

TESTIMONY OF DONALD E. POWELL

FEDERAL COORDINATOR FOR GULF COAST REBUILDING  
UNITED STATES DEPARTMENT OF HOMELAND SECURITY

BEFORE THE  
UNITED STATES SENATE COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON DISASTER RECOVERY

“The Road Home? An Examination of the Goals, Costs, Management and Impediments  
Facing Louisiana’s Road Home Program”

THURSDAY, MAY 24, 2007

Subcommittee Chairwoman Landrieu, Ranking Member Stevens and distinguished Members of the Senate Homeland Security and Government Affairs' Subcommittee on Disaster Recovery:

My name is Donald E. Powell and I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding. I am here today to discuss the Road Home Program as designed by Governor Blanco and the Louisiana Recovery Authority (LRA).

***Overview of the Office of the Federal Coordinator for Gulf Coast Rebuilding***

In the aftermath of the most powerful and destructive natural disaster in our nation's history, President George W. Bush, through Executive Order 13390, directed the Secretary of Homeland Security to establish the position of Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region and asked me to serve in that position.

The President remains committed to supporting the local recovery and rebuilding efforts in Alabama, Florida, Louisiana, Mississippi, and Texas from the damage sustained from Hurricanes Katrina, Rita, and Wilma. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we strive to ensure that State and local governments have the resources they need to help their residents get back on their feet.

Fundamentally, my job is to ensure that the Federal government provides thoughtful, coordinated, and effective support to the State and local leaders who are driving the long-term rebuilding and renewal of the Gulf Coast. I do this by working closely with people in the affected regions, including stakeholders from the public, private, and non-profit sectors, to identify and prioritize the needs for long-term rebuilding. I then communicate those realities to the decision-makers in Washington, advising the President and his leadership team on the most effective, integrated, and fiscally responsible strategies for a full and vibrant recovery. Finally, I work with other Federal agencies to help ensure the successful implementation of these strategies.

President Bush made a commitment that the Federal government would be a full partner in the recovery and rebuilding of the areas devastated by Hurricanes Katrina and Rita, and he is keeping that promise. The Federal government has committed more than \$110 billion for the recovery effort through programs as varied as HUD's Community Development Block Grants, funding for the Corps of Engineers, FEMA Public Assistance funding for infrastructure, Small Business Administration loans, and Department of Education and Department of Labor federal grant funding, just to name a few. This figure does not include the costs of the GO Zone tax legislation, from which some provisions were extended at the end of the 109<sup>th</sup> Congress at the President's urging. This extension runs through the end of 2010 for areas that experienced the most significant housing damage.

This Administration also understands the importance of being good stewards of the substantial amounts of taxpayer money that have been spent on this effort. We rely on State, local, and Congressional oversight and accountability mechanisms in place to assist in the protection of the American taxpayer. If Americans see their tax dollars being ill-spent, their support – which is critical - will wane. It is my duty to review the various plans and strategies brought to us from the region to ensure that they are consistent with the prudent, effective, and appropriate investment of taxpayer dollars. Given this charge, I am particularly concerned about the recent news reports and information that the Road Home Program may not have adequate funding.

The President has made it abundantly clear that the vision and plans for rebuilding the entire Gulf Coast should take a “bottom-up” approach that starts from local and State leadership, not from Washington, D.C. Rebuilding should be an exercise in coordinated, thoughtful, and prudent planning, but not centralized planning. Hence, the Blanco Administration’s creation of the Louisiana Recovery Authority (LRA) to create and oversee a grants program for Louisiana citizens using Federal funds was in keeping with this intent. The LRA represents a diverse and talented team tasked with developing the necessary policies to rebuild Louisiana. My office has worked well and tirelessly with the LRA to assist them in finding the best pathways to success, and we will continue to do so until they no longer request our assistance.

#### ***Louisiana CDBG Appropriations***

Rebuilding the housing stock has been a primary focus throughout the rebuilding in Louisiana. In December 2005, as a part of the Department of Defense (DOD)

Reallocation, Congress set aside \$11.5 billion in Community Development Block Grants (CDBG) funds for the Gulf Coast. Of that initial \$11.5 billion, Congress inserted language stating that no State shall receive more than 54% of the funds. Based on an analysis of need, the Department of Housing and Urban Development allocated funds as follows: Louisiana - \$6.2 billion; Mississippi - \$5.1 billion; and the remainder (approximately \$200 million) to the other Gulf States.

