

# **Transforming the Recovery into Locally-led Growth: Federal Contracting in the Post-Disaster Period**

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## Introduction

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In the wake of the devastation resulting from hurricane María, the United States Federal Government mobilized numerous emergency relief efforts in Puerto Rico. Traditionally, Federal disaster response has been thought of as the “silver lining” that stems from a catastrophic event, given the millions of US Government dollars that are pumped into the local economy. Federal funding for recovery, the logic goes, will help jumpstart a depressed and battered economy through investments that will have a multiplying effect and potentially steer Puerto Rico’s economic growth rate into positive territory<sup>1</sup>. But almost a year after the hurricane’s passing, disbursements of appropriated funds from the Federal Government to the Government of Puerto Rico, have been few and far between. The bulk of Federal expenditures, thus far, has been focused on immediate relief efforts, with substantial investments in long term recovery activities still pending Federal approval. Although not inconsequential, current post disaster investments have yet to live up to economic recovery expectations. This is partly due to the slow pace of disbursements, given unique planning and oversight requirements imposed by the US Congress on the Government of Puerto Rico<sup>2</sup>.

Notwithstanding the slow pace of Federal post disaster funds disbursement, it is not unrealistic to expect positive economic development outcomes from forthcoming investments, given existing provisions to treat local firms preferentially in post disaster Federal contracting. As Section 26.202 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (or Stafford Act)—considered the centerpiece of Federal disaster policy— states:

When awarding emergency response contracts during the term of a major disaster or emergency declaration by the President of the United States under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121, et seq.), preference shall be given, to the extent feasible and practicable, to local firms. Preference may be given through a local area set-aside or an evaluation preference.

While it may be too early to reach sweeping conclusions regarding the effects of Federal disaster spending and the efficacy of Stafford Act provisions on the Puerto Rican economy, maximizing potential development opportunities will require consistent oversight and monitoring of Federal procurement practices. This begs the question: *How have Federal post disaster expenditures*

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<sup>1</sup> See Gómez, Antonio. (2018) [“El ingreso masivo de fondos dará impulso a la economía local.”](#) *El Nuevo Día*; Otero, Carlos A. (2018) [“Exploran las oportunidades post huracán María.”](#) *El Vocero de Puerto Rico*; and Cortés Chico, Ricardo. (2018) [“La inyección de fondos de Vivienda federal sienta un precedente.”](#) *El Nuevo Día*.

<sup>2</sup> Lack of transparency, poor internal controls, and the dismal fiscal track record of successive local administrations have prompted a distinctive, “strings attached” approach to Federal reconstruction funding efforts. Title III bankruptcy-like procedures created by US Congress to restructure Puerto Rico’s public debt and the role of the Federal Oversight and Management Board (FOMB) also result in additional complexities in the reconstruction landscape. See Miller, J & Mejdrich, K. (2017) “GOP Power Play in Hurricane-Ravaged Puerto Rico.” *Roll Call*.

*proceeded in Puerto Rico, and which sectors and companies are being contracted?* This initial report provides some insights into this query using post-hurricane contractual expenditure data from the US Federal Government for work in Puerto Rico as point of departure. We also include comparisons of Federal contracting practices related to Hurricane Katrina for comparison purposes. Our primary findings seem to suggest that Federal relief and recovery spending in Puerto Rico is mostly being used to contract mainland firms, which suggests that Stafford Act provisions have, up to this point, been sidestepped or ignored. Moreover, existing trends signal that local economic development opportunities stemming from post disaster funding are possibly lower than expected.

## Analytical Approach

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The analysis focuses on data extracted from *usaspending.gov*, a publicly available database, which shows all Federal expenditures by agency<sup>3</sup>. Collecting data directly from Federal agencies and other government systems, USAspending provides detailed insights into the Federal government's spending trends. The data is collected quarterly, bi-monthly, or daily and validated as required by the Digital Accountability and Transparency Act of 2014 (DATA) and the Federal Funding Accountability and Transparency Act (FFATA).

USAspending has three main sources of data: Federal agencies, award recipients, and other government systems, which includes the Federal Procurement Database System (FPDS), the FFATA Subaward Reporting System (FSRS), and the System for Award Management (SAM). There are several ways to search for data in USAspending.gov. For the purposes of this report, we used the custom award search. This feature allows users to filter the data by award type and level, agency, recipient location, and date range. Contracts analyzed for this study were filtered using the national interest identifier (H17M) specified by the FPDS, which indicates work directly related to Hurricane María.

The downloaded dataset for this exercise includes observations for the period between September 20, 2017, when Hurricane María made landfall in Puerto Rico, and August 22, 2018. This eleven-month period covers the emergency response and relief stages, as well as the initial steps of the reconstruction process. The raw data file provides a significant level of detail for each contract, but our analysis focuses on the following features:

- a) Allocated amount for each contract (i.e. Federal obligated dollars);
- b) date of action;
- c) recipient name and address;
- d) place where the contracted work will take place (i.e. primary place of action); and
- e) the North American Industry Classification System (NAICS) six-digit code and sector description for the contracted work<sup>4</sup>.

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<sup>3</sup> The Federal Funding Accountability and Transparency Act of 2006 required that data on Federal contracts, loans, grants and other financial assistance in excess of \$25,000 be made publicly available on a searchable website. These original efforts were expanded in 2014 via the Digital Accountability and Transparency Act (DATA).

<sup>4</sup> NAICS is the standard used by Federal agencies to classify business establishments. It is used throughout Federal statistical agencies for the collection, analysis, and publication of data related to the U.S. business economy.

Excluded from this dataset are those observations classified under the H17M identifier that recorded their primary place of action in the US Virgin Islands. Our initial approach consists of analyzing how Federal agencies have allocated contracts over time, while also breaking down the data by industrial sectors, and paying attention to the contract recipient's address, which allows us to roughly determine how firms based in Puerto Rico are faring vis-à-vis mainland contractors.

