

# The Gulf Coast: Economic Impact & Recovery One Year after the Hurricanes

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Prepared by the  
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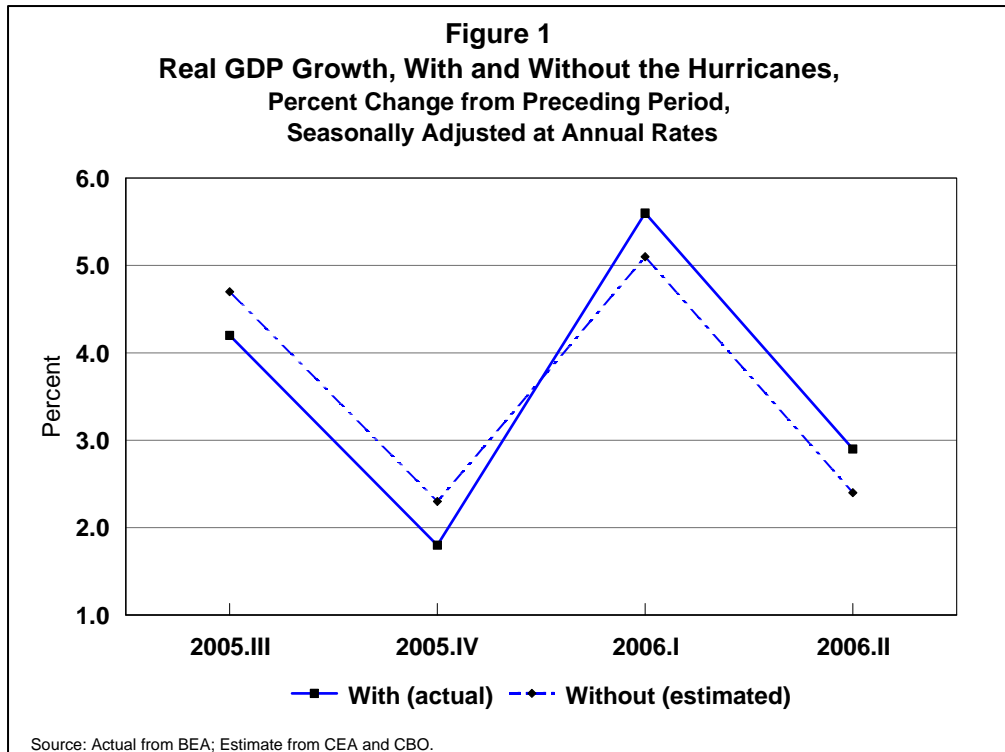
This is the fourth ESA report on economic impacts of Hurricanes Katrina and Rita on the national economy, the economies of Louisiana, Mississippi, and Alabama, and the New Orleans, Louisiana and the Gulfport-Biloxi, Mississippi Metropolitan Statistical Areas (MSAs). The first two reports were issued in October and December 2005. The third was issued in April 2006.

## Impact on the Nation

### Gross Domestic Product

- The Bureau of Economic Analysis does not provide official estimates of the impact of natural disasters on Gross Domestic Product (GDP). However, the *2006 Economic Report of the President*, issued by the Chairman of the Council of Economic Advisors (CEA), provided an estimate of the macroeconomic effects of Hurricanes Katrina and Rita. CEA estimates that the hurricanes lowered actual real GDP growth by approximately 0.7 percentage points in the third quarter of 2005 and 0.5 percentage points in the fourth quarter. In addition to the CEA estimate, the Congressional Budget Office (CBO) estimated a 0.5 percentage point reduction in the third and fourth quarters, as well.
  - Actual real GDP growth was 4.1% in the third quarter of 2005 and 1.7% in the fourth. Thus, according to the Administration's estimates, without the effects of the hurricanes, real GDP growth would have been 4.8% in the third quarter of 2005 and 2.5% in the fourth.
- CBO also estimated that GDP growth in the first half of 2006 was stimulated by a similar 0.5 percentage points resulting from enhanced economic activity during the recovery, particularly in the energy industry in the Gulf Coast.
  - Actual real GDP growth was 5.6% in the first quarter of 2006 and 2.9% in the second quarter. Thus, if the CBO was accurate in their estimates of GDP impacts, then, without the hurricanes, real GDP would have been 5.1% and 2.4% for the first and

second quarter in 2006, respectively. Figure 1 shows inflation-adjusted (real) GDP growth, third quarter of 2005 through second quarter of 2006, with the hurricanes (the actual) and what GDP growth might have been without the hurricanes (the estimated).



## National Housing

- About 441,000 people were displaced by the hurricanes and, in addition, the region lost approximately 182,000 housing units.<sup>1</sup> Immediately following the hurricanes, there had been concern that the high level of demand for reconstruction in the hurricane affected region might have adverse impacts on construction activity in the rest of the country. This has not been the case.
  - Housing permits in August 2005 (Hurricane Katrina struck on August 29, 2005) were 2.2 million (seasonally adjusted at annual rates). Between September 2005 and March 2006, housing permits stayed between 2.2 and 2.1 million. Permits dropped to 1.8 million by July and 1.7 million by August.
  - Housing under construction stayed around 1.4 million units from August 2005 through August 2006 and housing completions remained between 1.9 and 2.2 million.
  - Housing completions in the South accounted for 45% to 51% of the total number of completions in the U.S. between August 2005 and August 2006.

<sup>1</sup> Census data for Louisiana, Mississippi, and Alabama. See the next section on impact to the region.

## **Federal Spending**

- According to the Senate Budget Committee, approximately \$123 billion over five years has been appropriated for dealing with Hurricanes Katrina and Rita. About \$37 billion has been spent so far. Federal Emergency Management Agency (FEMA) spent \$21 billion on disaster relief and another \$16 billion in flood insurance claims under the National Flood Insurance Program.
- In January, the CBO estimated that the combination of Federal spending and tax relief related to the hurricanes is expected to be \$54 billion in fiscal year (FY) 2006 and \$23 billion in FY 2007. Over the 2006-2010 FY period, CBO estimated spending related to the hurricanes and revenue cuts would total about \$97 billion.
  - FEMA, according to CBO, spent approximately 40% (\$8.4 billion) of its \$21 billion in outlays for housing and other forms of direct assistance to victims and the remaining 60% (\$12.6 billion) was spent on debris cleanup.
  - The CBO also estimated that hurricane-related spending and tax relief will amount to about 16% of the budget deficit in FY2006 and 9% in FY2007.

## **Insurance Industry Impact and Payments**

- According to the Insurance Information Institute, “Hurricane Katrina was the most costly catastrophe on record, causing as estimated \$40.6 billion in total insured losses arising from 1.7 million claims.”
- The losses were distributed among six states: Louisiana, Mississippi, Alabama, Florida, Tennessee, and Georgia.
- The Insurance Information Institute projects an increase in homeowners insurance of 4.0 percent on average nationally, with homeowners in coastal areas to receive the largest increases.
- In addition to private insurance payments, property owners in Louisiana and Mississippi received \$15.5 billion (\$13.1 billion in Louisiana and \$2.4 billion in Mississippi) in flood damage claims from the National Flood Insurance Program.
- More than half of the losses associated with Hurricane Katrina were borne by large re-insurers.
- Insurers were well funded before Hurricane Katrina, entering the 2005 hurricane season with a \$6.0 billion underwriting profit in 2004. In 2005, as a result of the hurricanes, the industry sustained the \$4.1 billion loss.

