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MEETING THE BASIC NEEDS OF HURRICANE KATRINA VICTIMS: Recommendations to Federal Policymakers

by Robert Greenstein

The following are preliminary recommendations for legislation to help meet the basic human needs of the families that have been displaced or otherwise harshly affected by Hurricane Katrina. The proposals discussed here relate to mechanisms for providing assistance to individuals and families so they can meet their basic needs, such as food, clothing, and housing. This memo does not include recommendations in other areas — such as infrastructure needs or environmental clean-up.

These proposals have been developed over the past week. In the last couple of days, the Administration has begun to release information about a large program of individual assistance to be delivered through FEMA.

As described so far, the scale of the FEMA initiative seems promising. At the same time, however, details concerning it remain sketchy, and in the last day, questions have been raised about FEMA’s capacity to deliver this assistance in a safe, efficient, and equitable manner. (Press reports suggest that the disbursement of debit cards has been delayed as another delivery mechanism is put in place. In addition, at least one jurisdiction that has taken evacuees has not yet been provided information about how or when hurricane victims there will receive this aid.) We very much hope that FEMA will quickly be able to distribute this aid to victims, some of whom are in strange towns with only a few dollars in their pocket. Even if this happens, however, it is very unclear whether FEMA has any plans in place to provide ongoing assistance beyond the next month or two.

The needs of hundreds of thousands of people will likely endure for a much longer period than that. FEMA has never administered a program of this nature for such a large number of people who are spread over such a large geographic area and who are likely to remain displaced for such a long period of time. Whether FEMA is up to such a task for a period beyond the initial weeks is unclear. For this reason, our proposals are largely structured around amending existing programs and delivering aid through state and local agencies that have an established infrastructure and already provide widespread aid in locations around the country.

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As details emerge about the FEMA approach, some of the recommendations discussed below may need to be modified. We will undertake to make any such modifications in an expeditious fashion.

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Our nation has rarely experienced a disaster of this scale — the government has never had to grapple with so many people forced to leave their homes for such a long period of time, and scattered so far and wide across the country. It will be essential for the federal government to tap into the safety net already in place in every state — to provide housing, health care, basic income, and food — by providing the federal resources and, where necessary, administrative flexibility so that these basic services can be provided to disaster victims no matter where they are temporarily located.

Below is a summary of our recommendations. These recommendations are designed to provide necessary assistance for the months ahead, with authority in some cases for the assistance to last throughout fiscal year 2006 *if* that proves necessary. In other words, these recommendations are designed not just with the next 30 days or so in mind, but for the months beyond that as well. More detailed descriptions follow the summary.

SUMMARY:

1. Housing

- Issue emergency “Section 8” housing vouchers and provide emergency supplemental funding for existing vouchers and related relocation costs. It will take a long time to rebuild the disaster-affected areas, and people cannot live forever in the Astrodome or other emergency shelters. It is critical that Congress provide housing assistance so families that have lost their homes can find a place to live, get their children enrolled in school, and so on.

FEMA does not appear to have the capacity to provide this level of ongoing housing assistance; most of what it has done in the past, on a much smaller scale, is provide temporary homes in trailers or help families pay mortgages or fix damaged roofs. The most efficient way to help families and to supplement FEMA’s efforts is to issue to disaster victims emergency “Section 8” Housing Choice Vouchers, which provide a federal payment to landlords to cover the cost of a modest apartment or house in the private market, and to provide supplemental funding to local housing authorities who issue already-authorized but currently unfunded vouchers to displaced families. (Families would be required to pay 30 percent of their post-Katrina income towards the rent, as under the regular voucher program.) HUD has successfully administered emergency vouchers in the past, most recently after the 1994 Northridge earthquake. To do so, HUD should again be given the temporary authority to waive certain requirements (such as apartment inspections and income verification) to get families settled quickly. Rough estimate of cost: \$3.5 billion to assist approximately 360,000 families.

2. Disaster income assistance

There are two essential components to disaster income assistance — a Disaster Unemployment Assistance (DUA) program, and a separate system of payments to poor people who do not qualify for DUA but still have essential needs to meet.

- *Strengthening the Disaster Unemployment Assistance (DUA) program.* There is currently a DUA program on the books, but it is flawed. It was unable to help the majority of New Yorkers who applied for it after 9/11. We recommend that a strengthened federally-funded DUA program become the primary source of unemployment benefits for workers displaced by Katrina. Workers who lost their jobs due to the hurricane would receive DUA rather than state-funded UI benefits. This is critical given the current strain on Louisiana, Mississippi, and Alabama's financial resources; if state unemployment insurance costs swell, hurricane-hit states could be forced to raise business taxes or cut unemployment benefits, neither of which would help these states' economies during this difficult time. Under this DUA proposal, workers who lost their job due to the hurricane (many of whom also lost their homes) would receive a minimum of \$270/week, which is the national average UI benefit.
- *Providing Disaster Assistance Payments for Poor Families* There are thousands of hurricane victims who will not qualify for DUA, even if these reforms are made to the program, because they were not working just prior to the hurricane. Many are very poor mothers and children. Others may have health problems that limited their ability to work prior to the hurricane. In many cases, they now have nothing to their names and need some basic assistance to get their lives back together and pay for household necessities. Otherwise, Katrina's legacy likely will have been to plunge these families into even deeper and more lasting poverty.

FEMA has announced that it will provide \$2,000 in assistance to families to help with their immediate expenses. This could be an important first step, though it is now unclear how and when families will receive this aid. FEMA typically does not provide *ongoing* assistance, however, and the needs of many (probably most) displaced families will continue far beyond the first month or two.

