



## **Public Policy Forum**

### **“GulfGov” Research Findings on Katrina and Rita Hurricane Effects in Louisiana, Mississippi, and Alabama**

**Presented by**

**James C. Brandt**

***October 27, 2006***

*Richard P. Nathan:*

Today we have a speaker who I’m very much looking forward to hearing. I will tell you why. Not long ago, maybe fourteen months ago, maybe a year and a half, we learned about a special allocation that the Ford Foundation had made to conduct studies to look at the terrible problems that occurred in the Gulf with the Katrina and Rita hurricanes. In light of the kind of work we do here, fiscal studies and federalism research, we responded that we might suggest ways the Ford Foundation could do the kind of work that we feel would be important to include in their plan. That would have been September 2005, not too long after the hurricanes. That led to a discussion with people at Ford about how governments, state, local, and different types of local governments respond, and are going to be affected by, this mega-disaster that, of course, we now know a great deal about. Through the Institute and our fiscal studies, we had some knowledge of and actually had done some work that enabled us to get to know people at the Public Affairs Research Council of Louisiana. Don Boyd, who was our fiscal analyst, and now Brian Stenson, our deputy who is here today, suggested that we get in touch with today’s speaker and see if maybe we could work together.

That led to a grant from the Ford Foundation to set up what we call “GulfGov,” and we put out the first report one week before the one-year anniversary of the hurricanes. We held a

press conference in New Orleans; people from our research group came to the event. C-SPAN covered it; there was good print coverage as well. If you look at the back of our report you will find a biography of our speaker. I am, along with Jim Brandt who is our speaker today, the co-principal investigator for this study. We are a long way from the Gulf, so the key to our operations are the offices in Baton Rouge of the Public Affairs Research Council. Barbara Stubblebine works with me. I spent a lot of time there, working to help Jim Brandt and his staff to set up a network of researchers in Louisiana, Mississippi, and Alabama to study initially 22 governments, but actually more now because there are school districts that we are also currently studying. The network of field researchers, the methodology of the research we typically do, is described on page seven of the report. With Jim Brandt and others from the Public Affairs Research Council in Baton Rouge, we reached out to people at Mississippi State University and Jackson State University. The people in the network also are described and pictured in the report.

We are back in the field right now for the 18-month report, the one year and a half follow-up. Our plan is to study the sample governments every six months to find out how they're responding, what they're doing, what kind of plans they have, how far along they are, what's happening to their finances, and what's happening to their administrative structure and capability. I'm pleased with the way the work has gone and particularly proud of the work that was done in Baton Rouge by the PAR group. We plan to continue this work over time, which, as I'm sure Jim Brandt will explain, is the right way to do it.

Jim Brandt is the president and chief executive officer of the Public Affairs Research Council of Louisiana based in Baton Rouge. He's done that for seven years. Before that, for twelve years previous, he was the president and CEO of the Bureau of Governmental Research in New Orleans. So he knows the territory. He's a skilled, experienced researcher, greatly respected in the state and region for the work that he and his organization does on policy issues, many of which are similar issues to those we work on here at the Rockefeller Institute. So, Jim, this is a wonderful chance for us to hear from you.

*James C. Brandt:*

Thank you, Dr. Nathan, and thank you all for your hospitality. This is wonderful to be in Albany seeing the Rockefeller Institute. I've talked to many of you on the phone and now getting a chance to meet you in person is tremendous. It was a beautiful ride up on the train from New

York. This weather is absolutely gorgeous. I love the changing of the colors. We don't get much of a season change in Baton Rouge so this is kind of a real treat for me to be here today.

Let me start by giving a very special thank you to Dr. Nathan. He very ably described the history of this, but he left out a very important point about doing this research with the Ford Foundation. The Ford Foundation made it very clear that one of their goals was to build local capacity at the state level for public policy research. That's why we have the opportunity to partner with the Rockefeller Institute. He invited us to participate and I can say already that we have met Ford's goals. Through this experience we think that we have certainly a much greater understanding of the field research network methodology that Dr. Nathan pioneered as well as the opportunity to really do something on a national scale and to work with our research partners that Dick has mentioned in Mississippi and elsewhere in Louisiana to bring this project forward. So, from our standpoint, we think it's already achieved one of its major goals and I think I can say the same for our other local partners involved that through this opportunity and through the funding provided by the Ford Foundation. We are, in fact, going to be a much stronger research organization with greater capabilities going forward.

