

HURRICANE KATRINA: *FUNDING RECOVERY*



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A report from the Performance Audit Division
Report #110
November 30, 2006

www.osa.state.ms.us



INTRODUCTION

Many have said that Hurricane Katrina was the costliest and most devastating natural disaster in the history of the United States. To that end, the President and Congress have provided unprecedented financial assistance to our state, and to those around us.

The Performance Audit Division of the Office of the State Auditor (OSA) undertook the task of compiling a “snapshot” of the recovery funds flowing into Mississippi after Hurricane Katrina. As of June 30, 2006, FEMA alone had sent \$627,487,469.34 to Mississippi to help with recovery efforts. That amount has increased to \$898,611,872.54 as of November 22, 2006. Millions more of needed assistance funds are still coming in to help rebuild affected areas of the state. Governor Barbour noted in his recently released FY 2008 budget request that “despite the loss of 70,000 jobs because of Hurricane Katrina, there are some 25,000 more people working in Mississippi.”

To date, Mississippi has
already drawn down more than
\$22 billion for Hurricane
Katrina recovery efforts

As part of this project, the Performance Audit Division conducted a statewide survey of cities, counties, community colleges, school districts, universities, and state agencies to determine how much money they were receiving. Our survey results showed (as of June 30, 2006):

- \$1,177,893,041.14 in federal/state funds had been received by government entities responding to the survey.¹ This amount has significantly increased over the last six months.
- \$95,821,872.77 was reported as received insurance proceeds by those responding to the survey.²

While this report focuses on funds coming into Mississippi to aid local and state government in reconstruction and recovery, we would be remiss for not mentioning and acknowledging the tremendous generosity of private citizens and organizations from all over the nation who donated time, money, and materials to help Mississippians.

This report is one of several projects related to post-Katrina issues in Mississippi. In addition to several other recovery tactics, Governor Barbour created a Commission on Recovery, Rebuilding and Renewal. This commission was designed to explore the range of options and recommend approaches that would restore what was lost on the Gulf Coast region. They maintain a website of information and provide updates regarding all aspects of the State’s recovery efforts. They work closely with many organizations throughout the State. Their most recent report can be found online at: www.governorbarbour.com/recovery.

¹ This includes FEMA funds.

² No school districts reported receiving any insurance proceeds.



Joint Committee on Performance Evaluation and Expenditure Review (PEER) Report #487 “The Impact of Hurricane Katrina on Mississippi’s Commercial Public Ports and Opportunities for Expansion of the Ports,” was released June 20, 2006 and is available on the PEER website: www.peer.state.ms.us. Another report, being compiled by the John C. Stennis Institute of Government at Mississippi State University, will evaluate state-level policy and legislative issues faced by first responders during and immediately after Hurricane Katrina and will offer recommendations for improvements in future disaster planning and response.

As a snapshot of recovery funds flowing into the State for the first year following the disaster, this report provides a clear picture of where money is coming from and where it is going.

FINANCIAL EFFECTS

Before Hurricane Katrina, the State’s economy was stable and growing. Tax revenues increased by approximately 7 percent in FY 2005, and for the first time since 1987, the state retired more debt than it issued.³ In contrast, because of this extraordinary disaster, FY 2006 was expected to show a decrease in personal income and sale tax receipts, ad valorem taxes, gaming taxes, and other revenues. In addition, because of the significant housing, business, and infrastructure damage along the Gulf Coast, the structural deficit created by already aging infrastructure was expected to increase resulting in possible tax increases. The Governor, Legislative leaders and others in state government came together to plan the best course of action and limit the potentially catastrophic financial damage to taxpayers; however, to date Mississippi revenue growth “has surpassed even our most optimistic expectations.”⁴ It appears that the Legislature will have more than \$190 million above original projections for FY 2007 and might have as much as \$250 million more than expected for FY 2008 through increased State revenues. According to recent reports from the Treasurer’s Office, all areas of tax collection are higher than previously projected.

