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THE FEDERAL ROLE IN FACILITATING RECOVERY AND LONG-TERM REBUILDING EFFORTS IN THE GULF COAST REGION

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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THE FEDERAL ROLE IN FACILITATING RECOVERY AND LONG-TERM REBUILDING EFFORTS IN THE GULF COAST REGION

Thursday, March 9, 2006

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:00 a.m., in room 2128 Rayburn House Office Building, Hon. Robert W. Ney [chairman of the subcommittee] presiding.

Present: Representatives Ney, Baker, Pearce, Neugebauer, Waters, Carson, Lee, Scott, Cleaver, and Green.

Also present: Representatives Oxley, Hensarling, Barrett, Campbell, Frank, Watt, Barrett, and McCarthy.

Chairman NEY. This morning we are going to hear from Donald Powell for the Gulf Coast rebuilding. Welcome, Mr. Powell, to discuss the Federal role in facilitating recovery and long-term rebuilding efforts in the Gulf Coast region in the aftermath of Hurricanes Katrina and Rita.

Today's hearing will focus on the challenges and opportunities of both the intermediate recovery and long-term renewal plans for Texas, Louisiana, and Mississippi. I am most interested in learning about the Federal role in helping State and local governments establish and implement their plans for a rebuilding process.

Events surrounding the late August and early September hurricanes in Louisiana, Mississippi, and Texas have certainly captured the attention of the American people, including this committee. The Housing Subcommittee and the Financial Services Committee have been at the forefront of hurricane relief efforts with numerous hearings and multiple briefings. We have had approximately 80 witnesses participating. That is between the Full Committee and the subcommittee. In mid-January, the Housing Subcommittee held the first post-hurricane Congressional hearings in Louisiana and Mississippi. So we were the first committee to actually go down there. And we reviewed the housing issues that the Federal Government will need to consider over the next few years. And I want to thank Chairman Oxley for supporting that subcommittee hearing and Congressman Barney Frank from Massachusetts and our Ranking Member Maxine Waters, and the members who participated in it. It was about 5 or 6 hours. People paid complete atten-

tion and our members were very diligent in listening to the people from all backgrounds down in Louisiana and Mississippi.

In addition, this committee, the Full Committee and subcommittee, has shepherded needed relief legislation to the House Floor in the months following the disaster that will affect not only families in the immediate hurricane-ravished areas but those families who are forced to suffer the aftermath due to flooding.

Now, clearly, there are a lot of challenges, as you well know, Mr. Powell, and I am sure you will expound on it today, there are challenges ahead. And there are still many that are without permanent housing, jobs, and infrastructure. How best to go about the reconstruction of the region and the potential problems facing the mortgage and financial services industry are all issues that have to be continued to be addressed.

I look forward to working with our chairman, who is here today, Mike Oxley, and the ranking member, Mr. Frank, Congressman Richard Baker, the chairman of the Capital Markets Subcommittee, and our ranking member, of course, Maxine Waters. I want to thank her for all that she has done. And the staff on both sides of the aisle, working together to do what is good and best in the interest of the citizens who have been so ravished and affected down in the Gulf area.

So it is my hope today that the hearing will give Congress a unique perspective of how the Administration plans to move forward, what the current needs are, and what regulatory or legislative solutions may be necessary in the immediate future. Today's hearing is an important step in the recovery process, and I look forward to vigorous debate and discussion.

I would also ask the indulgence of members; I am going to have to stick strictly to the 5-minute clock. I think we will give Mr. Powell a little bit more time, he might have some more to say, but we have to hold to that 5 minutes. I will just tap the gavel because I am afraid we will run out of time and members won't get a chance to ask a round of questions, so I am going to be pretty strict with the 5 minutes.

With that, I want to thank our ranking member again, and yield to the gentlelady from California.

Ms. WATERS. Thank you very much, Mr. Chairman, for holding this hearing. I have a statement. Let me just start with this, good morning, Mr. Powell. We are delighted that you are here. I am sure that you can be helpful to us in shining the light on some activities that we are confused about or don't know about. And hopefully you will help us to understand what is being done in the long run to rebuild the Gulf Coast region and to assist the victims.

Indeed, the backdrop of today's hearing is not a pretty one. As of late February, there were still 1,997 persons missing in the Gulf Coast region. And to think that nearly 1.2 million people were displaced is simply mind-boggling. Although there are fewer persons displaced today than there were immediately following the hurricanes, this number is larger than the populations of many American cities, about 770,000.

Money is still a major issue, particularly since the total estimate of the cost of the damage from the hurricanes is now approaching $100 billion. Housing, personal, business, and government property

represent losses of every imaginable kind. Everything and everybody has been permanently affected by the events of August 2005. But the statistics do not bear witness to the magnitude of the human tragedy that has unfolded in the region. Some of our elderly citizens are living without medication, and people looking for housing, when they can find it, are in many cases the victims of discrimination. Members of the Financial Services Committee, as well as this Subcommittee on Housing and Community Opportunity, continue to hear reports about housing advertisements on the Internet that are blatantly racist and discriminatory—Internet advertisements that deny the disabled, families with children, African-Americans, and Hispanics equal opportunity to find decent, safe, and affordable housing. And, unfortunately, the FEMA deadline for providing assistance for persons living in hotels is about to expire on March 15, 2006. We are wondering what these people are going to do, particularly if one considers the number of persons and families already evicted from hotels under the FEMA program. At one time, there were some 26,000 persons living in hotels. Today, the number is one-third of that amount. Where many of these individuals and families have gone is debatable, but your guess is as good as mine. We just do not know. No one is tracking the displaced. No one is tracking the homeless. Homelessness is sure to be one of the major consequences of this tragedy. Trailers were supposed to be a major resource to assist victims during this period. Of course, FEMA estimates that there are more than 80,000 in place as of February 22, 2006, but trailers do not represent a long-term solution to the housing crisis facing the victims, particularly when we are supposed to be focusing on rebuilding the Gulf Coast region.

Now let me say this about the trailers. While we have this number over in Louisiana, in New Orleans, we were told that there would be about 80,000 in that area alone; there are only about 42,000. We understand that the numbers are closer to 30,000 to 40,000 on the Mississippi side. But still it looks as if half of the people who need trailers, and were promised trailers, don't have them as of today's date.

We all realize that schools are the glue that holds American communities together. But guess what? Schools, particularly the public ones, have all but disappeared in New Orleans. Only three public schools and eight charter schools have reopened of the 120 schools that operated before Hurricanes Katrina and Rita. Katrina and Rita remain a major test for this subcommittee, as well as for the House, itself. Today, the Subcommittee on Housing and Community Opportunity will examine a number of critical issues related to Katrina and Rita. I believe that this hearing represents another opportunity for us to give hope to people who cannot help themselves. The hurricanes were enough for any human to bear. Our obligation to the victims is to understand the long-term effects of the hurricanes and to develop the appropriate response to rebuild the region. People are unemployed, people are displaced, but most of all people are hurting. These are Americans in this region; we owe them our best. Therefore, our immediate response should be to continue to provide resources for those unintended victims of Katrina and Rita, while we begin to design a comprehensive, measured re-

sponse that could restore some semblance of balance to these shattered lives for the future.

Mr. Chairman, I realize you were with the President yesterday, and you toured in the New Orleans area. You were down in the 9th Ward, and I am a little bit baffled about the stories that are coming out that the President was blaming Congress for not appropriating money to restore the levees. I am a little bit surprised at the fact that the clean up of the debris is being described as being "well along," when as a matter of fact, what I think you described was the clean up of public debris, and that those houses that have collapsed are still untouched in most of the 9th Ward. So, I am a little bit worried that on this 10th visit by the President of the United States, we are seeing some effort to blame somebody else, and I want you to explain that to us. And with that, Mr. Chairman, I thank you for your generosity, and I yield back the balance of my time.

Chairman NEY. Thank you, Ranking Member Waters. The gentleman from Ohio, Chairman Oxley.

The CHAIRMAN. Thank you, Mr. Chairman, and I want to just make my remarks part of the record and ask unanimous consent to do so, but I just wanted to welcome our distinguished witness today; all of us remember of course Chairman Powell from FDIC days. It has been great to work with you, and you have been handed an enormous responsibility, but clearly the President has a great deal of faith in your leadership, and we all do as well. Welcome to you.

And also to Chairman Ney, I have not had a chance publicly to thank him for his leadership, particularly for the hearings down in the Gulf that, I think, opened a lot of eyes for the members. Also, the recent trip that the Speaker and our leadership, both Democrat and Republican, took last weekend down to the Gulf, I think, really did bring home to a large degree the problems that we face. But the good news is, we have able people, such as Chairman Powell, leading that effort. And I just wanted to add my congratulations and my pledge for the committee, the entire committee, to work closely with you to solve this enormous problem. And I yield back.

Chairman NEY. The gentleman from Massachusetts, Mr. Frank.

Mr. FRANK. Thank you, Mr. Chairman. I share the Full Committee chairman's high regard for Mr. Powell and appreciated the work we were able to do together within the FDIC so what I am about to say will not be aimed at him personally. But I am embarrassed by the response of the Federal Government, of which I am a part, to the terrible tragedy that has befallen the people of the Gulf region, New Orleans in particular, but the surrounding areas as well. Our response has not come close to being the response that a great and wealthy and powerful and compassionate Nation ought to be offering to some of its citizens, who through no fault of their own, find themselves months after this tragedy in distressed circumstances.

There are many, many aspects of this that are troubling. There were problems obviously with the initial response, but I could have said, okay, this is a problem, this is a crisis, you don't have always the capacity in literally the eye of the storm to respond, but there is no justification for the slow and inadequate pace of efforts to re-

spond to date and in particular the absence of critical plans for the future.

Now, I saw the President criticizing the Congress. And I must say my first response when President Bush criticizes this Republican-controlled Congress is to sit there and cheer on both sides but this is far too serious an issue to allow that to be the attitude. In fact, I think that the President's criticism has been unfair in some respects. And, in particular, I want to give credit to my colleagues on the Appropriations Committee for adding to the program an important element that the President neglected. And Mr. Powell, I know, appreciates the importance of this, but in his prepared statement, which is the Administration position, and goes through OMB, etc., there is no reference, that I can see, to the need to rebuild housing that is affordable for low- and moderate-income people. As Mr. Powell was discussing before, New Orleans—and we are talking about working people here, we are not talking about lazy people—we are talking about a population who works in the service industry, a major part of the New Orleans economy, people who cook and clean and literally clean up after others at all hours of the day and night. And they don't get paid nearly enough to live comfortably. These are people who are not going to have decent places to live if we simply leave this to the market economy because these are people, who as hard as they work or not, are major beneficiaries of the market economy. And so there has got to be a commitment of Federal funds to build, rebuild affordable housing, including significant rental housing.

One of the great problems we have in this country are people who talk about home ownership as if that were the be all and end all of the housing situation. In fact, I was appalled right afterwards, when the President went down and he proposed his housing program, and the only thing he had was a homesteading program, as if New Orleans today was Kansas in 1870. And the people of New Orleans can go chop down some trees and build their own houses. The fact is that we will not have decent housing for the people of New Orleans; we will have a displacement of the population of New Orleans if we don't commit some funding to affordable housing.

Now there are other problems as well in terms of home ownership. That is why I was very proud when this committee late last year passed a bill that reflected the combined efforts of our colleague from Louisiana, the senior member of the Louisiana delegation, and our colleague from North Carolina, which would have created an entity, and its still pending, the House could take it up at any time, was passed overwhelmingly by this committee a bill that provided for the problems of people whose homes have been destroyed. It provides a reasonable way to make sure that we don't have bank failures imposed because of this tragedy. It provides funding for the Congressional Black Caucus' good work for affordable housing. The Administration has zero proposals that I can see for affordable housing. And when the $4.2 billion was proposed by the Administration, as I understand it, it was originally just for mitigation. It was mitigation with nothing to mitigate, at least in terms of housing. Certainly housing built should be subject to mitigation but making it only for mitigation was a mistake.

Now, I was therefore very pleased when my staff called to my attention that in the appropriation of the $4.2 billion, while there is I think a problem because it does not give Louisiana the specificity—and I agree Texas needs some help, I think the people of Houston have distinguished themselves, for example, by the decency with which they reached out to people, and we should be helping there as well but in addition to, not in subtraction from, the money for Louisiana. But this is a point that was added by our colleagues in the Appropriations Committee, and I was delighted to see it, that $1 billion, at least $1 billion must be spent on affordable rental housing stock. "Provided that not less than $1 billion," it is on page 72, "from funds made available," this is out of the $4.2 billion, "shall be used for repair, rehabilitation, and reconstruction of the affordable rental housing stock, including public and other HUD-assisted housing in the impacted areas." That is a very good thing, it has been absent.

So as we talk about the problems of the past, the most stunning thing missing here is a recognition that we need Federal funding for affordable housing. And I'd appreciate just 30 more seconds, Mr. Chairman, and that is why I am particularly disappointed that this Administration has opposed legislation that passed overwhelmingly in this committee that would take 5 percent of the after-tax profits of Fannie Mae and Freddie Mac, not hitting the taxpayers at all, and make it available for affordable housing with priority given in the first year or two to the Gulf region. So there is this great need that remains unaddressed for the future. We have the problems currently but there is a great need that remains unaddressed in the future. Our colleagues in the Appropriations Committee have begun that process but the Baker bill and our GSE bill are also important parts of this, and I hope we will hear that there is from the first time from the Administration a recognition of this need for addressing the affordable housing situation going forward.

Thank you for your indulgence, Mr. Chairman.

Chairman NEY. Thank you. And we will move on to the members now. I would remind members that all other members have 3 minutes for an opening statement. The gentleman, Mr. Baker, Chairman Baker.

Mr. BAKER. I thank the chairman for calling this hearing and for all his good work in the past. Also, I want to express my appreciation to members for their attendance on the trip to New Orleans recently and the Gulf Coast for their kind support of the needs of our State, and more specifically to the taxpayers who have been generous in helping us try to find our way.

Mr. Powell, since I am very time constrained, I have got to move pretty quickly, and I regret that, but you have the most thankless job in the entire government right now. I don't know where you can go to find a smiling face but I hope you do. You have been like the Energizer Bunny, you just keeping going and going and going, and it has not been lost on us that you are trying. But this is a task of extraordinary scope and difficulty to resolve. I have the obligation to explain to this committee that despite the $100 million figure, the $85 billion figure, the $50 billion figure, whatever figure you may have heard, as of March 1st, the Disaster Relief Finance

Report, prepared by FEMA, which I have here which has been carefully reviewed, I can tell you that the aggregate spent to date outside of flood insurance premiums, contractual obligations is $15 billion.

Ms. WATERS. How much?

Mr. BAKER. Fifteen. Now that is not actually spent, that is contracted, not necessarily expended. Of the $15 billion, FEMA's administrative expenses amount to 24.9 percent. Now if you did that in any corporation in the country, you would be in the dismiss category. When you look at the cruise ship/FEMA trailer program, which I can tell you Louisianans have not suggested nor been in favor of this approach, that is about $9 billion. When you take out in excess of $3 billion administrative, that gets you back to about a $3 billion figure, which most members of this committee would consider to be emergency relief in nature, emergency medical. The things that you would think of when you see the disaster and what people are going to do.

I just want to make clear that this is not a Louisiana-led recovery. We are working with the Federal Government in response to programs designed at the Federal level, and we are appreciative of it and I would never want to leave this city or this hearing and have the people of this country that we are not appreciative. We are, very much. In fact, we would like to see it work slightly differently, more efficiently, and perhaps—I hate to say it—with even less overall money spent to get a more effective outcome for the people whom we represent.

I appreciate very much the gentleman's comments from Massachusetts, relative to H.R. 4100. And, as I have discussed with Mr. Powell and Mr. Hubbard over many months now, I think I have come to an understanding the principal reason for objecting to the bill was the view that it is not a Federal role to acquire, manage, and dispose of real estate which is within a State's jurisdiction. And that it would be preferable for that activity to be conducted by the State of Louisiana if State officials chose to proceed in that manner.

Given my time constraints, and I am out already, I want to explore when my opportunity comes perhaps an alternative to what has been posed to date that would give us the same resolution conducted at the State level and perhaps curtail the necessity of a longstanding Federal presence in our State. Right now, I am very, very troubled about our potential outcomes; none of them seem very positive for us at this moment, economically or in restoration of housing. And I do want to continue to work with you, Mr. Powell, in any way possible to come to what I know you want as well: the most efficient resolution in the quickest manner possible. And I am very appreciative.

Chairman NEY. Time has expired. The gentlelady from Indiana, Ms. Carson.

Ms. CARSON. Thank you very much, Mr. Chairman. I would like to ask first and foremost that the balance of my remarks—that the majority of my remarks be inserted in the record.

Chairman NEY. Without objection.