It must be noted that this exercise *does not yield an accurate assessment of the economic impact stemming from Federal investments*. Rather, it focuses on two key topics as a way to determine the economic development potential of Federal procurement practices in the island:

- a) **Local contracting:** contract disbursement could have greater economic impact in Puerto Rico if it tends to prioritize local firms over mainland firms.
- b) **Concentration of contracts by industry sectors:** the economic impact from contract disbursement could be greater if Federal funds went into high-impact (and greater value added)<sup>5</sup> industry sectors and activities.

This analysis only examines contracts related to Hurricane María disaster relief and reconstruction spending. It does not examine contracts related to Hurricane Irma or Federal contracting related to previously existing Federal projects and programs in the island. *Subcontracting practices were not included in this analysis since the USA spending database does not provide a full picture of these kinds of contracts.*

## Data Analysis

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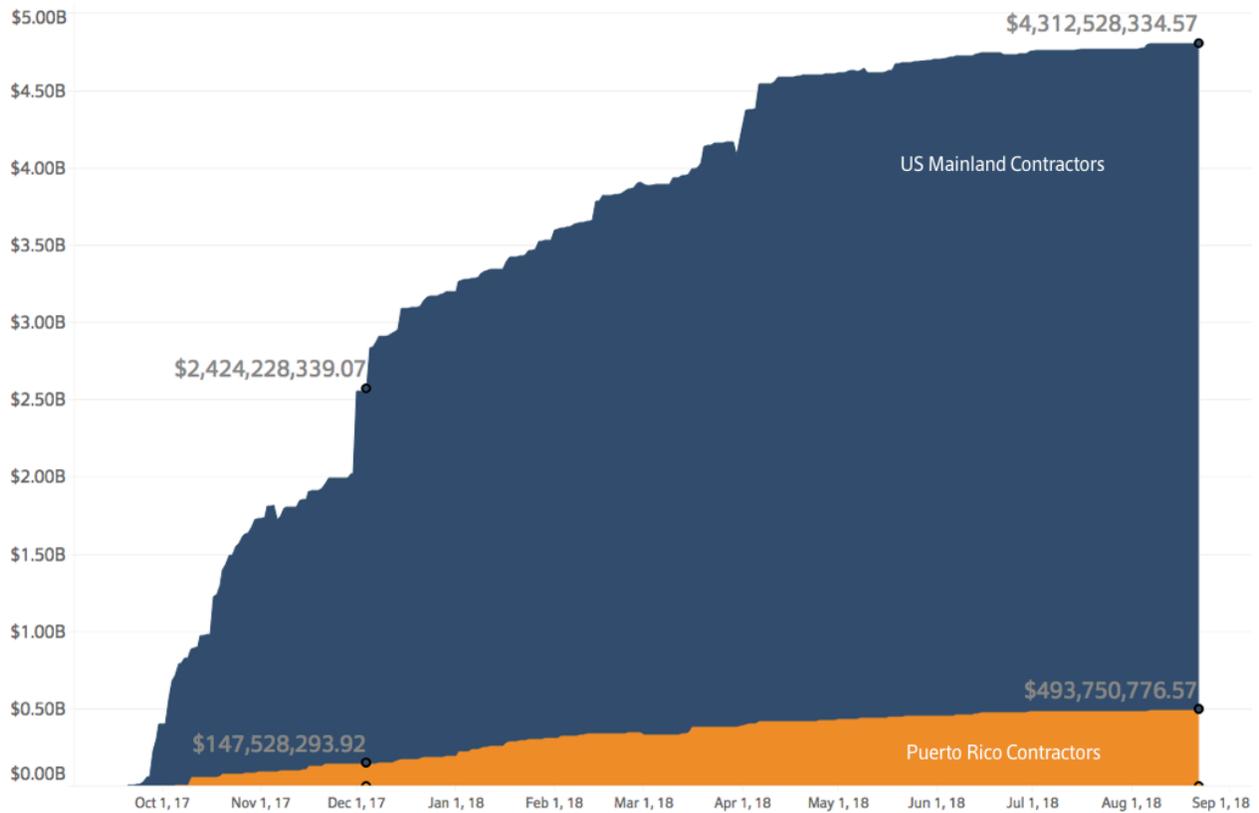
### Expenditures Over Time

A close examination of *accumulated expenditures* reveals that as of August 22, almost five billion dollars have been obligated by Federal agencies for work conducted in Puerto Rico through contract spending. However, almost \$4.3 billion has been awarded to firms based in the mainland US, while a little over \$490 million—barely 10% of the total — has been awarded to companies based in Puerto Rico (See Figure 1). The data shows that, thus far, the gap in funding between local and mainland firms is increasing.

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<sup>5</sup> "Value added" refers to the contribution of labor and capital from one economic activity to overall economic production. See: <https://data.oecd.org/natincome/value-added-by-activity.htm>

Figure 1: Accumulated Post Hurricane María Federal Expenditures, by Type of Contractor



Breaking down contract expenditure data by Federal agency shows that the bulk of Federal dollars awarded have been obligated by the Department of the Army (which includes the US Army Corps of Engineers) and the Federal Emergency Management Agency (FEMA) (See Table 1). These two agencies account for 91% of total expenditures— which amounts to 93% of funds procured by US mainland contractors, and 85% of expenditures among contractors from Puerto Rico. It should be noted that while the Department of the Army has allocated around 10.8% of total awards to Puerto Rico contractors, FEMA’s share is less than 8%. In fact, of the 45 Federal agencies that have contracted

recovery work pertaining to Hurricane María, 24 did not award any contracts to Puerto Rico-based firms.

