

**ROAD TO RECOVERY: PUERTO RICO AND THE
U.S. VIRGIN ISLANDS AFTER HURRICANES IRMA
AND MARIA**

HEARING
BEFORE THE
SUBCOMMITTEE ON
EMERGENCY PREPAREDNESS,
RESPONSE, AND RECOVERY
OF THE
COMMITTEE ON HOMELAND SECURITY
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS
FIRST SESSION
JULY 11, 2019
Serial No. 116-32

Printed for the use of the Committee on Homeland Security



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

39-400 PDF

WASHINGTON : 2020

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ROAD TO RECOVERY: PUERTO RICO AND THE U.S. VIRGIN ISLANDS AFTER HURRICANES IRMA AND MARIA

Thursday, July 11, 2019

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON EMERGENCY PREPAREDNESS,
RESPONSE, AND RECOVERY,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:07 a.m., in room 310, Cannon House Office Building, Hon. Donald M. Payne, Jr. (Chairman of the subcommittee) presiding.

Present: Representatives Payne, Green, Clarke, Thompson, King, Joyce, and Crenshaw.

Mr. PAYNE. The Subcommittee on Emergency Preparedness, Response, and Recovery will come to order.

The subcommittee is meeting today to receive testimony on the “Road to Recovery: Puerto Rico and the U.S. Virgin Islands after Hurricanes Irma and Maria.”

Without objection, the Chair may declare the subcommittee in recess at any point.

Without objection, Members not sitting on the subcommittee will be permitted to participate in today’s hearing.

I now recognize myself for an opening statement.

Good morning. The subcommittee is meeting to discuss the status of the disaster recovery operations in Puerto Rico and the U.S. Virgin Islands following Hurricanes Irma and Maria.

First, I want to thank our witnesses from Puerto Rico and the U.S. Virgin Islands and the Government Accountability Office for being here today. Your testimony will help the subcommittee understand how much work is left to be done in Puerto Rico and the U.S. Virgin Islands after the devastating 2017 storms.

As everyone can see, we have a critical witness absent from today’s hearing. FEMA is a no-show. FEMA was notified about this hearing nearly 2 months ago but would not confirm a witness. A month ago, I pressed the issue with the Acting Administrator Gaynor as he testified and said he would work to provide a witness for today’s hearing. Yet we are here today without a FEMA witness. The agency has a personnel shortage, but you would think it would be able to provide a witness for a hearing on some of the most devastating storms our country experienced in modern history. If that empty chair isn’t a perfect metaphor for the adminis-

tration's response to Hurricanes Irma and Maria, I don't know what is.

Unfortunately, FEMA's absence today is just the latest example of the administration's apathy toward Hurricanes Irma and Maria recovery and further underscores the need for this committee to provide robust oversight.

Turning to the subject matter at hand, the unusually active 2017 hurricane season simultaneously produced intense storms in Texas, Florida, and devastated Puerto Rico and the U.S. Virgin Islands. From the damage caused by these storms, the U.S. Virgin Islands is facing more than 11 billion—11 billion in financial impact. The impact of Hurricane Maria alone left Puerto Rico with a death toll of nearly 3,000, and recovery is estimated at over a hundred billion. Before the storms hit, Puerto Rico was dealing with a precarious financial situation, a disaster that would have severely hampered the territory's recovery efforts for damage at any level, let alone back-to-back major hurricanes.

With the recovery being such a massive undertaking, I have serious concerns about the blanket use of Public Assistance Alternative Procedures in Puerto Rico being used to rebuild the island. I find the pace that FEMA is administering this program to be troubling. Nearly 2 years have passed, and permanent work in Puerto Rico has yet to begin. That means American schools, hospitals, roads, and other public places are still damaged from the storms, and the time line for getting under way is unknown. Let that sink in for a moment. I am also concerned about the very real possibility that the recovery project cost estimates will be underestimated, which would leave Puerto Rico cash-strapped and on the hook for any of the overages.

While the U.S. Virgin Islands was not required to use Public Assistance Alternative Procedures, the territory had recently opted to use this program moving forward in their recovery. Like Puerto Rico, the U.S. Virgin Islands has yet to begin work on permanent projects. And, again, critical community spaces are still sitting in the 2-year-old damage due in part to FEMA's slow pace.

As such, I am interested to hear from our witnesses today the challenges associated with the use of Public Assistance Alternative Procedures to rebuild in Puerto Rico and the Virgin Islands. The extraordinary nature of the 2017 disasters and their impacts on our country can provide an opportunity to learn, grow, and to make the Federal Government's disaster response and recovery efforts better. For that, it is truly a shame that FEMA has decided not to participate in this hearing.

On a personal note, as someone who dealt with the aftermath of Hurricane Sandy, I cannot imagine how much more difficult recovery would have been if FEMA had not refused to show up and talk to the American public about the recovery. Despite FEMA not being here today, I am heartened by the witnesses who did come to discuss the incredibly important matter. Thank you again for being here, and I look forward to our dialog.

[The statement of Chairman Payne follows:]

STATEMENT OF CHAIRMAN DONALD M. PAYNE, JR.

JULY 11, 2019

The subcommittee is meeting to discuss the status of disaster recovery operations in Puerto Rico and the U.S. Virgin Islands following Hurricanes Irma and Maria. First, I want to thank our witnesses from Puerto Rico, the U.S. Virgin Islands, and the Government Accountability Office for being here today. Your testimony will help the subcommittee understand how much work is left to be done in Puerto Rico and the U.S. Virgin Islands after the devastating 2017 storms. As everyone can see, we have a critical witness absent from today's hearing. FEMA is a "no-show." FEMA was notified about this hearing nearly 2 months ago but would not confirm a witness.

A month ago, when I pressed the issue, Acting Administrator Gaynor testified he would work to provide a witness for today's hearing. Yet, here we are today without a FEMA witness. The agency has a personnel shortage, but you would think it would be able to provide a witness for a hearing on some of the most devastating storms our country experienced in modern history. If that empty chair isn't a perfect metaphor for this administration's response to Hurricanes Irma and Maria, I don't know what is. Unfortunately, FEMA's absence today is just the latest example of the administration's apathy toward Hurricanes Irma and Maria recovery and further underscores the need for this committee to provide robust oversight.

Turning to the subject matter at hand, the unusually active 2017 hurricane season simultaneously produced intense storms in Texas and Florida and devastated Puerto Rico and the U.S. Virgin Islands. From the damage caused by these storms, the U.S. Virgin Islands is facing more than \$11 billion financial impact. The impact of Hurricane Maria alone left Puerto Rico with a death toll of nearly 3,000 and recovery is estimated over \$100 billion. And before the storms hit, Puerto Rico was dealing with a precarious financial situation, a disaster, that would have severely hampered the territory's recovery efforts for damage at any level, let alone back-to-back major hurricanes. With recovery being such a massive undertaking, I have serious concerns about the blanket use of Public Assistance Alternative Procedures in Puerto Rico being used to rebuild the island. I find the pace that FEMA is administering this program to be troubling. Nearly 2 years have passed, and permanent work in Puerto Rico has yet to begin. That means American schools, hospitals, roads, and other public places are still damaged from the storms and the time line for work getting under way is unknown. Let that sink in for a moment.

I am also concerned about the very real possibility that the recovery project cost estimates will be underestimated, which would leave cash-strapped Puerto Rico on the hook for the overages. While the U.S. Virgin Islands was not required to use Public Assistance Alternative Procedures, the territory has recently opted to use this program moving forward in their recovery. Like Puerto Rico, the U.S. Virgin Islands has yet to begin work on permanent projects, and again, critical community spaces are still sitting in 2-year-old damage due in part to FEMA's slow pace. As such, I am interested to hear from our witnesses today the challenges associated with the use of Public Assistance Alternative Procedures to rebuild in Puerto Rico and the U.S. Virgin Islands. The extraordinary nature of the 2017 disasters and their impacts on our country provide an opportunity to learn, grow, and to make the Federal Government's disaster response and recovery efforts better. For that, it is truly a shame that FEMA has decided not to participate in this hearing. On a personal note, as someone who dealt with the aftermath of Hurricane Sandy, I cannot imagine how much more difficult recovery would have been if FEMA had refused to show up to talk to the American public about our recovery. Despite FEMA not being here today, I am heartened by the witnesses who did come to discuss this incredibly important matter.

Mr. PAYNE. With that, I will now recognize the Ranking Member of the subcommittee, the gentleman from New York, Mr. King, for an opening statement.

Mr. KING. Thank you, Mr. Chairman.

I would like to also welcome today's witnesses and thank them for their time. After being here, it is not always easy. So I appreciate you being here. Thank you.

Today marks the fifth time the subcommittee or the full committee has met to discuss recovery efforts in Puerto Rico and the U.S. Virgin Islands. In March, we heard testimony on how the Fed-

eral Government could improve its response to disasters. In April, we assessed how climate change impacted National security. In May, we reviewed FEMA's contracting and the lessons learned from Hurricanes Irma and Maria. Last month, we looked at FEMA's readiness for future disasters. We have heard from officials in Puerto Rico and the U.S. Virgin Islands on the state of recovery in these territories. We have received reports from the Government Accountability Office, from the IG. FEMA has testified before our subcommittee on the challenges it has faced in responding to these catastrophic storms. It submitted shortcomings and made clear what they need to complete the mission, and yet we have convened another hearing.

While recovery in Puerto Rico and the U.S. Virgin Islands is incredibly important, it is important that we move past discussion and act.

I recently cosigned onto Chairman Thompson's house companion to Senator Rubio's FACE Act which codifies the GAO recommendations with regards to FEMA contracting. I agree with those recommendations and support improving FEMA's contracting practices. This bill, however, was not referred to this committee which illustrates our limited jurisdiction in this sphere.

I support continued oversight of disaster recovery, including implementation of the Disaster Recovery Reform Act which was signed into law last year and emphasizes investment in mitigation, reducing risk, and increasing a State or territory's capacity to manage disaster recovery. I also support strong oversight of FEMA Homeland Security Grant Programs. Federal funds through programs such as the State Homeland Security Grant Program, Urban Areas Security Initiative, and Port Security Grant enable local communities to support their first responder work force and to harden their defenses against potential attacks.

In New York City, Federal grants have allowed the Department of Emergency Management, the NYPD, and FDNY to conduct training and exercises, provide public education and outreach, and develop response protocols and safety initiatives to significantly increase security preparedness.

Again, I want to express my appreciation to the witnesses for being here today.

Mr. Chairman, I yield back.

[The statement of Ranking Member King follows:]

STATEMENT OF RANKING MEMBER PETER T. KING

JULY 11, 2019

Thank you, Mr. Chairman. I'd like to welcome today's witnesses and thank them for their time.

Today marks the fifth time this subcommittee or the full committee has met to discuss recovery efforts in Puerto Rico and the U.S. Virgin Islands. In March, we heard testimony on how the Federal Government could improve its response to disasters. In April, we assessed how climate change impacted National security. In May, we reviewed Federal Emergency Management Agency contracting and the lessons learned from Hurricanes Irma and Maria. Last month, we looked at FEMA's readiness for future disasters.

We have heard from officials from Puerto Rico and the U.S. Virgin Islands on the state of recovery in each territory. We have reviewed reports from the Government Accountability Office and from the Office of the Inspector General. FEMA has testified before our subcommittee on the challenges they have faced in responding to

these catastrophic storms. They've admitted their shortcomings and made clear what they need to complete their mission. And yet we have convened another hearing.

While the recovery of Puerto Rico and the U.S. Virgin Islands is incredibly important, we must move past discussion and we must act. I recently cosigned on to Chairman Thompson's House companion to Senator Rubio's FACE Act, which codifies the recommendations of GAO with regards to FEMA contracting. I agree with GAO's recommendations and support improving FEMA's contracting practices.

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In New York City, Federal grants have allowed the Department of Emergency Management, the NYPD, and the FDNY to conduct training and exercises, provide public education and outreach, and develop response protocols, and safety initiatives to significantly increase security preparedness.

I want to again express my appreciation for our witnesses being here today. Mr. Chairman, I yield back.

Mr. PAYNE. Thank you, sir.

With that, I will recognize the Chairman of the full committee, the gentleman from Mississippi, Mr. Bennie Thompson, for an opening statement.

Mr. THOMPSON. Thank you very much, Mr. Chair, and Ranking Member for holding this hearing.

However, I do want to share your dismay about FEMA's decision not to send a witness to today's hearing. So much of what I have heard and seen in my visit to Puerto Rico, especially, in many instances FEMA has been missing in action. So their absence today is dually noted.

FEMA's refusal undermines the work of this committee, which is exercising its oversight responsibilities to ensure Federal recovery assistance is being allocated appropriately and tax dollars are being spent wisely. It is disrespectful to our witnesses from Puerto Rico and the U.S. Virgin Islands who have traveled here today to inform Congress about the recovery challenges they still face at home. I might add these are American citizens; they deserve no less. It is unfortunate that they are not here to listen to testimony from our Government Accountability Office witness, which has done yeoman's work reviewing FEMA's response to 2017 hurricane season in order to improve the agency's work on this and future disasters.

I am particularly disappointed in FEMA's refusal to send a representative after Acting Administrator Peter Gaynor testified at a previous hearing that he would see to it that the agency provided a witness for this hearing. Now we have an empty chair where someone from FEMA should be sitting.

Nonetheless, I appreciate Chairman Payne and Ranking Member King holding today's hearing on Puerto Rico and the U.S. Virgin Islands' recovery from the 2017 hurricane season. I might add some of us have been put on notice that Mississippi and Louisiana is facing not as big a situation as Puerto Rico and the Virgin Islands, but, obviously, we are on notice, too.

The challenge for us is whether or not the response to Mississippi, my home State, and Louisiana will be comparable to Puerto Rico and Virgin Islands, or will it be better? But, nonetheless, we are all Americans. There shouldn't be Puerto Rico and Virgin Islands response. There should be an American response, and I look forward to the information we glean from this hearing.

I yield back.

[The statement of Chairman Thompson follows:]

STATEMENT OF CHAIRMAN BENNIE G. THOMPSON

JULY 11, 2019

I share Chairman Payne's dismay about FEMA's decision not to send a witness to today's hearing. Their refusal undermines the work of this committee, which is exercising its oversight responsibilities to ensure Federal recovery assistance is being allocated appropriately and taxpayer dollars are being spent wisely.

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This hearing continues the committee's longstanding oversight work on the Federal response to major disasters, and it comes at a critical juncture in recovery for Puerto Rico and the USVI.

Thanks to the witnesses present today for taking time to lend us your perspectives. I hope you will share your stories and offer insights into what Congress can do to help ensure a speedy and efficient recovery from Hurricanes Irma and Maria. I look forward to a good discussion today on that topic and to future oversight of FEMA's recovery efforts.

Mr. PAYNE. I thank the gentleman.

Other Members of the committee are reminded that, under the committee's rules, opening statements may be submitted for the record.

I welcome our panel of witnesses. Our first witness is Mr. Omar J. Marrero, the executive director of the Central Office for Recovery, Reconstruction, and Resilience, or COR3, in Puerto Rico.

Our second witness is Ms. Adrienne L. Williams-Octalien, Octalien—I am sorry—and she is the director of the Office of Disaster Recovery in the U.S. Virgin Islands.

Our third and the final witness is Chris P. Currie, the director of homeland security and justice at the Government Accountability Office.

Without objection, the witnesses' full statements will be inserted into the record.

I now ask each witness to summarize his or her statement for 5 minutes, beginning with Mr. Marrero.

STATEMENT OF OMAR J. MARRERO, EXECUTIVE DIRECTOR, CENTRAL OFFICE FOR RECOVERY, RECONSTRUCTION, AND RESILIENCE (COR3)

Mr. MARRERO. Thank you, sir.

Good morning, Chairman Payne, Ranking Member King, and Members of the committee, particularly Mr. Thompson, Chairman of the full committee.

Thank you for the opportunity to be here today as we discuss the status of recovery in Puerto Rico caused by Hurricanes Irma and Maria. On behalf of the Governor, Ricardo Rossello, it is my honor and privilege to be here today.

As Members of this committee have seen first-hand through their visits to Puerto Rico, Hurricanes Irma and Maria were catastrophic. On September 6, 2017, Hurricane Irma skirted the northern coast of Puerto Rico as a Category 5 storm. While response teams were still mobilizing, Hurricane Maria is slamming to Puerto Rico as a Category 4 just 2 weeks later. These hurricanes cost over \$100 billion in damages, representing the worst natural disaster our island has ever seen.

As a survivor, I saw first-hand the destruction of our communities: Homes, infrastructure, and power grid. Nearly every American living on the island, including my family, friends, neighbors, our people were faced with a humanitarian crisis that defied anyone's expectations. Even now, nearly 2 years later, over 300,000 children attend schools which have not been repaired, and many of them have to still go to home to houses with blue tarp roof. It has been life-changing for everyone on the island.

There is no question that decades of underinvestment and lack of adequate maintenance contributed greatly to the great deal of damage to the island. Indeed, with respect to our most critical infrastructure, the decision by this body to allow a one-time rebuild without regard to preexisting conditions will go a long way toward setting Puerto Rico up to be not only more resilient but also economically and fiscally responsible.

Let me assure you that the taxpayer investment in the island will not be wasted. Governor Rossello and his entire administration, we are committed to make sure that we are wise and transparent as to the use of the Federal funding existing for the disaster with the goal of restoring our ability to contribute to the economic success of our Nation.

This hurricane taught us that the lives, safety, and security of our residents depend as much on our local capacity to respond to immediate emergency as it does on the capacity to muster a proportionate and timely response from the Federal Government.

We continue to build and develop these capabilities in coordination with FEMA, HUD, EPA, DOE, HHS, and many other Federal agencies. Twenty-two months into our recovery, we are clearly in a world that climate change is making natural disasters more frequent and more damaging, further underscoring the need to build back in a more resilient way. Puerto Rico remains especially vulnerable to the impact of climate-change-enhanced disasters due to our geographical composition, as it does to the USVI as well. Unfortunately, this unique disadvantage has been exacerbated by a series of Federal agency decisions slowing our post-disaster recovery compared to those of other jurisdictions State-side.

Principal among these inconsistencies are FEMA's guidance with respect to the implementation of the section 428 for permanent work, a lack of timely decision making, and a better recent change

in the way FEMA will perform its role in the management of recovery funds.

These distinctions in the Public Assistance process implementation are causing additional delays, reducing Puerto Rico's ability to lead the recovery and, more importantly, impeding our ability to meet the FEMA's October deadline for the completion and agreement of the close estimates.

