

**TESTIMONY OF BRYAN McDONALD, DIRECTOR
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TO THE SENATE AD HOC SUBCOMMITTEE ON DISASTER RECOVERY
July 10, 2007**

I'd like to thank the members of the Senate Committee for allowing us to tell you about the tremendous recovery that is occurring in our great state. Thank you very much Madam Chairwoman and Ranking Member and distinguished members of the committee for giving me the opportunity to come before you today.

On August 29, 2005, Hurricane Katrina struck Mississippi a grievous blow. Although the eye of the storm landed at the Mississippi-Louisiana line, that eye was more than thirty miles wide, and Katrina completely devastated our entire coastline, from Pearlinton to Pascagoula. The miles upon miles of utter destruction are unimaginable, except to those like many of you who have witnessed it with your own eyes. But this hurricane wasn't just a calamity for the Mississippi Gulf Coast. Its impact reached far inland in our state with hurricane force winds extending more than 200 miles from the Coast.

The storm claimed the lives of more than 230 Mississippians. The combination of the storm's slow speed and the shallow waters off the Mississippi shoreline created a storm surge in excess of 30 feet in some areas. More than 80 miles of Mississippi coastline were completely destroyed by the mixture of high storm surge and strong winds. In her wake, Katrina left literally tens of thousands of uninhabitable, often obliterated homes; thousands of small businesses in shambles; dozens of schools and public buildings ruined and unusable; highways, ports and railroads, water and sewer systems, all destroyed.

Damage along Mississippi's Gulf Coast was widespread, as damage estimates totaled more than \$125 billion. The Federal Emergency Management Agency (FEMA) reported that 65,380 homes in south Mississippi were severely damaged or destroyed. Electricity was lost for 80 percent of the state's three million residents. More than 45 million cubic yards of debris was left in Hurricane Katrina's wake in south Mississippi—double the debris that was created by Hurricane Andrew. Hurricane Katrina's effects on Mississippi alone, therefore, would rank as the largest natural disaster ever to strike the United States.

Our state and our citizens bore the brunt of a hurricane more devastating than anything this nation had ever seen, and the miles upon miles of utter destruction on the ground was unimaginable—except to those who witnessed it with their own eyes.

Hurricane Katrina destroyed thousands of businesses and billions of dollars in sales revenue were lost. Beachfronts and hotels were obliterated. Losses in livestock and agriculture hit our state's farming community especially hard. Small businesses—the lifeblood of many local economies—were wiped out along the coast line, and many were damaged or destroyed miles inland.

Mississippians found themselves having to scramble, adjust, innovate, and make do. However, it was the spirit of our people that pulled us through. Our people are strong,

resilient, and self-reliant. They're not whiners and they're not into victimhood. From day one after the storm they got to work and did what had to be done. They helped themselves and helped their neighbors. Their spirit has been an inspiration to us all, and that spirit remains the key to our recovery, rebuilding and renewal.

However, several barriers to recovery still exist. The Federal Emergency Management Agency, working to streamline and maximize the efficiency of the Public Assistance process, has the opportunity to remove some of those barriers, thus speeding recovery and allowing Coastal Mississippi to meet its potential.

Specifically, I would like to speak to you today about some of the opportunities that exist to clarify and improve policies and practices related to the process of obligating and closing out Project Worksheets.

The objective of the Federal Emergency Management Agency's Public Assistance (PA) Grant Program is to provide assistance to states, local governments, and certain non-profit organizations to alleviate suffering and hardship resulting from major disasters or emergencies declared by the President.

Through the PA Program, FEMA provides Federal disaster grant assistance for the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private non-profit organizations.

I would like to make particular note of the stellar job local governments have done working with state and federal officials to manage the process of obligating and closing out more than \$ 2.2 billion in Public Assistance dollars through the Federal Emergency Management Agency. To date, FEMA has generated nearly 14,000 Project Worksheets or applications for public assistance for repair and rebuilding projects in Mississippi's communities.

This is especially significant when you consider the array of challenges Coastal Mississippi's local units of government have faced since August 29, 2005. Six of the eleven coastal cities elected new, first-term mayors less than two months before Hurricane Katrina made landfall. Although all within miles of each other, these eleven cities each had long-standing, distinct identities and enjoyed diverse economies and populations.

The effects of the storm also were unique to each community. Some cities have seen increased sales tax revenues compared to the same period in the previous fiscal year while others look to loans and government grants to provide necessary services in the near-term. The State of Mississippi has provided grants of direct cash aid to stabilize struggling coastal governments.

FEMA has served as a good partner for the state, and we applaud their commitment to work with the state and locals to make this Public Assistance process efficient, despite the unprecedented destruction of this disaster.

Throughout the aftermath of this disaster, the State of Mississippi has worked to effectively manage the Public Assistance Process with full transparency and cooperation. Mississippi instituted the Mississippi Public Assistance Management System (M-PAM) immediately after the disaster to work directly with NEMIS (FEMA's electronic system for Public Assistance grant management).

M-PAM utilizes the latest advancements in computer-based management technology to scan, record and store all documents, invoices and receipts related to every project worksheet written in Mississippi. The internet based solution allows real-time management, analysis and communication of issues related to all Public Assistance matters.

The Federal Bureau of Investigation and the Office of the Inspector General and FEMA were provided real-time access to all information pertaining to the Public Assistance Process in our state through M-PAM. It provides a systematic means for early identification of funding roadblocks, fraud or mismanagement. The system effectively fills the void between the obligation and close out process in NEMIS.