# Impact on the Region: Louisiana, Mississippi and Alabama

## Gross State Product

- Table 1 shows real Gross State Product (GSP) growth rates for Alabama, Louisiana, and Mississippi and total U.S. real GDP growth rates for 2002 through 2005. Real GSP for the states and real GDP for the country are the same measures of economic activity, i.e., they both measure the production of goods and services.
- In 2005, the year of Hurricanes Katrina and Rita, Louisiana was the only state in the country with a declining real GSP growth rate. In contrast, in 2004, Louisiana's GSP growth rate was actually greater than the national average. While we cannot completely attribute the decline in 2005 to the devastation wrought by the hurricanes, it is fair to say that the hurricanes were a significant factor.
- For Mississippi, although the GSP growth rate was positive in 2005, it was significantly less than the national average. Alabama's was only slightly less than the national average.

**Table 1**  
**U.S. Gross Domestic Product Real Growth,**  
**Gross State Product Real Growth**  
**for Alabama, Louisiana, and Mississippi**

	2002	2003	2004	2005
<b>Total U.S.</b>	1.5%	2.6%	4.2%	3.5%
Louisiana	0.4%	1.5%	4.5%	-1.6%
Mississippi	0.9%	3.6%	2.9%	1.2%
Alabama	2.2%	3.2%	5.1%	3.1%

*Source: Bureau of Economic Analysis*

## Employment Status<sup>2</sup>

- Employment has slowly recovered in all three states affected by the hurricanes. The unemployment rate in Louisiana is now 3.5%, substantially lower than the 6.2% rate before the hurricanes and below the national average and well below the post-hurricane peak rate of 11.8%, when almost 240,000 workers were unemployed.<sup>3</sup> (See Table 2.) After the hurricanes, some residents relocated out of the state and some even left the labor force.

<sup>2</sup> Unless otherwise indicated, employment changes reflect the entire one-year period of July 2005 to July 2006. Non-seasonally adjusted data were used here to be consistent with the unemployment data for MSAs presented later in this report which is only reported in non-seasonally adjusted format.

<sup>3</sup> The Louisiana Department of Labor attributes the dramatic decrease in the rate of unemployment in December 2005 to a combination of several factors. Two of the most significant factors are (1) an unusually large one-month reduction – about 100,000 – in the number of unemployment claims and (2) changes in the methodology used to estimate unemployment that were instituted before both hurricanes.

Remaining workers may have found employment as part of the reconstruction. The unemployment rate dropped significantly from June to July 2006, suggesting that many of the workers looking for jobs are finding them. The state faces shortages in high demand occupations such as construction and healthcare.

- The July 2006 unemployment rate in Mississippi at 8.3% is still higher than before the hurricanes--7.4%, but below the peak rate of 9.4% in September 2005, when over 125,000 workers were unemployed.
- The Alabama unemployment rate was 4.3% in July 2006, up slightly from the 3.8% rate right after the hurricanes, but basically in line with the rate of unemployment before the hurricanes.
- As of August 2006, there were roughly 1.2 million residents who had moved from where they were living in August 2005 due to Hurricane Katrina. About 58% of these persons are again living in the home from which they had evacuated. Of the 1.2 million evacuees, 63.0% were in the labor force in August 2006 and 55% were employed. This compares to 56% in the labor force and 42% employed in October 2005. The August unemployment rate of returnees was 4.8% compared with 22% for those who had not returned, down considerably

**Table 2**  
**Unemployment Rates in States Affected by Hurricane Katrina\***  
(Percent)

Month	Alabama	Month to month change	Louisiana	Month to month change	Mississippi	Month to month change
Jul-05	4.2		6.2		7.4	
Aug-05	4.2	0.0	5.8	-0.4	7.4	0.0
Sep-05	3.8	-0.4	11.8	6.0	9.4	2.0
Oct-05	3.8	0.0	11.3	-0.5	9.1	-0.3
Nov-05	3.4	-0.4	11.5	0.2	8.9	-0.2
Dec-05	3.2	-0.2	5.8	-5.7	8.3	-0.6
Jan-06	4.1	0.9	5.5	-0.3	9.1	0.8
Feb-06	4.0	-0.1	4.2	-1.3	8.6	-0.5
Mar-06	3.2	-0.8	4.4	0.2	8.0	-0.6
Apr-06	3.0	-0.2	4.1	-0.3	7.3	-0.7
May-06	3.1	0.1	4.8	0.7	7.4	0.1
Jun-06	4.1	1.0	5.8	1.0	8.0	0.6
Jul-06	4.3	0.2	3.5	-2.3	8.3	0.3

\*not seasonally adjusted

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

from October 2005 unemployment rates of 10.5% for returnees and 33% for non-returnees.<sup>4</sup>

<sup>4</sup> According to BLS, this group represents persons in the civilian non-institutional population age 16 and over who resided in households that were eligible to be selected for the current population survey (CPS). These data are not representative of the total evacuee population because they do not include children or people residing in shelters,

## Demographic, Economic, and Housing Impacts

On June 7, the Census Bureau released the 2005 American Community Survey (ACS) Special Gulf Coast Area report. The ACS special product compared demographic, social, economic, and housing characteristics of the Gulf Coast area in the eight-month period, January 2005 to August 2005, prior to the hurricanes to the four-month period, September 2005 to December 2005, after the hurricanes. Tables 3, 4 and 5, below, provide some of the variables from the ACS reports for the state and for the counties or parishes within the FEMA declared disaster areas. If the change between pre-Katrina and post-Katrina is not significantly different from zero using the Census' margin of error for each variable, the change is marked with four asterisks “\*\*\*\*” within the tables.

- Table 3 is a summary of data available from the Special Gulf Coast Area report for Louisiana and for parishes in Louisiana that FEMA declared as eligible for public and private assistance. Table 3 shows that
  - Louisiana’s population dropped by 380,000 after the hurricanes and the disaster parishes’ population fell by over 391,000. This means that around 11,000 people moved inland where the hurricanes had no or minimal impact.
  - While the percent of the white population increased after the hurricanes for both the whole state and the disaster parishes by 2.8 percentage points and 4.4 percentage points, respectively, the share of the black population declined, by 2.9 percentage points for the state and 4.9 percentage points for the disaster parishes.
  - Per capita personal income as well as the percent of families below poverty family income in both the state and the disaster parishes basically remained unchanged. The share of households receiving public assistance and food stamps after the hurricanes increased significantly, across the state and the disaster parishes—0.9 and 1.5 percentage points, respectively for public assistance and 14.3 and 19.2 percentage points for food stamps.

**Table 3**  
**Louisiana: Population, Labor Force, Public Assistance,**  
**Poverty Rate, and Housing Before and After Hurricane Katrina**

	Total State			Disaster Parishes*		
	Before**	After***	Change	Before	After	Change
Total Population	4,068,028	3,688,028	-380,000	3,089,779	2,698,465	-391,314
White (%)	65.7	68.5	2.8	65.9	70.3	4.4
Black (%)	31.4	28.5	-2.9	30.9	26.0	-4.9
Civilian Labor Force	1,915,868	1,732,535	-183,333	1,469,269	1,280,010	-189,259
Per Capita Income (\$)	20,313	20,401	88****	20,949	20,954	5****
Percent of Households						
With Cash Public Assistance	1.7	2.6	0.9	1.6	3.1	1.5
With Food Stamps	12.8	27.1	14.3	12.0	31.2	19.2
Percent of Families						
Below Poverty Family Income	15.8	14.5	-1.3****	14.9	13.2	-1.7****
Total Housing Units	1,883,098	1,738,459	-144,639	1,412,760	1,270,046	-142,714
Vacant Housing Units (%)	12.6	16.7	4.1	11.9	17.6	5.7

\*Parishes declared to be eligible by FEMA for public and individual assistance.

\*\*Before Katrina, January through August 2005.

\*\*\*After Katrina, September through December 2005.

\*\*\*\*Not statistically different than zero.

Source: Bureau of the Census

hotels, places of worship, or other units out of scope for CPS. The total number of evacuees estimated from the CPS may change from month to month as people move in and out of the scope of the survey.