A failure to agree on the definition of industry standards, cost factors, and a refusal to allow Puerto Rico to use its own licensed engineers previously authorized in New York and New Jersey, and a host of other less significant obstacles perpetrate the notion that we are neither trusted nor permitted to lead our own recovery.

FEMA always says that recovery is a Federally-supported, State-managed, and locally-executed process. Unfortunately, that has not been our experience. The island depends on FEMA and the good will of this hallowed body while we remain an independent territory. Despite every effort of Congress to help us recover, Puerto Rico has only had approximately 122 projects approved of the 1,475 PWs, or project worksheets, submitted in the last 22 months. In contrast, in the same time frame, over 13,000 projects were approved for Louisiana and Mississippi in the wake of Hurricane Katrina.

Our goal is to re-imagine, revitalize, and rebuild Puerto Rico so it can develop its full capacity for the benefit of the 3.5 million of U.S. citizens who live there and the 5 point—million Puerto Ricans who live in the mainland while we want them go back to Puerto Rico as well.

While we have a long road ahead of us, as we say in Puerto Rico, "Puerto Rico se levanta," "and Puerto Rico will rise."

Thank you. I look forward to your questions, as well as to the further collaborations that the Federal Government and the State government of Puerto Rico will continue to do.

Thank you, sir.

[The prepared statement of Mr. Marrero follows:]

PREPARED STATEMENT OF OMAR MARRERO

JULY 11, 2019

Chairman Payne, Ranking Member King, and Members of the committee: Thank you for the opportunity to appear before you today on behalf of the 3.2 million American citizens of Puerto Rico to discuss our recovery from Hurricanes Irma and Maria. In the 22 months following the devastation of these two Hurricanes, we have made significant progress toward building back Puerto Rico. This progress is, in part, the result of the tremendous and often bipartisan support we have received from this committee and Congress more broadly; as well as the support we have received from the Federal Emergency Management Agency (FEMA) and other Federal agencies.

I would like to take this opportunity to express our appreciation for passage of the Additional Supplemental Appropriations for Disaster Relief Act, H.R. 2157, Pub. L. 116–20, which included critical Nutrition Assistance Program (NAP) dollars as well as legislative fixes to the Bipartisan Budget Act (BBA) of 2018, Pub. L. 115–123, which will enable a more thorough recovery for Puerto Rico. Although much remains to be done, this support will help speed recovery a great deal.

As Members of this committee have seen through their visits to Puerto Rico—Hurricanes Irma and Maria wrought catastrophic damage to Puerto Rico in September 2017. Hurricane Irma skirted the northern coast of Puerto Rico from September 6, 2017–September 7, 2017 as a Category 5 storm, causing significant flooding and regional power and water outages. Only 13 days later, on September 20, 2017, Hurricane Maria slammed into Puerto Rico as a Category 4 storm. Hurricane

Maria caused all power to be lost across the island as Puerto Rico descended into the longest blackout in U.S. history—328 days until the entire island regained power. The powerful winds, storm surge, and localized flooding of Hurricane Maria led to the significant damage or destruction of more than 472,000 housing units across the island; and, as we were unable to provide shelter to all of the victims of the Hurricanes, tens of thousands of Puerto Rican residents were forced to flee to the continental United States to seek reprieve.¹ The storms caused a humanitarian crisis for those who remained in Puerto Rico—particularly surrounding public health and safety. Nearly all water and wastewater treatment plants were rendered inoperable and millions of gallons of untreated waste were leaked into the environment.² Hospitals and primary care facilities were forced to close due to lack of power, resources, or clean and potable water. Not only were food, and medicines scarce, but a lack of power meant a total breakdown of wireless networks and cellular signals; what food and medicine remained could only be purchased with cash. For the 1.3 million Puerto Rican NAP recipients, this meant that they could not purchase food or other supplies.³ For context—of the 1.3 million Puerto Rican NAP recipients, 45 percent include households with children younger than 18, and nearly 330,000 elderly people.⁴

Despite all of this, Governor Ricardo Rosselló has chosen to view our recovery from the seemingly insurmountable devastation at the time of the storms, as a moonshot opportunity for bold transformation. We can—and we will—build Puerto Rico back better. We cannot only prepare for the disasters of tomorrow and mitigate against this level of devastation and tragedy from happening again; but also unlock the potential of Puerto Rico for the 3.2 million U.S. citizens who call our island, “La Isla del Encanto” or “the Island of Enchantment” home. The Governor and his administration are dedicating every waking moment to the progress and success of our recovery in Puerto Rico. It is not an overstatement to say that this body has the power to open the doors needed for Puerto Rico to achieve a future that is strong, resilient, and prosperous.

As we look to the future—we recognize that the island’s past remains a weight on our recovery. Long before the 2017 Hurricanes, Puerto Rico was reeling from decades of fiscal mismanagement, economic distress, and demographic challenges, all of which resulted in our man-made disasters—our fiscal and economic crises. Governor Rosselló campaigned, and was elected on, a commitment to address those challenges, including over \$72 billion in public debts and \$50 billion in unfunded pension liabilities forcing the island into bankruptcy. As we build back Puerto Rico, we cannot forget where our island was in 2017, on the eve of Hurricanes Irma and Maria.

In the aftermath of the Hurricanes, Governor Rosselló initially laid out his vision for our recovery in the Build Back Better document, which was developed with the support and assistance of the Governor’s Office for Storm Recovery of State of New York, and later ratified it in our recovery plan required by Congress: “Transformation and Innovation in the Wake of Devastation: Economic and Disaster Recovery Plan for Puerto Rico.”⁵ This plan envisions a future for Puerto Rico beyond recovery—we see a future Puerto Rico that is resilient, economically vibrant, and the economic hub for the United States’ investment in Latin America. Puerto Rico will be competitive within the global economy and expand its contribution to the United States. Government reform, integrated planning, digitization, and public engagement are all keys to Puerto Rico maximizing investment in recovery, renewal,

¹Ricardo Rosselló, Governor of Puerto Rico, “Build Back Better Puerto Rico”, November 13, 2017; https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/Build_Back_Better_PR.pdf.

²Ricardo Rosselló, Governor of Puerto Rico, “Build Back Better Puerto Rico”, November 13, 2017; https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/Build_Back_Better_PR.pdf.

³Washington Post, “More than 670,000 Puerto Rico residents have received cuts to food”, June 24, 2019; https://www.washingtonpost.com/us-policy/2019/03/08/puerto-rico-starts-cutting-food-stamp-benefits-used-by-more-than-million-people-amid-congressional-impasse/?noredirect=on&utm_term=.98e2e5d0567f.

⁴Washington Post, “More than 670,000 Puerto Rico residents have received cuts to food”, June 24, 2019; https://www.washingtonpost.com/us-policy/2019/03/08/puerto-rico-starts-cutting-food-stamp-benefits-used-by-more-than-million-people-amid-congressional-impasse/?noredirect=on&utm_term=.98e2e5d0567f.

⁵Central Office for Recovery, Reconstruction and Resiliency, “Transformation and Innovation in the Wake of Devastation: Economic and Disaster Recovery Plan for Puerto Rico,” August 8, 2018, <https://cor3.pr/assets/documents/pr-transformation-innovation-plan-congressional-submission-080818.pdf>.

and future growth. Toward this end, the Governor's Recovery Plan identifies 276 Courses of Action (COAs) in support of Puerto Rico's recovery and reconstruction.

The COAs are grouped into Capital Investments and Strategic Initiatives. The Capital Investments focus on the following foundational areas: Energy; Communication/Information Technology; Water; Transportation; Housing; Public Buildings; Education; Health and Social Services; and, Natural and Cultural Resources. The Strategic Initiatives are designed to move beyond infrastructure recovery and focus on the following areas of long-term social and economic growth: Enhancing the Ocean and Visitor Economies; Modernization of Emergency Services; Agricultural Transformation; Digital Transformation; Transition to a 21st Century Workforce; Entrepreneurship Expansion; and, Reduction of Policy and Structural Barriers to Support Advanced Manufacturing.

As an example, the Capital Investments surrounding Energy include our Electronic Grid Modernization (GridMod) Plan. There is no question that a reliable and efficient power grid is key to the future success of Puerto Rico. The GridMod Plan is our proposal to repair, restore, and harden our power system, to ultimately improve the quality of life, trust, and reliability in energy services. The GridMod Plan emphasizes three key areas: (1) Increased reliance on renewable energy resources, such as wind and solar power, to reduce dependence on fossil fuels; (2) new distributed energy resource technologies, such as energy storage and microgrids, to improve resilience; and (3) affordability and sustainability to improve the quality of life for U.S. citizens in Puerto Rico.

As we continue to move toward affordable energy, the Puerto Rico Electric Power Authority (PREPA) recently executed a San Juan natural gas conversion contract, which should provide a framework for future fuel supply conversion. The fuel conversion project involves upgrading Units 5 and 6 of the San Juan Combined Cycle Power Plant so that those units can operate on liquefied natural gas (LNG). The transaction, announced in December 2018, is one of the most flexible LNG/gas agreements in the world and undeniably the most flexible fuel supply agreement in PREPA's portfolio. This transaction should produce material savings for PREPA customers.

Last year, we took the first steps to achieving our vision by assigning the COAs to State government agencies for implementation. A total of 30 agencies were selected to be COA leads. Each of the selected agencies will develop specific action plans to achieve the goals identified in the COAs. Action plans will describe the projects and related steps that must be taken, identify the funding sources, and lay out a time line for completion.

To ensure proper oversight, coordination, and execution of the COAs, the Governor established the Central Office of Recovery, Reconstruction, and Resiliency (COR3) in December 2017 with all necessary authority, powers, and resources to manage the post-disaster reconstruction. Recognizing the need for expert support to ensure the success of COR3, we underwent an extensive proposal process to contract a group of highly-qualified third-party specialists with years of disaster recovery and reconstruction experience. In the last 6 months, COR3 established a comprehensive and effective digital information system designed to manage Federal funding while also promoting accountability and transparency to all stakeholders. The Disaster Recovery System (DRS) is owned and operated by COR3 and is designed to provide an independent data source, protections for data integrity, and a system of record that can be used to reconcile discrepancies and push accountability as both Federal and State partners work toward effective coordination and collaboration in the execution of all recovery programs. To increase the accessibility of the complex data within DRS as well as to support public awareness, COR3 has established a Transparency Portal website (<https://www.recovery.pr/en/home.aspx>) with the purpose of documenting and demonstrating the status of the recovery.

We are now 22 months into our recovery and making significant progress toward the upwards of \$100 billion in damages that Hurricanes Irma and Maria caused. Earlier this year, Governor Rosselló submitted to Congress, in compliance with Pub. L. 115-123, a detailed status report on our *Federally-Mandated Economic and Disaster Recovery Plan for Puerto Rico*.⁶ The status report detailed both the progress and challenges of our recovery.

Despite our successes, we continue to struggle with obsolete policies and ever-changing rules governing the use of Federal funds on the island. While we welcome Federal oversight as appropriate for the expenditure of tens of billions of taxpayer dollars, I am concerned that the recovery of Puerto Rico is not proceeding at the same pace as those recoveries on the mainland. While some of these delays can be

⁶ Gov. Ricardo Rosselló to Leaders of U.S. House and Senate, "Progress Report on Economic and Disaster Recovery Plan," February 14, 2019.

attributed to magnitude of destruction on the island and the logistical challenges associated with that, other delays appear to be as a result of an emphasis on the amount of money expended instead of the outcomes being achieved. The Puerto Rico Department of Education (PRDE) is a victim of this. PRDE infrastructure was decimated by Hurricane Maria when over 6,000 buildings on 1,109 campuses island-wide were impacted. More than just places of learning, our schools serve as shelters of last resort. They are often the only community building for miles and provide the only recreational facilities for many of our communities. In light of the need to rapidly rebuild in order to try to provide stability to the youth of our island, we prioritized the consolidation of several of our schools and focused on the rebuilding of 64. Since initial estimates were completed nearly 8 months ago, FEMA has changed the amount of money available for this project from over \$1 billion dollars to less than \$400 million. Each time the estimate changes, reviews and scopes of work must be redone delaying even further the commencement of work. Six hundred fifty-nine days after Maria hit, over 300,000 students attend school each day in hurricane-damaged buildings with no recreational facilities, leaking roofs, and patched-together windows and doors. Of course, even when many of these children do go home, it is to homes still partially repaired, often with temporary “blue roofs”. Today, on the island, we still have nearly 20,000 homes that have damaged or destroyed roofs, and as such, people are relying on blue tarps to provide coverage over their homes. While we are not arguing that the Federal Government should rebuild every damaged home on the island, we do believe it is incumbent upon both Puerto Rico and the Federal Government to ensure our schools are repaired to current standards so our children at the very least have a safe, clean, and comfortable place to learn and thrive.

While this is one example, we have also contended with: Inconsistencies in FEMA’s guidance with respect to the implementation of Section 428 Alternative Procedures for permanent work Public Assistance; significant delays in fixed-cost estimate approvals by FEMA; unnecessary requirement of duplication in damage description and dimension analysis by FEMA; refusal to define industry standards; refusal to allow Puerto Rico to use its own licensed engineers such as was done in New York and New Jersey; until recently the onerous requirements of what FEMA refers to as the 270 process; and now another change in the way FEMA will perform its roles in the management of recovery funds. The island’s reconstruction depends on completing these processes as diligently and quickly as possible, but we can do little without FEMA. Puerto Rico has only had approximately 117 projects approved of the 1,475 Project Worksheets submitted in the 22 months that have followed the Hurricanes. In stark contrast, in the same time frame, over 13,000 projects were approved for Louisiana and Mississippi in the wake of Hurricane Katrina. The discrepancy is startling.

An additional—and looming—threat to our recovery and reconstruction efforts is the upcoming October 2019 deadline for finalizing our Fixed Cost Estimates (FCE). On April 30, 2019, COR3 formally requested a blanket extension to the FCE deadline from FEMA, because at the current pace of approvals by FEMA, it will be impossible to meet the October 11, 2019 deadline. On May 13, 2019, FEMA responded to our request stating that extensions would be approved on a case-by-case basis and only if Puerto Rico demonstrates it is trying to complete its portion of the FCE. This is impossible to achieve—FEMA has yet to determine which industry standards we are building toward, which in and of itself prevents anyone from determining how much rebuilding will cost. It is important to note that even the State of New York required 3 years to complete some of their FCEs, and our ask for an extension is neither unique nor unprecedented in the history of FEMA’s relationship with the States and Territories.

Throughout the recovery process, a key function of COR3 has been to work collaboratively with FEMA. Yet, on May 13, 2019, FEMA introduced a new operating model to COR3, the National Delivery Model. While, in the broadest sense, we support the implementation of the National Delivery Model, we are concerned that the model as currently envisioned by FEMA for Puerto Rico is not addressed within the framework FEMA and Puerto Rico agreed to. By “framework”—I refer to framework articulated in the FEMA-State agreement and in FEMA implementation guidance for the Section 428 pilot program. The National Delivery Model has never before been used on a disaster where Section 428 alternative procedures are governing nearly all of the disaster grant funding. Additionally, because it is different from the delivery model Puerto Rico has been using since September 2017, it inserts another change in procedures, which raises concerns over impacts to the already glacial pace of recovery on the island. We continue to work with FEMA as it implements this new program on the island to understand how FEMA will adjust the program to account for the current FEMA-State agreement and look forward to FEMA’s

response to our request to amend the FEMA-State agreement to account for the implementation of this new program. Most critically, we look forward to ensuring Puerto Rico leads its own recovery—just as every other State in the Union is able to do, such as the ability to decide whether traditional PA or the 428 process is best for each individual recovery project.

Puerto Rico will forever be grateful to the Federal Government for its contributions to the island in the aftermath of Hurricanes Irma and Maria. The Federal Government has been critical to the progress we achieved, but I must emphasize—it is our recovery. I ask that moving forward any decisions or processes made surrounding our recovery be discussed with the government of Puerto Rico because we know the island and its needs best. As FEMA says frequently, all disasters are Federally-Supported, State-Managed, and Locally-Executed—Governor Ricardo Rosselló and I expect nothing less in Puerto Rico.

The question of Puerto Rico's ultimate political status and relationship with the Federal Government is intimately linked to the island's prospects for economic growth, fiscal stability, and successful disaster recovery. By allowing Congress and the Federal Executive branch to treat Puerto Rico differently and in ways that discriminate against the island and its nearly 3.2 million U.S. citizens, the current territorial status inherently limits our chances of success. It does this by allowing the propagation of Federal laws and policies toward the territory that lack the coherence and consistency required to provide for the island's sustained socioeconomic development and growth. We have roughly the same number of U.S. citizens living in Puerto Rico as live in Utah or Iowa, yet we do not have an equal representation in Congress for ourselves.

The unfortunate reality is that Federal policy toward Puerto Rico is oftentimes executed as an afterthought and without a proper understanding of the circumstances of the island and its residents. There are countless examples of Federal policies and practices that harm or limit Puerto Rico's economic development potential. Among these are the disparate treatment and sometimes-outright exclusion of Puerto Rico from a variety of Federal programs, the island's exclusion from a multitude of Federal studies and statistics, the disproportionately low level of Federal procurement from businesses in Puerto Rico, and unnecessary regulations that limit interstate commerce, such as the Electronic Export Information requirement.

The current reform process happening in Puerto Rico under Governor Rosselló's leadership, the debt-restricting tools contained in PROMESA, and the post-disaster recovery and reconstruction, present an ideal opportunity to finally define the ultimate political future of Puerto Rico, and to begin a transition toward that end. Congress must act definitively to resolve Puerto Rico's future political status, because maintaining the status quo will only further delay the island's recovery and reconstruction. Congress should implement the democratically-expressed will of voters who have expressed twice in the last 6 years a clear desire to end the current territory status and to achieve Statehood for Puerto Rico. Indeed, for America and Puerto Rico both, Statehood is the best possible answer and the best path forward out of this century-old issue and into a new century of economic growth and prosperity.

Despite our many challenges, the U.S. territory of Puerto Rico is optimistic, determined, and full of potential. In the 22 months following the Hurricanes of 2017, we have been challenged by both significant population loss and an island-wide recession. Despite this, Puerto Rico continues to endure and recover. Our goal is to reimagine, revitalize, and rebuild Puerto Rico in a way that we reach our full capacity for the benefit of our island residents and America as a whole. To do this, we must recognize and acknowledge our past mistakes and work together diligently to correct them. If the most challenged jurisdiction in America, Puerto Rico, can turn itself around and be transformed into a place of thriving prosperity and sustainability, it can serve as a beacon of hope for all Americans, and a sign to the world that the best is yet to come. Together, with the support of Congress, we can achieve this vision. We owe the American Citizens who make Puerto Rico their home nothing less.

