TESTIMONY OF DONNA FRAICHE,

MEMBER OF THE BOARD

OF THE

LOUISIANA RECOVERY AUTHORITY,

BEFORE THE

SUBCOMMITTEE ON DISASTER RECOVERY, COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS, U.S. SENATE

April 12, 2007

Madam Chair, Senator Stevens, and Members of the Subcommittee, my name is Donna Fraiche, and I am a long-time resident of New Orleans, Louisiana.

Thank you for inviting me to speak to you today on behalf of the Louisiana Recovery Authority about the progress of our recovery and the long-term challenges Louisiana is facing in the aftermath of Hurricanes Katrina and Rita– two of the most catastrophic and costly disasters in American history.

In October 2005, the Louisiana Recovery Authority, more commonly known as the "LRA," was established by an Executive Order of Governor Kathleen Blanco to plan and coordinate recovery efforts and special funding in the aftermath of these catastrophes. The State Legislature later codified the work of this body, and by way of Legislative statute established the LRA as the agency responsible for directing recovery policy throughout the region. As a volunteer member of this appointed Board, I serve as Chair of the LRA's Long-Term Community Planning Task Force.

In this capacity, it is my duty to guide long-term planning initiatives that will help us fulfill our mission to ensure that Louisiana rebuilds safer, stronger and smarter than before.

I serve as a volunteer on this Board, because I truly believe in this mission. With nearly 50 family members—some in Waveland, MS, some in St. Bernard, some in New Orleans—that were directly affected by the storms and I feel a very deep and personal commitment to my family members, and to the people of Louisiana to everything I can to further the progress of recovery.

The LRA's objectives cover a broad spectrum of sectors by foucising on four key areas of work: securing funding and other resources for the recovery; establishing principles and policies for redevelopment; leading long-term community and regional planning efforts; and ensuring transparency and accountability in the investment of recovery funds.

The LRA works in tandem with the state's Division of Administration's Office of Community Development (OCD), which is running the Road Home housing programs and is administering the delivery of the special Community Development Block Grant appropriations provided by Congress for Katrina and Rita recovery.

Together, our offices have worked closely with the US Department of Housing and Urban Development (HUD), Chairman Powell's office, the US Small Business Administration (SBA), state agencies, local government leaders and others in an effort to facilitate the recovery of south Louisiana. The opportunity to assist the citizens of the State of Louisiana in this massive recovery effort has been an honor for me, and a challenge that I will never forget.

I would like to begin by expressing our sincere gratitude to the Congress and the American people for their unprecedented generosity after the storms of 2005.

I would also like to personally thank the members of this committee who have traveled to Louisiana to witness the scale and magnitude of these disasters first hand.

As you know, Hurricane Katrina was by far the single most expensive disaster in American history. What you might not know is that the storm that hit us three weeks later—Hurricane Rita—ranks third on the all-time list.

Together, the storms—and the failure of the federal levee system which flooded an area nine times the size of Washington, DC—caused an estimated $100 billion dollars in damages to homes, property, businesses and infrastructure in Louisiana alone.

Now, about $40 billion dollars of these losses are covered by private hazard and flood insurance, and we also recognize and are sincerely thankful for the estimated $26 billion that has been allocated to the State to help us rebuild our homes and physical infrastructure. There is a huge and obvious $34 billion gap in funding that is absolutely necessary to rebuild south Louisiana.

If this number is surprising to you, let me take a moment to explain how we arrived at this estimate.

In response to the 2005 hurricane season, the Federal government committed nearly $110 billion for disaster recovery. This was spread out over five of the Gulf States , in response to the three major storms that devastated the Gulf Coast in 2005.[1]

While not all of this has been obligated, we estimate roughly $59 billion in federal recovery funds have been committed to Louisiana. While this level of funding is unprecedented, its important you realize that the magnitude of these disasters was also unprecedented. As a result of hurricanes Katrina and Rita and the failure of the federal levee system, Louisiana sustained nearly 77 percent of the Gulf Coast's total housing damages. 22 parishes across south Louisiana were declared disasters, which impacted a population of more than 2 million people.

Of the $59 billion that has been committed to Louisiana, more than half of this was used to fund immediate disaster relief services such as health care, individual assistance to victims, SBA loans and grants and insurance payments made to policyholders—like my mother—who have paid into the National Flood Insurance Program their whole lives..

As I mentioned, this leaves approximately $26.4 billion that is available to Louisiana for rebuilding and construction projects.

But even with this we still have a gap of $34 billion dollars… or put another way, that's about $20,000 in UNRECOVERED losses for every household in the state.

This funding gap does NOT include the 127,000 jobs and 4,000 businesses in Southeast Louisiana that haven't come back, which shrunk Louisiana's economy by $11.5 billion last year.

Nor does this gap account for all of the emergency and social service costs that have incurred and continue growing each day. .

So while federal aid and private donations have been unprecedented, Louisiana still has enormous unmet needs and we will need the Congress' continued strong support going forward.

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[1] This includes Alabama, Florida, Louisiana, Mississippi and Texas which were impacted by hurricanes Katrina, Rita and/ or Wilma.

But you have called today's hearing to focus on the progress of our recovery, the long-term challenges Louisiana is facing, and proposed solutions to these challenges, so let me address that now.

Louisiana is no stranger to adversity or tragedy. Since Hernando de Soto claimed the territory for Spain in 1541, the region has weathered French, Spanish, British and American successions, the War of 1812, the Civil War, Reconstruction, the yellow fever epidemic, the flood of 1927 and hurricanes Betsy and Camille. And, still, the destruction of hurricanes Katrina and Rita wreaked unprecedented havoc on the state.

The hurricanes struck the Gulf Coast, less than four weeks apart, damaging more than 200,000 homes, 81,000 businesses and 870 schools, taking nearly 1,500 lives and initially displacing more than 1.3 million Louisiana residents. Together the two storms and the failure of the federal levee systems in the Greater New Orleans area left behind a legacy of destruction that will exert its impact on Louisiana and the U. S. for generations.

Housing

In the months immediately following the disasters, the LRA began working to lay the foundation for Louisiana's recovery by focusing its efforts on the restoration of Louisiana's devastated housing stock. Working in tandem with the state's Division of Administration's Office of Community Development (OCD), the LRA developed the broad policies for the Road Home program, which is now the largest single housing program ever created. Through our program, eligible homeowners who suffered damage from Hurricane Rita or Katrina may receive up to $150,000 in compensation for their losses to help them get back in their home. As mandated by the federal law, we must deduct insurance benefits and FEMA assistance from their grant. For homeowners to qualify for assistance through The Road Home program:

- They must have owned and occupied the home as their main residence at the time of Hurricane Katrina or Rita

- The home must be a single- or double-unit structure (this includes duplexes where the owner resides in one of the units)
- The property must have sustained at least $5200 in damage from hurricanes Katrina or Rita
- Homeowners who were uninsured but should have carried insurance (for example, those who lived in a flood plain but did not have flood insurance) are eligible for the program, but they will incur a 30 % penalty.

