Federalism after Hurricane Katrina

How Can Social Programs Respond to a Major Disaster?
Assessing the New Federalism is a multiyear Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. Olivia Golden is the project director. In collaboration with Child Trends, the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.


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*How Can Social Programs Respond to a Major Disaster?*

Programs that provide housing assistance, unemployment benefits, health care, and welfare to low-income people and others in the United States have a complex structure. Each program has a different mix of federal, state, and local roles in financing, in determining who is eligible for benefits, and in deciding what those benefits will be. Even if this complexity can be juggled reasonably well for families, individuals, local governments, and states during normal times, however, Hurricane Katrina posed a severe test. This paper explores how these programs fared under the extreme conditions of the storm and its aftermath.

Hurricane Katrina dealt a severe blow to over a million people in Louisiana and the coastal regions of Mississippi and had repercussions throughout the Gulf region. Low-income families and individuals in particular bore the brunt of the storm and flooding, losing their homes, jobs, and resources for recovery. Public programs had served many of these people before the hurricane hit, and many others became newly eligible as a result of it. But the impact of Katrina strained the essential components of these programs, including their funding arrangements and eligibility and benefit standards. It raised critical questions about the programs’ ability to respond swiftly and fairly to families and individuals affected by the storm, and about state and local governments’ incentives to respond effectively to victims’ needs.

In fundamental ways, social programs were not designed to respond readily to a crisis of Katrina’s dimensions. Emergency response mechanisms had to be developed and/or enacted immediately after the storm and flooding. For many months, great uncertainty existed about states’ financial obligations, risks, and policy choices, and about what programs would serve which evacuees, in what ways, and for how long. Over the past seven months, a number of program changes and emergency expansions have been enacted through legislation or implemented through the executive branch. But on the whole, programs have provided limited and temporary aid to families and individuals whose lives have been fundamentally disrupted by the storm. In addition, some federal response policies have not been communicated clearly to state and local governments and were not acted upon for many months, even as the 2006 hurricane season approached.

This paper examines four key programs that help individuals and families meet basic needs and cope with crises: **housing assistance** provided through the U.S. Department
of Housing and Urban Development (HUD) and through the Federal Emergency Management Agency (FEMA); income replacement through Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA); health care through Medicaid; and cash assistance through Temporary Assistance for Needy Families (TANF). These are not the only important programs for low-income people, but do represent essential national programs with responsibility shared among federal, state, and local governments. (UI, Medicaid, and TANF are shared federal-state programs; housing assistance is federally funded but administered by localities.)

This paper first summarizes key findings from the programs’ responses to Hurricane Katrina. It then describes the central features of “normal” program structures prior to the disaster, identifies particular challenges Katrina posed to these programs, explores the key policy responses to the crisis within each program, and finally offers a recommendation to enable more effective disaster responses in the future.

Key Findings on Housing Assistance, Income Replacement, Health Care, and Cash Assistance Programs

- Cross-jurisdictional complexity. Hurricane Katrina moved program recipients across state lines on a large and sudden scale, but the programs’ varying eligibility rules, funding structures, and fiscal incentives were not designed to accommodate such movement easily. The massive involuntary population migration proved challenging for many of these complex federal-state and federal-local program arrangements, hindering rapid, effective, and planned response.

- Short-term solutions to a long-term problem. Program responses to Hurricane Katrina were better suited to a short-term emergency than to the long-term displacement and requirements for rebuilding that Katrina created. For instance, the decision to use FEMA rather than HUD as the main housing agency for Katrina evacuees suggests that the problem was defined largely as short-term emergency assistance, rather than as meeting long-term needs created by the storm. Similarly, waivers and legislation that enable full federal funding for storm victims’ Medicaid coverage limit it to five months, even though existing health conditions worsened for some people and others developed serious new health problems as a result of Katrina.

- Strained fiscal capacity. Prior to the storm, the Gulf states’ fiscal capacity was among the lowest in the nation, making them especially vulnerable. Particularly for Louisiana, the hurricane hit hard in multiple ways—it damaged or destroyed major sources of revenue, created huge new costs for recovery and reconstruction, and produced significant new needs for assistance. For many programs, federal-state funding obligations mean that these needs must be funded at least in part by the states most severely hit. Exacerbating this fiscal stress is the fact that states cannot operate at a budget deficit, although the federal government can.

- Lack of clarity. Uncertainty about the federal response to the crisis—such as the availability and duration of federal funding or the federal or state standards that apply to assistance programs—contributed to significant instability and uncertainty for both hard-hit “home” states and “host” states, such as Texas, that received significant numbers of evacuees. It has also exacerbated the uncertainty individuals and families face.

- Need for an appropriate federal role. FEMA’s widely criticized response to Hurricane Katrina certainly suggests that federal administration alone does not ensure that individual, family, state, or local needs will be met. Still, federal involvement appears critical to ensuring an effective response. For instance, the guarantee of federal dollars can allow host states to provide evacuees necessary services with less risk to their own financial position, and can alleviate the enormous fiscal strain on hard-hit home states. A speedier, more consistent federal response across programs, with clearer and more timely federal guidance to states and localities, would also go far in easing the burden on jurisdictions, individuals, and families.

Key Program Features During Normal Operations

The housing assistance, income replacement, health care, and cash assistance programs described in this paper provide basic support to people who meet their eligibility criteria. Tables 1, 2, and 3 detail program provisions—required state vs. federal financial contributions, benefit levels, provisions (if any) for sudden changes in state resources or program demand, and the populations the program served—and didn’t serve—prior to Hurricane Katrina. This section of the paper reviews the central program features as they operate in noncrisis situations.

- Eligibility and benefit levels. Three of the four programs vary considerably by state in both eligibility criteria and level of benefits offered. States exercise significant discretion in defining eligibility criteria for Unemployment
### Table 1: Funding Structure of Selected Social Services, Prior to Hurricane Katrina

<table>
<thead>
<tr>
<th></th>
<th>Housing: FEMA and HUD</th>
<th>Unemployment Insurance</th>
<th>Medicaid</th>
<th>Temporary Assistance for Needy Families</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td>Fully federal: HUD provides funds primarily by formula for public and assisted rental housing projects and housing vouchers. FEMA housing aid is also fully federally funded.</td>
<td>Federal payroll tax: (0.8 percent on first $7,000 of annual earnings). This funds UI program administration, Employment Service, and federal loans to states with trust fund deficits. Disaster Unemployment Assistance is funded through FEMA.</td>
<td>Federal entitlement program: The federal match to state funding ranged from 50% to about 77% in FY 2005; the Federal Medical Assistance Percentage is higher for poorer states.</td>
<td>Federal block grant: Grants are based on states’ prior AFDC spending and spending for related programs, with modest supplements for high poverty or high growth states. Grants totaled $16.6 billion per year; in FY 2003: $181 million went to LA and $96 million to MS. TANF also includes limited contingency and loan funds.</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td>None.</td>
<td>State payroll taxes on employers: These fund benefit payments to claimants (so-called regular UI).</td>
<td>States must meet federal match requirement. The FY 2005 federal match for LA was 71.04%; for MS, 77.08%.</td>
<td>MOE requirements, 75% to 80% of mid-1990s spending levels. States’ total contribution is about $10.5 billion per year. LA and MS MOE funding for FY 2003 was 75% for both.</td>
</tr>
<tr>
<td><strong>Local</strong></td>
<td>None, but local housing agencies administer federal public housing and voucher programs.</td>
<td>None.</td>
<td>Some states require local contribution to state match, but the federal government does not.</td>
<td>Some states require local contribution, but the federal government does not. LA and MS programs are state administered but in MS, counties share administrative costs.</td>
</tr>
</tbody>
</table>


HUD = Department of Housing and Urban Development
FEMA = Federal Emergency Management Agency
UI = Unemployment Insurance
AFDC = Aid to Families with Dependent Children
MOE = maintenance of effort
### Housing

- **Major provisions**: No federal entitlement. Households with incomes below 50–80% of area median income are eligible for aid through Section 8 vouchers (though 75% of new vouchers must go to households under 30% of the local area median income). Section 8 vouchers include tenant-based vouchers for households renting in the private market and project-based vouchers that subsidize specific housing units. Eligibility is verified annually.