Mr. PAYNE. Thank you, sir.

I will now recognize Ms. Williams-Octalien to summarize her statement for 5 minutes.

STATEMENT OF ADRIENNE L. WILLIAMS-OCTALIEN, DIRECTOR, OFFICE OF DISASTER RECOVERY, V.I. PUBLIC FINANCE AUTHORITY

Ms. WILLIAMS-OCTALIEN. Good morning, Chairman Payne, Ranking Member King, and the Members of the subcommittee.

I am Adrienne Williams-Octalien, director of the Office of Disaster Recovery in the U.S. Virgin Islands; and I thank you for holding this hearing today and for the opportunity to provide testimony on the status of the recovery in the Virgin Islands.

The territory is fragile. With a population of a little under 110,000 people, the recovery from 2 back-to-back Category 5 storms has been slow and painful. If you ask how the Virgin Islands is doing, I will report we are banged-up, but we are bandaged-up, and we are vulnerable.

Our only hospital on the island of Saint Croix is functioning with one operating room with portions of the hospital rendered unusable. A temporary hospital modular unit is erected but still has to be outfitted with furniture, fixtures, and equipment. Residents are still being flown off island to access critical care that otherwise cannot be provided by our health care facilities. This has a detrimental financial impact on the territory's public health system, as much-needed revenue to support our institutions leave with these patients. Many of our roads remain in disrepair. Our schools still have temporary fixes with no permanent solutions for the upcoming school year. Many of our public buildings offer less-than-optimum working conditions for our staff due to hurricane damage. Housing remains an area of great concern, as still we have families with compromised roofs covered with tarpaulins that have exceeded their life expectancy.

Through the FEMA STEP program, the territory has been able to repair 7,200 homes, but there are still 3,500 homeowners still in need of repair, and we are moving deeper into hurricane season. Yet almost 2 years after the storms, \$1.8 billion have been obligated to the territory, but only \$654 million has been permitted work. The territory is grateful that Congress has recognized the complexities of the recovery in the Caribbean. The efforts through the Disaster Recovery Reform Act of 2018, the Bipartisan Budget Act of 2018, and the Disaster Act of 2019 are well received.

The consternation comes with the implementation of these laws. The Bipartisan Budget Act allows for the use of industry standards in the repair of pre-disaster damages and undamaged components. It took 222 days from the passage of the law for FEMA to issue the guidance that allows the territories to access these new authorities.

The Disaster Reform Act of 2018 allows for the use of consensus-based industry standards. While we understand that FEMA's guidance is forthcoming, it has been 279 days and counting.

In April 2019, FEMA denied the U.S. Virgin Islands' request for a territory-managed 408 Permanent Housing Construction Pilot Program because the policy was not ready, even though Congress gave FEMA the authority for pilot programs until policy was developed.

We are also waiting on FEMA guidance in the disaster supplemental passed in June 2019. The real-life implementations are dozens of critical infrastructure projects that were close to meeting the 50 percent threshold for replacement under the old rules are on hold, pending FEMA guidance. The time frames for the guidance to be issued are lengthy for both the HUD CDBG-DR program, as well as the FEMA-funded programs, but we have no choice. We

have to wait for the guidance because the territory is fragile in its economic State and unable to risk expending funds that could be denied reimbursement. So, to the extent possible, we recommend that time frames, deadlines be included in legislation for the administering entities to produce guidance.

The 2017 hurricane seasons not only wreaked havoc on our critical infrastructure but to the treasury of the Virgin Islands as well. The financial impact of back-to-back storms is \$11.25 billion, and the projected revenue loss from the storms is approximately \$576 million. Projects funded under FEMA's Public Assistance Program are estimated to cost \$5 billion with a 10 percent match requirement, totaling approximately \$500 million. The identification of funds to meet the match requirements is concerning, considering the territory's fragile condition.

It is our deepest hope that consideration be given to this request. If the 10 percent cost share is waived, the Virgin Islands can instead redirect those funds to help rebuild the thousands of homes damaged by the hurricanes and to protect the Federal investment in reconstructed critical infrastructure and lessen the need for taxpayer-funded disaster assistance in the future.

We remain grateful for the hardworking men of FEMA who have dedicated their time to assist in the recovery of our beloved islands. We express our appreciation for their willingness to address the pervasive issues of the recovery and their commitment to providing resolutions. The good news is the new Public Assistance model has reduced the steps to obligation. The not-so-good news is it is still 47 steps. The lack of resources and qualified manpower to complete the detailed damage description by the March 2020 deadline is also of great concern. After this time frame, the territory will be subject to FEMA's discretion on a project-by-project basis to grant an extension. Unless the pace increases, we are fearful that all the DDDs will not be completed by the deadline, despite our best efforts.

We are not insensitive to the challenges of FEMA with multiple disasters across the Nation, but we do not want that concern to affect the territory negatively. Despite these challenges, the resilient people of the Virgin Islands and our resilience is alive and well. We must ensure that Federal relief is not distributed with the heavy hand of bureaucracy where we focus more on the PDMGs and the DDDs and the NDRFs and forget the p-e-o-p-l-e. We are still suffering from the effects of these unprecedented storms.

On behalf of the Governor, Albert Bryan, Jr., of the Virgin Islands and the residents, we thank you for the opportunity to provide this testimony.

[The prepared statement of Ms. Williams-Octalien follows:]

STATEMENT OF ADRIENNE WILLIAMS-OCTALIEN

JUNE 12, 2019

Good Morning, Chairman Payne, Ranking Member King, and Members of the subcommittee. I am Adrienne Williams-Octalien, director of the Office of Disaster Recovery in the U.S. Virgin Islands. Thank you for the holding this hearing and for the opportunity to provide testimony on the status of the recovery in the Virgin Islands.

The Territory is fragile. With a population of a little under 110,000 people, the recovery from 2 back-to-back Category 5 storms has been slow and painful.

If you ask, how is the Virgin Islands doing? I report that we were banged-up pretty badly, but bandaged-up with temporary fixes that have left our infrastructure very vulnerable.

Our only hospital on the island of St. Croix is functioning with one operating room with portions of the hospital rendered unusable. A temporary hospital modular unit is erected but still has to be outfitted with furniture, fixtures, and equipment. Residents are still being flown off-island to access critical care that otherwise cannot be provided by our health care facilities. This has a detrimental financial impact on the territory's public health system, as much needed revenue to support our institutions leave with these patients.

Many of our roads remain in despair. Our schools still only have temporary fixes with no permanent solutions before the upcoming school year. Many of our public buildings offer less-than-optimum working environments due to hurricane damage.

Housing remains an area of great concern as we still have families with compromised roofs covered with tarpaulins which have more than exceeded their life expectancy. Through the FEMA STEP Program, the Territory has been able to repair 7,200 homes but 3,563 homeowners are still in need of repairs as we move deeper into the hurricane season.

Yet almost 2 years after the storms, of the \$1.8 billion that have obligated to the territory only \$654 million has been obligated to permanent work.

The territory is grateful that Congress has recognized the complexities of the recovery in the Caribbean. The efforts through the Disaster Recovery Reform Act of 2018, the Bipartisan Budget Act of 2018 and the Disaster Relief Act of 2019 are well received.

The consternation comes with the implementation of these legislation. The Bipartisan Budget Act allows for use of Industry Standards and repair of pre-disaster damages and undamaged components. It took 222 days from the passage of the legislation for FEMA to issue the guidance that allows the territories to access these new authorities.

The Disaster Reform Act of 2018 allows for use of Consensus-Based Industry Standards. While we understand that FEMA guidance is forthcoming, the wait is 279 days and counting.

In April 2019, FEMA denied the USVI's request for a territory-managed 408 Permanent Housing Construction Pilot Program because the policy was not ready (even though Congress gave FEMA the authority for Pilot Programs until policy was developed).

We are also awaiting the FEMA guidance on the Disaster Supplemental passed in June 2019. The real-life implications are dozens of critical infrastructure projects that were close to meeting the 50 percent threshold for replacement under the old rules are on hold pending FEMA guidance.

The time frames for the guidance to be issued are lengthy for both the HUD CDBG-DR and the FEMA-funded programs. We have no choice but to wait for the guidance because the territory in its fragile economic state is unable to risk expending funds that could be denied reimbursement. To the extent possible, we recommend that time frames/deadlines be included in the legislation for the administering agencies to produce the implementing guidance.

The 2017 hurricanes not only wreaked havoc on our critical infrastructure but to the treasury of the Virgin Islands as well. The financial impact of the back-to-back storms was \$11.25 billion; and the projected revenue loss from the storms is approximately \$576 million. Projects funded under FEMA's Public Assistance program are estimated to cost \$5 billion with a 10 percent match requirement totaling approximately \$500 million. The identification of funds to meet the match requirements is concerning considering the territory's fragile financial condition.

The territory requested that the President direct FEMA to utilize the authorities of the Insular Areas Act to waive the non-Federal cost share for the FEMA Public Assistance program. We are grateful for the decision to invoke the authorities under the Act to waive the cost share for the Hazard Mitigation Grant Program.

It is our deepest hope that consideration be given to this request. If the 10 percent cost share is waived, the USVI can instead redirect those funds to help rebuild the thousands of homes damaged by the hurricanes and to protect the Federal investments in reconstructed critical infrastructure to lessen the need for taxpayer-funded disaster assistance in the future.

We remain grateful for the hard-working men and women of FEMA who have dedicated their time to assist in the recovery of our beloved islands. We express our appreciation to FEMA for their willingness to address the pervasive issues of the Recovery and their commitment to providing resolutions. The good news is the new PA model has reduced the steps to obligation. The not-so-good news is it still is 47 steps.

The lack of resources and qualified manpower to complete the Detail Damage Description by the March 2020 deadline is also of concern. After this time frame, the territory would be subject to FEMA's discretion on a project-by-project basis to grant an extension. Unless the pace increases, we are fearful that all the DDDs will not be completed by the deadline despite our best efforts.

We are not insensitive to the challenges that FEMA faces with multiple disasters across the Nation and the challenges with the human capital to meet the demand. We do however remain concerned that the Territory does not bear the brunt of this shortcoming.

Despite these challenges the resilient spirit of the people of the Virgin Islands is alive and well. We must ensure that the Federal relief is not distributed with the heavy hand of bureaucracy where we focus more on the PDMG, the DDD, and the NDRF and forget the PEOPLE who are still suffering from the effects of these unprecedented storms.

I thank you for the opportunity to provide this testimony.

Thank you.

ATTACHMENT.—U.S. VIRGIN ISLANDS—WAIVER OF FEMA COST SHARE

REQUEST.—The U.S. Virgin Islands requests that the President direct FEMA to utilize the authorities of the Insular Areas Act to waive the non-Federal cost share for the FEMA Public Assistance program.

BACKGROUND.—In recognition of the persistent economic challenges in the Insular Areas of the U.S., which include the USVI (but not Puerto Rico), the Insular Areas Act (48 USC § 1469a) authorizes that “any department or agency, in its discretion, may (i) waive any requirement for matching funds otherwise required by law to be provided by the Insular Area involved.”

Waiving various non-Federal matching funds using the Insular Areas Act authority has been a common practice in disaster recovery for more than two decades, especially after catastrophic events. In fact, in recognition of the severity of Hurricanes Irma and Maria, FEMA has already invoked the Insular Areas Act authority to waive the 25 percent non-Federal matching requirement for the Hazard Mitigation Grant Program in the USVI.

RATIONALE FOR THE REQUEST.—The USVI fully appreciates that one of the lessons learned from the 100 percent Federal cost share granted after Hurricane Katrina is that when a State has no “skin in the game” in the form of a local match the recovery can be delayed and the cost of Federal disaster assistance can increase significantly. Nonetheless, as Congress recognized in enacting the Insular Areas Act, Insular Areas usually do not have the resources available to come up with the local match in order to access Federal funds. Further, in the aftermath of these two unprecedented hurricanes, the USVI is in a very difficult financial position, with significant loss of revenues and significant previously-unbudgeted costs projected over several years attributable to the hurricanes, including sizable tourism-related losses. Indeed, the USVI has been required to rely on substantial Community Disaster Loan (CDL) funding in order to maintain basic governmental services.

Furthermore, as “skin in the game,” the USVI has already committed to using FEMA's Section 428 Alternative Public Assistance Program Procedures to the maximum extent possible to develop capped, fixed grants which have been proven to be the most cost-effective approach, even though these projects carry substantive potential financial risk for the territory.

PROPOSED SOLUTION.—The USVI respectfully requests that FEMA waive the 10 percent non-Federal cost share on all FEMA Public Assistance Program Work (Categories A–G), including Direct Federal Assistance, and Other Needs Assistance under the Individual Assistance program.

BENEFICIAL OUTCOMES.—If the 10 percent cost share is not waived, the USVI will have to dedicate a substantial portion of its HUD CDBG–DR funds—more than \$500 million—to cover the non-Federal share. If the 10 percent cost share is waived, the USVI can instead redirect those funds to help rebuild the thousands of homes damaged by the hurricanes and to protect the Federal investments in reconstructed critical infrastructure to lessen the need for taxpayer-funded disaster assistance in the future.

COSTS.—Based upon current projections of \$4.5–5.5 billion of eligible FEMA Public Assistance program costs, the amount of non-Federal matching funds to be waived at 10 percent would be approximately \$500 million.

Mr. PAYNE. Thank you very much.

I now recognize Mr. Currie to summarize his statement for 5 minutes.

STATEMENT OF CHRIS P. CURRIE, DIRECTOR, HOMELAND SECURITY AND JUSTICE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. CURRIE. Thank you, Chairman Payne, Ranking Member King, Chairman Thompson, other Members of the committee.

It is an honor to be here today to talk about GAO's work, looking at the recovery in Puerto Rico and the Virgin Islands. Since Hurricanes Irma and Maria, GAO has been conducting extensive oversight in both locations of the Federal funding that is being spent there. Frankly, the recovery so far has been slow and very challenging and challenges at all levels of government.

I think everyone on this committee today has had a catastrophic disaster in their jurisdiction. So you are familiar that recovery is a very complex, frustrating process often. Federal recovery programs are complicated and can be frustrating for State and locals to deal with. We have seen this across the country in California, Texas, Florida, New York, New Jersey. If States like that that have high levels of preparedness and tremendous emergency management capacity have struggled, it is not a surprise that Puerto Rico and the Virgin Islands have also struggled with these processes, too.

However, there are some things that are very unique in these locations that I think are worth pointing out. First of all, the damage across the jurisdiction was complete. Unlike other States like Texas, Florida, where non-affected counties and jurisdictions could help out those that were affected, that was not the case here. All resources and assistance and recovery aid had to come from outside. That has complicated things.

Because of the fiscal position and the bankruptcy situation of the territories, unlike other States, there was no seed money, and appropriations couldn't be diverted to jump-start recovery. All of the assistance had to be provided, most of it by the Federal Government, which has also caused some delays, too.

Also, the recovery capacity is a very important thing. It is not easy to just be ready to manage \$10 billion to \$50 billion as a territory. Some of these—in the case of Puerto Rico and Virgin Islands, this is more money than their annual budget 2 times over, and that is a huge challenge. So that had to be built over time. Adrienne and Omar's offices have been—had to build their capacity over time, and that has taken some time to address as well.

So, in terms of the status of recovery, what we have reported is that so far FEMA has provided about \$7.4 billion in Public Assistance grants. This is the main program that is used to build infrastructure back on the islands. Most of that, though, it is really important to understand, is for emergency work. What I mean by that is things that have already occurred like debris removal, power restoration, reimbursements. That is just a small down payment on what is going to be spent over the long haul on more permanent work projects.

So now let me turn to FEMA because they have absolutely been some major challenges on the FEMA side. I want to also divorce some of those challenges from the FEMA work force. I have been to Puerto Rico and the Virgin Islands many times. The work force is dedicated. They work hard. They are making sacrifices every

day. They care about this recovery, too. But that is separate from programmatic and policy challenges that we have seen.

A big area that Mr. Payne talked about was the challenge in implementing new approaches to the Public Assistance Grant Program. The Alternative Procedures have never been used on the scale they are being used, for example, in Puerto Rico. They have been used on certain projects around the country but not territory-wide, system-wide, and sector-wide. Frankly, that has caused major challenges, not just for the territories but FEMA's own staff. Many of these challenges we have identified are FEMA officials telling us these things, not just our discussions with folks at the local level.

The fixed-cost estimate is another massive challenge. Under the alternative procedures—and I am going to show you some pictures as we go here of pictures we have taken recently, as recent as just March in both locations—but the fixed-cost estimates have to be agreed on by FEMA and the territories before projects can move forward. So far, there are, in Puerto Rico, there are 4 agreed-upon permanent work fixed-cost estimates. In Virgin Islands, we reported there are two. Just keep in mind this is thousands—there are thousands of potential projects. So, this is where we are in recovery. There is a long way to go in this area.

To be clear, FEMA is working to try to address these issues as they come up and is trying to issue additional guidance but the scale and the complexity is so challenging, it is a major problem and challenge.

I would like to end really quickly with just a positive note moving forward. Because we are still early in recovery, there is still a huge opportunity to make sure that these dollars are invested smartly. When I say “smartly,” I mean invested in a way that is going to rebuild the infrastructure in both places to be resilient to the future disasters they are going to face. Both of these are islands in the Caribbean. They are going to be hit with more hurricanes and potential earthquakes moving forward.

I think it is extremely important that we monitor and oversee the investment and funding to make sure that we are not spending Federal dollars later on down the road to rebuild the same infrastructure.

I look forward to the questions. Thank you very much.

[The prepared statement of Mr. Currie follows:]

PREPARED STATEMENT OF CHRIS P. CURRIE

JULY 11, 2019

GAO HIGHLIGHTS

Highlights of GAO-19-662T, a testimony before the Subcommittee on Emergency Preparedness, Response, and Recovery, Committee on Homeland Security, House of Representatives.