Through The Road Home, eligible homeowners have three compensation options:

- Stay and repair or rebuild your home
- Sell home to the state and relocate elsewhere in Louisiana
- Sell home to the state and relinquish status as homeowner thereby incurring a 40% award penalty

In Louisiana, recovery was about rebuilding housing stock and bringing people home. For that reason, we included a provision in the Road Home that gave people incentive to return to Louisiana by providing funding eligibility based on full-market value if they came back to the state, but only 60% of market value if they decide to sell their home to the program and move elsewhere. This provision is important to the rebirth of south Louisiana. And all Road Home participants are provided with a choice of all options – including ones that do provide full market value if they return home. In addition, homeowners may receive the full award and still move if they "assign" their rights to the grant to a new purchaser who agrees to comply with all program requirements.

For those pioneers that used their own resources to begin repairs and are already back in their homes, the owner is still eligible to apply, provided the initial eligibility criteria are met. Road Home compensation benefits are determined by calculating the lesser of the uncompensated damage cost or the uncompensated loss of value up to $150,000.

One of the most difficult challenges we faced in designing the Road Home program – both the homeowner and small rental programs – has been dealing with certain federal regulations that can hamstring recovery programs. Although Congress appropriated the CDBG funds to give us the resources we needed to repair and rebuild the damaged homes of Louisianan's impacted by Katrina and Rita, a repair program like the one we envisioned when we first went to Washington would have been subject to time-consuming, expensive, and cumbersome environmental reviews. These environmental reviews may be appropriate for highway construction and other major construction efforts and may even seem manageable when a state or city is doing a few dozen housing rehabs for low income families. However, they are cumbersome, time consuming, and expense, and therefore inappropriate for repairing and rebuilding 123,000 houses which will occupy the same footprint they did before the storms. They should have been waived by Congress when these programs were funded. Not desiring to subject our citizens to these unnecessary and costly burdens, the Road Home program was reinvented as a “compensation” program, providing compensation grants, forgivable compensation loans for low income families, and elevation grants for homeowners who will agree to live in an elevated home (rather than being paid to elevate). This redesign of our program was unfortunately necessary so the program could be implemented as quickly as possible, but this new program design still requires us follow many cumbersome CDBG regulations and has meant that we have had to be creative in order to run a program that meets our goals.

Another area where red tape has limited our efficiency and progress relates to our use of Hazard Mitigation Grant Program (HMGP) funds in support of the Road Home housing program as required by Chairman Powell. The State did not want to use HMGP monies in this way – but we were told the Administration would not support our request for CDBG funding at the level needed, and instructed us to use HMGP to fill our funding gap, even though we were concerned about the red tape associated with it. As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the Road Home program.

Much of this bureaucracy would be eliminated if Congress directed FEMA to approve our use of HMGP toward the Road Home program or if Congress moved the funds to HUD for implementation. Considering HUD has already approved our program and our proposed use of funds, this route may avoid a time consuming attempt to amend the Stafford Act. We urge Congress to act quickly on this issue on our behalf, since FEMA has been unwilling to do so.

The estimated cost of damage is based on a home evaluation. To determine the estimated cost of damage, a home evaluator will visit the home, assess the damage, work in progress, or completed work to estimate the overall hurricane-related damage inflicted on the home. To determine the pre-storm value, homeowners may provide an “arm’s length” appraisal (i.e., an appraisal ordered by a lender in conjunction with a loan, not an appraisal ordered by the homeowner) that was completed from January 1, 2000, up to the day before one of the hurricanes affected the homeowner (August 28, 2005, or September 23, 2005). These appraisals will be adjusted to reflect the market rate as of the second quarter of 2005, using figures released by Office of Federal Housing Enterprise Oversight.

Homeowners may also provide an appraisal that was performed post-Katrina or post-Rita to determine the pre-storm value of the home. If an arm’s length appraisal is provided, the pre-storm value will be based on the appraisal. If an appraisal is not provided, The Road Home program will determine pre-storm value through alternative data sources.

The compensation grant does not need to be repaid provided the covenant requirements are met including agreeing to:

- Remain in the property for three years (five years if a forgivable compensation loan is received) and use the property as its primary residence.
- Comply with Advisory Base Flood Elevation guidelines (if the residence sustained 51% or more damage according to the local municipality).
- Maintain flood insurance (if in a floodplain) and hazard insurance.
- Ensure that construction complies with building codes.
- A homeowner will sign the covenant at closing. A homeowner may choose to assign the covenant requirements to another homeowner.
- If a homeowner receives a forgivable compensation loan, they are required to maintain owner-occupancy for five years. The homeowner cannot assign the five-year owner-occupancy requirement. If the owner moves out of the home prior to fulfilling that requirement, he or she must pay back the affordable compensation loan on a prorated basis.

We estimate more than 120,000 homeowners are eligible for the program funded by $6.375 billion in Community Development Block Grants and $1.125 billion in Stafford Act Hazard Mitigation Grant Program funds.

For a moment, I should outline the road we traveled to get this program funded in a way that would provide assistance for everyone that needed it to get back in their home – regardless of whether they had insurance or were inside or outside of the flood plain.

In December of 2005, Congress approved $11.5 billion in supplemental appropriations for the Gulf Coast [P.L. 109-148][2]. When this legislation passed, it was approved with a provision capping funding for any one state at no more than 54% of the total appropriated – even though Louisiana received 75-80% of the total damages from Katrina and Rita.

This situation resulted in Louisiana receiving $6.2 billion in assistance, as compared to $5 billion for Mississippi, which experienced a far smaller proportion of total losses. When the State was notified of its $6.2 billion allocation of the supplemental appropriations, we were grateful and appreciative. However, we notified Congress and the White House that that level of funding was insufficient to meet our housing needs in the State of Louisiana, and that additional funding would be needed.

While the White House requested an additional $4.2 billion on February 15th 2006, it took Congress another four months to provide a second supplemental appropriation for the Gulf Coast[3], with hundreds of thousands of Louisiana citizens living in trailers all the while. Once again, however, Congress limited any one state from receiving more than $4.2 billion, once again prohibiting HUD from being able to use its discretion to allocate funds based on the comparative damage levels in each state affected by the storms which would have resulted in Louisiana in receiving an even larger appropriation.

Let me address something we hear about quite often – the comparisons between Mississippi's progress and Louisiana's progress and between Mississippi's program and Louisiana's program. I want to be very clear on this. If we had designed an identical program to theirs, we would have chosen to exclude anyone living in a flood zone. That would have meant some of the most deserving homeowners – those who lost their houses due to the failures of federal levees – in

[2] P.L. 109-148 was signed by President Bush on December 30, 2005, and a notice of award was published by the U.S. Department of Housing and Urban Development (HUD) on January 25, 2006.
[3] P.L. 109-234, which was signed by the President on June 15, 2006, and a notice of award was published by HUD on July 11, 2006.

