

TESTIMONY OF

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COMMISSIONER OF ADMINISTRATION

STATE OF LOUISIANA

**BEFORE THE U.S. SENATE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS**

DISASTER RECOVERY SUBCOMMITTEE

August 26, 2010

Thank you for having me here today. I am Paul Rainwater, and I serve as Governor Jindal's commissioner of administration. Prior to taking this role, I served for two years as the executive director of both the Louisiana Recovery Authority and the Office of Community Development. These two agencies together created and implemented recovery programs using \$13.4 billion in Community Development Block Grant funds from the U.S. Department of Housing and Urban Development. I also served as the Governor's Authorized Representative to FEMA in respect to the Stafford Act recovery efforts for hurricane Katrina and Rita and later for hurricanes Gustav and Ike in 2008.

Since I've last addressed this committee, the Louisiana Recovery Authority sunset at the end of June. The LRA was a policy and planning body, set up in the months after hurricanes Katrina and Rita to coordinate recovery policy for the state. It was never meant to be a permanent agency and, as the LRA's original chairman Dr. Norman Francis continually pointed out, our goal was to work ourselves out of a job. We have learned many lessons from our experience post-Katrina and Rita in Louisiana and with these lessons engrained in our state agencies, a separate organization for hurricane recovery is no longer necessary. This is progress.

Our CDBG programs are now run out of the Disaster Recovery Unit of our Office of Community Development, which existed pre-Katrina to handle the state's CDBG funds. This office falls under my purview at the Division of Administration. Stafford Act-funded programs and projects are run out of the Governor's Office of Homeland Security and Emergency Preparedness.

The job of recovery is far from finished. But for the most part, from a CDBG perspective, major policy decisions have been made, programs have been established and the majority of funds have been spent, with the vast majority programmed into state purposes approved by our federal partners at HUD. Our focus is on finishing out the Road Home program for homeowners, pushing elevation funds to help families raise their homes, continuing work to restore rental housing to the area and supporting local governments as they work to rebuild their communities, replace lost infrastructure and fight blight.

THE ROAD HOME / COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

The state of Louisiana's largest rebuilding program and, indeed, the largest home rebuilding program in American history is the Road Home program. More than 127,000 homeowners received assistance through the components of this program, which include direct homeowner grants, elevation funds and additional compensation grants for families with lower incomes. As of the middle of August, the program has disbursed almost \$8.6 billion directly to 127,726 homeowners, the majority of whom have opted to rebuild their homes in Louisiana.

The average Road Home grant award was \$66,859 as of the end of July 2010. We still have around 3,000 homeowners that have not yet been able to close. Most of these homeowners have been unable to provide ownership or occupancy information up to this point in order to allow the transfer of funds. We have worked to provide legal assistance to these homeowners when we

could. The state expects to have all grants awarded by December 31, 2010, at which time our staff will shift its focus to monitoring programmatic covenants and meeting other federal monitoring requirements.

This time last year, we announced a significant change to the way the Road Home program calculated its Additional Compensation Grants, which are meant to ensure that homeowners with modest incomes are able to rebuild their homes. The ACG provides additional resources for low and moderate income households. In 2009, we removed the \$50,000 cap on these grants and I am proud to report that in the past year, this change has put an additional \$394 million in rebuilding dollars in the hands of low and moderate income homeowners.

In total, we've paid more than \$2 billion in ACG funds to 45,685 homeowners. The Road Home program continues to meet the goals of serving lower to moderate income families, with more than 53 percent of all Road Home dollars going to these families.

Another key element of the program is its focus on offering incentives to homeowners to elevate their homes. As part of the program, homeowners were eligible for up to \$30,000 in elevation funds. In total, 30,599 Road Home participants received more than \$887 million to elevate their homes. These funds are in addition to the \$30,000 some homeowners received through the National Flood Insurance Program's Increased Cost of Compliance grant and the up to \$100,000 for which homeowners could be eligible through the Disaster Recovery Unit's Hazard Mitigation Grant Program.

Elevation for most Road Home Option 1 applicants has been a two-part process. After receiving elevation funds through the Road Home program, applicants who had additional construction costs could apply for HMGP funds to assist in completing the elevation work done on their homes. The state allocated a total of \$750 million to the Hazard Mitigation Grant program, \$200 million of which is dedicated to Individual Mitigation Measures.

The HMGP program has progressed significantly since the early days after the storm, when disagreements between the state and FEMA stalled the release of the funds to homeowners. These funds have started to flow, with more than \$55 million in funds paid to 2,288 homeowners so far. We have another \$17 million worth of payments in the queue to be made. The majority of the payments we have made are to homeowners who are in the process of completing their elevation work, as FEMA HMGP funds typically are paid to homeowners as reimbursements, rather than up front grants.

However, we face challenges in the program where we need a commitment from FEMA for expedited assistance. We have more than 12,000 homeowners in the HMGP program whose ability to move forward is hindered by environmental and historical preservation reviews. The state needs assistance from FEMA to expedite the completion of the second state-specific programmatic agreement which will facilitate a faster turnaround for historical preservation review.