I'm delighted that you're all here today. We kind of worry about "Katrina Fatigue" in our area of the country. People are moving on to the next disaster and saying, "Gosh, isn't it over yet? Aren't you back to normal yet?" Unfortunately, I must say, we are not. I wish it were so but as I'll point out as we go forward, there obviously is going to be a long, long journey to recovery. This is a marathon of all marathons. We're looking at probably five to seven years, more likely a decade or more before you see recovery or return to normalcy in areas such as New Orleans, the Mississippi Gulf Coast, Cameron Parish, and so forth. Before I get into that, let me back up a little bit and tell you just a little bit about the Public Affairs Research Council, what we do, how we're different from the Rockefeller Institute, and then let me sort of lead into what it is we've learned thus far in terms of our analysis, what we think is unusual about what we're doing, then talk a little bit about what's ahead, where do we go from here, and, finally, get to your questions and comments. I would invite Dr. Nathan, at any point, to please jump in and add to or elaborate on anything I've said. I'm not real formal so if you've got questions as I go along I'm quite comfortable with that too. Please jump in and let me know.

Well, as I said, just a few words about Public Affairs Research Council. As you know, Dick has mentioned, we're based in Baton Rouge. We are a statewide organization. We are a

privately-funded, nonprofit, nonpartisan public policy research organization. Sometimes we're referred to as a think tank, sometimes a good government watchdog. We are much smaller than the Rockefeller Institute. We have a staff of about 12 full-time people and an annual budget of about a million dollars. Even at that small size, we are, I think, the largest, best-known think tank or public policy research organization in the state. We differ in the sense that, as I mentioned, all of our money comes from private sources. We are prohibited under our charter from taking money from public sources, including the state, because we were set up to be, as we are now, a fact-finding research organization designed to provide accurate, timely, objective information, which can be used in addressing the major state issues that we are facing in the state. Our sole business is research. As you might well imagine, we don't lobby; we certainly don't endorse candidates; we don't have a Political Action Committee (PAC). We strive to make government more effective, more accountable, and more efficient. In Louisiana, like other states, I think that becomes a huge challenge. We probably have more of a challenge in our state based on what you've probably heard about some of our political activities and actors but, nevertheless, it is a very challenging field to work in. We derive our funding from our membership. We are a membership organization and that means that the individuals, businesses, and corporations pay dues. We have about 3,000 members statewide that form the basis of our underlying operating support on an annual basis. We supplement that with foundation grants such as the one we're working on with the Rockefeller Institute in this case. We also have a small endowment, special event revenue, and additional funds derived from the sale of publications.

The key issues that we work on are state finances, education, both K-12 as well as higher education, health care, transparency issues, open meetings, public records access, and constitutional issues. So we do cover a fairly wide range of issues. We are part of a loosely connected national research network called the Governmental Research Association (GRA). There are about 50 to 60 organizations around the country that do similar work. We all have independent research but we do communicate as far as what we're working on and we have the ability to draw upon each other's research, surveys, and best practices.

With that background, let me turn to the topic of the day, which is closer examination of GulfGov Reports. Let me first of all provide a project overview. Then I want to tell you a little bit about some of the key findings and a few words about where we go from here. As you see from the cover, this is a study of the recovery role and capacity of states and localities damaged by the 2005 hurricanes — Katrina and Rita. This is a study to assess institutional capacity, looking at not

only institutional capacity of states and localities, but also the nonprofit sector and the business community. Our overriding question that we strive to answer is what is being done, or not being done, to improve and restore the living conditions of people affected by this disaster. Our goal is, quite simply, to provide valuable lessons and, hopefully, useful insights for dealing with future disasters in the diverse dynamic context of American federalism. More specifically, we are looking at 22 jurisdictions or, when you include school districts, 32 communities over a three-state area. You can see the wide range of communities that we're dealing with, starting on the Texas-Louisiana border with Lake Charles and Cameron Parish, all the way over on the east to Mobile, Bayou La Batre, and Gulf Shores. The range and diversity of communities we're looking at is quite incredible. At the one end, a small Vietnamese fishing village in Alabama that was hammered by Katrina, called Bayou La Batre. At the other end, we have the city of New Orleans, which prior to Katrina had a population of about 450,000. As of last week, the current population estimate was about 190,000. So you can see, obviously, a tremendous loss of population and loss of economic impact and jobs as well. Not only did we deliberately select a wide range in terms of communities to investigate but we also wanted to get a wide range of different types of governmental units. We included school districts, we included municipalities, we included parishes, which are the same as counties in Louisiana, as well as looking at the states as a whole. So it covers pretty much the entire gamut of governmental jurisdictions. We also wanted to look at the range of impact from those that were directly hit by the storm such as New Orleans, the Mississippi gulf coast, as well as communities that were out of the storm's direct impact. Those communities such as Baton Rouge, Jackson, Laurel, and Hattiesburg were where the evacuees from the coastal areas went.