Gentilly, Lakeview, the Lower Ninth Ward, St. Bernard Parish and Cameron Parish in Southwest Louisiana would have been excluded and left with nothing.

Nor could our low-income families – of which we have a substantial percentage – afford to wait until a second round of homeowner assistance was developed that provided extra assistance to those families with incomes below 80% of the median. Although it added another calculation and verification step to our process, forgivable compensation loans of up to $50,000 for low-income families have been part of our program since its inception.

But as I alluded to earlier, the chief difference between our program and that of our neighbors to the east comes down to one thing. Mississippi's housing program received full funding in December of 2005, while Louisiana waited six more months before our program was fully funded.

So here we are, seven and a half months later. Let me outline the action taken since then:

- The same week we received program approval from HUD, the state's Division of Administration signed contractor ICF International to implement to Road Home program.
- The company set up 10 housing centers throughout the State of Louisiana and another in Houston, Texas. In Louisiana they are in Calcasieu, Cameron, East Baton Rouge, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Terrebonne, and Vermilion parishes.
- More than 123,000 applications have been received and recorded.
- Housing counselors have conducted almost 95,000 in-person appointments with applicants.
- Almost 62,000 benefits have been calculated totaling $4.7 billion with grants averaging about $76,000.
- Out of the more than 26,000 homeowners that have returned their award letters, nearly 23,000 have chosen to stay and rebuild in Louisiana. To date, almost 7,000 homeowners have closed on their grants.

But we would not be here today if this process were free of roadblocks and hard times. The greatest challenge we are facing relates to the most important step of all – the actual award closing.

To that end, we are continuing to apply pressure to ICF, insurers and lenders to address roadblocks and expedite the verification and closing process as much as possible, and have spent considerable time and effort to make sure that required data sharing with FEMA and SBA can occur effectively.

But as I have learned in my brief career in government, nothing is as simple as it might appear.

We did in fact receive full funding for the program in June of 2006. But those funds came down to us in Louisiana wrapped in red tape with strings leading back here to Washington. I discussed much of this bureaucratic inertia before Senator Lieberman's Committee on Homeland Security and Governmental Affairs during their field hearing in New Orleans in January and received commitments from the Chairman, Senator Landrieu and Senator Obama to explore what options we have for eliminating some of these barriers to our recovery. Senator Landrieu has been leading much of this fight on our behalf for some time now.

One particular area that should be addressed immediately is the SBA's failure to distinguish the difference between a grant and a loan. Although SBA's loans were every bit as slow in coming to our homeowners in the months after the storms as these Road Home grants, many Louisiana families have now received them and are taking advantage of the SBA's lower interest rates on the capital they need to repair and rebuild. As any loan, the borrower signs a binding contract to repay the government this money. However, under regulations of the SBA, if a homeowner receives a grant to rebuild, it must use those funds to repay the SBA, placing a homeowner in a situation again of limiting their resources to rebuild. Since our grant program provides only a portion of the funds

Even the SBA Administrator has admitted that a subsidized-interest-rate loan is not the same thing as a grant, and that a borrower – regardless of the grant – has an obligation to repay the loan note. Nonetheless, SBA has not adjusted their policy. Homeowners going to closing today are having their grant amounts reduced to repay this money back to the federal government immediately, even though they may need it to complete their repairs and have an ongoing responsibility to the federal government (which has already budgeted for these loans) to repay the note with interest.

Another one of the most stringent delays of the program has come from federal requirements that a homeowner's insurance benefits and the Federal Emergency Management Agency's (FEMA) assistance for structural damage must be deducted from our calculation of a homeowner's grant assistance. The deduction of insurance and FEMA funds designed to prevent a "duplication of benefits" are two examples of deductions and corresponding verifications that we have no choice but to include in our program design, but that are taking significant resources and time in order to comply with when attempting to move as quickly as possible to provide assistance to homeowners.

Road Home Rental Programs

Across southern Louisiana, approximately 82,000 rental housing units received major or severe damage from Hurricanes Katrina and Rita. Replacement of the damaged or destroyed rental housing in the hurricane ravaged areas is vital to the return of families and a strong workforce, and is a lynchpin of Louisiana's recovery.

All sectors of the economy have reported a workforce shortage due to a lack of affordable housing. Rental housing stock is also imperative to support the return of the high portion of residents that were renters prior to the storms, particularly in New Orleans, as well as the return of homeowners transitioning into repaired and rebuilt homes over the coming months. The repair of rental housing will also help to stabilize soaring rental rates, and help to stabilize communities through reducing blight.

For these reasons, the LRA in close coordination with OCD designed several programs to support the redevelopment of rental housing in storm-impacted areas. Recognizing that the funds available would only rebuild a portion of the units lost due to the hurricanes, the LRA allocated funds for the Workforce and Affordable Rental Programs by formula to ensure that those parishes with the most damaged or destroyed rental housing stock would have adequate resources to replace significant numbers of affordable rental units. Resources are also allocated in a way to prioritize affordability and mixed-income development goals, and to produce units in all ranges of affordability. The Road Home Workforce and Affordable Rental Housing Programs have four broad goals:

- To ensure that the workforce needed to accommodate full economic recovery has access to affordable rental housing;
- To provide affordable rental housing to low income households who could not otherwise afford to return to their communities;
- To ensure that affordable rental housing is provided in the context of high-quality, sustainable mixed-income communities, and

- To ensure that a portion of affordable rental units will host supportive services for families with special needs or high risks following extended displacement.

To support the programs, the State has set aside a total of $1.5 billion in CDBG funds, which will supplement the estimated $1.7 billion worth of private investments triggered by Congress's expansion of the Low Income Housing Tax Credit (LIHTC) program in the GO Zone legislation. Through the CDBG and LIHTC investments in rental housing, we hope to create an estimated 35,000 units in a broad mixture of deeply affordable units, mixed income development, and 1 to 4 unit rental properties. Of CDBG programs, the LRA has designated $667 million for the Low Income Tax Credit "Piggyback" Program and $869 million for the Small Rental Property Program.

Low-Income Housing Tax Credit (LIHTC) and LIHTC "Piggyback" Program

Through legislation creating the GO Zone, Congress authorized a special allocation of Low Income Housing Tax Credits (LIHTC) to repair and construct affordable rental housing. The LRA made $667 million in CBDG funds through the Piggyback Program, which will be paired with LIHTC, to make feasible mixed income development, deeply affordable units, and units for the elderly and disabled in permanent supportive housing—characteristics not usually found in LIHTC financed developments.