### Unemployment Insurance

- **States determine eligibility through past earnings of sufficient amount and a qualifying job separation (such as a layoff)**. Details vary widely across states.

### Medicaid

- **Federal entitlement to categorically eligible low-income people**, including children, pregnant women, certain adults with dependent children, people with disabilities, and people over 65. Otherwise states exercise substantial discretion over eligibility requirements, benefits, and service levels.

### Temporary Assistance for Needy Families

- **No federal entitlement**. TANF funds may only be used for families with a pregnant woman or a child under 18, though they are not entitled to assistance. Other requirements are set by states, with some federal requirements and exclusions: participants must meet work requirements and federal assistance is limited to 5 years, with some exceptions. Some groups, including many legal immigrants and certain drug felons are excluded from federally funded assistance.

### State ranges

- **Specific eligibility levels are set by local public housing authorities**.

### LA, MS ranking

- **Not applicable**.

### Table 2: Eligibility for Selected Social Services, Prior to Hurricane Katrina

<table>
<thead>
<tr>
<th>Housing</th>
<th>Unemployment Insurance</th>
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</tr>
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<tbody>
<tr>
<td>Major provisions</td>
<td>States determine eligibility through past earnings of sufficient amount and a qualifying job separation (such as a layoff). Details vary widely across states.</td>
<td>Federally required coverage Parents: State AFDC level as of 1996 Pregnant women: ≤133% FPL Children under 6: ≤133% FPL Children 6–18: ≤100% FPL</td>
<td>States ranges</td>
</tr>
<tr>
<td>Specific eligibility levels are set by local public housing authorities.</td>
<td></td>
<td></td>
<td>Varies by state.</td>
</tr>
<tr>
<td>Monetary qualifying and other requirements vary.</td>
<td></td>
<td></td>
<td>The maximum monthly income at which a family of 3 was eligible in FY 2003 ranged from $205 in AL to $1,641 in HI.</td>
</tr>
<tr>
<td>LA, MS ranking</td>
<td></td>
<td></td>
<td>LA and MS have, respectively, the 3rd and 8th lowest maximum income limits for families to be eligible for assistance ($360 per month and $458 per month).</td>
</tr>
</tbody>
</table>

**Sources:** Ensellem (2005); Kaiser Family Foundation (2005a, 2005b); Rowe and Versteeg (2005); U.S. Department of Labor (2004); Vroman (2005).

*a. In states with high levels of coverage for children, programs may be SCHIP-only programs, Medicaid expansion programs, or a combination.*
Insurance, Medicaid, and TANF. Wealthier states tend to offer more generous benefits. Program recipients generally receive benefits from their state of residence, or—in the case of UI—the state where they work. Well before Hurricane Katrina, Louisiana and Mississippi ranked low in the expansiveness of their eligibility standards and benefits levels. Housing assistance eligibility and benefits are, as a rule, more nationally standardized.

- **Required state financial contributions.** All states are required to contribute financially to federal-state programs. Of the four programs described, only housing assistance provided through HUD or FEMA and disaster unemployment assistance (DUA) do not require state funds. This funding responsibility affects states’ policy choices on eligibility and benefit levels and—for the programs where they have discretion—how many eligible people to serve.

  Even a small change in eligibility or benefit policies can have a major effect on program costs, with a significant impact on poor states. Compared to other states, the Gulf states historically have had weak revenue bases combined with high poverty. This significantly affects their ability to fund social programs. Even before Katrina, Louisiana and Mississippi ranked low in fiscal capacity. In 2002, Mississippi ranked last in revenue capacity and Louisiana ranked 44th of 50 states. When the states’ ability to raise revenue was compared to the need for expenditures, Louisiana ranked even lower—47th of 50—and Mississippi was again last. This indicates that their restrictive eligibility and benefit policies may be driven significantly by their constrained fiscal capacities.

- **Limited provisions for sudden changes in need.** As explained in the program descriptions below, these four programs have limited provisions at the national level to adjust for sudden changes in state financial situations, or for such expanded demand as that created by Katrina. In most cases, increases or major reallocations in funding require federal legislation.

- **Relevant populations not served prior to Katrina.** Reasonable estimates of demand for each program before Katrina hit suggest that, for many years, benefits have not reached all people with potential needs. In some cases, state policies and practices excluded certain groups from eligibility. Funding limitations can also preclude eligible people from receiving assistance.

### Housing Assistance

Standards for housing assistance through HUD are generally national—households with incomes less than 80 percent of the area median income are eligible, but waiting lists for vouchers and subsidized housing units are extremely long. Vouchers can be taken across state boundaries, but public housing residents lose their assistance if they move. With the federal funding base and eligibility standards for housing, about a quarter to a third of eligible residents get assistance nationwide, a proportion mirrored in Louisiana and Mississippi.

Neither HUD nor FEMA housing assistance requires any state matching funds. HUD has no provisions to respond to a sudden increased need for housing, though FEMA’s housing assistance is, by definition, activated by sudden emergencies and can generally be mobilized quickly. Finally, available housing assistance does not meet demand across the country. With only a quarter to a third of eligible households receiving assistance in every community nationwide (and few additional resources for expanded needs), eligible applicants join long waiting lists and may wait for several years.

### Unemployment Insurance

Low-wage earners who lose their jobs in Louisiana and Mississippi are somewhat more likely to qualify for UI than in other states that set higher monetary eligibility requirements. Yet, both states rank close to the bottom in benefit levels and replacement rates (the proportion of weekly wages replaced by weekly benefits). In 2004, Louisiana ranked 47th of 51 states in weekly benefits, and Mississippi ranked last. Other eligibility policies—such as allowing an alternative base period determination (which can result in more low-wage workers qualifying for benefits) or good personal reasons for leaving a job—also vary among states. Louisiana allows neither of these more expansive eligibility provisions. Mississippi allows “quits” for good personal reasons but does not have an alternative base period (Vroman 2005).

The DUA program was created to provide benefits to workers who are unemployed as a direct result of a disaster declared by the president and who do not qualify for regular UI, often because they are self-employed or do not have sufficient earnings. DUA benefit levels are generally even lower than those of UI. By federal regulation, DUA levels fall between 50 and 100 percent of state UI benefit levels. They are $85 and $97 per week in Mississippi and Louisiana (Ensellem 2005).

A state payroll tax on employers funds UI benefit payments through a self-financing trust fund. In addition, a 0.8 percent federal payroll tax on the first $7,000 of annual earnings funds UI program administration and other
### Housing

Participating households pay 30% of income toward rent; a federal subsidy fills the gap.

### Unemployment Insurance

States generally replace 50–55% of past earnings, subject to a weekly maximum. Maxima range from 40–65% of average weekly wages.

Disaster Unemployment Assistance benefits are 50–100% of state regular UI benefits.

### Medicaid

Mandatory services include most acute care and nursing facility services. Major optional services are drugs, most personal care, and institutional psychiatric services.

### Temporary Assistance for Needy Families

States set cash benefit levels, which vary by state (i.e., maximum monthly benefits for a family of 3 in 2004 ranged from a low of $170 in MS to a high of $923 in AK).

