WRITTEN STATEMENT OF HALEY BARBOUR, GOVERNOR OF THE STATE OF MISSISSIPPI

BEFORE THE AD HOC SUBCOMMITTEE ON DISASTER RECOVERY
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

MAY 20, 2009

Good morning. I'd like to thank the members of the Subcommittee for allowing me to tell you about the generally successful recovery that continues to occur in our great state. Thank you very much to the Chair and Ranking Member and distinguished members of the subcommittee for giving me the opportunity to speak with you today.

Nearly four years ago, Hurricane Katrina made landfall on the Mississippi Gulf Coast, obliterating everything in its path. The complete and utter destruction on this scale was unlike anything this country had ever seen, and we knew that recovery would be well beyond the capabilities of normal disaster recovery programs. The effort to rebuild communities devastated by this storm would require an unprecedented commitment from the federal government.

In November 2005, we submitted to Congress a comprehensive plan setting our federal assistance needed to fully recover from Hurricane Katrina. The plan outlined funding requests for housing, environmental restoration, economic development, transportation, education, health care, human services, agriculture, energy, workforce development, law enforcement, and historic preservation.

We originally sought funding from different federal agencies and programs, according to the area of need, including:

- A relief/mitigation program for homeowners that lived outside the floodplain from the FEMA Hazard Mitigation Grant Program
- Housing assistance from the HUD HOME Program and USDA Rural Development
- Water and wastewater infrastructure from the U.S. Army Corps of Engineers, EPA, and USDA
- Utility ratepayer relief from the HUD Community Development Block Grant Program
- Economic development from the Department of Commerce and HUD
- Restoration of the Port of Gulfport from the Department of Transportation

Congress, led by Senator Thad Cochran, then chairman of the Senate Appropriations Committee, and Senator Mary Landrieu, chair of this subcommittee, and others, determined that the Community Development Block Grant Program (CDBG) was the appropriate funding mechanism for most of these funding needs, recognizing the program's versatility in meeting many different categories of need. It was thought that combining several recovery programs and projects into the CDBG program would make program processes more efficient, give states maximum flexibility, and expedite the completion of recovery goals. Our funding requests for housing, economic development, infrastructure, port restoration, and utility ratepayer relief were lumped into a single allocation of CDBG funding.

Along with the ability to create programs to meet the diverse needs arising after Katrina, the state sought added flexibility under CDBG. The program could serve as an effective vehicle to deliver disaster relief, but only with sufficient latitude to insure recovery programs were not hampered by normal CDBG regulations and restrictions.

The CDBG program's normal mission is to serve the housing and economic development needs of low and moderate-income individuals. However, the state needed to use the CDBG program to carry out a comprehensive recovery, encompassing the needs not only of lower-income citizens, but also designed to rebuild and revitalize devastated communities as a whole.

The Fiscal Year 2006 Department of Defense Appropriations Act (H.R. 2863) included \$29 billion for specific needs arising from Hurricane Katrina that were not covered by the Stafford Act. The U.S. Department of Housing and Urban Development (HUD) allocated \$5.058 billion to Mississippi for disaster relief and long-term recovery related to the consequences of Hurricane Katrina.

The 2006 Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, appropriated \$5.2 billion in CDBG funds for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure directly related to the consequences of the covered disasters. HUD allocated \$423 million of these funds to Mississippi of which a minimum of \$81.78 million will be used for repair, rehabilitation and reconstruction of the affordable rental housing stock in the impacted areas.

Upon request from the states, both appropriations granted HUD broad authority, indeed, direction, to waive CDBG requirements and restrictions, except those related to fair housing, nondiscrimination, labor standards, and the environment. The statutes explicitly state that HUD "shall waive", indicating that states should be given ultimate flexibility in determining the uses of their CDBG funds.

With the two appropriations, Mississippi has received \$5.481 billion in CDBG funding. The Mississippi Development Authority (MDA), which administers the state's normal CDBG program, administers Mississippi's share of these funds.

A COMPREHENSIVE RECOVERY

Working with our federal partners, local governments and the private sector, the State of Mississippi is pursuing a comprehensive approach using CDBG and other resources to rebuild the Mississippi Gulf Coast. Following the guidance and recommendations of the Governor's Commission on Recovery, Rebuilding and Renewal, we have implemented a wide-ranging strategy that addresses all facets of recovery, with priority to rebuilding affordable housing, restoring public infrastructure and replacing and creating jobs.