Ms. CARSON. To the chairman, and certainly to the Full Committee chairman, thank you all for calling this very important

hearing. I would like to thank Mr. Powell for being here today. It has been almost 7 months since Hurricanes Katrina and Rita devastated our Gulf Coast. It is estimated that the hurricanes destroyed or damaged over 300,000 housing units, killed about 1,400 people, and caused roughly $90 billion in damage. Since the storm hit, we have had hearing after hearing, yet we are very slow to move for a resolution and to get things done to help this region and the people who have been so devastatingly affected. We passed legislation with bipartisan support that would begin the process of rebuilding and reviving the Gulf Coast but the Administration turned it down. Not only did they turn down the proposal but they have failed to come up with an alternative plan. Representative Watt proposed another piece of legislation that would also start the rebuilding. People in this room were willing to take action, while the Federal Government is reluctant to step up to the plate.

I am not about to criticize you, Mr. Powell, for having this delay occur that has affected so many vulnerable people in the South. But I would hope that your leadership would lead us in the right direction so that we can expedite some relief for these poor people who are just left stranded out in the wilderness, if you will.

I will yield back the balance of my time, Mr. Chairman. If you don't want it back, I will keep talking.

[Laughter.]

Chairman NEY. I thank the gentlelady. Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. In the interest of hearing from our witness, I will enter any remarks I have into the record. But I do want to welcome my friend, Mr. Powell, this morning. And just for a little bit of information, he has a constituency in my district which he is very fond of, and we are glad to have him here this morning.

Chairman NEY. The gentlelady from California. I would also note we are expecting the first set of votes from 11:05 to 11:20 today.

Ms. LEE. Thank you, Mr. Chairman. Let me also thank you and our ranking member for putting together this very important hearing but also for conducting the hearing in New Orleans and in Gulfport. It was quite devastating, what we saw during the hearings, and quite unbelievable what we heard from people who, of course, were left to fend for themselves by our government, who then even in the disaster following with their transition to temporary housing were left to fend for themselves. And now it appears in the rebuilding effort, that they are being left to fend for themselves. And the entire world witnessed the Administration's failure in planning for and responding to Hurricane Katrina. Now the entire world is witnessing the failure to respond once again in terms of a real rebuilding effort so people can return home and return home quickly.

For the life of me, I don't understand why the Administration wouldn't support the Baker bill, won't support the Congressional Caucus' bill. These road maps to rebuilding, Mr. Powell. And it is not a good sign that the Administration continues to talk the talk but not walk the walk.

So, I hope the people of New Orleans and the Gulf Coast hear something from you today that gives them hope because, quite frankly, and I have talked to many members who were there last

week, what they saw just last week during the hearings and what we saw a month, month-and-a-half ago is just about the same. And there is very little progress taking place. People who didn't have money, who didn't have the resources to evacuate once again were left unfortunately on roof tops and in areas of New Orleans that had been subject to neglect because of the warning going unheeded about the levees. They were living in areas which we had turned our back to those communities for years and years and then we turned our backs again on them.

And so thank you, Mr. Powell, for being here. I hope I can ask unanimous consent for my statement to be placed into the record. Mr. Chairman, I look forward to your testimony.

Chairman NEY. Without objection.

The gentleman from Texas, Mr. Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman. And I would like to add my welcome to Chairman Powell, and I want to thank him for taking on what I think Chairman Baker just described as the most thankless job in the Federal Government. It is clearly a testament to either the gentleman's patriotism or lack of commonsense that he would take this on. Knowing him as I do, I know it is a testament to his patriotism.

I will attempt to be brief. I was fortunate enough to be invited to be a part of the congressional delegation that recently traveled to the Gulf Coast to witness the devastation and indeed the camera lens cannot do justice to the amount of devastation and human suffering that has taken place along there. It has certainly made impressions on me that I will not soon forget.

But I also remember meeting with many local and State officials along the Gulf Coast, many of whom, not all, but many of whom seemingly took very little responsibility for the actions of their government and all of whom are looking for large checks to be written by the Federal taxpayer over and above the roughly $100 billion the Federal taxpayer has already handed out in relief and tax incentives.

The questions many of us have, and certainly many of us are willing to write out even more checks drawn on the account of the Federal taxpayer, but we are curious as to where is the plan? Where is the accountability? What is the proper Federal role here? And what is the contribution, for example, of the City of New Orleans, the State of Louisiana, and able-bodied individuals under the age of 65; what are they doing to help themselves and their families? And, finally, where are the reforms so that, for example, the guy who works at the bottling plant at Pepsi Co. in Mesquite, Texas, in my district, who works very hard for his paycheck and wants to help out his fellow man, but when he says, "Congressman, tell me I am not going to have to write out this check again in 5 years." What are the reforms that we will undertake to ensure that people are not put needlessly in harm's way and that factory workers don't have to do that.

So I appreciate your testimony. I look forward to hopefully getting some insight into these questions.

Thank you.

Chairman NEY. The gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Ney. It is indeed a pleasure to have us with you today, Mr. Powell. Welcome to the committee. First of all, I think we do need to respond to the President. I think the President ought to be ashamed of himself. It is his failure, it is his watch, it is his Administration. Everybody in America knows this. And for him to go down to New Orleans and point a finger of blame at the Congress is the height of hypocrisy. And it points out really what is wrong. Here is a man whose clear responsibility it is to execute the policies. Congress' responsibilities are to appropriate the money and do the oversight. We have done that. And it is a shameful example of gross neglect, mismanagement, and bad leadership on the part of President Bush. And for him to go down into New Orleans, in that belly of despair and hopelessness, and not say, "Folks, we blew it. We are sorry. This is my watch. And here is what we are going to do to solve this problem." We have given him the money. And let me tell you something else, Mr. Powell, for the President to point a finger at Congress when he did everything in his power to stop a bill that was being pushed by the Congressman who represents Louisiana to deal with the problem. It was the Bush Administration who stopped the Baker bill. It was the Baker bill that had incorporated in it the hard work of the Congressional Black Caucus under the leadership of our chairman, Mr. Watt. We know that there is no body of people up here who are more sensitive and who understand the situation of the plight of the majority of those people affected in New Orleans than the Congressional Black Caucus. But the President of this United States would not even meet with us. So for him to go down there and point a finger of blame at the Congressional Black Caucus, this Republican-controlled Congress is the height of hypocrisy. And I am convinced that the American people see right through this. This is not just a low point in America's history. It is a low point in the effectiveness of the Executive Branch of Government. What a failure. And for him to go down and not do the responsible thing but to point fingers.

I represent Georgia. We are second only to Houston, Texas, in terms of being a recipient of these evacuees. And I can tell you we, in Georgia, have done a remarkable job. And I can tell you this—I am a Democrat but I can tell you this that there have been Republicans in this body who have worked very hard.

Chairman NEY. Time has expired.

Mr. SCOTT. And if I was a Republican in this body, I would be very, very disturbed and angry with this President for saying this Republican-led Congress did nothing on Katrina.

Chairman NEY. Time has expired. The gentleman, Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman. Let me thank you again for your leadership, as well as Ranking Member Waters, and all of the members who have been conscientious on this subject. I know that you, Mr. Powell, are in a difficult position, to say the least. I am sure your hair was completely black when you took this assignment. And I hope that we can turn it back shortly.

My issues are pretty much those that have been addressed by others, that I was disturbed as everyone else by this front page story today with the blame coming to Congress. And, of course, Mr. Baker's bill is one that most of us embraced with some significant

parts from the CBC's comprehensive Katrina bill, H.R. 4197. The issue that I wanted to raise, and I won't take up my entire 3 minutes, and I will hopefully get into some—maybe we can dialogue later to try to get your perspective, but I don't understand what is going on. There has been a lot of tripping but there has not been much helping.

And I don't know if this is something that the Government of the United States wants to raise a white flag on and say we surrender, we cannot do anything, or if we are going to keep a lot of these people still roaming around the country in cultures and climates of which they are not familiar. And I wish people could see—in addition to the people in New Orleans, I substituted in a speech for Ranking Member Waters up in Cambridge, Massachusetts, and a couple came to this forum where I spoke and told of what happened with them. They were put on an airplane and not told where they were going. The guy never—he and his wife and three children had never been out of New Orleans in their lives, in their entire lives, and there they were landing in Massachusetts. He thought it was Florida. And he got there and when they started talking about snow and cold weather, he panicked. But more than that, he wants to go home. And I was the only Member of Congress there and so he just kept asking me, "When can I go home? When I am going to be able to go home?" In fact, as he spoke, people began to weep out in the audience. This is a human tragedy, and I think our government is putting on display for the world our inability to help our own people. And it is painful to me and hopefully to people all over the country.

Thank you, Mr. Chairman.

Chairman NEY. The gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman. And I also thank Ranking Member Waters. I would like to thank the ranking member of the committee, Mr. Frank. And thank you, Mr. Powell, for being with us today. I am very interested in what you have to say.

I do want to mention voting rights. I firmly believe that we are about to witness a great injustice upon the folks from Louisiana, New Orleans in particular, in terms of their right to vote. We have scattered them across the length and breadth of this country. And we have the technology, the means and methodologies by which we can afford them the right to vote such that it will not be circumvented by process. We can do satellite voting. I think the Federal Government has to step in and make sure that every one of those citizens who wants to vote has the right to vote. If the right to vote is denied by virtue of process, Mr. Powell, we are going to see a great change in the politics and the political body, the body politic in Louisiana. We ought not let a natural disaster and process prevent people from having their legitimate right to vote. We have got the technology, we can do it.

We also have not heard a firm commitment as to what standard we will use reconstruct the levees. We have heard a lot of talk, but not a commitment as to what standard the levees will be reconstructed to. As of late, it has been indicated that some inferior work has been done with the levees. If businesses are to come back and make meaningful investments, they must be assured that we are going to have levees in place to the highest standard. I have

consistently supported Category 5 standards. We ought to rebuild the levees to the highest standard. We are the country that built Hoover Dam. We constructed the Golden Gate Bridge. We can rebuild those levees to standards such that people, as well as businesses, will be safe.

And, finally, Mr. Powell, sir, we cannot continue to explain away FEMA's inability to put trailers on lots. We cannot continue to expect people to believe that we are faithful to our duties and our responsibilities by explaining this away.

Chairman NEY. Time has expired.

Mr. GREEN. We put a man on the moon, FEMA can put a trailer on a lot.

I thank you, Mr. Chairman.

Chairman NEY. Thank you. And, again, I just want to remind members that between 11:05 and 11:20 today, there will be a vote. The gentleman, Mr. Watt.

Mr. WATT. Thank you, Mr. Chairman, for your courage today. I am not a member of the committee so I didn't come to speak but my name has been mentioned a few times. I came to hear what Chairman Powell has to say because if there is one thing that has been consistent, it is that the members of the Congressional Black Caucus, which I am honored to chair, have worked across party lines, across philosophical lines to try to find some solutions and responses that are appropriate for the Gulf region. And it has been because of the face that was projected on this disaster following the hurricane. It was disproportionately black because it was disproportionately poor, and so we have been at the heart of that. So any constructive, positive things that you can suggest to us today, we will be looking forward to hearing and working on and joining with our colleagues of whatever party or philosophy to try to implement.

Thank you, sir.

Chairman NEY. Thank you. The gentlelady from New York will be the last statement. Any other member arriving can submit for the record. The gentlelady from New York.

Ms. MCCARTHY. Thank you, Mr. Chairman. And I thank you for having this hearing, and I, too, am not on the subcommittee, but I am on the Financial Services Committee. Mr. Powell, when we met with you, I believe is on Friday morning, or maybe it was Thursday night, those days kind of blur together, and you were very positive meeting with the businesspeople and all the different States that have come together with their brightest and their best as you have said in your testimony. They have a lot of answers, in my opinion, on how do we go ahead and start to rebuild. The one thing that was brought up constantly, and it didn't matter what State we were in as we toured the Gulf Coast, was the response of the private insurance companies and it is something that this committee is going to have look at. Gene Taylor from Mississippi said so far not one claim has been put out. Now, I live on Long Island and many of us who live in areas that could be affected from hurricanes, what we saw, we want to try to make sure it doesn't happen in our areas. Or if it does happen, certainly that we are going to be looking at things differently, so that other States might not have to go through what we see going on right now.

I guess what I want you to think about, and I will bring that question up during the question and answer period, is looking at a natural disaster plan instead of just having flood insurance because the insurance companies are saying it was water, not wind. Houses were blown away. But the bottom line is if you listen to the Governors, they have a lot of good ideas but it is also the flexibility of the laws that we have in place, especially with FEMA. What I am concerned about, June is right around the corner. That is hurricane season. And FEMA is not allowed to have people into mobile homes during a hurricane season. So here we are setting people up, and what are we going to do at that time if another hurricane comes in? One of the Governors had suggested that the mobile homes that could be anchored down and built stronger and also from his research, cheaper. And yet they can be picked up and moved on to other areas if need be.

So I am looking forward to your testimony. All of us have an awful lot of questions. Mr. Baker certainly has been a leader on this, and mainly because those of us who have been there, we don't want the American people to forget what is going on down there. Yesterday, CNN, who has done a great job, said New Orleans is back. Well, New Orleans is kind of back. All of the hotels have cut back drastically. The businesspeople that have lost their homes can't reopen. They have no place to live. And these are all things that we need to look at and learn by our mistakes but let's go forward and correct those mistakes. Let's be prepared, we need to help these people. I know it is hard but it is 6 months, and we should have been doing a better job and we are capable of doing it.

With that I yield back the balance of my time.

Chairman NEY. I want to thank the gentlelady. And we will welcome again, Mr. Powell.

STATEMENT OF DONALD E. POWELL, FEDERAL COORDINATOR, OFFICE FOR GULF COAST REBUILDING

Mr. POWELL. Thank you. Good morning, Chairman Ney, Ranking Member Waters, and members of the subcommittee. I am pleased to appear before you today as the Federal Coordinator for the Gulf Coast rebuilding to discuss the progress we have made in the Gulf Coast region and the challenges and opportunities we face in recovery and long-term rebuilding efforts.

As a former banker in west Texas, and more recently as the Chairman of the FDIC, I commend and appreciate the work done by this committee. Yours is a position of great importance to American financial security.

A little more than 6 months ago, Hurricane Katrina tore through an area of the Gulf Coast equivalent to the size of Great Britain. A few weeks later, Hurricane Rita followed Katrina's path into the Gulf of Mexico, and then made landfall on the coast of Texas and Louisiana. In the aftermath of Hurricane Katrina, President Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding by Executive Order 13390 to be housed under DHS and the Secretary. And I was charged by the President with coordinating Federal support to the long-term building efforts.

Let me begin by telling you it is a great honor to have been appointed by this President to this very important post. He is committed to doing whatever it takes to support the recovery and rebuilding efforts in the areas affected by this hurricane: Alabama, Florida, Louisiana, Mississippi, and Texas. Whole communities have been ravaged by Katrina and Rita, but I am confident that by working together, we will see a better and brighter tomorrow for our fellow Americans in these affected areas.

My job is to work closely with the people on the ground to identify and prioritize the needs for the long-term rebuilding. I communicate those realities to the decisionmakers in Washington and advise the President and his leadership team, including Secretary Chertoff, of the most effective, integrated, and fiscally-responsible strategies for a full and vibrant recovery. The President has laid out clear guidelines which emphasizes that the vision and plans for rebuilding the Gulf Coast should come from the local and State leadership, not Washington, D.C. Rebuilding should not become an exercise in centralized planning. If Federal bureaucracies determine the path of rebuilding, local inside initiatives will be overrun and the local needs overlooked.

In that spirit, each affected State has brought together their best and brightest minds to create a plan that meets their respective needs. Louisiana has formed the Louisiana Recovery Authority and Mississippi has formed the Mississippi Development Authority to formulate strategies to move forward.

As the States develop their plans, we also encourage them to focus on the future. That can be difficult given the extraordinary immediate needs but there must be a long-term vision of where each State wants to be 5, 10 or 20 years from now and a path must be drawn. I will tell you that based on our planning meetings, I have every confidence that the Gulf Coast region will regain its economic and social vibrancy and be an important part of America's economic base.

The President also emphasized the importance of being good stewards of the substantial amount of taxpayer money that has been, and will continue to be, spent on this effort. To date, the Federal Government has already committed more than $87 billion for the recovery effort. And the President has submitted a request for an additional $19.8 billion in the 2006 supplemental package, which would bring the total to well over $100 billion. That figure does not include the tax relief of the Gulf Opportunity Zone legislation, which will be approximately $8 billion. Of the money that has been set aside, approximately $53 billion has been obligated to date. In order to ensure that this money is well spent, responsible financial management practices and enhanced audit and investigative resources for the inspectors general of every Federal agency has been put in place to safeguard Federal spending.

We also called on the oversight and accountability mechanisms of Congress to assist the fiduciary protection of the American taxpayer. Together, we must demand the highest standards of governance and accountability in the administration of the Federal investment. If Americans see their tax dollars being ill spent, their support, which is critical, will wane. It is my duty to ensure that any

plans or strategies for rebuilding are conducive to the prudent, effective, and appropriate investment of the taxpayers' dollars.