It became apparent to the Administration and the State of Louisiana that this allocation for Louisiana would not be enough to cover their housing needs. Therefore, just after I took the post as Federal Coordinator, my staff and representatives from the State of Louisiana began exhaustive talks to determine the potential additional need. My charge to staff was clear – get the best data possible and put all available information on the table for review. After many weeks of discussion and by using scientific methods like Geo-spatial mapping, SBA loss-verification information, FEMA inspections, and HUD data, all parties involved in the discussions - Federal and State - reached a consensus on the total number of houses destroyed and an approximate cost per household. It should be noted that although FEMA gathers damage estimates for its internal use, these numbers were used as a reference point as they were deemed the most reliable at that time. At the time, all of the information used to determine these estimates was recognized by stakeholders – both Federal and State - to be the most thorough and reliable source of damage information available.

Using the data that emerged from this consensus process, in February 2006, the President requested an additional \$4.2 billion in CDBG funds for the State of Louisiana in the

Fourth Supplemental. At that time, the Administration and the State of Louisiana fully agreed upon this amount as evidenced by the following remark made by Governor Blanco at the announcement: "Now, I want to say that these numbers didn't just come from the sky. They were carefully crafted legitimate numbers, analysis after analysis, evidence after evidence. We took it seriously. We didn't just make up a number. We know that that doesn't fly here in Washington." And, as to the President's intentions to aid Louisiana's housing woes, Governor Blanco said: "Today I know that he is fully committed to helping our people. And so on behalf of the people of Louisiana, I have to say a very special thank you." Once again, it is worth noting that the numbers upon which the additional funds were requested represented a consensus between Federal and State officials.

#### ***LRA and the Road Home Program***

After the Fourth Supplemental CDBG funds were requested in February 2006, the Louisiana Recovery Authority (LRA) created the Road Home Program in order to assist their citizenry in rebuilding. The LRA submitted its first action plan to HUD that initially mentioned the Road Home program in April 2006, and the first amendment to that plan – actually detailing the Road Home program - was submitted in May 2006. The plan was later amended by the State and resubmitted in August 2006, with the Secretary of HUD determining that the plan was in compliance with all Federal rules and regulations that same month.

As of May 19, 2007, the homeowner portion of the Road Home Program had 138,123 applicants and had closed on 19,194 homeowner applications, representing \$1.4 billion

(22% of the amount budgeted by the state for this portion of the Road Home Program and 13.5% of appropriated funding) with an average grant amount of \$75,200.

***OGCR Action***

The funding discrepancies of the Road Home Program were just recently brought to my attention through media reports. At my immediate request, our staff asked the State of Louisiana to provide a full accounting of the Road Home program, including any relevant back-up paperwork and applicant information to better understand the program's complete financial situation. Subsequent to our information request, Governor Blanco contacted me and requested a meeting. I met with the Governor and listened to the issues she identified as problems impacting the State's Road Home Program. Following the meeting, I asked for additional information from the State so that I would have as much information as possible upon which to base my own review of the concerns Louisiana identified with their program. This request was echoed in a letter penned by me to Governor Blanco (attachment #1) requesting the same. Once these numbers have been examined and agreed to by all interested parties, we will know how best to proceed. As a former banker, I know the importance of gathering the facts to provide a clear financial picture.

***Conclusion***

President Bush is committed to rebuilding the Gulf Coast—and rebuilding it better and stronger than it was before Hurricanes Katrina and Rita. A tremendous amount of progress has been achieved. And a tremendous amount of work still lies ahead. We move forward each day, determined to ensure that the Federal government continues to

do its part to support and strengthen the State and local leaders who must drive this rebuilding effort.

I am confident that when history writes the book on Hurricanes Katrina and Rita, it will be a story of renewal. The Gulf Coast States and their leaders have a chance to restore their communities and revive hope and opportunity. I will continue to work with these leaders to ensure that we do not let this opportunity pass.