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**TESTIMONY
BEFORE THE**

**HOUSE TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEE ON ECONOMIC
DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT**

ON

FIVE YEARS AFTER KATRINA:

**WHERE WE ARE AND WHAT WE HAVE LEARNED FOR FUTURE
DISASTERS**

THE UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 22, 2010

INTRODUCTION

Thank you Chairwoman Norton, Ranking Member Diaz-Balart, and distinguished members of the Committee for allowing me the opportunity to provide you with a statement for the record on Mississippi's progress in rebuilding communities after Hurricane Katrina five years ago. I am Mike Womack, the Director of the Mississippi Emergency Management Agency. My tenure with MEMA began in 2002 and I served as Director of Response and Recovery and Deputy Director, leading up to my appointment as the Director in December 2006. I bring more than 29 years of experience in active and reserve military service, retiring in June 2001 as a Lieutenant Colonel from the Mississippi Army National Guard with an extensive operations management background..

Five years ago, Hurricane Katrina made landfall on the Mississippi Gulf Coast, tearing apart homes, business, and our communities. Nothing was left untouched, including our schools, police and fire stations, city halls, libraries, hospitals, roads, and utilities. While it seemed nearly impossible at the time, I am proud to be here today to tell you about the extraordinary progress that our communities and citizens have made in rebuilding. Virtually all projects are underway, while some are in the final stages of planning and design, others are now complete. With each ribbon cutting that I attend, I am reminded of where we've been, and how far we have come. Mississippi's tremendous recovery progress would not have been possible without the strong partnership from the federal government.

While I understand that this hearing will primarily focus on the Public Assistance program, first I would first like to provide a brief update on the current status of our housing and mitigation efforts.

HOUSING

We have worked closely with our FEMA partners to transition the remaining travel trailer occupants to more permanent housing solutions. As of September 1, 2010, 171 households remain in FEMA temporary housing units, down from more than 45,000.

MEMA has also used its \$281 million grant from FEMA for the Mississippi Alternative Housing Program, to construct and install Mississippi Cottages as an alternative to those living in FEMA disaster housing. The units were designed to be safer, more durable, more comfortable, and more aesthetically pleasing than FEMA temporary housing. All units offer a front porch and larger bathroom and living areas, and were designed to reflect traditional Gulf Coast architecture. Built to the highest standards of the International Residential Code and HUD Code, these units have a dual certification that allow them to be set anywhere in the country and moved from place to place. At the peak of the program, more than 2,800 units were installed and occupied in Hancock, Harrison, Jackson, and Pearl River counties.

Thanks to the approval of local jurisdictions many of these units will be allowed to stay where they are as permanent residences. As of September, 1, 2010 more than 700 households have purchased their cottage. For the cottages returned to MEMA, we have accepted proposals from nonprofits to use the cottages in housing developments for low and moderate-income households. Approximately 430 cottages have been awarded to nonprofits thus far.

The state and FEMA have learned from our Alternative Housing Program for future post-disaster housing initiatives. In April 2010, parts of Central and North Mississippi were struck with a series of deadly tornadoes resulting in a federal declaration. During that disaster, the Mississippi Cottages were used in conjunction with FEMA temporary housing units.

FEMA disaster-housing units were used for families who would be able to repair their homes. For those families who would be unable to make repairs or rebuild their homes, they were allowed to purchase a cottage unit as a permanent housing solution. Due to the working relationship between the state and FEMA, disaster survivors were able to register for assistance through FEMA and go through a vetting process to determine which housing option would be best for each family.

This was made possible because FEMA revised policy to allow Individuals & Household Program grant funds to assist these families in affording a cottage unit, or any ancillary work that needed to be done such as debris removal, access onto property or repair and/or replacement of damaged wells or septic systems. There are now 40 families in Central Mississippi who were able to accept a Mississippi Cottage as their permanent residence due to this policy change.