Other aspects of benefit policies and noncash services and benefits also vary widely (i.e., time limits on cash assistance range from a low of 24 months in 3 states to no limit for at least some families in 5 states).

### LA, MS ranking

The benefit formula is essentially the same nationwide; LA and MS residents probably receive less on average than those in other states because their housing prices tend to be lower.

LA’s weekly benefit in 2004, $194.78, ranked 47th of 51 (national average = $262.50). LA’s replacement rate, 0.322, ranked 39th of 51 (national average = 0.352).

MS’s weekly benefit in 2004, $171.87, ranked 51st of 51. MS’s replacement rate, 0.319, ranked 40th of 51.

Mandatory and optional services are similar to other states, with some exceptions. The maximum monthly benefit for a family of 3 in 2004 was $240 in LA and $170 in MS. LA ranked 7th and MS ranked 51st of 51.

The lifetime limit on assistance is set at the federal maximum of 60 months in both states; however, in LA most families cannot receive more than 24 months of benefits in any 60-month period.
Provisions for moving among states

Residents of public and assisted housing lose their subsidies, but vouchers are portable to any state. Interstate claims are handled by host states for those who move out of state. Recipients must reapply in the new state, unless the move is temporary. Then they are covered by their home state’s program if they can find a provider willing to accept the home state’s payments.

No provisions, though supplemental grants (which both LA and MS received) gave extra help to states with increasing populations. The Supreme Court struck down a Personal Responsibility Work Opportunities Reconciliation Act provision allowing states to limit newcomers to their former state’s benefits (though neither LA or MS had such a policy).

Unserved populations

2/3 to 3/4 of those eligible are not served through either vouchers or public/assisted housing units.

Voucher applicants waited an average of 28 months in a 2003 study.

Recipiency is traditionally low in both states—19% in LA and 23% in MS, compared with 32% for the U.S.c

All states have relatively high proportions of low-income parents whose incomes fall above eligibility thresholds and are therefore ineligible for Medicaid. Childless adults are typically not covered by Medicaid.

Unserved are those who don’t meet federal categorical requirements or state eligibility groups; former recipient families who have been sanctioned or hit time limits; eligible nonparticipants; and people who are below the federal poverty level, but above states’ TANF maximum income levels or otherwise ineligible.

About 85% of poor families in LA and 82% in MS did not receive TANF.d

Sources: Administration for Children and Families (2004); Bureau of the Census (2003); Center on Budget and Policy Priorities (2003); Congressional Research Service (2005); Rowe and Versteeg (2005); Vroman (2005).

a. The replacement rate is calculated as weekly benefits divided by weekly wages (Vroman 2005).

b. For example, Louisiana does not cover physical, occupational, or speech/language therapy, and Mississippi does not cover personal care services (i.e., personal attendants or personal assistance services).

c. Recipiency is measured as percentage ratio of weekly beneficiaries to weekly unemployment.

d. Urban Institute calculations, dividing the number of families receiving TANF cash assistance in each state in FY 2002 (from Administration for Children and Families 2004) by the number of families with children under 18 that are under the federal poverty level in each state (from Bureau of the Census 2003).
program purposes, including federal loans to states with trust fund deficits. In past years, Louisiana and Mississippi have taxed covered employers at rates lower than the U.S. average; the low level of taxation reflects low benefit payouts in these states. DUA benefits are fully federally funded through FEMA (though the program is administered through the U.S. Department of Labor).

The unemployment compensation system can respond fairly quickly to an increase in need among those who satisfy a state’s rules and processes. When people who have lost jobs worked in one state but reside in or move to another, the trust fund of the state in which they worked is responsible for funding their benefits, and they are covered according to that state’s eligibility and benefit levels. During disasters, DUA provides temporary, modest financial assistance to people who do not qualify for the regular UI program. But many people who have lost jobs never get help from UI, even in typical times, and this was particularly true for people living in Louisiana and Mississippi in the years before Katrina. Recipiency has long been low in both states; the Louisiana rate was about 19 percent between 1994 and 2003, and the rate in Mississippi was 23 percent, compared with a national rate of 32 percent (Vroman 2005). The relatively low rates reflect state eligibility rules and how they are administered. In addition, people claiming DUA may be denied benefits if they have lost their jobs for reasons resulting indirectly from a disaster (such as a local business slowdown) rather than the direct destruction of a business.

**Medicaid**

Low-income people who meet state eligibility requirements are entitled to Medicaid coverage. Federal law requires states to cover certain low-income groups, including children under 19, pregnant women, certain poor adults with dependent children, disabled people, and people over 65. But states have considerable discretion about covering groups at slightly higher income levels.

Louisiana has covered children up to a higher income threshold than set by other Gulf states or than is federally required: up to twice the federal poverty level (the federal requirement is 100 to 133 percent of the poverty level, depending on the children’s age). However, the state ranks near the bottom nationally in eligibility of both working and nonworking low-income parents, though its package of benefits is similar to many other states. In FY 2005, nonworking parents in Louisiana were eligible only up to 13 percent of the poverty level (compared with 42 percent for the country as a whole); working parents were eligible only up to the point where their incomes were 20 percent of the poverty level (compared with 69 percent nationally). Mississippi covered nonworking parents with incomes up to 27 percent of the poverty level and working parents with incomes up to 34 percent of the poverty level (Kaiser Family Foundation 2005a). Medicaid recipients who change state residency generally must reapply for Medicaid coverage to be eligible for coverage there. But a state’s temporary residents can be covered by their home states if they can find a provider willing to accept the home state’s payments.

The federal government pays a higher proportion of Medicaid costs in lower-income states such as Louisiana and Mississippi. The 2005 Federal Medical Assistance Percentage (FMAP) ranged from 50 percent to 77 percent around the country. In Louisiana, the federal share was 71 percent; in Mississippi, 77 percent. Despite the relative generosity of the federal Medicaid contribution, poor states must still juggle their low revenue capacity, high poverty, and high levels of uninsurance among both the unemployed and workers lacking health coverage, to meet their contribution and cover low-income families. Even with the federal funding, Medicaid cost a total of $4.45 billion in Louisiana in FY 2003, of which $789 million was contributed from the state’s general fund. This constitutes about 12 percent of the state’s general fund expenditures (Kaiser Family Foundation 2005a; National Association of State Budget Officers 2005).

Medicaid has no provisions for an automatic government response to sudden changes in a state’s financial situation. However, the federal matching formula is revised annually, based on changes in per capita income. In addition, the federal government has responded to extreme state needs in the past by writing legislation that temporarily increases the match. For example, the 2003 Jobs and Growth Tax Relief and Reconciliation Act increased FMAP rates for 18 months to help states offset revenue reductions caused by the recession.

States often have chosen to not serve low-income parents whose incomes are above certain eligibility thresholds; federal law blocks states from serving adults without children unless the states have a waiver that allows this. To serve uninsured people who fall above state income thresholds, Louisiana has typically relied on disproportionate share hospital payments to finance hospitals caring for uninsured patients.
Temporary Assistance for Needy Families

States have always set widely differing cash benefit levels and, to some extent eligibility rules. Federal welfare reform in 1996 significantly widened the degree of state variation in eligibility and other policies, and though overall the range of state benefit levels has compressed somewhat, they have also by and large declined in real terms.14 Again, the Gulf states’ TANF eligibility policies and cash benefits ranked low nationwide. For 2004, Louisiana’s maximum monthly benefit for a family of three, at $240 per month, was ranked 7th from the bottom; Mississippi’s maximum benefit, $170, ranked last.