Table 1: Federal Contracts Expenditures for Post-María Reconstruction, by Agency

Awarding Agency	US Mainland Contractors		Puerto Rico Contractors		Total
	Amount	Percent total	Amount	Percent total	
Dept of the Army	\$2,292,389,450	89.24%	\$276,290,870	10.76%	\$2,568,680,320
Federal Emergency Management Agency	\$1,675,173,689	92.07%	\$144,294,174	7.93%	\$1,819,467,863
Defense Logistics Agency	\$160,186,990.70	99.98%	\$28,255.03	0.02%	\$160,215,245.80
U.S. Coast Guard	\$49,093,844.06	95.50%	\$2,315,592.83	4.50%	\$51,409,436.89
Office of Procurement Operations	\$795,886.16	1.73%	\$45,165,507.33	98.27%	\$45,961,393.49
Environmental Protection Agency	\$33,279,262.42	100.00%	\$0.00	0.00%	\$33,279,262.42
Office of Assistant Secretary for Preparedness and Response	\$31,150,996.08	100.00%	\$0.00	0.00%	\$31,150,996.08
Office of the Assistant Secretary for Administration (Asa)	\$14,492,122.90	100.00%	\$0.00	0.00%	\$14,492,122.90
Federal Highway Administration	\$105,955.17	0.83%	\$12,649,872	99.17%	\$12,755,827.17
Public Buildings Service	\$3,316,447.32	41.19%	\$4,736,089.91	58.81%	\$8,052,537.23
Maritime Administration	\$7,728,400.00	100.00%	\$0.00	0.00%	\$7,728,400.00
Veterans Affairs, Department of	\$5,323,289.02	70.17%	\$2,262,955.55	29.83%	\$7,586,244.57
Dept of the Navy	\$5,504,932.16	100.00%	\$0.00	0.00%	\$5,504,932.16
U.S. Customs and Border Protection	\$5,272,383.43	99.25%	\$39,642.00	0.75%	\$5,312,025.43
Federal Acquisition Service	\$4,602,223.52	100.00%	\$0.00	0.00%	\$4,602,223.52
U.S. Immigration and Customs Enforcement	\$4,405,809.84	100.00%	\$0.00	0.00%	\$4,405,809.84
Defense Information Systems Agency (Disa)	\$4,140,482.86	100.00%	\$0.00	0.00%	\$4,140,482.86
Federal Aviation Administration	\$2,062,078.91	66.69%	\$1,030,135.59	33.31%	\$3,092,214.50
Natural Resources Conservation Service	\$53,465.28	2.04%	\$2,564,513.39	97.96%	\$2,617,978.67
Forest Service	\$992,338.82	39.04%	\$1,549,722.34	60.96%	\$2,542,061.16
Us Geological Survey	\$1,786,506.00	98.35%	\$30,000.00	1.65%	\$1,816,506.00
ATF Acquisition and Property Mgmt Div	\$1,643,532.16	100.00%	\$0.00	0.00%	\$1,643,532.16
Small Business Administration	\$1,307,552.95	100.00%	\$0.00	0.00%	\$1,307,552.95
National Oceanic and Atmospheric Administration	\$1,167,327.81	96.69%	\$40,000.00	3.31%	\$1,207,327.81
UStranscom	\$776,695.45	65.15%	\$415,521.04	34.85%	\$1,192,216.49
Agricultural Research Service	\$754,723.00	98.82%	\$9,020.00	1.18%	\$763,743.00
National Institute of Standards and Technology	\$754,775.95	100.00%	\$0.00	0.00%	\$754,775.95
Departmental Offices	\$745,821.50	100.00%	\$0.00	0.00%	\$745,821.50
Federal Bureau of Investigation	\$612,920.48	96.14%	\$24,580.00	3.86%	\$637,500.48
Transportation Security Administration	\$511,413.22	100.00%	\$0.00	0.00%	\$511,413.22
Federal Prison System / Bureau of Prisons	\$400,511.27	88.64%	\$51,325.00	11.36%	\$451,836.27
State, Department of	\$406,398.25	100.00%	\$0.00	0.00%	\$406,398.25
Dept of the Air Force	\$389,651.54	100.00%	\$0.00	0.00%	\$389,651.54
Federal Transit Administration	\$375,356.00	100.00%	\$0.00	0.00%	\$375,356.00
Social Security Administration	\$332,781.73	100.00%	\$0.00	0.00%	\$332,781.73
Dept of Defense Education Activity (DODEA)	\$170,330.00	100.00%	\$0.00	0.00%	\$170,330.00
National Park Service	\$163,845.28	100.00%	\$0.00	0.00%	\$163,845.28

Table 1 (cont.): Federal Contracts Expenditures for Post-María Reconstruction, by Agency

Awarding Agency (cont.)	US Mainland Contractors		Puerto Rico Contractors		Total
	Amount	Percent total	Amount	Percent total	
Centers for Disease Control and Prevention	\$16,854.98	11.39%	\$131,115.33	88.61%	\$147,970.31
Employment and Training Administration	\$0.00	0.00%	\$120,004.88	100.00%	\$120,004.88
U.S. Marshals Service	\$87,331.25	100.00%	\$0.00	0.00%	\$87,331.25
Animal and Plant Health Inspection Service	\$23,980.00	100.00%	\$0.00	0.00%	\$23,980.00
Drug Enforcement Administration	\$21,636.68	100.00%	\$0.00	0.00%	\$21,636.68
Corporation for National and Community Service	\$9,975.04	100.00%	\$0.00	0.00%	\$9,975.04
Internal Revenue Service	\$0.00	0.00%	\$1,880.00	100.00%	\$1,880.00
U.S. Fish and Wildlife Service	-\$1,633.34	100.00%	\$0.00	0.00%	-\$1,633.34
<b>Total</b>	<b>\$4,312,528,33</b>	<b>89.73%</b>	<b>\$493,750,77</b>	<b>10.27%</b>	<b>\$4,806,279,111</b>