Federal disaster assistance benefits should be made available to provide ongoing income assistance to individuals and families that need it. This assistance could be designed to meet the goal of bringing families' income — combined with other ongoing cash income they may have (such as earnings or Social Security benefits) and food stamp benefits — up to poverty line. Alternatively, if Congress is unwilling to commit the resources necessary to reach this target, it could provide a more bare-bones benefit that meets some basic needs but leaves families well below the poverty line.

3. Health Care

When New York City faced health care crises after 9/11 similar to what people from the hurricane-affected areas are now experiencing, it turned to Medicaid, the federal-state program of health care for the poor, to provide temporary health care coverage for victims of the tragedy. The one proposal fully developed to date to provide Medicaid coverage to Katrina survivors on a temporary basis was introduced on September 8 as the "Temporary Medicaid Disaster Relief Act of 2005." (The legislation was offered by Senator Blanche Lincoln as an amendment (S. Amdt 1652) to H.R.

2862. A companion proposal has been introduced in the House by Rep. John Dingell as H.R. 3698.) The proposal, which was developed in consultation with several health care experts, is designed to meet the health care needs of Katrina survivors. The proposal would work as follows.

- The proposal would target people who lived in areas directly hit by Katrina and people who lived in Louisiana, Mississippi, or Alabama and lost their jobs as a result of Katrina. These Katrina survivors would be eligible for a new “Temporary Disaster Relief Medicaid” component of the Medicaid program. Katrina survivors would receive Medicaid coverage as though they were Medicaid enrollees in the state in which they are currently living. A single, simple application form and process would be used for Katrina survivors nationwide.
- The federal government would fully finance the costs that states receiving Katrina survivors incur in providing and administering Medicaid coverage to them (since those states will have great difficulty affording the new demands on their health care programs that the influx of evacuees will create). In addition, the federal government would pay 100 percent of Medicaid benefits and administrative costs in Louisiana, Mississippi, and Alabama. The transition from Medicaid to the Medicare low-income drug benefit also would be postponed in these three states, and in states with disproportionate numbers of Katrina survivors, until the Secretary of HHS determines that this transition can be managed without the loss of drug coverage. Penalties for late enrollment in the drug benefit would be temporarily waived for Katrina survivors.

This temporary disaster relief component of Medicaid would continue at least until February 28, 2006. Whether it would be extended beyond that point would depend on whether the President determined at that time that Katrina survivors had adequate access to health care without continuation of the temporary disaster relief component of Medicaid. If the President did *not* make such a determination, temporary Medicaid disaster relief would be extended to September 30, 2006.

4. Food stamps

- Extend USDA’s sound short-term food stamp disaster policy. Congress should continue USDA’s Hurricane Katrina disaster relief policy for displaced persons, which requires that states must act within seven days on all applications from affected households. Displaced households who have doubled up with friends or relatives apply for food stamps on their own.
- Provide states with additional administrative resources and streamline government procedures. States serving disaster victims need increased federal support to operate their food stamp programs as well as administrative flexibility to manage rising caseloads. States would be provided with a 90% federal match through fiscal year 2006 for administrative costs associated with running Food Stamps in the areas designated as disaster areas, as well as for administrative costs involved in processing individuals displaced by the disaster. (Currently, states and the federal government share administrative costs evenly.)
- Expand the reach of the food stamp program to affected households and set slightly more generous eligibility rules. Many families affected by the disaster who are not typically eligible for food stamps will have great difficulty meeting all of their expenses, particularly since they will likely have to pay more than usual for shelter, gas, health care, food, etc. Many also will have to spend money to replace basic items lost in the flooding, such as clothes. This is likely to make it difficult for

them to purchase an adequate diet. Through fiscal year 2006 — or earlier, if the need abates — food stamps should be available to families with gross incomes under 150 percent of the poverty line (rather than 130 percent, which is current law). Note that the net income limit (gross income after deductions) would remain unchanged at 100 percent of the poverty line.

5. WIC and child nutrition

- *WIC funding.* Increased costs will be incurred in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in fiscal year 2006 as a result of Hurricane Katrina, in order to serve pregnant women, infants, and young children impoverished by the hurricane. Our preliminary estimate, which is a very rough ballpark estimate, is that somewhere in the vicinity of \$150 million will be needed. Because these families may show up in any state and because there will likely be significant caseload increases in the hardest-hit states, USDA should have the discretion to allocate these funds among states as needed. These funds should not be distributed under the normal allocation formula, but placed by USDA where they are needed.
- *Ensuring that affected children get school meals.* USDA needs additional regulatory flexibility to ensure that child nutrition programs (school lunch, school breakfast, and child care meals) can operate effectively in areas affected by the disaster beyond the areas that have been designated as Presidential disaster areas.

6. LIHEAP

- *LIHEAP funding.* There will be significantly increased costs in the Low-Income Home Energy Assistance Program (LIHEAP) in fiscal year 2006 to cover the higher fuel costs expected as a result of the lost refineries in the Gulf Coast and other changes in energy markets. Our current estimate is that \$3.1 billion in additional funding, beyond the President's original budget request of \$2 billion, will be needed in fiscal year 2006 to hold LIHEAP beneficiaries harmless for the spike in home heating prices this coming winter (and also for the increased cost of cooling during southern heat waves). Higher fuel prices are one way in which Katrina affects all of the country, not just the Gulf Coast.

