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DISASTER ASSISTANCE

Federal Aid to the New York City Area Following the Attacks of September 11th and Challenges Confronting FEMA

Statement of JayEtta Z. Hecker, Director Physical Infrastructure Issues



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Highlights

Highlights of GAO-03-1174T, a testimony to the Subcommittee on Clean Air, Climate Change, and Nuclear Safety, Committee on Environment and Public Works, U.S. Senate

Why GAO Did This Study

The federal government has been a key participant in the efforts to provide aid to the New York City area to help it respond to and recover from the terrorist attacks. The President pledged, and the Congress subsequently authorized, about $20 billion in federal aid. This federal aid was provided primarily through four sources: the Federal Emergency Management Agency (FEMA), the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), and the Liberty Zone tax benefits—a set of tax benefits targeted to lower Manhattan. In the period since the federal response and recovery assistance began, a new agency—the Department of Homeland Security—has been created, and FEMA, along with its disaster response responsibilities, has been absorbed into the new department.

GAO was asked to describe the federal government's response and recovery efforts to the New York City and how the federal government's response to this disaster differed from previous disasters. Additionally, GAO was asked to describe the management challenges FEMA faces as it integrates into the Department of Homeland Security.

www.gao.gov/cgi-bin/getrpt?GAO-03-1174T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker at (202) 512-8984 or heckerj@gao.gov.

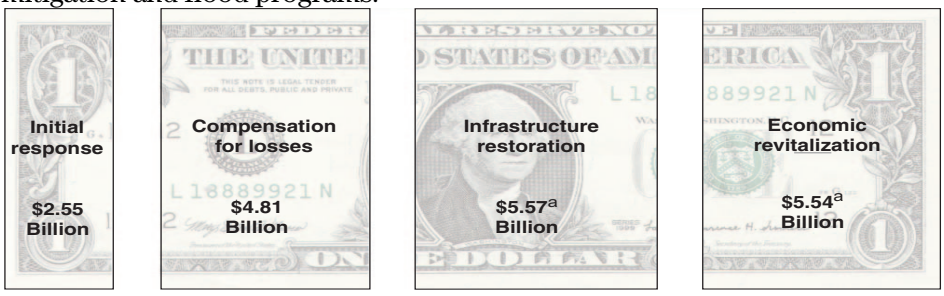
What GAO Found

An estimated $20 billion of federal assistance has been committed to the New York City area through DOT, FEMA, HUD, and the Liberty Zone tax benefits. While plans for use of $1.16 billion in HUD funds have not been finalized, $18.47 billion have been directed for the following four purposes.

- **Initial response efforts**, which include search and rescue efforts, debris removal, emergency transportation and utility system repairs, received $2.55 billion.
- **Compensation for disaster-related costs and losses**, which includes aid to individuals for housing costs and damages, grants and loans to businesses to cover economic losses, and funding to the city and state for disaster-related costs, total about $4.81 billion.
- **Infrastructure restoration**, which includes restoration and enhancement of the lower Manhattan transportation system and permanent utility repair and improvement, totals $5.57 billion.
- **Economic revitalization,** which includes include the Liberty Zone tax benefits and business attraction and retention programs, is estimated to total $5.54 billion.

The designation of $20 billion to assist the New York City area was the first time in which the amount of federal disaster assistance to be provided was determined early in the response and recovery efforts; normally, the level of assistance is determined as needs are assessed against established eligibility criteria. This designation of the assistance amount changed the traditional approach to administering FEMA disaster funds and prompted Congressional authorization of numerous forms of non-traditional assistance to be provided by other agencies.

FEMA faces ongoing challenges as it and its mission are subsumed into the Department of Homeland Security along with 21 other agencies. Specifically, FEMA is a part of department's overall management challenge of combining 22 agencies into an effective and collaborative department—a challenge we have designated as high-risk. Further, FEMA will be challenged to (1) ensure effective coordination of preparedness and response efforts, (2) enhance the provision and management of disaster assistance for efficient and effective response, and (3) maintain emphasis on reducing the impact of natural hazards by improving the efficiency of mitigation and flood programs.



Total funds committed to specific projects.

Source: GAO.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here to discuss issues related to the federal government's response to recovery efforts regarding to the September 11, 2001, terrorist attacks, particularly the role of the Federal Emergency Management Agency (FEMA), as well as management challenges facing FEMA as the agency adjusts to its transfer to the Department of Homeland Security (DHS). The terrorist attacks resulted in one of the largest catastrophes this country has ever experienced. The federal government has been a key participant in the efforts to provide aid after the attacks, and it has been providing the New York City area with funds and other forms of assistance. The magnitude of the disaster in New York and the size and scope of the federal government's response in aiding the city has generated significant interest in the nature and progress of this federal assistance.

In my testimony today, I will focus on (1) how much and what types of assistance the federal government provided to the New York City area following the September 11 terrorist attacks, (2) how the federal government's response to this disaster differed from previous disaster response efforts, and (3) the ongoing challenges FEMA faces as it, and its mission, are subsumed into the Department of Homeland Security. My comments will be based on the following GAO work on FEMA issues, including our January 2003 Performance and Accountability Reports that highlighted both FEMA and DHS management challenges and program risks[1] and our August 2003 report on FEMA public assistance we issued to the Full Senate Committee on Environment and Public Works, as well as ongoing work we are conducting for the Committee on the overall federal assistance to the New York City area in the wake of September 11. (See appendix 1 for further discussion of the objectives, scope, and methodology.)

The President pledged, and the Congress authorized an estimated $20 billion in assistance to the New York City area following the terrorist attacks.[2] Many agencies of the federal government were involved in

[1]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Homeland Security*, GAO-03-102 (Washington, D.C.: January 2003) and *Major Management Challenges and Program Risks: Federal Emergency Management Agency*, GAO-03-113 (Washington, D.C.: January 2003).

[2]The $20 billion in federal assistance does not include the Victim's Compensation Fund or income tax deferrals.

administering this funding, but most of the federal aid—96 percent—has been provided through four sources: FEMA, the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), and the Liberty Zone tax benefits[3]. The assistance provided through these sources targeted different aspects of the response and recovery efforts, and in our work for the Committee, we have found that it is useful to discuss the federal aid to the New York City area in terms of four broad types of assistance instead of by each federal source of assistance. Consequently, I will discuss the aid in the following four broad categories:

- Initial response efforts, which include activities to save lives, recover victims, remove debris, and restore basic functionality to city services;
- Compensation for disaster-related costs and losses, which includes compensation for losses incurred by individuals, businesses, and governments;
- Infrastructure restoration, which includes efforts to restore and enhance infrastructure that was severely destroyed by the collapse of the World Trade Center towers and the subsequent response efforts; and
- Economic revitalization, which includes activities to help improve the lower Manhattan economy that was harmed by the disaster.

In summary,

[3]The Liberty Zone tax benefits are benefits primarily targeted to the area of New York City damaged on September 11, designated as the New York Liberty Zone

- As of June 30, 2003, an estimated $20 billion of federal assistance has been committed to the New York City area, primarily through FEMA, DOT, HUD, and the Liberty Zone tax benefits. Figure 1 shows the amount of assistance in each of the four broad categories.

Figure 1: Primary Purpose and Amount of Disaster Assistance Committed By FEMA, HUD, DOT, and Liberty Zone Tax Benefits



Source: GAO.

[a]HUD's plans for $1.16 billion have not been finalized. These funds are not included in the purposes listed above and according to HUD will mostly likely be directed to either infrastructure restoration or economic revitalization.

The $2.55 billion for initial response efforts included numerous assistance programs, such as search and rescue operations, debris removal operations, emergency transportation measures, and emergency utility service repair. FEMA provided the bulk of the federal funds for initial response efforts—$2.20 billion—but DOT and HUD also provided funds. Compensation for disaster-related costs and losses totaled about $4.81 billion. This funding, provided by FEMA and HUD, compensated state and local organizations, individuals, and businesses for disaster-related costs, such as mortgage and rental assistance to individuals and grants to businesses to cover economic losses. The amount committed for infrastructure restoration and improvement efforts is $5.57 billion. The majority of this funding is a combination of FEMA and DOT funds to rebuild and enhance the lower Manhattan transportation system, including the construction or repair of roads, subways, ferries, and railroads. HUD is funding efforts to improve utility infrastructure. Efforts to revitalize the economy in lower Manhattan include the Liberty Zone tax benefit plan—

an estimated benefit of $5.03 billion[4]—and $515 million in HUD funding for business attraction and retention programs. Once the city, state, and HUD finalize plans for the remaining $1.16 billion, these funds will most likely be directed to infrastructure restoration and improvements and/or economic revitalization.