Why GAO Did This Study

In September 2017, two major hurricanes—Irra and Maria—struck Puerto Rico and the USVI, causing billions of dollars in damage to infrastructure, housing, and the economy. FEMA—a component of the Department of Homeland Security—is the lead Federal agency responsible for assisting Puerto Rico and the USVI to recover from these natural disasters. Among other responsibilities, FEMA is administering the Public Assistance program in partnership with the governments of Puerto Rico and the USVI, providing them grant funding for response and recovery activities,

including debris removal efforts, life-saving emergency protective measures, and the repair, replacement, or restoration of public infrastructure.

This statement describes: (1) The status of FEMA's Public Assistance grant funding in Puerto Rico and the USVI in response to the 2017 hurricanes as of April 2019, (2) the establishment of recovery offices in Puerto Rico and the USVI, and (3) challenges in implementing the Public Assistance program and actions FEMA has taken to address them. This statement is based on GAO reports issued in February, March, and June 2019, and includes preliminary observations from on-going GAO reviews of FEMA operations. For on-going work, GAO analyzed program documents and data on obligations and expenditures; interviewed agency officials; and visited disaster-damaged areas in Puerto Rico and the USVI, where GAO also interviewed FEMA and local officials.

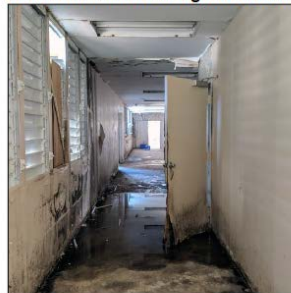
GAO will continue to monitor the progress of Puerto Rico's and the USVI's recovery as part of its on-going work.

EMERGENCY MANAGEMENT.—FEMA'S DISASTER RECOVERY EFFORTS IN PUERTO RICO
AND THE U.S. VIRGIN ISLANDS

What GAO Found

GAO's prior and on-going work found that the Federal Emergency Management Agency (FEMA) obligated about \$7.4 billion in Public Assistance grant funding to Puerto Rico and the U.S. Virgin Islands (USVI) as of April 2019, in response to the 2017 hurricanes. FEMA obligated about \$6.2 billion in Public Assistance grants for emergency work—debris removal activities, power restoration, and other emergency measures—and about \$965 million in Public Assistance grants for permanent work—including the repair or replacement of public infrastructure such as roads, electrical utilities, and damaged buildings. Further, FEMA is continuing to work with Puerto Rico and the USVI to develop additional permanent work projects to repair damaged public infrastructure, such as schools and hospitals (see figure).

2017 Hurricane Damage to a School in Puerto Rico and a Hospital in the U.S. Virgin Islands



Interior damages to a school in Puerto Rico from water infiltration.



Damaged structure and ventilation system at a hospital in St. Croix, U.S. Virgin Islands.

Source: GAO. | GAO-19-662T

In 2017, Puerto Rico established the Central Office for Recovery, Reconstruction, and Resilience and in 2019 the USVI established the Office of Disaster Recovery to coordinate and oversee Federal recovery efforts. Among other things, these recovery offices are responsible for monitoring and overseeing the Public Assistance program and developing internal controls to ensure it is implemented in accordance with applicable laws, regulations, and FEMA requirements.

GAO's prior and on-going work highlighted challenges with the Public Assistance program including concerns about the clarity of FEMA's guidance, and the time and resources needed to transition to a new Public Assistance delivery model in Puerto Rico. Further, Puerto Rico and USVI officials reported difficulties understanding FEMA's implementation of new flexibilities authorized by law as well as delays in jointly developing cost estimates for long-term recovery projects such as the repair or replacement of hospitals, buildings, and other public infrastructure. FEMA has taken some actions to help address these issues, including developing additional guidance and specific training. However, it is too soon to determine the effectiveness of FEMA's actions. GAO will continue to evaluate the Public Assistance program in the USVI and Puerto Rico and plans to report its findings in late 2019 and early 2020, respectively.

Chairman Payne, Ranking Member King, and Members of the subcommittee: Thank you for the opportunity to discuss our work on the Federal Emergency Management Agency's (FEMA) recovery operations in Puerto Rico and the U.S. Virgin Islands (USVI).

In the span of 14 days in September 2017, 2 major hurricanes—Irma and Maria—struck Puerto Rico and the USVI, severely damaging critical infrastructure and causing tens of billions of dollars in damage. Specifically, on September 6, 2017, Hurricane Irma passed just north of the USVI islands of St. Thomas and St. John and Puerto Rico as a Category 5 hurricane, causing severe wind and rain inundation.¹ Less than 2 weeks later, on September 19, 2017, Hurricane Maria struck the USVI island of St. Croix as a Category 5 hurricane and, hours later on September 20, 2017, made a direct hit as a Category 4 hurricane on the main island of Puerto Rico (see fig. 1).

Figure 1: Path of Hurricanes Irma and Maria through Puerto Rico and the U.S. Virgin Islands



The storms caused extensive damage to roads, bridges, and other public infrastructure. Further, the hurricanes devastated Puerto Rico's electrical system—it took roughly 11 months for power to be restored to all of the customers able to receive power, the longest blackout in U.S. history. In its recovery plan, Puerto Rico estimated that \$132 billion will be needed from 2018 through 2028 to repair and reconstruct the infrastructure damaged by the hurricanes.²

In the USVI, the storms damaged more than half of the territory's housing units as well as its hospitals, schools, and water and wastewater facilities, according to a 2018 report from the USVI Hurricane Recovery and Resilience Task Force.³ Overall, this report estimated that the hurricanes caused approximately \$10.7 billion in total damages across the USVI.

¹ The National Oceanic and Atmospheric Administration (NOAA) measures hurricanes on a scale from 1 to 5 with a Category 1 being the least intense and a Category 5 being the most intense. NOAA defines a Category 5 hurricane as one with winds above 157 miles per hour.

² Central Office for Recovery, Reconstruction and Resiliency, Government of Puerto Rico, *Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico* (August 8, 2018).

³ In October 2017, the Governor of the USVI called for the USVI Hurricane Recovery and Resilience Task Force to draft a report assessing the USVI's hurricane response and guiding its efforts during the rebuilding process. The report was released in September 2018 and details recovery initiatives across 14 sectors, including the economy, energy, communications, transportation, and more. The report can be found at <https://www.usvihurricanetaskforce.org/>. We reported our observations on Federal support for electricity grid restoration in Puerto Rico and the USVI as a result of the 2017 hurricanes in a separate report. See GAO, *2017 Hurricane Season: Federal Support for Electricity Grid Restoration in the U.S. Virgin Islands and Puerto Rico*, GAO-19-296 (Washington, DC: Apr. 18, 2019).

The storms exacerbated the financial situations in the territories, which were operating under severe fiscal constraints prior to the hurricanes.⁴ See figure 2 for examples of hurricane damage to Puerto Rico and the USVI.



FEMA—a component of the Department of Homeland Security (DHS)—is the lead Federal agency responsible for disaster preparedness, response, and recovery, which includes assisting Puerto Rico and the USVI as they recover from these natural disasters.⁵ Among other responsibilities, FEMA administers the Public Assistance program through a partnership with the governments of Puerto Rico and the USVI to provide grant funding for a wide range of eligible response and recovery activities. These activities include debris removal efforts; life-saving emergency protective measures; and the repair, replacement, or restoration of disaster-damaged publicly owned facilities, electrical utilities, roads and bridges; and more.

My testimony today discusses our prior and on-going work on disaster recovery efforts in Puerto Rico and the USVI following Hurricanes Irma and Maria in 2017, including:

1. the status of Public Assistance grant funding in Puerto Rico and the USVI, as of April 2019;
2. the recovery offices Puerto Rico and the USVI have established to manage recovery efforts; and
3. the challenges FEMA, Puerto Rico, and the USVI have faced in implementing the Public Assistance program, and the actions FEMA has taken to address them.

My statement is based on reports we issued in February, March, and June 2019 as well as data and preliminary observations from our on-going reviews of FEMA's recovery activities in Puerto Rico and the USVI for a number of Congressional committees and subcommittees. To perform our prior work, we reviewed Federal laws related to emergency management, analyzed FEMA data and documentation, and interviewed relevant agency officials. More detailed information on the scope and methodology for our prior work can be found in the issued reports listed in appendix I.

To develop our preliminary observations from on-going work, we reviewed Federal laws and documentation from FEMA, Puerto Rico, and the USVI, including policies, procedures, and guidance specific to emergency management. We also obtained and analyzed data from FEMA's Emergency Management Mission Integrated Environment and Integrated Financial Management Information System on Public Assist-

⁴ The USVI's total public debt outstanding increased between fiscal years 2005 and 2015 from \$1.4 billion to \$2.7 billion. The balance subsequently declined to \$2.6 billion in fiscal year 2016—the most recent year for which data were available—due to the repayment of existing debt. Further, the USVI has not been able to access capital markets at favorable interest rates since January 2017, when investors began to demand higher rates to compensate for what they perceived as increased risks in the territory. See GAO, *U.S. Territories: Public Debt Outlook—2019 Update*, GAO-19-525 (Washington, DC: June 28, 2019).

⁵ See 6 U.S.C. § 313.

ance program obligations and Puerto Rico's and the USVI's expenditures as of April 2019.⁶ We reviewed existing information about these systems, interviewed data users and managers responsible for these data, and cross-checked data across sources to ensure consistency. We determined these data to be reliable for the purposes of this statement. Moreover, we conducted site visits to Puerto Rico and the USVI to meet with Federal, territorial, and local government and emergency management officials to discuss disaster recovery efforts and associated challenges. For a list of our on-going emergency management reviews, see appendix II.

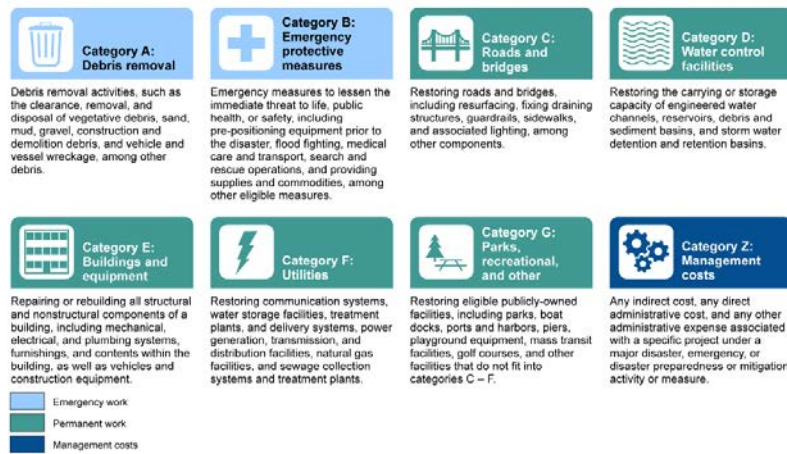
We conducted the work on which this statement is based in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

FEMA's Public Assistance Program

FEMA's Public Assistance program provides grant funding to State, territorial, local, and Tribal governments as well as certain types of private nonprofit organizations to assist with responding to and recovering from Presidentially-declared major disasters or emergencies.⁷ As shown in figure 3, Public Assistance grant funds are categorized broadly as "emergency work" or "permanent work." Within these broad categories are separate subcategories. In addition to the emergency work and permanent work categories, the program includes category Z, which represents indirect costs, direct administrative costs, and any other administrative expenses associated with a specific project.

Figure 3: Federal Emergency Management Agency's Public Assistance Program Categories of Work



Source: Federal Emergency Management Agency. | GAO-19-692T

⁶An obligation is a definite commitment that creates a legal liability of the Government for the payment of goods and services ordered or received. For the purposes of this statement, obligations represent the amount of grant funding FEMA provided through the Public Assistance program for specific projects in the USVI and Puerto Rico. An expenditure is an amount paid by Federal agencies, by cash or cash equivalent, during the fiscal year to liquidate Government obligations. For the purposes of this statement, an expenditure represents the actual spending by the USVI and Puerto Rico governments of money obligated by the Federal Government.

⁷In accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, the President of the United States may declare that a major disaster or emergency exists in response to a Governor's or Tribal chief executive's request if the disaster is of such severity and magnitude that effective response is beyond the capabilities of a State, Tribe, or local government and Federal assistance is necessary. See 42 U.S.C. §§ 5170–5172. The Public Assistance program represents the largest share of the Disaster Relief Fund, which is the primary source of Federal disaster assistance for State and local governments when a disaster is declared.

FEMA's Public Assistance program also provides grant funding for cost-effective hazard mitigation measures to reduce or eliminate the long-term risk to people and property from future natural and man-made disasters and their effects.⁸ For example, a community that had a fire station damaged by a disaster could use Public Assistance grant funding to repair the facility and incorporate additional measures such as installing hurricane shutters over the windows to mitigate the potential for future damage.

FEMA, the State or territorial government (the recipient), and local or territorial entities (the subrecipient) work together to develop projects under the Public Assistance program. After a project has completed FEMA's review process and is approved, FEMA obligates funding for the project by placing money into an account where the recipient has the authority to draw down—or withdraw—funding to pay the subrecipient for eligible work upon completion.

The Public Assistance Alternative Procedures Program in Puerto Rico and the USVI

The Sandy Recovery Improvement Act of 2013 authorized the use of alternative procedures in administering the Public Assistance program, thereby providing new flexibilities to FEMA, States, territories, and local governments for debris removal, infrastructure repair, and rebuilding projects using funds from this program.⁹ Unlike in the standard Public Assistance program where FEMA will fund the actual cost of a project, the Public Assistance alternative procedures allow awards for permanent work projects to be made on the basis of fixed-cost estimates to provide financial incentives for the timely and cost-effective completion of work.

Under these procedures, if the actual cost of the project exceeds the fixed-cost estimate agreed upon by FEMA and the recipient, the recipient or subrecipient is responsible for the additional costs at the time of the close-out process. However, if the actual cost of completing eligible work for a project is below the estimate, the recipient may use the remaining funds for additional cost-effective hazard mitigation measures to increase the resilience of public infrastructure. In addition, these funds may also be used for activities that improve the recipient's or subrecipient's future Public Assistance operations or planning.

In October 2017, Puerto Rico requested, and FEMA approved, the use of the alternative procedures program for all large-project funding for Public Assistance permanent work projects in categories C through G.¹⁰ Although FEMA had approved alternative procedure grants in 30 States as of April 2018, in these cases, alternative procedures were used on a project-by-project basis. Puerto Rico's recovery from the 2017 hurricanes is the first recovery to use alternative procedures for all large permanent work projects. In addition, in July 2018, FEMA approved a request from the Governor of the USVI to transition to using the Public Assistance alternative procedures program for permanent work in the territory. Unlike in Puerto Rico, the USVI may pursue the alternative procedures on a project-by-project basis.

FEMA HAD OBLIGATED \$5.6 BILLION AND \$1.8 BILLION IN PUBLIC ASSISTANCE GRANT FUNDING IN PUERTO RICO AND THE USVI, RESPECTIVELY, AS OF APRIL 2019

As of April 2019, FEMA had obligated a total of about \$7.4 billion in grant funds for Public Assistance projects in both Puerto Rico and the USVI.¹¹ Specifically, as

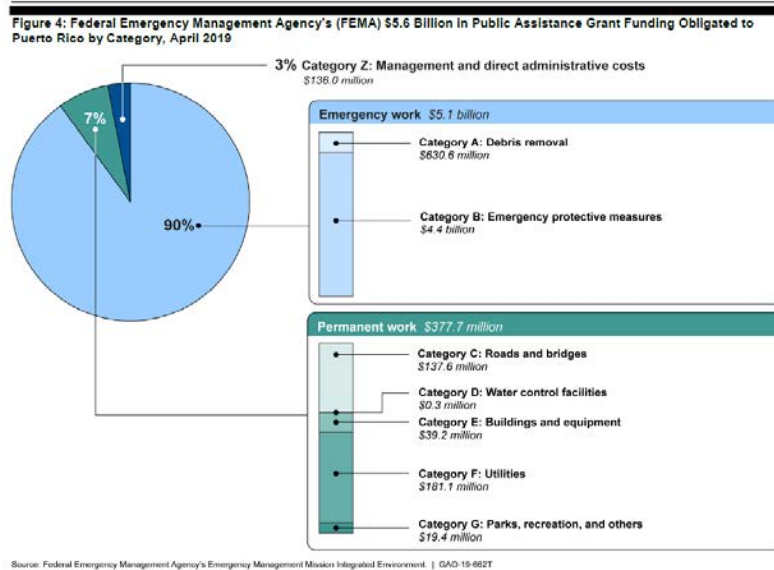
⁸FEMA may fund hazard mitigation measures related to the damaged facilities receiving Public Assistance grant funding pursuant to section 406 of the Stafford Act, as amended. 42 U.S.C. §5172; 44 C.F.R. §206.226.

⁹The Sandy Recovery Improvement Act of 2013 amended the Stafford Act by adding Section 428, which authorized FEMA to approve Public Assistance program projects under the alternative procedures provided by that section for any Presidentially-declared major disaster or emergency. This section further authorized FEMA to carry out the alternative procedures as a pilot program until FEMA promulgates regulations to implement this section. Pub. L. No. 113–2, div. B, §1102(2), 127 Stat. 39, amending Pub. L. No. 93–288, tit. IV, §428 (codified at 42 U.S.C. §5189f). The stated goals of the alternative procedures are to reduce the costs to the Federal Government, increase flexibility in the administration of the Public Assistance program, expedite the provision of assistance under the program, and provide financial incentives for recipients of the program for the timely and cost-effective completion of projects.

¹⁰According to a November 2017 amendment to Puerto Rico's major disaster declaration, due to the extraordinary level of infrastructure damage caused by Hurricane Maria, as well as the financial status of Puerto Rico, officials chose to use the alternative procedures for all large-project funding for Public Assistance categories C through G pursuant to section 428 of the Stafford Act. Puerto Rico; Amendment No. 5 to Notice of a Major Disaster Declaration, 82 Fed. Reg. 53,514 (Nov. 16, 2017). For fiscal year 2018, the large project threshold was \$125,500.

¹¹These data include Public Assistance grant funding only and do not include obligations and expenditures for, among other Federal disaster assistance programs, direct Federal mission assignments, in which a Federal agency is tasked with providing eligible emergency work or debris

shown in figure 4, FEMA obligated approximately \$5.6 billion for 1,264 Public Assistance projects in Puerto Rico, including approximately \$5.1 billion (90 percent) for emergency work (categories A and B) and \$377.7 million (7 percent) for permanent work in categories C through G).¹²



Puerto Rico had expended approximately \$3.5 billion—about 61 percent of total Public Assistance grant obligations in Puerto Rico—as of April 2019. Ninety-six percent of the expended amount went toward emergency work projects in categories A and B while just over 1 percent went toward permanent work projects. The majority of FEMA's obligations and the funding Puerto Rico expended as of April 2019 are for emergency work because these projects began soon after the disasters struck and focused on debris removal and providing assistance to address immediate threats to life and property. In contrast, permanent work projects take time to identify, develop, and ultimately complete as they represent the longer-term repair and restoration of public infrastructure.