Ensuring Immigrants Have Access to Hurricane Katrina

Immigrants are a small fraction of those harmed by Katrina, but due to the scope of the disaster, they likely still number in the tens of thousands. Like all others who have suffered from the hurricane and its aftermath, immigrants have lost their livelihoods, their homes and, in some cases, their loved ones. The relief they need is substantially the same as the relief that the other Katrina survivors need.

Under current law, all immigrants are eligible for basic humanitarian rescue and relief efforts. Due to eligibility restrictions enacted in 1996, however, many *legal* immigrants are ineligible for existing health, housing, food, and cash assistance programs that are necessary for immigrants who were victims of the hurricane and, like other victims, are now trying to rebuild their lives. In addition, like many other Katrina victims, some immigrants also may have lost identity documents necessary to prove lawful status so they can obtain employment and otherwise function in the communities

where they have been relocated. Taken together with the devastation wrought by the hurricane, legal immigrants thus face formidable barriers in starting their lives over again.

Refugees, who are legal immigrants who have fled their home countries for fear of persecution, are eligible for various types of assistance. The current forms of assistance available to refugees, however, may not be sufficient for those who have lost their homes or jobs in the hurricane. Many refugees have few, if any, relatives in the United States, having fled persecution in their homelands. They may require special assistance to overcome the additional setbacks brought on by the hurricane, as they may have less in the way of networks of relatives to help them.

To ensure that legal immigrants get the help they need, we recommend:

- All legal immigrants who are Katrina victims should be made eligible for the temporary programs, benefits and assistance described in this memo, including new forms of assistance and existing programs such as TANF and Medicaid. This will mean that eligibility and benefit restrictions that keep legal immigrants out of existing programs need to be lifted for hurricane victims.
- Programs should have the flexibility to waive immigration-related documentation requirements for eligible individuals who have not yet replaced their papers. FEMA also should not require unreasonable or unavailable documentation for assistance it provides, including the \$2,000 in assistance it has promised to hurricane victims.
- Steps should be taken to ensure the continuity of refugee services and to avoid disruption of the refugee resettlement program.

DETAILED DISCUSSION

1. HOUSING

Supplemental funding (roughly \$3.5 billion) is needed for temporary, emergency housing voucher assistance for approximately 360,000 families displaced by Hurricane Katrina. A family would be considered “displaced by Hurricane Katrina” if, immediately prior to or at the time of the hurricane, the family resided in a county declared eligible for Individual Assistance by FEMA and the family’s previous accommodations are not available or fit for occupancy.

These funds would complement the emergency housing assistance provided by FEMA and voluntary agencies and should remain available through 2006. FEMA typically provides trailers for families whose housing has become uninhabitable, temporary rental or mortgage assistance for families whose livelihood is interrupted but are able to remain in their homes, and payments for brief accommodations in hotels/motels. But in light of the magnitude of the current disaster and the massive number of families affected, FEMA almost certainly will not be able to meet this need. (FEMA also has authority to provide cash grants that families can use in part to meet costs of temporary housing, but in past major disasters, FEMA has made limited use of this authority.) In light of the unprecedented number of families displaced by Katrina and the large number of states

to which they have been relocated for immediate assistance, it is essential to supplement the FEMA tools with emergency housing vouchers.

Emergency housing voucher assistance should have three components:

1. *For current voucher holders:* Supplemental funding should be provided to support the rental, relocation and administrative costs of voucher assistance for displaced families that have federally-funded housing vouchers. (Local housing agencies in Louisiana, Mississippi and Alabama are authorized to administer more than 86,000 Section 8 housing vouchers, and about 450 Section 811 housing vouchers for people with disabilities. About 36,000 of these vouchers are administered by agencies that serve federally-declared disaster areas.)

Families with vouchers can use them to rent new housing. HUD has already issued guidance to public housing agencies throughout the country about using the “portability” procedures of the Section 8 voucher program to accommodate displaced families seeking to move into other areas with existing vouchers. Additional funds are needed for three purposes: (a) to meet the possible higher costs of rentals in the new areas, as compared with the original areas in Louisiana, Mississippi, and Alabama; (b) to assist families with security deposits and other moving costs that are not usually met by the Section 8 program (including later return to their home area if they wish); and (c) to offset the administrative costs of the receiving agencies. (Usually, the agencies in the areas that families moved *from* would be required to forward 80 percent of their administrative fees for moving families to the new areas. This requirement should be waived by HUD to the extent needed to permit the original agencies to rebuild.)

In addition, legislation should specify that families do not lose their right to receive continued housing voucher assistance if they are unable to use their vouchers due to Hurricane Katrina. This is vital protection for families that remain in temporary shelter in or near the affected counties, where there may not be sufficient permanent housing available for use with vouchers.

2. *For extremely low-income displaced families:* Supplemental funding should be provided to enable state and local housing agencies that serve areas with displaced families to provide already-authorized voucher assistance to eligible families. According to recent HUD data, more than 100,000 of the 2.1 million authorized Section 8 housing vouchers are not in use, primarily due to funding shortfalls. State and local housing agencies around the country have expressed the desire to use these vouchers to assist displaced families evacuated to their areas, if funding is made available to enable them to do so. It is important to target these scarce resources to the poorest families who are most likely to need longer-term assistance to achieve housing stability. Reserving them for families with incomes below 30 percent of the area median income — roughly equivalent to the federal poverty line — also is consistent with the targeting requirements of the voucher program. (To make sure that displaced families can be served quickly, however, HUD could be permitted to waive the requirement that *all* supplemental funds under this component of the program be used to serve extremely low-income families, and allow agencies to apply the usual targeting rule, which requires that 75 percent of the households newly admitted to the voucher program each year have incomes at or below 30 percent of the area median income.) Funds should be available for housing subsidies and administrative fees, consistent with usual Section 8 rules, and also to

assist families with security deposits and other relocation costs. We estimate that about 30,000 families could be served with existing vouchers if funds are provided.