One of the tools we have established to leverage the expertise and resources of the Federal Government is a system of working groups. These working groups are staffed with policy and programmatic experts drawn from across the agencies and departments of the Federal Government.

In our office, we often speak of the "Triangle of Recovery." Its three sides are comprised of security, community, and economy. These working groups concentrate on subject areas that are central to completing this triangle. These eight groups are environmental management, public safety, housing, health care, education, critical infrastructure, community and faith-based organizations, and economic development.

When I made my first trip to the southeast Louisiana region, I asked everyone I visited, "What are the three most important issues you face?" The answer time and time again was levees, levees, levees. The President has stated that public safety is the most critical part of long-term rebuilding in the area. People must feel that there is adequate hurricane protection before they can make their decisions to return, whether as a resident, a business owner, or both.

We continue to work with House and Senate appropriators to get more funding for the Army Corps of Engineers to add flood gates and pumping stations to internal canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proofing pumping stations.

I receive regular updates from the Army Corps of their progress, and I recently walked the levees with General Strock. And I have confidence that the Corps is on the track to meet their deadline for pre-Katrina strength before the beginning of the next hurricane season.

It will come as no surprise to this Housing and Community Opportunity Subcommittee that after the Administration made its commitment to rebuild the levees stronger and better, the next issue on the minds of the people of the Gulf Coast was housing. As I learn more about the unique flood issues of Louisiana, I learned that safety is not just about the levees and coastline, but also about homes. As we build the hurricane protection system stronger and better, we must also help the States to rebuild their housing stock in a safer and smarter manner, protecting the lives and assets of the people of southern Louisiana. That is why in the President's recent supplemental request he asked for $4.2 billion in community development block grants funds for States like Louisiana to address his plans for future flood mitigation measures to protect housing and critical infrastructure.

The President, along with Congress, is also mindful of the renewal of the region's economy. There is a role for the Federal Government in helping to restore traditional industries of the region—tourism, seafood, and energy—as well as attracting new industries. At the end of 2005, the President signed into law the Go Zones Act. This legislation providing approximately $8 billion in tax relief over 5 years will help revitalize the region's economy by encouraging

businesses to create new jobs and restore old ones. Simply put, this law renews businesses, rebuilds homes, and restores community.

Furthermore, the SBA has adapted and wrapped up this capacity in order to provide loans and working capital to small businesses and families in the affected area. SBA disaster loans provide vital, low-cost funds to homeowners, renters, and businesses to cover uninsured disaster recovery costs, as well as loans for working capital needs of businesses affected by this disaster.

Of particular interest to the House Financial Services Committee is that the financial services sector in the region is also doing its part to provide capital. When Hurricane Katrina and Rita hit the Gulf Coast, they impacted the operations of at least 280 financial institutions, including over 5,000 branches, with 120 of these institutions headquartered in the 49 counties and parishes in Alabama, Louisiana, and Mississippi designated by FEMA as eligible for individual and public assistance. Just like other sectors of the Gulf Coast economy, financial institutions' facilities and employees experienced damage and disruption. While financial results to date do not yet provide a clear picture of the full effects of the storms, recent data suggests that institutions may be reacting and adjusting to the effects of the hurricanes. All institutions remain well-capitalized or adequately capitalized and liquidity for most of these institutions also remain strong. While the prospects for the financial institutions most affected will depend in large measure on the revitalization of the communities these institutions serve, local bankers remain cautiously optimistic and are not predicting any bank failures.

A big part of long-term economic security is workforce development. We want to help create as many jobs as possible in the Gulf Coast and prepare its residents to fill those jobs. To do this, we have set an ambitious goal that we are committed to achieving. This public/private initiative will train 20,000 new workers for careers in construction and skill trades by the end of 2009. We will continue to work to make the Gulf Coast a great place to invest, to do business, and to live.

In conclusion, I want to assure each of you that President Bush is committed to rebuilding the Gulf Coast. The Federal Government will continue to facilitate and help strengthen, but not replace, State and local government or private initiatives. And we will help our fellow citizens meet the challenges of reconstruction and rebuild their lives and communities for years to come. The residents of this area and the President can agree on this: Failure is not an option. A tremendous amount of work is still ahead for us but we are encouraged by the progress made. We are proud of the work that has been accomplished today on both the State and Federal level. We look forward to working with the leaders in Alabama, Florida, Louisiana, Mississippi, and Texas in the days, weeks, and months ahead to assist in implementation of their respective visions while also serving as a good steward of the taxpayers' dollars that the distinguished members of this panel, along with your colleagues, have helped secure. With diligence and thoughtfulness, we will continue to work on behalf of all Americans to the further progress of building safety and security, restoring

communities, and reviving economic development in the Gulf region.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Powell can be found on page 49 of the appendix.]

Chairman NEY. Thank you, Mr. Powell. The committee will be in recess until the bang of the gavel. I think we have one vote.

[Recess]

Chairman NEY. We will reconvene the subcommittee. The question I have is on the $4.2 billion because it has been talked about today, about percentages and how much money, of course, is spent by the government to implement money that is appropriated by the government. Do you have any ideas or would you want to give a guesstimate of what percentage you think would be good out of the $4.2 billion for administrative overhead, in other words, a cap.

Mr. POWELL. Mr. Chairman, part of our discussion with the folks from the LARA, Louisiana Recovery Authority, and from the people in Mississippi, was about the administrative costs capped at 5 percent. Part of that the marketplace will determine; some of that because they are going to outsource some of those administrative duties, but we think that it should not exceed 5 percent.

Chairman NEY. Because, as you know, in States, State-administered programs usually 5 percent is the magic number, sometimes 7 to 10.

Mr. POWELL. Right.

Chairman NEY. So you would think 5 percent and that way if you do the calculations on $4.2 billion, the money would force the people administrating this to get the money directly to the people.

Mr. POWELL. Right.

Chairman NEY. Just to make sure members have the opportunity to ask questions, I am going to go on to our ranking member.

Ms. WATERS. Thank you very much, Mr. Chairman. Chairman Powell, it appears that your responsibility is more long term than immediate. And so some of the issues that we are raising today relative to the siting of the trailers and other kinds of issues, these are not the issues that you are wrestling with. You are more concerned about long term development, business development, etc., okay, all right. I will try and direct my concerns in those areas. Let me deal with this discussion about labor and jobs and job development. If this is one of your areas, and one of your long term goals is to get workers trained and get them into jobs, how are you going to get people back who want to come back but who were basically given one-way tickets out? Many people want to return but they have no place to live. And the fact that not only do you not have the temporary housing but then you don't have rental units available or, as I mentioned, there is this discrimination against many of the people in the New Orleans area, so who are you going to train? When I was in New Orleans this last time, I was in a hotel and the hotel was full. It was full of FEMA workers. It was full of contractors. And the people who wanted jobs could not be there; they could not afford the cost of the hotel to stay there. They couldn't even get back. So what is this business about training workers? How are you going to do this? What is your plan?

Mr. POWELL. The President assembled a group of individuals about 60 days ago to speak to that issue. It is very important to the President and it is important to our office that we have a skilled labor force that can meet the demands of rebuilding in the Gulf Coast area. The people who met with the President came from an array of various entities, the private sector, labor, some former elected officials, the NAACP, the Business Roundtable, community colleges, educators, and that group is being coordinated with our office. We have talked about specifically how we train those people. As you know, the community college is a great vehicle to train an unskilled workforce. As I mentioned in my testimony, it is our goal to have 20,000 workers trained by the end of 2009. There is a pilot program that will commence—

Ms. WATERS. Who are you training, Chairman? Are you training the people who want to come back home and work or are they coming in from other places; who are you training?

Mr. POWELL. We are training the people who want to come back. We are training people who are there now who do not have skills. We are training people who are on the ground and then those people who have been disbursed for one reason or another, or other people who want to come into the area and have jobs. The people are working very diligently in coming up with that specific plan of how to treat those people—

Ms. WATERS. Mr. Chairman, I hate to keep interrupting you but I want to kind of get at it real fast because I only have so much time.

Mr. POWELL. All right.

Ms. WATERS. One of the things we are very concerned about is that you had contractors—many of these contractors were that first group of no-bid contractors, the Halliburtons, the Shaw groups, the Bechtel's, etc.—and we discovered that they were bringing in undocumented workers from Guatemala who were working jobs for less than the minimum wage. In one particular case, they were sleeping on the ground and even some of the contractors worked them and didn't pay them. Now they are doing the work with these contractors. These contractors are using American taxpayer money to do these jobs. How do you get to these problems? What do you do about contractors who hire undocumented workers for less than the minimum wage? And who is doing all of this training? SUNO, the college, the university there is laying off teachers and cutting back on classes. They have been devastated by all of this. So you have to unfold this for me and help me to understand, first of all, how you strengthen these educational institutions that should be a part of any training and development program for getting people? How do you stop contractors from hiring undocumented workers at less than the minimum wage? Who is doing this training? What is this grandiose plan?

Mr. POWELL. Well, first of all, the community colleges are committed. I have visited with them personally about their ability to train these people, and they have assured me that they can be part of training the workforce. And as it relates to the undocumented workers and paying them less than the minimum wage, we have in place, obviously, components of the Federal Government that look over those particular issues, and they are engaged in that

process. Also, I would point out to you that the levee construction, there is something like $700 million that has been to date, 85 percent of those workers are from local people, local people who are receiving pay.

Chairman NEY. The time has expired, but please go ahead and wrap up your comments.

Mr. POWELL. Yes, that is fine. I am done.

Chairman NEY. The gentleman from Louisiana, Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman. Before I return to the idea of an alternate structure for resolution, I just again need to emphasize the difference between what is available ultimately, between an allocation, an obligation, and then actually expended. Allocation, as I understand it, is into a category that is available for use. Once a contract is entered into in that allocation, it becomes an obligation. And when you write the check, that is actually the expenditure sort of steps. What I am talking about is only the allocation portion of the budget. And to date, Katrina-wide, this is not just Louisiana, I want to make clear, there is a total of about $25 billion total allocation. In administrative costs, it is $6.3 billion. In operational costs, which has to be broken down, part of it is things like ice and water, and the other part is more administrative in nature, in my opinion. Then we have several hundred million dollar categories in expenditures. The most important thing is that in the category of manufactured housing, which is where a lot of our people are looking for help, through this report, it has $5.3 billion allocated in manufactured housing, with actually $2.8 billion having been spent. That is the thing that I think our people need to understand. There are a lot more resources available that have currently been deployed and not only are the resources available, they have been approved by the Congress. They are in a category. They are in the agency. And we are working through it.

To get to the complexity of using those resources, there is another chart—well, I can't find that quickly—that talks about the number of pads that are available for occupancy, the number of units deployed that are on pads, and I assume that means ready to go, and then another number which shows the number actually occupied. And as best as I can recall, this is an approximate number; there was a difference of those on pads, ready to go, and those occupied of somewhere in the range of 10,000. So we have assets on the ground which administratively have not yet been cleared for occupancy by someone. So there are resources available to people, and we are trying to work through it.

Not that people in Louisiana don't have a sense of humor, I don't know this to be a true story, I was listening to one of our talk radio shows and a guy called in and said that he had called FEMA about a trailer and she said, "Give me your name and number." And he did and the lady said, "Well, you are not eligible for a trailer." And he said, "Well, that is amazing. I came home from work today and there was a trailer in my driveway but it is locked." And she said, "Well, you are not entitled to the trailer. How did that trailer get there?" And he said, "Ma'am, I don't know. The trailer is locked and it looks like it is ready for occupancy." And she said, "We are going to have to make an inquiry into this. Obviously, there has been some error here." He said, "Well, wait a minute, my wife and

I have asked for a trailer." And he said, "Can you check in my wife's name?" And she said, "Yes, sir, that is correct. Your wife is entitled to a trailer." He said, "Great, can I send my wife to get her keys to her trailer?" To which the response was, "Well, I am sorry, sir, let me check." She said, "I thought I was right. We haven't delivered her trailer yet." And he said, "Well, ma'am, I have a trailer in the driveway." And she said, "Well, that is not your trailer. I am going to have to do a little inquiry on this." He said, "But I cannot even get in it, it doesn't have steps. The door is locked." So he hung up the phone and was a little worried about it. He said 2 days later he came home and there were steps to the trailer and it was still locked and still sitting there. So that is the kind of frustration. And the discussion was in a lighthearted manner; we understand the difficulty. But people need to know more clearly that there are sufficient resources. There is help coming. And maybe if we can hang in there, it will get done.

More importantly for me though, is what you referenced in your opening remarks about a long-term resolution. I am very troubled today that with—I won't call it a plan, with the steps now being taken, we are 6 months into the recovery. We have people who perhaps have not paid their mortgage obligations. Although banks appear to be solvent in the region, most of the mortgages held are held by national organizations. And at some point foreclosures have to occur. When we get that effect of mortgage owners taking possession of disparate lots here and there, there is no market for that lot because they are surrounded by desolation of other landowners who haven't made a decision to rebuild because they don't know what their neighbor is doing. At some point, the bank decides to cut its losses and sell that off to some speculator who is hoping that a decade from now, this stuff is going to be worth something. But that is a very slow and costly spiral down. And how do we get back out at that point because at least at this moment the government's response is to do the trailers as a temporary and let the market work. There is no market. There is only a market for speculators to take foreclosed property at the end of this cycle. Even if one has his own assets and can rebuild his house on his lot, why would you do it when there is no value around you to support what you are going to spend in recovery?

That gets me back to 4100 but a 4100-like proposal. I understand the objection to—well, I will rephrase that. I don't understand it but I know there is an objection to 4100 at the Federal level. If we were to construct a 4100-like box, with all the described powers and authorities in the previous proposal, at the State level, and I also understand the concerns about a State-administered program. This would have to be a free-standing, State-authorized corporation, run by free enterprise, accountable individuals, subject to all the public disclosures and transparency required, to acquire title, clean up property, and sell it back into the market. I still believe, I have not diminished my belief in the view that this is a plan that gets the markets back, gives people an opportunity to rebuild in an environment where they perhaps have a job and have decent homes that otherwise might not reoccur.

The last point is if we do in fact decide to take property out of commerce and not allow people to rebuild their residences, I think

it highly advisable to have some flexibility to allow alternate uses for that property besides wetland. Wetland may be the highest and best use but why can't a government entity utilize that for a public meeting space or a church, which only gets used a couple of days a week or whatever the local community thinks is okay, as long as that use is free of any claim on the Federal Government for any action that might occur if you do have another hurricane. But let's not lose half of the State to wetlands. The original Administration proposal to capture that $4.2 with hazard mitigation language added to the real hazard mitigation money equaled half of the entire $12 billion pot. That was making at the Federal level the decision to take half of the State that was damaged out of commerce. Just as a free market guy, I would love to be able to have the flexibility to decide how do we use that property? If it is not for residential use, aren't there are alternative uses that could be made and let the corporation administer those projects? At the end of this process, and I have now visited with a number of smart people from Wall Street elsewhere where I can find people to talk to me about capitalizing this corporation and doing it the right way, their private market interest in seeing this kind of approach move forward, you may not be able to commit today, I have been down this road, but I would like to know if this is a non-starter, if this is just something that let's save ourselves another 5 months and go think of something else?

Mr. POWELL. Congressman, you talked about three or four issues, let me speak first of all to the mortgage issues and potential foreclosure. Our office has had a meeting in Mississippi, and we are scheduled to have one in Louisiana where we have asked the largest lenders in the marketplace to come and visit. And while the private sector has to do what the private sector has to do, and they have certain restraints, their shareholders' demands, etc., and so forth, we have pointed out to those lenders that there is some CDBG money that will be coming in, we hope, a very short period of time that will be in the hands of these people that will enable them to satisfy some mortgage obligations that they may not be otherwise able to do.

The second issue is an issue that I believe is in the hands of the local people. The local people, I am sure, would be interested in your thoughts, I know they would be interested in your thoughts, I am interested in your thoughts about the private entity to administer the property. But that is a decision for the local people to make. I am happy to listen to your thoughts in more detail and understand it as we go forward but, again, that is a decision of the local folks.

The mitigation issue—that, too, is a decision that the local people will be planning. In our negotiations with specifically the LRA, the $4.2 billion that is asked for in the supplemental has mitigation needs, we think legitimate mitigation needs that will be met. What happens to that so-called "green space" is a decision for the local people to decide.

Mr. BAKER. But under the terms of the Stafford Act, if you use hazard mitigation-like remedies, and you acquire title as a State to that property, there is no option. It must be taken out of commerce.

Mr. POWELL. Yes.

Mr. BAKER. If we were to develop a plan, which contrary to the statute, and we were to recommend to the Administration using that property for what is the highest purpose, not only taking it out of commerce, but highest purpose and safe purpose, and it was a State-constructed plan, can I get you to the point where that would be something the Administration would likely accept, not knowing all the details, but State-driven, flexibility on mitigation, and some sort of rebuild to get ownership of property. That is a State responsibility, not a Federal Government responsibility.

Mr. POWELL. And no recourse to the Federal Government.