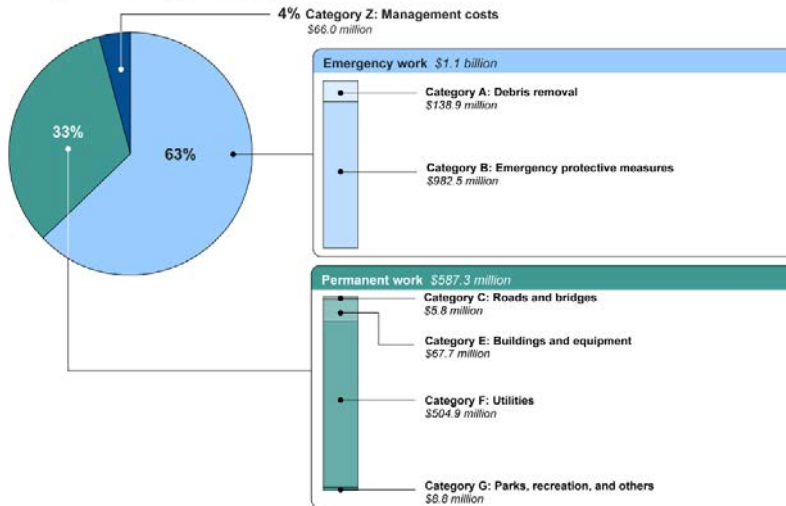
In the USVI, FEMA had obligated approximately \$1.8 billion for 583 Public Assistance projects across the territory, as of April 2019. Similar to Public Assistance grant funding in Puerto Rico, the majority of funding FEMA obligated and the USVI expended was in emergency work categories A and B. Specifically, FEMA obligated approximately \$1.1 billion (63 percent) for emergency work (categories A and B) and \$587.3 million (33 percent) for permanent work (categories C through G) in the territory (see fig. 5).¹³

removal services to a territory or State, or for other categories of mission assignments. In April 2019, we reported that FEMA had obligated an additional \$2 billion in Puerto Rico and \$63 million in the USVI for direct Federal assistance through mission assignments for temporary emergency power and grid restoration efforts as of July 2018. See GAO, *2017 Hurricane Season: Federal Support for Electricity Grid Restoration in the U.S. Virgin Islands and Puerto Rico* GAO-19-296 (Washington, DC: April 18, 2019).

¹² An additional \$136 million (3 percent) was obligated for management and direct administrative costs.

¹³ An additional \$66.0 million (4 percent) was obligated for management costs.

Figure 5: Federal Emergency Management Agency's (FEMA) \$1.8 Billion in Public Assistance Grant Funding Obligated to the U.S. Virgin Islands (USVI) by Category, April 2019



Source: Federal Emergency Management Agency's Emergency Management Mission Integrated Environment. | GAO-19-662T

Of the \$1.8 billion FEMA obligated for Public Assistance projects, the USVI had expended approximately \$982.4 million as of April 2019. Specifically, the USVI had expended about \$808.1 million (82 percent) for emergency work projects in categories A and B and \$163.1 million (17 percent) for permanent work projects in categories C through G.¹⁴

Emergency work.—As of April 2019, FEMA had obligated a total of approximately \$6.2 billion for emergency work projects in Puerto Rico and the USVI—including about \$5.1 billion in Puerto Rico and \$1.1 billion in the USVI. These projects focused on debris removal activities and providing assistance to address immediate threats to life and property. For example, as of April 2019, FEMA had obligated \$138.9 million for projects focused on debris removal activities in the USVI under category A. This included \$45.9 million to the USVI Department of Public Works for USVI-wide debris removal efforts and \$39.1 million to the USVI Water and Power Authority for these activities in St. Croix (see fig. 6).

¹⁴The USVI also expended about \$11.2 million for management costs under category Z. As noted above, this category represents any indirect cost, any direct administrative cost, and any other administrative expense associated with a specific project.

Figure 6: Organic Debris Storage Area in St. Croix, U.S. Virgin Islands



A drop-off and storage area in St. Croix, U.S. Virgin Islands for organic debris awaiting transportation to the continental United States for disposal.

Source: GAO. | GAO-19-662T

In another example, FEMA obligated more than \$140.0 million to the Puerto Rico Aqueducts and Sewer Authority under category B to fund emergency protective measures, including using back-up generators to supply water to the island after Hurricane Maria, among other things. Further, as of April 2019, FEMA had obligated \$1.1 billion in Puerto Rico and \$278 million in the USVI to fund the Sheltering and Temporary Essential Power pilot program. This program, which is implemented as a subprogram under Public Assistance program category B, is intended to provide essential repairs or restore power to private residences to allow affected individuals to return or remain in their homes, thereby reducing the demand for other shelter options. We are continuing to assess this program as part of our ongoing work on recovery efforts in the USVI.

Permanent work.—As of April 2019, FEMA had obligated approximately \$965.0 million for permanent work projects in Puerto Rico and the USVI—including about \$377.7 million in Puerto Rico and \$587.3 million in the USVI. These projects focused on the restoration of disaster-damaged infrastructure or systems. For example, under category C, FEMA obligated \$137.6 million for projects in Puerto Rico focused on the permanent repair of roads and bridges, such as the severely-damaged road shown in figure 7 below.

Figure 7: Collapsed Segment of Road Near Maricao, Puerto Rico, September 2018



Source: GAO. | GAO-19-062T

In addition, under category E, FEMA obligated \$39.2 million and \$67.7 million for projects in Puerto Rico and the USVI, respectively, focused on repairing and rebuilding damaged public buildings and equipment, such as the schools shown in figure 8 below.

Figure 8: Hurricane Damage to Schools in Puerto Rico and the U.S. Virgin Islands



Classroom with molded floors and water damage on the walls at a school in San Juan, Puerto Rico.

Source: GAO. | GAO-19-062T

This school building in St. Croix sustained severe hurricane damage, including a collapsed roof.

Further, under category F, FEMA obligated \$504.9 million for projects in the USVI to repair damaged utilities. Specifically, FEMA obligated \$481.8 million—or 95 percent of this total—through the standard Public Assistance program for projects focused on territory-wide permanent electrical distribution system repairs. This includes replacing damaged wooden utility poles with more resilient composite fiberglass poles that can withstand 200 mile per hour winds as well as power transmission lines and transformers (see fig. 9).¹⁵

¹⁵ In April 2019, we reported that the 2017 hurricanes caused wide-spread devastation to both Puerto Rico's and the USVI's electrical grid and that Federal agencies—including FEMA—pro-

Continued

Figure 9: Wooden and New Composite Fiberglass Utility Poles in St. Croix, U.S. Virgin Islands



Damaged wooden utility poles for electricity distribution are being replaced by composite fiberglass poles that can withstand 200 mile per hour winds.

Source: GAO. | GAO-19-662T

PUERTO RICO AND THE USVI HAVE ESTABLISHED RECOVERY OFFICES TO OVERSEE AND MONITOR RECOVERY EFFORTS

As the recipients of Federal disaster funding, Puerto Rico and the USVI are responsible for monitoring and overseeing the Public Assistance program to ensure it is implemented in compliance with applicable laws, regulations, and requirements as well as FEMA policies and guidance. To address these responsibilities, Puerto Rico and the USVI established recovery offices to manage recovery activities and funding, including through the Public Assistance program.

Puerto Rico's Central Office for Recovery, Reconstruction, and Resilience Has Developed Internal Controls to Oversee Recovery Funds

In March 2019, we reported that Puerto Rico, in accordance with Amendment 5 to the President's disaster declaration, established the Central Office for Recovery, Reconstruction, and Resilience (COR3) to oversee Federal recovery funds.¹⁶ We also reported that COR3 was developing an internal controls plan to help ensure better management and accountability of the funds.¹⁷ According to FEMA officials, FEMA instituted a manual reimbursement process due to Puerto Rico's financial situation, weaknesses in internal controls, and the large amount of recovery funds, among other things, to mitigate risk and help ensure financial accountability. However, from our on-going work on Puerto Rico's disaster recovery efforts, we have learned that, on April 1, 2019, FEMA removed the manual reimbursement process and

vided both traditional support to restore electricity in the territories as well as unprecedented support in Puerto Rico in coordinating and assisting with the territory's grid restoration. See GAO, *2017 Hurricane Season: Federal Support for Electricity Grid Restoration in the U.S. Virgin Islands and Puerto Rico* GAO-19-296 (Washington, DC: April 18, 2019).

¹⁶ Puerto Rico; Amendment No. 5 to Notice of a Major Disaster Declaration, 82 Fed. Reg. 53,514 (Nov. 16, 2017).

¹⁷ GAO-19-256.

began a transition to allow the central recovery office to take responsibility for the review and reimbursement approval of Federal recovery funds.

We have also learned from our on-going work that, in March 2019, COR3 released the Disaster Recovery Federal Funds Management Guide. Among other things, the guide outlines COR3's roles and responsibilities and the internal controls COR3 put in place to oversee the recovery. For example, COR3 will identify, procure, and administer all Federal, territorial, and private resources available to Puerto Rico related to recovery. In addition, it will provide oversight of subrecipients using risk-based monitoring, offer technical assistance, and advise Puerto Rico's governmental agencies and municipalities regarding any matter related to recovery. COR3 continues to update its on-line transparency portal intended to provide a breakdown of FEMA Public Assistance and other Federal funding obligated for disaster recovery in Puerto Rico.

The USVI Established the Office of Disaster Recovery to Monitor and Oversee Recovery Efforts

According to our preliminary observations, in February 2019, the USVI established the new Office of Disaster Recovery. This office serves as the primary territorial agency responsible for overseeing all disaster recovery efforts and funding in the territory, and coordinates across all USVI governmental agencies and other pertinent entities.¹⁸ According to USVI officials, following the 2017 hurricanes, key USVI agencies did not have enough employees with the knowledge and expertise necessary to staff recovery-related positions and effectively manage the implementation of recovery efforts. To address this challenge in the short term, the USVI government hired two contractors in December 2017—Witt O'Brien's, LLC and Ernst & Young Puerto Rico, LLC—to assist the territory in planning, developing, implementing, and overseeing Public Assistance program projects, among other responsibilities. The director of the Office of Disaster Recovery told us that while contractor personnel had been valuable in augmenting the USVI's management capacity in the short term, the territory's longer-term vision included the establishment of the Office of Disaster Recovery to centrally manage all aspects of Federal recovery in the territory.

Among other things, the Office of Disaster Recovery is responsible for taking on the USVI's monitoring and oversight responsibilities for the Public Assistance program in the long term. This includes tracking and reporting on the progress of projects and overseeing reimbursement requests for completed work to ensure compliance with applicable laws and FEMA policies. As of March 2019, the director of the Office of Disaster Recovery told us the priority is to quickly hire and train qualified individuals to staff the new agency. FEMA officials in the USVI stated that the establishment of the Office of Disaster Recovery and the USVI's on-going efforts to hire local residents into recovery-related positions represented a positive step forward in increasing the territory's capacity to oversee recovery efforts. We will continue to review the monitoring and oversight of recovery efforts in Puerto Rico and the USVI in our on-going work.

PUBLIC ASSISTANCE CHALLENGES REMAIN IN PUERTO RICO AND USVI, HOWEVER FEMA HAS TAKEN SOME ACTIONS TO IMPROVE PROGRAM IMPLEMENTATION

Our prior and on-going work highlight the challenges with implementing the Public Assistance program—and the alternative procedures—in Puerto Rico and the USVI. In particular, our prior and on-going work have identified challenges related to: (1) The clarity of FEMA's guidance for the Public Assistance program, (2) the time and resources needed to transition to FEMA's new Public Assistance program delivery model in Puerto Rico, (3) the implementation of flexibilities provided by the Bipartisan Budget Act of 2018, and (4) developing fixed-cost estimates. FEMA has taken some actions, including issuing additional guidance and developing specific training, among other things, to improve Public Assistance implementation in Puerto Rico and the USVI. However, it is too soon to assess their effectiveness in addressing these issues.

Clarity of Guidance.—In March 2019, we reported that officials from FEMA, COR3, and municipalities said they experienced initial challenges with the recovery process, including concerns about lack of experience and knowledge of the alternative procedures; and concerns about missing, incomplete, or conflicting guidance

¹⁸ Prior to the Office of Disaster Recovery's establishment in February 2019, the U.S. Virgin Islands Territorial Emergency Management Agency was responsible for managing and overseeing the implementation of Federal recovery programs in the USVI, including the Public Assistance program.

from FEMA on the alternative procedures.¹⁹ In addition, in our June 2019 testimony statement we continued to report on these challenges and preliminary observations from our on-going work indicate that these challenges continue.²⁰ For example, officials from Puerto Rico's government agencies told us they did not feel they had sufficient guidance on the FEMA Public Assistance program and where they did, written and verbal FEMA guidance was inconsistent or conflicting. For instance, officials from one agency expressed their desire for more FEMA guidance communicated in writing as FEMA officials would frequently interpret existing guidance differently. Similarly, officials from two agencies described situations where they had initially been directed to follow one interpretation of a policy, only to be directed to follow a different, conflicting interpretation in the subsequent months. Puerto Rico agency officials also stated that the lack of sufficient instruction led to a "back and forth" with FEMA for clarifications, which led to delays in the phases of project development. For example, officials from one Puerto Rico government agency stated that conflicting verbal instructions from several FEMA officials contributed to delays in opening the bidding process for recovery-related contracts. FEMA officials in Puerto Rico stated that the agency has developed specific guidance for disaster recovery in Puerto Rico and that there are various ways, such as in-person meetings, where officials from Puerto Rico can obtain clarification. FEMA officials also reported that they developed additional training for new FEMA employees. We are continuing to examine this issue as part of our on-going review of Puerto Rico's recovery.

FEMA's new delivery model in Puerto Rico.—In May 2019, FEMA's Federal Disaster Recovery Coordinator for Puerto Rico announced that FEMA was transitioning to using the new Public Assistance program delivery model in Puerto Rico beginning on June 3, 2019. Among other things, the implementation of the new delivery model establishes a new Consolidated Resource Center in Puerto Rico to support grant development for disaster recovery across all recovery sectors and geographic branches.²¹ Following the hurricanes, FEMA implemented a program delivery model developed specifically for Puerto Rico which included, among other things, a sector-based approach which coordinated recovery resources across the Federal inter-agency, private sector, and nongovernmental organizations to identify and complete proposed work. According to FEMA officials, the decision to transition from the initial delivery model to the new delivery model in Puerto Rico was due to improvements made since its Nation-wide deployment in 2017. In response, COR3 officials raised concerns about the scope of the changes and potential challenges with the amount of time and resources needed to transition to the new delivery model.

The Bipartisan Budget Act of 2018.—We reported in June 2019 that in both Puerto Rico and the USVI, FEMA and local officials have reported challenges with the implementation of the flexibilities authorized by section 20601 of the Bipartisan Budget Act.²² This section of the Act allows for the provision of assistance under the Public Assistance alternative procedures to restore disaster-damaged facilities or systems that provide critical services—such as medical and educational facilities—to an industry standard without regard to pre-disaster condition.²³ Officials from

¹⁹ See GAO-19-256.

²⁰ GAO, *Emergency Management: FEMA Has Made Progress, but Challenges and Future Risks Highlight Imperative for Further Improvements*, GAO-19-594T (Washington, DC: Wednesday, June 12, 2019).

²¹ In 2015, FEMA awarded a contract for program support to help Public Assistance officials implement a redesigned Public Assistance program, known as the new delivery model. This included a new process to develop and review grant applications, and obligate program funds to States affected by disasters; new positions, such as a new program delivery manager who is the single point of contact throughout the grant application process; a new Consolidated Resource Center to support field operations by supplementing project development, validation, and review of proposed Public Assistance project applications; and a new information system to maintain and share Public Assistance grant application documents.

²² GAO-19-594T.

²³ The Bipartisan Budget Act of 2018 authorized FEMA, when using the Public Assistance alternative procedures, to provide assistance to fund the replacement or restoration of disaster-damaged infrastructure that provide critical services to industry standards without regard to pre-disaster condition. Pub. L. No. 115-123, § 20601(1), 132 Stat. 64 (2018). Critical services include public infrastructure in the following sectors: Power, water, sewer, wastewater treatment, communications, education, and emergency medical care. See 42 U.S.C. § 5172(a)(3)(B). Section 20601 applies only to assistance provided through the Public Assistance alternative procedures program for the duration of the recovery for the major disasters declared in Puerto Rico and the USVI following Hurricanes Irma and Maria. Further, the Additional Supplemental Appropriations for Disaster Relief Act of 2019, which was signed into law on June 6, 2019, provides additional direction to FEMA in the implementation of section 20601. Pub. L. No. 116-20, tit. VI, § 601, 133 Stat. 871, 882 (2019). For the purposes of our report, discussion of the Bipartisan Budget Act of 2018 refers specifically to section 20601.

Puerto Rico's central government stated that they disagreed with FEMA's interpretation of the types of damages covered by section 20601 of the Bipartisan Budget Act of 2018. In response, FEMA officials in Puerto Rico stated they held several briefings with Puerto Rico's central recovery office to explain FEMA's interpretation of the section.²⁴ In addition, FEMA officials in the USVI told us that initially, they had difficulty obtaining clarification from FEMA headquarters regarding how to implement key components of section 20601 of the Act. Further, USVI officials stated that at times, the appropriate process for implementing components of the Act was not clear and that ensuring program participants understood its key components was difficult. However, FEMA officials in the USVI stated that they continue to move forward with developing alternative procedures projects. USVI officials also told us that FEMA had been responsive and helpful in identifying its options for using the new flexibilities the Act provides.

Developing Fixed-Cost Estimates.—Preliminary observations from our on-going work indicate that as of May 2019, FEMA had obligated funding for 4 alternative procedures program projects in Puerto Rico and 2 projects in the USVI. FEMA officials in Puerto Rico and the USVI stated that the on-going development of a "cost factor" for use in the fixed-cost estimating process has slowed the pace of FEMA obligations for permanent work projects. Specifically, these factors are intended to ensure that the costs associated with implementing projects in Puerto Rico and the USVI are sufficiently captured when developing the fixed-cost estimates for alternative procedures projects. Since incorporating the cost factor into the fixed-cost estimating process will increase the amount of funding obligated for any given permanent work project, FEMA officials explained that Puerto Rico and the USVI have an incentive to delay the obligation of individual projects until this factor is finalized. For example, FEMA officials in the USVI told us in May 2019 that obligations for permanent work projects in the territory were mostly on hold until the USVI-specific cost factor was finalized. As of June 2019, the cost factors for use in both Puerto Rico and the USVI had not yet been finalized.