3. *For displaced families with incomes below 80 percent of the area median income:* Funds should be provided for new one-year emergency housing vouchers for approximately 300,000 displaced families, including relocation and administrative costs. These are temporary vouchers that would not become part of the base for the voucher program. To facilitate the efficient allocation of vouchers to the areas where families have been temporarily relocated and to prevent future barriers to families moving back to their home states or to other areas, HUD should administer these vouchers directly, with the authority to subcontract to state or local agencies or private entities. First priority should be given to families that have been displaced from other federally-assisted housing (including housing assisted by the Rural Housing Service as well as HUD). The determination of eligibility should be based on currently available income. (Rules that would normally require that 75 percent of housing vouchers each year be provided to families with incomes under 30 percent of area median income would not apply to this emergency voucher assistance.)

Flexibility to meet emergency needs:

All of the voucher assistance supported by this bill would need to be administered flexibly to meet the urgent needs of displaced and destitute families. To accomplish this goal, the bill should give HUD the authority to waive temporarily the following statutory provisions:

- the requirement that initial leases be for a period of at least one year (Section 8(o)(7)(A) of the U.S. Housing Act);
- the requirement that all units be inspected by local housing authorities prior to occupancy (Section 8(o)(8));
- minimum rent requirements (Section 3(a)(3)) (note that the requirement that families must contribute 30 percent of their adjusted income to pay housing costs would continue to apply); and
- restrictions on where families may use voucher assistance in the first year (Section 8(r)).

It is important to ensure that the vouchers funded under emergency legislation provide a sufficient rental subsidy to enable families to obtain housing in what may have become very tight markets as a result of an influx of evacuees. The maximum subsidy level, or “payment standard,” for vouchers funded under the emergency bill should be increased to 150 percent of HUD’s fair market rent for the area, if the administering agency determines that this is needed to enable a displaced family to use a housing voucher, and HUD should be given authority to grant waivers if higher subsidy payments are needed in particular areas.

In addition, HUD should be directed to grant regulatory waivers, as needed, to facilitate meeting the emergency housing needs of displaced families, including allowing self-certification of income where families do not have access to their records or to previous employers and allowing families to adjust the number of household members as reunification occurs. Families should be allowed to use the vouchers to rent housing anywhere in the country. Finally, no owner should be permitted to

reject a prospective tenant because a portion of their rent payments would be paid by housing assistance funded under this bill. In return, owners must have the right to receive payments due within 60 days or be paid a late fee.

2. DISASTER INCOME ASSISTANCE

Hurricane Katrina destroyed homes and jobs. As families and individuals struggle to rebuild their lives, there is an acute need for assistance both to replace lost wages and to lift thousands of people out of severe destitution.

Two forms of assistance are needed for this task. First, a strengthened Disaster Unemployment Assistance (DUA) program is needed to provide federal unemployment benefits to those who lost their jobs due to the hurricane. By providing *federal* DUA benefits in lieu of state unemployment insurance benefits, this program will relieve significant fiscal pressure on the impacted states' unemployment insurance systems — pressure that could result in increases in business taxes or cuts in unemployment benefits. Moreover, because state UI benefits are designed to replace lost wages but are not designed to help with the added costs associated with a disaster in which many people have lost virtually all of their belongings, a strengthened DUA program can provide more adequate benefits.

Even with an improved DUA program, however, many individuals and families — including the poorest Americans affected by this disaster — will *not* be eligible for DUA benefits and could be left with little or no income at all. Because of this, a form of federal disaster assistance benefits also should be provided to these individuals and families to meet their most basic needs.

Making Disaster Unemployment Assistance Work for States, Businesses, and the Unemployed

The current DUA program has serious flaws. First, it provides assistance only to those unemployed individuals who are not eligible for regular unemployment insurance benefits. This means that states' unemployment funds, which are financed by a payroll tax, must absorb the significant costs of providing regular UI benefits to thousands of newly unemployed individuals in the wake of a disaster. Hurricane Katrina left hundreds of thousands of Americans jobless. DUA would cover only a portion of those individuals and the states directly impacted by the hurricane — Louisiana, Alabama, and Mississippi — would have to absorb the cost of providing UI benefits to the rest. That significant fiscal responsibility could require these hard-pressed states eventually either to raise business taxes or cut unemployment benefits. Neither of these outcomes would help their already reeling economies.

In addition, the benefits provided by the DUA program are themselves too low. DUA benefits are pegged to standard unemployment insurance benefits in the affected states. Yet, standard UI benefit levels were never intended *both* to replace lost wages and to help families rebuild after losing their homes and belongings. Nor were UI benefits set at levels that help with the significant costs associated with relocating to new towns and cities and searching not only for work but also a new place to live. This problem is especially acute in the states directly affected by Hurricane Katrina. Unemployment benefits in Louisiana, Alabama, and Mississippi are lower than in all other states in the United States. Some DUA recipients in these states receive as little as \$90 per week, and the average unemployment benefits in these states range from just \$173 to \$190 per week.

