



Highlights of [GAO-07-1079T](#), a testimony before the Committee on the Budget, House of Representatives

Why GAO Did This Study

The devastation caused by the Gulf Coast hurricanes presents the nation with unprecedented challenges as well as opportunities to reexamine shared responsibility among all levels of government. All levels of government, together with the private and nonprofit sectors, will need to play a critical role in the process of choosing what, where, and how to rebuild. Agreeing on what the costs are, what federal funds have been provided, and who will bear the costs will be key to the overall rebuilding effort.

This testimony (1) places federal assistance provided to date in the context of damage estimates for the Gulf Coast, and (2) discusses key federal programs that provide rebuilding assistance to the Gulf Coast states. In doing so, GAO highlights aspects of rebuilding likely to place continued demands on federal resources.

GAO visited the Gulf Coast region, reviewed state and local documents, and interviewed federal, state, and local officials. GAO's ongoing work on these issues focuses on the use of federal rebuilding funds and administration of federal programs in the Gulf Coast region.

What GAO Recommends

Although GAO is not making recommendations in this testimony, GAO raises questions that the committee should consider in its oversight of federal funding.

www.gao.gov/cgi-bin/getrpt?GAO-07-1079T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stanley J. Czerwinski, (202) 512-6806, czerwinski@gao.gov.

GULF COAST REBUILDING

Observations on Federal Financial Implications

What GAO Found

To respond to the Gulf Coast devastation, the federal government has already committed a historically high level of resources—more than \$116 billion—through an array of grants, loan subsidies, and tax relief and incentives. A substantial portion of this assistance was directed to emergency assistance and meeting short-term needs arising from the hurricanes, leaving a smaller portion for longer-term rebuilding. To understand the long-term financial implications of Gulf Coast rebuilding, it is helpful to view potential federal assistance within the context of overall estimates of the damages incurred by the region. Some estimates put capital losses at a range of \$70 billion to more than \$150 billion, while the state of Louisiana estimated that the economic effect on its state alone could reach \$200 billion. These estimates raise questions regarding how much additional assistance may be needed to help the Gulf Coast continue to rebuild, and who should be responsible for providing the related resources.

Demands for additional federal resources to rebuild the Gulf Coast are likely to continue. The bulk of federal rebuilding assistance provided to the Gulf Coast states funds two key programs—the Federal Emergency Management Agency's Public Assistance (PA) program and the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program. In addition to funding PA and CDBG, the federal government's recovery and rebuilding assistance also includes payouts from the National Flood Insurance Program as well as funds for levee restoration and repair, coastal wetlands and barrier islands restoration, and benefits provided through Gulf Opportunity Zone tax expenditures.

As states and localities continue to rebuild, there are difficult policy decisions that will confront Congress about the federal government's continued contribution to the rebuilding effort and the role it might play over the long-term in an era of competing priorities. GAO's ongoing and preliminary work on Gulf Coast rebuilding suggests the following questions:

- How much could it ultimately cost to rebuild the Gulf Coast and how much of this cost should the federal government bear?
- How effective are current funding delivery mechanisms—such as PA and CDBG—and should they be modified or supplemented by other mechanisms?
- What options exist to effectively build in federal oversight to accompany the receipt of federal funds, particularly as federal funding has shifted from emergency response to rebuilding?
- How can the federal government further partner with state and local governments and the nonprofit and private sectors to leverage public investment in rebuilding?
- What are the “lessons learned” from the Gulf Coast hurricanes, and what changes need to be made to help ensure a more timely and effective rebuilding effort in the future?