According to FEMA guidance, the Puerto Rico-specific cost factor is being developed by a third-party center of excellence comprising personnel selected by FEMA and Puerto Rico, through COR3.²⁵ In March 2019, we reported that while FEMA had identified and chosen personnel, COR3 had not yet finalized its hiring of personnel to staff the center of excellence, which resulted in delaying the cost estimation process.²⁶ Through our on-going work we learned that, as of June 2019, COR3 had identified and hired personnel to staff the center; however, FEMA and COR3 have not come to agreement on a cost estimation approach. Further, according to FEMA officials, no time line has been established for the completion of the center of excellence's standard operating procedures for developing fixed-cost estimates for permanent work projects in Puerto Rico. In addition, according to FEMA officials, the USVI-specific factor is being developed by an independent contractor. FEMA officials told us that territorial officials disagreed with the initial cost factors this contractor proposed and contended the factors were insufficient in accurately capturing the unique circumstances that influence construction costs in the territory, such as the limited availability of local resources and the need to import materials and labor. As of June 2019, these officials told us the contractor was developing a third and final cost factor for potential incorporation into the fixed-cost estimation process in the USVI. Despite these delays, FEMA officials in the USVI stated that they continue to work with territorial officials to develop alternative procedures projects in the territory. They added that once the cost factor is finalized and incorporated into FEMA's fixed-cost estimating process, FEMA and the USVI will be well-positioned to quickly finalize these projects and obligate funding. However, we reported in June 2019 that the territory plans to take a cautious approach in pursuing permanent work projects using the Public Assistance alternative procedures program. Specifically, USVI officials we interviewed told us that developing fixed-cost estimates for alternative procedures projects that accurately incorporate the future impact of inflation and increases in materials and labor costs for certain projects was difficult. Further, these officials stated that since the territory is financially responsible for any costs that exceed these fixed-cost estimates, the USVI plans to pursue alternative procedures projects that do not include high levels of

²⁴ In September 2018, FEMA issued guidance for implementing section 20601 of the Bipartisan Budget Act of 2018 through the Public Assistance alternative procedures program.

²⁵ According to FEMA guidance, as part of the alternative procedures process in Puerto Rico, FEMA and Puerto Rico must agree on a group of personnel with cost estimation expertise who will serve as part of a center of excellence.

²⁶ GAO-19-256.

complexity or uncertainty to reduce the risk of cost overruns, especially given its already difficult financial situation.²⁷

As established in FEMA guidance, Puerto Rico's deadline for finalizing fixed-cost estimates for permanent work projects using the alternative procedures—and the Bipartisan Budget Act, as applicable—is October 2019.²⁸ Since Puerto Rico must use the alternative procedures for all large permanent work, all fixed-cost estimates for Public Assistance program permanent work projects in Puerto Rico must be finalized by this date, or, according to FEMA officials, Puerto Rico must request that FEMA extend this deadline on a project-by-project basis. In contrast, the USVI has the flexibility to pursue either the alternative procedures or the standard procedures on a project-by-project basis. As the USVI's deadline for finalizing these projects is in March 2020, it is too early gauge the extent to which the alternative procedures will play a role in the USVI's long-term recovery strategy.

We will continue to evaluate these identified challenges and any efforts to address them, as well as other aspects of recovery efforts in the USVI and Puerto Rico, and plan to report our findings in late 2019 and early 2020, respectively.

Thank you, Chairman Payne, Ranking Member King, and Members of the subcommittee. This concludes my prepared statement. I would be happy to respond to any question you may have at this time.

Damage to a Hospital in St. Croix, USVI



²⁷ Under the standard Public Assistance program, FEMA will reimburse the USVI for the actual cost of completed work for any given project.

²⁸ FEMA, *Public Assistance Alternative Procedures (Section 428) Guide for Permanent Work* FEMA-4339-DR-PR (April, 2018).

Damage to a School in St. Croix, USVI



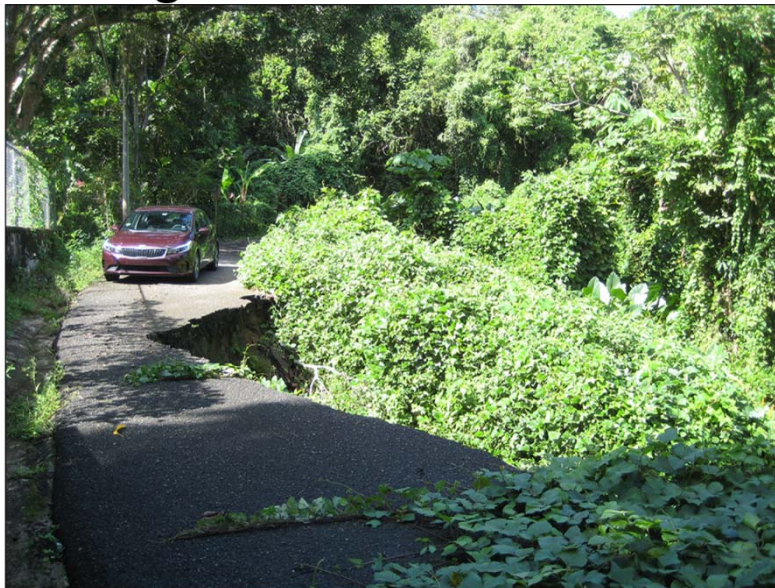
Damage to a School in Puerto Rico



Damage to a School in Puerto Rico



Damage to a Road in Puerto Rico



Organic Debris Storage in St. Croix, USVI



Composite Electric Pole Replacement in St. Croix, USVI



Mr. PAYNE. Thank you, sir.

I would like to thank all the witnesses for their testimony and remind each Member that he or she will have 5 minutes to question the panel.

I will now recognize myself for questions.

Mr. Marrero, could you remind the subcommittee on how many cost estimates are completed and how many need to be completed?

Mr. MARRERO. Well, right now, the total amount of fixed-cost estimates agreed with FEMA is 48. Of those, only 4 has been obligated. So they are ready for actual work. Of the universe, even though, initially, it was estimated between 70,000 to 90,000 sites, had a meeting 2 days ago with Jonathan Hoyes with FEMA who is the temporary FCO. He told me that that will be revised to 50,000. But the number—he just gave me this 2 days ago—essentially it should look around 5,000 to 7,000 projects. So, once we have those projects, we will determine if we aggregate the fixed-cost estimate into a single PW. So we are talking about thousands of estimates that have to be developed and agreed by October—deadline. We only have 48 agreed, 4 of those obligated.

Mr. PAYNE. Thank you.

I understand that if all cost estimates are not completed by October 2019, FEMA will evaluate whether to allow extensions for remaining cost estimates on a project-by-project basis. Yes or no, has FEMA shared the criteria for this review with COR3?

Mr. MARRERO. They responded to our request for extension, including a general overview of how it would be considered, and we are already working on that. Yes, the answer is, yes, sir.

Mr. PAYNE. OK. Thank you.

What are Puerto Rico's options, should any cost estimates extend—extensions be denied?

Mr. MARRERO. Appeal, sir. We will have to appeal.

Mr. PAYNE. Let's see. By October 2019, how many cost estimates do you predict will be remaining?

Mr. MARRERO. Thousands, sir. To give you some perspective, we have already submitted to FEMA 171 cost estimates that are ready to be agreed and signed. Unfortunately, we are still waiting for them to finalize. We need—right now, they haven't finalized what they call the industry standards and the cost factors which the cost factors are very important because those are the factors that will determine how much it costs to rebuild in Puerto Rico as opposed to the mainland.

So they haven't finalized that and without that, sir, we not be able to agree on the cost estimate because we will be running—we will be facing the risk that, within the CAP grant, we will not be able to revise it becomes a factor. Right now, we are talking about thousands. We are working with our team. Right now, to give you some perspective, we already have 2,000 fixed-cost estimates being developed by our team.

Mr. PAYNE. OK.

Mr. MARRERO. Fortunately, we are a little bit ahead than FEMA. That is why we have been requesting to allow Puerto Rico licensed engineers, as it happened in New York, after Sandy, and New Jersey, to expedite the process.

Mr. PAYNE. OK.

Mr. MARRERO. Our reasoning is, if licensed engineers are willing to put the licenses at risk to certify the cost estimates, that should have some weight.

Mr. PAYNE. Thank you.

Mr. Currie, according to information provided to the committee from staff from FEMA in May, only 32 percent of its Public Assistance work force are deemed qualified for the jobs. That is really a shockingly low number. This is especially troubling in Puerto Rico and the UVI, which are using the pilot section 428 Public Assistance programs, which has never been done before on this scale.

Can you discuss how the lack of qualified workers may hinder the recovery process in the territories, and has GAO seen FEMA do anything to address this issue specifically in Puerto Rico and the Virgin Islands?

Mr. CURRIE. Yes, sir. Thanks for your question.

So we have reported on a couple of different occasions that FEMA has been stretched thin, frankly, since the 2017 disasters. I think Mr. Gaynor at the last hearing testified they had 600 open disasters they were managing. So that is 600 disasters they have to spread their people across to manage response and long-term recovery. What we see happens oftentimes in recovery is they bring in their most qualified people with expertise and experience right after the disaster. Over time, they transition out, and they try to rely on temporary and local hires.

For example, in Puerto Rico, most of the work force there is local hires now. They have hired almost 2,000 people locally to manage the recovery. So these are people that are new to FEMA, first of all, and are being trained on FEMA processes to begin with, and on top of that, they are implementing these new procedures, which they have to be retrained on and the existing FEMA staff have to be retrained on, too, and they don't have experience doing this because it has not been done.

So the work force challenges are a huge issue. I know the way it plays out in recovery is that there is, a lot of times, folks don't know what guidance to give people at the territory level, or they give different guidance, and they have to go up to headquarters to get a final resolution, which causes delays after delays.

Mr. PAYNE. OK. Thank you.

My time has expired.

We will now have the Ranking Member, Mr. King, at 5 minutes of questioning.

Mr. KING. Thank you, Mr. Chairman.

Gentlemen, again, I want to thank all the witnesses for your testimony.

Mr. Currie, in your testimony you pretty much laid out the fact that Puerto Rico is unique because of its total devastation. Now, my district on Long Island with Sandy was very much devastated. But, again, upstate people were able to come down and assist. Mr. Payne, I know, in New Jersey went through it. The first week I was Chairman back in 2005, I went to Mississippi with Chairman Thompson at the time to see the terrible damage of Katrina. It does seem that Puerto Rico is a different level for a number of reasons, including the lack of infrastructure and the fact that the entire area was decimated.

So I ask these questions in that tone to try to avoid this in the future or to mitigate future issues, and in that context, I saw that earlier this week the IG issued a report, saying that FEMA had reimbursed a company—I believe it was Cobra Acquisitions—for mil-

lions of dollars in contract costs that officials in Puerto Rico had ordered based on unsound information. Also, just yesterday, there was a story I guess in *The Washington Post* that the FBI arrested 6 people, including 2 senior officials in the Governor's administration, for illegally directing Federal funding to politically-connected contractors.

I am not trying to assess blame here. When you have millions of dollars going out, things like this can happen. It is wrong. We have to stop it. I want to know, especially considering how weakened and inadequate the infrastructure is in Puerto Rico, looking at the entire, looking at the totality of contract procedures, rebuilding infrastructure, training local officials, what position are we in if, God forbid, another hurricane hits Puerto Rico of this magnitude anytime in the next several years?

So, I guess, Mr. Marrero, I will go first with you and then Mr. Currie.

Mr. MARRERO. Well, thank you, sir, for the question.

First of all, since the hurricanes hit, we knew that, because of the magnitude and the scope of the devastation, that we will have to do things differently, that we will have to follow best practices, that we could not reinvent the wheel. That is why we have to make sure that we study what other States did in the past.

I avail myself of this opportunity to thank you because of the help of NYPA, LIPA, and the people of New York that helped, myself, one of the first trips I did after the hurricane was to meet with Governor Cuomo and his staff and see how we could learn of the lessons learned that you had after Sandy. By the way, what we did was that we created a centralized oversight authority. We designed the controls, the policies based on the ERP, which are quite strict. We made sure we had stricter controls. We made sure that we brought technology. Actually, the technology that we are using, it was used in New Jersey after Sandy, the disaster recovery system. That is the only system that has been used for this scale of disaster. It brings, not only visibility, transparency, and accountability and, most importantly, sir, has supported many, many audits.

So what I am trying to say is, since Day 1, we knew this would be one of the most audited process in the Nation, and that is why to make sure that not only we—the money flows to the people it has to go, we want to make sure that we can reciprocate the commitment of the Federal Government with transparency, accountability, and full compliance. That is what with have done. That is why we feel we are in a better position that, if that something happens tomorrow, we not only are we going to be able to withstand the impact once again because, as the USVI and Puerto Rico, we are resilient, but we will make sure we are able to bounce back in a quicker fashion because we have the structure, we have the policies, we have the knowledge, and we are collaborating with the Federal agency to make sure that we fine-tune and any tweaking we have to do to make sure we have the best controls in place, we will do that.

Mr. CURRIE. Yes, sir. From a response perspective, I mean, I am very concerned about still about if a large-category hurricane hit Puerto Rico again because, as we talked about, the permanent work repairs have not been done yet. So the repair to the electric

grid, for example, has not been done. So those things would happen again. I think the difference is——

Mr. KING. Who is going to do that?

Mr. CURRIE. Well, who is going to repair the infrastructure?

Mr. KING. Yes.

Mr. CURRIE. Well, I think—well, eventually it is going to be done, Puerto Rico is going to do it using FEMA dollars, Federal public assistance dollars. So hopefully we don't have another situation like that before that stuff can be rebuilt in a resilient way.

I think the unfortunate side effect when one of these large disasters happen—and every State represented here knows this—is that everyone company gets pretty familiar and pretty good at managing recovery and managing these programs.

So I do have a lot more confidence, if something like this happens, that Puerto Rico would be in a much different position in terms of their ability to manage the response and the recovery. But they are still going to need extensive Federal support if another large hurricane or earthquake was to happen.

Mr. KING. Thank you.

Mr. Chairman, if I may just ask unanimous consent to introduce into the record for the American Maritime Partnership.

Mr. PAYNE. Without objection.

[The information follows:]

STATEMENT OF THE AMERICAN MARITIME PARTNERSHIP

JULY 11, 2019

HURRICANE MARIA AND PUERTO RICO

Jones Act Industry Relief Efforts

The Jones Act fleet has been essential to the recovery effort in Puerto Rico. In the immediate aftermath of Hurricane Maria, Jones Act carriers promptly delivered thousands of containers of relief and commercial cargoes. (Unfortunately, due to damaged surface infrastructure, many of those cargoes could not move inland promptly). Jones Act carriers also added vessels beyond their regular service, staged critical supplies in San Juan for immediate delivery when the port reopened, and acquired additional containers and chassis to support increased deliveries to the island. In the 6 months after Hurricane Maria, Jones Act carriers delivered well over 100,000 containers of cargo, including infrastructure materials essential for rebuilding and repairing damaged bridges, roads, and the electrical grid.

There is wide-spread agreement that the Jones Act did not impede the Puerto Rico recovery effort. The U.S. Committee on the Marine Transportation System, an interagency group, highlighted the “reliability of U.S. domestic shipping services despite the worst of conditions” while FEMA called the response “the largest sea-bridge operation of Federal disaster aid in FEMA history.” Jones Act carriers continue to be dedicated to the needs of Puerto Rico—Jones Act carriers provide reliable, regular service to the island and the carriers have invested more than \$1 billion to support their operations there, including building 4 new LNG-powered container ships specifically for the Puerto Rico trade.

Mr. PAYNE. The Chair now recognizes the gentleman from Mississippi, the full committee Chair, Mr. Thompson.

Mr. THOMPSON. Thank you very much.

Mr. Currie, based on your analysis, do you think FEMA's decision to change its policy for a fixed-cost estimate added to Puerto Rico and the Virgin Islands' dilemma?

Mr. CURRIE. I think the decision to use the alternative procedures on such a large scale has had a massive impact on the speed of the recovery and has slowed that.

Mr. THOMPSON. And that—well, you answered it.

Mr. Marrero, the hospital at Vieques.

Mr. MARRERO. Yes, sir.

Mr. THOMPSON. Just tell me the status of it.

Mr. MARRERO. It is as you saw it. It is as Maria destroyed it. We are still waiting for the permanent work to be made. So, right now, the 10,000 residents of the island of Vieques are still receiving medical treatment in temporary facilities. We just got 2 days, a couple—2 days ago the final determination memo or determination letter from FEMA that they have finally decided that this hospital entails a full replacement particularly because of the BBA fix that this hallowed body approved. So thank you for that. However, they haven't finalized the cost factors. So we don't have a cost estimate. So, right now, we don't know much.

Mr. THOMPSON. So, for 2 years almost, they have been without health care. Now, is it FEMA's problem? Or is it Puerto Rico's problem, the reason that people don't have the health care they need?

Mr. MARRERO. I think it is an American problem, sir. I think that we both have the responsibility to make sure. We believe that we have—

Mr. THOMPSON. Is it an American FEMA problem or American Puerto Rico problem?

Mr. MARRERO. Sir, yes, sir. That at the time way I—we are in this together. We believe that we have provided every single document and every single cost estimate since Day 1. We had an estimate, original estimate, within 2 months after the hurricane. Unfortunately, it was now that FEMA just took the decision because initially it was cleared—

Mr. THOMPSON. I am just trying to get the folks health care on the island.

Mr. MARRERO. Yes, sir.

Mr. THOMPSON. That is all.

Mr. MARRERO. I thank you for that.

Mr. THOMPSON. Ms. Williams, I am going call you Ms. Williams. I can't read that other name.

You got a problem with medical care on Saint Croix.

Ms. WILLIAMS-OCTALIEN. Yes, we do.

Mr. THOMPSON. So explain that problem to me as to why of, after all this time, we are still without it.