The National Employment Law Project and others have developed a comprehensive set of proposed reforms to the current DUA program in responding to Hurricane Katrina. These reforms include: providing DUA to all those who lost jobs as a result of the disaster, thereby relieving the fiscal pressure on states and businesses in these states and ensuring that the unemployed receive the help they need; and increasing the minimum DUA benefit to \$270 per week (the national average UI benefit) to ensure that those who have lost their jobs as a result of the hurricane receive more adequate benefits. The reforms also include providing the federal government the authority to simplify the DUA application process and relax strict rules related to searching for work that may not be appropriate or feasible now for individuals trying to find new housing arrangements — often in new states — and to stabilize their families, including getting their children in school and attaining needed medical attention.

Federal Disaster Assistance Benefits

An improved disaster unemployment assistance program alone, however, will not meet the needs of many victims of the hurricane. Many hurricane victims — including individuals who were jobless when the hurricane hit, those unable to work due to their health conditions, and the elderly — will not qualify for disaster unemployment assistance. Others, particularly part-time workers, will qualify for too little to meet their basic needs. (DUA benefits are prorated for those who had been employed part-time.) For these reasons, another form of support — a federal disaster assistance benefit program — is needed to ensure that those who have lost their homes are not mired in deep poverty while they are trying to rebuild their lives. (Families would be eligible if they resided in a county declared eligible for Individual Assistance by FEMA.) It is important to note that among the individuals who will not qualify for DUA are a large number of people who were quite poor before the hurricane hit — including many poor children — and who now have few if any resources to fall back on.

Federal disaster assistance benefits would be available to poor individuals and families from disaster-impacted communities and would enable these victims — including those who have been evacuated or have fled to other states — to meet everyday expenses. These include: clothing and shoes; transportation to search for new housing or work, or to purchase basic household necessities; household goods such as over-the-counter medication, diapers, toothpaste, and detergent; and school supplies.

- The federal government would cover 100 percent of the cost of providing federal disaster assistance benefits to poor individuals and families.
- States could choose *how* to deliver this assistance, but states would be encouraged to consider delivering this assistance through their electronic benefits transfer (EBT) system, which is currently used in most states to deliver both food stamp benefits and income assistance to poor families with children. Another option would be for FEMA to deliver this ongoing assistance. There are, however, significant questions about FEMA's capacity to provide benefits on an ongoing, rather than a one-time, basis to large numbers of people dispersed throughout the country.
- Benefit levels would be set by federal law. There are several options for how these benefit levels could be set, for example:

- Congress could set disaster assistance payments so that families' incomes — including earnings, other ongoing income such as Social Security as well as these disaster assistance benefits and food stamps — would roughly equal the poverty line. This would mean setting the federal disaster assistance benefits equal to about \$90 per person per week for families with no other source of cash income. By providing this level of assistance, Congress could ensure that families have the income needed to meet ongoing expenses and to look for work and new housing.
- If Congress is not willing to commit the funds that would be needed to bring disaster victims to the poverty line, more modest disaster assistance payments could still provide a critical buffer against the most severe poverty. If more modest assistance were part of a package for a family that also included food stamps and housing assistance (such as through a housing voucher), then the package could keep families fed, housed, and able to buy basic goods, such as diapers, toilet paper, toothpaste, small amounts of school supplies, and a few items of clothing. The extent to which families could meet these basic needs would, of course, depend on the level of assistance provided; but even modest income assistance could relieve significant hardships that families will face if they have no access to basic income support at all.

It is important to note that some states have begun to provide TANF income assistance to families with children that have been affected by the disaster. This is the only form of income support most states have available to provide at this time. TANF alone is not sufficient, however. First, TANF benefits are extremely low in the direct impact states, in Texas, and in some other states to which evacuees have fled. The maximum assistance grant for a family of three is \$240 per month in Louisiana (18 percent of the poverty line), \$215 per month in Alabama (16 percent of the poverty line), \$170 per month in Mississippi (13 percent of the poverty line), and \$217 (16 percent of the poverty line) in Texas.

Families that have lost their homes or belongings, many of whom now live in a strange town, will face a myriad of expenses over the next several months. These families will have to purchase clothing for the fall and winter, will need money for transportation as they search for new housing, jobs, and child care arrangements, and will have to establish communications with their relatives which may require phones. If they settle in a new apartment, they will need funds to hook up utilities, and buy bedding and cleaning supplies. Benefit levels this low will not allow families that have lost their homes and belongings and face the task of rebuilding their lives in strange towns to keep their heads above water.

In addition, TANF income assistance is only available to *families with children*. This leaves out thousands of destitute individuals and families that do not have children, including the elderly and those with disabilities and other serious health problems. States can and should use their effective TANF benefit delivery system, but they need federal resources and the authority to provide more adequate benefits to a larger set of individuals and families now facing severe poverty. These funds for states could come through FEMA.

Delivering Disaster Assistance Benefits

It is important to ensure that federal disaster assistance benefits would be provided through an efficient and equitable delivery mechanism. One possibility is that these benefits could be

distributed through the system that FEMA plans to use to distribute the \$2,000 in immediate aid. Initially, FEMA announced that it would provide this aid through a debit card, and it appeared that the effort would be widespread. While FEMA is still indicating that hurricane victims will receive this aid, in the last 24 hours there have been reports that serious problems have emerged with the FEMA debit card delivery system. It is now unclear how or when families will receive this assistance.

It is essential that all needy hurricane victims receive this short-term FEMA assistance quickly to meet the immediate challenges they face of replacing items such as clothing, shoes, baby bottles, and a myriad of other critical household items. It should be recognized, however, this one-time \$2,000 in assistance is only a first step, albeit an important one. Many families and individuals will use up this one-time assistance in a relatively short period of time and will need further ongoing help to meet everyday living expenses until they get back on their feet and can secure an adequate regular source of income.