To date, the Louisiana Housing Finance Agency (LHFA), which is the housing finance agency for the state, in conjunction with the LRA and the Louisiana Division of Administration's OCD have worked to allocate 2006 GO Zone Credits and to forward allocate approximately $186 million in 2007 and 2008 GO Zone tax credits. The total development cost of these transactions is approximately $2.7 billion and is expected to yield 17,000 units of rental housing. The last round was awarded in December 2006, and is required to be placed in service by December 31, 2008.

A portion of these LIHTC credits in the 2007 and 2008 rounds were awarded on December 13 along with $440 million in CDBG funds through the Piggyback to provide gap financing and Project Based Rental Assistance in order to assist 33 projects. These projects will create more than 5,700 new rental units in storm damaged areas.

- These include redevelopment of four storm-impacted public housing developments. One of these housing projects will also be producing 244 single family homes for middle income purchasers, bringing the total number of units in these developments to 5,981.
- 26 of these developments will be mixed income projects serving a range of residents including both extremely low income households and market rate tenants.
- In most cases, these mixed income developments will contain at least 60% market rate units and at least 20% deeply targeted units – affordable to households earning less than 40% of the Area Median Income.
- In a few instances, most notably in the redevelopment of Public Housing projects, a second mixed income model was used. In these developments at least 30% of the units were market rate and no more than 33% were deeply targeted units.

The Piggyback Program will also help special-needs populations achieve stable housing and successful lives by providing incentives for developers to create Permanent Supportive Housing (PSH) units. All of the developments in assisted with in the 2007 and 2008 rounds will provide at least 5% of their units for Permanent Supportive Housing (PSH). Many will provide more PSH units than the required set aside. This effort represents the first major development of PSH in the State of Louisiana and the very first PSH units to be provided in mixed income settings. The program aimed to support an estimated 3,000 units with supportive housing services. Other HUD programs such as the McKinney Vento Act, Project Based Section 8 Vouchers, Section 811, and Section 202 program funds will supplement supportive efforts.

While PSH units will be created through the Small Rental Property Program, the need for vouchers for supportive housing units that can be integrated throughout the community remains. PSH households will require rents affordable for households at 30% AMI down to zero income. Vouchers will be needed to bridge the rent-gap between these affordable units and units that may be underwritten to support rents at the 50% to 80% AMI level.

<u>Project Based Vouchers and Permanent Supportive Housing</u>

As discussed above, the need for housing units that can support those with significant disabilities and the homeless is critical for the recovery and for the healthcare delivery system in the affected areas of Louisiana. The State has made a commitment to 3,000 units of PSH that are designed for this purpose. The Road Home program expects to rebuild as many as 35,000 rental units but as many of these as possible that can be for supportive housing where they are integrated within the broader community is an important goal as well. Throughout this process, we've worked closely with local and national advocates who are strongly in favor of the commitment the LRA and the State has made.

The State's plan is going to require vouchers with flexibility that can be attached to units as they are developed. These vouchers, called project-based vouchers, enable rents for units to be subsidized down to a level that is affordable for this population of special needs individuals. To meet this goal of 3,000 units throughout the affected parishes where rebuild is occurring, the State will need an additional 3,000 project based vouchers to be committed to the State of Louisiana for allocation to these new units. In order for this recovery to be accessible to all Louisianans who are displaced, especially those with special needs, PSH and the funding for rent subsidies are critical. For that reason, we ask Congress to award through HUD an additional 3,000 housing vouchers.

Small Rental Property Program

Before the disaster, a large portion of low to moderate income working families resided in single-family homes, "doubles" and small, multi-family buildings with four or fewer units that were owned and operated by small-scale landlords, especially in New Orleans where an estimated 70% of rental property was owned by small landlords. In the wake of the storms, it became clear that an unprecedented number of these small, rental properties had been destroyed or severely damaged and were at severe risk of becoming blighted after the storm. For many renters, especially in and around New Orleans, housing was not affordable prior to the storms. According to the 2000 census, over two-thirds of the very low income households, households earning less than 30% AMI, paid over 30% of their incomes for rent, the HUD standard for affordability.

The Small Rental Property Program will provide gap financing in the amount of $869 million, including administrative costs, for the repair of an estimated 18,000 small rental units. In doing so, the program will provide safe and affordable rental housing for working families. The funding will be split among the 13 most impacted parishes according to each parish's documented damage to rental units.

The gap financing will enable repairs to occur and limit the amount of debt and debt service required for properties, so that the owners will be able to charge affordable rents. The program will also prevent blight by rebuilding damaged properties and will stabilize rents in traditional neighborhoods by increasing the supply of housing.

The first round of the program was launched on January 29th, and ended March 15th for as much as $200 million in funding. Award letters will be released in the next few weeks, and the second round will commence immediately thereafter. As the program does not have enough resources to fund all damaged properties, the program currently anticipates a number of rounds of funding to give small landlords multiple opportunities to apply. Multiple rounds will also allow for the program to change award incentives as the results of each round are assessed.

The program will be limited to property owners who owned the unit before the storm, and will provide priority to owner-occupied properties who are not eligible for the Homeowner Program, namely, owner occupants of 3 and 4 unit buildings. The program is limited to 1 to 4 unit rental properties.

On a competitive basis, the program will provide from $18,000 to $72,000 per rental unit. The size of the incentive is determined by the level of affordability provided and the size of the unit. In exchange for accepting financial incentives, property owners will be required to provide affordable rents for households earning at or below 80% AMI. Rents are affordable if they comprise less than 30% of a household's income. Incentives available will be in three tiers based on the income level of the tenants to be served. The maximum amount of subsidy will go to rental units where rents are affordable for households with incomes at or below 50% AMI. Landlords may also choose to apply to the program and propose to charge rents affordable to households at or below 80% AMI, or at or below 65% AMI. The incentive award is in the form of a no payment, forgivable loan at 0% interest, due only upon resale of the property or failure to comply with the agreed-upon restrictions on rents and household incomes during the specified commitment period.

An exception to the rule of pre-storm ownership will be allowed for non-profit entities. There will be a 5% set-aside for non-profits. While non-profits will be allowed to have purchased units since the hurricane, they will be required to provide an affordable unit for twenty years. In addition, non-profits will be in a position to provide units to house supportive services.

First Time Homebuyer Program

Recognizing that households who were renters before the storm could benefit from home ownership, a first time homebuyers pilot program will be created by the Louisiana Housing Finance Agency to allow low- and moderate-income homebuyers to purchase damaged properties and to carry the home through the repair process. The pilot program will be funded through the budget for the Small Rental Property Program through a $40 million set aside. The program will be available in the early spring.

Bringing Residents Home

Rental Registry:

Because the replacement of rental housing will fall far short of the rental housing lost due to insufficient resources, and many residents displaced by hurricanes Rita and Katrina are far from home and inadequately housed, the State is giving priority placement to hurricane displaced residents for all subsidized rental housing units. A total of $2 million in CDBG funds has been budgeted to provide the following resources to displaced renters to help facilitate their return home.