As we follow these different communities and jurisdictions, we have five primary areas of interest:

1. We're looking at the economic impact, again both good and bad, and demographic shifts over time.
2. We're looking at the status of the replanning and recovery effort. How are each of these jurisdictions doing in terms of putting in place a planning process to develop a rebuilding or recovery plan?

3. We're looking at housing and the labor shortages. The lack of affordable housing is a universal problem across the board in virtually all of these communities and one of the major obstacles to economic recovery. So we're focusing on those two key areas, as well as any other obstacles to recovery that we discover as we go through this study process.
4. We're looking at the role of the nonprofit sector — both in the immediate aftermath of the storms and as part of the rebuilding process.
5. We look at the state of the states, kind of an overview of how the states as a whole are doing. I think there is a lot of interest in comparing, for example, how Mississippi is doing compared to Louisiana. We can talk more about that in a little bit.

That's kind of an overview of our scope. What's unusual or unique about this study? I don't think there is any doubt that this is the most thoroughly analyzed and studied disaster in the country's history. You may not realize it but thus far, there have been over 45 books or studies that have been published on Katrina and Rita. There have also been thousands of newspaper accounts, Pulitzer Prize-winning coverage from local newspapers as well as all the major dailies around the world, and TV documentaries and specials. Based on this coverage, there is no sign of "Katrina fatigue." Despite the fact that there is so much coverage out there, we pride ourselves on the fact that we are the only study that provides the "big picture" view. Probably 80 to 90 percent of the books or studies that have been written focus solely on New Orleans. While certainly that was the epicenter of Katrina, it is not the entire story. Most of the other studies focus on a specific topical area such as housing, mental health, or education. We think that by our providing a broad view of the 22 different jurisdictions, we are in a position to provide comparative analysis across jurisdictions and within jurisdictions. We are able to evaluate and report on what areas are doing well, what areas are lagging, and why.

*Thomas Lukas:*

I'm with the NYS Division of the Budget. I imagine that a lot of the reports and analyses focus a lot on the federal response, or lack thereof, and it seems like while you might touch upon it, your focus here is much more on the municipalities and states but not the federal response. Is that true?

*James C. Brandt:*

It is so far for our first report, but we will return to that subject in future reports and provide a much greater in-depth piece on the intergovernmental aspects of this. The federal response is a big story and we will come back and analyze it in depth. Our intent with this first report was to lay the groundwork — a baseline report on conditions across the region. So much of what had been done at that point, or not been done, was part of the blame game — who was responsible for what went wrong. We think that needs more time and analysis to sort itself out. There is still a lot of sort of spinning going on, hurricane velocity spinning, if you will, on all sides — state, local, and federal — to protect their point of view. However, we will return to this issue in the future.

The second thing that I think sets us apart from all the other studies that have been done is that we are using the field network research approach. We have established a network of 15 on-the-ground field researchers in these 22 communities. We think that by using this field network research team, collecting both qualitative and quantitative research data, we are able to present a more contextual picture. As we like to say, we can give you not only the numbers, but the story behind the numbers, and I think that's really the advantage of this field network approach. As Dr. Nathan mentioned, we do have a very talented, diverse team that we've assembled. They include representatives and academics from Louisiana State university (LSU), Southern University, Jackson State in Mississippi, Stennis Institute at Mississippi State University, and the PAR researchers. As Dr. Nathan also mentioned, Dr. Karen Rowley, the project manager based at PAR, took all these field research reports and combined them into a single report that we issued in August.

The third thing that makes our study unique and, again, I think is an advantage over the others is that this is a longitudinal study. This is designed as a three-year study. It is not simply a one-shot exposure. This first report was the culmination of about a six-week field research effort followed by about another five weeks or so of analysis, writing, and production. But, again, this is only the first phase in a series of reports that we will be doing.

Let me now turn to the first report and talk a little bit about some of the highlights.

