

**Senate Ad Hoc Subcommittee on Disaster Recovery of the United States Senate
Committee on Homeland Security and Governmental Affairs**

**“FEMA’s Project Worksheets: Removing the Most Prominent Obstacle to the Gulf
Coast Rebuilding”**

July 10, 2007

**Testimony of C. Ray Nagin
Mayor, City of New Orleans**

I am C. Ray Nagin, Mayor of New Orleans, one of America’s most beloved and culturally distinctive cities, and a city which is facing the challenge of recovering and rebuilding after the worst natural and man-made disaster to occur in the United States of America.

To Chair and Senator Landrieu, Ranking Member and Senator Stevens, distinguished members and guests of the United States Senate Ad Hoc Subcommittee on Disaster Recovery of the Committee on Homeland Security and Governmental Affairs: Thank you for calling this hearing on the issue of FEMA’s project worksheets, which have been a persistent area of difficulty and challenge as we have worked to recover from the devastation of Hurricane Katrina and the subsequent flooding. Although our early dealings with this process were extremely difficult, we have seen some significant improvement within the past few months and are hopeful that our relationships with federal and state agencies will continue to lead to positive movement.

As I begin my testimony, I would like to thank you and Congress for your tremendous support during the past 22 months. You have ensured that attention remains focused on New Orleans and the entire region so drastically affected by the Hurricanes of 2005. Your actions have helped us to address key recovery issues related to hurricane protection, flood control, public safety, economic development, housing and healthcare. I would especially like to thank you for your work to ensure the approval of a waiver of the 10 percent local match requirement for rebuilding projects and the restoration of the President’s authority to waive repayment of Community Disaster Loans – two items which are key to our capacity for rebuilding vital infrastructure and recovering financially.

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

philanthropists and volunteers are critical to our rebuilding efforts and we are grateful that they, like us, are committed to seeing our city fully recover.

I. New Orleans Pre-Katrina

I would like to take a moment to describe New Orleans before Hurricane Katrina and the breaching of the levees. New Orleans had a population of 455,000 residents, more than \$3 billion in construction activity, 215,000 housing units and a viable and growing Central Business District.

Tourism has long been the main economic driver of the city, and prior to Hurricane Katrina, tourism hit a record, with 10.1 million visitors coming to the city each year and thousands of people joining cruises from our port.

Adding color and vitality to the city was “Hollywood South,” one of the newest and most exciting activities taking place in New Orleans. The burgeoning film industry was rapidly making its mark as an economic development driver, with multi-million dollar films being made in the Crescent City.

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

II. Hurricane Katrina’s Impact

Hurricane Katrina was the largest and most costly disaster in American history. More than 1,400 Louisiana residents lost their lives. Katrina produced the first mandatory evacuation in New Orleans history, and the largest displacement of people in U.S. history -- 1.3 million. More than 150,000 New Orleanians remain displaced.

New Orleans sustained 57% of all the damage in Louisiana. Of our 188,251 occupied housing units, 134,344 sustained reportable damage, and 105,155 were severely damaged. Residential damage in Orleans Parish was \$14 billion.

Statewide, 18,000 businesses were destroyed. The City of New Orleans lost about half of its annual revenue, a substantial portion of the \$480 million general fund. City government was forced to reduce its employees by 3,000 — half its workforce.

What the wind didn’t destroy, the water did. Approximately 95 percent of the city’s nearly 350 buildings were damaged at an estimated cost of more than \$400 million. This does not include equipment and inventory such as police radios and New Orleans Recreation Department supplies. For example, 700 city vehicles were lost, at a cost of \$128 million. Experts predict Katrina’s final damage totals will be about \$250 billion.

Katrina affected our courts, prisons, schools, parks and playgrounds, pools and libraries. Our infrastructure, those physical and permanent installations that allow the city to provide basic services to its citizens, were decimated. This includes all utilities, roads, drainage, communications, water supply and other facilities, such as bridges and pumping stations.

With 80 percent of New Orleans under water for almost a month, the damage done by the moisture was extensive, but as harmful to our infrastructure was the damage done by the weight of the water. In all, 480 billion pounds of water poured into our city and sat for almost a month. Hundreds of miles of underground utilities -- electric, gas, water, drainage, cable and phone lines -- were damaged.