Louisiana has initiated a Call Center and Homeowner Registry to allow former homeowners to indicate their interest in returning to their neighborhoods and investing in their homes. Eligible renters will be notified by mail, telephone, and the www.LouisianaRebuilds.info web portal to the greatest extent possible of the opportunity to access rental information, rental support and other needs for returning citizens.

From www.LousianaRebuilds.info , renters are referred to a web database, www.LAHousingSearch.org, where affordable rental housing is listed, and where they can access applications for income-assisted housing. www.LAHousingSearch.org is sponsored by the Louisiana Department of Health & Hospitals and the Louisiana Housing Finance Agency and is a free, online, searchable registry of housing in Louisiana. Landlords can list properties and benefit from the statewide marketing campaign. Renters may use the site to identify housing and features, both rental and for-sale. Any property owner will be able to list available properties, but units available through the Small Rental Property Program and all units providing supported services will be automatically listed.

Vouchers:

The storm left thousands of residents displaced not only across the state, but in communities across the country. The GO Zone LIHTC allocations, Piggyback Program, and Small Rental Property Program are creating units that will rebuild housing units and should help bring rents down, but units won't be replaced on a significant scale for another year to well over two years. During the rebuilding period, returning home isn't accessible to the middle and lower income tier families unless they are able to secure a FEMA travel trailer site. Citizens who desire to move back and are able to afford their pre-storm rent levels still have difficulty moving home because of a limited housing supply and high rents. Resources to fund a flexible rent subsidy tied to the areas with most displacement would help to provide a stable housing for displaced citizens and transition people home as housing is replaced.

Even those who have a housing option, a job waiting, and the means to pay rent in Louisiana have no way to return. There are hundreds of available units awaiting former public housing residents who have no means to obtain transportation home. FEMA paid to bus families away after the storm, but has not agreed to fully cover their costs of returning home. The need for transportation assistance would enable these residents to begin their journey home, reestablish their links to their communities, and reestablish their careers.

Extension of Placed in Service Date for GO Zone LIHTC's:

The GO Zone LIHTC and CDBG funding for recovery has given Louisiana the opportunity to replace a portion of its lost rental housing stock. Nevertheless, the hurricanes continue to hinder our ability to rebuild housing nearly two years later. Increased construction costs, labor costs, utility costs, and insurance costs have made tax credit projects underwritten last year unfeasible and threaten their viability. Not only do stalled projects risk not being constructed, but the lack of construction is a real deterrent to other private investment.

Current law requires projects receiving 2007 and 2008 GO Zone tax credits with a 30% increase in qualified basis and located outside of the designated qualified census tract to be placed in service on or before December 31, 2008. Approximately 65% of the units receiving tax credits in the GO Zone, underwritten with the increase in qualified basis, are at risk of losing the very credits required for viability if these deadlines are missed. To insure that the units at risk are successfully developed, the LRA, along with the LHFA and its nonprofit partners, the Louisiana Association of Nonprofit Organizations (LANO) and the New Orleans Neighborhood Development Collaborative (NONDC), <u>are requesting Congress to extend the December 31, 2007 placed in service deadline to December 31, 2009, and to extend the December 2008 placed in service deadline to December 31, 2010</u>.

Per Capita Tax Credits:

In addition, Louisiana receives approximately $8.6 million of Per Capita tax credits annually to satisfy the housing needs of the state. However, Hurricanes Katrina and Rita displaced tens of thousands of households in the GO Zone and distorted the supply and demand balance for affordable housing throughout the entire state. Because GO Zone credits can only be used in Difficult Development Areas within the GO Zone, there is an immediate need for additional Per Capita tax credits to fund the housing needs of people who fled the GO Zone and are now living and working in other regions of the state. To meet the increased demand for housing in non-GO Zone areas of the state, we are also recommending that Congress increase the state's annual Per Capita allocation of low-income housing tax credits from $8.6 million annually to $17.2 million annually for the next five years.

Insurance:

Louisiana is also experiencing increases in the cost of insuring single family homes and rental housing developments. We have preliminarily estimated that insurance premiums have increased one-and-one-half to two times the pre-hurricane rate in the wake of Hurricanes Katrina and Rita. These increases have placed a tremendous burden on home buyers, homeowners and rental housing developers, and especially low- to moderate-income residents.

To help reduce the increased cost of homeowner insurance, a portion of the interest on mortgage loans financed with the LHFA's $236 million of single family mortgage bonds issued during 2006 was allocated directly back to low-income borrower's insurance escrow account as an insurance premium increase offset. The Insurance Premium Offset program deposits up to $165.00 per month into a low-income borrower's escrow account to help take the sting out of higher insurance premiums—as well as providing 30-year fixed rate interest rates, prior to the 2% rebate, at 4.5%.

The LHFA, along with the LRA and OCD, is currently working to develop a similar program for rental housing developers. We are most concerned with the ability of rental housing developments with debt service coverage ratios of 1.2 or less to absorb the higher insurance premiums. Approximately 30 to 35 projects fall within this category of the 240 projects in our pipeline. This represents approximately 2,800 to 3,000 of the 17,000 tax credit units approved for development.

Healthcare:

The damage to the state's health care system was equally severe. In Louisiana alone, Hurricanes Katrina and Rita initially closed thirty hospitals; the doors to ten hospitals remain shut, including seven in New Orleans.

Health care providers are included in the economic interruption alluded to earlier, succumbing to the same factors that have prevented the resurrection of local retailers, law firms or restaurateurs. Physicians and hospital executives alike have joined the stream of business owners testifying to the Louisiana Recovery Authority (LRA) on the challenges facing their enterprises in recovery.

To quantify the impact of that destruction on the health care delivery system as a whole, consider the data offered by the Louisiana Business Recovery Report, the most comprehensive survey of business activity since the storms that was recently released by the LRA and conducted by LSU. The report indicates a 41.3% decline in the number of health care service providers open in Orleans Parish between the summer of 2005 and the summer of 2006. Inclusive of firms of all types, from independent pediatric practices to orthopedic specialist groups to acute care hospitals, this decline is indicative of the general reduction in available health care services across storm-affected areas.

So while federal aid and private donations have been unprecedented, Louisiana still has unprecedented needs and we will need the Congress's continued strong support going forward.

The LRA prioritized the immediate restoration of health care services in New Orleans and across Louisiana. The LRA was responsible for recommending to Governor Blanco and the Louisiana Legislature the allocation of approximately $220 million in emergency Social Services Block Grants provided by Congress to support diverse human services for victims of Katrina and Rita, designating $101.7 million for the creation and restoration of health care services in the affected areas. Of that total, $80 million was allocated for behavioral health services, including mental health care, substance abuse treatment, and community-based services for storm victims with developmental disabilities. The remaining $21 million support the restoration of primary care services, going primarily to restore services the safety net community facilities that uninsured patients depend on.