### Breakdown by Industrial Sector

A close examination of the awards by six-digit NAICS categories shows that Federal expenditure for Post-María work covers 252 industry sectors. Sorting through the top 20 six-digit NAICS sectors shows a clearer trend on the type of works that are being contracted (see Table 2). The largest share of funds has been allocated for construction work, particularly in building construction, electric power, and roofing. Other relevant sectors include: construction-related services such as engineering services, facility management, inspection services, and equipment wholesale. Other noteworthy activities include: food manufacturing, scientific research and remediation services. These are all seemingly higher value-added activities (with the likely exception of roofing services) that are mostly contracted to US mainland firms. Puerto Rico-based firms have been mostly hired to perform lower value added (although not unimportant) activities such as: waste collection, security services, roofing, and petroleum wholesale.

Figure 2 shows how contracts have been allocated by Federal agency and six-digit NAICS sector. Not surprisingly, most construction-related work has been contracted out by the Department of the Army, while firms hired by FEMA performed tasks primarily related to relief and inspections.

The distribution of tasks by type of contractor can be further confirmed after looking at the “contract product” or service description for the top 10 firms among mainland and Puerto Rico contractors. The top US mainland contractors were hired mainly for construction projects and construction-related activities (see Table 3), while the top Puerto Rico firms were awarded contracts for: waste collection, security, equipment maintenance, fueling, food catering, construction, and equipment wholesale (see Table 4).

Table 2: Post María Federal Expenditure in Contracts for the Top 20 six-digit NAICS Sectors, by Type of Contractors

Six-digit NAICS Description	US Mainland Contractors		Puerto Rico Contractors		Total Amount	Percent of grand total
	Amount	Percent total	Amount	Percent total		
Commercial and Institutional Building Construction	\$1,181,844,885.00	98.93%	\$12,812,104.63	1.07%	\$1,194,656,990.00	24.86%
Power and Communication Line and Related Structures Construction	\$514,522,797.00	99.97%	\$155,693.55	0.03%	\$514,678,490.60	10.71%
Electrical Contractors and Other Wiring Installation Contractors	\$445,853,577.50	99.75%	\$1,124,803.94	0.25%	\$446,978,381.40	9.30%
Engineering Services	\$314,267,781.10	99.89%	\$334,287.71	0.11%	\$314,602,068.80	6.55%
Facilities Support Services	\$271,092,762.50	99.95%	\$125,340.00	0.05%	\$271,218,102.50	5.64%
Building Inspection Services	\$220,323,298.00	99.75%	\$558,970.00	0.25%	\$220,882,268.00	4.60%
Other Waste Collection	\$10,089,909.05	5.95%	\$159,355,365.60	94.05%	\$169,445,274.70	3.53%
Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers	\$152,677,622.50	99.96%	\$56,395.43	0.04%	\$152,734,017.90	3.18%
Roofing Contractors	\$51,666,499.24	36.91%	\$88,324,999.93	63.09%	\$139,991,499.20	2.91%
Perishable Prepared Food Manufacturing	\$135,917,276.80	99.55%	\$612,509.05	0.45%	\$136,529,785.90	2.84%
All Other Information Services	\$108,032,592.90	100.00%	\$0.00	0.00%	\$108,032,592.90	2.25%
Bottled Water Manufacturing	\$99,114,820.63	100.00%	\$0.00	0.00%	\$99,114,820.63	2.06%
All Other Miscellaneous Fabricated Metal Product Manufacturing	\$81,448,979.53	100.00%	\$0.00	0.00%	\$81,448,979.53	1.69%
Security Guards and Patrol Services	\$1,773,958.74	2.42%	\$71,486,197.45	97.58%	\$73,260,156.19	1.52%
Petroleum and Petroleum Products Merchant Wholesalers (Except Bulk Stations and Terminals)	\$22,137,129.87	35.22%	\$40,710,165.70	64.78%	\$62,847,295.57	1.31%
Deep Sea Freight Transportation	\$57,410,290.40	98.79%	\$704,957.64	1.21%	\$58,115,248.04	1.21%
Remediation Services	\$54,375,163.25	99.70%	\$162,241.00	0.30%	\$54,537,404.25	1.13%
Roofing, Siding, and Insulation Material Merchant Wholesalers	\$52,457,276.80	100.00%	\$0.00	0.00%	\$52,457,276.80	1.09%
Navigational Services to Shipping	\$49,665,097.50	94.71%	\$2,773,746.00	5.29%	\$52,438,843.50	1.09%
Research and Development in the Social Sciences and Humanities	\$52,208,665.33	100.00%	\$0.00	0.00%	\$52,208,665.33	1.09%