Accordingly, the State of Mississippi is working hard to ensure that FEMA focuses its efforts on completion of the Public Assistance closeout process in accordance with the performance measures the agency initiated to ensure continuous program improvement and compliance with the Government Performance and Results Act (GPRA) of 1993.

The GPRA requires each Federal agency to establish a set of performance measures for Congress to gauge efficiency and effectiveness of an agency's programs. FEMA's 1998 customer satisfaction survey provided baseline information on customer expectations and assessments of FEMA performance. Accordingly, FEMA announced that they would measure their performance against the following objectives:

- Obligate 50% of Funding within 90 days of disaster declaration
- Obligate 80% of Funding within 180 days of disaster declaration
- Close PA Program - 90% of disasters within two years of the declaration date
- Customer Satisfaction Ratings - at least 90%

FEMA has set the goal of providing and delivering PA program assistance efficiently, effectively, and consistently with increased customer satisfaction. The State of Mississippi seeks to help FEMA reach that goal.

We believe that closing existing project worksheets is critical to ensuring that local governments receive final allocations of recovery money, and thus are able to pay contractors and subcontractors for work that in many cases was completed more than a year ago. As such, the state is asking FEMA commit to a staffing plan that will provide for the closeout of all Category A and B project worksheets by December 31, 2007.

The state also places great priority on completion of the various outstanding project worksheets. We are especially concerned that the potential impacts of future disasters in

the United States could force mass relocations of FEMA staff away from the Gulf Coast. As a result, we are asking that FEMA give particular priority to eliminating the current backlog of project worksheets by August 31, 2007.

Mississippi is committed to working to maintain the positive momentum and cooperative spirit that exists between FEMA, the state, and locals. In recognition of the cooperative spirit that exists, we also seek to ensure that FEMA headquarters continues to honor critical decisions made by local FEMA leadership and field personnel in the weeks and months immediately following the disaster. We believe it is important for decisions made by local FEMA leaders during the immediate post-disaster environment to be affirmed and upheld throughout the disaster recovery process. It is critical that decisions made on the ground carry weight throughout the agency, such that state and local elected officials can act quickly and in good faith based on those decisions.

FEMA has taken an immediate step toward supporting improved local authority by appointing a permanent director for Mississippi's Transitional Recovery Office (TRO). Since the beginning of this calendar year, Mississippi's TRO has hosted three temporary directors. The number of TRO directors that have come and gone in Mississippi is even larger when one takes into account the period of time since this disaster was declared.

Furthermore, the State of Mississippi seeks to ensure that the FEMA's Reasonable Cost standards are applied in a manner that protects coastal communities in Mississippi that adhered to all reasonable and prudent procurement requirements, with FEMA personnel present during the process.

Under the Public Assistance Program, costs that can be directly tied to the performance of eligible work are generally eligible, given that the costs are reasonable and necessary to accomplish the work; compliant with Federal, State, and local requirements for procurement; and reduced by all applicable credits, such as insurance proceeds and salvage values.

FEMA determines that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In other words, a reasonable cost is a cost that is both fair and equitable for the type of work being performed.

FEMA currently establishes reasonable cost standards through the use of historical documentation for similar work; average costs for similar work in the area; published unit costs from national cost estimating databases; and FEMA cost codes.

However, due to the unprecedented nature of this disaster, some costs associated with recovery work have been deemed unreasonable by FEMA, despite the fact that applicants adhered to all Federal, State, and local procurement requirements. The state asks that FEMA expand its standards through which reasonable costs are established to take into account all factors contributing to the market conditions that exist in Mississippi's post-disaster environment. Furthermore, when evaluating the reasonableness of costs, we ask

that FEMA consider chronological effects on costs after a major disaster. Procurement costs will fluctuate based on the recovery of market conditions, availability of labor, etc. Thus, FEMA should not use current cost trends when evaluating reasonableness of costs incurred nearly two years ago, immediately after Hurricane Katrina's landfall.

Finally, we ask that FEMA take into account its own contract prices when establishing reasonable cost standards.

After the untold suffering and loss from the devastation of Katrina, Mississippi is well on its way toward recovery. At this point in the recovery process, the state has worked to fulfill the temporary recovery needs of our citizens, while developing solutions for the long-term problems facing storm-wrecked communities. Much of the federal assistance needed to address the projects and policies identified in state and local plans has been procured. As such, the state now finds itself in the implementation phase of recovery.

We understand that our work to recover, rebuild, and renew will take years. More importantly, however, it will also take the continued support our nation's leaders and the American people. Katrina revealed to the world and to ourselves the character and spirit of Mississippians. That revelation creates unprecedented opportunity for us and our state - opportunity for job creation and economic prosperity; for a better quality of life for our people; for greater, more widely spread equity that at any other time in our history.

Indeed, much opportunity lies ahead. Hurricane Katrina, with all its destruction, gave birth to a renaissance in Mississippi that will result in rebuilding our state bigger and better than ever before. Our citizens will be at the heart of that renaissance. The people of our Gulf Coast have been a model of the spirit and character Mississippians. They have remained strong, resilient and self-reliant though they have endured terrible hardships. They bore the worst of Katrina and many are still living in conditions that amount to deprivation, but they persevere. Our people are rebuilding one day at a time, and we ask for your continued assistance in helping them move forward. Through your efforts and the efforts of the people of our great state, we are rebuilding a Mississippi that will exceed anything we have ever known.

Thank You.