

TESTIMONY OF FREDERICK TOMBAR

SENIOR ADVISOR

OFFICE OF THE SECRETARY

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE AD HOC SUBCOMMITTEE ON DISASTER RECOVERY

UNITED STATES SENATE

Thank you, Chairman Landrieu, Ranking Member Graham and members of the Committee 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 administration of Community Development Block Grant or CDBG funds for disaster recovery following Hurricanes Katrina, Rita, Gustav, and Ike. I'm eager to share with you some of the successes of the CDBG program in disaster impacted areas, and I look forward to working with you to improve our efforts for the future.

As I begin my statement, On behalf of Secretary Donovan, I want to express HUD's commitment to seeing the Gulf Coast Recovery through. From the very beginning of this Administration, the Secretary has devoted a great deal of time and energy to the recovery. That effort began with our efforts to ensure disaster survivors receiving assistance through DHAP were able to make a smooth transition off of the program. We worked with your staff, Madam Chairman, and FEMA to provide additional assistance to families until August 31 giving them more time to transition out of the DHAP program, either to self-sufficiency or other federal or state housing programs, including HUD's Housing Choice Voucher (HCV) program. Also, on March 5, the Secretary joined Chairman Landrieu and Secretary Napolitano on a trip to the Gulf Coast to see recovery first hand, and to begin a coordinated effort to boost the recovery effort. You will find that President Obama, along with this Secretary, are absolutely committed to being partners in struggle to help the Gulf Coast to a full and speedy recovery.

Since 1993, CDBG funds have been used as a tool for funding disaster recovery activities of states and communities. Once an appropriation has been made, HUD has responded quickly to allocate funds to eligible governments. In recent years, Congress has directed funding to State governments.

Three supplemental appropriations providing CDBG funds for Gulf Coast disaster recovery purposes have been enacted since Hurricane Katrina's landfall on August 29, 2005, and Hurricane Rita's landfall on September 24, 2005; Hurricane Wilma made landfall a month after that. The first CDBG supplemental provided \$11.5 billion in CDBG disaster recovery funding on December 30, 2005. Within one month, the Department allocated these funds based on areas of highest need and with greatest concentration of destruction. In June 2006, the second CDBG supplemental provided an

additional \$5.2 billion and the Department promptly allocated these funds to the affected states. The third supplemental was signed in November 2007, providing an additional \$3 billion specifically to close the funding gap for the State of Louisiana's "Road Home" homeowner assistance program.

To date, a total of \$19.673 billion in CDBG funding has been appropriated for the five Gulf States impacted by Hurricanes Katrina, Rita, and Wilma. Of this amount, states have proposed to fund housing programs totaling over \$15.4 billion, or 73 percent of the amounts appropriated. In slightly more than three years since the first supplemental appropriation, the states have expended over \$12.2 billion for CDBG recovery activities; over \$11 billion has been disbursed for housing assistance activities. Thus, approximately 89 percent of all funds expended to date have been for housing activities.

The first two CDBG supplemental appropriations were clear in their intent and conferred flexibility upon the states. Traditionally, it is the grant recipients, rather than HUD, that design programs, within the federal constraints, to address local needs but Congress clearly indicated that HUD should waive the normal program parameters to give grantees even greater flexibility to carry out recovery activities within the confines of the CDBG program national objectives.. The first CDBG supplemental stated that HUD must waive all regulations or statutes that could hinder implementation of the states' plans. Only four areas were exempt from this mandate: fair housing, environmental review, civil rights and labor standards. The second supplemental bill modified the direction on waivers to state that HUD may approve waivers.

As Congress intended, the eligible states have substantial flexibility in designing programs within the overall purposes of the legislation, establishing funding levels, and carrying out the activities to achieve their goals. This approach has allowed each of the five states to tailor its recovery programs to best address the needs of its citizens. HUD's primary role has been to provide technical assistance on the federal program requirements and to monitor the use of funds.

HUD has implemented the grants with waivers and alternative requirements that balance flexibility, accountability and performance. A state may establish innovative activities, but must still follow federal financial management requirements. Quarterly performance reports are submitted not only to HUD program staff who use them to track progress but the states must send the reports to Congress and post them on the Internet for transparency purposes.. The largest activities in CDBG history– the Louisiana and Mississippi homeowners' compensation and incentive programs– have been the subject of innumerable compliance and financial reviews from HUD and its Office of Inspector General, state auditors, internal auditors, independent auditors and multiple anti-fraud investigators.

With respect to Hurricane Gustav that made landfall in Louisiana on September 1, 2008, and Hurricane Ike that made landfall in Texas on September 13, 2008, these storms delivered a second blow to areas that had been struck by Hurricanes Katrina and Rita in 2005. In response to these storms and a range of other natural disasters that occurred in

2008, Congress appropriated an additional \$6.5 billion in CDBG disaster recovery funding in September 2008. Of this amount, \$2.145 billion was allocated to 14 states with the largest allocations going to the states of Texas (\$1.314 billion), Louisiana (\$438 million) and Iowa (\$125 million). The grants for these three states have already approved and the funds are available to implement a wide range of long-term recovery efforts. Secretary Donovan intends to allocate the remaining funds in the near future following a review of the allocation processes.

HUD's goal was to get the money to states quickly as possible so the state could act to use the funds for their disaster recovery efforts, but HUD has retained in oversight role to ensure the use of the funds is consistent with national objectives of the program.

Following an appropriation of CDBG funds for disaster recovery, HUD publishes a notice in the Federal Register that contains the allocations of funds and program requirements, including waivers requested by the states and alternative requirements. Subsequent notices are published as the Department grants additional waiver requests from the states. Unless there has been a significant policy or legal issue, HUD has reviewed and responded to those additional waiver requests very quickly.

Even before the initial notices containing allocations and program requirements are published, states can begin developing their applications – called Actions 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 adjudicate comments from the public on the proposed Action Plan. Again, after the Department receives an Action Plan it is reviewed and acted upon very expeditiously– generally within a few weeks. HUD encourages the states to consult with the Department if they have any questions about eligibility of activities or need other technical guidance as they make their decisions on how to structure their programs. The states have the authority and ability to revise funding levels and to shape their programs in response to changes in need and opportunity by amending their Action Plans after going through their citizen participation process.

While not everyone agrees with every program choice the state makes, HUD has found overall compliance with program and financial rules to be very good. A continuous improvement process regularly evaluates obstacles and seeks both short and long term solutions. In addition, fraud and abuse has been minimized thanks to the collective diligence of federal, state, and local officials.

As I said at the beginning of my testimony, CDBG disaster recovery funds have proven to be a tool for assisting states and communities with disaster recovery, especially long-term recovery. Possible activities cover housing, infrastructure, job retention and creation, public services, and more. It has the advantage of providing flexible funding with state and local decision-making and responsibility. The challenges are that disaster recovery activities can be complex, require tough local decisions, and may require grantees to acquire additional capacity to carry them out.

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