TANF funding is allocated to the states in the form of federal block grants. The federal allocation to each state is based largely on its federal entitlement funding under Aid to Families with Dependent Children (AFDC), which required an approximately 20 to 50 percent state match with lower match requirements for poorer states. Under TANF, some additional adjustment for high-growth and high-poverty states is now made in the form of supplemental grants (both Louisiana and Mississippi have received these). TANF also requires maintenance of effort (MOE) spending by all states at a rate of 75 to 80 percent of their mid-1990s AFDC-related spending. Since Louisiana, Mississippi, and the other Gulf states typically provide among the lowest benefits in the nation, current block grants reflect the states’ historically low benefit levels. In FY 2003, Louisiana received a block grant of $181 million, and Mississippi received $96 million. Both states were required to provide 75 percent in MOE spending (Greenberg and Rahmanou 2005).

As a rule, if demand on TANF programs increases rapidly, states have limited ability to expand coverage. The block grant allotments are essentially frozen in time, unless changed legislatively.15 The program has provisions intended to accommodate changes in state resources or service demands through a contingency fund and a loan fund. In the past, however, the requirements for gaining access to these funds have been difficult for states to meet. Prior to Hurricane Katrina, the contingency fund was used rarely and the loan fund was never used.

Many poor families do not receive TANF benefits. Federal rules stipulate that funds only be used to assist families with children or pregnant women. If states provide cash assistance to families or individuals beyond this, they do so without federal TANF aid. Although a few states maintain a state entitlement to assistance for those eligible, none of the Gulf states have. Prior to Katrina, about 85 percent of poor Louisiana families and 82 percent of poor Mississippi families did not receive TANF cash benefits.16

Challenges Katrina Posed to Normal Program Structures and Operations

In addition to intensifying existing challenges for the funding and administration of these programs, Hurricane Katrina created major new hurdles to serving the low-income people most severely affected by the hurricane and its aftermath. The storm and evacuation swelled the ranks of applicants for many programs and challenged state residency rules by displacing so many people so quickly. The urgency and magnitude of this large-scale migration across state and local borders may be unparalleled in the United States in the past century. In particular, Katrina

- increased the need for assistance;
- moved this need across jurisdictional lines;
- caused sudden and severe damage to state fiscal capacity, particularly in Louisiana; and
- created an unusually long time frame for an emergency, with a high degree of uncertainty for both individuals and states and localities.

Housing Assistance

The Louisiana Recovery Authority estimated that 275,000 homes were destroyed and 650,000 people displaced by Hurricane Katrina, adding to the already-high demand for limited housing assistance. The largest number of Katrina evacuees moved from storm-affected areas to other locations within Louisiana, while Texas received the second largest number of evacuees. Both the Atlanta and Chicago areas also received a large number. Overall, the Census Bureau’s Current Population Survey estimates that, as of January 2006, about 1.2 million people age 16 and over evacuated as a result of Katrina. Over half had not yet returned to their homes six months later (Bureau of Labor Statistics 2006a).

Unemployment Insurance

Hurricane Katrina destroyed about 18,750 businesses, according to the Louisiana Recovery Authority, pushing
over 500,000 people to file new claims for unemployment insurance (Holzer and Lerman 2006). The UI system generally requires the state in which the applicant worked to pay unemployment benefits for claimants who have moved. This is typically handled by an interstate claims process, a standard feature of UI program administration. The scale of movement necessitated by Hurricane Katrina appears to be much greater, however, than has occurred within the UI system in the past. Several states have assisted Louisiana and Mississippi with their administrative responsibilities, with Texas taking a lead role in the interstate claims administration. It is also unclear if the home states—in particular, Louisiana—have the financial capacity to meet their requirements under the system.

Medicaid

The hurricane, flooding, and evacuation triggered a range of new physical and mental health care needs. In addition, they exacerbated existing medical problems as patients with chronic conditions lost regular access to their maintenance medications, medical supplies, and providers (Schneider and Rousseau 2005). Residents lost employer-based health coverage when their jobs disappeared. Many uninsured or underinsured people who received medical assistance through Louisiana’s system of charity hospitals have been unable to continue care; the storm closed 10 hospitals, eliminating 2,600 hospital beds. In addition, Katrina damaged about 100 community health centers, further diminishing the state’s ability to care for low-income people (Louisiana Recovery Authority 2005, Schneider and Rousseau 2005).

Without a Medicaid policy response, evacuees from out of state would have had to locate providers willing to serve them through their home state’s Medicaid program, or host states would have borne the financial burden of providing services to thousands of new residents.

Temporary Assistance for Needy Families

With the widespread loss of jobs and housing, demand for cash assistance and services through TANF would be expected to increase both among evacuees in host states and for those who remained in badly affected areas, especially over the long run when aid from FEMA, unemployment compensation, and other sources ends. A state that serves a significant number of new TANF recipients would have to determine how to fund this demand, typically with few new resources, since each state’s TANF block grant allocation is largely fixed.

Katrina Slashed State Fiscal Capacity

The fiscal capacity of the Gulf states was already near or at the bottom of the national range prior to Hurricane Katrina, due to both low revenue-raising ability and higher-than-average expenditure needs (based on the states’ underlying economic and demographic characteristics). The expectation that the hard-hit states contribute significant amounts of their own revenues for these shared federal-state programs only exacerbates the problem. While overall capacity estimates are not available following Katrina, the federal Bureau of Economic Analysis (BEA) estimates that personal income in Louisiana in 2005 fell by 9 percent from 2004 levels. In contrast, personal income during that time grew by 4 percent in Mississippi and 6 percent in Alabama, probably because fewer areas in these states were affected. Overall personal income grew by 5.6 percent for the country as a whole, while Louisiana was the only state that experienced a decline in aggregate personal income or per capita personal income.18

In 2002, Louisiana ranked 44 in revenue capacity; preliminary estimates in Yesim, Hoo, and Nagowski (2006) found that Louisiana would have been able to raise $3,850 per capita had the average tax system been in place (the national average was calculated as $4,661). Mississippi ranked last and would have been able to raise $3,354 per capita. Given their relatively low revenue-raising ability, Louisiana and Mississippi exerted slightly higher effort than might be expected, actually raising $4,398 and $3,768 per capita, respectively. However, their effort was dwarfed by their expenditure needs even before Katrina, calculated at $7,221 and $7,352 per capita respectively.

In the aftermath of Katrina, at the same time Louisiana’s revenue base was severely damaged, the state faced major new demands for rebuilding its infrastructure. FEMA estimates that the costs of Katrina’s (and Rita’s) effects in Louisiana are over $37 billion, or $8,244 per capita. In per capita terms, this is over three times the amount of money raised by state and local governments in Louisiana in 2002.

In contrast, the costs of other disasters have been smaller in both absolute and per capita terms. The 2001 World Trade Center attack was estimated to have caused over $8 billion in damages (in 2005 dollars), and because the disaster affected a smaller area in a state with a larger population, this translated into a much lower cost of about...
$428 per capita for the state. Similarly, the 1994 Northridge earthquake in California was estimated to have caused over $9 billion dollars in damages; this translated into a per capita cost of about $300 for the state. And both New York and California had greater fiscal capacity to begin with. The 2002 fiscal capacity data also indicated that New York exerted additional tax effort after September 11, exceeding its estimated fiscal capacity in the aftermath. Other disasters have also affected a much smaller geographic portion of their states, as reflected in the smaller per capita statewide costs (Louisiana Recovery Authority 2005). These states, therefore, had a greater undamaged economic area to draw from in responding to the disasters.