Governor Barbour detailed the following in his FY 2008 budget request:

When the Bush Administration and Congress made \$368 million available to us for Medicaid expenses, instead of having to use these funds to dig out of a state budget hole, we were able to set aside \$268 million into a Hurricane Disaster Reserve Fund to pay for the state’s share of removing debris, rebuilding public infrastructure, schools, and individual assistance. To date, Mississippi has paid more than \$100 million in state match funds to the federal government for Katrina expenses. In addition, the state has provided approximately \$18 million of direct grants to cash-strapped Gulf Coast local governments so they could maintain essential services such as fire and police protection.

FUNDING FOR GOVERNMENTS

In the aftermath of Hurricane Katrina, all levels of government stepped up to provide assistance to state agencies, counties, schools, universities, community colleges, and municipalities. As expected, federal funding has been the chief aid in the recovery and rebuilding effort. As of August 2006, Mississippi had already drawn down \$22 billion from all federal funding sources.⁵

³ Reeves, Tate; Financial State of the State; September 22, 2005.

⁴ Reeves, Tate; Revenue Estimating Committee Press Release; October 31, 2006

⁵ Office of Haley Barbour. *One Year After Katrina Progress Report on Recovery, Rebuilding, and Renewal*; 29 August 2006, p14



Funding Resources⁶

Much of the federal assistance flowing into the State has come through the Federal Emergency Management Agency (FEMA). The Mississippi Emergency Management Agency (MEMA) has handled the state-level responsibilities of fund disbursements. Governments which have had natural or other disasters devastate their communities have various types of funds available for such as the FEMA Public Assistance Grant Program that allows them to respond to disasters, recover from impact and minimize the financial effect of future disasters.

The Public Assistance Grant Program is divided into seven categories of eligibility:

- Category A - Debris removal
- Category B - Emergency protective measures
- Category C - Road systems and bridges
- Category D - Water control facilities
- Category E - Public buildings and contents
- Category F - Public utilities
- Category G - Parks, recreational and other

FEMA also has the Community Disaster Loan Program to provide operational funding for local governments that have incurred a significant loss in revenue, due to a presidential declaration of disaster. As of August 4, 2006, federal assistance to Mississippi since Hurricane Katrina has been distributed through the following programs:⁷

\$1.3 billion to individuals and families:

- 216,386 individuals and families received housing assistance totaling nearly \$846 million
- 133,980 Mississippi Katrina survivors received \$412 million in other needs assistance.

\$1.1 billion was approved by Federal Emergency Management Agency (FEMA) for the following Public Assistance (not including debris removal).

- \$320 million for emergency protective measures;
- \$397 million to repair public facilities;
- \$299 million to restore public utilities;
- \$56 million to restore public recreational facilities, such as state parks;
- \$30 million to repair roads and bridges; and
- \$1.7 million to repair water control devices, such as reservoirs and irrigation channels.

About \$1.3 billion has been approved for land based debris removal, as of November 22 2006:

- Nearly 45 million cubic yards of debris has been removed from public and private property
- Land based debris removal was 96.2 percent complete.

⁶ More information is available at www.governorbarbour.com/recovery/issues/government/ or on the FEMA website at www.fema.gov/assistance/index.shtml

⁷ Office of Haley Barbour. *One Year After Katrina Progress Report on Recovery, Rebuilding, and Renewal*; 29 August 2006; Federal Emergency Management Agency. *Hurricane Katrina Recovery Update: Week 48*. www.fema.gov/news/newsrelease.fema?id=2857, 4, Aug 2006.



Other assistance:

- More than \$2.5 billion was paid by FEMA through its National Flood Insurance Program (NFIP) to more than 17,122 policy holders.
- Nearly \$3.2 billion was paid by FEMA to other federal agencies to complete specific tasks or mission assignments during response and recovery such as emergency medical assistance and debris removal.
- More than 90,000 people are housed temporarily in 32,275 FEMA-provided travel trailers and mobile homes, including 3,544 units compliant with the Americans with Disabilities Act.

In addition, **\$2.5 billion in U.S. Small Business Administration (SBA)** loans have been approved for Mississippians:

- \$2.1 billion in loans to 31,037 homeowners and renters;
- \$526 million to 4,324 businesses;
- \$18.8 million to 327 small business owners for working capital.