- The total number of housing units dropped by just over 145,000 across the state and 143,000 of these were in designated disaster parishes. The vacancy rate in the housing units that remained after the hurricanes increased by 4.1 percentage points in the state and 5.7 percentage points in named disaster parishes<sup>5</sup>.
- Table 4 is a summary of data available from the ACS special report for Mississippi and for counties in Mississippi that FEMA declared as eligible for public and private assistance. Table 4 shows that
  - Mississippi’s population dropped by almost 72,000 after the hurricanes and the population in the disaster declared counties fell by almost 57,000. However, these population changes fall within the Census’ margin of error and, therefore, should be used with caution.
  - In Mississippi, the change in the percentage of the white population and the percentage of the black population were opposite to the change in Louisiana. In Louisiana, the portion of the population that was white increased while in Mississippi, the white population declined—from 63.5% to 61.4% across the state. In Louisiana, the portion of the population that was black declined while in Mississippi, the black portion of the population increased—from 34.6% to 36.4%. The black population change may not be statistically different than zero because of the margin of error.
  - The per capita personal income in both the state and in the disaster counties declined by \$865—a drop of almost 5% of per capita income before the hurricane. However, the \$865 change should be used with caution since this is also within the margin of error for this variable. The portion of families with an income below the poverty level stayed practically the same.

**Table 4**  
**Mississippi: Population, Labor Force, Public Assistance,**  
**Poverty Rate, and Housing Before and After Hurricane Katrina**

	Total State			Disaster Counties*		
	Before**	After***	Change	Before	After	Change
Total Population	2,636,531	2,564,850	-71,861****	1,755,826	1,699,313	-56,563****
White (%)	63.5	61.4	-2.1	64.0	61.6	-2.4
Black (%)	34.6	36.4	1.8****	34.2	36.1	1.9****
Civilian Labor Force	1,222,742	1,164,135	-58,607****	810,167	781,550	-28,617****
Per Capita Income (\$)	18,079	17,214	-865****	18,789	17,924	-865****
Percent of Households						
With Cash Public Assistance	2.0	3.3	1.3	1.8	4.1	2.3
With Food Stamps	12.3	19.8	7.5	10.9	21.7	10.8
Percent of Families						
Below Poverty Family Income	16.3	16.8	0.5****	15.7	15.2	-0.5****
Total Housing Units	1,190,340	1,157,713	-32,627	793,821	763,974	-29,847
Vacant Housing Units (%)	11.9	13.3	1.4	11.6	13.5	1.9

\*Counties declared to be eligible by FEMA for public and individual assistance.

\*\*Before Katrina, January through August 2005.

\*\*\*After Katrina, September through December 2005.

\*\*\*\*Not statistically different than zero.

Source: Bureau of the Census

- The share of households receiving public assistance and food stamps after the hurricanes increased significantly, across the state and in the disaster counties—1.3

<sup>5</sup> The vacancy rate is the proportion of the homeowner and rental inventory of homes and rental units that is vacant for sale.

and 2.3 percentage points, respectively, for public assistance and 7.5 and 10.8 percentage points for food stamps.

- The total number of housing units dropped by over 32,000 across the state and 30,000 of these were in designated disaster counties. The vacancy rate in the housing units that remained after the hurricanes increased from 11.9% to 13.3%, across the state.
- Table 5 is a summary of data available from the ACS special report for Alabama and for counties in Alabama that FEMA declared as eligible for public and private assistance. Table 5 shows that
    - Unlike Louisiana and Mississippi where there was a significant decline in the population, the population in Alabama actually increased across the state, by almost 11,000, and in the disaster counties, by over 5,000. The margin of error for these estimates, however, is high. Thus, results should be used with caution.
    - In Alabama, the white population declined by 1.2 percentage points across the state and 2.3 percentage points in the disaster counties. The black population increased by 0.9 percentage points across the state and 1.8 percentage points in the disaster counties.
    - The most significant change appears to be a drop in the civilian labor force in the disaster counties—it declined by over 14,000 while increasing in the state, by over 8,000. While appearing to be significant, the margin of error for these estimates is also high.

**Table 5**  
**Alabama: Population, Labor Force, Public Assistance, Poverty Rate, and Housing Before and After Hurricane Katrina**

	Total State			Disaster Counties*		
	Before**	After***	Change	Before	After	Change
Total Population	4,155,577	4,166,542	10,965****	757,841	763,147	5,306****
White (%)	71.9	70.7	-1.2	66.5	64.2	-2.3
Black (%)	25.4	26.3	0.9	31.8	33.6	1.8
Civilian Labor Force	1,951,469	1,959,968	8,499****	352,505	338,159	-14,346****
Per Capita Income (\$)	21,315	20,560	-755****	20,036	19,299	-737****
Percent of Households						
With Cash Public Assistance	1.3	1.5	0.2****	1.5	1.9	0.4****
With Food Stamps	9.8	11.8	2.0	14.7	18.9	4.2
Percent of Families						
Below Poverty Family Income	13.7	13.0	-0.7****	16.7	16.9	0.2****
Total Housing Units	2,012,017	2,007,715	-4,302****	384,297	383,793	-504****
Vacant Housing Units (%)	14.3	14.3	0.0****	17.2	17.2	0.0****

\*Counties declared to be eligible by FEMA for public and individual assistance.

\*\*Before Katrina, January through August 2005.

\*\*\*After Katrina, September through December 2005.

\*\*\*\*Not statistically different than zero.

Source: Bureau of the Census

- The per capita personal income in both the state and the disaster counties declined from between \$737 and \$755—a drop of around 4% in per capita income from before the hurricanes. The portion of families with an income below the poverty level stayed practically the same. The margin of error for both of these variables is high. Results here should be used with caution.

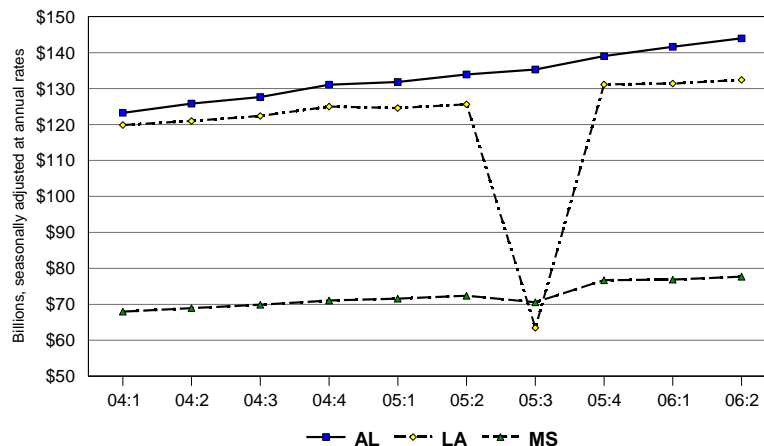


- The total number of housing units dropped by almost 4,300 across the state and only 504 of these were in designated disaster counties. The vacancy rate in the housing units that remained after the hurricanes remained unchanged. The margin of error for both of these variables is high. Results here should be used with caution.

## Personal Income in the Region

- Total personal income is the total income received by all persons and from all sources, for Louisiana, Mississippi and Alabama for the first quarter of 2004 through the first quarter of 2006. Total personal income is the sum of wage and salary disbursements, proprietors' income, rental income, dividend income, interest income, and transfer receipts. Proprietors' income and rental income includes a capital consumption adjustment that accounts for property losses in the region. In addition, the total personal income estimates include transfer (insurance) payments to businesses and payments made to persons for the loss of personal property such as motor vehicles and household furnishings.
- As shown in Figure 2, personal income in Louisiana fell sharply in the third quarter of 2005. It dropped by half to \$63.5 billion from a previous quarter total personal income of \$125.6 billion. Three quarters of the total personal income was from non-farm income earnings.
- Rental income of persons, including an adjustment for property loss, was down by \$102.3 billion (quarterly at annual rates) in the third quarter of 2005 for these three states. Non-farm proprietors' income, including the adjustment for property loss was down \$21.5 billion in the third quarter. Transfer payments in the third quarter were \$43.9 billion, so that the net personal income loss for these three states was \$79.8 billion.