We do recognize that in a catastrophic event, there is still a need to get short-term, temporary housing such as FEMA's travel trailers on the streets quickly and then use other alternative housing solutions such as cottages to help aid the recovery process for communities. Options like the Mississippi Cottage could be used in conjunction with FEMA units, or as an exception to FEMA providing larger mobile home units.

MITIGATION

Mississippi is using its \$293 million in FEMA Hazard Mitigation Grant Program funding to help communities build back stronger and lessen future disaster damages. We are grateful to Congress for recently including language in the 2010 Supplemental Appropriations Act bill (HR 4877, Public Law 111-212) directing FEMA to consider the match requirement for Hurricane Katrina's HMGP funds to have been met. Mississippi's CDBG-funded homeowner assistance program served as a global match for the HMGP, and the recent legislation helped to eliminate some overly bureaucratic and burdensome documentation requirements. Through the HMGP, Mississippi is implementing a variety of projects and measures to protect our citizens, responders, and property from future losses. Mississippi's HMGP projects include:

- Retrofitting 36 critical facilities and infrastructure to Category 5 hurricane standards and wind speeds in excess of 200 miles per hour.
- Hurricane/Tornado safe rooms to provide protection for 33,000 residents and first responders (includes 33 new facilities and upgrades to 23 existing facilities). These include three new schools that can provide shelter for 10,000.
- Construction of 88 group and 4462 single-family tornado safe rooms.
- Relocation/Acquisition of more than 300 homes and the elevation of 43 homes in flood prone areas.

- Installation of 216 storm warning sirens and 222 Alert FM warning devices throughout the state.
- Installation of back-up generators at 341 sites and the purchase of 223 trailer mounted generators.

We are appreciative of Congress’s recent assistance in helping to bring our global match negotiations with FEMA to a successful conclusion.

PUBLIC ASSISTANCE

FEMA’s Public Assistance program is one of the most significant resources available to support Mississippi’s recovery and rebuilding efforts. As the grantee, MEMA works very closely with FEMA and all of our sub-grantees to implement the PA program to repair disaster damages to our facilities and infrastructure. I appreciate the continued partnership of the entire FEMA organization, including its local recovery office, Region IV, and FEMA Headquarters as we work collectively to help Mississippi complete its recovery.

As of September, 1, 2010, nearly 70 percent of the Public Assistance funds obligated have been spent. MEMA works closely with the applicants to provide prompt reimbursements and resolve any issues affecting implementation.

Category	Obligated	Drawn Down	Balance	% Paid
A- Debris Removal	\$718,021,216.13	\$715,516,212.12	\$2,584,885.09	99.65
B- Emergency Protective Measures	\$423,260,965.44	\$408,917,007.86	\$14,213,449.18	96.61
C- Roads and Bridges	\$92,268,974.69	\$51,133,320.68	\$40,920,971.61	55.41
D- Water Control Facilities	\$1,137,515.77	\$406,145.38	\$720,077.88	35.7
E- Buildings and Equipment	\$672,182,182.54	\$368,281,325.91	\$301,861,627.39	54.78
F- Utilities	\$904,924,085.99	\$392,274,885.77	\$510,024,635.43	43.34
G- Parks, Recreational, and Other	\$200,511,661.47	\$109,995,690.91	\$90,000,695.66	54.85
Z- State Management Costs	\$140,086,129.12	\$120,836,339.21	\$19,249,789.91	86.25
	\$3,152,392,731.15	\$2,167,360,927.84	\$979,576,132.15	68.75%

State Management of the PA Program

Given the scale of the PA program and extraordinary amount of funding involved, Mississippi has put in place one of the most efficient management systems for PA funds. The system minimizes the potential for fraud and ensures local governments keep track of the completion of and payments for their funded projects. To most effectively manage the PA program, we hired an engineering firm to make sure the scopes of work were properly determined and hired an accounting firm to ensure that finances are properly documented and minimize any potential for de-obligation of funds. The state developed a software system that automatically tracks the funds from the original project estimate, through request from reimbursement, to disbursement of funds. The software is integrated with FEMA’s and the state’s disbursement systems. The strong financial and programmatic/technical management system that we have established in Mississippi to maintain internal control is a model for other states during disaster recovery.

