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Opportunity, Committee on Financial Services, and the Subcommittee on
Emergency Communications, Preparedness, and Response, Committee on
Homeland Security

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“Examining the Roles and Responsibilities of HUD and FEMA in
Responding to the Affordable Housing Needs of Gulf Coast States following
Emergencies and Natural Disasters”

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Good morning Chairwoman Waters and Chairman Cuellar. My name is Jeffrey Riddel. I am the Director of HUD's Office of Capital Improvements, the office that awards Capital Funds to public housing authorities to maintain and repair their public housing stock. Thank you for the opportunity to testify today.

The Office of Capital Improvements also administers the public housing emergency and natural disaster grant program in accordance with appropriations made by Congress annually as part of the Capital Fund. In Fiscal Year 2008, for public housing nationwide, Congress appropriated \$18.5 million for emergency and natural disasters. Natural disaster grants are made available to housing authorities by application to pay for the repair of public housing damaged or destroyed by natural phenomena, such as hurricanes, flooding or earthquakes. Natural disaster grant funds can be made available to pay for costs that are not otherwise covered by insurance.

I am here today to discuss how best to enable HUD Public Housing Authorities (PHAs) to make necessary repairs following the event of a natural disaster. My testimony will summarize the issues, and then propose a policy option.

The Quality Housing and Work Responsibility Act (QHWRA), enacted in 1998, included a provision, section 9(k), which permitted HUD to award natural disaster grants to housing authorities. It also authorized HUD to make emergency grants to address emergency situations, at public housing projects, that endanger the health and safety of public housing residents.

Section 9(k) directs HUD to set aside not more than two percent of the Capital and Operating funds for "emergencies and other disasters" and "housing needs resulting from any settlement of litigation." However, in every annual appropriations bill since HUD's Fiscal Year 2000 Appropriation Act, Congress has prohibited HUD from using appropriated amounts under section 9(k) and separately appropriated a set-aside amount within the Capital Fund for emergencies and natural disasters. The historical funding levels for the set-aside are shown below:

| Year | Emergency/Disaster Funding |
|------|----------------------------|
| 2000 | \$75,000,000 |
| 2001 | \$75,000,000 |
| 2002 | \$75,000,000 |
| 2003 | \$49,675,000 |
| 2004 | \$39,764,000 |
| 2005 | \$29,760,000 |
| 2006 | \$16,830,000 |
| 2007 | \$16,825,000 |
| 2008 | \$18,500,000 |

The funding has declined significantly from highs of \$75 million from Fiscal Year 2000 through Fiscal Year 2002 to a low of \$16.8 million last year. In 2004, four hurricanes struck the state of Florida and completely depleted the \$39.8 million in funding available that year. In 2005, Hurricanes Katrina and Rita struck the Gulf Coast, and the disaster funding available that year was completely inadequate to restore public housing damaged or destroyed. Hurricane Wilma

struck Florida during the first month of Fiscal Year 2006 and substantially depleted the \$16.8 million available at that time. The current funding level of \$18.5 million, while an increase from Fiscal Year 2006 and 2007 levels, would not be sufficient to meet the needs of disasters such as those that have occurred in recent years.

The PHAs losses from hurricanes and other disasters are mitigated to a large extent by HUD's regulatory requirement that ". . . PHAs maintain specified insurance coverage for property and casualty losses that would jeopardize the financial stability of the PHAs." The size and scale of these hurricanes tested that requirement. HUD found the insurance proceeds insufficient in some cases, such as with the most of the portfolio of the Housing Authority of New Orleans. In other cases, the insurance proceeds did or will cover most of the rebuilding.

PHAs that faced funding shortfalls due to insufficient insurance proceeds and HUD disaster grant funding have sought public assistance funding from FEMA pursuant to section 406 of the Stafford Act. In the late 1990s, HUD and FEMA officials signed a "joint coordination letter" that addressed the procedures for public housing authorities obtaining "essential assistance" (e.g. debris removal, demolition of unsafe structures which endanger the public, etc.) pursuant to section 403 of the Stafford Act and providing FEMA with public assistance under Section 9(k) of the Housing Act, but the joint coordination letter did not address the issue of FEMA public assistance (e.g. reconstruction and long-term repair assistance) under section 406 of the Stafford Act. In 2007, HUD developed a proposed Memorandum of Agreement (MOA) between itself and FEMA that would have made it possible for public housing authorities to apply for FEMA assistance pursuant to section 406 of the Stafford Act as a last resort when funding from insurance proceeds and disaster grants from HUD were inadequate. However, because Section 9(k) exists, Section 406 funding is not available to public housing authorities because it violates appropriation law by augmenting Congress's appropriation for natural disasters in the Capital Fund. Also, in recent appropriations Congress has provided set-aside funding for disaster grants. In a sense, Congress has made a deliberate decision to provide for disaster assistance separately and that to award Stafford Act assistance in such situations would be to interfere with Congressional intent.

HUD and FEMA are working together to identify alternatives to address HUD's need for repair assistance for public housing facilities under HUD's authority in section 9(k) of the U.S. Housing Act of 1937. In recent years, the President's budget has proposed eliminating both the portion of section 9(k) that provides for disaster grant funding and the set-aside for disaster grants in an attempt to alleviate confusion about disaster assistance and make it possible for housing authorities to have access to Section 406 Stafford Act funding. HUD believes that if Congress were to follow this course, there would be no separate disaster funding provided for public housing and, consequently, FEMA would no longer be "augmenting" another appropriation by providing Stafford Act assistance. Therefore, one potential solution to disaster funding shortfalls for public housing authorities would be the permanent repeal or amendment of Section 9(k), with the additional stipulation that no funding be appropriated for natural disasters. However, this would mean that the responsibility and policy of funding recoveries of uninsured damages to public housing authorities following Presidentially-declared natural disasters would be placed on FEMA.

Thank you for the opportunity to appear today. I would be happy to respond to any questions that you might have.