**Figure 2**  
**Total Personal Income**  
**for Louisiana, Mississippi, and Alabama**  
**First Quarter of 2004 through First Quarter of 2006**



Source: Bureau of Economic Analysis

## Business Establishments and Industry Impacts

- The Center for Economic Studies of the Bureau of the Census estimate that the business revenue lost in the fourth quarter of 2005 as a result of the hurricanes was \$4.5 billion, a small fraction of the total estimated costs of the hurricanes ranging from \$100 to \$200 billion.<sup>6</sup> Loss estimates of business structures and equipment, from another study, were \$57.5 billion.<sup>7</sup>
- Louisiana, in 2003, had just over 107,000 business establishments with 1.6 million employees. 76,000 of the business establishments were geo-coded with latitude and longitude coordinates by the Census. About 73% (55,000) of the geo-coded business establishments were in parishes declared as Federal disaster areas and about 18% (14,000) were within the FEMA designated damage zones.
  - A separate study by the BLS, employment loss in Louisiana between May 2005 and May 2006 found that losses were particularly severe for the leisure and hospitality industry (19%), other services (18%), education and health services (17%), construction and professional and business services (11%) and manufacturing (7%).<sup>8</sup>
- Mississippi, in 2003, had just over 62,000 business establishments with about 886,000 employees. 39,000 of these business establishments were geo-coded. Of these 39,000, about 71% (28,000) were in counties declared as Federal disaster areas and about 7% (almost 3,000) were within the FEMA designated damage zones.
  - The BLS study also showed significant loss in employment in Mississippi in the leisure and hospitality industry (9%), the information sector (3%) and manufacturing (2%). On the other hand, significant employment gains were seen in the construction industry (9%) and the professional and business service and natural resource mining industries (3%).
- Alabama, in 2003, had about 101,000 business establishments with 1.6 million employees. 61,000 of the business establishments were geo-coded. Of these, about 18% (about 11,000) were in FEMA disaster declared counties and only 0.1% (less than 100) were within FEMA designated damage zones.
  - The BLS study did not report on employment impacts by industry in Alabama.

## State Tax Collections

- State taxes collected in Louisiana dropped by 42% between the second quarter and the third quarter of 2005, from \$2.6 billion to \$1.5 billion, with significant declines in all categories including sales taxes, corporate taxes, and individual income taxes. (See Table 6.) By the fourth quarter of 2005 and first quarter of 2006, however, the level of taxes collected reached \$2.0 billion and \$2.2 billion, respectively, with a strong comeback in the general sales taxes—actually exceeding the pre-Katrina level by 21%. Corporate taxes and individual

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<sup>6</sup> *The Impact of Hurricanes Katrina, Rita, and Wilma on Business Establishments*, Center for Economic Studies, U.S. Bureau of the Census, August 2006.

<sup>7</sup> *Hurricane Katrina: Preliminary Estimates of Commercial and Public Sector Damages*, Dr. Mark L. Burton and Dr. Michael J. Hicks, Center for Business and Economic Research, September 2005.

<sup>8</sup> *Hurricane Katrina's Effects on Industry Employment and Wages*, Molly Garber, Linda Unger, James White, and Linda Wohlford, Bureau of Labor Statistics, Monthly Labor Review, August 2006.

income taxes remain significantly below the pre-Katrina level in the first quarter of 2006, by 82% and 21%, respectively.

- In Mississippi, taxes collected by the state dropped by 25% from the second quarter of 2005 to the third quarter from \$1.6 billion to 1.2 billion. The general sales tax and individual income taxes makeup the majority of taxes collected in that state—73%. Both of these declined dramatically, by 29% and 34%, respectively. By the fourth quarter of 2005 and continuing through the first quarter of 2006, sales taxes rose back up to the pre-Katrina level. Individual income taxes remained significantly below the pre-Katrina levels, by 50%, in the first quarter of 2006.
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**Table 6. State Tax Collections in the Gulf Coast  
2nd Quarter 2005 through 1st Quarter 2006**  
(millions of dollars)

	<b>Louisiana</b>			
	2005:II	2005:III	2005:IV	2006:I
Total	2,621.0	1,491.2	2,005.1	2,175.1
General sales tax	666.6	458.4	752.6	808.9
Gasoline tax	119.8	98.6	153.5	128.8
Public utilities	149.0	1.4	2.3	1.6
Corporations	249.9	24.6	42.8	32.9
Corporation income tax	230.1	76.5	134.7	58.4
Individual income tax	816.4	382.2	490.0	646.0
All other	389.2	449.5	429.2	498.6
	<b>Mississippi</b>			
Total	1,643.5	1,226.1	1,447.4	1,508.4
General sales tax	759.9	578.2	769.4	801.0
Gasoline tax	112.8	111.5	114.8	107.8
Public utilities	0.0	7.9	0.0	0.4
Corporations	24.5	18.0	24.5	24.5
Corporation income tax	70.8	52.0	40.0	137.9
Individual income tax	432.2	286.1	303.6	217.9
All other	243.2	172.5	195.2	218.8
	<b>Alabama</b>			
Total	2,101.1	1,936.8	2,021.1	2,044.7
General sales tax	527.6	513.0	554.7	540.9
Gasoline tax	143.2	142.6	140.5	136.5
Public utilities	155.9	163.7	167.4	174.7
Corporations	37.9	6.0	8.4	31.7
Corporation income tax	154.2	84.1	96.9	106.6
Individual income tax	763.1	636.1	627.0	578.7
All other	319.1	391.2	426.2	475.6

Source: Bureau of the Census

- In Alabama, taxes collected in the third quarter of 2005 dropped only slightly below, 8%, the pre-Katrina level, from \$2.1 billion in the second quarter of 2005 to \$1.9 billion in the third quarter. Corporate income tax and individual income tax remain below pre-Katrina levels in the first quarter of 2006, by 31% and 24%, respectively.

## The Gulf Ports

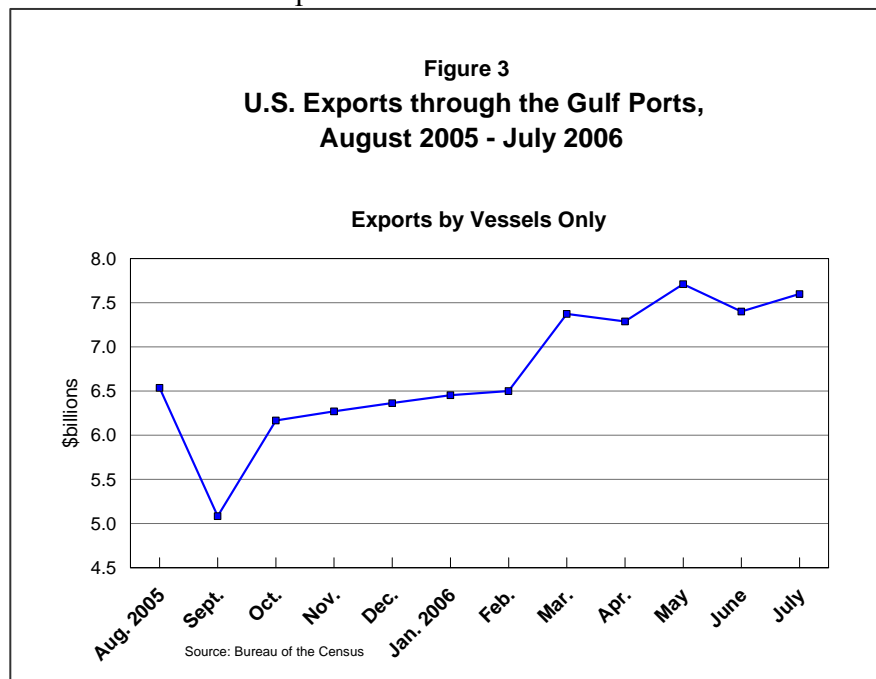
Below are summary descriptions of the status and condition of six of the 43 U.S. ports in the Gulf Coast region. These status reports were provided by the U.S. Department of Transportation as of July/August 2006. The share of exports from and imports into the Gulf Coast region are shown for August 2005 and May 2006. These six ports represent over 70% of the value of exports and 40% of the value of imports for the Gulf region. There is a further discussion of the ports in the sections on exports and imports in the Gulf Region, below.