- The $20 billion to assist the New York City area differed from previous disaster response efforts in that it was the first time in which the amount of federal disaster assistance to be provided was set early in the response and recovery efforts, which resulted in two major changes to the federal approach. First, the specified level of funding for the entire federal response to this disaster changed the traditional approach to administering FEMA funds. In an effort to ensure that all FEMA funds were expended for this disaster, FEMA broadly interpreted its provisions within the Stafford Act, and the Congress authorized FEMA to compensate the city and state for costs such as increased security that it could not otherwise have funded within provisions of the Stafford Act. Secondly, this specific level of funding for the disaster prompted Congressional appropriations that authorized numerous forms of non-traditional assistance by agencies other than FEMA, such as the Liberty Zone tax benefit plan and improvements to the transportation infrastructure that exceeded normal replacement cost.

- Simultaneous to FEMA's efforts to assist the New York City area's recovery from September 11, FEMA faced the challenge of being transferred into the newly formed DHS. As we previously reported in our 2003 Performance and Accountability Series, FEMA faces ongoing management challenges resulting from its transfer into DHS, and DHS itself faces the daunting challenge of combining FEMA and 21 other agencies with various missions into an effective and collaborative agency. Recognizing the magnitude of the overall challenge in establishing DHS, GAO has designated the implementation and transformation of the department as high-risk. Several of the specific challenges that FEMA faces include the need to (1) ensure effective coordination of preparedness and response efforts, (2) enhance provision and management of disaster assistance for efficient and effective response, and (3) reduce the impact of natural hazards by improving the efficiency of mitigation and flood programs. We have ongoing work that is focusing

[4]The Liberty Zone tax benefits are benefits targeted primarily to the area of lower Manhattan damaged on September 11, designated as the New York Liberty Zone. The amount of the tax benefit is an estimate prepared by the Joint Committee on Taxation.

on FEMA's challenges in each of these areas and will be reporting on these efforts in the near future.

Background

After a disaster, the federal government, in accordance with provisions of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act)[5],assists state and local governments with costs associated with response and recovery efforts that exceed a state or locale's capabilities. FEMA is the agency responsible for coordinating federal disaster response efforts under the Federal Response Plan, an agreement among 27 agencies and the Red Cross to deliver federal disaster assistance. FEMA was established in 1978 to consolidate and coordinate emergency management functions in one agency. In November 2002, the Congress enacted legislation establishing DHS in an effort to consolidate numerous homeland security functions in a single entity, which involved subsuming 22 agencies, including FEMA. FEMA's primary functions have remained intact and have been placed primarily in DHS' Emergency Preparedness and Response Directorate.

FEMA not only coordinates the federal disaster response, it also provides significant assistance through a variety of programs funded through its Disaster Relief Fund. This assistance is provided when disaster costs exceed state and local government capabilities to respond and insurance damage proceeds. These programs include FEMA's individual assistance program that provides aid to victims affected by a disaster and its hazard mitigation program that provides funds to state and local governments to reduce the risk of damage from future disasters. However, FEMA's public assistance program is typically the largest source of disaster relief. It is designed to provide grants to eligible state and local governments and specific types of private non-profit organizations that provide services of a governmental nature, such as utilities, fire departments, emergency and medical facilities, and educational institutions, to help cover the costs of emergency response efforts and work associated with recovering from the disaster.

Many other agencies play active roles in federal disaster relief. For example, the Federal Highway Administration (FHWA), an agency of DOT, has existing authority to assist in disaster relief. FHWA can provide up to $100 million in emergency relief funding for each natural disaster or

[5]Pub. L. No. 93-288, 88 Stat. 143 (1974), as amended.

catastrophic failure event that is found eligible within the provisions of the Emergency Relief Program. Other agencies within DOT, such as the Federal Transit Administration (FTA) and the Federal Railroad Administration, also have had roles in previous disaster relief efforts. HUD, which has had authority to assist in disaster relief efforts at different times in the last few decades, once again became actively involved in providing disaster recovery assistance following Hurricane Andrew in 1992. Since that disaster occurred, the Congress has made available more than $5.7 billion in 15 supplemental appropriations to HUD for disaster assistance.[6] Typically, HUD awards funds to the affected state or local government, and then the funds are administered at the state or local level.

The President's declaration of September 11 as a federal disaster activated 27 agencies, including the American Red Cross in response and recovery efforts. On September 12, 2001, President Bush pledged to commit at least $20 billion to help the New York City area recover. The President sent a letter to the Speaker of the House requesting that the Congress pass emergency appropriations to provide immediate resources. Over the next 11 months, the Congress enacted three emergency supplemental appropriation acts that provided more than $15 billion in direct federal assistance as well as an estimated $5 billion economic stimulus package for the New York City area.

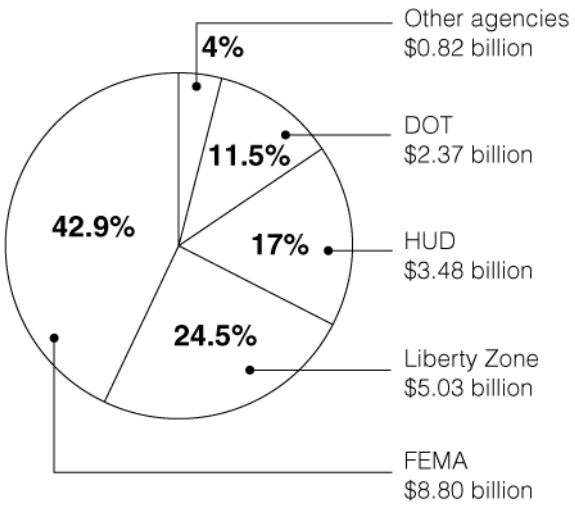
Federal Disaster Assistance to the New York City Area

The greatest role in providing federal assistance fell to FEMA, HUD, and DOT. The funds appropriated to these agencies, along with the Liberty Zone tax benefits, constitute over 96 percent of all federal assistance designated to the New York City area. FEMA, the largest single provider of assistance, was appropriated $8.80 billion for debris removal, rescue efforts, and other assistance. Congress appropriated HUD $3.48 billion to provide the New York City area assistance to aid businesses and individuals and spur economic revitalization. DOT received $2.37 billion to assist in the restoration and enhancement of the transit system in the New York City area. The Liberty Zone tax benefits is estimated by the Joint Committee on Taxation to reduce federal tax revenue—and in turn increase the funds retained by taxpayers—by $5.03 billion. An additional $0.82 billion in assistance to the New York City area has been appropriated to 15 other agencies to conduct numerous activities, such as environmental studies and federal building restoration. Figure 2 shows the

[6]All dollars are in nominal terms.

amount of federal assistance, in both amount and percentage, committed to the New York City area by the federal government.

Figure 2: Federal Assistance to the New York City Area by the Federal Government



Source: Congressional Budget Office and GAO.

