

TESTIMONY OF DONALD E. POWELL

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BEFORE THE
UNITED STATES SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON DISASTER RECOVERY

“GAO’s Analysis of the Gulf Coast Recovery: A Dialogue on Removing Obstacles to the
Recovery Effort”

THURSDAY, APRIL 12, 2007

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

My name is Donald E. Powell and I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding. I am here today to discuss the progress we have made in the Gulf Coast region, and both the challenges and opportunities we face in this unprecedented domestic recovery as well as the long-term rebuilding effort.

Furthermore, like you, I read the Government Accountability Office's (GAO) testimony on their review of Gulf Coast rebuilding issues and found it a balanced report on the recovery effort to date.

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

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

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

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

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

President Bush made a commitment that the federal government would be a full partner in the recovery and rebuilding of the areas devastated by Hurricanes Katrina and Rita, and he is keeping that promise. The federal government has committed more than \$110 billion for the recovery effort through programs as varied as HUD's Community Development Block Grants, funding for the Corps of Engineers, FEMA Public Assistance funding for infrastructure, Small Business Administration loans, and Department of Education and Department of Labor federal grant funding, just to name a few. This figure does not include the costs of the GO Zone tax legislation, from which some provisions were extended at the end of the 109th Congress with the President's urging. This extension runs through the end of 2010 for areas that experienced the most significant housing damage.

This Administration also understands the importance of being good stewards of the substantial amounts of taxpayer money that have been spent on this effort. We rely on state, local and Congressional oversight and accountability mechanisms in place to assist in the protection of the American taxpayer. If Americans see their tax dollars being ill-spent, their support – which is critical - will wane. It is my duty to review the various plans and strategies brought to us from the region to ensure that they are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

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

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

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

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

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

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

LEVEES

From the beginning, the people of Louisiana all agreed that levees were paramount to the revitalization of New Orleans and the President made it clear that public safety is a critical part of long-term rebuilding in that area. People must feel safe and secure in their decision to come back – whether as a resident or a business owner. President Bush promised a better and stronger hurricane protection system and the current New Orleans levee system is far better than it was before Katrina. But our work is still ongoing.

Specifically, the President requested and secured nearly \$6 billion for the U.S. Army Corps of Engineers to repair and enhance the levees, and the entire hurricane protection system. The planned improvements will be the best, most comprehensive system ever known by New Orleans. The work includes higher levees, stronger floodwalls, perimeter protection, and greater interior drainage capability. For example, levees were re-constructed with erosion-resistant clay and floodwalls were repaired with more stable T-wall versus original I-wall construction. In addition, new erosion protection will be added to levees at several sites and additional pumping capacity and floodgates are being added at the outfall canals. The Corps has worked tirelessly since September of 2005 and, as a result, over 220 miles of levees and floodwalls have been repaired and restored and their work to further upgrade the system will continue for several years.

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

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

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

COMMUNITY DEVELOPMENT BLOCK GRANTS

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

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

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

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

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

FEMA PUBLIC ASSISTANCE

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

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

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

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

ECONOMIC DEVELOPMENT

The President, along with Congress, has also been mindful about the renewal of the region’s economy. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation will help revitalize the region’s economy by providing incentives for businesses to create new jobs and restore old ones. Some of the principal provisions included in the Gulf Opportunity Zone Act of 2005 include additional tax-exempt bond authority for both residential and nonresidential

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

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

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

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

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

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

CITY OF NEW ORLEANS

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

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

CONCLUSION

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

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