- **Port of New Orleans** [*August 2005, export share of 17% and import share of 7%; May 2006, export share of 18% and import share of 7%.*] The Port of New Orleans had regained 100 percent of cargo ship calls as of mid-February 2006--well ahead of officials' six-month goal to attain between 70 and 80% of activity by then. While ship call figures remain strong--averaging 20 to 22 cargo vessel calls per week at the Port's public facilities--the amount of cargo moving through the Port's facilities fell an average of about 20% in 2005 compared to 2004, as a result of the hurricanes.
- **Port of Gulfport** [*August 2005, export share of 2% and import share of 1%; May 2006, export share of 1% and import share of 1%.*] The Port of Gulfport is moving approximately 60 to 70% of the cargo it handled prior to Hurricane Katrina. While 8 or more vessel calls per week were common, the facility is now servicing 4 to 5 ships per week. The storm destroyed over 300,000 square feet of warehouse space and most of the rail lines in the port. Since the hurricane, a 100,000 square foot warehouse has been restored and two additional 60,000 square foot warehouses are under construction. Half of the rail service has been restored with full service expected in October.
- **Port of Pascagoula** [*August 2005, export share of less than one-half percent and import share of 1%; May 2006, export share of 1% and import share of 3%.*] The Port of Pascagoula is handling approximately 80-90% of the cargo volume moved pre-Katrina. Hurricane Katrina destroyed two major refrigeration warehouses that are critical to the ports' annual export of approximately 325,000 tons per year of cargo. Both of the refrigeration warehouses have been repaired. Total port damage was estimated at \$15-17 million.
- **Port of Mobile** [*August 2005, export share of 2% and import share of 1%; May 2006, export share of 2% and import share of 3%.*] The port is booming and is suffering from capacity problems. Bulk cargo handling is at approximately 115% of pre-Katrina levels and should reach a level of approximately 130% by year's end. The container terminal is at capacity and in July exceeded the total amount of containers handled in the year preceding Katrina. It is estimated that the port of Mobile will double the amount of Pre-Katrina containers this year.
- **Port of Tampa** [*August 2005, export share of 1% and import share of 1%; May 2006, export share of 3% and import share of 1%.*] The port is doing very well post-Katrina: bulk cargo trade is up over 50% of the pre-Katrina levels, 10% of this is attributed to long term post-Katrina diversions.
- **Port of Houston** [*August 2005, export share of 50% and import share of 29%; May 2006, export share of 47% and import share of 28%.*] The Port of Houston was not substantially damaged by Hurricane Katrina, yet has seen substantial growth in trade since the storm, despite its export share in the Gulf declining. The Barbours Cut Container Terminal was already at capacity when Hurricane Katrina hit. However, the terminal still experienced a growth of approximately 5%. The non-container port trade has experienced explosive

growth with twice the amount of grain exports by the end of June 2006, as compared to the previous year. Similarly, steel exports are up 73% and bulk materials handling has registered an increase of over 32%, in the same period.

## Exports of Goods Through the Gulf Ports

- U.S. exports of goods (vessel trade) through the Gulf Ports dropped 22% the month after Hurricane Katrina—from \$6.5 billion in August 2005 to \$5.1 billion in September. See Figure 3. By October, however, exports through the Gulf Ports were back up to \$6.2 billion and have increased steadily to around \$7.5 billion from May through July. Exports through the Gulf ports in May represent about 9% of total U.S. exports.
- Primary products exported through the Customs District of New Orleans and Houston include agricultural products, computer and electronic products, chemicals and machinery.
- In September, of the 43 ports in four states (Florida, Mississippi, Louisiana, and Texas), the port share of Gulf Coast exports dropped dramatically for the ports of New Orleans, Louisiana (16% to 7%), Pascagoula, Mississippi (1.1% to 0.1%) and Gulfport, Mississippi (2% to 0%) and increased dramatically for the port of Baton Rouge—258%.
- By January 2006, with the exception of Gulfport, Mississippi, exports through a majority of the Gulf Ports recovered to their pre-Katrina levels.

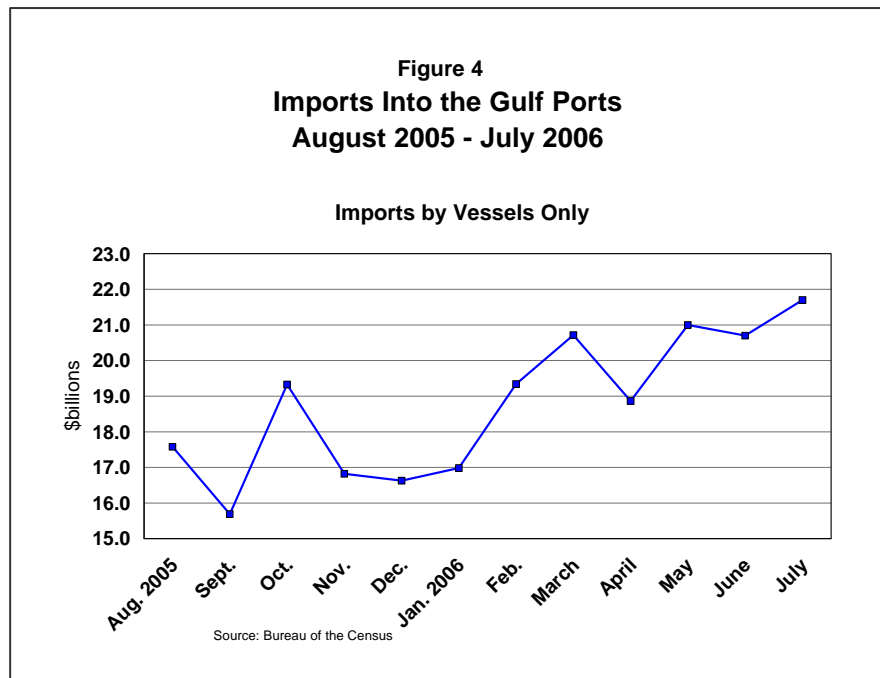


## Imports of Goods into the Gulf Ports

- The value of imports (vessel trade) going into the Gulf ports dropped by 11% the month after Hurricane Katrina—from \$17.6 billion in August to \$15.7 billion in September. See Figure 4. By October, however, imports into the Gulf ports were above pre-Katrina levels and have stayed between \$16 and \$17 billion through January 2006. By February 2006, imports into

the Gulf Region reached pre-Katrina levels. Imports of goods through the Gulf ports represent about 13 percent of total U.S. goods imports.

- The primary products imported through the Customs District of New Orleans are oil and gas (47%) and computer and electronic products (17%) and the primary products imported through the Customs District of Houston are oil and gas (52%) and petroleum products (10%).
- In September, the port share of the total imports dropped dramatically for the ports of New Orleans (12% to 10%), Pascagoula (3% to 0%) and Gulfport (9% to 0%). Also, in September, imports increased dramatically for the port of Gramercy (238%) and Baton Rouge (63%).
- By January, with the exception of Gulfport, Mississippi, imports through a majority of the Gulf Ports recovered to their pre-Katrina levels. The value of imports through the Gulf ports through much of 2006 remains above pre-Katrina levels.