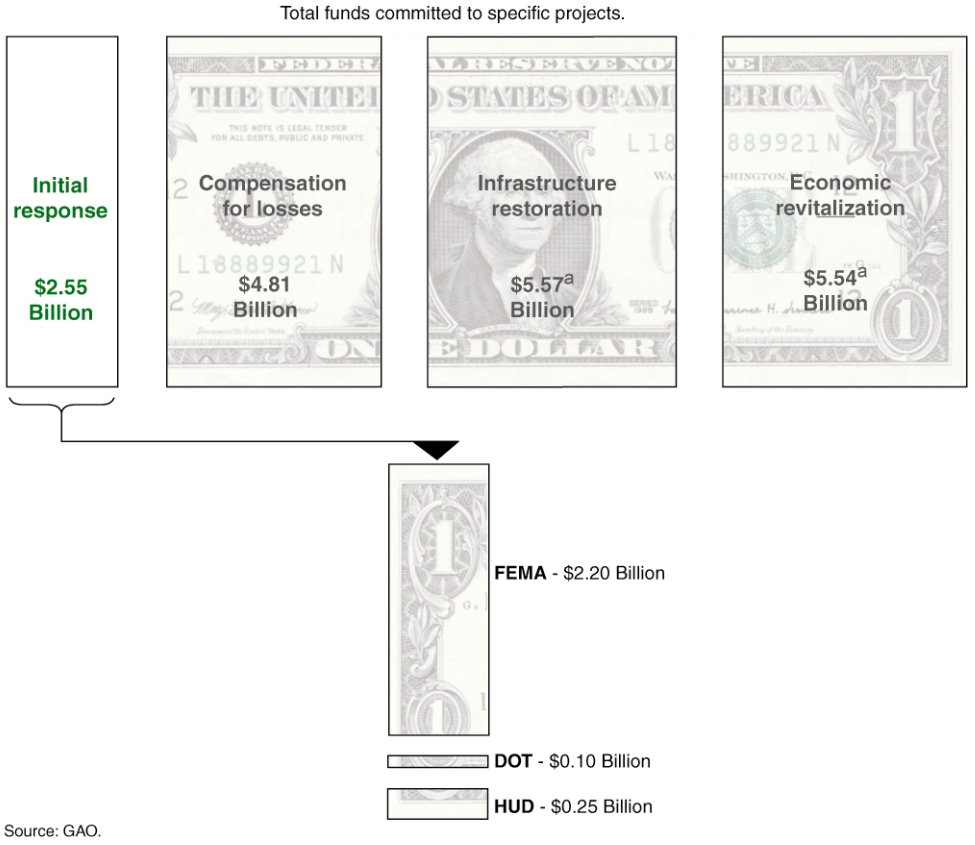
Note: Numbers do not total 100 percent due to rounding.

As the large majority of federal assistance to the New York City area is primarily through FEMA, DOT, HUD, and the Liberty Zone tax benefits, I would now like to discuss the assistance these sources did, or will, provide in the four board categories I discussed earlier: (1) initial response efforts, (2) compensation for disaster-related costs and losses, (3) infrastructure restoration, and (4) economic revitalization.

Initial Response Activities Totaled $2.55 Billion

Initial response assistance in New York City began immediately after the hijacked aircraft collided with the World Trade Center towers and totaled $2.55 billion. This assistance was predominately funded by FEMA. Figure 3 shows the amount each agency funded in this category of assistance.

Figure 3: Amount of Assistance Committed to Initial Response Activities, by Agency



Source: GAO.

[a]HUD's plans for $1.16 billion have not been finalized. These funds are not included in the purposes listed above, and according to HUD, will most likely be directed to either infrastructure restoration or economic revitalization.

Initial response activities included urban search and rescue; debris removal operations; emergency transportation measures; other initial response assistance by FEMA, such as cleaning buildings; and emergency and temporary utility service.

Urban Search and Rescue Operations

The terrorist attacks of September 11 prompted the largest search and rescue operation in U.S. history, a $22 million effort. FEMA oversees 28 national Urban Search and Rescue Task Forces across the country and 20 were activated to respond to the attacks in New York. The teams operate under FEMA authority and were deployed as part of the National Urban Search and Rescue Response System. Almost 1,300 members of the Urban

Search and Rescue teams and 80 dogs worked at the World Trade Center site.

Debris Removal Operations, Including Liability Insurance Coverage

Immediately after the World Trade Center towers collapsed, the debris removal operation began in order to help workers look for survivors. The effort eventually transformed to a victim and evidence recovery operation as well as a clean-up site. Debris removal operations totaled $1.70 billion, although over one-half of those funds—$1 billion dollars—is to be used to establish an insurance company with the intended purpose of covering the City and its contractors for potential claims resulting from debris removal at the World Trade Center site. The New York City Department of Design and Construction and the New York City Department of Sanitation completed the daunting task of removing debris piled from several stories below street level to 11 stories above ground and weighing nearly 1.6 million tons, with support from FEMA, the Federal Highway Administration, and the U.S. Army Corps of Engineers. FEMA provided $630 million to reimburse the city for the costs associated with removal of the debris from the World Trade Center site and barge it to a landfill on Staten Island, New York, for screening, sorting, and disposal. Initial estimates projected that the recovery effort and cleanup would take two years and cost $7 billion; however, the effort was completed substantially below these time and cost estimates. As of September 3, 2003, FEMA had obligated $1 billion for the insurance program; however, no funds will be disbursed until details for the establishment of the dedicated insurance company are finalized.

Emergency Transportation Measures

The collapse of the World Trade Center buildings and subsequent recovery efforts wreaked havoc on lower Manhattan's transportation system: subway stations and the PATH commuter rail terminal were destroyed, sections of local roads became impassable due to damage or recovery efforts, and subways and ferries were overcrowded as commuters returned to work using different means or routes of transportation. FEMA and DOT coordinated with a variety of transportation, public works, public safety, and utility providers to plan emergency/interim projects to address issues such as shifts in travel demand after September 11, capacity issues, and system delays associated with revised travel patterns.[7] Overall,

[7]As debris removal efforts were completed, FEMA and FTA released the "Emergency/ Interim Transportation Disaster Recovery Plan" in spring 2002, which identified 100 projects proposed by local agencies to use available FEMA and FTA funds.

FEMA and DOT provided approximately $299 million for emergency transportation measures, including:

- Clean-up and emergency repair of local roads and tunnels,
- Construction of a temporary PATH terminal,
- Expanded ferry service, and
- Capital projects to improve commuter transportation.

Other FEMA Initial Response Assistance

FEMA provided $285 million for other initial response assistance. For example, as authorized by the Congress, FEMA entered into an interagency agreement with the Department of Health and Human Services to conduct a project to screen and monitor emergency services personnel for long-term health effects of work at the World Trade Center site.[8] In addition, FEMA worked with EPA officials to conduct clean-up efforts that included vacuuming streets, parks, and other areas covered by dust from debris and fires and in conjunction with New York City officials conducted an indoor cleaning and testing program at private residences.

Emergency and Temporary Utility Service

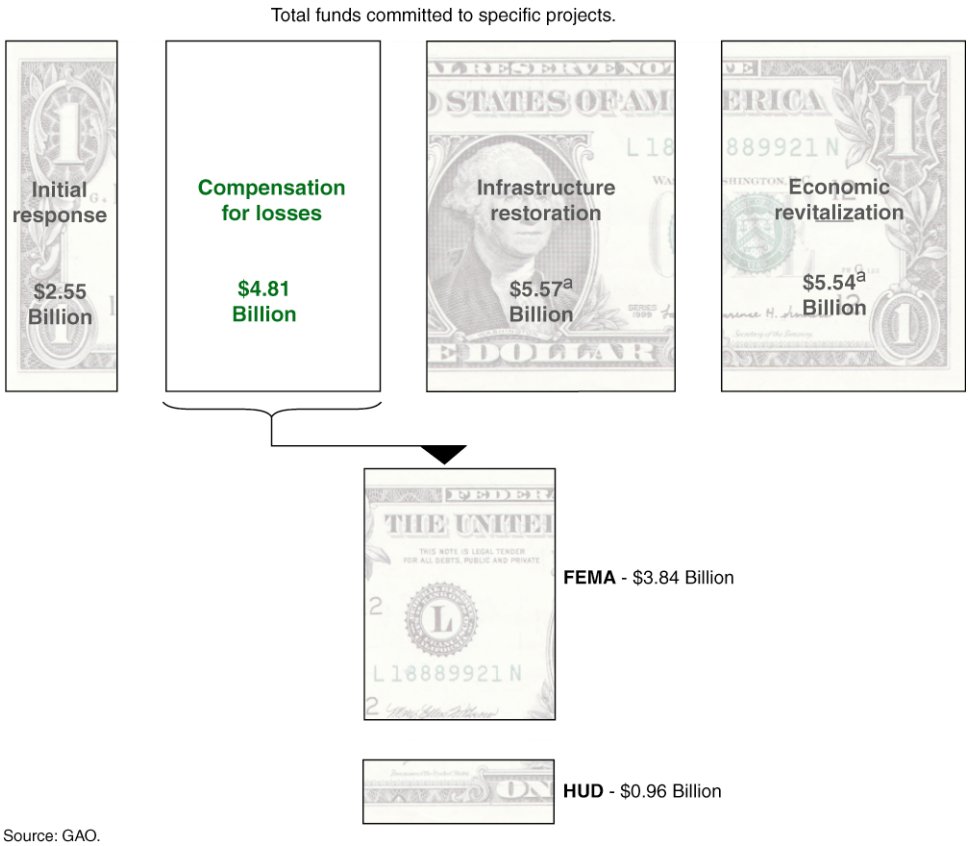
The collapse of the World Trade Center buildings and subsequent debris removal efforts resulted in widespread damage to the energy and telecommunications utility infrastructure. Utility firms worked to provide service for rescue operations in the days immediately following the disaster and to stabilize delivery of service to lower Manhattan, including the reopening of the New York Stock Exchange 6 days after the attacks. The Congress appropriated $250 million to HUD to reimburse utility companies for uncompensated costs associated with restoring service. Eligible firms will be reimbursed up to 100 percent of actual, incurred, uncompensated, and documented costs. These funds have not been disbursed to utility companies; however, HUD approved a city plan for distributing these funds on September 15, 2003, and HUD officials expect funds to begin being obligated.