Chairman NEY. Mr. Powell, I am sorry, if could note the time has expired but you can answer the gentleman's question. And also frankly extra time should be allotted—

Mr. BAKER. I will wait another round. Mr. Chairman, I appreciate your courtesy and I have been way over my time, I will wait until the next round.

Chairman NEY. But, Mr. Powell, why don't you answer the question.

Mr. POWELL. Yes.

Chairman NEY. Thank you.

Mr. POWELL. The outline that you just described, I would add one thing to, with no recourse to the Federal Government. I think I would be happy to sit down and learn more about that in detail, again working with the State to see if there was a satisfactory plan that we could support as it relates to that mitigation.

Chairman NEY. The gentlelady from California?

Ms. LEE. Thank you very much. Let me ask you a couple of questions following up on the contract issue. First of all, when we were down conducting our hearings, I was really quite appalled to learn that, for instance, for debris removal, the prime contractor is paid about $43 per cubit foot. By the time it gets down to the person who actually does the work, they were down to about $7 a cubit foot. Now, you said that—and I understand now that contracts over $1 million must be approved in Washington, D.C. You indicated to Congresswoman Waters that you all are looking over the issues with regard to paying less than the minimum wage and contractors hiring undocumented workers for less than the minimum wage. If you all are reviewing this, you said you are looking at the issues and are engaged in it, but what are you doing? How in the world does a worker get $7 a cubit foot from $43? So that is the first question.

The second question is now it is my understanding, Mr. Chairman, that over 900 individuals are still missing and cannot be located. And so I want to find out what you are doing to help the families locate these people. It has got to be a desperate, traumatic situation to have 900-some people still missing.

Thirdly, when we were down there, and I had to write President Bush's letter and I think we gave you a copy, but there were so many unanswered questions that I had, for example, with regard to price gouging in the rental housing market and how in the world are we helping to address that issue?

Also, with regard to food stamps, to ensure food stamp eligibility is unaffected by those accepting housing assistance through FEMA, expanding outreach efforts to the homeless to publicize the avail-

ability of Katrina-related assistance. I will give you a copy if you don't have this letter, but we outlined to the President these questions which surfaced during the hearing. And so I would just like for you to answer some of these questions now and then hopefully you will be able to respond, or the President will, in writing.

Mr. POWELL. Congresswoman Lee, as you know, I am sympathetic to all of those issues, especially the misplaced persons or the missing people and the price gouging of rental units. That doesn't come under our office. When I mentioned a moment ago—

Ms. LEE. Well, it may not—you know what, I have to say every time it is like passing the buck, and we have heard that a lot. Well, the locals say it is the State's responsibility. The State says it is national. The Federal says it is locals. So it may not come under your office but what are you doing to help whomever should be responding to this?

Mr. POWELL. When I hear issues like this, what I do is that I call the appropriate party and tell them of the issues that I have heard about. I interact with people at FEMA. I interact with HUD. I interact with Justice. We interact with all those offices. So we take the thoughts that you have just expressed and the concerns you just expressed, and we convey those to the appropriate party. I know, for instance, that—

Ms. LEE. And do you demand that they respond within 24 hours?

Mr. POWELL. I don't think I demand that they respond within 24 hours, I tell them that if I hear from you that there is a great deal of a sense of urgency as it relates to the specific issue, I know that Secretary Jackson has a team of people, because I have heard him in his testimony, I have heard him talk about the rental issue, the price gouging, looking at that, and I know that he doesn't tolerate that.

Ms. LEE. But there has to be some accountability because it is continuing.

Mr. POWELL. Well, I think they accept accountability, and I think they understand it. But I am happy to convey your thoughts, and I will convey your thoughts to the appropriate party.

Ms. LEE. You are the top person, Mr. Powell, if conveying my thoughts, conveying this committee's thoughts, but it is what are you doing to make sure that the rebuilding effort and that the people who were traumatized by this catastrophe are made whole and are allowed to come back. And during the interim, benefit from these jobs that are coming down the pike and have the transitional housing that they need, have the medications. You know there are 2,100 displaced now with HIV and AIDs. What are you doing to make sure that the States are coordinating those efforts to make sure that they receive the medications? I am asking what you are doing, not conveying thoughts.

Mr. POWELL. As I mentioned, we have eight working groups and we are in contact with every component of government to meet the needs of the people in the Gulf Coast area. But our primary focus is on long-term rebuilding issues, safety, housing, education, and health care—the private sector's role in those issues. But I am happy to convey your concerns to the appropriate parties.

Ms. LEE. Mr. Powell, long-term rebuilding is fine but you have to have a short-term plan so people can survive.

Mr. POWELL. Yes, and that is the reason we spoke to the number one issue in the Gulf Coast, specifically Louisiana, safety, safety, safety. And that is the reason the President committed in the middle of December to rebuild and repair the levee system.

Ms. LEE. And so yet the President is saying it is Congress' fault? This is unbelievable.

Chairman NEY. The gentlelady's time has expired but if you choose to make any further comments. Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. I think when we have allocated, appropriated, whatever term you want to use, the $80 billion and people are saying, "Nobody is helping us," we have a problem. And I want to talk about the problem. We can talk about what happened in the past, and I think we have but it doesn't do anything for the people to play the blame game.

Mr. Chairman, if I understand one of the proposals out there is this $150,000 buy-out program, and so I want to just kind of walk through a scenario and have a little dialogue with you here. But if I understand that, if I lived in Louisiana and I decide to take the buy out, you are going to give me $150,000 less whatever you have given me in other benefits, is that correct?

Mr. POWELL. Well, first of all, let me be sure that the plan is developed by the local people. This plan is originated and developed by the local people. We have had constant contact with the local people about specific issues, such as the number of houses that were damaged. So it depends upon where your house may be. This last $4.2 billion, there are some areas that for one reason or another, and they will be dictated by the flood plain and dictated by the certification of the levee system, that it is unsafe, that it is unsafe to build back. And so you will be reimbursed up to a maximum of $150,000 to your pre-Katrina value less any insurance or any FEMA money that you may have had as it relates to your housing needs.

Mr. NEUGEBAUER. So if my side is unsafe and it is determined, then I am eligible for the buy out if I have a slab left there and it is determined that it is not in the flood plain and I can build back, I can get some assistance but it is not—

Mr. POWELL. Yes, sir. The other issue is that it may be okay for you to rebuild but you will have to rebuild under the existing building code and under more stringent building conditions. So part of the money will be allocated to assist you in that mitigation part that will cost you marginally more money to rebuild because of the new building code. So some of that is also allocated.

Mr. NEUGEBAUER. Now, let's assume that I am one of those people who has an unsafe building site, and I am going to be eligible then for the $150,000. Is there any requirement on that money that I have to build back in New Orleans, or in Louisiana, or can I take that $150,000 and leave town?

Mr. POWELL. The plans in Mississippi and Louisiana, again that is the people's plan. In Louisiana, you can take the $150,000 and build where you may desire.

Mr. NEUGEBAUER. I think one of the things that I want to encourage you here is that if we are going to spend these kinds of Federal dollars to move New Orleans or Louisiana and all of those States away from a process of entitlement into empowerment, that

we have to set some parameters on those funds so that those are reinvested in those communities because if you take let's say $10 billion, and $5 billion of that leaves the State or leaves the area, basically what you have done is, as the previous speaker said, you are going to have areas here that are going to have no taxable value. Those resources have left the State. And the very nature of CBG money is to rebuild areas or to maintain communities. And so I don't know if this plan is in concrete, but I think it would be—those people who sit on that board and that are overlooking those funds would be well served to look at controlling that investment and making sure it is going to help rebuild the community and not just enrich the folks.

Mr. POWELL. Yes, there is a penalty in Louisiana if you choose to rebuild outside. I think it is 30 percent, but I will pass on your thoughts.

Chairman NEY. If the gentleman would yield for just a minute?

Mr. NEUGEBAUER. Yes, I would.

Chairman NEY. Just to add further, there is also a penalty if you are in the flood plain and you had no insurance, it is 30 percent off the top of the $150,000 so you go down to $105,000, less any FEMA reimbursements, then less the penalty that is the disincentive if you cut and run. And it has no relationship to the value of the property nor the debt owed. So if you had a person who owned his house outright, you can get cash and you can run at this point. But it is limited.

Mr. POWELL. Well, there is a disincentive, as you said, if in fact you were in a flood plain and you did not have flood insurance or that if you are going to build outside.

Mr. NEUGEBAUER. Well, I think the private sector would work with you there, and the gentleman was talking about the private sector, and there may be some areas that don't get redeveloped and that is okay. The good news is there are other opportunities within the New Orleans City limits. The City could annex some additional areas for rebuilding programs and stuff. But I think if you are going to try to restore order and an economic base to that community, you cannot have a policy in place that encourages folks to leave the area because when I hear the mayor and the Governor get on the national TV and after they have bashed the President for a good number of minutes, they do mention they would like for people to hang around. I think we ought to focus on policy that does help them accomplish that if they are in fact serious about that.

And I appreciate the gentleman's comments.

Chairman NEY. The gentleman's time has expired. Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman. A couple of questions, first of all, I want to get one thing squared away on the levees repair work. There have been some independent experts who criticized this levee work saying that it is being done with substandard materials and designs. Are you familiar with that?

Mr. POWELL. Yes, sir.

Mr. SCOTT. What do say you about that; is that true? If it is not true, explain otherwise.

Mr. POWELL. We are briefed by the Corps of Engineers on a periodic basis, usually about once every 10 days or once every 2 weeks.

I was in New Orleans last week with General Strock and some of his associates at the levee breaches. I asked him that specific question. He was very adamant that the soil they are using is tested properly, and they believe that the designs and plans for rebuilding the levee system are adequate.

Mr. SCOTT. Well, let me ask you, where is the criticism coming from?

Mr. POWELL. I think it is coming from various parts, some professors, some people—

Mr. SCOTT. Some what?

Mr. POWELL. Professors.

Mr. SCOTT. Professors.

Mr. POWELL. Yes, and some engineers. But when the question is asked of those people where the soil test was gathered, I don't think they have answered that question. I know the Corps has asked that question. Look, the Corps and all of us want to get it right. It is very important that we get it right. So where the soil, the tests they were talking about; we need that source.

Mr. SCOTT. Are you familiar with the terms "sandy soil?"

Mr. POWELL. Yes, sir.

Mr. SCOTT. Are they being built on sandy soil?

Mr. POWELL. The Corps has assured me that they are using the appropriate soil and standards and plans to reconstruct these levees to the safest that engineering has designed.

Mr. SCOTT. Okay, all right, I will leave that there. We just have to make sure that they are being built solidly.

Mr. POWELL. I agree with you, sir.

Mr. SCOTT. We are 3 months, let's see, March, April, May, June, 4 months away from the next hurricane season, are we ready?

Mr. POWELL. Congressman, one of the questions, the first question I always ask when I am briefed, are we on time? And I always have to ask this as a banker, are we within budget? I ask those two questions. And I talk a lot about the whole safety issues. I mention in my testimony one of the first things when I had been down there a week that everything flows from safety, housing, jobs, infrastructure, community flows, if you don't feel safe, you don't feel like coming back. Business will not come. We had lots of discussion about that issue. The President was informed about that issue. He acted very quickly and asked for the $3 billion from Congress to restore, rebuild the breaches, and do some other enhancement work.

I am not an engineer but I have four grandchildren who are precious to me. And I remember at one meeting listening to all the technical experts talk about I-walls, T-walls, armoring, pumping stations, wetlands, and all the things that we talk about when we talk about hurricanes protection, and I said, "If my son called me today and said we are moving to New Orleans, should I be concerned about my grandchildren's safety?" And the answer of the five people that were there said, "No, no, no, no, and no."

Mr. SCOTT. Okay.

Mr. POWELL. Then they said, "There will be flooding, could be flooding but it would be manageable flooding. And that is the reason the evacuation program is essential."

Mr. SCOTT. Here is the rub on that question, we are 4 months out from the hurricane season hitting again.

Mr. POWELL. Yes, sir.

Mr. SCOTT. All of our global warming, all of our geological forecasting says we are in store for more of the same or even worse, with the warming of the Gulf waters, and especially the warming of those waters coming off of the western shore of Africa that feed into these storms. So if you got that, we are 4 months out, these storms hit in September, August, September, which is 5 months down the road, and we are nowhere. It is devastation down there and we get hit again. That is what is very alarming to an awful lot of people. Not only have we not taken care of that hurricane, we have moved so slow, but here is the next season right on us and with all the forecasts coming, we are going to have more Category 3, 4, and 5 storms coming. I think that that puts even a higher sense of urgency or what we have got to do, and yet we are just grappling with it.

My time is short but I did want to make that point. My other point is that Georgia—whom I represent—is second only to Houston, Texas, as far as evacuees coming to our State. In my District especially, I represent the growth counties in and around Atlanta.

Chairman NEY. Can you start to wrap up, Mr. Scott?

Mr. SCOTT. Yes, I will. My point is that we need to—could you give me some indication of what more we in Congress can do to help you? There has been a lot of criticism bandied about, the President blaming Congress, Congress blaming the President, what say you here now that we in Congress can do to help you get this problem moving, resolved?

Mr. POWELL. I think it is terribly important that the $1.4 billion of hurricane protection that is in this supplemental be approved, as well as the $4.2 billion that is asked for in this supplemental for the people of Louisiana to be approved. I think it is essential, I think it is very, very important for hurricane protection and for housing mitigation in Louisiana.

In reference to your earlier point, Congressman, we all have the same interest, I assure you that the President is committed to safety, and I assure you that the Corps is doing everything possible to complete the work order by June 1st. It is terribly important to the people there and to the American people and to this Administration and our office, that the Corps be done with that work prior to hurricane season. We are doing everything we can to make sure that the work is done. There are a lot of people, a lot of energy directed toward that area. As I mentioned, I meet with them every so often, as often as we can, and I always ask that first question, "Are we on time?" The Corps speaks as it relates that H100, H90 days, whatever, of the June 1st start.

Chairman NEY. I am sorry, the gentleman's time has expired.

Mr. SCOTT. Well, I know I speak for all of Congress that we in Congress will get you everything you need—

Chairman NEY. Mr. Scott? Mr. Scott?

Mr. POWELL. Thank you, sir.

Chairman NEY. Thank you, Mr. Scott. Your time is long expired. Mr. Barrett?

Mr. BARRETT. Thank you, Mr. Powell, for being here today. First let me say, I want to just echo Chairman Baker's comments. I am in a group called the Republican Study Committee and it is the rock-solid fiscal conservatives of this House, and I am not saying I speak for every one of them, but we have some major concerns about how we are spending our money. And we feel, there are a lot of us who feel, that the only way we are going to get this area recovered is to do a public/private partnership. So please take that back. This is coming from a lot more Members than are represented here today, so please take that back and make sure that is known. If we took a battle plan of the Gulf Coast area, percentage wise, how much of the area has been cleared or cleaned up, 10 percent, 5 percent, 20 percent?

Mr. POWELL. In Mississippi, it is well over a half and in Louisiana it is about half. Mississippi should be done with the public debris removal by some time in the middle of June and 80, 85 percent of the private debris will be removed then. Louisiana is more complex, it is much more complex, Congressman, in that you have certain areas because of court orders or because of this issue or that issue, it has not been done, plus the city was flooded for about 8 days. Also, in Mississippi, there was total destruction of some things. So Louisiana, it will take some time but I would say the public debris removal will be done some time in the middle to late summer, and at least 60, maybe two-thirds of the private.

Mr. BARRETT. I have heard horror stories, and I don't want you to respond to this, but I have heard a lot of people say that part of the reason the clean up is going so slow is because middle level managers don't have the authority to say, yes, do this or, yes, do that. If you could submit me something to tell me what is going on. I have got feedback that people in the government area are afraid to make a decision. That is the wrong answer. We need people to make a decision.

Let's go to expense, overhead. Wilma, 19.1 percent overhead. Rita, 28.9 percent overhead. Katrina, 24.9 percent overhead. Mr. Powell, you come from the private sector, I was a small businessman. My daddy and I operated that store for 50-something years. We would operate it less than 1 year if we operated it like that. What are you doing, what is your plan to make sure that we get our administrative costs in line with what is actually going on on the ground down there?

Mr. POWELL. Well, for a long-term rebuilding, specifically housing and some other infrastructure rebuilding, one of the first things we always talk about is overhead, administrative cost. And the chairman had asked me that question, the very first question, about what did I believe that the top number should be as it relates to administrative overhead, and I said 5 percent. Clearly, we can do things better. There are some things that we can do that would be much better. One of the things is the administrative costs in all areas of the government. But I would say, Congressman, that Katrina/Rita was a complex, very complex hurricane that we haven't seen before. And, as I mentioned, we can do a lot of things a lot better but our office, when we are talking about long-term rebuilding plans, and we are working with the States and the coun-

ties and the parishes, one of the things we always focus on is administrative overhead.

Mr. BARRETT. And I hear you loud and clear, Mr. Powell. We have never experienced anything like that in our time but 5 times the cost. And I think that reinforces our position with Chairman Baker, that to have some public/private partnerships, some folks who are actually trying to make some money on this thing and using their head.