First, we concluded that we had not one disaster, but two. The first obvious disaster, of course, was when Hurricanes Katrina and Rita made landfall. The second disaster was the

difficulty that the various levels of government had in working together to respond to this crisis — the nonexistent communications, the lack of coordination, the slow or inadequate response on all levels. What our report concludes is that the second disaster was and remains the more dangerous of the two disasters. Why? Because this inability to work well together, in our view, has spilled over into the long-term recovery efforts. The impact of that in turn could be haphazard rebuilding of the devastated communities, the repetition of mistakes, the exclusion of some segments of the community in the rebuilding process and, most importantly, the loss of a rare opportunity to reshape the region for the better.

Second, we concluded that this storm was so massive and had such a wide geographic impact that it did, in effect, create “hurricane economies.” Let me just put this in scale for you. Unless you’ve been on the ground you really don’t have an appreciation of how large an area this storm impacted. For Hurricane Katrina, about 90,000 square miles was to some degree impacted by the storm. That’s the size of Great Britain. In New Orleans, 80 percent of the city flooded. That’s an area as large as seven Manhattans combined. About 1.3 million people were displaced as a result of the storm. Typically, people who lived in New Orleans or along the coast have been through evacuations time after time after time. The typical evacuation is you pick up and you go inland for a day or so, then you come back and everything proceeds pretty much as normal. Obviously, this evacuation was different. The evacuation was for months, not days. The cities in which evacuees were taken in are still reeling from the influx of people. Overnight, the city of Baton Rouge became the largest city in the state; it still is today and it will likely be the largest for the foreseeable future. And other communities further inland tremendously benefited from the long-stay evacuation in those communities. As we pointed out, what Hurricane Katrina and Rita took away from the coastal areas they gave in abundance to communities further inland. We have booming economies, not only in Baton Rouge but also in Jackson, Hattiesburg, Laurel, and St. Tammany Parish, which is a north-shore suburb of New Orleans. All these areas experienced increased sales tax revenues, additional user fees, more jobs, and businesses. The uncertain thing is how long the boom will last.

I should point out that the economic boom is not all good news for these communities. There has been considerable strain, as you might expect, on social services and housing in the communities. For example, homelessness in Baton Rouge is up five times over what it was pre-Katrina. All of the boom communities are also struggling with much higher building costs. Building costs have shot up about 30 to 40 percent. The larger population also put a considerable

strain on the transportation network. We got used to living with gridlock in Baton Rouge. While it is somewhat better now, the transportation infrastructure was inadequate. Housing shortages have led to incredibly increased costs throughout the Gulf Coast. Not only in New Orleans, but in Baton Rouge where the occupancy rate for rental units is still about 99 percent.



At the opposite end of the spectrum, certainly areas in the direct path of the storm, such as New Orleans, the Mississippi Gulf Coast, Biloxi, Gulfport, and St. Bernard, progress is a lot more difficult to see. The rebuilding effort in many respects is just now getting underway. As I said, it's likely to take a decade or more in many of these areas. New Orleans, sadly, lags far behind the

other jurisdictions that we included in our study. I'm disappointed to report that 14 months later, the city still has no plan for recovery. That to me is incredible. The current timetable calls for such a plan to be developed and considered by the city council in January of next year. If approved at that level it will then be forwarded to the state for review. In the interim, that means that many are still on hold in New Orleans, still waiting for direction on rebuilding. Will my neighborhood be rebuilt? At what level? What city services will be provided? Will I be able to get insurance? And as a result of so many unanswered questions, the city is essentially stuck in limbo. There is also a great deal of concern and questions about the levees. When will they be rebuilt? Will they, in fact, hold? The failure of the levees is the big untold story of this disaster. So much of the damage was not directly from the storm but from the failure of the levees. The levees that broke, there weren't just one or two. There were over 20 different levee breaks in various areas of the city. It was determined that these failures were a result of design flaws and construction flaws. The levees did not fail because of the force of the storm. That's why there is so much distrust now of the Corps of Engineers and the local levee boards.

I took a helicopter tour last week of areas of the Gulf Coast and an extensive tour of neighborhoods within New Orleans. It is clear that the pace of recovery is excruciatingly slow. While the cars have finally been picked up and most of the debris has been removed, vast neighborhoods and areas of the city are still totally deserted. For example, the Lower Ninth Ward

neighborhood was home to 20,000 people. Right now in the Lower Ninth Ward, there are less than 250 people living in that area. The city itself, as I mentioned, has lost over half of its population and over 120,000 jobs. The most optimistic economic forecast is that in two to three years, New Orleans will be back to the 1978 level of jobs. Hopefully, that will give you an idea of how far down the city has gone and how far back it must come. Keep in mind that there are still about 70,000 people living in trailers in New Orleans. The city is relying on loans, about \$400 million in loans to provide meager, and I say meager, city services. The National Guard is still on duty trying to help local police protect the citizens of the area. Unfortunately, crime has come back. That is a major concern.