Compensation for Disaster-Related Costs and Losses Totaled $4.81 Billion

Approximately $4.81 billion in federal assistance is committed to compensating state and local organizations, individuals, and businesses for disaster-related costs and losses. The majority of the assistance provided under this category was provided by FEMA. Figure 4 shows how much each agency has committed to compensate for disaster-related costs and losses.

[8]P.L. 108-7.

Figure 4: Amount of Assistance Committed to Compensate Disaster-Related Costs and Losses, by Agency



Source: GAO.

[a]HUD's plans for $1.16 billion have not been finalized. These funds are not included in the purposes listed above, and according to HUD, will most likely be directed to either infrastructure restoration or economic revitalization.

Note: Numbers do not equal total due to rounding.

FEMA provided funds through its Public Assistance Program, as congressionally authorized, non-traditional assistance to New York City and State; under its Hazard Mitigation Grant Program; Mortgage and Rental Assistance Program, Crisis Counseling Assistance Program, Individual and Family Grant Program, and also through a variety of other assistance efforts. HUD provided assistance under its residential grant program and business assistance programs.

Public Assistance to New York State, City, and Other Organizations

FEMA reimbursed New York State, City, and other organizations about $1.49 billion through its public assistance program to compensate for disaster-related costs and losses. Of this funding, $643 million was provided to the New York City Police and Fire Departments to pay benefits and wages to emergency workers during response and recovery efforts and to replace vehicles and other equipment. As first responders, these departments suffered heavy casualties and damages and received compensation for overtime costs, death benefits, and funeral costs. FEMA also reimbursed costs to the City to relocate several agencies' offices; establish a Family Assistance Center; reschedule elections that were being held on September 11 and replace damaged voting equipment; and pay for instructional time for students who missed school due to closures, delayed openings, and school relocations.[9]

FEMA also provided assistance to other entities, including the Port Authority, counties, and private nonprofit organizations; and it also provided funds to the state of New Jersey. The Port Authority was reimbursed for costs to replace equipment it lost when its World Trade Center facilities were destroyed and for office relocation costs. Additional assistance was provided to all New York counties for cancelled election costs and to some private-non-profits, such as Pace University, for temporary relocation. FEMA additionally provided $88 million to New Jersey for emergency protective measures.

Congressionally Authorized Non-traditional Assistance to New York City and State

In addition to the traditional public assistance FEMA provided to city and state agencies, the Congress also authorized FEMA to provide funding to the city and state for expenses associated with the disaster, but were unreimbursable under the Stafford Act. The legislation ensured that FEMA would be authorized to spend the entirety of the appropriated assistance for New York recovery efforts—$8.80 billion—by allowing the city and state to be provided reimbursement for disaster-related costs that FEMA otherwise could not have funded. Non-traditional assistance that FEMA was authorized to fund included reimbursements for heightened security in the aftermath of the terrorist attacks and cost-of-living adjustments to the pensions of survivors of firefighters and police officers killed in the line of duty in the attacks. In order for FEMA to determine how much funding was available for non-traditional assistance, FEMA officials implemented an expedited close-out process, identifying and deobligating any funds unspent as of April 30, 2003. These funds—totaling over $1

[9] House Report 107-593.

billion—were just recently provided to both the city and state and they will ultimately have discretion to use the funds as they deem suitable.

Hazard Mitigation Grant Program

FEMA also provided $377 million in hazard mitigation grants to New York State. Created in 1988 by the Stafford Act, the Hazard Mitigation Grant Program provides funds to states affected by major disasters to undertake mitigation measures. At the time of the New York disaster, FEMA could provide mitigation grants in an amount up to 15 percent on top of the total amount of other assistance provided.[10] However, in the New York recovery effort, the President limited mitigation funds to 5 percent of the funds appropriated within the total amount of funds. According to FEMA officials, the agency reduced the percentage of hazard mitigation grant funds available to New York initially because it was unclear how much the disaster would actually cost in FEMA funds, and public assistance funds were being provided at 100 percent Federal share. According to FEMA officials, as a result of the broadened authority authorized in the Consolidated Appropriations Resolution, New York has requested less for the Mitigation Grant program—which contains a state and/or local matching requirement—so that it could use funds to reimburse other disaster-related costs.

Mortgage and Rental Assistance Program

Individuals suffering financial hardships as a result of September 11 could obtain mortgage and rental assistance from FEMA. Prior to September 11, FEMA had provided a total of $18 million in mortgage and rental assistance grants in all previous disasters, which provided rent or mortgage payments to individuals in danger of losing their homes through foreclosure or eviction as a result of a major disaster. In the wake of September 11, this program increased tremendously, as FEMA provided nearly $200 million in this type of assistance for the New York City area. Initially, applicants were eligible if they resided in certain zones around the World Trade Center site. FEMA, as directed by the Congress, extended assistance to those working anywhere in Manhattan and to those whose employers were not located in Manhattan but were economically dependent on a Manhattan firm; and anyone living in Manhattan who commuted off the island and who suffered financially because of post-September 11 disruptions. The Mortgage and Rental Assistance program

[10]The Disaster Mitigation Act of 2000 increases this amount to 20 percent of total estimated federal assistance for states that meet enhanced planning criteria. For states without an approved enhanced plan, the Consolidated Appropriations Resolution of 2003 reduces the amount available for mitigation grants to 7.5 percent of the other assistance provided. However, neither of these provisions were applicable on September 11, 2001.

closed on January 31, 2003, and as of August 5, 2003, $194 million had been disbursed of the $200 million available. FEMA officials expect all funds to be disbursed as applicants receive monthly assistance.[11]

Crisis Counseling Assistance Program

The Crisis Counseling Assistance Program, funded by FEMA, led to the creation of "Project Liberty." Project Liberty, administered by the New York State Office of Mental Health, provides short-term outreach, education, referrals to mental health services, and a Regular Services Program to provide support to individuals with longer-term issues. In the past, only individuals from a declared disaster area were eligible to receive counseling services; however, because of the broad impact of the disaster, grants for this program were also provided to eligible individuals in New Jersey, Connecticut, Massachusetts, and Pennsylvania. FEMA provided more than $166 million for crisis counseling; this sum is more than all previous counseling grants since 1974 combined. Of these funds, $99 million has been obligated and disbursed.

Individual and Family Grant Program

FEMA is authorized by the Stafford Act to provide individual and family grants for individuals' necessary expenses related to disasters that were not covered through insurance, other federal assistance, or voluntary programs. For the September 11 disaster, FEMA's Individual and Family Grant Program provided eligible residents of New York City assistance for home repairs, replacement of personal property, reimbursement for air quality products, and repair or replacement of air conditioners. The New York State Department of Labor was tasked with implementing and administering the program. The Individual and Family Grant program closed on November 30, 2002. As of August 5, 2003, $97 million had been disbursed of the $110 million available through this program.

Other FEMA Assistance

In addition to Mortgage and Rental Assistance and Individual and Family Grants, FEMA also provided other temporary housing assistance, including Minimal Home Repair and Transient Accommodations programs totaling $34 million. Both programs address short-term needs such as lodging expenses and temporary housing repairs. In addition, the Stafford Act authorizes FEMA to provide unemployment assistance to individuals who are unemployed as a result of the disaster but not eligible for regular State Unemployment Insurance. For the New York City area, FEMA provided $17 million for disaster unemployment insurance administered by the State of New York.

[11]Eligible applicants received up to 18 months of assistance as part of this program.