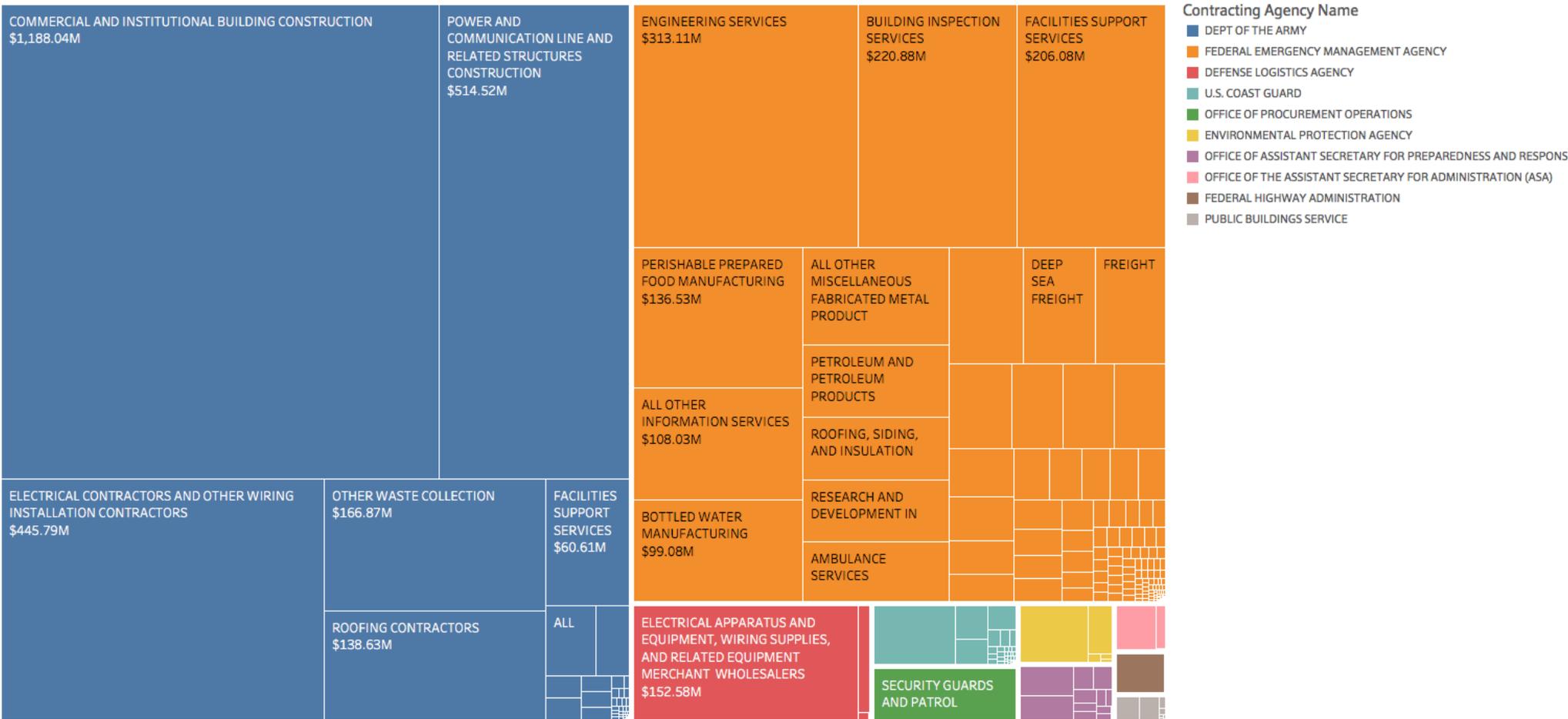


Figure 2: Allocated Post Hurricane María Federal Contracts by Six-digit NAICS Description for the Top 10 Federal Agencies, by Level of Expenditure

Table 3: Top US Mainland Contractors by Total Awards<sup>6</sup>

Vendor Name	Contracting Agency Name	Product or Service Description	Amount awarded	Total award
Fluor Enterprises, Inc	Dept of the Army	Repair or Alteration of Miscellaneous Buildings	\$999,888,548.97	\$1,070,338,926.06
	Federal Emergency Management Agency	Architect and Engineering- General: Other	\$70,450,377.09	
Powersecure, Inc.	Dept of the Army	Miscellaneous Electric Power and Distribution Equipment	\$514,264,847.04	\$514,264,847.04
Louis Berger Group (Domestic), Inc., the	Dept of the Army	Installation of Equipment- Mechanical Power Transmission Equipment	\$445,789,708.48	\$445,789,708.48
Disaster Solutions Alliance, LLC	Federal Emergency Management Agency	Support- Professional: Other	\$162,431,055.44	\$162,431,055.44
Weston Solutions, Inc.	Dept of the Army	Construction of Restoration of Real Property (Public or Private)	\$121,515,719.23	\$128,935,405.48
	Environmental Protection Agency	Environmental Systems Protection- Environmental Remediation	\$7,419,686.25	
Alltech, Inc.	Federal Emergency Management Agency	Inspection- Miscellaneous	\$110,733,496.97	\$110,733,496.97
Vanguard Emergency Management Housing Inspection Services	Federal Emergency Management Agency	Inspection- Miscellaneous	\$109,589,801.00	\$109,589,801.00
CSRA LLC	Federal Emergency Management Agency	Support- Management: Data Collection	\$108,032,592.85	\$108,032,592.85
CH2MHill - CDM Pa-Tac Recovery Services	Federal Emergency Management Agency	Architect and Engineering- General: Other	\$95,432,061.67	\$95,432,061.67
Macro Companies, Inc.	Federal Emergency Management Agency	Petroleum Production and Distribution Equipment	\$81,448,979.53	\$84,159,979.15
	U.S. Customs and Border Protection	Petroleum Production and Distribution Equipment	\$2,710,999.62	

