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Thank you, Madam Chairman and members of both the Small Business Committee and the Subcommittee on Disaster Recovery, for hearing my testimony today. My name is Fred Tombar, and I am a Senior Advisor to Secretary Shaun Donovan at HUD. It is an honor to join you today to discuss the implementation of HUD disaster recovery measures in the State of Texas.

I first want to express HUD's commitment to the recovery and revitalization of Texas and the Gulf Coast – to ensuring that the resources we've provided are used in the most effective way to help people move back into their homes and revitalize the region. That's a message we sent within weeks of President Obama's inauguration, when HUD brought together partners from across the country to help provide Disaster Housing Assistance Program transitional rental assistance to more than 30,000 families. It's a message that we've continued to send over the past eight months, particularly when we when the Secretary, along with all of HUDs Assistant Secretaries, visited the Gulf Coast on the 4th anniversary of Hurricane Katrina, to view the situation first hand and to brain storm new solutions to help the area move from recovery to revitalization

On July 23, 2008, Hurricane Dolly struck South Texas and northern Mexico. Less than two months later, on September 13, Hurricane Ike made landfall in Texas. These hurricanes were deadly and costly to communities throughout the Gulf Coast and particularly destructive to Texas. In Texas alone, unreimbursed damage was estimated at nearly $30 billion, with almost $3.5 billion needed for housing assistance. Homes, infrastructure, and businesses were damaged and destroyed. Furthermore, industries benefiting the entire nation were deeply impacted – agriculture, forestry, and fishery all suffered devastating losses.

On September 23, 2008, HUD and FEMA executed an inter-agency agreement (IAA) establishing the Disaster Housing Assistance Program (DHAP-Ike) for families impacted by Hurricane Ike. Later this IAA was modified to include families impacted by Hurricane Gustav. The DHAP-Ike program was modeled after the DHAP-Katrina program, with a number of program improvements added based on lessons learned from Hurricane Katrina (for example, continued eligibility assessments and landlord vacancy payments). Under DHAP-Ike, housing assistance payments are paid directly to a landlord on behalf of each family and housing case management is provided that connects each family to services which enable them to transition off of DHAP assistance.

FEMA started referring families for DHAP-Ike assistance on October 15, 2008, and HUD officially began operating the program through its network of participating Public Housing Agencies (PHA) on November 1, 2008. As of September 7, 2009, FEMA has referred 51,624 families for assistance, primarily in Houston, Galveston, and Port Arthur, Texas and Southwestern and Central Louisiana. To date 24,649 (48%) families referred by FEMA have agreed to participate in DHAP-Ike across 104 participating PHAs. The remaining 26,658 (52%) did not agree to participate. Among those that did not agree to participate, 12,627 (47%) were homeowners before Hurricanes Ike and Gustav.

For families that agreed to participate, PHAs worked diligently to quickly process and assist families after their referral from FEMA. There are currently 12,571 (51%) families receiving a housing assistance payment from a PHA, 72% of which are in Texas. There are also 1,334 (5%) families that have agreed to participate but have not executed documents with the PHA to receive a housing assistance payment. PHAs are working with these families to address their housing needs, however most of these families have been in this status for 90 or more days, are most likely no longer interested in the program, and therefore will end their participation. Finally, 10,744 (44%) families ended their participation with the program after initially agreeing to participate, many because their income did not qualify them for continued assistance or they changed their mind and subsequently refused DHAP-Ike assistance.

As part of the case management and continued eligibility processes, families provide information to document their current income. Based on this information, the Department estimates that 9,837 families have incomes below 50% of the Area Median Income in their community, and may be eligible for long-term subsidized housing after DHAP-Ike. Under DHAP-Katrina, Congress appropriated $85 million in special purpose Housing Choice Vouchers (HCV) for eligible DHAP-Katrina families in need of long-term subsidized housing. While there are currently no funds appropriated to address long-term subsidized housing needs among DHAP-Ike families, the Administration is working with its Federal and state partners to develop a plan. DHAP-Ike terminates on March 13, 2010, and the last month that families will receive a housing assistance payment under the program is March 2010.