HUD Funded Residential Grant Program

In addition to FEMA assistance programs, $281 million in HUD funds were used for the administration of the Residential Grant Program to provide compensation to those affected by the disaster who remained in the area, address the vacancy rate increases, and provide incentives to attract residents to the area.[12] The program consisted of three different grants—a two-year commitment grant, a September 11 resident's grant, and a family grant. Applicants could apply for all three types of grants; each grant's value depended on the applicant's location and housing/rental costs. The Residential Grant Program closed on May 30, 2003. As of June 30, 2003, over 31,000 applications totaling $172 million were approved and $106 million had been disbursed in grants.[13]

HUD Funded Business Assistance Programs

In addition, HUD funds were used for a variety of business assistance programs, such as recovery grants and loans to compensate for economic losses and recovery efforts. Almost 18,000 businesses in New York City, representing approximately 563,000 employees, were disrupted or forced to relocate as a result of the terror attacks. Approximately 30 million square feet of commercial space was damaged or destroyed. While businesses near the World Trade Center site suffered physical damage, businesses all across the city felt the economic impact of the disaster. The Empire State Development Corporation (ESDC), as a grantee for HUD funds, administered five programs in cooperation with New York City to compensate businesses for economic losses and to assist in their recovery. HUD funds provided $683 million for business assistance programs, and as of June 30, 2003, $510 million had been disbursed. The Business Recovery Grant Program, HUD's largest September 11 business assistance program, closed December 31, 2003, and provided $488 million to over 14,000 businesses in lower Manhattan as of June 30, 2003.[14] Other programs that are still available include a $33 million plan to provide assistance to businesses that lost a disproportionate amount of workforce due to the disaster, and a $41 million Business Recovery Loan Program.

[12]Although the Residential Grant program and its incentives helped to revitalize the economy of lower Manhattan, we categorized it as compensation for disaster-related losses because of its short-term nature and intended affect on the City in terms of restoring pre-disaster occupancy rates.

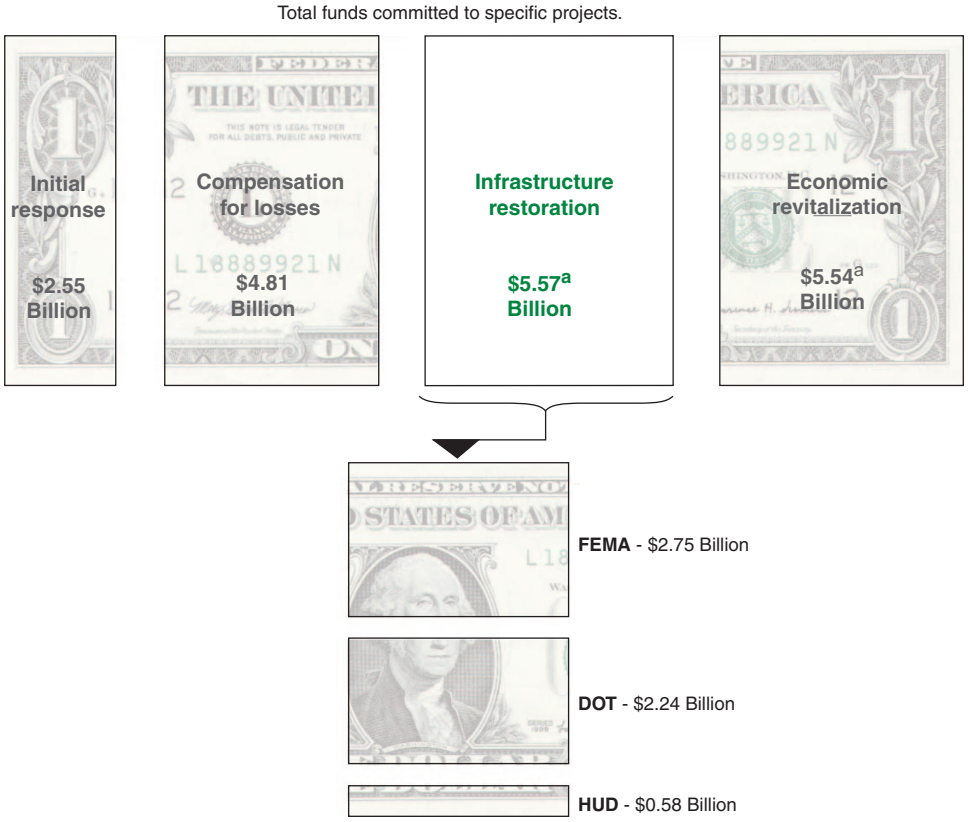
[13]In July 2003, HUD officials announced that $50 million unallocated from the Residential Grant Program would be used for an affordable housing initiative in lower Manhattan.

[14]ESDC provided funds to small and large businesses through its recovery grant program. In August 2003, HUD approved allocation of additional funds to allow full disbursement of these programs, for a total of $578 million.

About $5.57 Billion Has Been Committed for Projects to Restore and Enhance Infrastructure

The terrorist attacks at the World Trade Center severely damaged the public transportation system that was used by more than 85 percent of commuters to lower Manhattan—the highest percentage of people commuting to work by public transit of any commercial district in the nation. About $5.57 billion has been committed for projects to restore and enhance infrastructure in lower Manhattan and the amount of assistance each agency has committed is shown in figure 5.

Figure 5: Amount of Assistance Committed for Infrastructure Restoration and Improvement, by Agency



Source: GAO.

[a]HUD's plans for $1.16 billion have not been finalized. These funds are not included in the purposes listed above, and according to HUD, will most likely be directed to either infrastructure restoration or economic revitalization.

Infrastructure efforts being funded by FEMA, DOT, and /or HUD include restoration and enhancement of the lower Manhattan transportation system, including a new Port Authority Trans-Hudson (PATH) terminal and new subway stations; permanent utility infrastructure repairs and

improvements; and short-term capital projects, such as parks and open space enhancements.

Projects Planned to Restore and Enhance the Lower Manhattan Transportation System

The Congress has appropriated a total of $4.55 billion for transit projects, including $1.80 billion in Capital Investment Grants to FTA for replacing, rebuilding, or enhancing the public transportation systems serving Manhattan,[15] and $2.75 billion in FEMA funds. Under an August 2002 Memorandum of Agreement between FTA and FEMA, FTA was designated the lead federal agency in charge of administration and oversight. The three largest projects identified are the restoration and improvement of the PATH Transit Terminal, and the enhancements of the Fulton Street Transit Center and South Ferry Subway Station.

- **PATH Transit Terminal**—The PATH commuter rail terminal, located underneath the World Trade Center site, was completely destroyed in the terrorist attacks. The Port Authority is requesting $1.4 billion to $1.7 billion to build a permanent PATH terminal that Port Authority officials report will be a substantial improvement over the destroyed World Trade Center terminal. This terminal will serve PATH commuter trains and four subway lines and is to be completed in the 2007 to 2008 timeframe.

- **Fulton Street Transit Center**—The current Fulton Street—Broadway Nassau Subway Station Complex provides access to the most heavily used subway lines in lower Manhattan and lies one block east of the World Trade Center site. The complex is comprised of four separate subway stations that serve nine subway lines and 62,000 riders during weekday peak periods. The complex was not damaged on September 11, but according to FTA and Metropolitan Transit Authority (MTA) officials, it is difficult to navigate and not easily accessible. The MTA is planning a $750 million project to improve the existing Fulton Street—Broadway Nassau Subway Station Complex to create a Fulton Transit Center designed to have a visible street level entrance pavilion, improved intermodal connectivity, expanded platforms and mezzanines, and new underground pedestrian concourses. The project is estimated for completion in December 2007.

- **South Ferry Subway Station**—The South Ferry subway station, which is located a half-mile from the World Trade Center site, was not damaged on September 11; however, according to MTA officials, the South Ferry station is outmoded: only five cars of a ten-car subway train can open onto

[15]PL 107-206.

the platform at one time; the tunnel is curved in such a fashion that trains have to slow down substantially to negotiate it; and it has no direct passenger connections to nearby subway stations. MTA is planning to improve the South Ferry subway station so that it would accommodate the length of a standard ten-car subway train and would provide connection to the Whitehall Street station that serves two other subway lines. FTA officials anticipate that the project will cost $400 million and be completed in the 2007/2008 timeframe.