The ultimate goal in our CDBG plan is rebuilding communities. We are not focusing on any single area of recovery, but are working to rebuild and renew all the aspects that make a community. Cities, infrastructure and jobs must be rebuilt or restored in order for the Coast to fully recover. Therefore, the state's plan addresses these needs through economic development programs, community revitalization, tourism restoration and water/wastewater infrastructure restoration, as well as keeping a continued focus on providing housing assistance for all residents of the Mississippi Gulf Coast.

Housing has always been, and remains to be, our top priority. My administration's unwavering commitment to housing is directly related to my vision of a Gulf Coast bigger and better than ever. Only by enhancing housing opportunities for all coastal residents, including low and moderate income homeowners and renters, will the workforce and economic engines of the Gulf Coast reach their full potential. In fact, the focus on providing housing assistance is evidenced by the more than $3.9 billion of the $5.4 billion - or about 71 percent - in CDBG funding directed for housing or housing-related programs.

The state is currently implementing programs that not only fully restore lost housing stock, but also produce more affordable housing units than existed prior to the storm. The programs not only replace housing, but rebuild homes that are better, stronger, safer, and, most importantly, more affordable for coastal residents. When current programs are completed, more affordable housing will be available for both homeowners and renters than existed before Katrina.

The state is closely monitoring the housing environment to maximize the effectiveness of our housing programs. Last year, the state entered into a contract for a third-party, independent housing study that examined the housing stock on the Mississippi Gulf Coast. The objective of the study was to better inform state program policy decisions by determining what housing had been rebuilt, what rebuilding is in process and what housing needs remain. A report from the housing study was issued earlier this year, and the housing data is being continually updated so that the state has the most accurate information on which to base funding and policy decisions.

The non-housing aspect of our CDBG recovery plan places a long-term focus on economic development and infrastructure. Through rebuilding critical public buildings, building infrastructure to accommodate growing populations, and creating job-producing engines, these programs provide the foundation upon which devastated communities are achieving a long-lasting recovery.

The implementation of these programs is also helping to mitigate economic woes during these troubling financial times. I've often said that these programs, with their focus on construction of lost infrastructure, are much like the federal stimulus package in their ability to create jobs and generate revenue for local communities. Remaining CDBG construction-focused projects are, in essence, a job-producing stimulus package for the Mississippi Gulf Coast.

This comprehensive recovery strategy is being implemented with an unprecedented level of accountability and transparency. The HUD Office of Inspector General has performed audits on CDBG programs, and has praised the implementation of sound controls by MDA.

Mississippi is fully in the construction and implementation phase of recovery. In the immediate aftermath, searching for disaster victims and insuring security in the area was the first priority. The first phase, clean-up, and the second phase, planning, have been completed. Construction could not begin until the landscape was cleaned, and it took two years for all hurricane debris to be removed. The planning stage consisted of refining the best uses of recovery funding, and then working through the various details of each individual project. Project environmental impact assessments also had to be conducted before projects could proceed, and most of those have been completed as well.

All of the state's $5.4 billion in CDBG has been allocated, and currently all programs are being implemented or have already been completed. The centerpiece of our CDBG recovery plan, the Homeowner's Assistance Program, has delivered $1.8 billion in grants to more than 28,000 residents, and is now being closed down, with only 85 complex applications (out of a total of 31,000) still under review. All other programs are in full swing.

MISSISSIPPI'S FLEXIBLE CDBG APPROACH

Mississippi has designed its CDBG plan to be not only comprehensive in serving the needs of disaster-stricken communities, but also to be flexible in reacting to changing post-Katrina dynamics. We recognize that recovery is a constantly evolving process, and our plan must be nimble to meet changing needs.

The housing study commissioned last year is helping the state identify remaining housing needs. The study analyzed data from several different sources to determine what housing stock is currently online and what has been obligated but not yet built, through both private and public means.

According to the study, the supply of affordable owner-occupied and rental housing on the Mississippi Gulf Coast will be higher than pre-Katrina levels in mid-2011, once all CDBG-funded construction projects have been completed. Given high vacancy rates before Katrina, this will result in a slight oversupply of housing.

The housing study also indicates that post-Katrina housing is more expensive than what existed before the storm. Damage reports indicate that many of the severely damaged homes were aged and affordable unsubsidized housing stock, either as small rental units or as an owner-occupied single family home with no mortgage or insurance payment.