The Road Home is only one of dozens of recovery programs the state created using its allocation of CDBG funds. We also created a program for landlords called the Small Rental Program. As of August 2010, the Small Rental program has disbursed \$168.9 million to 1,389 landlords. These landlords have rebuilt 2,100 properties, creating 3,684 units, of which 3,074 offer affordable rents. Another 3,637 landlords are in the process of rebuilding their rental units. All construction must be started by the end of this year. Right now, through the Small Rental program, we are putting 100 units of affordable rental housing online in Louisiana each month. This is a significant investment in creating housing for our workforce and families.

In addition to the Small Rental program, the state created a program which paired CDBG funds with equity generated through the syndication of GO Zone Housing Tax Credits administered by the Louisiana Housing Finance Agency. This Piggyback program has funded 23 rental developments so far; spending \$344 million to create new mixed income rental developments across coastal Louisiana. So far, the program has created more than 3,000 rental units, 1,490 of which offer affordable rents.

Using \$300 million in economic development funds, Louisiana created several programs to revitalize businesses and the workforce. The state gave grants and loans to 4,000 small businesses. Workforce programs trained more than 6,000 workers and directly placed 2,786 in jobs. Tourism marketing dollars flowed to 11 impacted parishes to promote Louisiana tourism and culture. Economic development funds also supported 380 research projects and approximately 90 technology transfers, patents and licenses.

More than \$1.4 billion in CDBG funds was set aside for Katrina and Rita infrastructure rebuilding projects, including \$700 million in the Long Term Community Recovery program, which was designed to let local leaders make decisions about rebuilding projects that were not eligible for rebuilding funds from FEMA. The state set aside another \$112.2 million for local government infrastructure projects and another \$247.5 million in funds to help local school districts and \$28.5 million for recovering lost fisheries infrastructure.

So far, more than \$341.7 million in infrastructure funds have been invested in 233 projects across coastal Louisiana. These CDBG funds are in addition to the \$5.49 billion in FEMA Public Assistance funds invested so far in rebuilding lost public infrastructure in areas affected by Katrina and Rita. The remaining CDBG infrastructure funds will be used to continue to support longer term rebuilding projects in the coastal parishes.

CHARITY HOSPITAL / FEMA ARBITRATION / FEMA PUBLIC ASSISTANCE

In addition to our funds from HUD, public agencies use the FEMA Public Assistance program to pay for emergency work and rebuilding after a major disaster. In Louisiana, the Governor's Office of Homeland Security and Emergency Preparedness administers this program. With the new FEMA administration and a solid working relationship with Region VI we have renewed a strong partnership with FEMA relative to the recovery from hurricanes Katrina and Rita and also

from the 2008 storms, hurricanes Gustav and Ike. While we have made positive moves over the past year, we still have a long way to go.

We have increased obligated dollars in the Public Assistance program by more than \$5 billion in the past three years, to a current obligation of almost \$9 billion for hurricanes Katrina and Rita, we estimate there are still more than 2,600 large projects that have not been fully valued and we expect total obligated dollars eventually to exceed \$14 billion.

Since last year's discussion of FEMA Public Assistance, Congress created an Arbitration Panel to make final, binding decisions in disputes between FEMA and applicants to its Public Assistance program. The largest Project Worksheet dispute the panel heard was the dispute between the state of Louisiana and FEMA over the PW for Charity Hospital in New Orleans.

To briefly recap the situation, FEMA and the state disagreed on the level of damage to Charity Hospital. The state argued that it was more than 50 percent damaged, which under Public Assistance rules meant the state was owed the full replacement cost of the hospital. Louisiana put this total at \$492 million. FEMA disagreed and had offered the state several smaller amounts, starting with \$23 million and eventually climbing to \$150 million. At the state, we had produced three separate studies that showed that we were owed the full replacement value for the hospital. FEMA was unwilling to accept our studies.

After years of disagreement, Louisiana opted to bring this matter to the Arbitration Panel because we felt that it was the best and only way to fairly resolve the dispute. At the end of January of this year, the panel ruled in Louisiana's favor, awarding us almost all of what we requested, \$474 million. The panel noted that FEMA had not presented a sound basis for challenging or discounting the state's analysis.

This decision, which was almost five years in the making, has allowed the state to move forward with plans for a world class academic medical center in New Orleans, one which will partner with the Veterans Administration to provide high quality health care to our region. Since the ruling, we have made appointments to the Academic Medical Center Board and also started the process of assembling the land for the hospitals, including beginning to salvage usable materials for reuse elsewhere from homes the state has purchased.

While the Charity Hospital project worksheet was the highest profile dispute to go before the arbitration panel, it was not the only one. Since its inception, several Louisiana PA applicants have petitioned for arbitration. In addition to the more than \$474 million the state won in the Charity dispute, the city of Westwego won an additional \$3.2 million. In another two disputes, the applicant was awarded a portion of the amount in dispute, which has yet to be finalized.

In the majority of the cases, FEMA and the applicant actually reached a settlement prior to the arbitration hearing occurring. Collectively, these settlements total more than \$136 million dollars, including around \$100 million for Jefferson Parish, \$31 million for the Sewerage and

Water Board of New Orleans and more than \$2.5 million for the St. Bernard Parish Sheriff's office. We do not think these settlements would have been possible without the looming threat of arbitration. In addition, the state and FEMA are in the arbitration process for more than \$5 million related to another Charity Hospital claim, though we have not reached the hearing stage.