Program Responses to Katrina

Congress and the Bush administration have enacted a number of provisions to ease the burdens for hurricane victims, for the jurisdictions from which they fled, and for those areas to which they evacuated. Still, even with these responses, a high level of uncertainty remains about what will happen along the Gulf Coast, what program resources will be available and for how long, and what families will choose to do. The federal responses so far have been partial when compared with the scale of dislocation and upheaval among evacuees and others directly affected by Katrina. There has also been a lack of clarity about many federal policies and how they should be implemented, creating an additional burden for states, localities, and individuals. It is also unclear how much the emergency will resolve itself over time, with evacuees returning home or choosing to relocate permanently.

The program responses described in this paper have attempted to address some of the challenges posed by Hurricane Katrina. As outlined in table 4 and highlighted in this section, these efforts to meet the vast need have a number of strengths and limitations. Some program responses appear to recognize the Gulf states’ diminished fiscal capacity while others do not. The responses so far generally underscore the emergency nature of this crisis, providing limited and short-term assistance rather than a coordinated long-term response.

Housing Assistance

FEMA’s existing Individuals and Households Program (IHP) and HUD’s new Katrina Disaster Housing Assistance Program (KDHAP), which was implemented through executive action, began serving evacuees shortly after the hurricane. Both programs provide assistance for up to 18 months. The Katrina disaster program was implemented in late September, and serves only displaced people who were already tenants of HUD-assisted housing. HUD also announced in late January 2006 the distribution of $11.5 billion through the Community Development Block Grant program for disaster funding for long-term rebuilding in five states (Louisiana, Mississippi, Alabama, Florida, and Texas) affected by Hurricanes Katrina, Rita, and Wilma. State officials will determine how to spend these funds (U.S. Department of Housing and Urban Development 2006).

Despite continued criticism that FEMA’s response to the massive loss of housing has been slow and disorganized, the agency’s IHP is ultimately expected to serve about 400,000 evacuees. However, IHP assistance is limited by statute to either 18 months or a cap of $26,200. KDHAP is expected to serve about 50,000 prior HUD residents; these vouchers are also limited to 18 months. While FEMA has begun implementing a program to provide over a hundred thousand trailers, waiting lists are extremely long and suitable locations appear to be scarce. In addition, with arrival of the 2006 hurricane season, the safety of these trailers in storm conditions is a concern (Lipton 2006).

FEMA and HUD responded by providing aid to families where they relocated, though with some constraints. For instance, people who hold Katrina disaster vouchers must remain in their new jurisdiction. FEMA’s requirement that the agency inspect damaged or destroyed homes to provide assistance outside of New Orleans or the three designated Mississippi disaster counties also appears to place a burden on people who have evacuated long distances from their home jurisdictions. In addition, the demand created by Katrina is competing with existing unmet housing need—with Katrina evacuees bumping prior applicants down waiting lists—and raising questions about the equity of who gets assistance and who doesn’t. Finally, the trailer program was intended largely to assist people in their original communities.

So far, FEMA has responded to evacuees’ need for shelter in part with vouchers for housing on the private market. In addition, under FEMA’s related IHP Transitional Rental Assistance program, Katrina evacuees can receive benefits without prior home inspections. Recipients get a three-month benefit of $2,358, which is renewable for up to 18 months and cannot exceed $26,200 altogether. These payments cannot be used for security deposits or utilities,
### Funding

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<td>Fully federal. Two short-term programs were established: shelter through FEMA IHP, which can provide cash payments, lodging reimbursement, or direct shelter; and vouchers through HUD KDHAP, for displaced tenants of HUD-assisted housing.</td>
<td>PL 109-91 allocated $400 million to LA, $85 million to MS, and $15 million to AL. LA began taxing employers in 2006 as if the trust fund balance exceeded $900 million, which prevents employer taxes from increasing.</td>
<td>Waivers and MOUs allow host states to serve evacuees for 5 months with assurance that the federal government will compensate them for the state match requirement. The FY 2006 budget reconciliation legislation enacted in February 2006 included up to $2 billion to pay the state share for Medicaid services provided by waiver (host) states through June 30, 2006; to fund uncompensated care for the uninsured through January 31, 2006; and to fund the home states’ responsibilities under MOUs.</td>
<td>PL 109-68 (TANF Emergency Response and Recovery Act of 2005) did not authorize an increase in the amount of fixed block grants, but allows host states to be fully reimbursed by a $1.9 billion federal contingency fund to provide non-recurring cash aid to evacuees, and exempts evacuees from work requirements and time limits if not receiving other state cash aid. The law also waives the usual 100% MOE requirement for access to the contingency fund; makes a federal loan fund allocation of 20% of the state block grant available to LA ($32.8 million), MS ($17.4 million), and AL ($18.7 million); waives interest or penalties for nonpayment; makes Quarter 1 FY 2006 and prior years’ unspent TANF funds more easily available (and these may be used for purposes other than cash aid); and waives certain requirements and penalties if an inability to meet them is due to the hurricane, though LA, MS, and AL must maintain prior state spending levels.</td>
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### Eligibility

| IHP: All who lost housing to Katrina and declined trailers; people from New Orleans or 3 disaster counties in MS. FEMA must inspect damaged dwelling in home jurisdiction for others to be eligible (expected to serve about 400,000; significant waiting lists remain). | Regular program eligibility is unchanged. Those who do not qualify for UI, generally the self-employed and persons with very low/irregular earnings, qualify for DUA. DUA typically lasts 26 weeks but is considered for extension at the federal level. On March 6, 2006, DUA was extended 13 weeks. | Parents: 100% FPL Pregnant women: 185% FPL Children (all): 200% FPL Alternatively, a host state with a waiver may choose to utilize their own income eligibility rules, but none have done so. For aid in host states using contingency funds: evacuees not already receiving cash aid from any state, between September 2005 and October 2006 (end of FY 2006). Recipients are exempt from work requirements and time limits for this time. | For assistance in 3 home states using loan funds: these recipients are also exempt from work requirements and time limits. |

| KDHAP: Tenants already living in HUD-assisted housing (expected to serve about 50,000). | | | |
**Benefits**

IHP: Short-term shelter (trailer, hotel room, or cash), or vouchers. Initial payment of $786/month for 3 months (national fair-market rent for a 2 bedroom apartment). Recipients may request more money if they can prove need. Maximum of 18 months or $26,200 per household.

KDHAP: Vouchers for rental assistance in a new location (set at the lower of applicable local fair-market rent or actual unit rent); security deposit and utilities deposit up to $325; relocation counseling. Vouchers for a maximum of 18 months.

Regular UI is paid according to usual formulas. In LA and MS, DUA was set at half the statewide weekly benefit for those ineligible for UI.

MS raised all UI claimants’ benefit levels to the statewide maximum of $210 per week. The maximum payment was $5,460 for all who initiated new claims between September 11 and December 3, 2005. (The one-week waiting period was waived during this period.) LA surpassed the unemployment level required by federal law as of October 30, 2005; benefits were extended for 13 weeks for those whose regular UI was exhausted.

Benefit levels for recipients in most states are at least the minimum benefit package offered as part of the host state’s Medicaid or SCHIP program. The exceptions are for children—due to differences between states’ SCHIP programs, a child who is enrolled in Medicaid in his/her home state may qualify only for SCHIP in a host state and may therefore have a more limited benefits package.

Funded by the federal contingency fund.

Nonrecurring cash aid only.

No federal specifications regarding aid from the loan fund.

**Provisions for moving among states**

IHP: Assistance can be used in any state.

KDHAP: Vouchers are intended for tenants that cross jurisdiction boundaries, but once granted, the tenant must stay in the administering public housing authority.

