



Highlights of [GAO-07-574T](#), a testimony before the Subcommittee on Disaster Recovery, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The size and scope of the devastation caused by the 2005 Gulf Coast hurricanes presents unprecedented rebuilding challenges. Today, more than a year and a half since the hurricanes made landfall, rebuilding efforts are at a critical turning point. The Gulf Coast must face the daunting challenge of rebuilding its communities and neighborhoods—some from the ground up.

This testimony (1) places the federal assistance provided to date in the context of the resources likely needed to rebuild the Gulf Coast, (2) discusses key federal programs currently being used to provide rebuilding assistance, with an emphasis on the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program, (3) describes Louisiana's and Mississippi's approach to using CDBG funds, and (4) provides observations on planning activities in Louisiana and Mississippi and the federal government's role in coordinating rebuilding efforts.

GAO visited the Gulf Coast region, reviewed state and local documents, and interviewed federal, state, and local officials.

What GAO Recommends

Although GAO is not making recommendations in this testimony, GAO raises questions that the Subcommittee may wish to consider in its oversight of Gulf Coast rebuilding.

www.gao.gov/cgi-bin/getrpt?GAO-07-574T.

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

GULF COAST REBUILDING

Preliminary Observations on Progress to Date and Challenges for the Future

What GAO Found

While the federal government has provided billions of dollars in assistance to the Gulf Coast, a substantial portion was directed to short-term needs, leaving a smaller portion for longer-term rebuilding. It may be useful to view this assistance in the context of the costs of damages incurred by the region and the resources necessary to rebuild. Some damage estimates have put capital losses at a range of \$70 billion to over \$150 billion, while the State of Louisiana estimated that the economic impact on its state alone could reach \$200 billion. Such estimates raise important questions regarding additional assistance that will be needed to help the Gulf Coast rebuild in the future.

To date, the federal government has provided long-term rebuilding assistance to the Gulf Coast through 2 key programs, which follow different funding models. The Federal Emergency Management Agency's public assistance program provides public infrastructure funding for specific projects that meet program eligibility requirements. HUD's CDBG program, on the other hand, provides funding for neighborhood revitalization and housing rehabilitation activities, affording states broad discretion and flexibility. To date, the affected states have received \$16.7 billion in CDBG funding from supplemental appropriations—so far, the largest share of funding targeted to rebuilding.

With the vast number of homes that sustained damage in Louisiana and Mississippi, each state allocated the bulk of its CDBG funds to homeowner assistance. Louisiana developed an assistance program to encourage homeowners to return to Louisiana and begin rebuilding while Mississippi developed a program to target homeowners who suffered losses due to Katrina's storm surge that were not covered by insurance. As of March 28, 2007, Louisiana has awarded 4,808 grants to homeowners with an average award amount of \$74,250. Mississippi has awarded 11,894 grants with an average award amount of \$69,669.

Restoring the region's housing and infrastructure is taking place in the context of broader planning and coordination activities. In Louisiana and Mississippi, state and local governments are engaged in both short- and long-term planning efforts. Further, the President established a position within the Department of Homeland Security to coordinate and support rebuilding activities at the federal, state, and local levels.

As states and localities begin to develop plans for rebuilding, there are difficult policy decisions Congress will need to make about the federal government's contribution to the rebuilding effort and the role it might play over the long-term in an era of competing priorities. Based on our work, we raise a number of questions the Subcommittee may wish to consider in its oversight of Gulf Coast rebuilding. Such questions relate to the costs for rebuilding the Gulf Coast—including the federal government's share, the effectiveness of current funding delivery mechanisms, and the federal government's efforts to leverage the public investment in rebuilding.