Additional Federal Appropriations

Soon after Katrina, the U.S Congress and the President approved appropriations of \$60 billion to fund the Federal Disaster Relief Fund, the account FEMA uses to fund Stafford Act activities as required by federal law.⁸ FEMA's Disaster Relief fund is a major source of federal disaster recovery assistance for state and local governments when a disaster occurs. FEMA's Disaster Relief Fund supports a wide range of programs providing grants to assist state and local governments and certain nonprofit organizations.

As of June 30, 2006 federal appropriations and/or allocations specifically for Mississippi included:⁹

- \$5.058 billion of Community Development Block Grants (CDBG) was allocated from the U.S. Department of Housing and Urban Development (HUD), to be administered by Mississippi Development Authority, primarily for the Homeowners Assistance Program.
- \$300 million was appropriated from the U.S. Congress for K-12 education Hurricane Katrina recovery efforts. The money comes in three streams of funding: (1) restart money totaling \$222 million; (2) displaced students' money totaling \$80 million; and (3) homeless students' money totaling \$700,000.
- \$95 million for higher education was appropriated directly to the Institutions of Higher Learning (IHL) Board for both community colleges and universities. This is a direct federal government appropriation utilizing the pre-existing Leveraging Educational Assistance Partnership (LEAP) Scholarship Program.
- \$58.25 million in grant funding was awarded from the U.S. Department of Justice in an effort to aid local and state law enforcement entities with re-establishing their agencies to a pre-Katrina level of public safety. The funding can be used to replace lost or damaged equipment, or can be

⁸ Mississippi Governor Haley Barbour. *Information Relating to the Federal Appropriations for Katrina Recovery*. <<http://www.governorbarbour.com/recovery/news/2006/jan/information.html>, 30 Jan 2006.

⁹ See Footnote 8.



used to augment public safety by placing citizens in a safer, more secure level of public safety in preparation for future disasters.

- \$128.4 million was awarded from the U.S. Department of Health and Human Services in Social Services Block Grant. The funds can be used for health services, mental health services, and for the repair, renovation, and construction of health and mental health facilities. The funds will also support operations of the Mississippi Department of Human Service, the Mississippi Department of Health, the Mississippi Department of Mental Health, and potentially other state agencies.
- \$95 million from the U.S. Department of Labor in National Emergency Grants to Mississippi Department of Labor to provide training capacity and direct training in skills needed in the rebuilding effort, temporary employment for individuals, and workforce training for new and expanding businesses.
- \$25.1 million in supplemental funding was received by the Mississippi Department of Mental Health from the Substance Abuse and Mental Health Services Administration (SAMHSA), which is a division of the U.S. Department of Health and Human Services.
- Approximately \$740 million has been made available from the Federal Highway Administration’s Emergency Relief Program. These funds will pay for reconstruction of federal highways in Mississippi, such as Highway 90 and Interstate 10.
- \$160 million was appropriated to the U.S. Army Corps of Engineers for Coastal restoration: \$10 million to conduct an analysis and design for “comprehensive improvements or modifications to existing improvements in the coastal area in the interest of hurricane and storm damage reduction, prevention of saltwater intrusion, preservation of fish and wildlife, prevention of erosion, and other related water resource purposes at full Federal expense;” \$75 million for enhancing estuarine habitats in Mississippi; and \$75 million to accelerate completion of authorized projects in the State of Mississippi along the Gulf Coast.
- Other appropriations allocate funding to repair vital federal facilities in Mississippi including:
 - \$292.5 million for repair and renovation of the VA hospital in Biloxi;
 - \$45 million for the Armed Forces Retirement Home in Gulfport;
 - \$277.2 million for the U.S. Navy to help rebuild the Seabee base in Gulfport and the Stennis Space Center;
 - \$43.4 million to help rebuild Keesler Air Force Base;
 - \$45 million for the Keesler Medical Center;
 - \$82.8 million for new Navy housing in the Gulfport/Stennis region;
 - \$324.8 million for housing at Keesler Air Force Base; and
 - \$48.9 million for Navy housing at the Naval Air Station Meridian and at the Seabee base.
- The Deficit Reduction Act of 2005, S. 1932, provides \$2 billion to Medicaid programs for eligible states affected by Katrina. However, at this time, Mississippi has not been informed how the program will be administered or how the funds will be allocated.



