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## Costliest Part of Gulf Rebuilding Yet to Come

Who Will Foot the Bill Is Still Unclear

*By Griff Witte*

Washington Post Staff Writer Monday, November 21, 2005; Page A01

The federal government has spent or obligated through contracts more than \$18 billion in Hurricane Katrina relief, meaning that in just over two months, storm recovery costs have already drawn even with the record spending package that the United States has been using to fund Iraq reconstruction for the past two years.

But local, state and federal officials say that number pales in comparison with the ultimate price tag for rebuilding the Gulf Coast. Until now, major expenses have come in the form of debris removal, temporary housing and direct assistance to those victimized by the storm. The real big-ticket items, they say, will not come until months and years down the line as the government attempts to recreate a public infrastructure network -- including roads, bridges, hospitals, schools, sewers, power lines, ports and levees -- that was all but destroyed when Katrina swept in at the end of August.

"I hate to use the term 'drop in the bucket,' but that's pretty much what it's been," said Arthur G. Jones, who heads Louisiana's disaster recovery division. "This is going to be expensive. My mental calculator doesn't go that high."

More than two months after the storm, no one else has come up with a definitive estimate, either. Guesses tend to range well above \$100 billion but vary wildly from there.

On its own, rebuilding the levees in New Orleans to the level state and local leaders want is expected to cost \$20 billion or more. Many roads -- including a bridge that forms part of Interstate 10 -- have to be rebuilt entirely. Labyrinths of underground cables, wires and pipes that spent weeks corroding amid the dank flood waters have to be ripped out and replaced. And thousands of buildings have to be leveled to make way for fresh construction.

"Things were just obliterated, so the majority of the money is going to be used to rebuild," said Pete Smith, press secretary for Mississippi Gov. Haley Barbour (R).

There is widespread agreement on who will end up receiving that money: the companies that make their living doing architecture, engineering and construction work for the government. Less clear is who will pay.

It is yet to be determined, for instance, just how much of a role the federal government will play in picking up the tab. "It depends on a threshold question: What are you going to rebuild? What is the federal responsibility for rebuilding a city, a metropolitan area or a region? This is where it gets really confused," said Bruce Katz, director of the metropolitan policy program at the Brookings Institution. "Federalism is a messy business."

Even the Federal Emergency Management Agency, which is ostensibly coordinating the reconstruction effort, is hedging on who will pay for the effort and who will make the critical decisions. "Since an effort like this has not been undertaken in the modern history of this country, I think we are about to learn how it will truly move forward," said FEMA spokeswoman Nicol Andrews. "Historically, local decision makers have been the lead, and the federal government picks up the tab where the law allows."

In the immediate aftermath of the storm, Congress rushed to approve more than \$60 billion in aid. President Bush, meanwhile, offered assurances in a nationally

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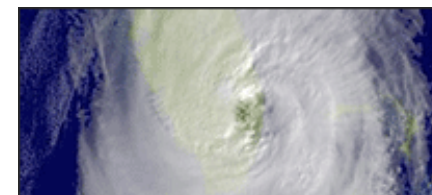
New Orleans's 9th Ward was largely destroyed when levees broke after Hurricane Katrina, and the infrastructure must be repaired or replaced. Rebuilding the levees alone is expected to cost at least \$20 billion. (By Robert F. Bukaty -- Associated Press)

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televised address from New Orleans that the federal government would bear much of the financial burden.

Yet since then, fiscal conservatives in Congress have begun to question whether the United States can afford to take on such an enormous expense at a time of already mounting deficits. For instance, they were able to knock down legislation pushed by members of Louisiana's congressional delegation that would have authorized \$250 billion in additional storm-related funding.

With the nation's attention shifting away from Katrina, the Bush administration has given indications that it is listening to conservatives' concerns. When the White House late last month wanted \$17 billion primarily to rebuild federal facilities and highways in the Gulf Coast, it did not ask for more spending. Instead, it requested Congress take that money out of the existing reconstruction budget, meaning those funds could not be used for local projects such as hospitals and schools.



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"We will still have ample funds through approximately May of next year to accomplish all of the purposes that need to be accomplished with [the main Katrina fund], which includes the recovery, the relief, the debris cleanup, sustaining the evacuees and beginning the process of rebuilding the public infrastructure," White House budget director Joshua B. Bolten said at a briefing announcing the request. Bolten said the White House will seek additional money next year that could be used for nonfederal projects, but he did not say exactly when or how much.

Meanwhile, state and local officials -- particularly those in Louisiana -- say they are growing increasingly concerned that the federal government will not end up putting in the kind of money needed to rebuild the region. Louisiana earlier this month balked at a \$3.7 billion bill that the federal government presented to it for the state's share of hurricane relief. State officials said the bill was excessive at a time when much of the tax base has fled and when lawmakers are already struggling to close a \$1 billion shortfall in their \$8 billion annual budget. With the major costs of reconstruction still looming, concern in the Gulf that the effort may be shortchanged is rising.

"We've always been a poor state, so this is something that can't be done without federal help," said Mark Drennen, president and chief executive of Greater New Orleans Inc., a regional economic development agency. "For local businesses to survive, there's got to be a basic infrastructure in place. And that infrastructure is gone."

Drennen recently led a delegation of local business leaders that visited Washington to appeal for help. The response, he said, was "polite" but hardly represented an outpouring of support from Capitol Hill. "The sense of urgency seems to have been lost," he said.

That has not stopped contractors from lining up for a piece of the action, however. The rebuilding may be costly for taxpayers, but it promises to be a boon to many of the companies that specialize in designing and building government infrastructure, according to contracting experts.

In the past two months, much of the contracting for the immediate hurricane response was handled by federal officials, but in the future state and local governments figure to play a much more prominent role in deciding who gets reconstruction deals. That's true no matter who funds the contracts, since federal money would probably be spent through grants to the state and local governments, according to Raymond Bjorklund, senior vice president of market research firm FSI.

"It becomes a very decentralized and dispersed process," Bjorklund said. "It's no longer a federal contract. It becomes a state or local contract, which is a whole different world."

Bjorklund said that even more so than with federal contracts, state and local deals are based on relationships between company executives and officials. That means local companies are expected to get a much more sizable share of the pie than they have in recent months, when many of the largest deals went to the largest national firms.

Those big firms -- including Halliburton Co., CH2M Hill Cos., Bechtel Corp., URS Corp. and Fairfax-based Dewberry -- have already been in high demand with the government for reconstruction work in Iraq and Afghanistan. Now the magnitude of the rebuilding task in the Gulf means that even if local firms get some of the contracts, they will probably have to partner with one of the larger firms to get the job done.

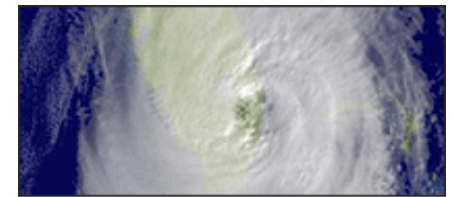
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New Orleans's 9th Ward was largely destroyed when levees broke after Hurricane Katrina, and the infrastructure must be repaired or replaced. Rebuilding the levees alone is expected to cost at least \$20 billion. (By Robert F. Bukaty -- Associated Press)

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"The companies that were awarded the big contracts with Iraq, they're going to be getting contracts this time around, too," said Timothy Brett, who analyzes the architecture, construction and engineering industries for the research firm Input. "It's a big-boy club, and you need to get on one of their teams."



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