Based on my experience administering this program, I believe that it is critical that the federal government not limit a state's ability to create effective management systems. Unfortunately, FEMA's current Disaster Assistance Policy caps state management costs at 3.34 percent of the federal share of the projected total PA program costs. Had this policy been implemented during Hurricane Katrina recovery, Mississippi would not have been able to implement its management program. The current policy must be rescinded and states should be funded at a level that allows for effective management of this critical recovery program.

Numerous Initiatives to Support PA Implementation

Mississippi, in collaboration with our local and federal partners, has implemented a variety of initiatives to support the effective execution of the PA program. Many of these efforts have proven to be valuable lessons learned and best practices for us, and I believe have merit for FEMA and other states in future disasters as well. Some of the unique approaches that we have taken under the PA program include:

- *Integrated Project Management*- many local applicants are blending their PA project funds with other federal and state funds, including HMGP, HUD Community Development Block Grants, and State Archives and History grants. We recognized the need to bring all of the project stakeholders together to ensure transparency of funds, align reviews and deadlines, and ensure rapid decision-making. Through monthly meetings with the applicants, together with all relevant state and federal partners we facilitated timely decision-making and developed workable policies for accurate funds tracking and allocation of insurance proceeds. The participation of FEMA Recovery Office leadership and staff and support from the Regional Office was invaluable in this process.
- *Management reports and tools*- Unfortunately, FEMA's NEMIS system does not provide the level of project detail necessary for us to effectively manage PA projects through completion. So that we would have the project status information necessary to support our applicants, identify problems and delays, and track progress, the state and FEMA developed a database to capture this information. This database, in conjunction with NEMIS and our state's financial software, give MEMA the information we need to aggressively manage the program and support the applicants.
- *MEMA/FEMA tech team collaboration*- In order to accelerate reviews and decisions from the MEMA and FEMA PA technical teams, MEMA has established several new management reports, to track and age issues awaiting decision. In addition, MEMA identifies its priorities on a bi-weekly basis to the FEMA tech team so that they can organize their assignments and workloads accordingly. We have seen improved response times since instituting these new reports.
- *2010 and 5th Anniversary goals*- MEMA established programmatic and financial goals for 2010, including interim goals to coincide with the 5th anniversary of Katrina. We briefed the FEMA Recovery Office and Regional Office on our goals so that we could stay aligned and work collaboratively towards achieving them.
- *Application of FEMA's Cost Estimating Format and willingness to adjust obligations to actual estimates*- MEMA worked with FEMA to apply its CEF factors to project estimates, particularly in cases of improved projects where funding would be capped. In several cases, applicants were slow to move forward with projects because they disagreed with FEMA's original funding estimates. With the application of CEF, many projects saw

an increase in estimated costs, some significantly. Resolution of these issues has helped to put stalled projects back on track.

Appeals and Arbitrations

Though we try to broker agreements between FEMA and the applicants, disagreements are inevitable. As of September 1, 2010, we have had 145 PA issues go through the appeals process with FEMA, with 25 of those awaiting resolution.

We appreciate Congress and the Administration's efforts to establish an independent arbitration process for the PA program, and since the arbitration process began last fall, we have had nine issues go to arbitration. I have enclosed a chart detailing the cases and arbitration decisions as an appendix to my testimony. The arbitration process now in place for Katrina Public Assistance has proven effective in resolving disputes in a more expeditious and impartial manner. Going forward, I believe that some form of an independent, third party appeal or arbitration process should be established for the Public Assistance program, which may require legislative changes. Further, because the current arbitration process has resulted in several decisions that were contrary to FEMA's original decisions at the field and regional levels, we need to ensure that the flexibilities that the arbitrators have found in these cases are permanently incorporated into the PA program and its policies.

Remaining PA Challenges and Lessons Learned for Future Disasters

While I am proud of Mississippi's recovery accomplishments and appreciative of FEMA's continued partnership, there are still challenges that remain.