Performance Audit Division Survey of Mississippi Government

In an effort to determine the total amount of support the State of Mississippi received for Hurricane Katrina relief and/or recovery, OSA surveyed various governmental entities throughout the state. The survey focused on *how much* state and federal funding *each entity has requested or is receiving* for Hurricane Katrina recovery efforts. Questions were designed to assess respondents’ various types of funding. The survey was conducted from mid-May 2006 through late June 2006 using a standardized format that was independently reviewed for consistency and clarity prior to its dissemination.

Prior to mailing the surveys, interviews were set up with some of the state’s larger agencies, counties, municipalities, and universities to explain the purpose of the survey, the date the survey was to be submitted to the various entities, and to gain input and/or suggestions regarding the format and terminology used in the survey. Following the interviews, surveys were mailed to participants two weeks later. The survey package included a cover letter that again explained the scope and purpose of the review, a definitions page, worksheets that allowed for reporting state and federal funding separately, and a postage paid envelope for survey returns. Recipients were given approximately two weeks to complete and return the surveys. On the day following the survey deadline, follow-up calls were made to recipients who had not responded.

Surveys were sent to 88 state agencies, boards, and commissions; 9 universities; 15 community and junior colleges; 152 school districts; 82 counties; and 291 municipalities. Of the 637 surveys that were sent out, 549 were completed and returned. As shown in Table 1, this was an 86 percent overall response rate. Surveys sent to state agencies, universities, and community and junior colleges had the highest response rate of 100 percent.

Table 1: Survey Responses

Entity Group	Total surveyed	“Yes” Responses (requested/ received funds)	“No” Responses (did not request/ receive funds)	% of Surveys Returned	Did not Respond	% Did Not Respond
State Agencies	88	55	33	100%	0	0%
Universities	9	9	0	100%	0	0%
Community & Junior Colleges	15	13	2	100%	0	0%
School Districts	152	110	25	89%	17	11%
Counties	82	55	7	76%	20	24%
Municipalities	291	161	79	82%	51	18%
	637	403	146	86%	88	14%

The following table (Table 2) shows the total amount of state and federal funds received, requested, and expended, as reported by each entity surveyed. It also shows any insurance proceeds received for Katrina-related damages as reported by survey respondents.

**Table 2: Survey Responses—Katrina Funds Requested, Received, & Expended as of June 30, 2006[†]**

Entity Group	Total Amount of Funds Received (all sources)	Total Amount of Funds Requested (all sources)	Total Amount of Funds Expended	Insurance Proceeds
State Agencies	\$595,619,211.49	\$1,417,325,666.75	\$132,232,001.43	\$42,621,432.31
Universities	\$20,243,859.37	\$59,395,741.20	\$44,023,277.56	\$7,522,000.00
Community Colleges	\$40,203,302.15	\$39,743,116.41	\$25,663,467.37	\$19,820,718.41
School Districts*	\$75,191,641.81	\$95,491,900.69	\$151,188,762.01	\$0.00
Counties**	\$325,928,720.73	\$201,598,540.77	\$192,839,540.80	\$10,149,420.19
Municipalities***	\$120,706,305.59	\$322,195,331.36	\$149,449,368.22	\$15,708,301.86
Total	\$1,177,893,041.14	\$2,135,750,297.18	\$695,396,417.39	\$95,821,872.77

[†]The funding amounts are self-reported and unaudited.

*These amounts do not include Biloxi, Jackson, Long Beach, Madison County, Moss Point, Pass Christian, and several other public school districts. No school districts reported any insurance proceeds. (See Appendix)

**These amounts do not include Hancock County and other various other counties. (See Appendix)

***These amounts do not include Biloxi, Pass Christian, Ridgeland, Waveland, and other small municipalities. (See Appendix)

Federal Laws Enacted Related to Hurricane Katrina Recovery Funding

In an effort to return some normalcy to Hurricane Katrina victims, the federal government has established several disaster assistance laws. These laws were structured to offer tax relief, flexibility for displaced workers, provide assistance for needy families, and to assist individuals with disabilities.