Last question, the President in New Orleans yesterday, I think, was quoted as saying that he wanted to give up to $150,000 to each homeowner who lost their residence to Katrina. That is about $4.2 billion. Correct me if I am wrong, we have got travel trailers to the tune of $92,278 already. That is about $43,076 per trailer. In South Carolina, Mr. Powell, that is a permanent home. And I am not being facetious and I am not trying to be ugly. We are going to give $150,000 and we are going to give these trailers. I see the papers, you see them to, I get the phone calls, "What in the name of God's green earth are you doing? These things are sitting off somewhere and they are not being used." What is the rationale behind this? Tell me there is a plan and tell me what the thinking is?

Mr. POWELL. First of all, on the $150,000, that is a maximum. It is pre-Katrina value for a home that has been 100 percent destroyed up to $150,000. So some people will get $60,000, some people will get $50,000, some people will get $75,000. So that is the maximum. And I might add there are some homes that far exceed the $150,000 but that is capped at the $150,000.

The other issue of mobile homes and trailer homes and etc., and so forth, I know because we interact with the folks at FEMA and we interact with other members of the government, that there is a lot of work directed toward that particular issue you talked about and they do have a plan, they do have a plan that will speak to those things. But, again, our office we are more directed toward long-term recovery of the region.

Mr. BARRETT. One follow-up question, Mr. Chairman, because I know I am out of time, so if you said $150,000 was the cap, if that family got one of these trailers as a permanent residence with the underpinning and the whole 9 yards, that would count as a portion of their $150,000 or is this in addition?

Mr. POWELL. No, no, that is an intermediate RA, intermediate need. It would be $150,000 less any insurance proceeds that you may have, not the trailer.

Mr. BARRETT. Okay.

Mr. POWELL. The trailer goes back to the government.

Mr. BARRETT. So the trailer is considered—

Mr. POWELL. It is not owned by the individual.

Mr. BARRETT. It is just considered temporary housing.

Mr. POWELL. Yes, sir.

Mr. BARRETT. Thank you, sir. I appreciate your coming.

Chairman NEY. Mr. Cleaver from Missouri.

Mr. CLEAVER. Thank you, Mr. Chairman. I have a number of questions, so I will try to ask them all quickly. But, first of all, having gone through many of the public housing units in New Orleans in the 9th Ward and seeing the condition and smelling them, smell-

ing like the devil's breath obviously, something is dramatically wrong; what is the plan for public housing?

Mr. POWELL. Again, that is a plan that the local people have developed. And the plan for local housing, when you take into consideration the $6.2 billion that Louisiana has been allocated, and we are talking about Louisiana—

Mr. CLEAVER. Yes.

Mr. POWELL.—$6.2 billion that Louisiana has been allocated and the first CDBG money and the $4.2 billion that has been asked for in the supplemental and that totals roughly—and other mitigation money, in excess of $12 billion. In that plan, the Louisiana plan, there is $1.75 that is provided for rebuilding of affordable workforce rental housing that will speak to the low to moderate income tenants occupied properties.

Mr. CLEAVER. Thank you. You spoke of the President's supplemental budget.

Mr. POWELL. Yes.

Mr. CLEAVER. Do you have any indication why the Katrina/Rita rebuilding was not in the President's budget?

Mr. POWELL. I am not sure if I understand. No, it is in the supplemental, the $4.2 billion plus the $1.4 for levee. And then there are some other hurricane relief monies in that supplemental also.

Mr. CLEAVER. So the fact that there is a proposed cut in the Community Development Block Grant, there is a proposed cut in elderly housing that is proposed—

Mr. POWELL. Oh, I see.

Mr. CLEAVER.—and housing for the poor in the budget.

Mr. POWELL. Yes, I just know again what Louisiana is planning to build as it relates to the hurricane devastation and that is almost $2 billion for low to moderate housing.

Mr. CLEAVER. Do you understand—

Mr. POWELL. Yes, I do and I am sure the Secretary of HUD or some other people would be happy to answer that question, and I will pass that on.

Mr. CLEAVER. I am also concerned—I am a former mayor, I am always concerned about the public hearings that are required by law for CDBG allocations and wondering whether or not that is going to be done or in some instances I think the legislation may say that the Secretary has the authority to waive or to stop a project, and I am hoping that is going to be in every dollar that is spent coming out of the Department of HUD for housing. I do think there has been enough blame going on, and I can't tell you how upset I am over the paper today, and it is not a Democrat—this is not just a Democrat expressing, as my colleague and I were going to vote from here and there was a discussion along the way, Democrats and Republicans are concerned. So I am not trying to blame—I don't want to do any blame thing, but what I do want to know, and I think my colleague, Mr. Scott, asked this question in another way, if you had your way, what could this Congress do to make this problem go away?

Mr. POWELL. I think it is terribly important that the supplemental—the monies asked for in the supplemental for levee protection, hurricane protection is critical to the safety of the people in New Orleans. And I would say, Congressman, I feel very strongly

about the $4.2 billion for housing and also housing mitigation. I think that was a number, as I say coming from the bank and business, I would loan against. I think that, too, is very important together with all the other issues that the President has asked for as it relates to hurricane relief to meet the needs of the good people along the Gulf Coast. It is critically important that Congress approve the supplemental.

Mr. CLEAVER. Two other quick questions. One, HUD has what is called a 108 loan fund that does in fact allow for private entities to take advantage of the loan fund, and it is guaranteed by the city's CDBG budget. And, as a banker, you are saying you would loan against it. We have a program, it is being cut.

Mr. POWELL. Yes.

Mr. CLEAVER. I am sorry, that was an editorial. The question, I mentioned earlier my speech in Cambridge 2 weeks ago, if someone asks you that question, when can I go back home, what would you say?

Mr. POWELL. I would say that an individual who wants to go back home, that is the reason the CDBG money is critical. It is very critical to the rebuilding—

Mr. CLEAVER. No, I mean if they say when can I go back home? These people are up in Boston, Anchorage, Alaska, Kansas City, Houston, they want to know what—

Mr. POWELL. Yes, housing is a critical answer to that question, and I think it is very important. Some of them had homes, some of them were renters in housing, so housing is a very important thing. Number one, they want to feel safe. They want to feel safe that they can go home and that is the reason that the Corps of Engineers and the President has committed to rebuilding the levee system where people and business in both the public and the private sector will feel safe to come home and the person who is in Houston, Texas, or in Atlanta, Georgia, can come home.

The second issue is housing. They have to have a place to live. And that is the reason that CDBG money that has been appropriated by Congress and in the supplemental of the $4.2 billion is critical to the housing issue. Housing is critical so it is very important that it be approved, the supplemental be approved where housing stock can be replenished so that person can come back home.

Mr. CLEAVER. Thank you.

Mr. NEUGEBAUER. [presiding] Mr. Green of Texas.

Mr. GREEN. Thank you, Mr. Acting Chairman. And, Mr. Powell, thank you again for visiting with us today. I consider it an honor to have the opportunity to ask you some questions. You have spoken about the levee system being rebuilt to pre-Katrina standards. Do you agree that the pre-Katrina standard was Category 3?

Mr. POWELL. I agree that the Corps of Engineers is on a mission to complete by the 1st of June, that they will repair all the breaches within the levee system, bring and correct any design flaws, number two, correct any design flaws, and bring the height of the levees back to pre-Katrina level. And when I asked the question if Louisiana is struck with another Katrina, would the city be safe and they have told me that once this work has been done, that

the city will have some flooding but it would be manageable type flooding. Furthermore,—

Mr. GREEN. Mr. Powell, if I may please because my time is limited, and I beg your forgiveness for interceding, but let's talk about "Karita" rather than Katrina. Karita, a Category 5, hits Louisiana. We have rebuilt to Katrina standards. That is the concern that a lot of the residents and business persons have. They are not concerned as much as you might think about pre-Katrina standards. And I don't mean you in general, I am sorry, I meant in general, not you personally. We are looking at spending $100 billion rebuilding to pre-Katrina standards and on our watch having a Category 5 hit. On my watch, I have a duty to do everything that I can to make sure that we exceed pre-Katrina standards. My understanding is that pre-Katrina standards are Category 3. Category 3 is not enough. You have not commented on the pre-Katrina standard is. You are saying rebuild to the pre-Katrina standard. Can you say yes or no that the pre-Katrina standard was Category 3? Yes or no?

Mr. POWELL. As I have shared with this committee, that hurricane protection is very, very complex, very complex. And that is the reason there is, I believe, in excess of $200 million that is part of the allocation to study should we go to a Level 5 protection and that study is underway now, and hopefully it will be completed in a relatively short period of time. But hurricane protection is very broad. It includes not only the height of the level but it includes pumping stations. It includes canals. It includes wetlands. It includes armoring, all those issues.

Mr. GREEN. I understand. Let me just share this with you, if I may, because I have to go to another topic. Studies have been done, studies were done years ago that prognosticated exactly what occurred with reference to a Category 3, Category 4, Category 5. If we continue to study this problem, something dastardly will occur on our watch that we may never be able to live with and within ourselves because there will be a greater disaster than we have suffered already if we get a direct hit with a Category 5.

Now let me move quickly to something that you may not have a lot of authority with but I have to mention it because a serious problem is about to manifest itself, it is manifesting in fact as I speak, and that has to do with the voting rights of people from Louisiana. The process itself is going to cause many people who desire to vote not to have the opportunity to vote, the process. One part of the process that concerns me is candidates cannot connect with voters. FEMA has not released the list of candidates—pardon me, of voters where they are, addresses to candidates. If I campaign in my district to have an effective campaign, I can connect with voters. I can send them literature. I can write them. Those candidates in Louisiana don't have that opportunity because FEMA won't release the list of addresses of people who are scattered across the length and breadth of the country.

The second part, we have the technology to allow people to vote wherever they are. In Houston, Texas, we have tens of thousands of people, we should have a polling place in Houston, Texas. There is no reason why people who live in Houston, Texas cannot vote in their election in Louisiana at a polling place on Election Day in

Houston, Texas. The technology exists. We are failing the people who want the right to vote. It is not going to be an efficient effort on our part if we continue along these lines. How do you propose we make sure that everyone who wants to vote has the right to vote?

Mr. POWELL. As it relates to the list, I am sure that—and I will be happy to convey your concerns to FEMA about releasing that list, I am not sure what the reason is. There may be legal constraints on releasing that list or other privacy issues or other issues that I may not know about, but I am happy to do that.

As relates to the election in Louisiana, the State, I believe, has jurisdiction on how they want to conduct their elections, and I am happy to convey your concerns and your thoughts to the leadership in Louisiana.

Mr. NEUGEBAUER. The gentleman's time has expired. I would advise that we are going to try to have another round if you are interested.

Mr. GREEN. Thank you.

Mr. NEUGEBAUER. Mr. Powell, you appear to be of sound mind and body, you took the job, I don't know, I have to raise questions about that.

Mr. POWELL. My wife would question that.

Mr. NEUGEBAUER. Just so that you know my background, are they the ones—the Corps of Engineers, are they the ones doing the study on the flood control?

Mr. POWELL. I believe it is an independent study. I think—

Mr. NEUGEBAUER. But it is the Corps of Engineers?

Mr. POWELL. I will have to get that answer to you. We have in our district a little hole in the ground that is about 120 feet deep full of spring water and the spring comes out. Well, somebody decided years ago from the city to make the bottom more attractive to scuba divers so they dropped some big rocks in. As you can imagine, the water flow began to eat away at the sides so they have been trying for years to get out. Well, we put $50,000 I think or maybe $100,000 in the budget a couple of years ago to get those rocks out of there. Now you or I could have gone out and gotten them out for 10,000 bucks. Some of you are familiar with the oil field equipment.

Mr. POWELL. Right.

Mr. NEUGEBAUER. So the year passed and I asked did our rocks go away and they said, "No, we used the $50,000 to study them." And I said, "Okay, are we going to get them out this year?" And they said, "Well, we need another $250,000 to study it this year." The fact that you have got 200 million bucks, Mr. Green is adequately asking about that.

You say the highest protection or highest priorities for you is to approve the supplemental for hurricane protection. Have you looked at how much money previously was sent there to upgrade the systems and how much money disappeared out of the system? I hear quite a lot but I have never heard that confirmed, have you looked at the leakage out of the system? I am talking about leakage of dollars?

Mr. POWELL. Yes, you are talking about pre-Katrina.

Mr. NEUGEBAUER. Yes.

Mr. POWELL. Yes, I have not done a study on—

Mr. NEUGEBAUER. So my question is what assurance do I have as a person voting on this that the same thing is not going to occur?

Mr. POWELL. I think that is always in the uppermost part of my mind, I am a fiduciary and make sure that the taxpayers' dollars are spent as directed. As you know, there are many oversight bodies that look at not only the Corps but what is being spent down there. Inspectors General are engaged. There is an audit function that the Corps, I believe they call it the Triple A, an audit function that does nothing but look at the Corps' expenditures and their work and their progress for the integrity of the dollars that are spent toward that.

Mr. NEUGEBAUER. Just as long as you are aware that is a big question.

Mr. POWELL. Yes, it is.

Mr. NEUGEBAUER. I don't think you can address it.

Mr. POWELL. Right.

Mr. NEUGEBAUER. But I would think that if it does not get addressed, that the future supplementals can desperately be at risk, at least my particular vote.

How much commerce is actually moving through the ports now? I know that is a big piece of not only—

Mr. POWELL. Yes, the port is open, it is 100 percent availability. There has been some slow down in the port because some people are looking at other alternative ports.

Mr. NEUGEBAUER. A slow down from what?

Mr. POWELL. It is probably about two-thirds back up as it relates to revenue stream.

Mr. NEUGEBAUER. Okay.

Mr. POWELL. Fifty to two-thirds revenue stream. There is another issue as it relates to—it is a deep channel issue there, it is a safety versus economy issue.

Mr. NEUGEBAUER. You mentioned the additional distribution of funds up to $150,000. What will determine what level of funding people are eligible for?

Mr. POWELL. I am sorry, I am not sure—

Mr. NEUGEBAUER. The President's suggestion that we give $150,000 to each homeowner, each person. You said that it would be a varying scale, from 60 to 70—

Mr. POWELL. Oh, I am sorry, I was just using that as an example.

Mr. NEUGEBAUER. I understand but—

Mr. POWELL. The pre-Katrina value, whatever your pre-Katrina value was, independent from—

Mr. NEUGEBAUER. Is there going to be any screening based on what they brought in from their private insurance?

Mr. POWELL. Yes, sir, yes, sir, it will be less that. Yes, sir.

Mr. NEUGEBAUER. Are they going to have to give up their home to get that? In other words, if I have got a home that is 30 percent damaged, given the number of trailers that are sitting in houses, I don't have a great deal of confidence that if I have a house there that is partially damaged, and I get the payment, I am not sure

how the government makes sure it comes out okay, that I don't find a windfall out of that. And I think there is that point.

Mr. POWELL. Yes, that will be part of the Administration process, to be sure that you are only reimbursed for the damage that you actually received.

Mr. NEUGEBAUER. But let's say I have got a house worth $150,000 and the insurers all it a total damage, I got $150,000 and the house still belongs to me. I can go in and maybe use the—

Mr. POWELL. The salvage value you are talking about, yes.

Mr. NEUGEBAUER. The frame—

Mr. POWELL. Yes, it would take that into consideration.

Mr. NEUGEBAUER. Are you going to use private—

Mr. POWELL. In other words, that would not be a total, that would not be 100 percent—

Mr. NEUGEBAUER. Are we going to depend on government agencies to determine these values or are you going to use the private sector to determine that?

Mr. POWELL. We have looked at FEMA numbers. We have looked at HUD numbers. And part of that will be obviously the onus of the administrator disbursing the money.

Mr. NEUGEBAUER. Again, my objection is that we have all sorts of stories of abuses, at some point we have to admit that the government may not have the capability to work in this sort of fashion. It has done a very poor job.

Mr. POWELL. Yes, I have had lots of discussion with the State leadership about that particular issue, and that is the reason the integrity of that administrator, it needs to be very transparent, subject to lots of oversight where everybody can watch what is happen.

Mr. NEUGEBAUER. The Chair would recognize Mr. Cleaver for a second round.

Mr. CLEAVER. Thank you, Mr. Chairman. One of the issues that you spoke of earlier was the fact that local banks remained optimistic and there is no prediction of bank failures in the region, is that accurate?

Mr. POWELL. Yes, that is my testimony, yes, sir.

Mr. CLEAVER. Are you that optimistic as well?

Mr. POWELL. The sense of recovery and the sense of coming back in the spirit of the people makes me feel very optimistic. The practical matter and the reality of it, it always goes much slower than what I would hope and what they would hope. A lot of that depends upon perhaps factors that are out of their control. But I know there is adequate liquidity, there is a lot of money, band deposits are 20 to 25 percent larger than they were pre-Katrina, so liquidity is not an issue. I know that bankers are willing to work with SBA. They are willing to work with some other programs to make sure that capital is injected into the economy. I attended a bank conference last week that the FDIC was the sponsor of and it brought together bankers in the area, bankers from outside of the area. They had workshops on how they could help each other. There were some innovative, very productive ideas to enhance the banks that may have some problems, some issues from participation to deposits to buying capital. Lots of very productive thoughts were brought forth at that workshop. And I was encouraged.