Trapped Funds

As our applicants execute their repair and rebuilding projects, we are at times unable to reimburse them up to the expenses that they have incurred. Because applicants are working on numerous projects simultaneously and the funding issues can sometimes take some time to resolve, their funding gaps can grow significantly. In Mississippi, we use the expression "*trapped funds*" to describe this situation. Applicants may have "*trapped funds*" when they've expended funds on the work, but we are unable to reimburse them for a variety of reasons. In some cases, PWs include the traditional scope of work, but other information about the project is included elsewhere in the PW, such as in general comments. We are working with FEMA to incorporate scope and eligibility issues from comments into the actual scope of work, to minimize the potential for de-obligations at closeout. In other cases, applicants may have trapped funds because of change orders, which need to be reviewed by the PA technical teams, and, if approved, these activities must be formally documented as PW versions. Additionally, we are seeing many applicants with trapped funds because their actual architectural and engineering costs are higher than what FEMA has approved. FEMA uses a percentage of the overall project to determine A&E estimates. Depending on the complexity of the work, such as infrastructure and hospital projects, the actual A&E costs incurred by the applicant are higher than what FEMA will allow, resulting in a funding gap. We are grateful that the Disaster Relief Fund has been replenished and FEMA is once again able to obligate funds for permanent work projects. Earlier this summer, there was more than \$75 million in project worksheets and versions that FEMA was not able to obligate, further exacerbating the trapped funds issue for some applicants.

Timely reviews and decisions

Timely reviews and decisions by FEMA regarding technical issues, change orders, extension requests, and other issues are essential in keeping our recovery projects on track. The State will continue to be aggressive with the applicants to ensure that they submit the required documentation and information so that FEMA can complete its reviews and make decisions as quickly as possible. We cannot afford to have projects stall because of pending decisions and uncertainties regarding eligibility, time extensions, or scope changes.

Changing Decisions

Looking back on the last five years, some of our most difficult challenges have been because of changing decisions throughout the PA process. Earlier on, as staff turnover was more frequent, FEMA staff were regularly questioning and changing the decisions of their predecessors. These decision changes often resulted in reducing the scope of work and eligible funds. Unfortunately, in many of these cases applicants had already expended funds and moved forward with these projects, only to be faced with costly de-obligations and stalled projects. Recovery efforts were impeded by the varying interpretations of PA projects. While we have worked hard to move beyond these issues at this point in Mississippi's recovery, I am concerned that this issue has not been resolved for the program itself, and will still be a problem in future disasters. I believe that, through law or policy, FEMA should be required to follow through on its decisions and not subsequently take money away from applicants because of internal FEMA decision changing. If FEMA's contractors are found to have made improper decisions, FEMA should hold them liable for the damages, not the applicants who acted at the direction of FEMA at the time.

OIG Oversight

FEMA has been a dedicated, hardworking and outstanding partner to the state and our local governments. Unfortunately, in several cases, they have been hampered by an oversight system that focuses on the recovery of federal funds, not the identification of and proposed solutions to problems in the FEMA recovery process. The DHS Office of Inspector General contributed greatly to ensuring that misuse of federal funds has been minimized; however, I believe that OIG should not recommend de-obligation of funds that were paid to local governments unless there was an attempt to defraud. If local governments made mistakes, either based on guidance from FEMA staff or based on their inability to get any guidance, they should not be penalized.

Special Community Disaster Loan (CDL) cancellations

Mississippi is concerned about the negative financial and operational impacts to its communities and school districts because of FEMA's recent determinations that more than 51 percent of the Special Community Disaster Loans will not be cancelled and will need to be repaid. FEMA recently notified Special CDL recipients of its initial determinations regarding cancellation of the loans. Based on the analyses of FEMA's contractor, of the \$182 million in loans provided to Mississippi applicants, \$78 million qualifies for cancellation, \$93 million must be repaid, \$9 million is still under review, and \$1 million has already been repaid. Repayment of these loans will negatively impact the long-term recovery efforts in these communities. Five years after Katrina, coupled with the current poor economic climate, our communities and school districts are struggling to make ends meet. Several communities are

now or will soon be implementing lay-offs, and yet they are expected to re-pay loans that could have been cancelled. In June 2009, Mississippi submitted comments on the proposed regulation. If those comments had been accepted, it would have provided for a more realistic basis for loan cancellation. I recommend that FEMA and Congress re-examine this issue.