Ms. WILLIAMS-OCTALIEN. So we have received—it is number of issues, one being the cost escalation factors are necessary for us to determine the fixed-cost estimate. That allows us to move forward by getting the funds obligated. We have a problem where we are currently in the damaged building. Our temporary facilities are not up because the fixed—the furniture, fixtures, and equipment were not included in the PW. Therefore, we are not using the temporary facilities as well. So we have—

Mr. THOMPSON. So you got—

Ms. WILLIAMS-OCTALIEN [continuing]. No resolution at this point.

Mr. THOMPSON. So, Mr. Currie, is this a sampling of the problem we just talked about in my first question?

Mr. CURRIE. The hospital in Saint Croix, which we have been to and I think we displayed some pictures of, is a perfect example of

one large, complicated permanent work project and all the complexity that goes into it. It is just one out of thousands.

Mr. THOMPSON. Uh-huh. But also it is because of the new policy that FEMA decided to implement.

Mr. CURRIE. Yes, well, it is multiple things, but at both levels, yes. It is confusion in the steps that are necessary as part of the new program to get to a fixed-cost estimate before work can actually begin.

Mr. THOMPSON. OK. So, I think the committee is concerned about how long it has taken to get to this point with so little actually in some of our minds being done. I went through Katrina, and I saw, well, a system like ours that at times we built the capacity and started moving. I am not convinced at this point that we are anywhere near a capacity in Puerto Rico or the Virgin Islands.

Have you made some assessment of where you think they should be at this point?

Mr. CURRIE. We haven't assessed that. It is really difficult for us to compare disaster to disaster, but I will tell you this. So, in other States, where the traditional public system's model is used, they estimate—they go project by project basically which in some ways is easier because you are just doing one project, approving it, and moving on. The goal of going to this process was to wrap all of this up together to try to get to general agreement. So, years down the road we are not going back and forth because, as you know, they are still obligating projects in Mississippi and Louisiana after Katrina. So that was the goal.

So I don't think the goal was wrong to try to make this more efficient. The problem is, is no one has done this before. Then you overlay this on top of recovery, both of these places, that is more complicated than any recovery in our history.

Mr. THOMPSON. Let me give a good example. We talked to a number of mayors in Puerto Rico, and they are challenged because they don't have the money to front the cost. So they are kind-of in a Catch-22 situation, and they are saying: Look, we just need to get city hall fixed and the streets fixed and some other things, but the process is so cumbersome, and now they are requiring two evaluations or inspections of the same project. That duplication of effort is just adding to the load.

But this is part of what I think we have to eventually get to FEMA that this probably was not a wise choice to implement this in a situation so far away from the mainland.

I yield back, Mr. Chair.

Mr. PAYNE. Thank you, Mr. Chairman.

The Chair now recognizes the gentleman from Texas, Mr. Crenshaw.

Mr. CRENSHAW. Thank you, Chairman Payne and Ranking Member King, for holding this hearing.

Thank you all for being here.

As a Representative of Kingwood, Spring, and Houston, I am also familiar with hurricanes and the struggles of disaster recovery. As we meet today, the Gulf Coast is bracing for rain and wind of what will likely become Hurricane Barry.

In 2017, Hurricane Harvey devastated many of the communities I represent. We continue to rebuild and guard against future

events through mitigation efforts. In Texas, we proactively approached some of the problems we frequently faced in disaster recovery. As a response transition to recovery, Texas Governor Greg Abbott appointed Texas Land Commissioner George P. Bush to be the lead for State efforts in coordination with FEMA on short-term disaster housing. Then, in my limited time, I want to focus on housing.

In a recent political article, Commissioner Bush highlighted a few of the issues he encountered. I ask unanimous consent to enter into the record this article from *Politico* entitled “What We Learned in Texas After Harvey.”

[The information referred to follows:]

ARTICLE SUBMITTED FOR THE RECORD BY HONORABLE DAN CRENSHAW

WHAT WE LEARNED IN TEXAS AFTER HURRICANE HARVEY

7/11/2019, *POLITICO*, *The Agenda*

By GEORGE P. BUSH / 07/02/2019 05:05 AM EDT

Texas Land Commissioner George P. Bush has two fixes Washington should make before the next superstorm.

The 2019 hurricane season in the Atlantic is underway and with it brings the threat of dangerous winds, storm surges and flooding to many coastal States. But hurricanes are not the only natural disasters that devastate American communities. President Dwight D. Eisenhower issued the first Federal disaster declaration in 1953 after a tornado devastated four counties in Georgia. Since then, more than 4,000 disasters have received this designation. This year, 44 Federal disaster declarations have been issued for 26 States and one U.S. territory. Since June 1, Louisiana, South Dakota, North Dakota, Idaho and Vermont have all received major disaster declarations. Responding to and recovering from disasters concerns everyone elected to protect and serve others.

But as I discovered leading the housing assistance mission after Hurricane Harvey, even though we are a nation of innovation, the Federal disaster recovery process remains outdated, cumbersome and costly.

Hurricane Harvey was the second-largest storm in U.S. history, and it devastated my home State of Texas. About 30 percent of Texans were—directly affected, and more than 750,000 people evacuated their homes. The scale of the disaster recovery was made even worse by the fact that two other major hurricanes struck American territory within 39 days: Harvey was followed 5 days later by Irma hitting Florida and then Maria decimating Puerto Rico.

I was in Houston mucking out homes with a group of military veteran volunteers, when I got a call from Texas Gov. Greg Abbott. The Governor said he was tapping me and my agency, the Texas General Land Office, to partner with the Federal Emergency Management Agency on the short-term disaster housing mission. Traditionally, FEMA had sole responsibility for temporarily housing displaced residents, but the scale of this disaster was enormous. In addition to the deadly storms, wildfires burned more than half-a-million acres of California in 2017. With available Federal recovery resources stretched extremely thin, this operation called for more direct oversight at the State level and we were eager to serve. For the first time in history, a State agency would partner with FEMA in carrying out a disaster housing mission. Over the next 2 years, my State agency and FEMA would help more than 60,000 Texans return home after the storm through assistance programs that provided both temporary housing units and repairs.

As I tackled this new mission, I quickly encountered two problems that impeded the short-term recovery process.

FIRST. WE LEARNED that Federal law limits FEMA to providing “temporary” and travel trailers predominantly used by FEMA after natural disasters are extremely costly. After purchasing the unit, transportation, installation, recertification, other administrative costs, disconnection and removal, the costs per unit typically incur between \$125,000 to \$200,000.

A plethora of alternative housing options are available now that were not on the market when the Stafford Act passed in 1988, replacing the Disaster Relief Act of 1974. Some of these innovative housing solutions were developed in Texas, where we have a history of repeat disasters such as hurricanes, tornadoes, wildfires and

floods. These options include stackable shipping containers, small modular homes and expandable “core unit” housing utilized under an initiative called RAPIDO, a temporary-to-permanent housing strategy that provides a safe, “core” home that is customizable to meet the family’s needs for about \$60,000. Owners can add on to these units as needed later on. An Austin-based 3D home technology company, ICON, can print sturdy, 600- to 800-square-foot homes in less than 24 hours for \$4,000. These homes can be placed quickly and left permanently for a fraction of the cost of a temporary FEMA trailer. They can also withstand subsequent hurricane or flooding events.

Even though many of these innovative options are cheaper, more durable and quickly deployable, “permanent” housing is ineligible under the Stafford Act. The manufactured housing units and travel trailers traditionally utilized by FEMA sit on axles, meaning you can haul it away after use—therefore passing the “temporary” housing test. After use, FEMA refurbishes former temporary housing units in good enough condition and the General Services Administration auctions them off, but typically for a small fraction of their cost. We can agree that the current disaster recovery process is not cost-effective.

SECOND, FEDERAL LAW prevented coordination with local officials to help displaced residents. With nearly 1 million applications for FEMA assistance submitted, county judges, mayors and other local leaders asked repeatedly for information on who needed help. FEMA controlled the application process and provided my team the names of only those deemed eligible for short-term disaster housing assistance. The Federal assistance application process is daunting. It requires survivors to submit the same onerous application whether they need simple financial assistance, a small business loan, or short-term housing. Further, we had no information on who was found ineligible; therefore, community leadership had no ability to explain to constituents why.

Additionally, we were prohibited by the Federal Privacy Act of 1974 from providing any “personally identifiable information” of eligible applicants to anyone outside the program. Local leaders trying to coordinate volunteer groups and potentially distribute donated resources were baffled by the unnecessary barriers to helping survivors at a time when expediency was critical. County judges and mayors from affected areas all along the Texas coast, such as Rockport/Fulton, Kingwood, Dickinson, Port Arthur and more, were calling me daily asking for help connecting those who needed help with the volunteer organizations that were showing up on the doorsteps of their county courthouses and city halls. I personally attended more than a hundred hearings, briefings, meetings and events in affected communities to relay information and answer questions, but I couldn’t provide a simple list of names and phone numbers for those needing help. During this time of crisis, Federal privacy laws choked the flow of information and recovery resources to those in need and there was nothing those of us on the ground could do to fix it.

There are two relatively easy steps Federal leaders could take to drastically improve the short-term disaster housing mission:

1. Congress should amend the Stafford Act to remove the word “temporary” from the requirements, therefore allowing cost-effective, permanent resources to house displaced residents.

2. FEMA should amend the application for assistance to allow people to voluntarily make their data available shareable with their State and local government authorities.

The lessons Texas learned in the aftermath of Hurricane Harvey can help all States facing natural disasters. Congress should learn these lessons from Texas now, before catastrophic events hit Americans in other parts of the country. On the 1-year anniversary after landfall, I released a lessons-learned report, Hurricane Harvey: Texas at Risk, with policy recommendations for local, State and Federal officials to improve the disaster recovery process.

We can’t stop natural disasters from happening, but we can innovate the way in which we respond and rebuild.

George P. Bush is commissioner for the Texas General Land Office, the State agency tasked with leading the disaster recovery housing mission after Hurricane Harvey, the second-most destructive storm in American history.

Mr. CRENSHAW. I want to focus today on the limitations of providing only temporary solutions. These are usually travel trailers because their axles and wheels make them temporary, and they fit FEMA’s criteria. In my view the focus on temporary housing without consideration for long-term benefits wastes taxpayer dollars.

On the one hand are these trailers which carry an incurred unit cost of \$125,000 to \$200,000. On the other hand, we actually have more modern solutions, more cost-effective solution. I brought some of those solutions with me today. It is like show and tell.

One solution is a 3D-printed structure. It is quick. This 600-, 800-square-foot structure can be made in less than 24 hours. It is permanent, water- and corrosive-resistant and cost-effective, sometimes as little as \$4,000 per unit. There is a company called Genesis Dimensions in Houston that makes these things. I think they pull a truck out there. All of a sudden are you creating a strong structure.

If FEMA is still required to abide by the conditions of the 1988 Stafford Act, when 3D printing, small modular homes, and expandable, core unit housing wasn't a reality, these developments could be temporary to permanent transition options for families devastated by the storms, looking to return to some sense of normalcy, if we allow it.

So, in Houston, our recovery has been incredibly frustrated, as yours has, by such restrictions and unnecessary and unreasonable burdens. In my limited time, that is what I want to get at both for Mr. Marrero and for Ms. Williams.

Can you speak to the policies and rules specifically dealing with FEMA that slowed or hindered efforts when trying to provide short- and long-term housing solutions?

Ms. WILLIAMS-OCTALIEN. Well, one of the very first issues that we have had was the STEP program where the lack of guidance in the beginning of the program has us to a point where our contractors are unable to be paid on a timely basis when we consistently ask for clarifications within the PWs. Therefore, it would guide exactly how we would administer the program. We continue to have those kinds of assistant issues.

We also have issues we the lack of capacity and resources there to manage the STEP program and housing in general where the FEMA resources on the ground were very unfamiliar with the building technologies and the construction processes in the Virgin Islands, and we spent an inordinate amount of time going back and forth on how do we build resiliently here in the territory.

Those concerns continue to hamper us as we get to this point where we still have over 3,000 families that are without permanent housing for our upcoming storm season.

Mr. MARRERO. I will only to add the fact that, even though we were able to deliver what has been the largest temp program in the Nation, it was—we spent \$1.2 billion, along with FEMA, and we helped 108,000 families. Unfortunately, it was just temporary repairs. Even though we requested permanent reconstruction homes during the emergency phase as it was done in Louisiana, because we thought it would make sense to make sure that people were able to have a not only safe place to protect their family but in order to weather the storm. Unfortunately, that was denied. So, that was why we would only end up with temporary fixes with houses.

Today, we still have 20,000 homes with blue tarps. We still have 20,000 families waiting for a decent housing solution. What we are going to do is that we are going to use the CDBG funding that is

already available to help them repair in a final way and in a permanent way their homes. But definitely the policies and the restrictions and the denials to several requests that we made during the response phase. Unfortunately, it was the reason why today we still have many families without.

Mr. CRENSHAW. If I may conclude, you know, in Texas, we have a very long lessons learned report from the GLO office, as I think both Puerto Rico and the U.S. Virgin Islands have recently set up these coordination offices to deal with disaster recovery in particular. I hope we can expect a very detailed lessons learned report so that we can fix a lot of these issues going forward.

Thank you.

Mr. PAYNE. Thank you.

The Chair now recognizes the gentlelady from New York, Ms. Yvette Clarke.

Ms. CLARKE. Thank you very much, Mr. Chairman.

I thank our Ranking Member.

I thank our panelists for bringing your expertise to bear today. As a Member of the subcommittee and the co-chair of the Congressional Caribbean Caucus, I have been dismayed by the White House's response to Irma and Maria. We all remember how the President demeaned Puerto Rico on Twitter.

Today, the White House has added insult to injury. When this subcommittee asked FEMA to testify about their response to hurricanes in Puerto Rico and the USVI, they refused to even send a witness. This hearing isn't the first time that FEMA has refused to show up. When Irma and Maria made landfall, FEMA also didn't show up. They weren't prepared.

Though the storms were nearly 2 years ago, the recoveries for Puerto Rico and the U.S. Virgin Islands essentially are still and remain at a beginning stage. We are talking to the—we are talking about U.S. citizens here, and we cannot allow our fellow Americans to languish any longer.

Having said that, I find it interesting that just about everyone who sat on this panel today have had and have been victims of hurricanes, extreme weather events. It would seem to me that, given the decades-long experience that we have had with this, that there would be some level of best practices. There would be some level of adjustment and modification of policy and procedure that enables us to expedite things. I don't adhere to the idea that, oh, this is new. It is a new environment, but it is not new in terms of what has taken place.

So I would like to ask Mr. Marrero and Ms. Octalien, as we enter the heart of hurricane season once again, another storm could hit both Puerto Rico and the U.S. Virgin Islands at any time. Not only could another hurricane devastate the islands, but it could set back existing recovery efforts.

If another hurricane were to strike your territories tomorrow, do you believe that the administration has set aside the necessary resources to ensure that we do not see a repeat of what has occurred previously?

Ms. WILLIAMS-OCTALIEN. Well, one of the very first things that we must acknowledge is that we have really built some capacity in our understanding. The lessons that have been learned from Irma

and Maria, there was never a time where we believed that, on our islands or in our region, that the entire region would be wiped out, because we normally help each other.

We are at the point now where we have built in a lot of the practices, but our infrastructure is so vulnerable that, if we are hit with another storm, we will know what to do, but it will still cost a lot because we are not ready with our infrastructure because a lot of the permanent work has not been done. Everything is temporary. Everything is bandaged up, and we are just very fragile.

Mr. MARRERO. I will definitely have to second that, ma'am. That is our biggest fear. This is the second hurricane season that we are entering, both USVI and Puerto Rico, the second hurricane season without no permanent work being done. So landslides that were created by the storm are still waiting to be fixed. Roads waiting to be fixed. Schools, that are shelter of last resort for the most vulnerable families in Puerto Rico, are still waiting to be rebuilt.

Not only that, we are prone to earthquakes as well. So we think that, without getting into the debate of climate change, but the reality is that we are facing more frequent and stronger natural disasters. So that is our biggest fear, ma'am. If something happens, even though we have made some progress—and, as I agree with Ms. Williams, we are resilient and we will help each other, as we have done in the past and we will do it every single day, the same way that we did after Irma. When many American citizens needed to return to the mainland, we served—from Puerto Rico, we opened our doors without thinking that we were in the middle of a fiscal and economic crisis. We helped them because that is what we could. Unfortunately, that is our biggest fear. If something happens, we have to be fully cognizant that the challenge will remain pressing.

Ms. CLARKE. Very well. Can you discuss the disparities between how Puerto Rico and the USVI have been treated, in terms of recovery funding, compared to other places that have been hit by hurricanes? Have you been able to do that analysis?

Ms. WILLIAMS-OCTALIEN. Well, there are some concerns that—I am not sure if we can actually substantiate them, but we are concerned that the fact that we do not have the money. Typical States are able to pay for all of their work and then fight with FEMA for reimbursement if there is any discrepancy. We are unable to do that because we cannot pay for millions or billions of dollars' worth of projects up front; and if there is a concern, then we spend months fighting back and forth with FEMA.

So we are very, very vulnerable. We are unable to move a lot of our projects forward because we do not have the cash. I think on that level, then we—and there are some concerns with our financial solvency that we are not given the benefit of the doubt.

Ms. CLARKE. Absolutely.

Ms. WILLIAMS-OCTALIEN. I think we are not given the benefit of the doubt upfront. I think there are just some concerns that going right off the bat that we are doing things illegally or there is some cloud of wrongdoing. That is not where we wanted to be. We want to be given the benefit of the doubt that we are doing everything that we need to do to manage our Federal funding, and that way we can move our projects forward.

Ms. CLARKE. Very well. I accept what you have said.

Mr. Chairman, I yield back. Thank you.

Mr. PAYNE. I thank the gentlelady. It is pretty interesting how in dealing with the territories and attempts through this Nation to support, while these are Americans, but any type of aid, that there is some suspicion always around them receiving funding. So I find that interesting. I remember a little company in the early 2000's by the name of Halliburton that did pretty well around the world in terms of getting contracts and what have you, but that is another day.

It also would have been great if FEMA was here, a clear example of the questions that Mr. Crenshaw posed to be here to help. But here we are.

The Chair now recognizes the gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the witnesses for appearing.

I thank the Ranking Member as well.

Mr. Chairman, FEMA's absence from this hearing is further evidence of how the chief executive officer of the United States, how the President has corrupted the political process. I say this after having given much thought to it because we now see that the President has encouraged witnesses not to appear before other committees. He has encouraged persons not to respond appropriately to subpoenas. He has refused to cooperate himself.

