

Opening Statement

Senator Mary Landrieu, Chairman, Subcommittee on Disaster Recovery
“The Role of the Community Development Block Grant Program in Disaster Recovery”

May 20, 2009

Introduction

Good afternoon, and welcome. Today’s hearing of the Subcommittee on Disaster Recovery will examine “The Role of the Community Development Block Grant Program in Disaster Recovery.”

CDBG’s Role in Disaster Recovery

Since 1993, Congress has increasingly used the CDBG program to support short and long-term recovery from natural and manmade disasters, including the L.A. riots and Hurricane Andrew in 1992, Midwest Floods in 1993, Oklahoma City bombing in 1995, Midwest Floods in 1997, terrorist attacks in 2001, Hurricanes Katrina, Rita and Wilma in 2005, and Hurricanes Gustav, Ike, Dolly and the Midwest Floods in 2008. In the past four years alone, Congress has appropriated over \$26 billion dollars in CDBG funds for disaster relief. That makes CDBG the principal means of financing recovery in the United States, which absolutely requires Congress and this subcommittee to closely examine the way those funds have been used and the program’s efficacy overall.

CDBG Program Overview

The CDBG program was created in 1974 by the Housing and Community Development Act, and is administered by HUD. These formula-based grants are allocated annually to more than 1,100 entitlement communities, 50 states, and 5 territories to support neighborhood revitalization, housing rehabilitation, and economic development. Before spending funds, states must submit action plans to HUD for approval. Eligible activities span across a broad range of 25 different categories. That versatility and flexibility, along with the program's statutory objective to meet urgent community needs that pose a serious and immediate threat to the public, have led to CDBG's expanded role in the federal response to emergencies.

Outline of Today's Hearing

More than \$20 billion dollars in emergency CDBG appropriations have gone to the 5 states along the Gulf Coast since 2005 to support recovery from recent hurricanes. In addition to HUD, we have invited state officials here today from the three largest recipients of CDBG funding in the region to offer their perspectives on the program. We have also asked housing advocates from the nonprofit community in those three states to share their experiences assisting applicants and their impression of the states' program management. Community recovery depends upon

more than housing alone, but approximately three-quarters of CDBG disaster relief along the Gulf has been used for housing assistance, so we have decided to include special focus on this element of recovery in our hearing today.

Comparison of Louisiana, Mississippi, and Texas

Housing

Katrina and Rita destroyed 205,000 homes in Louisiana, 61,000 in Mississippi, and 75,000 in Texas. Louisiana has dedicated 83% of its \$13.4 billion for housing programs. Mississippi has dedicated 73% of its \$5.5 billion for housing. Texas dedicated 84% of its \$503 million from Rita to housing, but only 48% of its \$1.3 billion allocation for Ike and Dolly. Louisiana and Mississippi both opted to use a state-managed program model. Texas has utilized a regional, state, and locally-based approach for its three funding rounds, and Louisiana also chose a locally-based approach for its 2008 allocation. Louisiana originally set up a *rehabilitation program* that incentivized applicants to rebuild within the state. Mississippi created a *compensation program* instead, which provides grants without regard for how a recipient will use them. Louisiana switched to a compensation program in 2007 because rehabilitation programs require site-by-site environmental reviews under HUD regulations. Louisiana and Mississippi both created new policy coordinating offices to oversee their housing programs (the Louisiana

Recovery Authority and the Mississippi Governor's Office of Recovery and Renewal). Both states delegated funding administration to separate entities (Louisiana's Office of Community Development and the Mississippi Development Authority). Louisiana established the Road Home Program and Mississippi created the Homeowner Assistance Program. Louisiana and Mississippi have both directed over 80% of their housing assistance to homeowners, which has drawn sharp criticism from advocates who believe that greater resources are needed to create affordable rental housing. Both states capped homeowner grants at \$150,000 and launched homeowner assistance programs before launching programs to assist renters. Texas was forced to cap homeowner grants for Rita at \$65,000 due to inadequate funding. Both states have also commissioned independent reviews of their housing programs to evaluate performance, procedures, and service delivery.