The interstate claims process addresses these claimants. Other states administer payments, but LA and MS are liable for the costs of regular UI benefits.

Medicaid coverage can be used in any state in which a provider is willing to accept the patient.

Contingency fund to assist host states, loan fund to assist 3 most affected home states.

Sources: Kaiser Family Foundation (2005a, 2005b); Louisiana WORKS (undated); National Employment Law Project (2005); Social Security Administration (2005); U.S. Department of Labor (2004); Vroman (2005).

FEMA = Federal Emergency Management Agency

IHP = Individuals and Households Program

HUD = Department of Housing and Urban Development

KDHAP = Katrina Disaster Housing Assistance Program

UI = Unemployment Insurance

MOU = Memorandum of Understanding

TANF = Temporary Assistance for Needy Families

MOE = Maintenance of Effort

DUA = Disaster Unemployment Assistance

FPL = Federal Poverty Level

SCHIP = State Children’s Health Insurance Program
but recipients can apply for additional funds for other types of expenses. Any assistance received under this program, however, counts against the $26,200 cap.

However, it may be years before families are resettled, and by mid-February, families in FEMA-funded hotel rooms were facing uncertain prospects as the agency began stopping payments and relocating them. HUD’s 18-month Katrina disaster vouchers offer somewhat greater stability to the limited number of Katrina victims eligible, though they lack the portability of prior Section 8 vouchers. In contrast, after the Northridge earthquake, when many low-income people lost housing for an extended time, Congress allowed HUD to successfully administer emergency vouchers for 18 months, at the cost of $3.5 billion for 350,000 families. About 10,000 of these vouchers were made permanent.

The Katrina program responses have also been marked by cumbersome implementation requirements, potential administrative duplication of existing assistance programs, and inefficiencies, due to their short-term nature. FEMA’s decision to respond with an array of temporary housing options, rather than build on existing channels such as the HUD Section 8 voucher system, appears to have created a less efficient or effective means of serving low-income families’ needs (Katz et al. 2005).

Unemployment Insurance

Public Law 109-91, signed on October 20, 2005, transferred a total of $500 million from the federal unemployment account to the three most affected states: $400 million to Louisiana, $85 million to Mississippi, and $15 million to Alabama. This allows the states either to reduce unemployment insurance tax rates or to postpone increases in those tax rates (Congressional Budget Office 2005b). PL 109-91 also provided additional flexibility to states hosting evacuees, allowing them to use UI funds to assist the affected home states with their program administration responsibilities. After Louisiana passed the set level of unemployment required by law, the federal-state extended benefit program went into effect October 30; those whose regular UI benefits were exhausted could apply for an additional 13 weeks of benefits (Louisiana WORKS, undated). In addition, DUA was implemented for a 26-week period with the presidential declaration of disaster, and on March 6, 2006, President George W. Bush signed a 13-week DUA extension.

It is unclear whether the new federal funds transferred to UI trust funds for the three most affected states have been sufficient to meet demand. To respond to the widespread need, Mississippi raised all UI claimants’ benefit levels to the statewide maximum ($210 per week, or a total of $5,460) and waived the usual one-week waiting period for all who initiated new claims between September 11 and December 3, 2005. As of January 2006, about 140,000 unemployed workers from Louisiana, Mississippi, and Alabama were receiving regular UI benefits (about 93,000) and DUA benefits (about 47,000) due to Hurricane Katrina. The majority of workers receiving benefits, about 99,000, were from Louisiana (National Employment Law Project 2006a).

While Louisiana and Mississippi have somewhat easier-to-satisfy monetary qualifying requirements compared with all states, their very low benefits and replacement rates indicate that evacuees relocating in areas with a higher cost of living are at a significant financial disadvantage. About half of the Louisiana workers receiving regular UI and DUA benefits had moved out of state, according to the National Employment Law Project (2006a).

The state where the worker was employed is required by the regular UI system to fund evacuees’ benefits; this potentially imposes considerable costs on Louisiana. This requirement is especially difficult following Katrina, since the state’s ability to fund these costs is diminished, even with the additional federal funds. DUA, in contrast, is fully federally funded under FEMA.

Both regular UI and DUA provided some assistance for 26 weeks after the hurricane. In addition, Louisiana implemented extended benefits starting in late October 2005, and DUA’s 13-week extension began in March 2006. But with the apparent destruction of an estimated 18,750 businesses in Louisiana alone, and Louisiana’s relatively high unemployment rate even prior to Katrina (5.8 percent), the need is likely to extend well past this time period. While rebuilding has created some new jobs and is likely to continue to do so, many of these jobs appear to require different skills than the displaced possess, and may not even be accessible to them.

Medicaid

In mid-September 2005, the federal Centers for Medicare and Medicaid Services (CMS) initiated Medicaid waivers that allowed host states, among other things, to serve evacuees for five months with the assurance that they would not be responsible for the state match requirement. The effect of the waivers, related MOUs between the federal government and home states, and subsequent FY 2006 federal budget allocations was that the federal government would compensate host states serving evacuees for the usual state financial match requirement. The host states
could claim reimbursement from CMS for these services until the end of June 2006. The MOUs implied a potential financial obligation for the Gulf states, until the federal budget legislation was passed (Kaiser Commission on Medicaid and the Uninsured 2006a).

The FY 2006 budget reconciliation legislation, enacted in early February 2006, basically formalized the terms of the waivers and superceded aspects of the MOUs, providing federal money to fund home states’ responsibility for the host state’s match. The budget bill included up to an additional $2 billion for the federal government to pay the host and home states’ match through June 30, 2006. The limit on the funds makes this commitment more akin to a block grant than Medicaid’s usual open-ended match. Whether the federal funding will be sufficient to cover the costs incurred under the waivers, or for the home states’ state match responsibilities, is unclear (Kaiser Commission on Medicaid and the Uninsured 2006b).

Some evacuees may receive a more—or less—generous benefit package than before Hurricane Katrina, because the Medicaid waivers stipulated that it must be at least as generous as the host state’s Medicaid or SCHIP programs. Home state services not covered by the host state may be paid out of an uncompensated care pool, if the state has one in their waiver. These waivers allowed host states to expand their eligibility consistent with federal waiver guidelines, which in some cases were broader than existing home state policies. To date, all host states have done this. Even with the waivers, though, people with serious health conditions could remain ineligible for Medicaid because they do not qualify based on the eligibility guidelines for evacuees. Those not qualifying for services include all adults without children (unless states have a federal waiver specifically to allow this), some parents, and certain groups of immigrants.

Program changes enacted after Katrina provided some incentives for states to respond rapidly to the sudden and large movement of people. Because the Medicaid waivers specified that the federal government would compensate the host states for 100 percent of the cost of serving evacuees, they eliminated the possible financial incentive for host states to avoid or delay serving people. This could potentially have had very negative effects if treatment had been delayed for physical or mental health conditions related to the flood and evacuation.

Home states faced a far greater level of uncertainty following Katrina, however. For over five months, the executed MOUs between the federal government and the states implied that Louisiana and the other states would eventually be financially responsible for the state match for services provided to their evacuees, though they were likely ill-equipped to do so. Congress’s passage in February of the FY 2006 budget bill, with its $2 billion in additional Medicaid funding, appears to have freed the home states of this obligation, assuming that the funding is sufficient over the long term. The budget bill left a number of fiscal problems unaddressed, however. While the states are protected for Medicaid for a period, there is still uncertainty about the size of the uncompensated care pools available to cover uninsured people not eligible for Medicaid and Medicaid services covered in the home state but not in the host state.