PA Pilot Program

To enhance our recovery toolbox for future disasters, I would like to see FEMA re-establish the provisions of its successful Public Assistance Pilot program as permanent elements of the PA program. In accordance with the 2007 DHS Appropriations Act (Public Law 109-295), FEMA conducted a Public Assistance Pilot Program with the goals of reducing the costs to the Federal Government of providing assistance to State and local governments, increasing flexibility in grant administration, and expediting the provision of assistance to States and local governments. FEMA implemented the PA Pilot program from June 2007- December 2008. The PA Pilot program:

- Provided grants on the basis of estimates.
- Increased the Federal cost share to applicants that have a FEMA-approved debris management plan and at least two pre-qualified debris and wreckage removal contractors identified prior to a disaster.
- Allowed applicants to retain any revenue from recycling disaster debris as an incentive to recycle debris.
- Reimbursed the straight- or regular-time salaries and benefits of an applicant's permanently employed staff that performs debris-related activities.

Streamline Environmental and Historic Preservation Reviews

In my earlier testimony, I described our efforts to aggressively manage recovery projects that are funded by multiple federal funding sources. One of the most frustrating issues throughout our recovery and rebuilding efforts has been duplicative environmental and historic preservation reviews. The federal government should streamline this process by requiring only one environmental and historic preservation review per project, regardless of whether multiple federal funding sources are contributing to the project. Currently, each federal agency that is contributing funding to a project must conduct its own environmental and historic preservation reviews. This requirement is time-consuming, redundant, and had significantly delayed rebuilding efforts. The federal program with the largest funding contribution for a project should be responsible for addressing the environmental and historic preservation reviews and sharing results with other federal agencies.

CONCLUSION

I appreciate the opportunity to appear before this committee and report to you on the tremendous progress that we have made in the five years since Hurricane Katrina. While some challenges remain, I am confident that by continuing to work together with our partners at FEMA and our local communities, we will find resolution and complete our recovery and rebuilding efforts.

**APPENDIX:
MISSISSIPPI (DR-1604) HURRICANE KATRINA ARBITRATION STATUS UPDATE (AS OF 8/10/10)**

No.	Applicant Name	Summary of Request	Amount in Dispute	Amount awarded (total FEMA and CBCA)
1.	Bay-Waveland School District	Requested replacement eligibility for roofs, windows and siding across three school campuses	\$ 6,988,360.59	\$ 6,988,360.59
2.	Mississippi State Port Authority	Requested eligibility of total costs of replacement for two cold-storage warehouses according to 50% Rule/CEF	\$ 18,969,703.00	\$ 12,865,311.00
3.	Forrest County	Requested eligibility of costs required for mold remediation to public facility	\$ 202,443.34	\$ 72,136.00
4.	University of Southern Miss	Requested replacement costs for College administration building according to 50% Rule	\$ 837,395.45	\$ 837,395.45
5.	Moss Point School District	Requested replacement eligibility of school facility under FEMA regulations on feasibility/50% rule	Replacement of school	\$ 6,148,516.77 *addit. amount granted pre-CEF
6.	Mississippi Gulf Coast Community College	Requested eligibility for actual incurred costs for Category B – Emergency Protective Measures work	\$ 839,203.99	Pending settlement
7.	Pearl River Community College	Requested eligibility of replacement costs for college gymnasium according to 50% Rule	\$ 11,211,949.00	\$ 5,595,488.00
8.	Hancock County School District	Requested eligibility for replacement costs of new school buses when like kind could not be located	\$ 512,785.00	Pending decision
9.	Bay St Louis – Waveland School District	Requested eligibility for costs to construct additional fire access road for school facility as required by city fire code	\$732,327.34	Hearing to be held end of September