I think this view of New Orleans must be accentuated by the fact that the city of New Orleans was not a healthy city before the storm. Its slow growth economy was over-dependent on tourism. It had high levels of poverty, high crime rates, poor schools, and continued out-migration of its population. Unfortunately, these factors will contribute to the difficult challenge of recovery and rebuilding.

For those of you who do have an opportunity to visit, I encourage you to do so. From the city's tourism industry, the area was very fortunate in that most of the popular tourist destinations were not damaged or have already been repaired. By that I mean you can go to New Orleans and have a great tourist experience, go to the French Quarter, go to the Superdome, go to the Garden District, visit the uptown homes and not see any sign of the storm. Just don't venture too far outside these areas though. It's essentially two separate cities. In fact, I marvel at the fact that when I'm in New Orleans I hear visitors in the elevator saying, "Gosh, this doesn't seem so bad. I don't know what they're complaining about. Everything is back to normal." Again, that's fine as long as you don't step outside of the French Quarter or the central business district. Go another couple of blocks into Lakeview or East New Orleans or any of the other neighborhoods that are still largely deserted and, obviously, it's a much different picture.

Let me close by turning to some much better news and, I think, probably the big surprise of this first report. Looking at the state of the states, Mississippi and particularly Louisiana, the news is incredibly surprising in that the states as a whole are so much better off fiscally than anyone could have imagined. Now, I want to emphasize that I don't, by any means, recommend having a hurricane or two to boost the state's economy. However, based on what was projected right after the storm and what we're now facing now — it's about as different as night and day as

things can possibly be. Right after the storm the economic forecasters in Louisiana said, “State revenues will decline by \$1 billion next year out of the state. You’re going to have to drain your rainy-day fund, and the state will have to borrow heavily to stay afloat. A year later, rather than a billion-dollar shortfall in revenue, the state is facing over a billion-dollar surplus, by far it is the largest surplus in the state’s history. Why were the economic forecasts so wrong? Where is all this additional revenue coming from when so much of the state’s economy is still down? Well, we’ve had the perfect storm of revenue generation:

1. Everyone who was impacted by the storm has had to replace refrigerators, other major appliances, and automobiles. So recovery spending is much, much greater than anyone had anticipated.
2. We benefit from being an oil and gas energy-producing state. I don’t have to tell you what the price of oil and gas has been lately but it is considerably more than the economic forecasters predicted. That has had a huge positive impact on the state’s budget, as well.
3. We are a gambling state, as is Mississippi. And despite the storm, despite the fact that there were fewer gambling venues open, people gambled more and lost more when they did gamble. Hence, the state gained from this source as well.

So those three factors have combined to provide this huge budget surplus, which the legislature is going into special session to decide what to do with. There are all sorts of suggestions for how to use the surplus. I don’t have the time to get into that, but obviously it is a major turnaround from what was expected. Mississippi is pretty much the same story. They also have a budget surplus. It is not as large as Louisiana’s, but it is estimated they will have a \$70 million surplus. Not only did the economic forecasters have it totally wrong in missing the extent and size of the boom, but Wall Street also misjudged what was likely to happen in Louisiana and Mississippi. After the storm, all three of the major rating agencies downgraded Louisiana and Mississippi to a negative bond rating. There has now been a total reversal in the sense that all three bond rating agencies are positive.

The downside of the positive fiscal outlook, unfortunately, is that the motivation for reform in Louisiana of its health care system, and its higher education system has largely

evaporated. All the wind in the sails of reform was gone when all of this additional money was found. The prevailing attitude became, “There’s no need to change. We can spend everything we did in the past and operate just like we did — business as usual.” Unfortunately, that seems to be the direction we’re headed. There are still some opportunities for reform, but it’s hard to keep that window open when the state is awash in cash.

Let me close on some good news. Our report was fairly depressing in that it points out that this region has a long way to go to recover. But there are, at least, two points of good news. Number one is the weather. We’ve been blessed this year by very low hurricane activity; in fact, we’ve not had any major storms. We’re not out of the woods yet. The hurricane season doesn’t officially end until November 30th, but statistically if we’re this far into the season, the chances of having another major storm are pretty remote. People are beginning to breathe a little bit easier about making it through this season. That is particularly good news because so many people are still living in trailers and are vulnerable to levees that have not been rebuilt.