When I go to the area, one of the things I always gravitate to because of my background is to go talk to the bankers, how is it committed to doing, what do you see, what kind of economic activities are occurring, what can we do to help you? And while there are clearly some challenges, and much work that needs to be done, I sense some optimism with those bankers.

Mr. CLEAVER. Does that include optimism for the minority banks, there may be three or four minority-owned banks?

Mr. POWELL. I touch base with those folks. Each bank has a unique set of challenges. There are some programs that they have availed themselves with. There are some larger institutions that are looking for ways to assist those particular banks. And it is my hope that 5, 6, 7, 8 years from now they will be stronger and better in serving those communities.

Mr. CLEAVER. When I go to a community, I gravitate to churches because I am a Methodist ordained minister. So one of the things, we met with a number of the clergy in the area, churches are just gone. I don't know what the legality is but are we able to assist churches?

Mr. POWELL. One of the things the President also assembled was a group of foundations, about 60 days ago, and charged them with the idea that government cannot meet all the needs. There will be some fill in the gaps, faith-based issues, childcare, senior citizens communities, libraries, all the things that government by law cannot meet those needs. And we assembled something like 20 foundations. We have a person in our office who is in constant contact with those foundations. The State of Louisiana and the State of Mississippi have submitted applications to those foundations to meet those needs. I am also familiar with the Bush/Clinton Katrina Fund, and at the assistance of this president, there have been something like $20 million allocated toward black churches in the stricken areas. So it is an issue that this Administration feels very strong about and we feel very strong about it in our office. And I am convinced that those foundations and the generous spirit of the American people will meet some of those needs.

And I will say, Congressman, one of the contacts I talk to are various leaders and faith-based leaders in the area, and you are right that it is a center of hope. It is the center of the soul of those people, and we need to make sure that they are restored as well as other infrastructure.

Mr. CLEAVER. If the churches come back, the people will have a little more faith that the city will come back.

Mr. NEUGEBAUER. Mr. Green.

Mr. GREEN. Thank you, again. Mr. Powell, permit me to share this brief vignette with you, and this actually occurred, I have some personal knowledge of it. A parent provided the funds for a party for a child and the child wanted to invite a certain person who was known to be disruptive at parties. And the parent said, "No, that person cannot come to the party." And the child said, "But it is my party." And the parent said, "But I am paying for it." Now, I mention this to you because we are paying for the recovery in Louisiana, $100 billion in the final analysis, perhaps even more. If we are paying for it and we recognize that people are about to have their right to vote circumvented, then we ought to do something

about that. That is the role of the parent. That is the role of the Federal Government, to make sure that every citizen's right to vote is protected. We are about to witness citizens who want to have the right to vote not have the opportunity to vote, who want the right to vote, to exercise their right to vote and not have the opportunity to vote. So now in the key position that you are in, how can you help them with their right to vote, to merely explain that the local government has purview and control is really not enough because we have a lot that we can do as the parents who are funding the party.

Mr. POWELL. Congressman, I am sure it is the wishes of every local and State official in Louisiana that everybody that is entitled to vote be allowed to vote. And I am sure all of those issues were discussed. And I would also suggest that I am sure the Justice Department is aware of all of those issues and the court system is available. But the good people in Louisiana want every person that is eligible to vote be allowed to vote.

Mr. GREEN. I was at a meeting with the Mayor of Louisiana, and he expressed concerns about this. He is one of the good people of whom we speak, and he has his concerns about whether people will have the opportunity to exercise their right to vote. The NAACP in Louisiana, they are among the good people of whom we speak, they are speaking of the possibility of litigation because they too are concerned about the right to vote. The right to vote is the most precious right, among the most, I suppose there are some others, precious rights that citizens have. If we see an injustice about to take place, we ought to do something to thwart that injustice. And I am just making an appeal to you that when you talk to the Justice Department, when you talk to the folk who can make a difference, talk to them about this because my understanding is satellites were not used so that people in remote locations can vote where you have a large cluster, Houston, Texas, for example, because it was thought that the people of Louisiana could not afford it. They are on a very limited budget. It is my belief that if we are paying for the party, we can require or at least encourage that some of this money that we are using and sending be used to have open, free, and fair elections because when this is all over and you see that the body politic, the face of it has changed, you are going to have for years to come people who are going to express disenchantment in ways that will cause us to have to respond. This is not right what is about to take place in Louisiana. It is just not right.

I yield back.

Mr. NEUGEBAUER. The gentleman yields back. Mr. Powell, you had mentioned the job training for 20,000 people. Do you have an approximate cost range that job training is going to cost per person?

Mr. POWELL. I do not, Congressman, but I am happy to get that for you.

Mr. NEUGEBAUER. How much total funding are we talking about for that job training?

Mr. POWELL. I can't answer that specifically, I will get that to you.

Mr. NEUGEBAUER. Okay, and the reason I ask is because we have seen programs that send people back to work for 50 bucks.

Mr. POWELL. Right.

Mr. NEUGEBAUER. And programs where it takes $5,000, and I have again given the backdrop of everything that occurred in the application of funds.

Mr. POWELL. Cost is always a factor.

Mr. NEUGEBAUER. What are you doing to hold people accountable for the waste, the fraud, and the abuse that has occurred with relationship to this particular expenditure of funds?

Mr. POWELL. Our office, as you know, cannot—we do not have an investigative arm or we don't have an inspector general but I can assure you that it is part of our deliberation, part of our discussion, transparency, accountability, checks, and balances, are often mentioned words when we are sitting down talking to the good people in Mississippi, Louisiana, Alabama, and Texas.

Mr. NEUGEBAUER. If you were to guess at the combined waste, fraud, and abuse as a percent?

Mr. POWELL. I wouldn't—I don't know, Congressman, what that might be.

Mr. NEUGEBAUER. You had mentioned that one of the things that we, as a Congress, can do is approve this supplemental. How many more supplementals and how many more dollars do you think it is going to take because this is a question I am beginning to hear frequently in my District?

Mr. POWELL. Some of this will be going on for days, months, and years, so the FEMA money and etc., and so forth, I am not sure about. Long-term planning, I know that Texas has asked for some additional money and that Mississippi has asked for some additional money. The $4.2 billion in the supplemental is dedicated to Louisiana. I am convinced that the plan that Louisiana has brought forward, that will include expenditure in excess of $12 billion, which a majority of it is for housing, will meet their needs as it relates to housing. The levee issue is very important, and again that is the reason that the President has asked for the additional $1.4 billion in the supplemental. And depending upon other studies, there may be some needs for additional modifying some of the levee hurricane protection, wetlands, and all of that going forward. But I think the Louisiana is one that has been well thought out, one that we agree upon the number of units, and that the housing needs will be met under that $7.5 billion.

Mr. NEUGEBAUER. In the attachment that came with your presentation today, the second line item under one of the spreadsheets is flood insurance.

Mr. POWELL. Yes, sir.

Mr. NEUGEBAUER. $18.5 billion.

Mr. POWELL. Yes, sir.

Mr. NEUGEBAUER. We have had testimony in this committee that $23 billion in losses were suffered and were due to come out of the flood program, and I think we authorized that $23 billion in additional loans. Is this $18.5 in place of?

Mr. POWELL. I think that is an in place of and in addition to what they said. It is whatever the contractual obligation is, it is to replenish the reserves in the flood insurance program.

Mr. NEUGEBAUER. There are no reserves to be replaced. We have the capability to generate $1 billion a year in premiums.

Mr. POWELL. Right, and they are gone.

Mr. NEUGEBAUER. It is actually an infusion of funds into that.

Mr. POWELL. Right, right.

Mr. NEUGEBAUER. The $150,000 payments, are those in addition to this $18.5 billion for flood insurance?

Mr. POWELL. Yes, yes, sir, that is all CDBG money. Yes, sir.

Mr. NEUGEBAUER. So you mean we are going to be out $18.5 billion, which was the $23 billion estimate was what the flood damage appeared to be, and we are going to pay on top of that?

Mr. POWELL. Yes.

Mr. NEUGEBAUER. People can get money from—

Mr. POWELL. That is a contractual obligation under the flood insurance. Those are people who had flood insurance so that is a contractual obligation.

Mr. NEUGEBAUER. And you are saying you can get flood insurance from that contractual obligation as well as the $150,000?

Mr. POWELL. No, it is less insurance proceeds. It is to cap, a maximum of $150,000.

Mr. NEUGEBAUER. How many people are going to fall under the $150,000 max program?

Mr. POWELL. I will get you those exact numbers.

Mr. NEUGEBAUER. If you could.

Mr. POWELL. I will be happy to, yes.

Mr. NEUGEBAUER. Okay, well, our time has elapsed and they are urging us to finish our work before there is a mutiny. The Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to those witnesses and to place the responses in the record.

With no other comments, this hearing is adjourned.

[Whereupon, at 12:56 p.m., the subcommittee was adjourned.]

A P P E N D I X

March 9, 2006

Opening Statement

Chairman Michael G. Oxley
Committee on Financial Services

Subcommittee on Housing and Community Opportunity

The Federal Role in Facilitating Recovery and Long-term Rebuilding Efforts in the Gulf Coast Region

Thursday, March 9, 2006

Thank you, Chairman Ney for scheduling this important hearing today and for the opportunity to hear from Chairman Powell, the Federal Coordinator of the Gulf Coast Rebuilding at the U.S. Department of Homeland Security.

The task of recovery and rebuilding in the Gulf Coast region is a monumental one. Chairman Powell, as a result of your previous service as Chairman of the FDIC, you are a familiar figure to this Committee. The President has made a wise choice in your appointment, and we are looking forward to hearing your insights about the Gulf Coast and to working with you again in this new capacity.

By all accounts, hurricanes Katrina and Rita were the most destructive and costly natural disasters in the United States history.

To date, FEMA has paid out over $6.3 billion directly to Hurricane Katrina and Rita victims for housing and other needs assistance through the Individual and Household Assistance Program. The $5.2 billion provided to victims of Hurricane Katrina alone is the most ever provided for any single natural disaster. The combined Katrina-Rita assistance to individuals and households is more than double the combined total of individual and household assistance dollars for the four major Florida hurricanes in 2004, the Northridge Earthquake in 1994 and Hurricane Andrew in 1992.

This Committee has been at the forefront of the hurricane relief effort, having held six hearings with over 100 witnesses, including two hearings in the Gulf Coast region. To date, the Committee has approved eight bills, including three granting statutory waiver authorities to FEMA, HUD, and the Rural Housing Service designed to provide these agencies with the flexibility needed to assist those stricken by Hurricanes Katrina and Rita. Additionally, the Committee has been involved in efforts to shore up the

National Flood Insurance Program and to ensure that payments to policyholders are available and issued on time.

Today, we are anxious to hear from you about the current state of the recovery and rebuilding efforts. What progress has been made and what challenges and opportunities are ahead?

We are glad that you are here today, Chairman Powell, and I look forward to working with you, Chairman Ney, and others in the Administration, as we move forward to address the needs of those in the Gulf Coast region.

Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity

Hearing on

"The Federal Role in Facilitating Recovery and Long-term Rebuilding Efforts in the Gulf Coast Region"

Thursday, March 9, 2006

This morning, the Housing Subcommittee welcomes Donald Powell, Federal Coordinator for Gulf Coast Rebuilding, to discuss the federal role in facilitating recovery and long-term rebuilding efforts in the Gulf Coast region in the aftermath of Hurricanes Katrina and Rita.

Today's hearing will focus on the challenges and opportunities of both the intermediate recovery and long-term renewal plans for Texas, Louisiana and Mississippi. I am most interested in learning about the federal role in helping state and local governments establish and implement their plans for rebuilding.

The events surrounding the late-August and early-September hurricanes in Louisiana, Mississippi and Texas have certainly captured the attention of the American people, including this Committee.

The Housing Subcommittee and the Financial Services Committee have been at the forefront of hurricane relief efforts with numerous hearings and multiple briefings, with approximately 80 witnesses participating. In mid-January, the Housing Subcommittee held the first post-hurricane Congressional hearings in Louisiana and Mississippi, reviewing the housing issues that the Federal government will need to consider in the next few years.

In addition, this Committee has shepherded needed relief legislation to the House floor in the months following this disaster that will affect not only families in the immediate hurricane-ravaged areas, but those families forced to suffer the aftermath due to flooding.

Clearly there are many challenges ahead. There are still many that are without permanent housing, jobs, and infrastructure. How best to go about the reconstruction of the region and the potential problems facing the mortgage and financial services industry are all issues that must continue to be addressed.

I look forward to working with my Chairman, Mike Oxley, Congressman Richard Baker, my Ranking Member Maxine Waters, and all the members of this committee as we move forward to address these challenges.

It is my hope that today's hearing will give Congress a unique perspective of how the Administration plans to move forward, what the current needs are, and what regulatory or legislative solutions may be necessary in the immediate future. Today's hearing is an

important step in the recovery process and I look forward to a vigorous debate and discussion.

OPENING REMARKS OF CONGRESSMAN MAXINE WATERS

FEDERAL ROLE IN THE GULF COAST REGION

Mr. Chairman. This morning we will hear from the new Federal Coordinator, Donald E. Powell, Office for Gulf Coast Rebuilding, to consider what we must do in the long run to rebuild the Gulf Coast Region and to assist the victims. Indeed, the backdrop for today's hearing is not a pretty one. As of late-February, there were 1,997 persons still missing in the Gulf Coast Region. To think that nearly 1.2 million people were displaced is simply mind boggling. Although there are fewer persons displaced today than there were immediately following the Hurricanes (770,000), this number is larger than the populations of many American cities. Money is still a major issue, particularly since the total estimate of the cost of the damage from the Hurricanes approaches $100 billion. Housing, personal, business and government property represent losses of every imaginable kind. Everything and everybody has been permanently affected by the events of August 2005.

But the statistics do not bear witness to the magnitude of the human tragedy that has unfolded in the Region. Some of our elderly citizens are living without medication. People looking for housing, when they can find it, are in many cases the victims of discrimination. Members of the Financial Services Committee as well as this Subcommittee on Housing and Community Affairs continue to hear of reports about housing advertisements on the Internet that are blatantly racist and discriminatory; Internet advertisements that deny the disabled, families with children, African Americans and Hispanics equal opportunity to decent, safe and affordable housing.

Unfortunately, the FEMA deadline for providing assistance for persons living in hotels is about to expire on March 15, 2006. What are these people to do, particularly if one considers the number of persons and families already evicted from hotels under the FEMA program? At one time there were some 26,000 persons living in hotels, today the number is one-third of that amount. Where many of these individuals and families have gone is debatable, but your guess is as good as mine.

We just do not know. No one is tracking the displaced. No one is tracking the homeless. Homelessness is sure to be one of the major consequences of this tragedy.

Trailers were supposed to be a major resource to assist victims during this period. Of course, FEMA estimates that there were more than 80,000 in place as of February 22, 2006. But trailers do not represent a long-term solution to the housing crisis facing the victims, particularly when we are supposed to be focusing on rebuilding the Gulf Coast Region.

We all realize that schools are the glue that holds American communities together. But guess what, schools, particularly the public ones, have all but disappeared. In New Orleans, only 3 public schools and 8 charter schools have reopened of the 120 schools that operated before the Katrina and Rita.

Katrina and Rita remain a major test for this Subcommittee as well as the House.

Today, the Subcommittee on Housing and Community Affairs will examine a number of critical issues related to Katrina and Rita. I believe that this hearing represents yet another opportunity for us to give hope to people who can not help themselves. The Hurricanes were enough for any human to bear. Our obligation to the victims is to understand the long-term effects of the Hurricanes on the Gulf Coast Region and to develop the appropriate response to rebuild the Region. People are unemployed, people are displaced, but most of all people are hurting. These are Americans in this Region. We owe them our best.

Therefore, our immediate response should be to continue to provide resources for those unintended victims of Katrina and Rita, while we begin to design a comprehensive measured response that will restore some semblance of balance to these shattered lives for the future. Thank you. Mr. Chairman

Congresswoman Julia Carson
Housing and Community Opportunity Subcommittee Hearing
Federal Role in Rebuilding the Gulf Coast
Opening Statement

Thank you Chairman Ney and Ranking Member Waters for calling this important hearing. I would also like to thank Mr. Powell for coming before us to testify.

It has been almost seven months since Hurricanes Katrina and Rita devastated our Gulf Coast. It is estimated that over 300,000 housing units have been destroyed or damaged, killed about 1400 people, and has caused roughly $90 billion dollars in damage. Since the storm hit, we have had hearing after hearing, yet nothing is being done to help this region or the people who have been affected.