The permanent PATH terminal, the Fulton Transit Center, and the South Ferry station account for $2.55 billion to $2.85 billion of the $4.55 billion designated for lower Manhattan transit projects. At this time, projects to be funded with the remaining $1.7 billion to $2 billion have yet to be determined. In April 2003, various New York City and State agencies[16] released a report entitled Lower Manhattan Transportation Strategies that identified priority transportation projects. However, the total cost of these projects far exceeds the remaining federal transportation assistance funds. High priority projects highlighted in the report include access to JFK Airport and Long Island, enhancement of West Street, construction of a tour bus facility, and construction of World Trade Center underground infrastructure. To date no decisions have been made on which of these projects will be funded within the $4.55 billion cap. A portion of remaining $1.16 billion in HUD funds will most likely be directed to infrastructure improvement activities depending on the results of on-going studies.

In addition to the transit system, the Congress appropriated $442 million for restoration and improvements to the local roads and enhancements to ferry terminals and railroad tunnels. The Federal Highway Administration is overseeing plans for $242 million in resurfacing and reconstructing lower Manhattan streets through the Emergency Relief program. These streets were damaged by the direct impact of the collapsed World Trade Center buildings as well as wear and tear from response vehicles and debris removal activities, and from emergency telecommunications repairs. Ferry terminals were not damaged on September 11; however, FHWA was appropriated $100 million in Miscellaneous Highway funds for ferry and ferry facility construction projects.[17] Various ferry terminals are under consideration for significant enhancements in both New York and

[16]LMDC, Port Authority of New York and New Jersey, Metropolitan Transit Authority, the New York State Department of Transportation and the City of New York.

[17]PL 107-117.

New Jersey. Further, the Federal Railroad Administration was appropriated $100 million to renovate the New York rail tunnels. The funds are to be used by Amtrak to modernize ventilation systems, install communication systems, improve emergency exits from the tunnels, and structurally rehabilitate four East River tunnels, two Hudson River tunnels, and the subterranean section of Penn Station.

Permanent Utility Infrastructure Repairs and Improvements

The Congress also appropriated HUD funds to provide assistance to utility firms as they complete permanent repairs and improvements to the damaged infrastructure around the World Trade Center site. In addition to the $250 million for emergency repairs previously discussed, the Congress appropriated $500 million to HUD to provide funds to affected utility firms for permanent repairs and rebuilding. The goals of the permanent repair program are to prevent businesses and residences from bearing the cost of rebuilding and to enhance the redevelopment of lower Manhattan by supporting investment in energy and telecommunication infrastructure. New York State officials worked with utility firms, and state and local agencies to develop the program in order to help utility firms while developing an improved system to attract new businesses to the area. Applicants will have until December 31, 2007, to apply for certain programs.[18]

Short-term Capital Projects

A New York State Agency worked with community groups, local businesses, and city and state governments to select short-term capital projects for HUD funding as part of its effort to improve the accessibility and appearance of lower Manhattan. A plan submitted to HUD was approved on August 6, 2003, detailing $68 million of proposed projects that could be completed within one year of approval, such as parks and open space enhancements, West Street pedestrian connections, building and streetscape improvements, and a new school, Millennium High School. In addition, a portion of these funds will be used to conduct an outreach campaign to keep residents informed of rebuilding efforts.

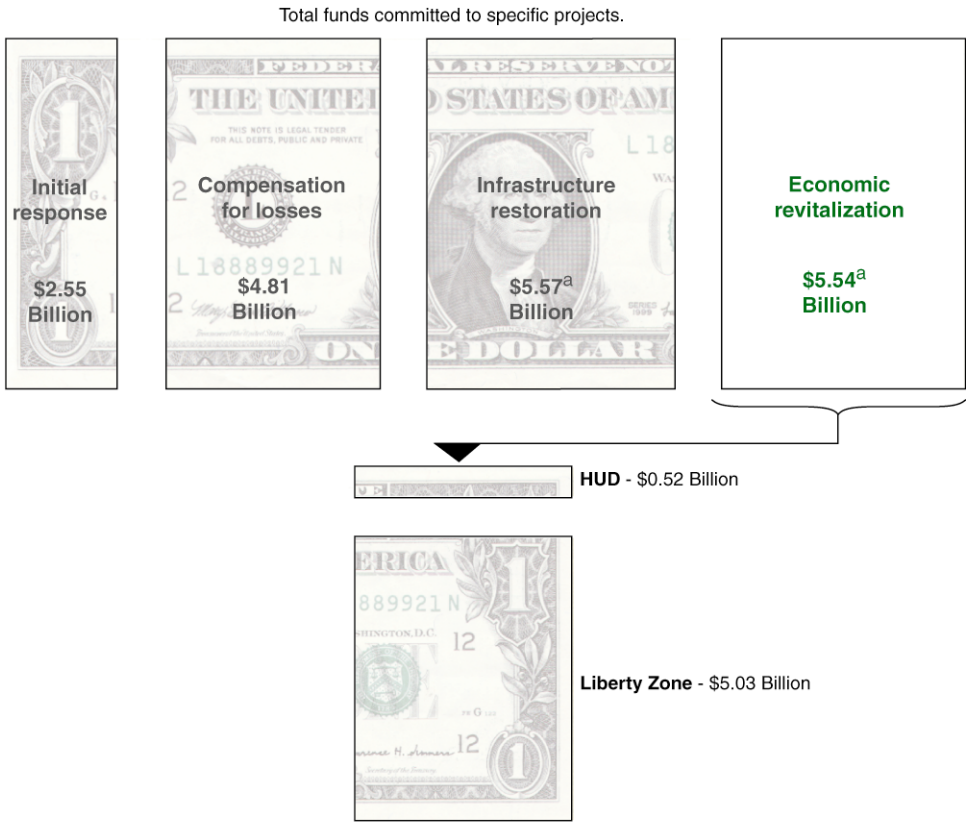
Efforts to Revitalize the New York Economy Include Tax Benefits and Assistance to Businesses

The terrorist attacks of September 11 disrupted New York City's economy and resulted in billions in lost [or forgone] income and tax revenues. The attacks caused tens of thousands of job losses and severely impacted lower Manhattan's commercial and retail sectors. In response, the Congress enacted the Liberty Zone tax benefits, estimated by the Joint

[18]HUD approved the utility plan September 15, 2003.

Committee on Taxation to be $5.03 billion in lost federal revenue, and appropriated funds to HUD, of which $515 million will aid in revitalizing the lower Manhattan economy. Figure 6 shows a breakdown of economic revitalization assistance.

Figure 6: Estimated Amount of Assistance Committed for Economic Revitalization, by HUD and Liberty Zone Tax Credits



Source: GAO.

[a]HUD's plans for $1.16 billion have not been finalized. These funds are not included in the purposes listed above, and according to HUD, will most likely be directed to either infrastructure restoration or economic revitalization.

Note: Numbers do not equal total due to rounding.

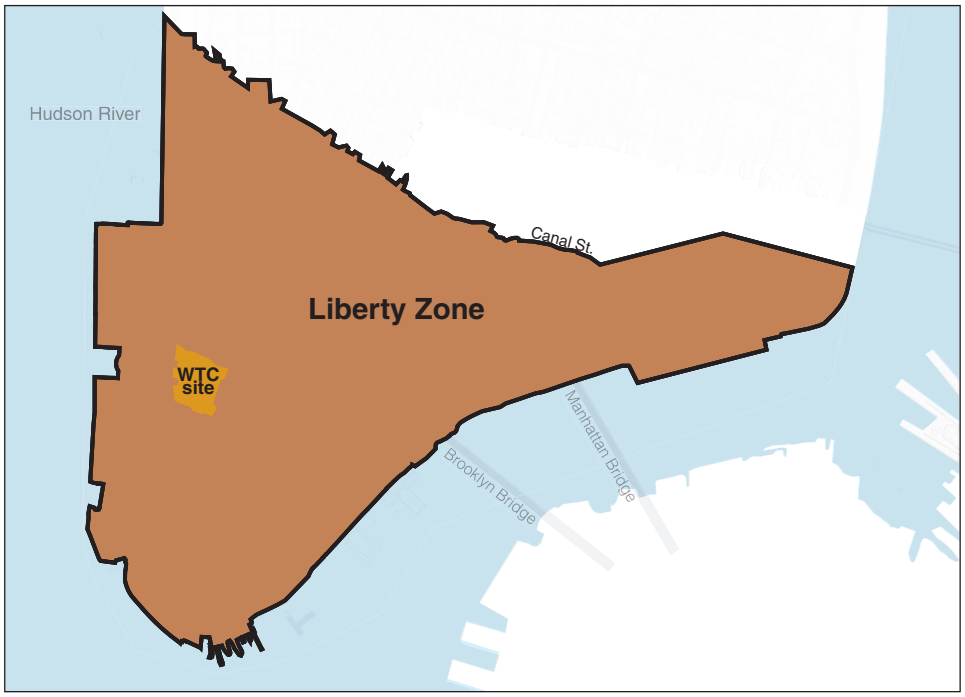
Liberty Zone Tax Benefits

In Title III of the Job Creation and Worker Assistance Act of 2002[19], Congress instituted tax benefits primarily targeted to the Liberty Zone, the

[19]Job Creation and Worker Assistance Act of 2002 (Public Law 107-147)

area of New York City most severely impacted by the terrorist attacks, as shown in figure 7.

