Letter on Katrina disaster relief

30 August 2006

I write in response to Patrick Martin's article on the New Orleans mayoral election (See "Racial demagogy mars New Orleans mayoral election") and the recent August 26 article on the Mississippi Gulf Coast (See "One year since Hurricane Katrina: the rebuilding of Mississippi's Gulf Coast"). The latter article captured the plight of thousands left abandoned by the government in still devastated communities. In the communities of Pascagoula, Ocean Springs, and Biloxi, Mississippi, 90 percent of the structures are but a few feet above sea level and were hit with a storm surge 25 to 32 feet high, destroying all buildings for a quarter mile inland. Winds damaged almost every building 5 to 20 miles inland along the coast from east to west through Slidell into New Orleans. (A minor note: the towns Pascagoula, Biloxi, etc. run along I-10, not I-90).

These areas were also hit by hurricane-force winds. A blanket of blue tarps covers block after block of homes. Because of delays in receiving any immediate repair funds from insurance or FEMA, many homes that would be repairable if quickly gutted-out are left to grow mold, rendering them irreparable or far more expensive to sanitize. Families with no place to move are forced to stay in water-damaged dwellings, while mold grows behind paneled walls.

The bankruptcy of the local politics in all the Gulf Coast communities is exemplified by the New Orleans election. While traveling this region for months, I read of numerous township meetings debating home and building plans; there was much local petty bickering about how high buildings can be to preserve the ocean view for future tourism.

The reconstruction of property for entrepreneurial purposes prevails over future safety considerations. Rather than providing funds to elevate structures for future safety, the maintaining of aesthetic scenery, competing for tourism and gambling dollars predominates. A note: When elevation is mandated by local codes, insurance can fund this cost or the Small Business Administration (SBA) can add funds to loans. After many months Ocean Springs has mandated a 17-foot elevation.

Many residences must postpone reconstruction while waiting for new building codes to be established. If homes are built below Federal Emergency Management Administration (FEMA) flood guidelines, then their flood insurance becomes more expensive.

FEMA's delay in providing shelter for hurricane victims is well publicized, but many efforts to set up trailer parks have been blocked by a layer in more affluent communities more concerned, again, about property aesthetics than allowing access to poorer residents. Most rental dwellings have been destroyed or rendered uninhabitable.

One clarification, FEMA provides immediate emergency money as grants and not loans. Loans are provided by the Small Business Administration for residences and businesses. If credit is denied, an applicant may return to FEMA for more grant money. However, the funding assistance from FEMA is often given out in an arbitrary manner and limited to a maximum of $26,500. SBA loans are an inadequate and outmoded form of relief compared to the magnitude of the financial losses. The recently announced Louisiana rebuilding fund would provide supplemental grant funds, but its implementation is problematic.

Many victims are still repaying previous disaster loans. There are some different payment plans and bridge loans until businesses can regain a revenue stream. The ability to repay is a must required for loan approval. There is a gap in SBA loans approved ($10 billion), and actual monies disbursed can only be partially accounted for by how loan monies are released. Only 25 percent or so may be given at a time and then, after the recipient provides proof of use, will more funds be sent. Also, approved loans may be declined or acceptance delayed for many reasons: insurance delays, cost uncertainties related to if, when, where and how to rebuild, as explained above. This could account for $2 billion to $3 billion in disbursement delays.

The remaining discrepancy leads into the SBA leadership shake-up. There are allegations, including by the president of the American Small Business League (ASBL), Lloyd Chapman, that billions in SBA funds were illegally given to large corporations not qualified as small businesses. According to Chapman, SBA Director Hector Barreto refused to disclose the names of the companies illegally obtaining SBA loans and stonewalled all federal investigations into 11 cases of fraud and abuse. The recipients are said to include major corporations such as Boeing, Bechtel, Lockheed, AT&T and Walmart. Barreto's resignation last March allowed for a Bush loyalist to take over.

Barreto's successor, Steven Preston, an executive at an Illinois company, recently brought in Joel Szabat as his chief of staff. Szabat comes with a foreboding resume. Prior to joining SBA, he served the Department of Transportation as counselor for transportation infrastructure. There, he led department-wide initiatives, such as the President's Management Agenda, Pandemic Flu planning, Hurricane Katrina Lessons Learned, and interagency research coordination.

In 2005, Szabat served at the US Embassy in Baghdad as the transportation counselor to the ambassador, directing the US government's $544 million transportation reconstruction program in Iraq. He originally joined DOT in 2002 as deputy assistant secretary for transportation policy.

The SBA is to be officially consolidated from four US regional offices into East and West Teams, September 30, 2006. Field inspectors have lost overtime for holidays worked, sick and leave time. There are no medical plans for on-call inspectors. All positions are temporary in nature. Only the substantial overtime hours justified the demands of the job. Now, Szabat promises to push productivity and "sophisticated financial management."

Regards,

A Gulf Coast Traveler