

Statement of Chairman Mary Landrieu

Subcommittee on Disaster Recovery

Gulf Coast Recovery: An Examination of Claims Administration & Social Services in the Aftermath of the Deepwater Horizon Oil Spill

January 27, 2011

Introduction

Good afternoon, and thank you all for making a special effort in these weather conditions to join us for this important hearing on Gulf Coast recovery efforts in the wake of the Deepwater Horizon oil spill.

Last week, the Graham-Riley Oil Spill Commission released its report on the technological and regulatory failures that caused the Macondo Well to explode on April 20th last year, taking the lives of 11 men and creating the largest environmental catastrophe in American history. It's important that we thoroughly investigate the incident, and implement new measures to ensure a robust and competitive offshore energy industry that operates as safely as possible.

However, the report does little to address the human side of this disaster though! Approximately 483,000 people in the Gulf have filed claims so far for lost wages and revenues, and they are currently experiencing severe challenges getting timely payments or even accurate information about their claim. Roughly 194,000 of these claimants are located in Louisiana, 162,000 are in Florida, 68,000 are in Alabama, 52,000 are in Mississippi, and 10,000 are in Texas. The Commission report does not address claims, except to say we should do an after-action review several years from now to evaluate the effectiveness of the current process. That is insufficient. Fishermen, deckhands, and restaurant workers put out of work by the oil spill, and the small business owners struggling to make payroll and keep their doors open, are each entitled to just compensation under the law, but the system is not working for far too many of them.

Thousands of Gulf Coast residents who have lost their jobs or businesses and are now fighting to feed their families, keep their homes, and preserve their way of life. Five months have passed since the well was capped. Cleanup jobs and emergency payments are no longer available, and the seafood and tourism markets have not recovered to pre-spill levels.

Hearing Overview

We are here today to discuss the payment system established by Mr. Feinberg, under authority from the White House and BP, to compensate people for lost earnings, property damage, and subsistence losses resulting from the oil spill. We will also learn about the work that nonprofit organizations are doing along the Gulf and the continued challenges they face in providing assistance to spill-affected communities.

Frequent visits to coastal communities and dozens of conversations with constituents and local leaders, lead me to believe that claims determinations have not been consistent or transparent, and that people have

struggled to obtain information about their claim on a timely basis. NGOs have been marginalized and under-resourced throughout the recovery process, and it seems that we're repeating the mistakes of the not-too-distant past by leaving them on the sidelines. Correcting these problems is essential.

Mental health issues including domestic violence and suicide have become an increasing challenge in the region as a federal official from HHS will testify today. A study released last July by Ochsner Clinic revealed that 30% of interviewees in Louisiana, Mississippi, Alabama, and Florida suffered from serious psychological distress, and cited disproportionate impacts among children and low-income households.

We'll hear the harrowing tale of a Vietnamese oysterman who piloted a boat of refugees out of Vietnam and made a new life for himself fishing the waters off Louisiana's coast for decades, until the oil spill suddenly caused him to lose his business and his livelihood. Roughly half the commercial fishermen in the Gulf region are Vietnamese-American. 80% of the Vietnamese-Americans in the Gulf region are connected to the seafood industry, and there are an estimated 25,000 in Louisiana alone.

We'll also hear from NGO representatives that were asked by BP to present social service proposals last summer and have never received a response, despite backing from 53 organizations and the state government in Louisiana, and another 32 organizations in Mississippi. BP's executive in charge of Gulf Coast recovery is with us here today to hopefully shed some light on this issue.

Claims Overview

Mr. Feinberg handled claims for victims of 9/11, the Virginia Tech shooting rampage, and Agent Orange before agreeing to take on the challenge of administering payments for this disaster, and it *is* a momentous challenge. BP has made an initial pledge of \$20 billion to cover legitimate claims and placed a portion of those funds in escrow under Mr. Feinberg's control. The function of the Claims Facility is to compensate people fairly for their losses, to discharge BP's fiduciary obligations under the Oil Pollution Act of 1990, and to offer a simpler and speedier alternative to prolonged litigation, which continued for 20 years after the Exxon Valdez spill in 1989.

Claims Successes

The Gulf Coast Claims Facility took over individual and business claims from BP on August 23rd, and has paid \$3.3 billion to 168,000 claimants since then. Mr. Feinberg has traveled extensively to the Gulf Coast to hear from people affected by the spill. He has also made commendable program changes along the way, by agreeing not to subtract Vessels of Opportunity earnings from people's checks, and deciding to provide "interim payments" to claimants uncertain what the future will hold and not yet ready to accept a final settlement.

Claims Failures

But there are still problems with the GCCF process. Only 35% of claimants have been paid (168k out of

483k). Business owners receive reduced payments without an explanation of the calculation formula or a breakdown of their eligible losses. Claimants no longer have access to an adjuster at local claims centers, and they're unable to get information about whether specific documents may be missing. The threshold for appeals has been set at \$250,000 for individuals and \$500,000 for businesses, meaning the vast majority of claimants won't have access to this option. The State of Louisiana's network of Technical Assistance Providers has not been meaningfully engaged by GCCF despite their hard-won trust, their ongoing contact with thousands of claimants, and their great ability to assist Mr. Feinberg in doing his job. There is also significant concern in the Vietnamese-American and Native American communities about subsistence losses and the small number that have been paid thus far.

Social Services

53 NGOs in Louisiana and 32 NGOs in Mississippi submitted consolidated social service proposals to BP last summer, but the company hasn't funded them. BP *did* provide \$1 million to Louisiana charities for emergency relief and \$52 million for mental health services across the Gulf. But without case management, financial counseling, claims assistance, and direct aid for food, rent, mortgage, and utilities, recovery gaps will be exacerbated, and people with spill-related needs will not get the help they require.

Acknowledgements & Conclusion

I am pleased to be joined today by several distinguished members of this committee and the Gulf Coast delegation. I'd also like to thank Feeding America and the Louisiana Association of Nonprofit Organizations for submitting written testimony for this hearing. I would also like to acknowledge the White House staff in attendance today, Congressman Scalise for his continued efforts to improve the claims process on behalf of his constituents, Daryl Tate with the United Methodist Church in Louisiana, and everyone else who has joined us for this important hearing. We have a great deal of business to cover this afternoon, and we're looking forward to receiving testimony from our witnesses. Before I call on the first panel though, I'd like to invite my colleagues to make a brief opening statement.