Figure 7: New York Liberty Zone



Source: GAO.

The amount of benefits to New York that will result from the Liberty Zone tax provisions is unclear and likely to remain unknown. Before the Job Creation and Worker Assistance Act was passed, the Joint Committee on Taxation estimated the amount of tax revenue projected to be lost to the U.S. Treasury from the Liberty Zone provisions. However, an estimate of potential lost revenue is not the same as an estimate of the benefits received by taxpayers. Furthermore, there are uncertainties with any estimate. As with many tax benefits, usage of the Liberty Zone tax benefits will depend on a variety of difficult to predict economic factors that can influence the magnitude of the benefits. For example, an economic downturn could slow rebuilding efforts in the New York City area, reducing the use of benefits such as depreciation allowances. Conversely, an economic upturn could increase benefit usage above existing estimates. Additionally, information on usage of most Liberty Zone tax benefits is not being collected or reported by federal, state or local agencies, and the total amount of the benefits accruing to New York is likely to remain unknown.

HUD Business Assistance Programs and Planning for Rebuilding and Permanent Memorial

In addition to the Liberty Zone tax benefits, the Congress appropriated funds to HUD to revitalize lower Manhattan. New York State agencies are administering $515 million to provide programs to attract and retain businesses to the area and for other projects to revitalize lower Manhattan. Damage around the World Trade Center site displaced an estimated 1,025 firms employing more than 75,000 workers, and many more were displaced by subsequent recovery efforts. Of the $515 million committed for a variety of economic revitalization efforts, $475 million is provided to create incentives for existing small and large businesses to remain in the area and to attract new businesses to lower Manhattan. As of June 30, 2003, $161 million had been disbursed for these programs, providing assistance for 985 businesses. An additional $40 million had also been committed to help plan and coordinate rebuilding and revitalization efforts

The Designation of a Specific Level of Assistance Contributed to a Unique Federal Government Response for this Disaster

In its effort to provide assistance to the New York City area following the terrorist attacks, the federal government provided aid in all categories of assistance—initial response efforts, compensation for disaster-related costs and losses, infrastructure restoration and improvements, and economic revitalization—that differed from that provided in any previous disaster. However, the most significant difference in the federal government's response to this disaster was the designation of a specific level of funding for disaster assistance. The designation of $20 billion to assist the New York City area was the first time in which the total amount of federal disaster assistance was set early in the response and recovery efforts, and resulted in two major changes to the federal approach to this disaster.

- Designating a specific level of funding for the entire federal response to this disaster changed the traditional approach to administering FEMA funds.

- This specific level of funding for the entire disaster prompted Congressional authorization of numerous forms of non-traditional assistance to be provided by other agencies.

Designation of a Specific Level of Funding Altered the Traditional FEMA Disaster Assistance Process

The specific level of funding that was targeted by the President and passed by the Congress changed the traditional approach taken to administer FEMA funds. Ordinarily, FEMA assistance has no dollar limit . When a qualifying disaster event occurs, the President declares that a major disaster or emergency exists. This declaration activates numerous FEMA disaster assistance programs. The funding for responding to a specific disaster is not set; instead, the only factor limiting the amount of assistance for response and recovery efforts is reimbursement eligibility

under the Stafford Act. Historically, FEMA approves all applications for grants and other assistance if—and only if—the applications meet the program requirements under the act. For example, compensation to rebuild a public road would be an eligible project, but compensation to improve a public road would not be. Economic losses to a city from reduced tourism associated with a disaster would not be eligible. Further, as some projects can be long term and are reimbursed upon completion, it may take years to fully reconcile how much assistance was provided for certain disasters.

In responding to September 11, however, this traditional practice was not followed, as the President pledged at least $20 billion in federal assistance to New York, and subsequent to that pledge, the Congress, in authorizing this specific level of federal assistance, appropriated over $8.80 billion to FEMA—the first time that a specified amount of funds had been designated to FEMA to respond to a disaster. Consequently, FEMA officials viewed the amounts legislated as the amount of money to be spent in responding to the disaster and administered their programs accordingly to ensure that this amount of funding was provided to the New York area.

In addition, in order to respond to the amount of damage resulting from the attacks and to provide the entire appropriated amount for this disaster, FEMA expanded eligibility guidelines for many of its programs. FEMA officials said that they broadly interpreted the Stafford Act to provide public assistance for several projects. For example, FEMA—in conjunction with DOT—provided funds for lower Manhattan transportation system improvements. Previously, FEMA only provided funds to restore damaged infrastructure to its pre-disaster condition. In recognizing the interdependence of lower Manhattan's transportation system, FEMA officials reported that they interpreted their guidelines to allow maximum flexibility to permit the rebuilding of the transportation system as a whole instead of only what was damaged. Another example of the broadened guidelines FEMA followed in this case is its determination that costs associated with an EPA program to clean the interior of private residences—the first of its kind—were eligible for reimbursement under the Stafford Act. In this instance, FEMA determined that the dust associated with the collapse of the World Trade Center towers was a type of debris, and therefore costs associated with interior cleaning could be reimbursed.

Further, the Congress reinforced FEMA's flexible approach to eligibility for assistance in two ways. First, the Congress authorized FEMA to

expand the eligibility guidelines of certain programs due to the unique circumstances of the disaster and the unprecedented amounts of assistance available for response and recovery efforts.[20] For example, nearly a year after September 11, Congress authorized FEMA to make the Mortgage and Rental Assistance program more broadly available and directed FEMA to review applications that had been previously denied. With these new eligibility requirements, FEMA provided funds to individuals working anywhere in Manhattan and to those whose employers were not located in Manhattan, but who were economically dependent on a Manhattan firm. Further, the Congress authorized FEMA to establish an insurance company to manage a $1 billion insurance fund and to settle claims filed by, among others, city and contractor workers who suffered ill health effects as a result of working on debris removal operations.[21] Although FEMA regularly reimburses applicants for insurance costs that are part of a contract for services, FEMA has never reimbursed for insurance to cover a city for suits brought by its own employees.

Second, despite FEMA's broadened eligibility guidelines interpretation and the Congress' authorization of certain activities, there were still not enough projects eligible within the authority provided by the Stafford Act for which the New York City area could be reimbursed to reach the $8.80 billion target level for FEMA assistance. As a result, the Congress passed the Consolidated Appropriations Resolution that ensured that FEMA would spend the entirety of the FEMA-appropriated assistance for New York by authorizing the agency to reimburse costs that it otherwise could not have funded. This is the first time that FEMA has been given such expansive authority to fund projects outside of provisions of the Stafford Act. New York officials believe this was necessary because the Stafford Act was too restrictive for responding to a major terrorist event, as it does not allow FEMA to reimburse affected communities for many costs directly related to the disaster. With the authority granted by the Consolidated Appropriations Resolution, FEMA adapted its programs and conducted an expedited close-out process that allowed for disbursement of remaining funds to New York years sooner than in past disasters. As part of the expedited closeout process, FEMA provided funds for projects that the city or state had already completed and paid for. New York City and State officials will ultimately have discretion to use these federal

[20]Further discussion and additional examples of public assistance projects that we identified as non-traditional can be seen in GAO-03-926.

[21]Public Law 108-7.

funds as they deem appropriate, in contrast to the established process under which FEMA officials oversee distribution of federal funds to assure that only projects eligible within the provisions of the Stafford Act are funded. The expedited close-out resulted in FEMA reconciling the most expensive public assistance disaster in its history years before the process is typically accomplished.