Infrastructure, Economic Development, Long-Term Recovery, and Other Purposes

Mississippi has dedicated a considerably greater portion of its funds than Louisiana for economic development and infrastructure. This has helped to finance projects like the \$570 million revitalization of the Port of Gulfport and a \$641 million overhaul of the coastal region's water and wastewater infrastructure. Louisiana has focused a greater portion of its funds on Long-Term Community Recovery, having spent nearly

all of the \$700 million budgeted for that purpose. Louisiana developed its action plan based on input from more than 20,000 citizens and obtained plan approval from the legislature, whereas Mississippi conducted limited public debate on its initial plans. Both states have used CDBG funds for workforce training, local planning grants, tourism promotion, utility ratepayer relief, and building code inspection and enforcement.

Gulf Coast Funding History

Congress has appropriated \$19.7 billion in CDBG funds for the 2005 hurricanes and another \$6.5 billion for the 2008 hurricanes, for a total of \$26.2 billion. Allocations for the 2005 hurricanes were originally inconsistent with proportional damage suffered by each state until Louisiana received an additional \$3 billion to cover a gap in Road Home funding.

HUD has allocated approximately one-third of the \$6.5 billion in CDBG funds that Congress appropriated last September to fourteen different states that experienced disasters in 2008. The remaining two-thirds has not yet been allocated.

Congress - Allocations to States, Directed Purpose, & Waivers

70% of *regular* CDBG funds must benefit low to moderate income individuals who make less than 80% of Area Median Income. Congress

reduced that threshold to 50% in recent Supplementals though, and HUD waived the requirement completely for the State of Mississippi.

Housing advocates have expressed their frustration with this practice and its potential to divert funding away from housing assistance. Neither appropriations language nor HUD program rules have required that states use a minimum percentage of their CDBG funds for housing, which has prompted some housing advocates to criticize the open-ended nature of the program's use for disaster recovery.

HUD Program Administration

HUD has still not developed a review process for *groups of projects*, such as a group of homes in a single neighborhood. Nor has the agency developed a consolidated review process for *multiple funding streams from different agencies*, such as FEMA Hazard Mitigation money to elevate a home that is also receiving a Road Home grant through CDBG funds. Local officials have also criticized HUD for a lack of program support staff in the field.

Hearing Objectives

We will seek answers to a number of important questions during the course of this afternoon's proceedings.

1) Is CDBG the Right Federal Program for Recovery?

- a) What are the benefits and disadvantages of using CDBG to finance recovery efforts?
- b) How can HUD improve program administration?
- c) How can Congress improve legislative instructions to the agency on specific waivers?

2) Differences Between States

- a) How have Louisiana, Mississippi, and Texas utilized their funding allocations?
- b) Are their housing programs effectively designed to assist homeowners as well as renters and ensure increased availability of affordable housing to low-income residents?
- c) Should states focus housing assistance on compensating homeowners or incentivizing repopulation?
- d) Are economic development projects creating new jobs, increasing economic activity and local tax revenues, and otherwise achieving their intended effects?
- e) Is infrastructure spending based on long-term local planning?
- f) Are mitigation opportunities being identified early in the rebuilding process?

3) Louisiana's Road Home Program

- a) Are Road Home grants being awarded on an accurate and consistent basis?
- b) Is the Road Home appeals process independent, expedient, and fair?
- c) Will there be a surplus in the Road Home budget at the end of the program, and if there is, how should discussions proceed about the disposition of funds?

5) HUD Actions

- a) When will HUD release the remaining two-thirds of the \$6.5 billion that Congress appropriated last fall for 2008 disasters, and why has it taken so long?
- b) Why hasn't the federal government developed a consolidated interagency process for environmental reviews?

6) Funding Restrictions

What is the impact of language in the 2008 CDBG appropriation that prohibits using CDBG funds for a federal match? Should Congress remove that restriction?

Conclusion

I look forward to hearing from our witnesses about the impact of the CDBG program along the Gulf Coast and gaining an enhanced understanding of the actions that Congress, HUD, and state and local governments must take to ensure that funding is effectively targeted to support recovery from previous and future disasters.