In place of this old, ultra-cheap housing stock is brand new housing that is considerably more expensive. More stringent building codes and higher insurance rates have added to this cost burden. Market rents have spiked since Katrina. Apartment surveys conducted in April 2008 indicate that the average monthly rent for a two-bedroom apartment had risen by 41 percent since Katrina. In addition, those poorer homeowners who, because their home was passed down to them, had no mortgage payment and no insurance must now rent and cannot afford to pay market rents.

This housing analysis clearly explains that the current housing problems are not a lack of housing supply, but rather a lack of housing affordability due to the increased costs of newly-constructed houses and apartments. Accordingly, the state has changed its remaining CDBG plan to confront this reality. We have shifted gears from a construction approach to an affordability approach by creating programs to make the existing and arriving housing supply less expensive.

The alternative temporary housing units known as Mississippi Cottages can be placed as permanent units. The temporary phase of this program is shutting down, and the state is exploring all avenues to keep the Cottages on the Coast as permanent housing. We have allocated CDBG funds to help Cottage residents pay for foundations so that they may remain as permanent dwellings.

The state has allocated CDBG funding to two mortgage assistance programs to help low and moderate-income families buy existing housing. The REACH and My Home, My Coast programs give potential homebuyers financial help through second mortgages so they can afford homes currently on the housing market. Research has shown that many houses are priced below $150,000.

An extremely vital piece to our housing recovery that remains to be funded is housing vouchers. The housing study indicated a need for as many as 5,000 units at deeper affordability levels.

Available rental supply is not the issue. According to the FEMA Rental Resources Division, more than 3,000 apartment units are vacant on the Coast today, and nearly 2,000 of those will accept a housing voucher. We also know that a heavy supply of rental housing is under construction and will come online soon, including 3,000 Low Income Housing Tax Credit units, 4,500 units through the CDBG Small Rental Program, 1,100 units through the CDBG Long Term Workforce Housing Program, and 600 Public Housing units.

To address the need for deeper affordability, I have requested 5,000 housing vouchers for the Mississippi Gulf Coast. An appropriation for additional vouchers for Katrina and Rita-impacted states is currently under consideration by Congress in the supplemental appropriations bill. I ask that you approve this funding to help those thousands of renters who have not been able to afford to pay increased rents after Hurricane Katrina and those that remain in FEMA travel trailers and Mississippi Cottages.

The current economic downturn is also affecting our recovery plan. Through GO Zone Tax Credits, the Low Income Housing Tax Credit program is incentivizing the construction of 4,000 subsidized rental units on the Mississippi Gulf Coast. However, due to tightening credit markets, many of these development deals have been unable to close.

Using CDBG, we created the Tax Credit Assistance Fund to help get these projects to completion. This fund will help support tax credit developments that are failing, allowing them the added financing needed to close and begin construction on this much needed subsidized rental housing.

CDBG AS A DISASTER RECOVERY PROGRAM

As I mentioned earlier in my testimony, what makes CDBG a workable tool for disaster recovery is its versatility. The ability to carry out different programs and meet different disaster needs makes CDBG a viable funding option for disaster-stricken states, but only with waivers and maintaining the maximum flexibility intended by Congress in the Fiscal Year 2006 Department of Defense Appropriations Act (H.R. 2863).

Even though the CDBG program is versatile, the added latitude of waivers is extremely necessary to use CDBG as a recovery program, especially for a disaster the magnitude of Hurricane Katrina. The explicit Congressional direction to HUD to grant waivers upon request by the states is essential. It is important to remember there is not a one-size-fits-all approach to disaster recovery. Different states have different issues, and it is paramount to allow the utmost flexibility.

Most waivers have been technical in nature, such as changing reporting and record-keeping requirements or changing regulations concerning program income. Some waivers have had a more substantive impact, allowing program activities that weren't normally eligible. Examples in Mississippi were waivers to permit payment into the state's windpool insurance program under the Ratepayer Mitigation program and to allow construction of government buildings under the Community Revitalization program.

The state also sought waivers related to the requirement that 50 percent of CDBG funds be used for low and moderate-income activities. As I mentioned before, we were committed to rebuilding whole communities, not just those areas with a high proportion of low and moderate-incomes. Because we designed our programs to serve entire communities, and most often to serve the entire Mississippi Gulf Coast, these programs naturally did not always meet CDBG low and moderate-income requirements.

We asked for waivers to the low and moderate-income requirements for five Coast-wide CDBG programs: Regional Water and Wastewater, Economic Development, Community Revitalization, Ratepayer and Windpool Mitigation, and Homeowner's Assistance Program. All of these programs assisted disaster victims and communities without regard to income, therefore not necessarily meeting the threshold to be considered a low and moderate-income program.