Table 4: Top Puerto Rico Mainland Contractors by Total Awards

Vendor Name	Contracting Agency Name	Product or Service Description	Amount awarded	Total award
Xperts Inc	Dept of the Army	Housekeeping- Other	\$156,790,852.24	\$156,790,852.24
Ranger American of Puerto Rico Inc.	Federal Emergency Management Agency	Support- Professional: Physical Security and Badging	\$5,266,582.25	\$47,445,101.15
	Office of Procurement Operations	Housekeeping- Guard	\$42,178,518.90	
La Casa Del Camionero Inc	Federal Emergency Management Agency	Maint/Repair/Rebuild of Equipment- Tractors	\$15,099.61	\$40,725,265.31
	Federal Emergency Management Agency	Operation of Fuel Storage Buildings	\$40,710,165.70	
Power & Instrumentation Services Inc	Dept of the Army	Construction of Miscellaneous Buildings	\$34,149,271.00	\$34,157,671.00
	Dept of the Army	Generators and Generator Sets, Electrical	\$8,400.00	
Venegas Construction Corp	Dept of the Army	Construction of Miscellaneous Buildings	\$28,000,000.00	\$28,000,000.00
Ceres Caribe Inc.	Dept of the Army	Construction of Miscellaneous Buildings	\$22,000,000.00	\$22,000,000.00
Agma Security Service Inc	Federal Emergency Management Agency	Housekeeping- Guard	\$19,988,241.72	\$19,988,241.72
Carolina Catering Corp	Federal Emergency Management Agency	Composite Food Packages	\$15,056,858.40	\$15,056,858.40
San Diego Project Management PSC	Dept of the Army	Quality Control- Miscellaneous	\$7,993,416.68	\$7,993,416.68
Caribbean Lumber & Hardware, Inc.	Federal Emergency Management Agency	Lumber and Related Basic Wood Materials	\$7,545,454.55	\$7,545,454.55

<sup>6</sup> Numerous firms have been contracted by different agencies to provide more than one kind of product or service.

## Post-Katrina Reconstruction Comparison

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Louisiana’s experience following Hurricane Katrina provides a useful comparison for the following reasons: 1) both hurricanes were highly destructive, although most of the damage created by Katrina was felt in the City of New Orleans<sup>7</sup>; 2) both Puerto Rico and New Orleans were experiencing significant economic hardships prior to the storms; and 3) both recovery processes are perceived as initially sluggish. To ensure that the experiences in Louisiana and Puerto Rico are analytically comparable, we used the same Federal award expenditure data from *usaspending.gov*, using the FPDS national interest identifier for Hurricane Katrina (H05K). The time period examined is identical to that used for the Post Hurricane María analysis, the first 336 days after Hurricane Katrina made landfall. The results suggest striking similarities, but with some significant deviations.

The running total for Federal expenditure in contracts (See Figure 3) for the first 336 days demonstrates, similar to the Puerto Rico case, that barely 11% of the total awards went to Louisiana contractors, while off-state contractors accounted for the remaining 89%. A notable difference is the total Federal procurement spending of almost \$12 billion, which is more than double the amount spent in Federal contracts for post María work during the same length of time.

The top-20 six-digit NAICS sectors (by total expenditure) show a trend similar to the one observed in Puerto Rico (See Table 5)—most are related to construction projects, construction-related services, wholesale, and relief services. However, Louisiana contractors achieved a much larger share in construction-related awards, increasing the potential for high-impact economic activities within the state. Contracting allocated by Federal agency, filtered by six-digit NAICS sector, also shows some differences with respect to Puerto Rico (See Figure 4), as FEMA was the main spender Post-Katrina (especially for relief-related activities), followed by the Department of the Army and the Department of the Navy in construction and waste collection activities. Nonetheless, such discrepancies between the Post-Katrina and Post-María efforts could be due to the geographic and infrastructural particularities of each jurisdiction.

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<sup>7</sup> The National Oceanic and Atmospheric Administration (NOAA) estimated damages due to Hurricane Katrina at \$160 billion: <https://coast.noaa.gov/states/fast-facts/hurricane-costs.html>. The Government of Puerto Rico estimated that roughly \$139 billion are needed to achieve a successful recovery: <http://www.p3.pr.gov/assets/pr-transformation-innovation-plan-congressional-submission-080818.pdf>