New federal laws established to assist Hurricane Katrina victims are as follows:¹⁰

- **Hurricane Katrina Tax Relief Act of 2005 Becomes Law, P.L. 109-73** - On September 23, 2005, when President Bush signed H.R. 3768, the Katrina Emergency Tax Relief Act of 2005. This law focuses on immediate tax relief to Hurricane Katrina victims and aims to spur commercial investment through corporate and other tax provisions. It also includes several provisions designed to assist lower-income families such as modifying the Work Opportunity Tax Credit and the Earned Income Tax Credit (EITC). It creates a new category of individuals, known as, “Hurricane Katrina Employees,” under the tax credit that presently includes residents of empowerment zones, TANF-eligible families, high-risk youth, veterans, Supplemental Security Income beneficiaries, and vocational rehabilitation referrals. It allows the credit to any employee from the core disaster area who is hired by an employer located in the core disaster area within a two-year period starting August 28, 2005. A shorter-term category was also created for any individual who was living in the core disaster area who is hired before the end of this year, regardless of location of the employer. The law also gives the Department of the Treasury authority to ensure taxpayers do not lose deductions, credits, or filing status because of dislocations from Hurricane Katrina. It allows low-income working families an election to use prior-year income for the EITC and the child tax credit.
- **Flexibility for Displaced Workers Act Signed into Law, P.L. 109-68** - On September 23, 2005, President Bush signed H.R. 3761 into law as P.L. 109-72. Rep. Charles Boustany (R-La.) introduced the Flexibility for Displaced Workers Act. It will help displaced Gulf Coast workers

¹⁰ American Public Human Service Association. *Updated Information on Hurricane Katrina and Rita Disaster Policies and Assistance*. [www.aphsa.org/katrina/disasterpolicy9-30-05.asp/Page not available/04 Aug 2006](http://www.aphsa.org/katrina/disasterpolicy9-30-05.asp/Page%20not%20available/04%20Aug%202006).



seeking employment and training through the U.S. Department of Labor's National Emergency Grant (NEG) program. It gives additional flexibility under the NEG to provide temporary disaster relief and employment and training help to victims in the Gulf Coast region. DOL has issued \$191 million in emergency grants to states, and there are no additional resources authorized under the law. It does make NEG funds available to displaced workers for employment projects outside the designated Hurricane Katrina disaster area. It requires the Secretary of Labor to give priority to states in which areas have suffered a major disaster and in the remaining states that have been most heavily affected. It allows NEG funds to be used to provide displaced workers with public sector jobs for up to six months; expands NEG eligibility to displaced individuals unemployed at the time of the disaster, as well as those with no prior work history; and authorizes NEG payments to Gulf Coast residents not eligible for unemployment compensation or whose unemployment compensation has expired and who are participating in re-employment activities.

- **TANF Emergency Response and Recovery Act Becomes Law, P.L. 109-68** - On September 21, 2005, when President Bush signed H.R. 3672 into law as P.L. 109-68. The legislation allows states to use TANF funds for any fiscal year to provide any benefits or services under the state program to families affected by Hurricane Katrina. It also allows states serving evacuees with short-term emergency assistance to draw from the TANF contingency fund. States would not be required to pay a match or meet the 100 percent maintenance-of-effort (MOE) requirement to access the contingency fund. For states to qualify for reimbursement for payment of these short-term cash benefits to evacuees, the evacuee may not be receiving cash benefits from his or her home state. It also provides grants for up to a 20 percent increase in TANF funds for Mississippi, Alabama, and Louisiana. Certain requirements and penalties associated with TANF time limits and work requirements for the three affected states would be waived.
- **The Assistance for Individuals with Disabilities Affected by Hurricanes Katrina and Rita Act of 2005** - President Bush signed H.R. 3864, a bill introduced by Rep. Charles Boustany (R-La.) into law on September 30, 2005. The bill aims to provide vocational rehabilitation services to individuals with disabilities affected by Hurricane Katrina and Hurricane Rita. Specific provisions include the reallocation of Rehabilitation Act funds to give preference to affected state and proposal of a waiver of non-federal share requirements to enable individuals with disabilities to participate in reconstruction and other disaster assistance activities.

In the future, Congress and the President may act on pending bills that may continue to aid Mississippi's recovery efforts.