Earlier this year, HUD conducted the statutorily-required two-year reconsideration of all waivers. After analyzing our CDBG budget and its commitment to serving low and moderate-income individuals, HUD determined that three low-mod waivers were no longer needed. In other words, HUD determined that the other CDBG programs were serving low and moderate-income individuals at a high rate, and the waivers were not necessary for the state to stay above the 50 percent threshold.

I am proud of our CDBG commitment to designing programs that serve the most vulnerable individuals. However, the 50 percent low-mod requirement will often hamper a state's recovery efforts because it discourages the implementation of regional programs, since those programs will not qualify as low-mod activities. Infrastructure and community development programs that serve an entire community will often fail to meet the income restrictions to be considered a low-mod program. Therefore, states are less likely to pursue these programs when facing the overall 50 percent low and moderate-income requirement, although these programs are critical to a long-term, full recovery.

Other challenges exist when using CDBG for disaster recovery. Federal environmental regulations are the primary impediment to affordable housing recovery programs and deployment of recovery dollars as a whole.

Housing programs in particular were mired in federal environmental requirements. The CDBG environmental process requires the coordination of more than eight state and federal agencies and the approval of nine categories of regulations (lead based paint, archaeological, historical, farmland, threatened and endangered species, wetland, coastal zone, toxic landfill and airport zone). The time and resources necessary to comply with these regulations is exorbitant.

More than 1,000 applications for the Small Rental Program were tied up in the environmental review process for over ten months, despite the state's dedication of significant resources and streamlining the process. Although the rehabilitation and construction projects were occurring on sites where housing existed before Katrina and in existing neighborhoods, the environmental process was just as stringent as if the project was a greenfield development.

The federal environmental process should be waived or significantly streamlined. The HUD OIG has recognized the problems with the environmental process, and has stated that Mississippi fulfilled all necessary obligations and delays were coming from the federal perspective.

In addition, environmental requirements are not consistent across federal agencies. HUD does not recognize the environmental permitting of other federal agencies. For example, projects that have satisfied permitting requirements of the Federal Highway Administration and the U.S. Army Corps of Engineers require additional environmental regulatory hurdles under HUD's process.

This problem impacted the Community Revitalization Program, in which many projects received both CDBG and FEMA Public Assistance funding. Two separate environmental reviews must be completed for these projects, to satisfy separate HUD and FEMA requirements. The process should be modified or streamlined so that FEMA and HUD cooperate with environmental reviews so that only one is required.

The state has also faced challenges concerning duplication of benefits (DOB) restrictions. Under DOB rules, disaster victims who received a grant under the Homeowner Assistance Program or apply for CDBG mortgage assistance are not eligible to purchase housing built through CDBG programs. The CDBG subsidy used to build the housing is considered a DOB along with the other housing assistance.

The state maintains that the two forms of assistance (homebuyer assistance and home building incentives) are not for the same purpose, and therefore should not be considered as a DOB. A person receiving a homeowner grant or CDBG-supported mortgage should be allowed to buy a house anywhere on the Coast, regardless of whether the home was constructed using CDBG funds.

Another challenge in utilizing CDBG is HUD's increasing restrictions to make disaster recovery programs fit into normal CDBG regulations. Initially, CDBG regulations were loosened to serve the state's broad recovery goals. The further removed from the disaster, the higher the tendency to force programs in normal rules and regulations.

CONCLUSION

In closing, let me thank the members of this subcommittee for allowing me to speak to you today about Mississippi's recovery efforts using CDBG funding and the challenges we have faced. We remain extremely grateful for the latitude extended by Congress in our efforts to recover from the worst natural disaster this country has ever faced. And we will continue in our strong relationship with the federal government to see a revitalized Mississippi Gulf Coast that is bigger and better than ever.

Before I go, let me mention three extremely important recovery needs remaining for which Mississippi needs your help. One is the need for 5,000 housing vouchers that I have already outlined.

When I testified before this full committee just six months after Katrina, I stated that the first priority should be a survivable, interoperable communications system that would connect local, state, county and federal emergency services agencies during an emergency. The ability of responders to work together across agencies during emergencies of all types depends heavily on their ability to communicate.

After Katrina, all communications were shut off when the storm completely destroyed communications infrastructure. About the only way to send directions or receive emergency reports from any distance was through direct face-to-face contact.