As a result of the different approach taken to respond to this disaster, FEMA recently initiated an effort to develop a concept for redesigning its public assistance program. As we noted in our August 2003 report on FEMA's public assistance program efforts in New York, a working group of the Public Assistance Program Redesign Project was formed at the request of the director of FEMA's Recovery Division, and held its first meeting in May 2003.[22] Members included FEMA public assistance and research and evaluation staff and state program managers to provide a broader perspective on the issues and concerns. The project was established to suggest proposals to improve the public assistance program and make it more efficient and capable of meeting community needs for all types and sizes of disasters, including those resulting from terrorism. Among other things, the project seeks to transform the program to one that is flexible enough to meet the demands of disasters of all types and sizes and eliminate redundancies in decision-making and processes. The working group will examine potential options for redesigning the program that include an annual block grant program managed by the states, a disaster-based state management program, and a capped funding amount. The working group plans to develop a basic design concept for revising the program by September 30, 2003.

Designation of a Specific Level of Assistance Spurred Congressional Appropriation and Authorization of Other Forms of Non-Traditional Disaster Assistance

Not only was FEMA's traditional disaster response effort changed in assisting the New York area, but the specific level of funding that was targeted by the President and passed by the Congress also spurred authorization of other forms of non-traditional assistance for the New York City area. The most notable of these is the Liberty Zone tax benefits. To address the economic impact of the September 11 attacks on New York, Congress passed the estimated $5.03 billion New York Liberty Zone tax benefit package.[23] This was a unique way for the Congress to provide assistance for the area affected by the disaster as, according to IRS officials, the Congress has never before passed a tax benefits package in

[22]GAO-03-926.

[23]Job Creation and Worker Assistance Act of 2002 (PL 107-147)

response to a disaster. Further, this tax package was targeted to a geographic area, which has not generally occurred in the past.

Additionally, DOT was authorized to fund transportation projects to improve the overall transportation system substantially beyond pre-disaster condition. In most disasters, DOT is authorized to provide funds only to rebuild or restore damaged infrastructure back to its pre-disaster condition. However, in response to September 11, the Congress authorized DOT not only to restore transportation infrastructure directly damaged in the disaster, but also to enhance the overall lower Manhattan transportation system.

Further, the Congress also directed HUD to compensate businesses for economic losses—the first time its funds have been used for this purpose. In previous disasters, HUD funds were typically provided to address long-term effects of the disaster, including economic redevelopment efforts. However, after September 11, the Congress directed HUD to focus on different aspects of relief efforts than in previous disasters, such as compensating businesses and individuals for economic losses and funding programs to promote tourism initiatives in lower Manhattan, which had not been done before, according to HUD officials.

FEMA Faces Major Management Challenges While Making the Transition to the Department of Homeland Security

The integration of FEMA into DHS, a department whose focus is on security against terrorism, while maintaining FEMA's current roles is likely to present both FEMA and DHS officials with major challenges. In January of this year, we published the 2003 Performance and Accountability Series[24] that focused on major management challenges and program risks facing the federal government. In that series, we published reports on challenges to both FEMA and DHS. In our report on DHS, we noted that the creation of DHS, involving the integration of FEMA and 21 other agencies specializing in various disciplines, is a daunting challenge; yet only through the effective integration and collaboration of entities can the synergy expected of the department be achieved. Recognizing the magnitude of the overall challenge in establishing DHS, we designated the implementation and transformation of the department as high-risk. Our Performance and Accountability report on FEMA pointed to specific areas

[24]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Homeland Security*, GAO-03-102 (Washington, D.C.: January 2003) and *Major Management Challenges and Program Risks: Federal Emergency Management Agency*, GAO-03-113 (Washington, D.C.: January 2003).

where its homeland security and non-homeland security missions were being transferred to separate DHS directorates. This divisional separation could complicate FEMA's historical all-hazards approach—a comprehensive approach focused on preparing for and responding to all types of disaster, either natural or man-made. The separation of disaster and emergency responsibilities across two directorates of the new department will present coordination challenges for the appropriate Undersecretaries within DHS.

Our FEMA Performance and Accountability report noted a number of other challenges. These include:

- **Enhancing the provision and management of disaster assistance for efficient and effective response**. FEMA has demonstrated its ability to quickly get resources to stricken communities and disaster victims, but has had problems ensuring the effective use of such assistance, according to the Office of Management and Budget (OMB). Among other things, FEMA will be challenged to (1) improve its criteria for determining state and local eligibility to receive federal disaster assistance, (2) assess the extent of and approach to assistance for future major disasters based on the recovery efforts undertaken in the New York City area, (3) enhance disaster assistance staff training and resource planning, and (4) improve its existing information system before it is used as a building block for a multi-agency disaster management website.

- **Reducing the impact of natural hazards by improving the efficiency of mitigation and flood programs**. For many years, FEMA has focused increased emphasis on reducing the impact of natural hazards, not only to lessen the impact to property and individuals, but also to reduce federal disaster costs. Two of the agency's major efforts in this regard have been its mitigation programs and the National Flood Insurance Program. These programs seek to strengthen structures against the effects of hazards or remove them from harm's way and to minimize the need for future FEMA disaster assistance. However, concerns exist in both these efforts that may limit their effectiveness in achieving these objectives. Moreover, the placement of FEMA within DHS represents a substantially changed environment in which FEMA will conduct its missions in the future, and missions that focus on reducing the impacts of natural hazards, such as hazard mitigation and flood insurance, may receive decreased emphasis. Sustained attention to these programs will be needed to ensure they maintain or improve their effectiveness in protecting the nation against, and reducing federal costs associated with, natural disasters.

We continue to view these areas as challenges for FEMA and expect to assist the Congress in its efforts to examine these challenges. In this regard, we have a number of assignments ongoing or planned that address many of these issues, and we will be reporting on these in the near future.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or Members of the Subcommittee may have.

For further information on this testimony, please contact JayEtta Z. Hecker at (202) 512-2834 or William O. Jenkins at (202) 512-8777. Individuals making key contributions to this testimony include Kevin F. Copping, Matthew F. Ebert, Kara A. Finnegan-Irving, John T. McGrail, and John R. Schulze.

Appendix I: Objectives, Scope, and Methodology

The Subcommittee on Clean Air, Climate Change, and Nuclear Safety, Senate Committee on Environment and Public Works, asked us to describe the federal government's response and recovery efforts to New York City and how the federal government's response to this disaster differed from previous disasters. Additionally, we were asked to describe the management challenges FEMA faces as it integrates into the Department of Homeland Security (DHS).

In addressing the first and second objective, we limited our work to the four federal sources of assistance that comprise 96 percent of the $20 billion in aid pledged by the President to help the New York City area response to and recover from the terrorist attacks. We used information in our August 29, 2003 report on the Federal Emergency Management Agency's Public Assistance Program and our ongoing work on the overall federal response to the New York City area that we are conducting for the Senate Committee on Environment and Public Works. To develop the information for our ongoing work that we used in this statement, we reviewed relevant legislation and obtained and reviewed information from the appropriate budget documents, funding plans, status reports and other documents from the respecting agencies. We also reviewed available Executive Orders, Presidential correspondence, Office of Management and Budget reports, and Congressional Budget Office reports related to federal response and recovery efforts for New York City. We interviewed federal officials from the Office of Management and Budget, FEMA, the Department of Housing and Urban Development, the Federal Transit Administration, the Federal Highway Administration, the Federal Railroad Administration, and the Internal Revenue Service to get their perspectives on to what purposes the assistance has been and will be used. We also obtained pertinent documents from and interviewed officials with New York State and New York City agencies, including the Lower Manhattan Development Corporation, the Empire State Development Corporation, the New York State Department of Transportation, the Metropolitan Transit Administration, and Port Authority of New York and New Jersey. We also interviewed officials from nonprofit planning and research organizations in New York to gain their perspectives on use of the funding in the city's redevelopment process. We reviewed relevant agency documentation of program plans and execution including budget documents and databases. We also compared agency historical data to documentation from the New York response and recovery.

To address management challenges facing FEMA as it transfers to the Department of Homeland Security, we used information from two reports from GAO's Performance and Accountability Series. These were *Major*

Management Challenges and Program Risks: Federal Emergency Management Agency (January 2003 GAO-03-113) and *Major Management Challenges and Program Risks: Department of Homeland Security* (January 2003 GAO-03-102.)

The work we drew upon for this statement was conducted from July 2002 through September 2003 in accordance with generally accepted government accounting standards.

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