The other good news, and I know Dr. Nathan is a big sports fan, is that the New Orleans Saints are doing so well this season. I had to mention it. The perennial doormat of the National Football League, the Saints are 5-1 so far and leading their division. This is just shocking! Believe it or not, there has been an incredible psychological boost to the area from the reopening of the Superdome and the Saints winning. On that positive note, let me stop and again, thank you for having me. I will be glad to respond to any questions that you might have.

*Ram Chugh:*

I’m with the State University of New York. While these crises have had an extremely adverse impact on the lives of people in that region, it also brought two research centers — one located in Louisiana and another in New York — together to work together on this project. This kind of cooperative research effort sets a good model for other research centers in the country.

To get your report in proper context, could you explain the response of local governments to these crises? And how does the structure of local government in Louisiana differ from the local government structure in New York? Has this disaster created an environment and necessity for greater cooperation and sharing of resources among various units of local governments, thereby reducing the degree of political fragmentation in the state?

*James C. Brandt:*

Again, let me answer the second part of your question first. We had hoped to see more regional cooperation. Unfortunately, there have been few signs of it yet. There is still a lot of turf protection going on in Louisiana, Mississippi, and Alabama. There was talk of combining services, sharing regional crime labs, and training facilities, doing some more innovative things in terms of regional transportation and so forth. There has been more talk than action on these initiatives. It is very disappointing from our standpoint. As far as the structure of government, we have 64 parishes, and about 250 municipalities in Louisiana. New Orleans has a home-rule charter authority and a strong-mayor form of government. As you probably know, we just had a mayoral election and the outcome was a bit of a surprise. For those of you who did not hear, the incumbent, Mayor Ray Nagin, was re-elected.

*June McQuide:*

I'm with the NYS Higher Education Services Corporation. We hear a lot about the volunteer effort from nonprofit organizations. Are they a drop in the bucket?

*James C. Brandt:*

Not at all. I didn't have time to get into that, but our report does talk about the very important role played by the nonprofit sector. They were and continue to be the gap fillers. In many instances, they were the first on the scene ahead of any sign of official response from local, state, or federal authorities. There were some minor issues as far as coordination about not being part of the communication network. But, overall, the nonprofit sector got very high marks for its work and continues to do so. Believe me, the outpouring of support not only from people around the country, but around the world, has been an incredible help to our region. That is something that we will go into in greater depth in future reports as we go forward with our study.

*Richard P. Nathan:*

I find when I'm calling on people, there are two things I'll say. Jim's a marathon runner and we're running a marathon here. For the first anniversary report there were a lot of people wanting to tell the story and we got our story out. We got a lot of response. We got C-SPAN national

coverage. We worked hard at that. We're going to do this every six months and I think that there's going to be a time when people start getting preoccupied with other things and there's a lot more to tell. Jim has given you, I think, a really good basis of what we're working on and what we're learning. Other questions?

*Michael Moran:*

I'm with the American Insurance Association. You mentioned 120,000 jobs lost in New Orleans. Have you done any analysis on what sectors and how they're going to be timed on their return?

*James C. Brandt:*

We have, and I don't have the numbers in front of me but if you give me your card, I can send you a percentage breakout of where they fall. A large part of this is tourism-based service jobs. That's the problem. There is no labor force because there is no housing. There are plenty of jobs that are going unfilled because there is just no place to live. And that's not only in New Orleans but across the board pretty much everywhere. That's what's really driving the lack of recovery, the fact that we don't have housing.

*Michael Moran:*

Have you seen at this early point any distinct differences between the response in Mississippi versus Louisiana at the state level?

*James C. Brandt:*

Good question. The short answer to that is "no." I think the public spin, the public perception was that, initially, because of a much closer political association between the governor of Mississippi and the president, that everything was going well in Mississippi while in Louisiana, people were shooting at each other and the recovery was stalled. In actual fact, both states have had problems. A case in point is that both states have massive public assistance housing programs to get people back into their homes. In Louisiana, the program is called "The Road Home." Both are multibillion-dollar programs funded by the federal Community Block Development Grant (CBDG) program. In the case of Louisiana, 123,000 homeowners are eligible for assistance. Only

75,000 have made application thus far. And of the 75,000, just 33 checks have been sent out. That sounds horrible until you go to Mississippi and compare their program to Louisiana. They're no better off in terms of where they are even though Mississippi got the federal money a few months earlier. Unfortunately, they may have started too quickly; they had to pull back and put in place some additional guidelines. They also have a common Louisiana problem, in the sense that legislators in Mississippi were heavily involved in setting up the contracts related to the program and there has been criticism that the insiders are benefiting. So there are huge bureaucratic barriers in both states and it is becoming a big political issue.