## Energy Impact and Recovery

- According to the Department of Interior’s Mineral and Mining Service, by early October 2005, over 80% of crude oil production and nearly two-thirds of natural gas production in the Gulf Coast were shut-in. “Shut-in” means that oil and gas production facilities closed down for repair from the storms. The Gulf Coast accounts for about 29% of total U.S. offshore oil production and 20% of offshore natural gas production.
- By mid-October, shut-in crude oil production was just over 60% and shut-in gas production just over 50%. By December, shut-in crude oil production was 28% while shut-in gas production was 23%. By March, shut-in crude oil production dropped to 23% and shut-in gas production was 14%.

- As of June 2006, shut-in oil production in the Gulf of Mexico is down to about 15% from pre-Katrina levels and shut-in gas production is down to about 10%.

## **Gasoline Price Fixing Investigation**

- In May, the Federal Trade Commission (FTC) completed a congressionally-mandated investigation on post-Katrina gasoline price fixing and issued its report called “Investigation of Gasoline Price Manipulation and Post-Katrina Gasoline Price Increases.”
- The FTC found “no instances of illegal market manipulation that led to higher prices during the relevant time periods, but did find 15 examples of pricing at the refining, wholesale, and retail level that fit the relevant legislation’s definition of evidence of price gouging.”
  - The “evidence of price gouging” is defined as substantially higher gas prices post-Katrina that were not substantially attributable to higher costs or to national or international market trends. The report went on to say, however, that the prices of these 15 firms appeared to be explained by other factors such as regional or market trends.
- The full report can be found on the FTC website.

## **Fisheries Impact and Recovery**

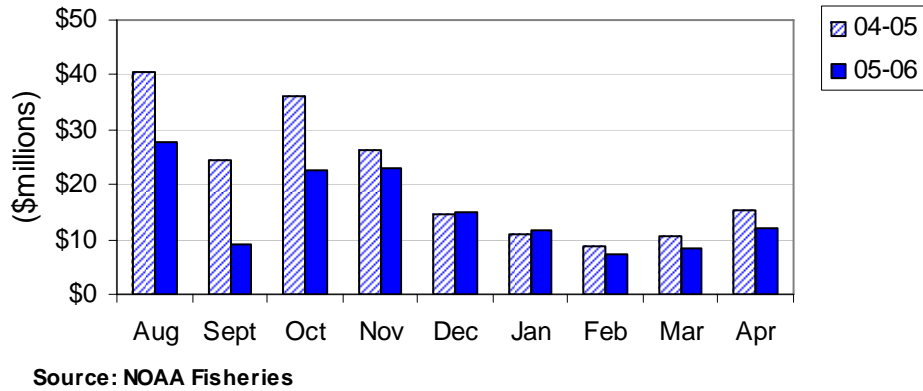
- According to the National Oceanographic and Atmospheric Administration, the Gulf of Mexico is home to a significant share of the U.S. fishing industry, representing 20% of commercial fishing and 30% of saltwater recreational fishing.
- Louisiana, with 40% of the value of the Gulf commercial harvest, suffered the highest total dollar-value losses, followed by Mississippi.
- Although the total value of fish landed in Louisiana from January through April 2006 compares to pre-storm levels, caution must be used in interpreting these figures. (See Figures 5 and 6.) Some fishermen in Louisiana who had no or few losses may be doing relatively well in areas of the state that escaped both hurricanes Katrina and Rita, but many others are not. Estimates of 50-70% fishing vessel damage in St. Bernard and Plaquemines Parishes, and an average 41% decline in state commercial licenses indicates recovery continues to be slow and may suggest an egress from fishing. Many fishermen in these areas have lost fishing vessels, homes, and their community, and were under-insured or had no insurance at all.
- Shoreside fishing industry infrastructure losses were particularly significant in the Biloxi/Gulfport areas of Mississippi and the Venice/Empire area of southeast Louisiana following Katrina.
  - Katrina severely damaged or destroyed over 80% of the boat yards, processors, recreational docks and marinas, bait and tackle shops, seafood retail markets, offloading facilities, repair shops, and net makers in Mississippi. Over 65% of the boat yards, processors, recreational docks and marinas, bait and tackle shops, and seafood retail markets still remained closed six months after Katrina.
  - Eastern Louisiana was the hardest hit by Katrina, severely damaging or destroying over 90% of the commercial docking facilities, repair shops, icehouses, net makers,

recreational marinas, bait and tackle shops, and seafood restaurants and retail markets. Six months after Katrina, over 70% of these facilities still remained closed.

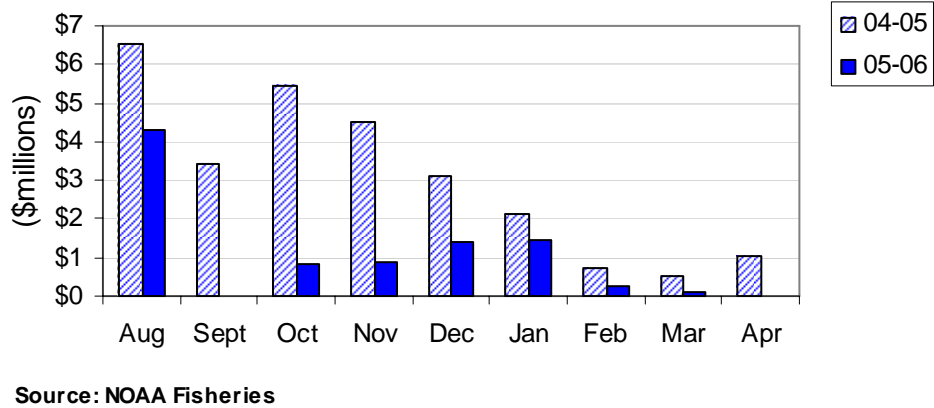
- In contrast to eastern Louisiana, most fishing-related sectors in western Louisiana had largely recovered by March 2006.



**Figure 5**  
**Commercial Fishing Revenue (Dockside)**  
**in Louisiana, Before and After the Hurricanes,**  
**All Species**  
**(preliminary data)**



**Figure 6**  
**Commercial Fishing Revenue (Dockside)**  
**in Mississippi, Before and After the Hurricanes,**  
**All Species**  
**(preliminary data)**



- Recovery of the commercial harvest sector of the fishing industry in the Gulf has been uneven since September 2005. Oyster beds suffered significant damage in Mississippi and in parts of Louisiana. Congress has appropriated \$128 million in 2006 to restore the Gulf oyster beds. It is anticipated that the earliest these beds will produce oysters is 2008.
- Although the shrimp industry saw an increase in resource abundance over last winter, the remaining Louisiana harvesters shifted to the west of the Venice/Empire area, while the remaining and slower-to-regroup Mississippi shrimp harvesters shifted both west to the Lafitte-Dulac areas of Louisiana, and east to Bayou La Batre, Alabama seeking viable off loading and processing facilities beyond the worst hit areas. Ice plant and cold storage losses still hinder commercial fishing in many areas, and fuel availability and cost also continue to negatively impact commercial fishing operations when combined with the current prices paid for shrimp by dealers and processors.
- Processing capacity has been significantly affected across the region. Loss of facilities, including refrigerated storage capacity combined with persistent labor shortages, continue to suppress production. Many of the processors who have reopened are only operating at partial capacity. Housing losses in important processing centers like Biloxi also affect labor availability, as does alternative employment opportunities in construction.