Although the federal legislation finally provided greater certainty in February, the home states had to grapple for months with a lack of clarity about their fiscal responsibilities. In addition, the period of federally funded coverage is still fairly limited—five months. This stands in contrast to the 7 to 11 months of assistance provided under the New York State Disaster Relief Medicaid initiative after September 11 (Robert Wood Johnson Foundation 2003). Both home and host states must deal with evacuees whose access to Medicaid services under the Katrina waivers is running out. Finally, even the increase in federal funding may not be sufficient to address the range of new and exacerbated physical and mental health needs resulting from Katrina, which could potentially take several years.

Temporary Assistance for Needy Families

The TANF Emergency Response and Recovery Act of 2005, enacted September 21, made already-authorized funds available to affected jurisdictions. It made the existing TANF contingency fund available to host states—including Louisiana, Mississippi, and Alabama, for evacuees who remained within their borders—and provided money from the TANF loan fund to these three hardest-hit states without requiring loan repayment or interest. These states are also exempt from most other TANF penalties until the end of FY 2006 if their failure to meet federal requirements is due to the hurricane’s effects.

Given that each state’s TANF block grant allocation is largely fixed, a host state that served a significant number of new residents would have to determine how to fund this demand with limited new resources. The TANF recovery legislation provided some additional money through the contingency and loan funds until the end of FY 2006. The contingency fund totals $1.9 billion; the loan fund provided $32.8 million to Louisiana, $17.4 million to Mississippi, and $18.7 million to Alabama. However, the contingency fund allocations to host states are based on a set percentage of their block grants and not on the num-
The TANF recovery legislation also attempted to address some of the financial and other risks for host states serving evacuees. It made the already-existing TANF contingency fund far more accessible to host states than in the past, and made available some additional federal resources (for example, moving up the disbursement of first quarter FY 2006 funds). These funds, however, may only be used to provide short-term nonrecurring cash assistance to families with children who are not otherwise receiving cash aid from any state. Work requirements and time limits are also waived for these families until the end of FY 2006. The law technically authorizes no new money, however. While the changes to the loan fund exempt Louisiana, Mississippi, and Alabama from interest payments or non-payment penalties, the TANF recovery legislation does require that they maintain prior levels of state spending to gain access. The contingency fund waives the customary 100 percent MOE requirement that states match federal funds to gain access to the contingency fund (one of the reasons the fund was so rarely used). The scale of the states’ short-term and long-term need to provide TANF cash assistance to Katrina victims is still unclear, however, leaving open the possibility that the fixed block grant structure may pose problems in the future, especially with Louisiana’s deteriorated fiscal condition.

Conclusions
A number of efforts have been made to address the crisis that Katrina created. HUD’s Katrina disaster housing voucher program was implemented September 26, 2005. FEMA’s emergency shelter efforts began shortly after the storm and the Individuals and Households Program was in operation by the end of September. These housing initiatives were altered intermittently between September 2005 and February 2006, when FEMA’s payment for hotel rooms came to an end. Congress approved emergency allocations to the UI trust funds of the three directly affected states on October 20, and a 13-week extension to regular UI benefits triggered by the state’s high unemployment rate began in Louisiana at the end of October. The 13-week extension to Disaster Unemployment Assistance, first introduced in September, was signed by President Bush on March 6. CMS announced the availability of its Medicaid waivers on September 16, and by mid-December, 17 had been approved. Federal budget legislation signed in early February 2006 provided additional funds for home and host states’ Medicaid costs. TANF relief and recovery legislation was introduced on September 7 and signed into law on September 21. But many of the problems Katrina has created remain with the arrival of the 2006 hurricane season, and critical steps should be taken now to ensure that future program responses to large-scale disasters are significantly faster, more comprehensive, and more effective. This paper offers one such proposal.

The shared federal-state-local government responsibility for the programs described in this paper can make them complex even under normal circumstances. The massive and sudden cross-jurisdictional migration of people in need of services and the sheer increase in the demand for assistance, the sharp loss of state fiscal capacity, and the considerable length of time likely needed to resolve the enormous upheaval Katrina caused all further strain the usual structures of these programs and challenge their ability to respond effectively to the disaster. While the responses to Katrina by these four critical programs were certainly important and welcome, they met only part of the need, were in many cases halting and unclear, and contributed to significant uncertainty for individuals and families, and the jurisdictions trying to help them.

HUD’s Katrina housing voucher program was implemented shortly after the hurricane, but its vouchers were available only to prior recipients of HUD housing assistance and are not portable to new jurisdictions. FEMA’s emergency housing policies have been fragmented and confusing for individuals, families, and jurisdictions alike. Regular UI provides unemployed workers who qualify the very modest benefits of the home states in which they worked, even when they have moved to far more costly areas. Those who lost jobs as a direct result of Katrina and did not qualify for regular UI could apply for DUA, but its payments were even lower—about half those of the regular program. Both programs provided assistance for a limited period, given the scale of job loss Katrina created. While legislation passed within a couple months to add federal funds to the hardest-hit states’ UI trust funds, it was unclear if this would be enough to offset new demand for assistance. The extension to DUA was enacted in early March, days after benefits had expired.

In the case of Medicaid, the federal government quickly provided waivers to clarify what the host states were expected to do for Gulf state evacuees over the near term.
But these waivers offered host states federal funding for their state match for only five months, and many evacuees were not eligible for any Medicaid assistance. As the five months’ coverage comes to an end, the host states face the question of how to provide services to evacuees over the long term. In addition, the home states’ fiscal responsibility for the state share of Medicaid costs was not resolved until the federal budget was passed in February. Moreover, the federal budget allocations possibly will not be sufficient to cover all of the costs incurred under the waivers, at which point the Gulf states could face costs if the MOUs are enforced.

TANF recovery legislation was also limited—for example, states can only use contingency funds for short-term nonrecurring aid to families with children who are not otherwise receiving state cash assistance. But the legislation was enacted relatively quickly and addressed many of the major problems and uncertainties, including the financial burden on the home states and host states’ potential financial incentives to avoid the costs of serving evacuees. In this way, it stood in contrast to the efforts in the other programs, where administrative accommodations left significant insecurity for months after Katrina.

Thus, the development of these disaster responses lacked a clear and timely discussion of how to help evacuees stabilize and resume their lives over the long run, and of the incentives, policy choices, and constraints facing host and home states. To provide more effective assistance to both people and jurisdictions, and to avoid this extended paralysis in future major disasters, Congress should take responsibility for debating and enacting emergency response provisions in each major federal-state-local program that assists needy people. This should include but not necessarily be limited to housing assistance, unemployment compensation, Medicaid, and TANF. The debate should include discussions of the appropriate level and type of response due to people deprived of their employment, housing, health care, assets, or other resources as a result of a major disaster.

These emergency response provisions should explicitly state

- how assistance would be triggered in the event of a disaster;
- what assistance individuals and families should receive;
- how funding and service responsibilities would be allocated among states, localities, and the federal government, given the possibility of major population movements and the fiscal devastation of state and local governments; and
- how long program support for individuals and families would be continued, appropriate to the scale of the disaster.

These disaster response mechanisms should be fully federally funded, thus avoiding potential incentives among fiscally responsible host states or localities to avoid serving people in need and lessening the financial burden on home states or localities that may suffer the dilemma of diminished fiscal capacity combined with increased need. Program administration, however, may best be shared among the national and state, and in some cases, local governments.

Congress must consider a number of other important questions as well.

- What criteria would trigger the determination that a disaster is of sufficient scale and impact to warrant use of these provisions?
- How exactly would the mechanisms be administered?
- What funding would enable them to operate effectively?
- How can Congress guide the determination of affected regions, states, and localities, and the allocation of funds among them?
- What executive branch and Congressional actions would be required at the time of the disaster to activate the emergency response provisions and to appropriate the funds?