*Joe Kraussman:*

Did you look into the affects on the school systems, particularly in Baton Rouge where there's a large increase in students? Did teachers from New Orleans go there? What happened with the school system?

*James C. Brandt:*

That will be the focus of our next report that should be coming out probably in November. But we have looked at it and we do know for a fact that about 5,000 additional students remain in the Baton Rouge public school system this year. At one point it was probably up to something like 7,500 or 8,000 additional students, so it has come down. It was a tremendous logistical nightmare in Baton Rouge where they tried to bring in more teachers, in some cases from New Orleans. The good-news story is that the school system in Baton Rouge is financially benefiting from the increased sales tax collection and additional federal aid. In a future report, we will find out how the other school systems are doing in the region.

*Eileen Avery:*

I'm with the NYS Nurses Association. I was wondering if in your future reports you plan on examining the healthcare system and how it was affected and, speaking to this gentleman's question, how the individuals are receiving services at present?

*James C. Brandt:*

It's a huge problem and it will be something that we will have to address. About half of the hospitals in the New Orleans metropolitan area remain closed. The major trauma unit is operating out of a temporary department store on Poydras Street. Mental health services are almost nonexistent in terms of available facilities in the New Orleans region.

*Eugene Monaco:*

I'm with Rockefeller College of Public Affairs and Policy. I wanted to follow-up on the education question. New Orleans' K-12 system was pretty much in disarray before the storm.

*James C. Brandt:*

It was the most dysfunctional school system in the country. You're being kind when you say "in disarray."

*Eugene Monaco:*

The reports coming out recently, the reports that I've seen, are that there is no school system basically. The kids are not in school in New Orleans. Where are they if they're not in school? What's happening? Or are you even able to report on that?

*James C. Brandt:*

Well, it's pretty chaotic. We don't have a single school system. We have now three separate school systems, if you will. Prior to Katrina there were 65,000 students in public schools. Right now there are somewhere between 20,000-25,000. We had 117 public schools. Right now, at this point, I believe there are 37 that have reopened. Those 37, though, are broken down into independent charter schools and the old Orleans Parish school system, which has retained control over 12 of the schools. All the other schools have been taken over by the state. They are now part of something called the Recovery School District (RSD). Some of those are independent charter schools and some of those are being run by the state. The bottom line is that parents are confused by the three systems. They don't know where to send their kids, what school will be open, or

when. Unfortunately, there are fairly significant takeover problems for the state. The state has not been able to respond as quickly to get teachers, supplies, and textbooks. There are lots of implementation issues in the transition to state control.

*Brian Stenson:*

I'm the deputy director of the Rockefeller Institute. Jim, I have a question about the existence of plans that the local governments and communities might have had. I'm not speaking about the immediate response to a disaster, you know, evacuating people and handing out bottles of water and sanitation and so forth. I'm thinking about the continuity of public services, education, healthcare, things of that nature. Was it initially that the communities did not have such plans in place or was it that the devastation was so sweeping and so longstanding that even the best plans in the world would have been irrelevant?

*James C. Brandt:*

Well, I guess to some degree there were plans in place, but not for this duration and certainly not for this degree of devastation. The big problem, though, was any sort of contingency planning went out the window when you couldn't communicate. The communications system was totally down across the board and it took forever before there was any semblance of communication. And that's the big problem that first responders had.

*Stephen Schechter:*

Is there anything you can say about the special roles and special needs of youth that actually emerged during the early period? Is there anything that you can say about recommendations in that area that are now emerging as people are taking time to start reflecting back on that period?

*James C. Brandt:*

We have not done anything on that yet and I must say that it's not something I know a lot about. That's not an area that I follow so I would have to defer to someone who is more knowledgeable about that than I am. I'm sorry, I just don't have the information on that.

*Joel Margolis:*

There were stories right after Katrina that a large number of illegal immigrants were running in to help clean up and rebuild. Is that still true?

*James C. Brandt:*

Absolutely. There is a very large Hispanic population in New Orleans. Large meaning that pre-Katrina it was estimated to be about 3 percent and now it's probably, 10 to 12 percent, perhaps even more. Yes, the Hispanic workers are a very important part of the rebuilding process. The immigration of workers also has problems in the sense that there is not adequate housing available and we're finding instances of 20 or 25 people sharing a room with inadequate sanitation facilities. So, it's brought up a whole new set of problems to deal with. But yes it is, in fact, a very noticeable change and likely to be a longstanding change in terms of the demographics of the city.