This committee passed legislation with bi-partisan support that would began the process of rebuilding and reviving the Gulf Coast, but the administration has turned it down. **Not only did they turn down the proposal, but they have failed to come up with alternate plan.** Rep. Watt has proposed another piece of legislation that would also start the rebuilding the effort. The people in this room are willing to take action while the federal government is reluctant to step up to the plate.

It is my sentiment that we are failing the people who have lost their homes and their lives as a result of these hurricanes. This country prides itself on promoting better lives for its citizens. However, in the past few months, we have not promoted this; instead we have put those who need our help the most on hold.

Hopefully after this hearing we can start seeing the action the federal government keeps claiming it is taking. I look forward to hearing Mr. Powell's testimony this morning. I yield back.

STATEMENT OF FEDERAL COORDINATOR DONALD E. POWELL

OFFICE FOR GULF COAST REBUILDING

BEFORE THE

HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

MARCH 9, 2006

INTRODUCTION

Chairman Ney, Ranking Member Waters, and Members of the Subcommittee:

I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding to discuss the progress we have made in the Gulf Coast region and the challenges and opportunities we face in the recovery and long-term rebuilding effort.

A little more than six months ago, Hurricane Katrina tore through an area of the Gulf Coast equivalent to the size of Great Britain. A few weeks later, Hurricane Rita followed Katrina's path into the Gulf of Mexico and then made landfall on the coast of Texas and Louisiana. In the aftermath of Hurricane Katrina, President George W. Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding by Executive Order 13390 to be housed under DHS and Secretary

Chertoff. I was charged by the President with coordinating federal support for the long term rebuilding efforts.

Let me begin by telling you it is a great honor to have been appointed by the President to this very important post. He is committed to doing whatever it takes to support the recovery and rebuilding efforts in the affected areas of Alabama, Florida, Louisiana, Mississippi and Texas. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we will make sure that these Americans get back on their feet and rebuild their lives. Whole communities have been ravaged by Katrina and Rita, but I am confident that working together we will see a better and brighter tomorrow for our fellow Americans in these affected areas.

MISSION OF THE OFFICE OF THE FEDERAL COORDINATOR

Our job is to work closely with people on the ground to identify and prioritize the needs for long-term rebuilding. We communicate those realities to the decision makers in Washington, and advise the President and his leadership team, including Secretary Chertoff, on the most effective, integrated, and fiscally responsible strategies for a full and vibrant recovery. Finally, we help provide thoughtful and coordinated federal support to the affected areas.

GUIDELINES FOR REBUILDING

The President has laid out clear guidelines which emphasize that the vision and plans for rebuilding the Gulf Coast should come from the local and State leadership, not from Washington, D.C. First, rebuilding should not become an exercise in centralized planning. If federal bureaucrats determine the path of rebuilding, local insight and initiative will be overrun and local needs overlooked.

In that spirit, each affected state has brought together their best and brightest minds to create a plan that meets their respective needs. Louisiana has formed the Louisiana Recovery Authority and Mississippi has formed the Mississippi Development Authority to formulate both a policy and a strategy for moving forward. My office has worked tirelessly with both groups to ensure their success and we will continue to do so until they no longer request our assistance. Each state has made great strides and we are proud of their progress.

As the states develop their plans, we encourage and support them to focus on the future. Although there are extraordinary immediate needs, rebuilding cannot be seen in the short term – there must be a long-term vision of where each state wants to be five, ten, or twenty years from now, and a path must be drawn to get there from where we are today. Discussions with the states include both how to meet immediate needs and strategies for long term planning and infrastructure. Based on these discussions, I have every confidence that the Gulf Coast region

will regain its economic and social vibrancy and be an integral part of America's economic base.

The President has also emphasized the importance of being good stewards of the substantial amounts of money that have been, and will continue to be, spent on this effort. To date, the federal government has already committed more than $87 billion (please see attachment A for more detail on allocation and attachment B for the amount spent) for the recovery effort, and the President has submitted a request for an additional $19.8 billion in the 2006 supplemental package, which would bring the total to well over $100 billion. That figure does not include the tax relief of the GO Zone legislation, which will be approximately $8 billion. Of the money that has been appropriated, approximately $53 billion has been obligated to date.

In order to ensure that this money is spent effectively and responsibly, the Administration has put into place responsible financial management practices and has enhanced audit and investigative resources for the Inspectors General of every Federal agency to safeguard federal spending. We also call on the oversight and accountability mechanisms of Congress to assist in the fiduciary protection of the American taxpayer. Together, we must demand the highest standards of governance and accountability in the administration of federal investment, and we must track progress with well-defined goals and performance metrics. If Americans see their tax dollars being ill-spent, their support – which is

critical – will wane. It is my duty to ensure that any plans or strategies for rebuilding are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

Finally, if the heavy hand of federal government impedes the private sector's proven ability to speed the recovery, it will take longer and be more expensive to rebuild. Markets must be encouraged and allowed to work properly without interference from government.

WORKING GROUP STRUCTURE

In our Office, we talk about the triangle of recovery: Safety, Community and Economy. Safety is the foundation, the fundamental knowledge that a resident is physically secure from the dangers of future storms and floods; and Community and Economy on either side, the homes, schools, hospitals and clinics, emergency services, community organizations and businesses that make up the critical underpinnings of a healthy and vibrant society. One of the tools we have established to leverage fully and effectively the expertise and resources of the federal government is a system of Working Groups. These Working Groups are staffed by policy and programmatic experts drawn from across the agencies and departments of the federal government and tasked against eight subject areas essential to the triangle of Security, Community and Economy. These eight groups are Environmental Management, Public Safety, Housing, Healthcare,

Education, Critical Infrastructure, Community and Faith-Based Organizations, and Economic Development. These policy leaders have articulated the guiding principles that inform the federal response, taken inventory of existing federal programs and funds available to the affected regions, and are working closely with local leaders and decision-makers to recognize the greatest challenges and highest priority needs of the affected region. Together with our Working Group team members from across the Administration, our Office determines the most appropriate, effective, and integrated federal response to these needs.

RECOVERY ASSISTANCE

Hurricanes Katrina and Rita left many of our fellow citizens stunned and uprooted. This Administration believes in the government's duty to provide resources and support on behalf of the American people, and to rally this nation's armies of compassion. The federal government has and will continue to support evacuees through direct financial assistance, temporary housing, and other programs.

- 84,185 mobile homes (average cost of $30,000/each) and 2,085 travel trailers (average cost of $10,500/each) are occupied (as of 3/1).
- 4,899 mobile homes and 1,109 travel trailers are ready for occupancy.
- $6.2 billion to 2,435,932 approved Individual Assistance applicants for temporary housing, expedited assistance, rental assistance and personal property, including $5.3 billion in assistance to 1,052,520 applicants

under the Individual Housing Program (IHP) for Katrina in all states (as of 2/28).

As there has been some confusion over the various types of cash assistance provided by FEMA, let me spell these out in greater detail.

- Initially, a total of $22,748,000 was delivered to evacuees in San Antonio, Dallas, and Houston mega-shelters in the form of expedited assistance. As of 2/28/06, $76,879,351 of such assistance has been released.
- As FEMA established its disaster recovery infrastructure, it's Direct Financial Assistance program began to provide more substantial aid for:
  - Temporary Housing - $1,697,607,750 disbursed through 719,924 approvals
  - Home Repair - $291,901,240 disbursed through 121,540 approvals
  - Replacement - $265,994,200 disbursed through 26,011 approvals
  - Expedited Assistance - $1,618,378,500 disbursed through 803,309 approvals
  - Rental Assistance - $1,700,208,350 disbursed through 717,814 approvals
  - Personal Property - $1,278,041,940 disbursed through 194,885 approvals

SAFETY - LEVEES

When I made my first trip to the Southeast Louisiana region I asked everyone I visited with, "What are the three most important issues you face?" The answer, time and again, was, "Levees, levees, levees." The President has stated emphatically that public safety is the most critical part of long-term rebuilding in the area. People must feel that there is adequate commitment and planning for hurricane protection before they can make their decision to return – whether as a resident, a business owner or both.

The President responded quickly by asking Congress to authorize his $3.1 billion commitment to make the hurricane protection system that surrounds the New Orleans area stronger and better. During the Appropriations process a portion of that $3.1 billion request was redirected to other uses along the Gulf Coast. In response, the President has included, as a part of his recent supplemental request to Congress, another $1.46 billion for the addition of flood gates and pumping stations to interior canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proof pumping stations. I have personally visited the levees with General Strock and I also receive regular updates from the Army Corps on their progress. They are on track to meet their deadline for pre-Katrina strength before the beginning of the next hurricane season.

COMMUNITY - HOUSING

After the Administration made its commitment to rebuild the levees stronger and better, the next issue on the minds of the people of the Gulf Coast was housing. Congress set aside $11.5 billion in Community Development Block Grant (CDBG) funds for the Gulf Coast. These funds will be used by the states as they implement their plans to assist the residents of areas affected by Hurricanes Katrina and Rita.

As I learned more about the unique flood vulnerability of Louisiana, I learned that safety is not just about the levees and coastline, but also about homes. As we build the hurricane protection system stronger and better, we must also allow the states to rebuild their housing stock in a safer and smarter manner, protecting the lives and assets of the people of Southern Louisiana. In order to meet the unique needs of Louisiana, the President has requested $4.2 billion in Community Development Block Grant funds for Louisiana, as a part of the recent supplemental, to address its plans for future flood mitigation measures to protect housing and critical infrastructure.

These funds will be available after each state submits a detailed plan to the federal government outlining its use of the funds. I look forward to continuing our work with the States on these plans.

Additionally, the Department of Housing and Urban Development, through the Federal Housing Administration, has two mortgage insurance programs that are being used to assist victims of the hurricanes in the Gulf Coast.

HUD has a special mortgage insurance program under Section 203(h) of the National Housing Act to assist disaster victims. Under this program, individuals or families whose residences were destroyed or damaged to such an extent that reconstruction or replacement is necessary are eligible for 100 percent financing. The previous residence must have been in the disaster area and the borrower may have been the owner of the property or a renter of the property affected. Through Section 203(h), the Federal Government helps victims in presidentially-designated disaster areas recover by making it easier for them to get mortgages and become homeowners or re-establish themselves as homeowners.

The Section 203(k) program is HUD's primary program for the rehabilitation and repair of single family properties. While it is usually used as an important tool for community and neighborhood revitalization and for expanding homeownership opportunities, it is also used for repairing homes damaged as a result of a natural disaster. The requirement for a dwelling to be completed more than one year preceding the date of the application for mortgage insurance under Section 203(k) does not apply to properties in the disaster area. Damaged residences are eligible for Section 203(k) mortgage insurance regardless of the age of the property. Homes that have been demolished, or will be razed as part of the

rehabilitation work, are eligible provided some of the existing foundation system remains in place.

ECONOMY - ECONOMIC DEVELOPMENT

The President, along with Congress, has also been mindful of the renewal of the region's economy. The role of the federal government in restoring the traditional industries of the region (i.e., the tourism, seafood, and energy sectors), and in attracting new industries, is to rebuild stronger hurricane protection, assist in the renewal of housing stock, and create strong incentives for the private market to participate in the renewal of the region. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation, providing approximately $8 billion in tax relief over five years, will help revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Some of the principal provisions within the Gulf Opportunity Zone Act of 2005 include tax-exempt bond financing for both residential and nonresidential property, provision of eighteen times the usual amount of low-income housing tax credits, bonus depreciation, and expensing for certain demolition and clean-up costs, just to name a few. Simply put, this law renews businesses, rebuilds homes, and restores community.

In the affected area, the Small Business Administration (SBA) has adapted and ramped up its capacity in order to provide loans and working capital to small

businesses and families. Small Business Administration disaster loans provide vital low-cost funds to homeowners, renters, and businesses to cover uninsured disaster recovery costs as well as loans for the working capital needs of businesses affected by disasters. Since last year's hurricanes, SBA's Disaster Loan Program has approved approximately $5.8 billion in disaster loans to over 82,100 homeowners, renters, and businesses along the Gulf Coast. Given SBA's ongoing commitment to small business owners in this region, it is imperative that Congress approve the $1.25 billion for SBA's Disaster Loan Program.

The financial services sector in the region is also doing its part to provide capital. When Hurricanes Katrina and Rita hit the Gulf Coast, they impacted the operations of at least 280 financial institutions, with over 5,000 branches, with 120 of these institutions headquartered in the 49 counties and parishes in Alabama, Louisiana, and Mississippi designated by FEMA as eligible for individual and public assistance. Similar to other sectors of the Gulf Coast economy, financial institution facilities and employees experienced damage and disruption. While financial results to date do not yet provide a clear picture of the full effects of the storms, recent data suggests that institutions may be reacting and adjusting to the effects of the hurricanes. Post-hurricane data reveal that a number of institutions operating in areas hit hard by Katrina are moving fairly aggressively to build loan loss allowances and experienced a pick-up in charge-off rates. All institutions remained "well capitalized" or "adequately capitalized,"

and liquidity for most of the institutions also remains strong. While the prospects for the financial institutions most affected will depend in large measure on the efforts underway to rebuild and revitalize the communities these institutions serve, local bankers remain cautiously optimistic and are not predicting any bank failures.

Workforce development will also be critical to long-term economic security. Secretary of Labor Elaine L. Chao and I attended a meeting in December 2005 with the President, labor leaders, civil rights groups and business associations to discuss workforce initiatives and overall employment issues facing the region. We tasked those leaders with devising a plan to prepare the workers of the region for the future of the Gulf Coast economy. We recently completed that plan and look forward to implementing the program in May 1, 2006, in New Orleans, Louisiana. We want to help create as many jobs as possible in the Gulf Coast and prepare its residents to fill those jobs. To do this, we have set an ambitious goal that we are committed to achieving – this public/private initiative will train 20,000 new workers for careers in construction and skilled trades by the end of 2009. We will continue to work to make the Gulf Coast a great place to invest, to do business, and to live.

CONCLUSION

President Bush is committed to rebuilding the Gulf Coast. The federal government will continue to facilitate and help strengthen, but not replace, State

and local government or private initiatives, and we will help our fellow citizens meet the challenges of reconstruction and rebuild their lives and communities for the years to come. The residents of this area and the President can agree on this: Failure is not an option.

There is no doubt that a tremendous amount of work is still ahead of us but we are heartened and encouraged by the progress made. We are proud of the work that has been accomplished to date on both the State and Federal level. We look forward to working with leaders in Alabama, Florida, Louisiana, Mississippi and Texas in the days, weeks and months ahead to assist in the implementation of their respective visions while also serving as a good steward of the taxpayer dollars that the distinguished members of this panel, along with your colleagues, have helped secure. With diligence and thoughtfulness, we will continue to work on behalf of all Americans to further progress: building safety and security, restoring communities, and reviving economic development.

Mr. Chairman, this concludes my testimony. Again, I appreciate this opportunity to appear before you as the Federal Coordinator for Gulf Coast Rebuilding. I am prepared to respond to any questions that you may have.

Thank you.

ATTACHMENT A

KATRINA AND RITA ASSISTANCE BY SOURCE
AS OF FEBRUARY 2006

1. Immediate Response/Recovery	$38.9 billion net enacted	Appropriated to FEMA, DOD, and the Corps for clean up, assistance to evacuees, levee repair, municipal loans, and other immediate response/recovery. Reflects FEMA reallocation ($-23.4 billion).
2. Flood Insurance	$18.5 billion available	Covers about 210,000 of 230,000 estimated claims for insured properties, with approximately $17 billion in payments to date.
3. Reallocation for Federal Infrastructure, Housing & Other Needs	$29 billion gross enacted	Additional funds for HUD and HHS grants; SBA loans; education assistance; and rebuilding of levees, Defense and NASA facilities, and Federal highways. Offset by $24 billion in reallocated funds, mostly from FEMA.
4. Reconciliation	$2 billion	For state health care expenses associated with Katrina victims and evacuees.
Total Assistance Committed by Federal Government	**$88.4 billion**	
Katrina Tax Incentives and Relief	$8 billion FY06-07	GoZones, charitable giving incentives, full deductibility of personal losses, and extended periods for replacing damaged property. Ten-year total is $11 billion.
Additional Funding Spring Supplemental	$19.8 billion	On-going disaster assistance for families and individuals, remaining debris removal, infrastructure reconstruction and repair, small business disaster loans, levees, housing, and other State and local disaster recovery costs.
Flood Insurance	$5.6 billon	Covers remaining estimated claims for insured homes and businesses

3/8/2006

KATRINA AND RITA ASSISTANCE, BY ISSUE
AS OF FEBRUARY 2006

Need Addressed:	$ billions	
Agriculture	$0.9	USDA funding for agriculture and timber losses, recovery, and conservation.
Education	$1.6	Education assistance for restarting schools, impact of displaced students and higher education needs.
Federal response and facilities	$23.3	Response by FEMA, DOD, and other agencies, as well as restoration of Federal facilities.
Housing*	$43.1	Grant and loan programs in FEMA, HUD, and USDA for temporary and long-term housing, including Federal flood insurance.
State and local response and infrastructure	$13.7	FEMA, Transportation, and Corps of Engineers funding to restore Gulf Coast infrastructure, including levees and Federal highways.
Non-housing Cash Assistance	$2.6	FEMA grants and SBA loans covering needs beyond housing. Does not include full $3.2 billion of SBA loans approved to date.
Health, Social Services, and Job Training	$3.1	Programs in HHS, Labor, and other agencies to address health, social services, and economic needs. Includes $2 billion from Reconciliation
Total Assistance Committed	**$88.4**	Does not include Spring Supplemental Request

*Higher than GCRC figure due to projection of DRF

ATTACHMENT B

Hurricane Katrina Supplemental Funding by Major Category

Agriculture -- $681 million

The U.S. Department of Agriculture is providing $200 million for the Emergency Conservation Program (ECP). The program provides emergency disaster recovery assistance to farmers that experienced damage from natural disasters to help restore the productive capacity of cropland. The reallocation bill expands ECP's authority, including helping nurseries, oyster beds, poultry houses, private non-industrial forest landowners.