The problems that FEMA is encountering in delivering this \$2,000 benefit may mean that relying on a FEMA delivery mechanisms for *ongoing* federal disaster assistance benefits could be very problematic. If FEMA is struggling to provide one-time assistance — something FEMA has had experience doing — FEMA may have even more serious problems delivering ongoing aid to families over a period of months, which is something it has not done in the past. If, as it now appears, FEMA is ill-equipped to provide this sort of ongoing aid, then existing state systems that can efficiently and equitably distribute assistance should be used as the delivery mechanism.

3. HEALTH CARE

OVERVIEW

Hurricane Katrina has created a health care crisis for its victims; a capacity crisis for many hospitals, clinics, physicians and nursing homes faced with a surge in demand for care; and serious fiscal problems both for the states directly affected and those providing refuge to large numbers of displaced people. When New York City faced similar types of crises after 9/11, it turned to Medicaid, the federal-state program of health care for the poor, to provide temporary coverage for victims of the tragedy. The success of New York's "Disaster Relief Medicaid" program provides an appropriate starting point for thinking about how to provide health care to Katrina survivors.

The one proposal fully developed to date to incorporate temporary coverage for Katrina survivors into the Medicaid program was introduced in the House and Senate on September 8. (The legislation was offered by Senator Blanche Lincoln as an amendment (S. Amdt 1652) to H.R. 2862. A companion proposal has been introduced in the House by Rep. John Dingell as H.R. 3698.) The proposal is designed to ensure that:

- Katrina survivors are quickly enrolled in Medicaid wherever they are currently living and will begin receiving the health care services they need through an infrastructure that already exists in every state;
- Medicaid providers that treat these survivors are reimbursed for their services; and

- Both the directly affected states (Alabama, Louisiana, and Mississippi) and the states to which Katrina survivors have fled are protected by the federal government from the unexpected health care costs that will result from increased Medicaid enrollment caused by the disaster.

KEY PROVISIONS OF THE LEGISLATION

1. **Medicaid eligibility for Katrina survivors:** The proposal would target two groups: 1) people who were living, at the time that the hurricane hit, in a parish or county in Louisiana, Mississippi, or Alabama that has been declared a Federal Disaster Parish or Federal Disaster County by FEMA; and 2) people who lived in other parts of Louisiana, Mississippi, or Alabama at the time the hurricane hit and who have lost their jobs since then. These individuals would be eligible without regard to what part of the county they may have evacuated to.
2. **Simplified application for Medicaid for Katrina survivors:** A single application form (developed in consultation with the National Association of State Medicaid Directors) and simplified process would be used in all states for Katrina survivors.
3. **Streamlined eligibility process and coverage rules for low-income Katrina survivors:** Applications would be processed in the state in which the Katrina survivor seeks medical assistance. At the time of application, an individual would self-attest that he or she is a Katrina survivor. All states would be able to process applications and determine eligibility for Katrina survivors as described below:
 - a. Individuals determined to be eligible would be issued Medicaid eligibility cards for the state in which they seek assistance. Coverage would be retroactive to August 29, 2005 to ensure that medical costs since the hurricane are covered. Providers would be able to determine eligibility at the point that individuals seek care.
 - b. Once determined eligible, Katrina survivors would be treated as though they were Medicaid enrollees in the state in which they have applied for assistance. (They would be furnished the same benefits and coverage as that state's Medicaid enrollees.)
 - c. Eligibility would continue for the duration of the disaster relief period. Once the disaster relief period ends, the eligibility of Katrina survivors would be reevaluated based on the Medicaid rules in effect in the state in which they are then residing.
4. **Guaranteeing drug coverage for low-income Katrina survivors eligible for Medicare:** The Medicare Modernization Act (MMA) prohibits Medicaid matching payments for drug coverage for Medicare-eligible Medicaid beneficiaries after December 31, 2005. It also requires states to finance part of the Medicare drug benefit through "clawback" payments. These MMA changes would be temporarily delayed to the degree necessary in direct impact states (Louisiana, Mississippi, and Alabama) and states with disproportionate numbers of Katrina survivors (defined as Arkansas, Florida, Oklahoma, and Texas, and any other state if so deemed by the Secretary). This temporary delay would end when the Secretary certified that Katrina survivors who are eligible for the Medicare drug benefit can be transitioned to the

new system without a loss of coverage. In addition, penalties for late enrollment in the drug benefit would be temporarily waived for Katrina survivors.

5. **Ensuring Federal financing for states affected by Katrina:** The percentage of state costs that the Federal government pays (the Federal medical assistance percentage, or FMAP) would be modified as follows for the disaster relief period:
 - a. The FMAP for medical assistance would be set at 100% for benefits and services furnished to Katrina survivors, regardless of which state provides this assistance, and for all Medicaid costs in Louisiana, Mississippi, and Alabama.
 - b. States would receive 100% FMAP for administrative costs directly linked to implementing this legislation.
6. **Temporary Medicaid disaster relief would continue at least until February 28, 2006.** If the President determined at that time that Katrina survivors could secure adequate access to health care without continuation of these measures, temporary Medicaid disaster relief would end. If the President did *not* make such a determination, temporary Medicaid disaster relief would be extended to September 30, 2006.

4. FOOD STAMPS

Hurricane Katrina has created a humanitarian crisis for the people of Louisiana, Mississippi, and Alabama; a capacity crisis for welfare offices, food banks, and local charities faced with a surge in demand for food; and a fiscal crisis for the states directly affected, as well as those providing refuge to the displaced survivors, including Arkansas, Florida, Oklahoma, and Texas.

