

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

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

Selected Questions for Congressional Oversight of Gulf Coast Rebuilding

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

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

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

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

GAO Contacts and Staff Acknowledgments

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

Related GAO Products

Hurricanes Katrina and Rita Recovery

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Domestic Disaster Recovery

Biscuit Fire Recovery Project: Analysis of Project Development, Salvage Sales, and Other Activities. [GAO-06-967](#). September 18, 2006.

September 11: Overview of Federal Disaster Assistance to the New York City Area. [GAO-04-72](#). October 31, 2003.

Disaster Assistance: Information on FEMA's Post 9/11 Public Assistance to the New York City Area. [GAO-03-926](#). August 29, 2003.

Small Business Administration: Response to September 11 Victims and Performance Measures for Disaster Lending. [GAO-03-385](#). January 29, 2003.

September 11: Small Business Assistance Provided in Lower Manhattan in Response to the Terrorist Attacks. [GAO-03-88](#). November 1, 2002.

Los Angeles Earthquake: Opinions of Officials on Federal Impediments to Rebuilding. [GAO/RCED-94-193](#). June 17, 1994.

Hurricane Iniki Expenditures. [GAO/RCED-94-132R](#). April 18, 1994.

Time-Critical Aid: Disaster Reconstruction Assistance—A Better Delivery System Is Needed. [GAO/NSIAD-87-1](#). October 16, 1986.

Guidelines for Rescuing Large Failing Firms and Municipalities. [GAO/GGD-84-34](#). March 29, 1984.

International Disaster
Recovery

Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals. [GAO-06-788](#). July 11, 2006.

Foreign Assistance: USAID Completed Many Caribbean Disaster Recovery Activities, but Several Challenges Hampered Efforts. [GAO-06-645](#). May 26, 2006.

Foreign Assistance: USAID Has Begun Tsunami Reconstruction in Indonesia and Sri Lanka, but Key Projects May Exceed Initial Cost and Schedule Estimates. [GAO-06-488](#). April 14, 2006.

Foreign Assistance: USAID's Earthquake Recovery Program in El Salvador Has Made Progress, but Key Activities Are Behind Schedule. [GAO-03-656](#). May 15, 2003.

Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability. [GAO-02-787](#). July 24, 2002.

Foreign Assistance: Implementing Disaster Recovery Assistance in Latin America. [GAO-01-541T](#). March 21, 2001.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548