USDA is also providing $300 million for USDA's Emergency Watershed Protection (EWP) Program. This program provides emergency disaster recovery assistance to local areas that experienced damage from 2005 hurricanes. In the past, this program has been authorized only to remove debris from waterways, reduce the risk of future flooding, and mitigate threats to public safety and infrastructure. The reallocation bill expands EWP's authority to clean up structures on private land and to assist private forest landowners.

Additionally, USDA has $181 million available for a variety of agricultural loss assistance programs, including:

- technical and financial assistance to help non-industrial private forest landowners with removal of debris and downed timber, and to conduct forest health projects that will lessen the threat of invasive species;
- restoration of affected national forests, including funding for projects that will improve wildlife habitat, protect timber resources, and reduce the threat of wildfires;
- repair or replacement of buildings, roads, bridges, and trails on national forests damaged by hurricanes in 2005; and
- supplemental funds for the Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program.

Education --$1.6 billion

The Department of Education has $1.6 billion to provide funding for school districts and private schools for educating displaced students; for the states that were directly impacted (LA, MS, TX, and AL) to help schools reopen; to schools districts serving homeless children and youths; and to colleges and universities in Louisiana and Mississippi and institutions accepting displaced students. This assistance includes:

- $1.4 billion for K-12 Education to provide $750 million for restarting school operations in LA, MS, AL, and TX and $645 million to compensate school districts and private schools for educating displaced students.
- $200 million in aid directly to colleges. The vast majority of these funds, $190 million, are evenly divided between the Louisiana Board of Regents and the statewide higher education coordinating board in Mississippi to provide assistance to

institutions (including private ones) in those states. The other $10 million is being allocated to institutions that enrolled displaced students.

- $5 million to school districts serving homeless youth to be used for enrollment assistance, assessment and school placement assistance, transportation, supplies, and referrals for health and mental health needs.

In addition, the reallocation bill provided the Secretary of Education with authority to waive certain requirements to ease regulatory and fiscal burdens on States and allows displaced teachers to be considered highly qualified in a core academic subject in another State for the 2005-2006 academic year, if a teacher was highly qualified prior to the being displaced by Hurricane Katrina or Rita.

Federal Response and Facilities -- $23.3 billion

The majority of funds for the immediate Federal response and recovery are available through the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund. FEMA has made $13.5 billion available to fund Federal response and recovery needs, and may reach a total of $14.4 billion by May. Activities in this category that include current and on-going costs for agency mission assignments, such as reimbursing the Department of Defense for response costs and providing funds to the Army Corps of Engineers for debris removal, and for disaster field operations, including the establishment and staffing of the Joint Field Office and Disaster Recovery Centers.

In addition to FEMA, the Department of Defense has $7.7 billion available for activities such as equipment repair and replacement (including shipbuilding), urgent repair and recovery costs, military personnel deployment and evacuation costs, and planning, design, and reconstruction costs for damaged DOD facilities.

The Department of Commerce has $54 million for the National Oceanic and Atmospheric Administration (NOAA) for repair of weather-related facilities; unplanned operational costs for weather forecasting activities; upgrades and enhancements of hurricane forecasting instruments; including an additional aircraft to improve observations of hurricanes; and requirements for a damaged NOAA science center that provides necessary scientific support for fisheries management in the Gulf.

The Department of Homeland Security has $284 million for Federal response and facilities, including:

- $207 million for the Coast Guard to pay for damage to Coast Guard equipment and facilities, as well as for activation of reserve personnel to assist with recovery efforts;
- $34 million for Customs and Border Protection to repair and replace critical IT equipment and all other property lost in the flood, and for reconstruction and replacement costs, including the laboratory and seizure vault in New Orleans, as well as other tenant improvements to rebuild CBP structures;

- $17 million for the Federal Emergency Management Agency to improve procurement capacity and oversight and to manage repairs to the Emergency Alert System;
- $13 million for Immigration and Customs Enforcement to repair and replace critical communications infrastructure and destroyed information technology, as well as replace vehicles;
- $10 million for the Office of Domestic Preparedness' State and local programs to replace equipment stockpiles deployed in response to the hurricanes; and
- $4 million for the Secret Service to replace lost technical security and radio equipment for agents, to replace destroyed vehicles at the New Orleans Field Office, and to provide agents with permanent change of station moves.

The Department of Interior has $70 million available, including $16 million for the Minerals Management Service (MMS) oil and gas operations to begin repairs to the Metairie, LA, office; and $19 million to recovery operations within National Park Service (NPS) units; and $30 million for recovery operations within Fish and Wildlife Service (FWS) wildlife refuges.

The Department of Justice has $104 million available to replace equipment, to repair damaged Bureau of Prisons facilities, and to cover law-enforcement specific facilities costs for the Federal Bureau of Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Drug Enforcement Administration, the U.S. Attorneys, and the U.S. Marshals Service.

The Department of Veterans Affairs has $251 million available to restore facilities in order to continue medical services operations and to plan and design a new VA hospital in New Orleans. Additional funds available to provide medical services, process benefits, and extend services at the VA hospital in Biloxi are included under the Health and Social Services category.

The Environmental Protection Agency has $8 million available for the Leaking Underground Storage Tank (LUST) program, and EPA is conducting site assessments of leaking tanks to identify and initiate the appropriate corrective actions for any leaking tank caused by Hurricanes Katrina or Rita.

The General Services Administration has $38 million available to begin short- and long-term repairs of specific Federal buildings and courthouses.

The National Aeronautical and Space Administration has $350 million for emergency recovery operations, damage surveillance, and repairs to facilities and communications/IT infrastructure at NASA's Stennis and Michoud centers. The request also would provide for repairs to Space Shuttle External Tanks and support equipment housed at Michoud.

Finally, the Judiciary has $18 million for necessary expenses related to the consequences of the hurricanes in the Gulf.

Health and Social Services -- $3.1 billion

The Reconciliation bill provides $2 billion for Katrina-related Medicaid and SCHIP expenditures and uncompensated care costs by expanding reimbursement for expenditures permitted under the Administration's Medicaid/SCHIP 1115 waiver authority. Reimbursements include:

- Non-Federal share for Medicaid and SCHIP expenditures to eligible states that have provided care to affected individuals (Home States) or Katrina evacuees (Host States) through June 30, 2006.
- Uncompensated care costs for the provision of medical services for evacuees, in-state individuals who do not have any other source of health coverage, and the total cost of services not covered by the state Medicaid plan for evacuees and in-state individuals receiving temporary eligibility under a waiver. Payment for these costs is allowable through January 31, 2006.
- Reasonable administrative costs, as determined by the Secretary.
- For affected counties and parishes (defined as those counties and parishes for which a disaster declaration is made with respect to Hurricane Katrina), the non-Federal share of regular Medicaid and SCHIP costs for regular Medicaid and SCHIP eligibles.
- For other purposes, approved by the Secretary, to restore health care in impacted communities.

The Department of Health and Human Services' Administration for Children and Families has $550 million available for the Social Services Block Grant (SSBG). SSBG funds are provided for hurricane-related social services, health services (including mental health services), and repair and construction of health facilities.

An additional $90 million has been made available for Head Start to serve children displaced by hurricanes and to cover the costs associated with renovating Head Start facilities affected by the hurricanes, to the extent that FEMA and insurance companies do not fully cover such costs.

The Department of Veterans Affairs has $350 million available to provide medical services, process benefits, and extend services at the VA hospital in Biloxi.

The Department of Labor has $125 million available for National Emergency Grants. These grants provide funds to States affected by Hurricanes Katrina and Rita for job training, placement, and temporary employment in disaster relief and recovery. DOL previously made existing funds available to the Gulf Coast states for similar activities.

Housing -- $43.1 billion

Through the Disaster Relief Fund, FEMA has made $10.4 billion available for housing assistance, and may reach a total of $12.6 billion by May, including over $7 billion for the direct housing assistance program (including distributed and anticipated funds) and more than $5 billion in manufactured housing expenses.

The Department of Housing and Urban Development (HUD) has $11.5 billion in flexible funding available through the Community Development Block Grant (CDBG) program for reconstruction and rebuilding activities, such as infrastructure repair, housing rehabilitation/repair, and job creation. HUD is currently working with the States of Louisiana, Mississippi, Alabama, Texas, and Florida on allocation plans for CDBG funds.

HUD also has made $390 million available for hurricane-related housing vouchers, continuing a program initiated by a FEMA mission assignment to HUD. These funds provide housing vouchers for households that were living in the area affected by Hurricane Katrina and were in HUD assisted housing prior to the disaster or were homeless (on the street or in shelter) at that time. Normal housing voucher income eligibility and tenant contribution requirements are waived for up to 18 months. Funding is sufficient to support expected use through May, 2006, and probably through the summer.

The Department of Agriculture has $70 million available for rural housing grants and to support rural housing loans.

FEMA's National Flood Insurance Program has a total of $18.5 billion in borrowing authority to pay flood insurance claims to homeowners and businesses.

Non-Housing Cash Assistance -- $2.6 billion

Through the Disaster Relief Fund, FEMA has made $1.7 billion available, and may reach a total of $1.9 billion by May, for non-housing cash assistance through the Individual Assistance "Other Needs" program.

The Department of Labor has also provided $236 million in Disaster Unemployment Insurance to hurricane victims that are unemployed as a result of the disasters but are not eligible for regular unemployment benefits, such as the self-employed.

In addition, the Small Business Administration has provided more than $4.3 billion dollars in disaster loans to homeowners and businesses, supported by $445 million in supplemental budget authority. Under recently enacted legislation, SBA also has the authority to transfer up to $712 million from FEMA's Disaster Relief Fund to support additional loan volume.

State and Local Response and Infrastructure Assistance -- $13.7 billion

Through the Disaster Relief Fund, FEMA has made approximately $3.7 billion available, and may reach a total of $7.4 billion by May, for state and local response and infrastructure assistance, including the following activities:

- reimbursement for state and local emergency protective measures, such as law enforcement and emergency management overtime expenses;
- grants to states for debris removal (not including debris removal provided by the Army Corps of Engineers);
- public assistance grants to repair and rebuild public and private, non-profit infrastructure;
- hazard mitigation grants to states and localities to protect against future damages, including potential property buy-outs and building elevation costs; and
- funds to support $1 billion in Community Disaster Loans, which provides financial assistance to local governments with negatively impacted revenue streams.

The Army Corps of Engineers has made $3.3 billion available for the following activities and projects:

- $200 million to dredge navigational channels and repair other Corps projects in the Gulf region;
- $200 million to repair pump stations in southern Louisiana;
- $1.9 billion to repair and restore New Orleans levees to their authorized level of protection;
- $10 million to initiate a comprehensive study of hurricane and storm protection for Mississippi;
- $620 million to accelerate completion of several authorized, cost-shared flood and storm protection projects across Louisiana and Mississippi at full Federal expense;
- $328 million for mostly navigation-related repairs in states affected by hurricanes Katrina, Ophelia, Rita and Wilma; and
- $70 million to prepare for future hurricane, flood and other storm emergencies.

The Department of Transportation has made $2.8 billion available, as follows:

- $2.75 billion for Highway Emergency Relief, including $629 million to repair the I-10 Bridge;
- $41 million to repair FAA facilities and equipment; and
- $8 million to replace a MARAD pier.

ATTACHMENT C

Summary of Katrina and Rita Assistance Provided by Congress, by Category, Agency, and Activity

Category	Agency	Activity or Program	Budget Resources ($ millions)
Agriculture			
	USDA	Emergency Watershed Protection Program	200
	USDA	Forestry Disaster Assistance Fund	404
	USDA	Emergency Conservation Program for restoring cropland productivity	300
Agriculture Total			**904**
Education			
	Dept of Education	Restart school operations in affected areas	750
	Dept of Education	Emergency aid for impact of displaced students	645
	Dept of Education	Homeless children and youth programs	5
	Dept of Education	Aid for higher education institutions	200
Education Total			**1,600**
Federal Response and Facilities			
	DHS: FEMA	Mission assignments to other Federal agencies	8,878
	DHS: FEMA	FEMA operations in the Gulf Coast, including salaries, travel, equipment supplies,	4,087
	DHS: FEMA	National Disaster Medical System reimbursements to hospitals for evacuees and other uncompensated care	100
	DHS: FEMA	Surport services for housing inspection and indvidual counseling	437
	DHS: FEMA	Projected DRF allocations for FEMA operations (unallocated)	*901*
	Dept. of Defense	Hurricane emergency response	1,900
	Dept. of Defense	Response and longer-term recovery, including military personnel costs, operations and maintennance, health, procurement, and construction.	5,820
	Dept. of Commerce	Repair and recovery of Commerce facilities	54
	DHS (non-DRF)	Repair of Coast Guard, ICE, and CBP facilities, and enhancement of FEMA emergency alert systems in the Gulf Coast	284
	Dept. of Interior	Repair of storm damage to Interior facilities	70
	Dept. of Justice	Federal response/recovery	104
	USDA	Temporary personnel relocation and facility repair/rebuilding	71
	Dept. of VA	Immediate response and facility repair	225
	EPA	Site assessment of damaged storage tanks	8
	NASA	Repair and recovery of Stennis and Michoud facilities	350
	GSA	Repair of GSA-managed buildings	38
	Judicial Branch	Repair and replacement of damage equipment	18
Federal Response and Facilities Total			**23,345**

Summary of Katrina and Rita Assistance Provided by Congress, by Category, Agency, and Activity

Category	Agency	Activity or Program	Budget Resources ($ millions)
Health, Social Services and Job Training			
	HHS	Assists states with health costs associated with evacuees, including Medicaid, SCHIP, and other uncompensated care costs.	2,000
	HHS	Social Service Block Grants supporting family and mental health services, and assistance to damaged health facilities.	550
	HHS	Assistance to Head Start program and centers in the Gulf Coast	90
	USDA	Supplemental funds for commodity food programs	10
	Dept. of VA	Extend medical services and benefits processing for veterans throughout the affected region	368
	Dept. of Labor	National Emergency Grants for job placement and recovery	125
Health, Social Services and Job Training Total			**3,143**
Housing			
	DHS: FEMA	Individual Housing Assistance payments	5,015
	DHS: FEMA	Manufactured housing procurement and support	5,414
	DHS: FEMA	Projected DRF allocations for housing assistance programs (unallocated)	*2,211*
	HUD	Community Development Block Grants	11,500
	HUD	Katrina Disaster Housing Assistance Program	390
	USDA	Housing program grants	20
	USDA	BA for housing loan programs, supporting $1.5 billion in loan volume	45
	DHS: FEMA	National Flood Insurance Program	18,500
Housing Total			**43,095**
Non-housing Cash Assistance			
	DHS: FEMA	Other Needs Assistance payments to households	1,673
	DHS: FEMA	Projected DRF allocations for 'other needs' assistance (unallocated)	*210*
	Dept. of Labor	Disaster Unemployment Insurance (from FEMA funds)	236
	SBA	BA for individual and business disaster loans, $4.3 billion approved to date	445
Non-housing Cash Assistance Total			**2,564**
State and Local Response and Infrastructure			
	DHS: FEMA	Category A grants for state and local debris removal	1,163
	DHS: FEMA	Category B grants for state and local emergency measures	1,287
	DHS: FEMA	Public Infrastructure Repair/Reconstruction	408
	DHS: FEMA	Hazard Mitigation funds provided to date	43
	DHS: FEMA	Community Disaster Loans credit subsidy and admininstrative costs	752
	DHS: FEMA	Projected Public Infrastructure Repair and Reconstruction, debris removal, and mitigation (unallocated)	*3,776*
	Army Corps of Engineers	Emergency repairs to levees	400
	Army Corps of Engineers	Repair to New Orleans levees and water control	1,500
	Army Corps of Engineers	Repair to other levees and water control	1,400
	Dept. of Transportation	Funding for repair of Federal highways and bridges	2,799
	USDA	Non-profit utility repair	53
	USDA	Private forest debris removal	30
	Dept. of Justice	Grants for local law enforcement costs	125
State and Local Response and Infrastructure Total			**13,736**
Grand Total			**88,387**

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