Congress has twice reprogrammed $20 million from Mississippi's share of FEMA Hazard Mitigation Grant Program (HMGP) for survivable, interoperable communications, but more is needed to reach our interoperability goals. We have sought to use a portion of HMGP funds for an interoperable communication system, but FEMA has so far refused this request. This disagreement represents one of the state's biggest outstanding issues with FEMA. FEMA's failure to approve HMGP for survivable, interoperable communications remains a major impediment to the protection of lives from a natural disaster.

I ask you to reprogram a final $100 million from the $393 million to which Mississippi is entitled under the Stafford Act for the Hazard Mitigation Grant Program.

The other remaining need is for environmental restoration to our barrier islands. Hurricane Katrina exposed vulnerabilities of Mississippi and Louisiana to powerful storms, and highlighted the need for long-term protective measures. The federal government has allocated more than $12 billion to Louisiana for rebuilding the levees around New Orleans and other flood protection measures. Likewise, federal funding is needed for the restoration and conservation of Mississippi's ecological systems to protect the state's coastline from future hurricanes.

In November 2005, we presented the state's recovery plan to Congress. Congress has funded or chosen not to fund all recovery requests except the environmental restoration projects needed to mitigate hurricane impacts. Instead, in December 2005, Congress directed the U.S. Army Corps of Engineers (Corps) to develop a report identifying long-term coastal restoration and hurricane protection measures.

The Corps report has been completed and identifies coastal and barrier island restoration projects totaling $1.06 billion. Projects focus on restoring the barrier islands to higher elevations and revitalizing their forestry and vegetation, restoring coastal marshlands, forests, and beaches, and purchasing flood-prone areas from willing property owners for conversion to open space. These three elements will enhance the natural environment, which has been proven to slow storm surge and block powerful winds.

Restoring the barrier islands to their 1917 footprint will provide invaluable protection for the Coast. The barrier islands and coastal wetlands serve as the Coast's primary defense against ocean waves and surge caused by tropical storms and hurricanes. The barrier islands and wetlands protect against flooding by slowing and absorbing waves and storm surge. Models indicate that as storms move across coastal wetlands, their surges are reduced by about one foot per every acre of wetland. Without the buffer of barrier islands, wave and ocean storm surge heights could reach eight to twelve feet higher on the shoreline.

Wetland forestry also serves to block and slow down powerful hurricane winds. When approaching the Mississippi Coast, Katrina was a Category 5 hurricane, but weakened to a strong Category 3 before making landfall.

Since the Corps has completed its report and identified appropriate long-term environmental restoration and hurricane mitigation projects, Congress should provide the funding needed for their implementation. Just as levees protect New Orleans from hurricane surge waters, the barrier islands and coastal wetlands guard Mississippi against the dangers of hurricanes. Funding for these hurricane mitigation measures represents only one tenth of what Louisiana has already been granted for levee rebuilding and flood protection, but completion of these projects will provide equally invaluable protection of life and property. Movement on these projects is needed immediately; delay raises the risk of another powerful storm reaching – and devastating – Mississippi's shoreline.

Each time Congress has allocated Katrina relief funding, it has come through supplemental appropriations bills. Congress is considering another supplemental right now. I ask that you consider including our requests in the supplemental, so that Mississippi is able to fully recover from this devastating storm. Without this relief, the state's recovery cannot be completed.

Again, thank you for your time and thank you for your continued assistance in rebuilding the Mississippi Gulf Coast.