The arbitration panel has only denied one Louisiana applicant's claim. The state sees this as validation of many of our long-time concerns about FEMA undervaluing Project Worksheets. In total, because of the Arbitration Process, the state of Louisiana and its PA applicants have seen more than \$614 million in funding coming in as a result of resolved disputes. This funding is not yet recognized in the total dollars obligated for these disasters. When these funds are obligated the size of these disasters measured in PA funding will immediately reach approximately \$11 billion. We expect this number to grow and we thank Congress for hearing our continued concerns and creating the arbitration process to help handle our disputes. We especially thank Senator Landrieu and Louisiana's Congressional Delegation for championing this issue on behalf of the state.

In Louisiana, we are just shy of having \$9 billion in FEMA Public Assistance funds obligated for recovery from hurricanes Katrina and Rita. Of the obligated funds, almost \$5.7 billion has been paid to PA applicants for completed work. We at the state anticipate this obligated amount soon will increase dramatically as we are in the process of negotiating a settlement with FEMA for rebuilding Recovery School District facilities in New Orleans.

None of this progress would be possible without the current FEMA leadership in the Louisiana Recovery Office in New Orleans and at FEMA Region Six in Denton, Texas. Our local partners have embraced a spirit of partnership and commitment to working with the state and local Public Assistance applicants to find solutions to long-running disputes and problems, which we at the state greatly appreciate. When I returned to the state at the beginning of 2008, we had only \$5 billion in obligated PA funds. To see such a dramatic increase in the level of funding for infrastructure projects is a major sign of progress for us in Louisiana. We still have a long way to go to identify all eligible funding, but believe that the continued partnership with FEMA will greatly assist us in increasing the speed of recovery.

We have said it many times before, but I would be remiss if I did not take the opportunity today to say again that the Stafford Act, while well intentioned, is ill suited for a catastrophic event like the combination of hurricanes Katrina, Rita and the failure of the federal levees in Louisiana.

SHELTERING

One major challenge for our state is sheltering evacuees during major hurricanes. During Hurricane Gustav, the State executed the largest single evacuation in U.S. history evacuating more than 1.9 million citizens from coastal Louisiana. This included almost 39,000 medical special needs and critical transportation needs citizens who could not evacuate themselves. The State was only able to shelter approximately 15,000 of these citizens. The remaining 24,000

were evacuated by planes, trains, and buses to other states for sheltering including Kentucky, Georgia, and Tennessee and others. The transportation cost alone exceeded \$46 million.

We could significantly reduce this cost and the burden on tax payers by building multi-purpose shelters in Louisiana whereby evacuees could be transported by State school buses to shelters that are closer and then returned evacuees to their homes more expeditiously. During the 2009 Session, the State Legislature expressed its intent that the state should be “shelter independent” by 2014.

As you are aware, with each major Presidential Declaration that provides Stafford Act Public Assistance, additional funding is provided by the Stafford Act Hazard Mitigation Program. Approximately \$1.7 billion in Hazard Mitigation Funding has been allocated from the above mentioned hurricanes.

Louisiana proposed using \$150 million of this funding to support the development of multi-purpose facility to meet its sheltering needs. This request does not require allocation of additional funding; simply authorization from FEMA to use this funding for the stated purpose. FEMA is resistant to the concept; therefore, we are requesting Congressional support to provide the authority to use this funding for the development of sheltering facilities.

During a disaster, evacuation to and sheltering from a far away State are very traumatic events for evacuees. Providing in-state sheltering is extremely important for the citizens of the State and a common sense usage of available funds to greatly reduce the cost to evacuate and shelter in future disasters. The common sense of the proposal is that we want to spend funds already allocated for a purpose that will save more than \$50 million for every emergency evacuation in the coming years. We request the support of Congress to provide the appropriate legislative or other guidance to make this happen.

CONCLUSIONS

The past five years have been more challenging than any of us at the state could have ever imagined when we set out on this journey toward a full recovery for Louisiana. And though this hearing is dedicated to the recovery from the 2005 storms, it is worth noting that hurricanes Gustav and Ike in 2008 significantly affected most of our state. We were fortunate to receive an additional \$1 billion in CDBG funding from HUD for this recovery and have pushed much of this funding down to the local level to allow local leaders to make recovery decisions for their communities. I would also be remiss if I did not mention the Deepwater Horizon oil spill, which has threatened much of our way of life in coastal Louisiana and still impacts us to this day.

The past five years have presented Louisiana with devastation and loss. I would like to thank the American people for their support, their prayers and their donations of money and time. But most of all I would like to thank the people of Louisiana for their strength in the face of seemingly insurmountable odds, for their continued hard work in rebuilding their homes, their communities

and their lives and for refusing to believe that Louisiana would not recover. We have come a long way since the storm that took more than 1,400 lives, destroyed more than 200,000 homes and affected more than 18,000 businesses. Thank you for your time.