Rebuilding our infrastructure is key to recovery in New Orleans and one of this administration's top priorities. These foundational needs are essential as our population returns and communities continue to rebuild.

III. Immediate Response to Katrina

After the hurricane, we focused on five key areas: Search and rescue of people trapped and stranded; evacuation of the Louisiana Superdome, Ernest N. Morial Convention Center and bridges; patching the levee breaks; draining the floodwaters; and recovery of the dead.

After successfully dewatering the city, we conducted environmental testing to clear any concerns about toxicity, returned utilities to a delicate but operational level and began repopulation of the city in areas with little or no damage/flooding.

IV. Where Are We Now

Hurricane Katrina has led to the largest clean-up in U.S. history. It produced 35 million tons of storm debris, six times as much as the ruins of the World Trade Center. To date, nearly 100 percent of storm related debris has been removed from the city, and we anticipate the future removal of additional tons of material as demolition and rebuilding continue.

As we have worked to recover, we have faced critical delays in the receipt of federal funds appropriated for us. Despite these delays, we have made significant strides in the recovery of our basic services and infrastructure. We have restored utilities to the entire city, strategically reopened facilities of the New Orleans Recreation Department in populated areas and developed an efficient system for obtaining building permits. We have issued more than 150,000 permits at a value of \$3.7 billion.

In addition, we have been successful at reestablishing critical services and, in some cases, at providing citizens with higher level services that they received before the storm.

In this time of decreased financial resources, we still managed to overhaul the way that

we provide garbage services and to dramatically increase the level of satisfaction among citizens. Our neighborhoods are cleaner with uniform collection carts lining the streets in the morning and power washed streets. In the French Quarter, sidewalks are power washed, which leaves the area smelling lemony clean. Downtown and the French Quarter have experienced such a transformation that it has become a buzz among visitors.

Just as we have moved forward with our sanitation services, we also have improved our roads and other infrastructure. This year alone, we have repaired more than 38,000 potholes. We also have repaired more than 8,400 street lights and replaced or repaired more than 7,100 street signs. We have cleaned nearly 5,400 storm drains and 1.25 million feet of drain lines. More than 3,700 damaged parking meters are now working. And to date nearly 8,000 storm damaged vehicles have been towed from staging areas and public rights-of-way.

Now that our bond rating has been elevated to a stable status, we are in the position to move forward with implementing a bond issue that voters approved in 2004 for major and minor street repairs. We also have been able to complete road construction projects in the downtown area that were begun right before Katrina struck. And we broke ground earlier this year to begin major roadwork repairs in Algiers, an area of the city that escaped the brunt of the storm's effects, and in Lakeview, which was heavily damaged.

Our citizens also need to have recreation areas and facilities where they can engage in physical activity. Although the New Orleans recreational department sustained more than \$60 million in damages to our 187 parks and other facilities, to date five multi-service centers, 33 playgrounds and 2 stadiums are open. Less than two weeks ago, I hosted a family festival to mark the reopening of a portion of Joe Brown Park, a facility in New Orleans East, one of our most devastated neighborhoods. The park attracted more than 1,500 visitors on weekend days prior to the Hurricane Katrina, and several hundred people were on hand for the reopening. We do not yet have the money to make repairs and reopen the entire facility, but our Department of Parks and Parkways and the New Orleans Recreation Department worked diligently alongside state officials to ensure that our returning citizens can have some access to this popular gathering space. At least 50,000 people are now estimated to be living in New Orleans East.

V. Accelerating Our Own Recovery

While the federal government has appropriated significant resources for our recovery, this money has been slow to reach the local governments and the citizens who need it. As has been the topic of much discussion, we have found ourselves locked in a cycle of needing money to undertake projects so that we can seek reimbursements for work that has been undertaken.

To ensure that we did everything possible to accelerate our own recovery, we worked with the City Council to change laws to permit the city to borrow more than \$30 million from other departments to begin critical projects related to public safety. We focused our efforts on public safety needs, such as police and fire stations. This also allowed us to

bring our criminal court back home to Tulane and Broad in June 2006, less than a year after the flooding.