APPENDICES ATTACHED

CDBG Budget
CDBG Housing Programs Unit Projections
CDBG Program Summaries

MISSISSIPPI CDBG BUDGET

May 8, 2009

	Allocated Action Plan Budget	PIPELINE Current Obligation (1)	Pending Pipeline	Under/(Over)
Homeowner's Assistance (Phase I and II)	$ 2,088,464,059	$ 1,993,188,843	$ 60,967,277	$ 34,307,939
Elevation Grants	$ 70,500,000	$ 67,967,074	$ 2,532,926	$ -
Long Term Workforce Housing	$ 350,000,000	$ 211,397,004	$ 36,500,000	$ 102,102,996
Public Housing	$ 110,000,000	$ 62,040,101	$ 47,959,899	$ -
Small Rental	$ 232,500,000	$ 119,263,934	$ 113,236,066	$ -
Low Income Housing Tax Credit Assistance Fund	$ 30,000,000	$ 16,000,000	$ 4,880,431	$ 9,119,569
Water/Wastewater Infrastructure *	$ 641,075,000	$ 611,075,000	$ 30,000,000	$ -
Ratepayer/Windpool	$ 440,000,000	$ 440,000,000	$ -	$ -
Building/Code Inspectors Grant	$ 9,500,000	$ 8,999,775	$ -	$ 500,225
Port of Gulfport	$ 570,000,000	$ 570,000,000	$ -	$ -
Tourism	$ 5,000,000	$ 5,000,000	$ -	$ -
Planning Grants	$ 10,000,000	$ 9,989,900	$ -	$ 10,100
Econ. Dev. Empl. Training Facilities	$ 20,000,000	$ -	$ 20,000,000	$ -
Economic Development Grants/Loans *	$ 247,182,000	$ 185,131,702	$ 62,050,299	$ -
Hancock Co LTR/Ground Zero *	$ 200,000,000	$ 183,516,026	$ 16,483,974	$ -
Community Revitalization *	$ 294,400,000	$ 276,273,318	$ 18,126,682	$ -
Fraud Investigation/Contractor Fraud	$ 5,000,000	$ 5,000,000	$ -	$ -
State Administration **	$ 157,600,000	$ 63,263,933	$ 94,336,067	$ -
Total	**$ 5,481,221,059**	**$ 4,828,106,610**	**$ 507,073,621**	**$ 146,040,829**

(1) Current Obligation includes approximately $2.65 Billion of disbursed funds and $2 Billion of obligated funds that have not been disbursed.

* Of the $200 Million allocated to Hancock Co. LTR/Ground Zero, $25 Million is designated for Water/Wastewater Infrastructure projects, $15 Million is designated for Economic Development projects, and $160 Million is designated for Community Revitalization projects.

** Of the $157.6 Million allocated to State Administration, $123,570,176 is designated for state administration costs, $9,029,824 is designated for Economic Development administration costs and $25 Million is designated for Phase I and II administration costs.

CDBG HOUSING PROGRAMS

Proposed Housing Units

May 8, 2009

CDBG Housing Program	Produced and Proposed Units
Homeowner's Assistance Program (Phases I, II, & Elevation)	28,342
Public Housing	2,171
Small Rental	4,500
Long Term Workforce Housing	6,213
Tax Credit Assistance Fund	784
Total	**42,010**

CDBG PROGRAM SUMMARIES

Homeowner Assistance Program. In petitioning Congress for CDBG funding, the major component of the state's comprehensive plan was the Homeowners Assistance Program. This program was created to assist homeowners who made responsible insurance decisions, yet still suffered uncompensated losses. When Katrina's storm surge pushed far beyond federally-drawn flood boundaries, many homes not covered by flood insurance suffered extensive flood damage. These homeowners relied to their detriment on federal government determination that their homes did not need NFIP coverage.

HUD approved the $3.423 billion Mississippi's Homeowners Assistance Program Action Plan on April 3, 2006. The release of funds was approved on July 10, 2006. This compensation program targeted homeowners outside the established flood zones who suffered flood damage to their primary residence from Hurricane Katrina. Its purpose was to provide one-time grant payments up to a maximum of $150,000. To be eligible, homeowners located outside the 100-year flood plain in the counties of Hancock, Harrison, Jackson, or Pearl River must have owned and occupied their primary residence on August 29, 2005, maintained homeowners insurance on the property, and received flood surge damage. To mitigate future risk, each homeowner agreed to place covenants on the property to ensure that any necessary rebuilding or repairs would be made in accordance with new applicable codes and local ordinances; that during rebuilding, the home would be elevated in accordance with FEMA advisory flood elevations; and that the homeowner and successors in title would obtain and maintain flood insurance.

Immediately after releasing the Homeowners Assistance Program, MDA, with HUD's assistance, began designing a second phase of the program that would assist homeowners not eligible under the first phase. Phase II of the Homeowner Assistance Program differs from the first phase in three major respects: applicants were not required to have carried homeowners insurance, applicants' homes could have been located inside or outside the floodplain, and eligibility was limited to those with incomes of 120 percent Area Median Income or below.

On December 19, 2006, HUD approved a modification to the Homeowners Assistance Program to redirect $700 million of the original $3 billion initially allocated for Homeowner Assistance Grants to the Phase II Program. This compensation program targeted low-to-moderate homeowners, either in or out of the flood zone, who suffered flood damage from the hurricane, and who had uncompensated losses due to insufficient insurance. Its purpose was to provide grants up to a maximum of $100,000, or if combined with Phase I proceeds, up to a maximum of $150,000. As in Phase I, to be eligible, homeowners must have owned and occupied their primary residence located in the counties of Hancock, Harrison, Jackson, or Pearl River on August 29, 2005, and received flood surge damage. Because Phase II was intended for low-to-moderate income homeowners, eligible applicants must have had a household income at or below 120 percent of Area Median Income.