Congress should also consider whether the eligibility standards used and the services and benefits offered should be substantively more expensive in the aftermath of a disaster than during “normal” times. The Katrina experience suggests that these policy choices should recognize in some way the severity and long-term nature of the hardship and long-term economic disruption caused by a major disaster.

In considering how best to approach the design of effective emergency response mechanisms, Congress has a number of useful sources of evidence from which to draw. TANF’s relative responsiveness in addressing the needs of both host and home states for an extended period (a year or more) is worth exploring, as is the comparative lack of responsiveness within other programs. One reason for TANF’s response appears to be that administrative frameworks—the contingency and loan funds—already existed within the program. Although they were limited and had to be modified for Hurricane Katrina, they provided administrative vehicles for a comparatively rapid response. Other lessons learned so far from the troubled response to Katrina, and the many studies currently reviewing that response and opportunities for improvement, can also offer insights.
In addition, lawmakers can learn from past disasters, including the Northridge earthquake and the aftermath of the World Trade Center attack. For example, to assist in housing the displaced, Congress could authorize a program modeled on the response to the Northridge earthquake that would provide wide-scale emergency vouchers for up to 18 months and assist in locating appropriate affordable housing. The New York State Disaster Relief Medicaid program enacted after September 11 is another possible model of a more coherent and enduring emergency response. Almost 350,000 people were provided with a simplified and expedited enrollment process and Medicaid assistance for 7 to 11 months after the terrorist attack, significantly longer than under the Katrina waivers.

The extensive difficulty that Katrina created also raises questions about whether the current complex mix of federal, state, and local program responsibilities is the most effective way to serve families and individuals under normal times. Some of the tensions that Katrina intensified—such as existence of widely different state UI benefits and eligibility policies at the same time the workforce is highly mobile—exist to a lesser extent at all times. While this is not this paper’s focus, the period following Katrina offers policymakers and others the opportunity to address these critical questions, seeking more workable and equitable ways to fund, set standards, and administer programs serving low-income people at all times.

The issues this paper outlines are unlikely to be resolved simply. But the widely recognized inadequacy of the response to Katrina—and its particularly harsh impact on low-income families and individuals—creates a window of opportunity for a basic “good governance” response. Without a fundamental remedy that can allow much speedier and more effective responses, possible future catastrophes such as an earthquake on the West Coast or a large-scale terrorist attack on another major city could well result in a repeat of the fragmented and partial response seen after Katrina.

Notes
1. As of January 2006, the Census Bureau’s Current Population Survey had identified about 1.2 million Hurricane Katrina evacuees age 16 and older.
2. Programs for elderly and disabled people—such as Social Security, Medicare, and Supplemental Security Income—are generally fully funded and are not included here. In addition, while the paper focuses on a selection of essential programs with a mix of intergovernmental arrangements, it does not include several other important programs for low-income people, such as Food Stamps and services funded through the Social Services Block Grant.
3. The paper examines federal and state policies as of April 2006 but does not attempt to explore fully the implementation of these policies.
4. For Medicaid, patients may receive services from an out-of-state provider if they can find one that accepts payments from their home state.
5. Revenue capacity measures the ability of a jurisdiction to raise revenues, given its underlying demographic and economic characteristics (Yestim, Hoo, and Nagowski 2006).
6. This is based again on the average amount spent nationally given a standard set of demographic characteristics.
7. An alternative base period entails allowing applicants who are initially deemed ineligible for UI benefits to have a second monetary eligibility determination under an alternative period; in the alternative period, more recent earnings can be taken into consideration than would otherwise be the case. For job resignations, most states will compensate someone who quits only if it is for a work-related cause. Quits for personal reasons, such as to care for a sick relative, are generally not compensated (Vroman 2005).
8. The tax rate is based in part on employers’ unemployment experience and therefore may be higher for those with higher rates of layoff and other job separation.
9. Recipiency is measured as the percentage ratio of weekly beneficiaries to weekly unemployment.
10. In general, unemployed people may not receive benefits because of insufficient previous earnings, nonqualified reasons for job loss, and the failure to maintain eligibility while receiving benefits (Vroman 2005).
11. Parents who would have qualified for a state’s Aid to Families with Dependent Children program in 1996 when the program was abolished continue to be covered by Medicaid. These generally are parents with incomes below 50 percent of the federal poverty level.
12. Due to the large share of low-income people in the Gulf states, the percentage of their population covered by Medicaid is actually above the national average.
13. The difference in eligibility levels for working and nonworking parents results from states’ income disregards for working parents.
14. It is worth noting that Alabama, Louisiana, and Mississippi are among only eight states that increased benefit levels in real terms between 1996 and 2004, but their benefits nonetheless remain very low (Congressional Research Service 2005).
15. The TANF reauthorization contained in the FY 2006 budget bill passed by Congress in February 2006 did not change the prior basic allotments.
16. These numbers are derived from Urban Institute calculations, dividing the number of families receiving TANF cash assistance in each state in FY 2002 (Administration for Children and Families 2004) by the number of families with children under 18 under the FPL in each state (Bureau of the Census 2003).
17. Estimating the need for TANF is complex because eligibility requirements vary widely among states and there is no entitlement to TANF assistance. TANF caseloads declined in Louisiana in the months following Katrina and remained roughly steady in Texas, the other state that received the greatest number of evacuees. The receipt of assistance from FEMA and other sources would be expected to affect a family’s TANF eligibility, at least for the immediate term.
18. According to estimates from the BEA, per capita personal income declined by over 9 percent in Louisiana while growing by 4.6 percent in the country as a whole. However, these numbers reflect state populations as of July of each year. If we use end-of-year population figures for Louisiana (reflecting the hundreds of thousands who left
the state), per capita personal income still declined by about 3 percent from 2004 levels.

19. While Rita’s costs were much lower, the emergency conditions already in place following Katrina make differentiating between costs attributable to each hurricane difficult.

20. The UI system assumes that the home state will pay for benefits through its trust fund for regular UI benefits, and requires that the recipient be served consistent with the home state’s policies.

21. In addition, initially the governor of Louisiana issued an executive order waiving the usual requirement that claimants report to the UI office every week as a condition of benefit receipt. This requirement was reinstated at the end of November, but according to an interview with staff at the National Employment Law Project it was difficult to notify claimants, many of whom had moved several times, and many fell off the rolls. It was also difficult for some claimants to reach the overloaded UI system by telephone.

22. In October and November, unemployment in Louisiana reached over 12 percent, according to the Bureau of Labor Statistics (2006b).

23. CMS developed a waiver template and approved waivers on an expedited basis. Between September and December, CMS granted 17 host states waivers, and executed memoranda of understanding with home states.

24. Federal guidance on the TANF legislation also allowed these loan funds to be used for victims of Hurricane Rita (Office of Family Assistance 2005).

25. See Congressional Budget Office (2005a) and Social Security Administration (2005).

26. It is also possible, however, that if in the long run the state ends up wealthier, with its poor residents dispersed, block grant funding will be sufficient or even greater than necessary to meet need.

27. Additional proposals have been made, though none appeared to be under serious consideration as of mid-March. For instance, larger-scale short-term and long-term housing voucher programs were proposed to meet the immediate needs of Katrina evacuees more effectively than the approaches taken so far by FEMA and HUD, and to tackle longer-term shortages in affordable housing (see Popkin, Turner, and Burt 2006). The unsuccessful Grassley-Baucus legislation of September (S. 1716) proposed significantly more consistent and comprehensive responses in Medicaid, unemployment compensation, and TANF.

References


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