# Impact and Recovery in the New Orleans and Gulfport-Biloxi MSAs<sup>9</sup>

## New Orleans, Louisiana MSA

On June 7, the Census Bureau released the January 1, 2006 Special Population Estimates for the Gulf Coast Area report. The Census Bureau's special population estimates for the Gulf Coast area provides January 1, 2006 estimates of household populations for the 117 parishes and counties in the Gulf Coast area that were eligible for both public and individual assistance.

In Louisiana, the most severely damaged parishes were Orleans, St. Bernard, and Jefferson. The New Orleans MSA consists of these parishes plus Plaquemines, St. Charles, St. John the Baptist, and St. Tammany parishes. The most severely damaged counties in Mississippi were Harrison and Hancock Counties. Harrison and Hancock counties are part of the Gulfport-Biloxi, MS MSA along with Stone County.

- The household population of the New Orleans MSA dropped by almost 370,000 or about 29% of the pre-Katrina population of almost 1.3 million. See Table 7. On the other hand,

**Table 7**  
**Population Change: New Orleans and Gulfport-Biloxi MSAs**  
July 2005 to January 2006

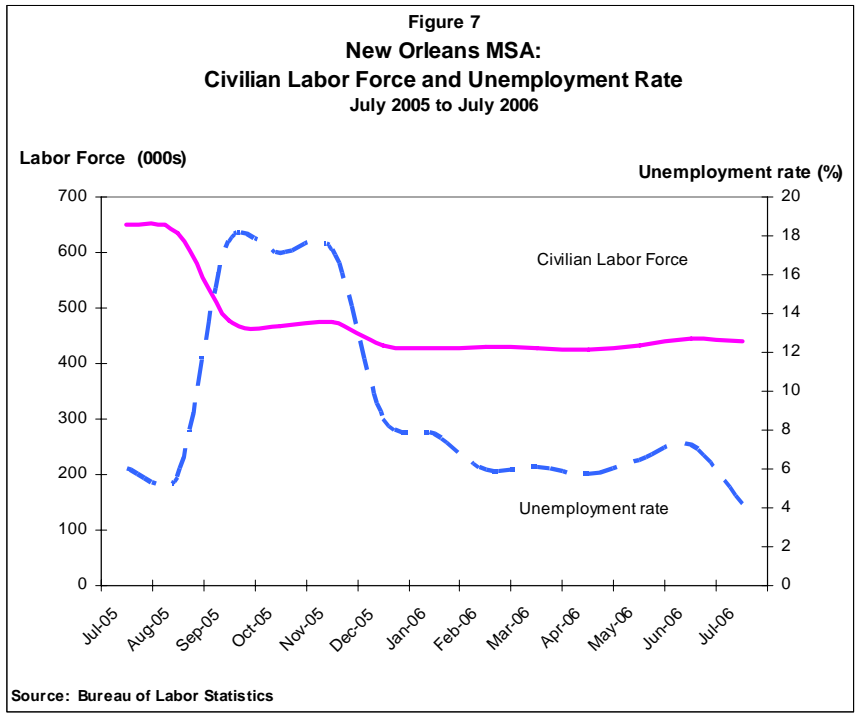
Parrishes/Counties	Jul-05	Jan-06	Change
<b>New Orleans, LA MSA</b>			
Jefferson	448,578	411,305	-37,273
Orleans	437,186	158,353	-278,833
St. Tammany	217,999	220,651	2,652
St. Bernard	64,576	3,361	-61,215
St. Charles	50,203	52,269	2,066
St. John the Baptist	45,950	48,642	2,692
Plaquemines	28,258	28,282	24
Total	1,292,750	922,863	-369,887
Percent Change			-28.6%
<b>Gulfport-Biloxi, MS MSA</b>			
Harrison	186,530	155,817	-30,713
Hancock	46,240	35,129	-11,111
Stone	13,904	14,211	307
Total	246,674	205,157	-41,517
Percent Change			-16.8%

Source: Bureau of the Census

<sup>9</sup> For additional information on the recovery in the New Orleans MSA and the Gulfport-Biloxi MSA as well as other severely affected areas such as Lake Charles, LA and Pascagoula, MS, see "Advancing in the Aftermath II: Tracking the Recovery from Katrina and Rita, by Loren C. Scott & Associates, Inc. <http://www.lorenscottassociates.com/Reports/AdvancingInTheAftermath.pdf>

the East Baton Rouge Parish gained approximately 17,000 people from a mid-year 2005 population of near 400,000, as the parish absorbed some of the Katrina evacuees. Of the 37 parishes in Louisiana that were declared to be disaster parishes, 11 parish populations declined after the hurricanes, 22 increased, and 4 remained relatively unchanged. (See [http://www.census.gov/Press-Release/www/emergencies/gulfcoast\\_impact\\_estimates.xls](http://www.census.gov/Press-Release/www/emergencies/gulfcoast_impact_estimates.xls) for estimates of population change from prior to the hurricanes to after the hurricanes for all parishes and counties in the Gulf considered to be in the disaster area.)

- The New Orleans MSA lost almost one-third of its workforce during the past year as the civilian labor force shrank by over 200,000 workers from July 2005 to 2006. The unemployment rate increased dramatically from 5.6% to 17.7% during a single month after the hurricanes (August to September 2005).
- The size of the New Orleans labor force stabilized in December 2005 and has averaged roughly 432,000 workers during the first seven months of 2006 but is still well below the pre-Katrina level of more than 650,000. The unemployment rate dropped sharply in December in part because of the re-employment of workers, but also as a result of BLS changing its methods to estimate unemployment. The unemployment rate hovered between 6% and 8% in subsequent months at near pre-Katrina rates, before dropping to 4% in July, indicating that most job seekers are finding jobs. See Figure 7.
- The tourism industry is the largest employer in the city of New Orleans, with more than 80,000 jobs. The tourism industry has an estimated \$5 billion annual impact on the New Orleans economy and generates up to 40% of the city’s tax revenues. Since the hurricanes, the city has lost over \$1 billion in revenues. However, there are a number of signs that the tourism industry and the city are recovering. See Box 1.



## Box 1

### Travel and Tourism Starts to Rebound in New Orleans

**Air Travel:** Louis Armstrong International airport reports 111 flights serving 33 cities (64 % the number of daily departures and 77% the number of destinations; 13,185 seats or 59% of pre-Katrina level of seats per day).

**Hotels:** 103 of 140 metropolitan area hotels are open, 90 of which are located in downtown New Orleans and 28,000 of the 38,000 metropolitan-wide hotel rooms are back in service.

**Dining:** The Louisiana Restaurant Association reports that over 700 restaurants are open, including the restaurants in the French Quarter, downtown and the Warehouse Arts District. Eighteen major new restaurants have opened in the metro area.

**Cruise industry:** Norwegian Cruise Lines and Carnival Cruise Lines will return to New Orleans in October 2006 and Royal Caribbean International and RiverBarge Excursion Lines will return in December 2006.

**Louisiana Superdome:** After \$168 million in renovations and upgrades, it reopened on September 25 for a Monday Night Football game (Saints vs. Falcons).

**New Orleans Arena:** Opened in March to host 700,000 Mardi Gras revelers; Jazz Fest welcomed more than 350,000 visitors.

**Ernest Morial Convention Center:** After over \$60 million in renovations and upgrades, the facility partially reopened in February. However, most of the convention center reopened on June 19 with 740,000+ sq. ft. of exhibit space, 99 meeting rooms, a 4,000-seat auditorium and a 36,000 sq. ft. ballroom. Remaining meeting rooms and ballroom will reopen in November.