To date, the total number of applications approved in both phases is 28,342, with 27,602 applications paid. A grand total of $1,843,135,121 in individual grants has been disbursed directly to 28,000 homeowners in Harrison, Hancock, and Jackson counties. In Phase I, 18,799 grants have been paid totaling $1.4 billion; in Phase II, 8,803 grants have been paid totaling $417 million.

In the original Action Plan, $250 million was allocated to the Elevation Grant Program. This program targets those homeowners who have already received funds for a Homeowners Assistance Program Phase I or Phase II grant, and is used for the specific purpose of defraying the added cost of elevating the applicant's primary residence out of potential danger. Eligible applicants must be located in a flood plain, and are required to elevate to a level at or above the current levels required by FEMA. The maximum grant amount is $30,000, payable upon issuance of the building permit and following successful completion of an environmental review.

To date, 2,302 elevation applications are in process, and 2,168 applications have been approved totaling $65 million. A multi-step environmental review must be completed prior to the disbursement of funds.

Small Rental Program. The Small Rental Assistance Program, allocated $232.5 million, is a forgivable loan program that targets owners of small rental properties in Hancock, Harrison, Jackson, and Pearl River counties. Its primary goal is renovation and restoration of small rental properties in storm-damaged neighborhoods. Owners include individuals, non-profit groups, corporations, and partnerships. Applicants are required to meet program terms for a period of five years. An environmental review is also required. Terms include low-moderate income rental rates, which are directed towards those tenants who are between 80 percent and 120 percent Area Median Income. In fact, 50 percent of households in the Small Rental Assistance Program have been for incomes of $20,000 and under and 20 percent are Section 8 voucher holders.

In addition to the 732 applications awarded in Round 1, MDA is processing more than 2,500 applications for Round 2. Currently, 1,153 applications, representing 1,847 units and totaling $65 million, have been approved. Between 4,500 and 5,000 small rental units are projected to be rehabilitated or built through the program.

Public Housing Program. Approved on August 31, 2006, this program provides $106 million to the five Housing Authorities that suffered hurricane damage. Subject to approval by the MDA and satisfaction of the legal requirement that any housing development receiving these funds serve and house persons of low and very low income, the Housing Authorities can use the monies to leverage other available resources in developing affordable housing to serve this population.

Prior to Hurricane Katrina, the Coast had 2,254 public housing units, and 1,826 are back online, with nearly 300 more scheduled to come online by June 30. Under the Public Housing Program, the Coast will have 3,454 public housing units, an increase of the pre-Katrina total by more than 1,000 units. Currently 570 units are under construction.

Long Term Workforce Housing Program. The $350 million Long Term Workforce Housing Program is designed to incent rental and homeowner housing construction for the workforce, defined as households at or below 120 percent Area Median Income.

For the first two rounds of the Long Term Workforce Housing Program, $235 million was allocated to provide housing for the low-to-moderate income workforce on the Gulf Coast. MDA solicited proposals from developers and non-profit organizations specializing in providing affordable housing. The 36 projects awarded to date represent 6,213 proposed units. It is anticipated that an additional round will be announced that will target need based on the housing study.

Low Income Housing Tax Credit Loan Fund. As a result of tightening credit markets, the pricing of tax credits has changed, and some Low Income Housing Tax Credit projects are under-funded. Recognizing this effect on affordable housing, the state has budgeted $30 million CDBG funds to cover project gaps, which will enable these projects to move forward. Nine projects have been approved for funding representing 784 units.

Regional Water and Wastewater Program. As a result of Hurricane Katrina, many Gulf Coast residents have moved further inland, away from the risk of future storm surges and hurricane force winds. However, for housing to be built to accommodate any migration, water and sewer systems must be expanded to accommodate the growth in an environmentally responsible fashion. A master plan for water and wastewater improvements in the lower five counties has been developed and implemented utilizing the new Gulf Coast Regional Wastewater Authority. This program, which was allocated $ 641 million, will help create new housing opportunities while facilitating future economic development in an environmentally sensitive way. To date, 67 projects have been identified, 11 have begun construction and all 67 have cleared their environmental assessment.