To sustain the services of the LSU health system in the interim, another $57 million in SSBG funds were allocated to the LSU Health Sciences Center and the LSU Health Care Services Division to support the maintenance of essential safety net health care services in the hurricane-damaged areas, and to sustain and restore operation of LSU medical education programs.
The LRA provided the 10% match for state and local government infrastructure restoration under the FEMA Public Assistance program, including public health care facilities.

The LRA has also recommended allocations of CDBG funds to support the construction of two critical hospitals in the most parishes most devastated by Katrina and Rita. First, the LRA authorized the use of approximately $6 million in CDBG funds to help finance- the new $22 million South Cameron Memorial Hospital, the only hospital in the parish and one which has been designated a critical access facility.

Second, perhaps most critical to the long-term resurgence of the health care system in the New Orleans region will be the LRA's recommendation of $300 million in CDBG funds to support land acquisition, planning and construction start-up costs for a new academic medical center in the downtown medical district. The new teaching hospital will serve as the home to LSU's dynamic medical training programs; will anchor the region's emerging biosciences economy and push for National Cancer Institute Designation; and will offer high-quality, efficient medical centers of excellence to patients of all incomes. We also anticipate it will be part of an exciting joint venture with the Veteran's Administration, in which the hospitals will be built side-by-side and share many services.

The LRA also used CDBG funding to address the medical professional supply shortage, creating the Recovery Workforce Training Program in the summer of 2006. One of six economic sectors covered by the program, the health care workforce training opportunities generated by the workforce training program will ultimately receive an estimated $14 million in CDBG support.

For Louisiana citizens, however, access to health care services in the wake of Katrina and Rita exceeded the reach of state-generated programs, making the federal response to date critical. The $2 billion delivered by the Deficit Reduction Act in February 2006 relieved states of one of the more pressing challenges they faced in the aftermath of Katrina—providing funding to displaced citizens who were relocated after the storms. The DRA funds and the related Medicaid demonstration waiver showed a welcome recognition of the fact that the effects of natural disasters are not confined to physical destruction in a given geographic region. The resulting allocation of nearly $700 million to the Louisiana Medicaid program, combined with the allocation of an additional $132 million for uncompensated services delivered by private providers, guaranteed the continuity of health care services to the most vulnerable storm victims in the months following the storm.

Unfortunately, such unique initiatives did little more than pay for temporary services for storm victims, and they have proven to be insufficient to restore consistent health care access in the affected communities. The DRA services payments have done little to alleviate the severe financial pressures of operating in the post-Katrina and Rita environment. Health care providers in and around the affected areas face very real increased costs of doing business in the post-storm environment, costs that have prevented the return of many providers and continue to disable the system and limit the access of all patients to critical, consistent health care.

Chief among those systemic financial pressures is labor costs, driven skyward by the perpetual labor shortage that has grown to crisis mode in the most affected regions. The labor shortage debilitates recovering providers in ways that go far beyond elevated costs resulting from simple supply and demand economics. The delayed restoration of services at LSU University Hospital, which has been unable to open the number of beds physically prepared for patient care by the fact that it administrators cannot find sufficient staffing, has exacerbated the burden of uninsured patients on private hospitals and independent providers. Without that traditional anchor of the region's safety net system, uninsured patients are left to seek care from other providers.

The Governor and state legislature stepped in to provide additional support our health care providers by allocating $120 million in state general funds to cover these uncompensated care costs since the expiration of federal assistance through the Deficit Reduction Act (DRA).

But additional federal resources are required to help restore access to quality health care in our devastated communities, and we had hoped that the distribution of Category IV funds of the DRA would have been of greater assistance.

The LRA and Dr. Fred Cerise, Secretary of Health and Hospitals, began making requests in the Spring of 2006 for assistance under Category IV, a provision of the DRA that Congress created to grant flexible funding for the restoration of health care access in the communities devastated by Hurricane Katrina.

Secretary of Health and Human Services Michael Leavitt has demonstrated a strong commitment to helping Louisiana to improve its health care delivery system. Louisiana providers and policymakers willingly joined Secretary Leavitt in an intensive effort to craft a long-term health care financing redesign model over the course of 2006. In fact, Dr. Norman Francis, chairman of the LRA Board of Directors, joined Governor Kathleen Babineaux Blanco and Secretary Leavitt as the primary signers of the charter creating the initiative.

Yet while participants in the redesign efforts focused their efforts on long-term changes, the immediate recovery needs of providers in the affected areas continued to compound. Funding to restore health care access in the areas most heavily affected, authorized under Category IV of the DRA, did not come until February 2007, a harmful delay.

Then, when CMS finally acted on Category IV allocations in February 2007, the total amount of funding and the state-by-state distribution of those funds—with Louisiana receiving only 45% of the allocation—was inconsistent with the scale and scope of the devastation wreaked by Katrina to Gulf Coast health care systems.

Recall that in Louisiana alone, Hurricanes Katrina and Rita initially closed thirty hospitals; the doors to ten hospitals remain shut, including seven in New Orleans, as a result of physical damage, provider supply and other cost factors.

In the allocation made this past February, CMS opted to distribute adjustments for increased labor costs among Medicare providers using proportions of 2005 Medicare payments made to providers in the affected areas, distributing to Louisiana only 45% of $160 million. Such a distribution method has no connection to the current financial pressures impacting post-Katrina health care supply in the Gulf Coast.

It is simply not appropriate to base the distribution of Category IV funds designed to support the restoration of health care access on the distribution of population when the devastation of the health care service capacity and supply should be the determinant.

One particular area where Louisiana's health care system has faced enormous increases in costs has been in the provision of an adequate labor supply. Our health care labor costs are exorbitantly higher because of the labor supply shortage. Consider housing availability, perhaps the biggest barrier to growth in labor supply in all sectors—77% of the total housing units severely damaged or destroyed in from the three 2005 Hurricanes are in Louisiana. Compounding the delayed recovery is the fact that the construction industry faces a similar labor shortage in dealing with the massive level of destruction, driving the cost to rebuild skyward compared to pre-Katrina levels.

At the same time that CMS disregarded the relative level of physical damage in Louisiana, the agency also ignored the sheer scope of the impact on labor supply that Katrina and Rita had across South Louisiana when it allocated only $15 million for a labor recruitment and retention program for a four-parish region around Greater New Orleans. This program has spurred an aggressive response from providers and proves that our request for much larger and multi-year statewide initiative was well justified. Dr. Fred Cerise has detailed the same need to the committee in his testimony today.

In addition to the delays in awarding Category IV funds, the time-limited nature of DRA-supported services for storm victims means that it has been unable to address the severity of the barriers we face in returning our health care system in Louisiana to normalcy as our challenges are acute and long term.

The tardy restoration of health care services in affected regions is debilitating community recovery in ways that far exceed its direct effect on the wellbeing of Louisiana citizens.

