



Highlights of [GAO-09-541](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

Almost 4 years after the 2005 Gulf Coast hurricanes, the region continues to face daunting rebuilding challenges. To date, \$19.7 billion in Community Development Block Grant (CDBG) funds have been appropriated for Gulf Coast rebuilding assistance—the largest amount in the history of the program. GAO was asked to report on (1) how Louisiana and Mississippi allocated their shares of CDBG funds, (2) what difficulties Louisiana faced in administering its housing recovery program, and (3) what human capital challenges Louisiana and Mississippi encountered and the efforts taken to address those challenges. GAO interviewed federal and state officials and reviewed budget data, federal regulations, and state policies and planning documents.

## What GAO Recommends

GAO recommends that the Secretary of Housing and Urban Development (HUD): (1) issue written CDBG disaster assistance program guidance that articulates an acceptable rehabilitation versus compensation program, including, among other things, explanation of program elements that trigger federal environmental reviews and (2) coordinate with the Federal Emergency Management Agency (FEMA) to clarify options and limits of using CDBG funds with other disaster-related federal funds. HUD partially agreed with the recommendations, citing concerns about the content and timing of new guidance. GAO believes such guidance would better aid states' housing recovery efforts.

View [GAO-09-541](#) or key components. For more information, contact Stanley J. Czerwinski at (202) 512-6806 or [czerwinkis@gao.gov](mailto:czerwinkis@gao.gov)

# GULF COAST DISASTER RECOVERY

## Community Development Block Grant Program Guidance to States Needs to Be Improved

### What GAO Found

Louisiana and Mississippi received the largest shares of CDBG disaster funds and targeted the majority toward homeowner assistance, allocating the rest to economic development, infrastructure, and other projects. Between 2006 and 2008, Louisiana's total allocation devoted to housing increased from 77 to 86 percent while Mississippi's decreased from 63 to 52 percent as the state focused on economic development. With homeowners as the primary focus, Louisiana initially adopted a plan that linked federal funds to home reconstruction and controlled the flow of funds to homeowners, while Mississippi paid homeowners for their losses regardless of their intentions to rebuild. This helped Mississippi avoid challenges that Louisiana would encounter, but with fewer assurances that people would actually rebuild.

Louisiana's approach to housing recovery created a program that incorporated certain elements from two different models—compensation and rehabilitation—funded with multiple federal funding streams. While there is no written guidance that distinguishes between the two models, HUD explained the major differences. In a rehabilitation model, funds are used explicitly for repairs or reconstruction, requiring site-specific environmental reviews. In contrast, a compensation program disburses funds directly to homeowners for damages suffered regardless of whether they intend to rebuild and does not trigger site-specific environmental reviews.

Federal guidance was insufficient to address Louisiana's program and funding designs. Two major problems stemmed from the state's approach. First, HUD and the state disagreed as to whether the incremental disbursement of funds subjected homeowners' properties to environmental reviews. Despite many iterations of the program, HUD ordered a cease and desist of the program, leading the state to abandon its original plans and issue lump-sum payments to recipients. Continual revision and re-submittal of the design contributed to a 12-month evolution of the program. Second, conflicting federal determinations hindered coordination of CDBG and FEMA's Hazard Mitigation Grant Program (HMGP) funds. According to state officials, the Federal Coordinator for Gulf Coast Rebuilding advised them to use most of the HMGP funds to acquire properties through their housing recovery program. FEMA rejected this plan, in part, because it determined that the program gave preference to the elderly. However, HUD is subject to similar legal requirements and did not find the program discriminatory. Louisiana changed its plans and used HMGP funds for a home elevation program. In sum, it took FEMA and the state over a year to reach agreement, delaying assistance to homeowners.

In the immediate aftermath of the 2005 hurricanes, Louisiana and Mississippi lacked sufficient capacity to suddenly administer and manage CDBG programs of such unprecedented size. Both states created new offices to direct disaster recovery efforts and hired additional state agency staff and private contractors to implement homeowner assistance programs.