Today, we maintain a delicate, cautious balance of our limited general fund dollars. My finance team works diligently with an advisory board of economic and finance experts from around the country, and we have, for the first time, produced a five-year budget plan that keeps costs in line with spending, ensures responsible management of the Community Disaster Loan (CDL) and focuses on responsible and realistic budget initiatives which center on public safety and recovery of our city. Wall Street has acknowledged our prudent use of our limited dollars and recently upgraded our investment grade from “junk” status to “stable.” This is an incredible accomplishment less than two years after it seemed we could face bankruptcy. It also affirms our judgment in making difficult decisions in the days, weeks and months immediately after the storm.

Both the business community and our residents have taken notice. Our retail market is thriving and sales tax collections are at 90 percent of pre-Katrina. Tourists are returning; Mardi Gras experienced near record crowds and some days of this year’s Jazz Fest broke previous records. Just last week, the annual Essence Fest returned to New Orleans after a one-year absence. The three day festival attracts approximately 200,000 visitors and has an economic impact of \$150 million. Local hotels were at 90 percent occupancy during the event period.

Perhaps most importantly, our residents are coming home. After the floods, I set a goal for New Orleans to return to 75 percent of its pre-Katrina population within two years. Estimates from two independent researchers found that our population is at 58 to 64 percent of pre-Katrina levels, meaning as many as 291,000 people now live in New Orleans.

VI. Challenges to Recovery: Project Worksheets

Despite the hard work and creativity of our dedicated city staff, the cumbersome and often lengthy process of funding recovery projects through funds allocated on project worksheets has been a significant impediment to our speedy recovery and that of other communities throughout the affected area. Many of the difficulties we face with project worksheets are due to the magnitude of the disaster caused by Hurricane Katrina and the subsequent flooding from levee and floodwall breaches, and the nature of the laws providing for emergency relief and recovery funding. The Robert T. Stafford Act functions as a reimbursement program which could not provide adequate relief for our needs. Stafford was written to give broad discretionary powers to government in how it provides assistance, something which had not been consistently used to respond effectively to our unprecedented situation. We have recently witnessed more positive movement in our relationship with FEMA, largely due to your intervention and the responsiveness of the current local FEMA staff.

There has been great progress in the assessment and funding process that FEMA is currently using with the Sewerage and Water Board regarding the severely damaged water infrastructure. We are pleased that FEMA is also working cooperatively with our Department of Public Works to identify storm related damages to city streets. We are particularly grateful that the Federal Highway Administration has earmarked nearly \$60 million in Emergency Relief funds to resurface many of the major streets in New Orleans damaged by Katrina. These cooperative efforts will help to move our recovery forward and lessen the anxiety of our citizens, both those who have already returned and those planning to do so soon.

Despite these recent signs of hope, we continue to experience a number of difficulties with the project worksheet process. I would like to detail some of those here.

A. Cash flow difficulties resulting from the FEMA assistance reimbursement process

Although funds have been obligated by the federal government for our recovery, municipalities often are unable to access the cash needed to begin critical projects. As a result, the slow pace and awkward method of funds reaching the local level remains a principal issue hampering the recovery effort. The public infrastructure of the City of New Orleans -- including city office buildings, courts, police and fire stations, streets and playgrounds -- experienced damages estimated at a minimum of \$1 billion. These figures reflect only the City government's needs, and are much larger when added to those of other major agencies, such as the New Orleans Public School System, Sewerage and Water Board, and Regional Transit Authority.

The extent of the damage to our economy and the magnitude of the damage to our infrastructure make it impossible for us to finance our own recovery up front. As of June 29, FEMA had written 837 project worksheets totaling an estimated \$347 million; the city had received only \$182 million in reimbursements from the state -- a deficit of more than \$160 million on an estimate already significantly below what the cost of replacement or reconstruction is expected to be.

We recommend a change to the Stafford Act that would establish a definition of "catastrophic disaster" for events such as Katrina to be differentiated in scale from "major disasters," and to amend the timeframes and formulas for assistance that a "catastrophic disaster" would call for. The extent of the devastation should determine the level of response. This trigger should automatically provide up front funding, extend the 100% reimbursement time frames for emergency work, increase assistance calculations for all grant programs and make provisions for rapid delivery of operational funds for devastated jurisdictions and their critical agencies.