Fortunately, the regular food stamp program and the special disaster food stamp program that states may elect to implement with USDA approval are well designed to respond to these families' needs. Under regular food stamp rules, destitute households must be processed for benefits within 7 day of application, and benefits are responsive to changes in income and expenses. Benefits issued on debit cards may be used to buy groceries across states lines. In addition, USDA is authorized to waive food stamp program rules to ensure that the program responds to specialized needs during disasters. For example, households may have their benefits replaced if it is reasonable to assume that their food was lost in a disaster. USDA also may, in the case of a disaster, allow states to greatly simplify eligibility rules and the application process to ensure that all needy families are provided with food assistance quickly. Typically, these special disaster food stamp measures have lasted 1-2 months.

In response to Katrina, Louisiana, Alabama, and Mississippi are operating disaster food stamp programs. In addition, USDA has issued helpful and generous guidance that facilitates non-disaster states' ability to process individuals displaced by Katrina.

While the regular Food Stamp Program and disaster food stamps are well designed to address low-income households' food needs in normal cases and normal disasters, the devastation wrought by Katrina is not typical. In this case, entire local economies have been wiped out. As a result, the ability of many low-income families to purchase an adequate diet will be compromised for an

extended period of time, because they will have limited or no income and their expenses are likely to be unusually high, due to the need to pay for make-shift living arrangements and to replace most or all of their belongings. The regular food stamp program, even when supplemented by commodities provided by private charities and the government, is unlikely to be able to adequately meet their food needs. Yet the disaster food stamp program is designed to operate for periods such as 30 or 60 days.

As a result, what will be needed for a number of months between the initial 30 or 60 days and the time when these households can return home (or permanently relocate elsewhere) is a program that is more flexible and responsive to these households' difficult situations than the regular food stamp program, but is not as expansive and free of normal food stamp rules and criteria as the food stamp disaster program. Accordingly, we recommend an interim set of changes to the Food Stamp Program for Katrina survivors in order to ensure that:

- low-income Katrina survivors are quickly enrolled in food stamps wherever they find refuge;
- the Food Stamp Program provides a somewhat more generous benefit to these households in response to their unusual circumstances and expenses; and
- both the directly-affected states (Alabama, Louisiana, Mississippi) and indirectly-affected states (e.g., Arkansas, Florida, Oklahoma, Texas) are protected by the federal government from the unexpected costs stemming from the increase in food stamp enrollment that occurs as a result of the disaster.

A. TIMEFRAME AND AFFECTED GROUPS

The interim changes would generally be in effect until the Secretary of Agriculture determines that Katrina survivors can meet their food needs without it, or September 30, 2006, whichever comes sooner. Some interim changes would last only through the end of November 2005. The proposal would target three groups of low-income households: those living in areas hit by Katrina, those living in surrounding areas who worked in the disaster area and lost their jobs, and those who have relocated from the disaster area to other parts of the country. (The Secretary of Agriculture, in consultation with FEMA, would establish the precise geographic reach of these provisions.)

B. EXTENDING SOUND SHORT TERM DISASTER POLICY

The proposal would incorporate the terms of USDA's Hurricane Katrina disaster relief policy for the period specified above:

- States must act within seven days on all applications from affected households.
- Displaced households who have doubled up with friends or relatives could apply for food stamps on their own.
- Work requirements and the three-month time limit on childless adults will be suspended for disaster victims.

C. TEMPORARILY EXPAND ELIGIBILITY TO MORE NEEDY FAMILIES AND PROVIDE A MORE GENEROUS BENEFIT:

The proposal would expand food stamp assistance to disaster victims in the following manner:

- Increase the standard deduction used to calculate food stamp benefits for affected households to 20 percent of the poverty line for a family of four. The current standard deduction is \$134 a month for most household sizes, which means that income after the first \$134 a month is considered as being available to purchase food. For families that have unusually high expenses because they are recovering from the disaster, this is unrealistic. Yet incorporating households' actual disaster-related expenses into food stamp calculations would be unduly burdensome for households and states alike.

Accordingly, we would set the standard deduction at 20 percent of the poverty line for a family of four. (We would use one standard deduction level for all household sizes for ease of administration in the interim food stamp program.) This would increase food stamp benefits on average by \$30 to \$35 per month.¹

- The gross income limit for disaster victims would increase from 130 percent of the poverty line to 150 percent. This would help disaster survivors that suddenly incur extremely high shelter costs when, for example, they live in a motel. The net income limit would remain at 100 percent of the poverty line to ensure that only poor people received food stamps.
- All vehicles of disaster survivors, both those that they have with them and those they left behind, would be excluded from determining the household's resources.
- For the first three months, bank accounts also would be exempt from the \$2,000 resource limit, in recognition of the fact that households are facing many extraordinary expenses and should not be required to spend down to \$2,000 when their savings may have to last them until they can find new jobs. For the remainder of fiscal year 2006, disaster relief aid from federal, state, or local governments, charities, insurance settlements, and other sources would not count as resources.
- Also for the first three months, food stamp benefits would not be pro-rated based on the date the household applies. Under disaster conditions, families' applications may be postponed through no fault of their own. During this time, the families are forced to spend their scarce funds on food and remain just as needy as families that were able to get a ride to the food stamp office sooner.
- Finally, if a state does have a temporary disaster program in place that is more generous than this proposal, the more generous rules would supersede these benefits.