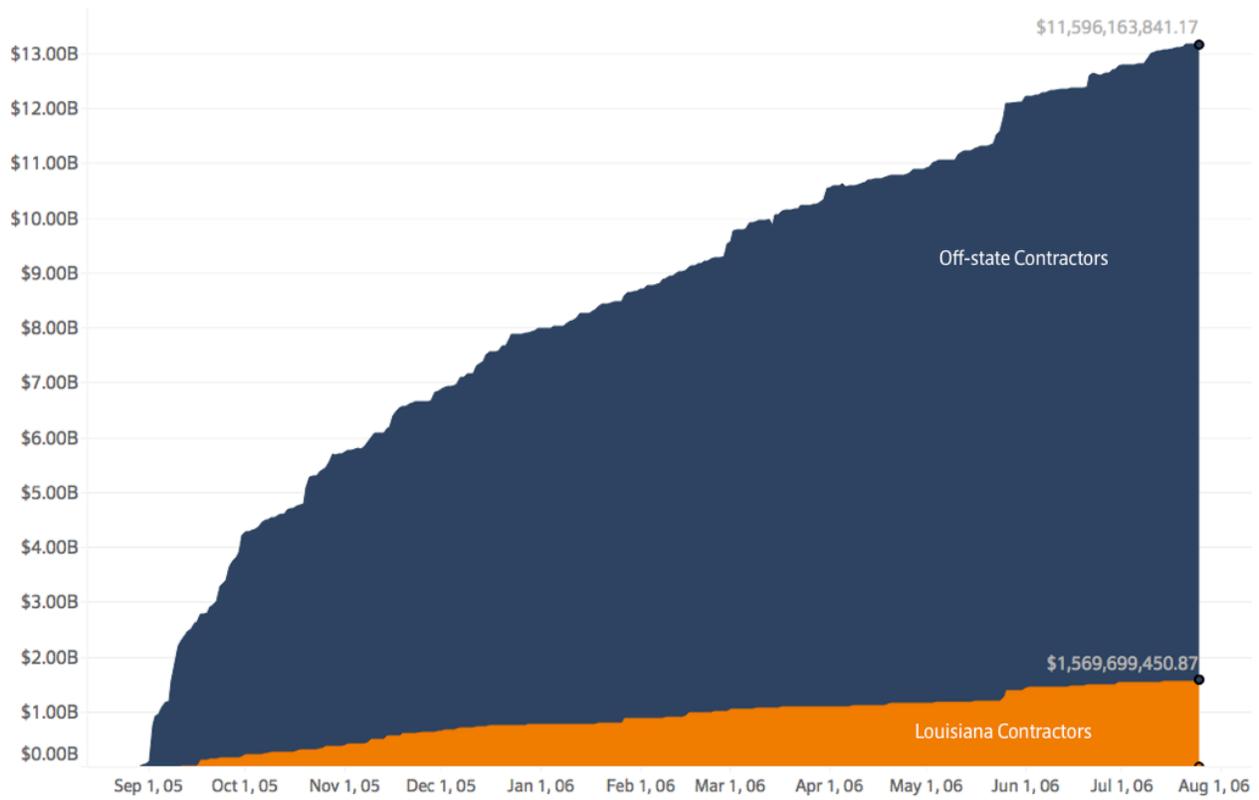


Figure 3: Accumulated Post Hurricane Katrina Federal Expenditures, by Type of Contractor

Table 5: Post Katrina Federal Expenditure in Contracts for the top 20 six-digit NAICS Sectors, by Type of Contractors

Six-digit NAICS Description	Off-state Contractors		Louisiana Contractors		Total	Percent of grand total
	Amount	Percent total	Amount	Percent total	Amount	
					\$1,644,392,312.5	
Other Waste Collection	\$1,642,457,547.56	99.88%	\$1,934,764.98	0.12%	4	12%
Architectural Services	\$1,462,445,083.62	99.12%	\$12,941,388.00	0.88%	2	11%
Travel Trailer and Camper Manufacturing	\$1,215,183,243.64	83.98%	\$231,892,675.65	16.02%	9	11%
All Other Professional, Scientific, and Technical Services	\$1,368,545,199.56	99.54%	\$6,312,153.00	0.46%	6	10%
Facilities Support Services	\$735,256,830.81	73.81%	\$260,838,252.63	26.19%		8%
Commercial and Institutional Building Construction	\$490,586,404.09	97.15%	\$14,393,129.29	2.85%	\$504,979,533.38	4%
Other Heavy and Civil Engineering Construction	\$122,170,589.04	25.49%	\$357,048,396.21	74.51%	\$479,218,985.25	4%
Manufactured Home (Mobile Home) Manufacturing	\$372,681,660.00	99.12%	\$3,297,584.00	0.88%	\$375,979,244.00	3%
Hotels (Except Casino Hotels) and Motels	\$292,112,737.28	89.46%	\$34,422,027.75	10.54%	\$326,534,765.03	2%
Recreational Vehicle Dealers	\$242,880,619.69	77.40%	\$70,914,558.32	22.60%	\$313,795,178.01	2%
Remediation Services	\$304,166,157.75	97.54%	\$7,683,110.58	2.46%	\$311,849,268.33	2%
Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing	\$282,513,147.77	97.33%	\$7,752,638.36	2.67%	\$290,265,786.13	2%
Deep Sea Freight Transportation	\$285,483,837.95	100.35%	(\$984,567.41)	-0.35%	\$284,499,270.54	2%
Roofing Contractors	\$207,126,765.16	90.30%	\$22,250,136.20	9.70%	\$229,376,901.36	2%
Specialty Canning	\$158,409,812.45	100.00%	\$0.00	0.00%	\$158,409,812.45	1%
Building Inspection Services	\$156,968,393.00	100.00%	\$0.00	0.00%	\$156,968,393.00	1%
No NAICS Description Specified	\$61,454,290.58	44.44%	\$76,824,876.28	55.56%	\$138,279,166.86	1%
Transportation Equipment and Supplies (Except Motor Vehicle) Merchant Wholesalers	\$52,300,508.18	39.58%	\$79,840,929.00	60.42%	\$132,141,437.18	1%
Lessors of Residential Buildings and Dwellings	\$111,517,988.98	93.23%	\$8,103,490.33	6.77%	\$119,621,479.31	1%
All Other Miscellaneous Waste Management Services	\$111,214,321.65	98.30%	\$1,927,133.36	1.70%	\$113,141,455.01	1%