But there are clear solutions to the systemic problems plaguing the restoration of the Louisiana health care system. With immediate help from Congress in providing the flexible funding necessary to address the shortcomings in our health care system and in ensuring that funding will be equitably distributed based on the magnitude of the damages from the 2005 Hurricanes, we can restore our health care systems.

The DRA was a good first step, but it is well past time for Congress to take the next necessary steps to allocate additional funds to address immediate health care shortages, and to make such allocations commensurate with the level of devastation to each state's health care system.

Long-Term Planning

In an effort to turn tragedy into opportunity in the aftermath of Hurricanes Katrina and Rita, Louisiana has also embarked on one of the most ambitious planning efforts in this nation's history.

This work combines the efforts of local, state and federal partners along with many experts, stakeholders and citizens into a comprehensive long term planning program, known as Louisiana Speaks.

Unlike most other LRA programs, Louisiana Speaks is almost entirely funded through donations from private citizens and national philanthropies that have been raised through the LRA Support Foundation.

With these private funds, the LRA, hired a dream team of top professional planners and architects to develop resources that support planning and redevelopment for individuals, neighborhoods, parishes and the region. But this is not a top-down planning process. Through Lousiaina Speaks, the LRA has engaged tens of thousands of citizens from across south Louisiana—including those who are still displaced—to ensure that everyone's voice can and will be heard .

One month after the storms, Governor Blanco, and the LRA, partnered with the American Planning Association and the American Institute of Architects to host the Louisiana Recovery and Rebuilding Conference in New Orleans. The results of this three day conference outlined five priorities which continue to guide the planning function of the LRA: (1) Create infrastructure that supports recovery by restoring confidence, enhancing quality of life, and withstands future disasters; (2) Promote economic growth that benefits everyone; (3) Provide public services that enhance quality of life for everyone; (4) Pursue policies that promote a healthy environment; and (5) Plan and design communities that advance livability.

Acknowledging the immense planning task at hand, the State, the LRA also began working with FEMA's ESF-14 Long Term Community Recovery (LTCR) division to establish long-term community recovery teams to address parish-level recovery needs in the most heavily impacted parishes of the state.

These teams, which consisted of experts in areas such as economic development, engineering, coastal issues, environmental issues, architecture, and planning, worked to develop parish-level recovery plans that formed the basis for community recovery planning in the most affected parishes.

In an effort to support a broad-based community driven process for developing parish priorities, the LRA together with FEMA hosted Louisiana Recovery Planning Day in January 2006. This event served as one of several opportunities for Louisiana citizens and community organizations to have an impact on the recovery planning effort for their parishes. More than 3,000 citizens participated in 30 open houses held throughout Louisiana, Georgia, Tennessee and Texas.

While parish-level planning is ongoing, many of the plans and key recovery projects identified through this process have been submitted to the LRA and other state, federal and non-profit entities for funding.

We are supporting implementation of locally prioritized recovery projects identified through the LRA/FEMA Parish Planning process by setting aside $200 million in CDBG funds that are currently available to the state, and the Board has stated its intention to expand the parish pool by $550 million to implement local plans for Louisiana's long-term recovery IF Congress appropriates additional funds OR waives the 10 percent FEMA match requirement. With additional funding for these purposes, we could be one step closer to ensuring a sustainable long term recovery for our local communities.

As these parish recovery plans were being developed, the LRA also began working with world-renowned planners to develop exemplary community plans for neighborhood recovery and redevelopment in Calcasieu Parish, Cameron Parish,Vermilion Parish, and St. Bernard Parish. The LRA also sent parish and municipal planning personnel to attend workshops aimed at implementing these community-driven local plans. As a result, a number of those and other local municipalities have adopted zoning codes so businesses and citizens can come back to better communities and neighborhoods in safer areas.

When it became clear that there was an impasse in planning efforts in the City of New Orleans, the LRA helped to secure funding from the Rockefeller Foundation and other foundations to create a citizen-driven, grassroots plan for the entire City of New Orleans. This plan is what has become known as the UNOP plan.

Still facing the reality of citizens spread across the United States, the LRA then allocated $2mil in CDBG funds to support the citizen outreach process, led by American Speaks, which guided the final consensus-driven recommendations of UNOP. This plan, which has become THE recovery plan for the City of New Orleans, now serves as the foundation for the City's newly released neighborhood recovery program.

The LRA is working closely with Dr. Ed Blakely, Executive Director of Recovery Management for the City of New Orleans, to implement New Orleans' recovery plan, as well as with all the affected parishes and their plans.

Last August, the LRA also began widely distributing the Louisiana Speaks Architecture Pattern Book and Planning Tool Kit to citizens across the state.

As you know, Hurricanes Katrina and Rita caused unprecedented devastation throughout South Louisiana, destroying more than 123,000 houses, 82,000 rental units and 18,000 businesses.

Mother Nature combined with the failure of Federal levees wiped out entire communities including where I grew up—St. Bernard Parish. She damaged our entire coast. In many communities, she left behind a blank slate for us to rebuild…. and we must use this opportunity to rebuild safer, stronger, and smarter.

The Pattern Book and Tool Kit are helping us rebuild in a time-honored way and restores the sense of place that is specific only to Louisiana by providing a kind of 'DNA code' for our communities and our inherited architecture.

These books have proven to be valuable resources in the rebuilding effort—to date nearly 100,000 copies have been distributed to citizens across the state free-of-charge.

And finally, Louisiana Speaks recently concluded an extensive public outreach campaign to engage citizens in the development of a regional vision for 35 storm impacted parishes of South Louisiana. From January 22 through February 10, citizens had an opportunity to weigh-in through paper "ballots," distributed through local libraries, civic groups and as inserts in the major newspapers of

South Louisiana, an online poll, or phone survey to indicate their preferences on 5 key recovery planning questions – spanning economic development, coastal recovery, growth/land use patterns and risk management – property rights.

This campaign represents the largest and most inclusive regional planning outreach initiative ever conducted in the United States, generating 23,260 responses, including 1,300 ballots from displaced residents living in 32 different states. This response rate far exceeds similar efforts conducted in other parts of the U.S., including the long-term planning outreach initiative conducted in New York after September 11th, which received roughly 2,000 responses. This level of participation epitomizes the level of commitment Louisianians have to rebuilding their communities.

A team of national experts and local planners led by world renowned regional planner Peter Calthorpe are now using this data, along with previous citizen input to create a consensus-based vision for South Louisiana that will be released in May 2007 and will be delivered to Congress as Louisiana's Long Term Plan for a sustainable recovery.

Based on best practices for planning and redevelopment and input from tens of thousands of citizens, the Louisiana Speaks Regional Plan will identify near-term strategies for rebuilding our communities, schools and infrastructure, and provide a long-term vision that will guide recovery and growth over the next 50 years.