¹ If a state's computer system could not immediately accommodate this change, the proposal would allow an interim proxy policy. The state could raise the maximum food stamp benefit level by six percent for three months while making the necessary changes to the standard deduction. This would provide a similar-size increase for households of four. The increase would be smaller for smaller households and larger for larger households.

D. PROVIDE ADMINISTRATIVE RESOURCES AND STREAMLINE GOVERNMENT PROCEDURES:

The proposal also would streamline procedures for aiding affected households by:

- Having the federal government assume 90 percent (rather than the usual 50 percent) of the administrative costs of serving disaster victims.
- Requiring USDA to waive any food stamp administrative rules, such as those on eligibility redeterminations and reporting requirements, that interfere with disaster relief.
- Encouraging states to work aggressively to serve affected households by excluding any errors in applying disaster procedures from error rate calculations.

A very rough estimate of the costs of these proposals is \$1 billion in fiscal year 2006. This does not take into account the cost of the short term food stamp disaster assistance programs already under way in the affected states.

5. WIC AND CHILD NUTRITION

WIC funding

There are likely to be increased costs in the WIC program in fiscal year 2006 as a result of Hurricane Katrina. Our preliminary, extremely rough estimates indicate that approximately \$150 million will be needed to serve families that are displaced or impoverished by the hurricane. Because these families may show up in any state and there will likely be significant caseload increases in the states hardest hit, it will be important for USDA to have the discretion to allocate these funds among states as needed, rather than having to use the normal formula for allocating funds among states. (It is also important that these funds be provided in addition to the \$125 million WIC contingency reserve; the existing contingency reserve provides funds for instances in which unforeseen program costs or participation growth arises. The currently foreseeable costs associated with serving those affected by the hurricane should be provided separately from the contingency reserve, which needs to be available to respond to unforeseen circumstances that may arise during the course of fiscal year 2006.)

Ensuring that affected children get school meals

Schools outside Presidential disaster areas that serve a large number of displaced households may need flexibility with regard to certain program rules in order to effectively operate school meals programs. Under current law, USDA has limited authority to waive program rules outside areas that have been declared Presidential disaster areas. USDA should be given expanded waiver authority with regard to all areas affected by natural disasters.

6. LIHEAP

In his February budget for fiscal year 2006, the President requested \$2.0 billion for the Low-Income Home Energy Assistance Program (LIHEAP), \$182 million below the 2005 funding level. LIHEAP helps very poor families, many of whom are elderly, pay their fuel bills. Most of the assistance prevents heat from being turned off in northern states in the dead of winter, but some also keeps air conditioning running during southern heat waves. LIHEAP funding has never covered all of the low-income families eligible for assistance; in 2005, it covered only about one in seven of the roughly 35 million eligible households. Funding is distributed by local officials on the basis of greatest need. In almost all cases, LIHEAP pays only part of households' monthly energy bills.

The prices of fuels used by LIHEAP recipients (principally natural gas, home heating oil, and propane) have risen significantly over the past year. The disruption in energy supply caused by the Gulf Coast hurricanes has already made the situation considerably worse and may lead to further price increases over the next few months. On October 12 (after Hurricanes Katrina and Rita), the Department of Energy issued new projections of monthly energy prices by energy source and geographic region. If these projections prove accurate, the costs of heating the homes of LIHEAP beneficiaries this winter will rise 43 percent relative to last winter's costs, the steepest one-year increase in these costs since 1974, before LIHEAP was created. Keeping pace with this rise in costs, the expected rise in electricity costs, and with more normal increases in the costs of weatherization and administration would require total LIHEAP funding of \$2.9 billion, an increase of \$920 million over the President's request.²

This level of funding would fall far short, however, of what is needed to hold LIHEAP beneficiaries harmless in the face of the price spike. Almost every household that receives LIHEAP assistance pays a share of its monthly heating bill out of its own income. LIHEAP pays some fraction of the bill, and the household pays the rest. If heating prices rise by 43 percent this year, then a 43 percent increase in LIHEAP funding would still require a 43 percent increase in out-of-pocket heating payments by LIHEAP beneficiaries. Protecting LIHEAP beneficiaries from the expected 43 percent increase in the cost of heating their homes would require an additional \$1.7 billion in LIHEAP funding, to a level of \$4.6 billion. These additional funds are necessary for the program to protect existing LIHEAP recipients from dramatic increases in out-of-pocket heating expenses that they can ill afford.

Even this higher level of funding is insufficient given the likely increase in the total number of LIHEAP beneficiaries this winter. In 2003, when heating prices increased by 19 percent, LIHEAP caseload increased by 9 percent. With heating prices 43 percent above last year's levels, a significantly larger increase is likely this winter, since many more low-income households will have difficulty paying their heating bills.

We make the conservative assumption that LIHEAP's caseload will increase only 10 percent this winter. This increase in the number of LIHEAP beneficiaries would require another \$460 million in LIHEAP funding, bringing the necessary total to \$5.1 billion. We therefore recommend that

² For detailed explanations of this and our other calculations, see Richard Kogan and Aviva Aron-Dine, "Out in the Cold: How Much LIHEAP Funding Will Be Needed to Protect Beneficiaries from Rising Energy Prices," Center on Budget and Policy Priorities, revised October 20, 2005.

Congress provide a supplemental appropriation of \$3.1 billion for LIHEAP, in addition to the President's request of \$2 billion. Such a supplemental appropriation would be an appropriate component of legislation providing relief from Hurricanes Katrina and Rita. Higher fuel prices are one way in which the hurricanes have affected the entire country, not just the Gulf Coast.