Ratepayer and Windpool Mitigation Programs. The Ratepayer and Windpool Mitigation Programs were allocated $440 million. To offset the potential increase, the Ratepayer program targeted both business and residential customers to protect them from absorbing the entire cost of the utility infrastructure restoration following the storm. After Katrina, 16,000 policyholders faced an increase in annual wind and hail insurance premiums of up to 400 percent. The Windpool program provided a one-time grant to the Mississippi Windstorm Underwriting Association to defray the additional cost of wind insurance. The funds in this program have been 100 percent committed, with a disbursement of $440 million paid in December 2007.

Building Inspector Grants. Due to the significant amount of construction after Katrina and the need to adequately plan and inspect construction activities, MDA provided $5 million in grants to local governments in Hancock, Harrison, Jackson and Pearl River counties to cover the costs for additional permitting and building officials. To date, 16 grant agreements have been issued, funding approximately 86 inspectors.

Fraud Prevention. To address fraud in the grant application process and contractor fraud related to rebuilding efforts, MDA provided a $5 million grant to the Mississippi State Auditor to establish and operate a Katrina Fraud Prevention and Investigation Team. This team investigates instances of fraud identified during the application review and eligibility process as well as suspected fraud cases in rebuilding efforts. MDA has forwarded 117 applications to the Investigation Team of which 87 have been resolved and 30 are active cases.

Community Revitalization Program. Public areas such as fire stations, libraries, and sidewalk infrastructure in many municipalities were either severely damaged or destroyed. To build improved and enhanced pubic facilities not reimbursable through FEMA Public Assistance Program, $277.4 million was allocated to the Community Revitalization program. This program was established to provide funding to local jurisdictions in the counties of Hancock, Harrison, Jackson, Pearl River, George, and Stone. The funding can also be used to address needs created by damage as well as population increase as a result of the storm in the remaining 43 disaster-declared counties in Mississippi. A total of 124 projects have been funded statewide.

As communities located in Hancock, Harrison, Jackson, Pearl River, George, and Stone counties approached recovery from the storm, the MDA provided a $10 million grant to assist them in preparing community plans for rebuilding and repairing areas damaged by Katrina. The funds are 99 percent committed across 27 grant contracts.

Ground Zero Program. The Ground Zero Unmet Needs program was announced in April 2008. This program was allocated $200 million to support the recovery and restoration of Hancock County, the hardest hit area of Mississippi during Hurricane Katrina. MDA has awarded 35 grants totaling $173 million.

Economic Development Program. The primary goal of the $272 million Economic Development Program is creating new jobs by funding public infrastructure improvements or eligible training activities to benefit private, for-profit businesses. All areas of the Gulf Opportunity Zone are eligible through this CDBG program. Grants and loans flow through the local unit of government and projects are funded on an as needed basis. All of the allocated funds have been committed, and grant contracts have been issued for 43 projects creating 7,531 proposed jobs; 22 of the 43 projects have begun construction.

A $5 million Tourism grant program was created to increase the number of visitors to the impacted areas of the Gulf Coast in order to recover and sustain the small businesses that rely on tourism, increase related jobs, and return tax revenues to the communities in which the businesses reside. To date, 100 percent of allocated funds are committed; 27 grant contracts have been signed and all 27 have begun their projects.

The last component of the Economic Development program is the Employee Training Facilities program. This program will provide unskilled, under-employed and unemployed low-income individuals with additional training and ultimately the opportunity to compete for the top wage jobs that are available as a result of the recovery of the ship building and metal-related industries. The facility will be approximately 80,000 square feet in size.

Port of Gulfport. To address the devastation of the Port of Gulfport, $570 million was allocated to the Mississippi State Port Authority to facilitate restoration of public infrastructure and publicly-owned facilities that were destroyed. Realizing the comprehensive recovery of the Gulf Coast cannot occur without restoring the Port both because of jobs and business activity, we are not only aggressively pursuing rebuilding but also working to build a port with sustainable economic development opportunities.

The Port master plan includes elevating Port facilities to 25 feet above sea level, a height that will protect the Port and its tenants from future storm surges. We are rebuilding in a way that will restore the Port to its competitive position in the maritime marketplace, as well as offer protection to the community from future storms once the Port is elevated to 25 feet.

The restoration program is important to recapturing a major portion of the region’s job base and to filling a national need for more port capacity. Many of the country’s ports are operating above their capacities, and with the expected completion of the Panama Canal expansion in 2014, ports must increase their operations to handle the nation’s imports and exports. Restoration will ensure the Port can service increased traffic resulting from improvements to the Panama and Suez canals. A viable port is crucial for handling of these cargoes.