In addition to the above measures, to address the devastation left in the wake of Hurricanes Ike, Gustav, and Dolly, as well as a range of other natural disasters that occurred in 2008, Congress appropriated $6.5 billion in HUD Community Development Block Grant (CDBG) disaster recovery funding on September 30, 2008. While this appropriation is similar to previous laws enacted for CDBG disaster recovery, it contains several differences. Significantly, it forbids the funds be used by a state or locality as a matching requirement, share, or contribution for any other Federal program. Unlike the CDBG statute or regulations, HUD cannot waive this provision as it was explicitly inserted by Congress in the public law. In addition, Congress expressly stated that the Secretary's waiver authority for these funds does not extend to requirements related to fair housing, nondiscrimination, labor standards, and the environment. HUD does not advocate these waivers and believes that the prerogative to change or modify these provisions belongs to Congress.

After the appropriation, HUD's goal was to get the money to the state grantees as quickly as possible so that the funds could promptly be used in their disaster recovery efforts. This objective was balanced with HUD's role to ensure that the funds were allocated as necessary to the individual grantees. Because the public law provided funds for all presidentially-declared disasters occurring in 2008, HUD began to gather and analyze data from other federal agencies regarding all of the applicable states and disasters following Congress' appropriation. Furthermore, HUD could not determine the full range of possible grantees until the end of the calendar year.

On February 13, 2009, HUD published an initial notice in the Federal Register that contained the allocations of funds and program requirements, including waivers requested by the states and alternative requirements. Of the $6.5 billion appropriation, $2.145 billion was allocated to 14 states, with the largest allocation of $1.314 billion going to the State of Texas.

Even before an initial Federal Register notice is published, states can begin developing their applications – called Action Plans for Disaster Recovery– plans for the use of funds, and then fine-tune those plans after the notice is published and after they have carried out their responsibility to solicit and address comments from the public on the proposed Action Plan. In Texas' case, HUD received the State's Action Plan on March 6, 2009 and approved it the same day. By March 31, 2009, the grant agreement was signed between HUD and the State. Shortly thereafter, the $1.314 billion in CDBG disaster recovery funds was released by HUD and available to Texas. On August 14, 2009, a subsequent notice was published which allocated the remaining funds and granted additional waiver requests to Texas and several other states. The second allocation to the State of Texas for approximately $1.7 billion brings their total allocation of 2008 CDBG Disaster Recovery funds to more than $3.0 billion. The State's Amended Action Plan for the additional funds is due to HUD by September 30, 2009.

Based on the State's initial Action Plan, Texas is distributing the majority of its initial allocation to 11 regional Councils of Government (COGs). Funds not distributed will be used by the State for administration, planning, and the Affordable Rental Housing Stock Restoration Program. Each COG has facilitated its method of distribution so that it can equitably allocate funds to the affected communities. Local communities are, or soon will be, conducting recovery activities under three main categories: (1) restoration and repair of infrastructure and facilities, (2) economic development and revitalization activities, and (3) housing. Economic development includes direct grants or deferred forgivable loans to businesses that were affected by the hurricanes. Housing includes a wide range of activities, including, but not limited to, rehabilitation programs, relocation programs, homelessness prevention programs, affordable rental programs, and interim housing programs.

As part of the Department's commitment to continuously improve the efficiency and effectiveness of our programs, we will soon be undertaking a study to assess the impact of the various approaches used by states in meeting post-disaster housing needs with CDBG disaster recovery funds. The study will take a focused look at the impact of homeowner and rental housing programs by examining the degree to which neighborhoods have been rebuilt and reoccupied at the block level. The results of the study should demonstrate the impact and effectiveness that both compensation-based and rehabilitation-based programs have on returning residents to safer, stronger neighborhoods after a disaster.

In conclusion, CDBG has played a significant role in assisting states and communities with disaster recovery, especially long-term recovery. Over the last four years, we have identified many of the challenges that face our federal-state partnership in quickly administering grant assistance at the individual and neighborhood level. We are dedicated to working through these challenges while ensuring a continued focus on both performance and accountability. Long-term recovery and rebuilding after a disaster is a complex process that requires tough decisions at all levels, as well as the ability to acquire additional capacity to carry them out. But I'm confident that together we can and we will move Texas from recovery to revitalization.

Thank you for the opportunity to appear before the committee. This completes my testimony and I look forward to answering your questions.