Conclusion

Mississippi's State and Local leaders should be commended for coming together and working to provide the vision and leadership needed to rebuild this state. Hurricane Katrina was one of the most devastating disasters in the history of the United States. The cost to rebuild Mississippi will not be fully known for many years to come, but OSA set out to create a snapshot of the funds Mississippi has received for relief and/or recovery by reporting what various governmental entities are receiving to rebuild. The information gathered for this report can be used to better understand the financial process of recovery faced by Mississippi governments.

While OSA compiled this report, other entities have also been working on specific areas of Katrina-related issues. One such project stemmed from House Bill 1324 (2006 regular session), which was enacted to require the John C. Stennis Institute of Government at Mississippi State University to conduct a study of the legislative and policy issues that first responders faced during and after Hurricane Katrina. The Governor's Commission on Recovery, Rebuilding, and Renewal and others are also tracking and reporting on various issues related to Hurricane Katrina. All of this information is valuable for future planning so that Mississippi is even more prepared for what may happen in the future.

The devastation can still be seen and while it will take several years to regain the stability we knew before Katrina, Mississippi is certainly on the road to recovery. All of these combined efforts will help map the progress of the State's physical and financial recovery from this great disaster.



Appendix:

Entities That Did Not Respond to the OSA Survey

This Appendix also includes a separate list showing FEMA reported funds provided to any of the entities which did not respond to the OSA survey, but that did receive FEMA funds. It does not include any other federal, insurance, or State funds that would have been reported in the survey.



Entities That Did Not Respond to the OSA Survey

Some on this list did not respond because they were not requesting or receiving any money from the state or federal government. Still others reported being unable to respond due to the devastation or loss of qualified personnel related to the hurricane.

Counties

- Clay
- Covington
- George
- Greene
- Hancock
- Humphreys
- Lafayette
- Lamar
- Monroe
- Montgomery
- Oktibbeha
- Panola
- Pike
- Pontotoc
- Tallahatchie
- Tunica
- Walthall
- Wilkinson
- Yalobusha

School Districts

- Baldwin
- Biloxi
- East Tallahatchie
- Forest County AHS
- Hazlehurst City
- Indianola
- Itawamba County
- Jackson Public

- Long Beach
- Madison
- Moss Point
- North Bolivar
- Oxford-Lafayette
- Pass Christain
- Perry County
- Walthall
- West Tallahatchie

Municipalities

- Anguilla
- Arcola
- Beauregard
- Biloxi
- Brooksville
- Columbus
- Como
- Crawford
- Crowder
- Cruger
- Drew
- Ethel
- Fayette
- Flora
- French Camp
- Hernando
- Laurel
- Louise
- Lumberton

- Maben
- Magee
- Mantee
- Mathiston
- Metcalfe
- Mize
- Montrose
- Morgan City
- Oakland
- Polkville
- Potts Camp
- Raleigh
- Ridgeland
- Rolling Fork
- Sandersville
- Sebastopal
- Sidon
- Silver City
- Silver Creek
- Starkville
- Stone Wall
- Taylor
- Tchula
- Terry
- Toccopola
- Waveland
- Weir
- Wesson
- Wiggins



The following list shows entities which have received FEMA funds (as of November 22, 2006), but who did not respond to the OSA Survey:

Counties

Clay
Covington
George
Greene
Hancock
Humphreys
Lafayette
Lamar
Monroe
Montgomery

Oktibbeha
Panola
Pike
Tallahatchie
Tunica
Walthall
Wilkinson

**Total FEMA Funds to Listed Counties:
\$30,098,840.66**

School Districts

Biloxi
East Tallahatchie
Forest County AHS
Hazlehurst City
Jackson Public
Long Beach
Madison

Moss Point
Pass Christian
Perry County
Walthall

**Total FEMA Funds to Listed School Districts:
\$17,523,944.35**

Municipalities

Arcola
Biloxi
Columbus
Crawford
Cruger
Drew
Ethel
Flora
French Camp
Hernando
Laurel
Lumberton
Magee
Mathiston
Metcalf
Mize
Montrose

Polkville
Raleigh
Ridgeland
Rolling Fork
Sandersville
Sidon
Silver Creek
Starkville
Stonewall
Tchula
Waveland
Weir
Wesson
Wiggins

**Total FEMA Funds to Listed Municipalities:
\$78,348,273.61**