Specifically, if a catastrophic event occurs where damages are estimated to reach a specified financial threshold, FEMA should provide a 50 percent advance based on the initial estimate of damages to infrastructure. This would allow municipalities to begin critical projects, such as those related to criminal justice, public safety and security.

B. Systematic undervaluation of project worksheets.

The initial writing of Project Worksheets in the field immediately after the storm was done with an idea of getting as many damage estimates as possible into the system, with the idea that later versions would naturally document more completely the extent of the damage. As a result, many PWs were written hastily. However, after the initial damage estimate was rendered, it then became the responsibility of the applicant, in this case the city, to document more adequately the full extent of the damage, often in the face of FEMA resistance to dramatically increased PW amounts. At the same time, FEMA personnel were frequently rotated, and the second generation of FEMA PW reviewers was not necessarily sympathetic to the assumptions and conditions under which the original PWs were written. Many of them also lacked the experience and training required to do quick and accurate assessments of the damage. These factors placed a greater burden on the city to document the full extent of damage to FEMA officials who were not necessarily familiar with the original circumstances in which the initial PW originated.

A policy of allowing a 50 percent advance based on initial damage estimates in catastrophic situations could help prevent this from being a crippling problem in the future. Additionally, FEMA needs to be able to tap into a cadre of pre-trained and pre-qualified persons with the desired skill sets, such as engineers and architects experienced in the restoration of various types of structures, such as prisons, courts, fire/police stations, etc, and thoroughly versed in FEMA procedures, including the correct application of the most current cost estimating tools. These persons would have standing orders in the event a disaster occurs. With the applicant's assistance, they would assess damages and write the Project Worksheets. Accuracy on the front end would eliminate the costly and time consuming process of appeals and multiple versions.

C. Unrealistic timelines for the magnitude of event

The deadlines that are in place for many actions are appropriate to smaller disasters, but inadequate for catastrophic events. To address this, the Stafford Act should extend deadlines for applications of assistance following catastrophe designation. FEMA must develop flexible standards for assessing realistic timelines for completion of tasks. Although a number of deadlines have been extended multiple times, our work processes have been interrupted based on initial information that was later revised. Greater efficiencies could be achieved with improved communications.

D. Lack of guidelines that govern the use of contracts for Project Management

Following a disaster of this type, personnel are in extremely high demand. This is a significant issue, and one which acts as a roadblock even when adequate funding is in place. To address this in catastrophic disasters, FEMA should develop clear guidelines

regarding the reimbursement for the use of contractors for Project Management. They also should allow reimbursement for the cost of contractors to accurately assess damages. This should be done by FEMA or allowed by the applicant.

VII. Close

As mayor of the City of New Orleans, I am hopeful about our recovery. We will look to you to continue to do all that you can to ensure that it moves more quickly and smoothly. Our citizens, who also are United States citizens, deserve no less.

We appreciate the commitment that FEMA has demonstrated in the last few months to ensure that New Orleans has the tools it needs to rebuild our city. We are facing a mammoth recovery effort, and I have no doubt that it will be successful. The changes we have suggested will help to ease our rebuilding, but more importantly, they will ensure that no other American city faces the roadblocks and delays that we did shortly after the storm and flooding.

In responding to this catastrophe, the City of New Orleans, State of Louisiana and United States government faced an unprecedented situation. This was the worst natural and man-made disaster in the history of our country. In responding, we have been required to look closely at how local, state and national governments prepared in advance and at how we all responded in the aftermath. I truly hope that no other city experiences devastation at the level we have during the last 22 months. I feel strongly that by championing some of the above concerns, your committee can better prepare FEMA and other federal agencies to respond to any disaster that might occur, whether natural or man-made.

Ladies and gentlemen, thank you for allowing me to speak with you on project worksheets and their impact on our recovery. I believe the proposed policies changes will accelerate our recovery and assist any other city that faces a disaster of catastrophic proportions. With your continued assistance, our hard work and the good will of the American people, we will succeed in rebuilding New Orleans, one of America's great cities.