This level of disrespect is contagious, and it is infecting the body politic in the United States of America. This is not something that we should take lightly, having a President who is now making the acid test for the success of the process be whether you suck up to him, whether you kiss up to him, whether you give him the impression that you like him. If you don't and you are someone other than Putin, you don't get respect.

This is not a good day for our country. It is a sad day when we see this kind of disrespect. This President went to Puerto Rico and for some reason decided that he would just toss paper towels out to people, sort-of like being in a basketball arena and where they throw out those small rubber balls and people are grasping, trying to catch a rubber ball. These are human beings. It is not a game. Why would you do such a thing? Then to imply that Puerto Rico is not a part of our country, that these are not citizens in some way in need of the same respect that other citizens get.

It is a sad day for our country. I believe that if we don't take some sort of affirmative action, show the President that there are some guardrails, it won't get better. He seems to take advantage of any person or entity that will not stand up to him. We have to stand up to the President. We cannot allow him to believe that he can do all of these things with impunity.

Nobody sitting in that seat—we didn't ask that you send us the top person. Send us a witness. Send someone. A clarion call for help from Puerto Rico and the Virgin Islands, unanswered. It is a sad day for our country. So my hope is that this Congress will get a backbone and stand up to this President. Political expediency is no longer the order of the day. When it comes to helping these countries, there has to be a moral imperative to do so.

We don't just disregard other places. Made the comment that Puerto Rico is getting too much help. Texas didn't get too much help. I am from Texas. We fought hard and made demands. It took us a while, but we weren't disrespected to this extent.

So, Mr. Chairman, I thank you for allowing me to make these comments, and I have but one question to the Representatives from these two great, great, representing great bodies of people, great, great places to live.

Do you believe that you are an American entitled to the same benefits, a citizen entitled to the same benefits and rights as other citizens?

Mr. MARRERO. Yes, sir. That is my belief under the same U.S. Constitution that applies to every corner of the island of Puerto Rico.

Mr. GREEN. Ma'am.

Ms. WILLIAMS-OCTALIEN. Yes, we do. We are proud citizens of the United States.

Mr. GREEN. I am proud to be associated with you as citizens.

I yield back the balance of my time. Thank you.

Mr. PAYNE. Thank you. We will just quickly want to ask one more question, a second round to the panel, but we won't be very long.

Mr. Currie, I understand that the GAO is currently working on reports surrounding recovery in Puerto Rico and the USVI. What are the biggest recovery challenges in the USVI and Puerto Rico, if you can briefly answer that?

Mr. CURRIE. The biggest recovery challenges are dealing with the obstacles to getting to the fixed-cost estimates and agreements about permanent work projects because, until we get to that point, we can't actually start moving forward with the hard work of rebuilding those projects.

Mr. PAYNE. Thank you.

To Mr. Marrero and Ms. Williams-Octalien, I appreciate you really appearing here before us today in your official capacities, but I recognize that you are both survivors of these historic hurricanes.

Putting aside your official roles, can you talk about your experience as a survivor, and what are some of the challenges people are still experiencing in their everyday lives and yours?

Ms. WILLIAMS-OCTALIEN. So, as we navigated our way through recovery, my family was one of the last families to receive power, and we did not get power until January. You know the storm was in September. Just the overall challenges that we had with keeping our food preserved.

My mother is bedridden, and the challenges were making sure that we have electricity to operate the bed, the hospital bed, to move her around. Even now, you know, a year and a half later, there are concerns with the hospital. We recently had to take her into the hospital, and I saw first-hand just the overall challenges that we have with health care.

I stood there and I said: You know, we are responsible for this. We are responsible for the fact that people cannot get good health care on our island because we are unable to navigate through the process so that we can rebuild our hospitals.

So the recovery is real. I worked at FEMA at the time during the storm, and, you know, everyone operated as if we were recovered. To realize that I still didn't have power, but every day we were out there for 12 hours, 13 hours, making sure that other families are recovering and that we are bringing relief to those who really need it.

So this is the first time that I would say every single generation in the Virgin Islands understands the damage and the hardships that storms bring, and we no longer approach just the news that a storm is bearing down by just apathy. It is really very concerned. We mobilize.

The other side of that, there is so much psychological angst that is associated with the storm and overall recovery that just the mention of it is hurricane season brings a lot of stress. So we are really working diligently to be able to move forward and get to recovery, because it is not really about processes, procedures. It is really about people.

Mr. PAYNE. I am sure that that psychological angst is something that really hasn't been addressed. We can't even get the medical issues addressed, forget the psychological impact that it has had on an entire country—territory; I am sorry.

Mr. Marrero.

Mr. MARRERO. Yes, Mr. Chairman. Well, as a survivor, I had to wait 90 days for the energy to be restored at my home. I live in San Juan. I don't live in Vieques. I don't live in Mayaguez or Patillas. I live in San Juan. It was almost 90 days. I had to go—as any other Puerto Rican, I had to go to a gas station, buy gas for the generator, the emergency generator that I have in my place.

I saw many families and friends left the island, the island that we love and that we wanted to live until our last day. I saw family and friends also leaving the island because they weren't able to get the medicines that they needed for their children. Today, we still see, as I said, 20,000 families on their blue roof, because they were denied benefits because they didn't have title or they live in a flood-prone area.

We still see 300,000 children. I have an 8-year-old kid who goes to private school and have many, many activities and many recreational time to do. Unfortunately, that is not the same case for 300,000 children that goes to public schools today; 1,000 schools are still waiting to be repaired with no recreational facilities. People forget all that.

But this playground area, simple as it can be for these children, sometimes is the only recreational facility that community will have miles by miles. Not only that, those are the same children that they see the school as the shelter of last resort. Those are the same children that they go to homes with blue tarps, people that are still waiting. We have 45 percent of the people of Puerto Rico on the SNAP program. We are talking about 1.3 million American lives that depend on this. That is the problem.

Unfortunately, the hurricanes will hit worse to the most vulnerable. That is a reality. Unfortunately, 2 years after Maria, those same people are in the same vulnerable position as they were since Day 1.

Mr. PAYNE. Thank you. Thank you. I will turn to the Ranking Member of this subcommittee.

Mr. KING. I have no further questions other than I am sure Ms. Clarke would agree, in New York, even though we had a better infrastructure and we had more resources available, our districts are still going through recovery. So I can only imagine what is happening in Puerto Rico and the Virgin Islands.

Again, I thank you for your efforts, and I appreciate your testimony here today. Thank you very much.

I yield back.

Mr. PAYNE. Thank you, sir. The gentleman yields back.

The Chair recognizes the gentlelady from New York, Ms. Clarke.

Ms. CLARKE. Yes, I would like to drill down a little bit on the idea of the impact of population loss. Mr. Marrero, even before Hurricane Maria, Puerto Rico was experiencing a population decline. Can you discuss how Hurricane Maria affected the pattern of out-migration and discuss how that affects the recovery process?

Likewise, Ms. Williams-Octalien, can you tell the committee how Hurricanes Irma and Maria has affected population migration in the USVI, and what does that mean for the recovery process?

Mr. MARRERO. Thank you, ma'am. Well, as you said, before Hurricane Maria, we were already dealing with two man-made hurricanes, the fiscal and economic crisis. Both crises exacerbated the out-migration of Puerto Rico. So many Puerto Ricans, including family members of myself, left the island for a better quality of life. Many of them moved to Florida, to New York and Texas, as well as many other States.

That is a reality. Obviously, when we were able to understand the scope of the magnitude of Maria—and this was before it slammed into Puerto Rico. I remember 48 hours before that, many Puerto Ricans asked—the same in the USVI. Many Puerto Ricans, they didn't understand what a hurricane was. This was the first hurricane for many of them for many generations.

It was a worst-case scenario. It was a worst-case scenario. Because it was a worst-case scenario, people left the island before the hurricane hit. People were really concerned how we are going to be able—in the fiscal and economic situation that we were, how we are going to be able to recover. How long will it take for businesses to recover? How will the Government be able to address the needs of the people? So that is the reality.

We have lost almost 300,000 folks from Puerto Rico after the storm. Many of them are returning. Obviously, many of them were impeded to come back because many of the students enrolled so they have to wait. It is really difficult to pack and go back. But we are seeing people going back to Puerto Rico, and that is the most opportunity that we have seen. That is the silver lining, the great momentum, the great opportunity that we have to rebuild Puerto Rico and the USVI in a stronger way, in a more resilient way, and in a more intelligent way.

This is not only about disaster recovery; it is also about economic recovery. That is why when the Congress passed the BBA and required us to develop a disaster recovery/economic recovery plan, we delivered, we excelled, within the time frame, and we also made it consistent with the fiscal plan that it would certify.

So that is the reality. We are making sure that every opportunity that we can seize to make those transformative changes, to make sure the people want to go back, we are doing it. We have seen people going back. But, obviously, to the extent that the funds are delayed, to the extent that the recovery is delayed, also the hope of the people are delayed.

Ms. WILLIAMS-OCTALIEN. We have had a similar experience, maybe not to the extent of Puerto Rico, but, of course, early on after the disaster that there are a lot of families that really could not deal with the situations. I mean, some 120 days without power is not really what you want to put your children through and your families. So we did see some migration off the island.

I think the second flow of that was our businesses, where your businesses were damaged and the employees were laid off. We still were unable to provide employment early on. We are seeing a resurgence of some of the families returning.

We had—let's go back to health care—where a lot of the physicians left the island. The inability to practice. I would say, from a personal stance, where all of our regular practitioners left the island. So we did not have doctors there.

So we continue to see people return. There is a lot to do. The technical expertise, the capacity. We are really hoping that Virgin Islanders abroad will come back to help us rebuild. The harvest is plentiful right now, and the laborers are few. We really want to be able to get our local Virgin Islanders back home so we can get the territory back to what we know it should be.

Ms. CLARKE. Thank you.

Mr. PAYNE. Thank you.

Ms. CLARKE. I yield back.

Mr. PAYNE. Thank you. I ask unanimous consent for Congresswoman Stacey Plaskett's testimony for the record to be entered into the record.

Without objection.

[The statement of Ms. Plaskett follows:]

STATEMENT OF HONORABLE STACEY PLASKETT

JULY 11, 2019

Chairman Payne, Ranking Member King, and Members of the subcommittee, I appreciate the opportunity to present a written statement for this hearing on the recovery of my district, the U.S. Virgin Islands.

This is very important to me. The Virgin Islands is American territory still reeling from the devastation caused by the 2017 hurricane season, and still at early stages of working through the process provided by law to not only recover, but to permanently rebuild.

It is very unfortunate that despite repeated requests, months of notice and flexibility provided to accommodate a potential witness, the Federal Emergency Management Agency (FEMA) has chosen not to have any representation at this hearing and not to respond to questions about the issues and challenges that nearly 4 million Americans continue to face with its programs.

Among the hardest places hit by Hurricanes Irma and Maria was the Virgin Islands, where homes, possessions, and businesses along with essential facilities like hospitals and schools were lost. We all saw on television—many saw it personally—the walls and roofs that were blown out of homes, apartment buildings and facilities from the force of wind alone.

Energy systems and other vital infrastructure were completely destroyed, leaving our communities without electricity or access to health care and clean drinking water. Large swaths of the revenue base necessary for normal operations collapsed.

With the level of destruction that occurred, lawmakers on both sides of the aisle became more supportive of modifying how the Federal Government responds to such disasters, as well as how the United States builds and maintains infrastructure in order to mitigate against future natural disasters.

While the Bipartisan Budget Act of 2018 provided enormous assistance for the immediate and long-term recovery efforts; not only in terms of funds procured, but also through special provisions put in law for the Virgin Islands that make additional mechanisms available for rebuilding, rather than just clean-up. For example, it allows the Virgin Islands, along with Puerto Rico, to utilize FEMA assistance to rebuild critical infrastructure to industry standards and more resilient than before the hurricanes. It doesn't make sense for the Federal Government to pay to rebuild communities after disaster back to a standard that will only see those facilities destroyed in the next disaster; when the Federal Government will find itself again having to come in and build back to an original, deficient standard, as opposed to a more resilient and more robust standard.

In addition, through passage of the Disaster Recovery Reform Act of 2018, Congress again recognized the importance of getting smarter about how we respond after disasters, and building in resilience to minimize loss to lives and property. The Act is a transformative modernization of the Robert T. Stafford Disaster Relief and Emergency Assistance Act—intended to provide more significant and regular investment in pre-disaster mitigation activities, and to hasten recoveries in communities impacted by disasters. It encourages communities to build back to the most recent strongest consensus-based standards.

Finally, the most recent disaster supplemental, passed into law last month, strengthened the resiliency provision of the Bipartisan Budget Act of 2018 by requiring FEMA to include all pre-disaster related costs in determining whether to repair or replace critical infrastructure in the Virgin Islands to industry standards. The real-life implications will be that dozens of more critical infrastructure projects that were close to meeting the threshold for replacement under the old rule could now be rebuilt to incorporate resilient design and features.

Despite positive steps, much more work remains to be done, particularly with FEMA's implementation of the programmatic changes Congress has made. One of the most pressing outstanding issues is the massive amounts of Federal assistance that continues to sit idle. There is a great disparity of what has been approved and what is actually on the ground. As you look at all of the after-action reports, from FEMA, to GAO, and others, you see this as a constant theme.

The Virgin Islands still faces numerous challenges with FEMA's implementation of the provisions discussed above, which the testimony of Ms. Adrienne Williams-Ottalien for this hearing, along with that of the GAO, articulates in detail.

FEMA's treatment of the insular areas of the United States is of great concern to me because it continues to hold back the full and resilient recovery of the Virgin Islands. As the GAO testimony discusses, at times, the appropriate process for implementing resiliency provisions was not clear, and therefore ensuring program participants understood its key components was difficult. In addition, numerous critical infrastructure projects are on hold pending FEMA guidance.

Given the current fiscal state of the Virgin Islands following the hurricanes, FEMA guidance and assistance in seeing the fixed-cost estimates required for projects to receive additional resiliency assistance are as accurate as possible will be critical.

Most egregiously, FEMA continues to refuse to exercise its statutory discretion under the Insular Areas Act to waive local cost-sharing requirements on debris removal, emergency protective measures, and permanent infrastructure repair—forcing the Virgin Islands to divert precious little funds that it needs to use for community development and the rebuilding of the energy grid.

It is the Federal Government that under-funds the territories to begin with, putting arbitrary caps on our access to Federal safety net programs, and persistently under-funds them in terms of infrastructure costs and in other areas. Then, when a disaster strikes, and the territories are unable to meet those costs, it becomes a question of why the territories aren't being responsible. That is fundamentally unfair to these Americans. To date, the Virgin Islands has received far less than what was requested in 2017.

As we execute our rebuilding and our long-term recovery, we must do so cognizant of other long-standing challenges specific to the insular areas. While we have made significant strides and will continue to do so, we must continue to confront the difficult reality that the island territories of the United States, and their U.S. citizen residents, have been neglected and allowed to fall behind.

Thank you for considering this testimony and for your support of your fellow Americans in the Virgin Islands.

Mr. PAYNE. I want to thank the witnesses for their valuable testimony and the Members for their questions. The Members of the subcommittee may have additional questions for the witnesses, and we ask that you respond expeditiously in writing to those questions.

Pursuant to committee rule VII(D), the hearing will be held open for 10 days.

Without objection.

Hearing no further business of the subcommittee, it stands adjourned. Thank you.

[Whereupon, at 11:26 a.m., the subcommittee was adjourned.]

APPENDIX

QUESTION FROM CHAIRMAN BENNIE G. THOMPSON FOR CHRIS P. CURRIE

Question. Mr. Currie, the June 12 hearing, where you were also a witness, FEMA's Acting Administrator Peter Gaynor testified before the Committee on Homeland Security that FEMA was short "a few thousand" workers. How does this shortage impact current recovery efforts in the territories?

Answer. FEMA's workforce shortages hamper the agency's ability to respond to future hurricanes and other disasters, particularly because of FEMA's massive workload and unprecedented demand for FEMA staffing following the 2017 and 2018 disasters. The agency's workforce challenges specifically affect recovery efforts in Puerto Rico and the U.S. Virgin Islands in two ways. First, maintaining and deploying a sufficient and adequately-trained FEMA workforce is critical to recovery efforts after any disaster, in any location. We have previously reported on FEMA's long-standing workforce management challenges in this area. In our June 2019 testimony,¹ we reported our preliminary observations from our on-going review of FEMA's workforce capacity and training efforts during the 2017 and 2018 disaster seasons. Specifically, we reported challenges in FEMA's ability to deploy staff with the right kinds of skills and training at the right time to best meet the needs of various disasters. According to FEMA field leadership we interviewed, for some of the functions FEMA performs in the field, FEMA had too few staff with the right technical skills to perform their missions—such as inspections of damaged properties—efficiently and effectively. For example, FEMA staff in Puerto Rico stated that there has been a shortage of experienced staff to support the agency's Public Assistance and Hazard Mitigation programs, which provide funding to repair damaged public infrastructure, such as hospitals and schools, and take actions to reduce future losses. Staff said this has hampered the agency's ability to inspect damaged properties and process program applications.

Second, recovery efforts depend on effective implementation of FEMA's Public Assistance program, among other assistance programs. However, in our July 2019 testimony,² we reported challenges in implementing this program in Puerto Rico and the U.S. Virgin Islands. Specifically, our prior and on-going work identified challenges related to: (1) The clarity of FEMA's guidance for the Public Assistance program, (2) the time and resources needed to transition to FEMA's new Public Assistance program delivery model in Puerto Rico, (3) the implementation of flexibilities provided by the Bipartisan Budget Act of 2018,³ and (4) developing fixed-cost estimates under the Public Assistance alternative procedures. Ensuring that FEMA identifies the necessary staff with the right technical skills to address implementation challenges with the Public Assistance program will be key to the recovery of Puerto Rico and the U.S. Virgin Islands. We will continue to evaluate these identified challenges and any efforts to address them, and plan to report our findings in late 2019 and early 2020.



¹ GAO, *Emergency Management: FEMA Has Made Progress, but Challenges and Future Risks Highlight Imperative for Further Improvements*, GAO-19-594T (Washington, DC: June 12, 2019).

² GAO, *Emergency Management: FEMA's Disaster Recovery Efforts in Puerto Rico and the U.S. Virgin Islands*, GAO-19-662T (Washington, DC: July 11, 2019).

³ See Pub. L. No. 115-123, §1A 20601, 132 Stat. 64, 85 (2018).