*Richard P. Nathan:*

One of the demographic findings that we stressed at our press conference and in the report is that it is very hard to know how many people there are. And there are all different studies. For instance, the person who was doing Hattiesburg in the field research was the first African-American mayor of Jackson, Mississippi, Harvey Johnson, one of our particularly good field researchers. In Hattiesburg, he reported, the census figures were very wide-ranging and of great difference. Some people said there was this much increase, that much increase. Harvey Johnson said, yes, the population of Hattiesburg, the way Jim has described it, has increased and the economy has benefited and there are a lot of pressures because of that. But the Census Bureau then came in and said the population had declined in the Census Bureau's special study. So, how do you find out who's there? There are also very big questions about where people have gone. Houston and Atlanta, of course, are particularly important. That's not where we are in our research, but it's the same challenge for demographers and researchers to try to understand how people are moving as there are all these kinds of adjustments going on.

*Thomas Lukas:*

Yes, back to the Louisiana state budget surplus. You mentioned the three main components of that surplus. Do you know what portion they make up of the total billion and if it's not more than 50 percent of it, what are the other leading components? I would have thought the federal...

*James C. Brandt:*

Federal money is in the budget but it really hasn't come into play yet. It's still in the pipeline and will be spent in the future. This year's budget, for example, has about \$8.7 billion in federal funds that will flow through the state, but it is not the reason the state has a surplus. I guess there was some increase in income tax despite the fact that a lot of people were out of work due to a change in the rates. But I think the increase in sales tax is the major driver. Throughout the entire state of Louisiana, I think the figure was something like 80,000 businesses that were initially impacted. About 60,000 are now back in business to some degree. They may not be open full-time, but they're at least operating to some degree. New Orleans, despite being in the awful condition it is, still has collected about 75 percent of the sales tax that it normally has collected in the past, which is a lot better than initially projected.

*Richard P. Nathan:*

Jim mentioned that one of the people on his staff, the research director, Jennifer Pike, is doing another special report, not just on schools, which he did mention, but a report on the flow of federal aid. That enables us to think hard about the different federal agencies that are in this very complicated intergovernmental picture. The director of the Stennis Institute at Mississippi State, Marty Wiseman, has made some very strong observations on how the intergovernmental system capacity is so limited and wanting in times of disaster. Jim, you might want to comment on FEMA and federalism, about what you think is happening.

*James C. Brandt:*

Well, I think FEMA is a four-letter word for virtually everyone in Mississippi, Louisiana, and Alabama. It's not only the tremendous bureaucratic nightmare of the agency, but it was also the constant revolving door of people. Whenever you would get some sort of official declaration

from FEMA, that person would be transferred and you'd go back to square one and start over. I guess one of the biggest complaints about FEMA continues to be the fact that they are so slow in reimbursing local and state governments for infrastructure loss. Less than one-third of the work orders have even been reviewed thus far.

As you probably know, for the individual assistance that is distributed through FEMA, there is a state match required. In this case, the individual assistance provided in Louisiana was so extensive that the state's portion of the FEMA assistance for providing the individual assistance came to about \$385 million. So FEMA one day sent a bill to the state of Louisiana saying, "Here is a bill for \$385 million. Please pay within 30 days of receipt." The governor said, "They've got to be kidding. \$385 million?" So then the legislative auditor in our state was asked to audit the assistance to find out if this was spent appropriately. FEMA said, "No. We won't give you that information. We're FEMA. We don't respond." Congressmen tried. Senators tried. Everyone tried. No one would respond. Finally, Donald Powell, the president and point person for this disaster prevailed upon FEMA to give the legislative auditor some information to audit the findings. Long story short, they found out that about 15 percent of what FEMA had spent for individual assistance was, in fact, not eligible. FEMA said, "You still have to pay all of it. Unless you can get it back from the folks that got it illegally or were paid. The state still owes it." The state will probably end up paying the full amount. Fortunately, because of the huge surplus that I mentioned, the state was able to set aside \$400 million to pay FEMA, should it come to that.

*Richard P. Nathan:*

Jim, this was great. You presented a lot that is of interest, I'm sure, to this audience and a great update for Brian and Barbara and me who are working with PAR on this project. We're delighted to have you visit on such a nice sunny day and we thank you. People who would like, can stay and ask Jim follow-up questions. Jim, thank you very much.

*James C. Brandt:*

Thank you for inviting me to be here.