**Convention Activity:** Between September 2005 and May 2006, 450 meetings and conventions were cancelled. These meetings translate to 2.25 million room nights. Expected recovery rates:

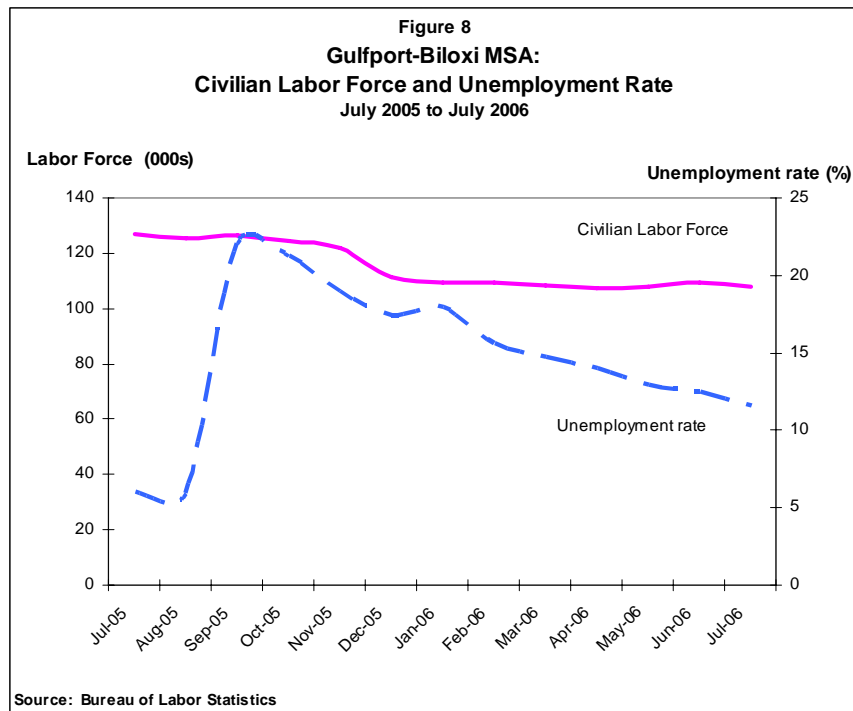
2006	40% of conventions booked before Katrina have been retained
2007	70% of conventions booked before Katrina retained
2008	92%+ of conventions booked before Katrina retained

*Sources: New Orleans Metropolitan Convention and Visitors Bureau, Inc. "Tourism, Hospitality and Convention Industry Facts One Year After Katrina, August 22, 2006" and the New Orleans Metropolitan Convention And Visitors Bureau "State Of The City" Report, September 6, 2006.*

## Gulfport-Biloxi, Mississippi MSA

- The household population of the Gulfport-Biloxi MSA dropped by over 41,000 or about 17% of the pre-Katrina population of almost 250,000. See Table 7. In Mississippi, the greatest gain in population was in Pearl River County which jumped from almost 52,000 before the hurricanes to about 56,000 after. Of the 47 counties in Mississippi that were declared to be disaster counties, 19 county populations declined after the hurricanes, 22 increased, and 6 remained relatively unchanged. (See table with population shifts among all disaster counties at [http://www.census.gov/Press-Release/www/emergencies/gulfcoast\\_impact\\_estimates.xls](http://www.census.gov/Press-Release/www/emergencies/gulfcoast_impact_estimates.xls).)
- Unemployment in the Gulfport-Biloxi area skyrocketed to 22% right after the hurricanes and in July 2006, at 11.6%, is almost double the pre-Katrina rate of 6%. See Figure 8. The number of unemployed increased dramatically from about 7,600 workers before the storm to almost 28,000 after the storm. The number of unemployed has been declining steadily since then to 12,500 in July 2006.
- The Gulfport-Biloxi MSA labor force has lost almost 19,000 workers since the hurricanes. Prior to the storms, the labor force had about 127,000 workers and since then has declined

steadily before leveling off in December. During the first seven months of 2006, the labor force has averaged around 109,000 workers.



- The Mississippi Department of Employment Services has received over \$170 million in special workforce development funds from the U.S. Department of Labor to help coastal residents. The funds have been used to provide temporary jobs, training and workshops, support services such as childcare and transportation and counseling services.
- Despite the declining unemployment rate, businesses continue to suffer from lack of employees. The shortage of housing has led to a shortage of workers. As more businesses reopen, small retail establishments must compete with large casinos for the same types of workers--cooks, waitresses, bartenders, maids, etc. Employers report high turnover rates as workers are lured from establishment to establishment by offers of higher wages.
- The restaurants in Gulfport-Biloxi that are located inside and away from casinos relied on gaming activity which is down sharply. Employment in these establishments dropped 40% after Katrina and is expected to recover slowly in tandem with the rebuilding of the hotels and casinos. According to the Mississippi Gulf Coast Convention and Visitors Bureau, five casinos have reopened thus far, putting 6,000 people back to work. By this fall, 4,000 additional workers will be re-employed as additional casinos re-open.
- Legislative changes to allow casinos to locate on land and tax credits to encourage investment in non-gaming facilities have led to an investment boom along the Mississippi coast. See Box 2. According to the Mississippi Institutions of Higher Learning University Research Center, multi-billion dollar investment in the Mississippi coast will sustain its economy in the short-term, but long-term competitive pressures that were present pre-Katrina, still exist, including loss of manufacturing sector jobs and a low skilled workforce.

## Box 2

# Gaming Industry Will Lead Multi-Billion Dollar Rebuilding of the Mississippi Coast

- Overall, the recovery has been slow along the coastal counties because many of the residential and commercial structures were completely destroyed by the storm surge generated by Hurricane Katrina. These structures will have to be completely rebuilt. The pace of reconstruction has been hampered by a shortage of workers and a lack of housing.
- The gaming industry is important to the economic vitality of the Mississippi coast. Mississippi ranks third in the nation in gaming revenue, behind Nevada and New Jersey; Before Katrina, Gulfport-Biloxi ranked six in the nation, but in 2005, with no casinos operating in Gulfport, Biloxi gaming revenues dropped to eleventh. Hurricane Katrina damaged or destroyed 12 casinos (plus one that was about to open) and displaced 16,000 workers along the Mississippi coast.
- The State Legislature's decision to permit the casinos to move from barges onto land and a tax credit to encourage non-gaming investment has spurred an investment boom in Mississippi coastal communities. Up to \$30 billion of investment is expected in the area (\$10 billion from the government to repair and rebuild infrastructure and \$20 billion from public-private investments). There were 12 casinos before the hurricanes and the investment boom may create as many as 20 casinos by 2010.
- Selected current and planned projects include:
  - Harrah's Entertainment plans to build a \$1 billion luxury casino in Biloxi.
  - Isle of Capri Casinos, Inc., a large regional casino, plans to invest in a \$200-\$300 million project.
  - MGM Mirage will spend \$500 million on renovations to its Beau Rivage casino in Biloxi. Beau Rivage was the only luxury casino located on the Gulf Coast, but will undergo renovations to compete with new casinos.
  - Trump Entertainment Resorts, Inc. plans to build a casino in nearby Diamondhead, MS.
  - Foxwoods Development Corp., a Connecticut-based group expects to spend over \$400 million to build a new casino in Biloxi.
  - On September 18<sup>th</sup>, after \$250 million in repairs and renovations, the Island View casino resort opened in Gulfport, initially employing 800 workers and expecting to employ another 700 by its completion in 2007.
- The benefits of the reconstruction activity are apparent already in the State's general fund. Tax revenues from retail sales are up 17.2% and revenues from the use tax (a sales tax on out-of-state purchases) are up 35.9% from FY 2005.
- State gaming tax revenues were down only 13.5% from FY 2005 levels, because riverboat casinos helped to offset losses from coastal casinos and because of the strong performance of the coastal casinos that have reopened. During the first six months of 2006, the three casinos in operation generated 56% of revenue generated during the same period during the previous year by all twelve casinos.

Sources: *Mississippi Institutions of Higher Learning University Research Center, Mississippi Gulf Coast Convention and Visitors Bureau and the American Gaming Commission, National Gaming Commission and Mississippi Gaming Commission.*