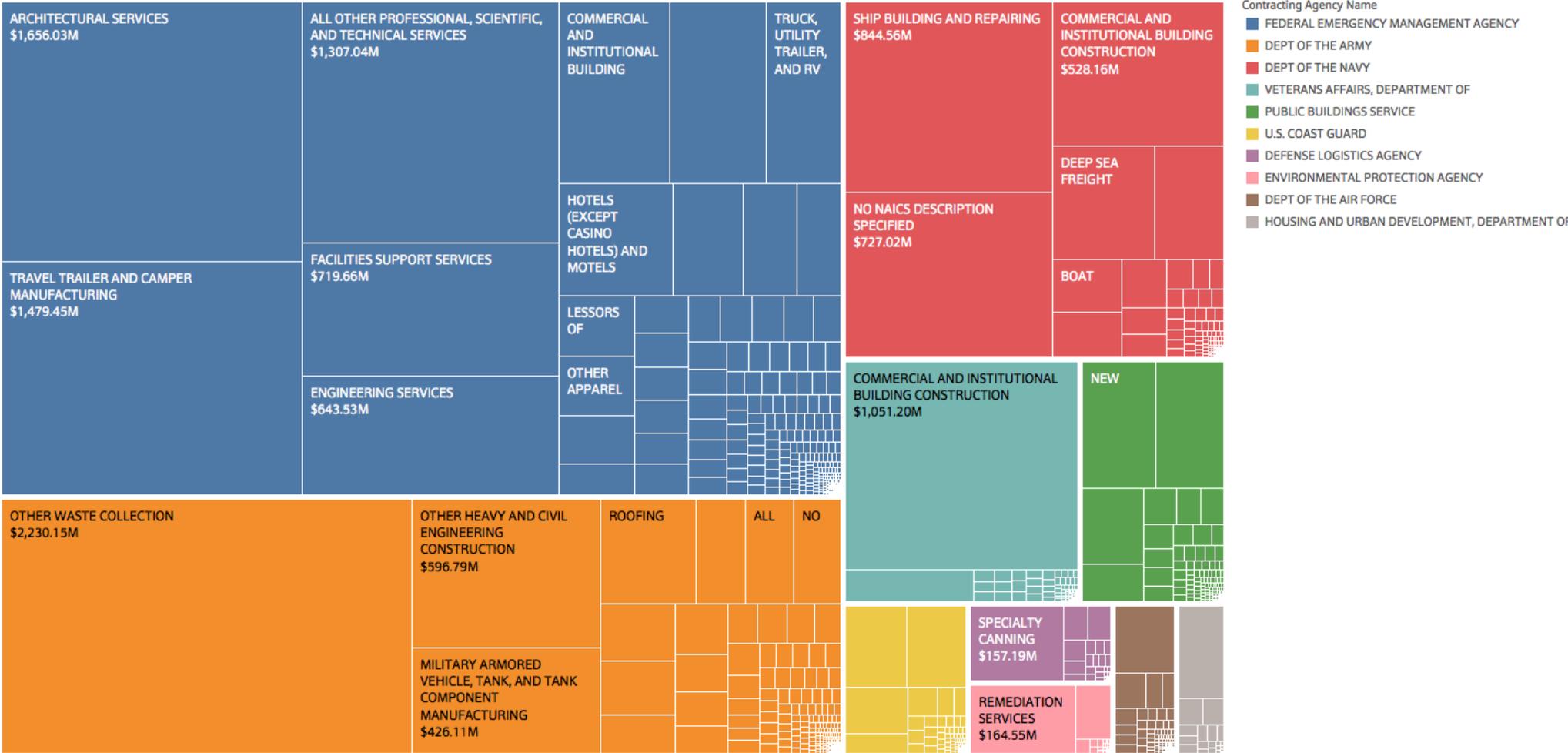


Figure 4: Allocated Post Hurricane Katrina Federal contracts by six-digit NAICS description for the top 10 Federal agencies, by level of expenditure

## Concluding Remarks and Next Steps

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The Federal contracts expenditure data examined thus far demonstrates that the bulk of Federal spending for both relief and reconstruction efforts is not flowing into Puerto Rico-based businesses, and therefore not doing much to pave the way towards an economic upturn. Current Federal spending for post disaster efforts in Puerto Rico, is neither fostering local contracting — contrary to the express requirements of the Stafford Act — or targeted to high-impact industrial sectors. Many of the tasks undertaken by Puerto Rico-based contracted firms are important for relief efforts, but their ability to render long-term economic benefits is limited compared to resilient infrastructure reconstruction activities, high value-added manufacturing, or scientific research.

There are also other negative consequences tied to favoring mainland firms so heavily over local firms. Hiring a greater number of local firms for a longer period of time could provide learning and capacity building opportunities for many of these actors, which could improve their ability to respond and provide their goods and services in the future—in Puerto Rico or elsewhere across the globe.

While it is highly probable that many of the mainland firms are hiring local subcontractors, these firms and individuals are reaping only a fraction of the total contract allotted. Previous investigations have shown how a labyrinthian layer of subcontracts in disaster reconstruction work usually lead to situations where the actual companies or individuals actually doing the work on the ground are paid pennies of each contract dollar, if at all<sup>8</sup>.

The comparison with Post-Katrina procurement shows that, while there are differences in how contracts were allocated when breaking down the data by industrial sectors, the overall trend is almost identical to that of Puerto Rico. Which further proves that Federal procurement practices for post-disaster recovery have a long-standing structure that favors foreign or off-state firms over local, smaller firms that can reap the benefits in having greater economic participation in the recovery and reconstruction process.

Despite the clear mandate of the Stafford Act, the provisions to foster local activity in the post-disaster relief and reconstruction efforts are not being adequately implemented in Puerto Rico. Congress recently approved a policy to increase the Federal contracting of small local firms in Puerto Rico, but the effects of such measures have yet to take place<sup>9</sup>.

Given that a significant amount of Federal funds for reconstruction efforts are yet to be disbursed, CNE will maintain a close watch on local hiring practices, update many of the tables and graphs included in this report, and advance policy solutions that help improve local economic outcomes. Furthermore, future analyses will also look into how agencies within the Government of Puerto Rico—

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<sup>8</sup> Notable case studies can be seen in the contractual arrangements involving roofing works for tarp installations in New Orleans after Hurricane Katrina, where prime contracts were awarded to off-state contractors for as much as \$175 per square foot, while local firms and labor were subcontracted for as little as \$2 per square foot. For further insights on post-Katrina sub-contracting trends see Grantz, Roberta Brandes, “We’re Still Here Ya Bastards: How the People of New Orleans Rebuilt Their City”, Nation Books, and King, Rita J. “Big, Easy Money: Disaster Profiteering on the American Gulf Coast.” A Corpwatch Report.

<sup>9</sup> Congresswoman Nydia Velázquez (D-NY 7th District) authored H.R. 5178: “Puerto Rico Small Business Contracting Assistance Act of 2018”, which was included in the recently approved National Defense Authorization Act, to establish provisions that would help Puerto Rico small businesses secure Federal contracts.

like the local Department of Housing and the Central Office for Recovery, Reconstruction and Resiliency, amongst others—are allocating funds for reconstruction projects.

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