This grassroots, citizen-driven Regional Vision will provide a broad strategic framework and priorities for moving Louisiana forward. Its innovative design will allow us to integrate planning for economic development, transportation, coastal protection and restoration and community growth—thus allowing us to leverage future investments effectively and accelerate the pace of Louisiana long term recovery.

To make this long term vision a reality, the LRA board has set aside $50 million dollars in CDBG funds for regional projects, but again, if Congress appropriates additional funds or waives the 10% FEMA required match, the board has made its intentions clear that it would use the additional funds to increase the pool funds available to implement the long-term regional vision.

This plan will also complement and support parish and local plans like Cameron Parish's Plan and New Orleans' Recovery Plan (which the gentlemen at the table can speak to) – plans that the LRA has laid the foundation for through our planning function. Our plan will include an overall vision map, proposed regional infrastructure projects, and recommended changes to statewide policies and funding priorities to mitigate risk, safeguard future investments and make Louisiana more insurable. This plan, comprehensive in nature, will help ensure a sustainable recovery for the State of Louisiana.

While this plan will serve as a roadmap for Louisiana's future, it will also serve as a reminder of our unmet needs.

As I mentioned before, Louisiana still has enormous unmet needs and we will need the Congress's continued strong support to implement many of these long-term community plans.

In the meantime, we desperately need your help to cut the red tape and help us spend the funds you have provided more quickly.

Let me give you two areas where you can make this effort happen:

FIRST: Congress needs to instruct FEMA to allow us to use our CDBG funds to provide a "global match" for FEMA programs.

Consistent with Congressional intent, the State has committed a portion of our CDBG funds to cover the cost-share FEMA has assessed Louisiana under the Public Assistance program.

The best way to do this is to use CDBG funds to pay for a few dozen large projects that represent 10% of the overall cost of our FEMA-approved projects. We will then use FEMA funds to cover the other 20,000 projects that represent the other 90% of costs.

If the global match is not approved, we face a situation in which 20,000 projects—not a few dozen—will have to be funded and monitored by <u>two</u> separate state and <u>two</u> separate federal agencies using <u>different</u> criteria.

Our plan is clearly allowed under FEMA regulations and the Stafford Act. *If implemented, it will cost the Federal government* *<u>no additional expense.</u>*

Another solution is for FEMA or Congress to authorize 100 percent cost-share for Hurricanes Katrina and Rita—which we have repeatedly requested of the Administration and which was granted after 9-11, Hurricane Andrew and Hurricane Iniki. That would resolve the global match completely, and would allow the state to invest some $700 million in CDBG funds in other critically needed recovery programs.

SECOND: Congress needs to direct FEMA to approve our use of Hazard Mitigation funds in support of The Road Home housing program as required by Chairman Powell;

The State <u>did not</u> want to use HMGP monies in this way – but we were told the Administration would not support our request for CDBG funding at the level needed, and instructed us to use HMGP to fill our funding gap, even though we were concerned about the red tape associated with it.

As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the Road Home program. If we cannot reach an appropriate agreement on the use of HMGP funding, there will be a tremendous budget shortfall that will affect everyone receiving grants from the Road Home Program.

DISPROPORTIONATE DISTRIBUTION OF RESOURCES

Next, I'd like to request that Congress take immediate action to address the disproportionate distribution of recovery aid.

Our state received between 75-80 percent of all the damage along the Gulf Coast from these devastating storms, yet time and time again, we have received less than the proportionate share of funding and assistance provided to address critical recovery needs.

The examples are numerous, as demonstrated in my written testimony. For instance:

- Congress initially capped Louisiana's CDBG funding at 54 percent of the total CDBG funds so HUD could not use its discretion to give us what we needed for our recovery efforts, and we had to wage a 6-month fight to get Administration and Congressional approval for an additional $4.2 billion we needed to run our Road Home program.
- Congress appropriated equal amounts to Louisiana and Mississippi for colleges and universities even though our state had three times as many schools and ten times the number of hospitals impacted. These damages are different because Katrina destroyed a very large metro area with tertiary services that must be restored.
- Federal departments allocated funds for K-12 schools, historic restoration, and hospitals without recognizing that our damages were far greater in each of these areas than the proportion we were awarded.
- FEMA stopped funding our LA Swift bus service from Baton Rouge to New Orleans, yet they continued similar service in Houston for medical students for more than <u>three years</u> after Tropical Storm Alison.
- Louisiana received only $74.5 million from FEMA for the $400 million alternative housing pilot program, while Mississippi – a state with approximately one-quarter of the need, received $281 million. We've got 64,000 people still calling a travel trailer home every night, yet FEMA denied our REPEATED requests to take need into account.
- Congress limited Community Disaster Loans to 25% of a jurisdiction's operating budget for the first time ever and eliminated the ability to forgive the loans if economic conditions warrant – even though this was the most extreme and expensive disaster in U.S. history, and in the past, over 90 percent of CDL loans have been forgiven.

Even the issue of cost-share match shows how this catastrophe has been treated differently than many other states in many other disasters.

The states impacted by Hurricanes Andrew, Iniki, and Hugo received 100 percent Federal cost share for FEMA disaster relief costs.

After 9/11, New York received 100 percent federal funding for FEMA recovery efforts.

Louisiana—which was hit by the first and third most expensive disasters in U.S. history, with the damage exasperated by federal levee failures—must pay a 10 percent cost-share match that will cost us an additional $1 billion.

We are not asking for a free ride – in fact, we have already paid more than $400 million toward FEMA relief costs.

What we want is fairness and parity. We want cost-share to take into account the magnitude of damage caused by the Hurricanes for all Gulf Coast states, and we want grant distribution and assistance decisions to be based on the relative levels of damages.

CONCLUSIONS

Yes, we are making progress but as I just outlined, Louisiana is still facing tremendous challenges, and we will need your continued support to overcome these obstacles.

We have learned many lessons from this disaster that can be applied to future disasters anywhere in America.

Hurricanes Katrina and Rita deeply changed South Louisiana, creating the most complex rebuilding effort in United States history. But they also created new opportunities.

What would you do if you were given a chance to draft a new blue print for you’re your region? What zoning would you put in place, what kind of neighborhoods would you rebuild--would these neighborhoods be filled with 24 house services like primary and comprehensive health care and school based clinics? Would these neighborhoods link to economic centers? Would they be green and healthy?

Sustainable and walk able-- and safe?

These are the questions we asked of citizens and they resoundingly spoke about what they wanted to see through public private partnership investment. These are not small plans-- these are big plans based on big opportunity to get it right-- this is an opportunity for public policy to be created to allow a better future for Americans.

I am pleased that the Subcommittee on Disaster Recovery has chosen to focus on the GAO report and the tremendously complex long-term challenges and opportunities facing our recovery. It is my sincere hope that through the leadership of this committee, we will ultimately accomplish our mission of rebuilding Louisiana safer, stronger and smarter than ever before.

Thank you for the opportunity to appear before you today. I'd be happy to take any questions that you may have.