

# CRS Report for Congress

## The Louisiana Road Home Program: Federal Aid for State Disaster Housing Assistance Programs

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## Summary

The devastation resulting from Hurricane Katrina created an unprecedented housing crisis in the Gulf Coast region. In response to this need, Congress appropriated funds to address disaster-related housing needs in the coastal states. At the state level, Louisiana developed a homeowner's assistance program (HAP) under its Road Home recovery initiative. One source of funding for the Road Home program is the Community Development Block Grant (CDBG) program administered by the Department of Housing and Urban Development (HUD). Between December 2005 and November 2007, Congress appropriated \$16.7 billion for the Community Development Block Grant program, of which \$13.41 billion would go to the state of Louisiana to help with housing recovery in the state. CDBG appropriations currently provide the core funding for the Road Home program. In addition, federal funding is being sought from other programs to supplement the CDBG funds.

Legislation pending before Congress would address components of the Road Home program. The majority of these bills pertain to the use of Hazard Mitigation Grant Program (HMGP) funds administered by the Federal Emergency Management Agency (FEMA). These bills include the following:

- S. 825, a bill to provide additional funds for the Road Home Program;
- S. 1541, providing for Commonsense Rebuilding Act of 2007;
- S. 1897, a bill to allow for expanded use of funding allocated to Louisiana under the hazard mitigation program;
- S. 1668, Gulf Coast Housing Recovery Act of 2007;
- S. 2028, Louisiana Road Home Act;
- S. 2445, SMART RESPONSE Act; and
- H.R. 1227, Gulf Coast Hurricane Housing Recovery Act of 2007.

Issues other than funding that Congress may wish to consider include waiving HMGP regulatory provisions, federal agency information sharing, redundancy of disaster inspections, standardizing program cost projections, and cost and availability of hazard insurance.

This report will be updated as events warrant.

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# The Louisiana Road Home Program: Federal Aid for State Disaster Housing Assistance Programs

## Introduction

On August 29, 2005, Hurricane Katrina made landfall in Louisiana, affected an area of 90,000 square miles, caused an estimated 1,577 deaths, and damaged or destroyed over 300,000 homes in the coastal region.<sup>1</sup> On September 24, 2005, Hurricane Rita made landfall and caused additional damage to the areas affected by Hurricane Katrina. The devastation created an unprecedented housing crisis in the affected areas, especially in Louisiana. Subsequently, both Congress and the state of Louisiana took action to begin recovery from the devastation of Hurricanes Katrina and Rita. Between December 2005 and November 2007, Congress appropriated \$16.7 billion for the Community Development Block Grant program (CDBG), of which \$13.41 billion would go to the state of Louisiana to help with housing recovery in the state.<sup>2</sup> The state of Louisiana developed a disaster-related housing program known as the Road Home. The Road Home housing program consists of four components that address the Katrina-related housing needs:

- the Louisiana Homeowners Assistance Program (HAP);
- the Workforce and Affordable Rental Housing Program;
- the Restoration of Homeless Supports and Housing Program; and
- the Developer Incentives Program.<sup>3</sup>

The HAP component of the Road Home program uses the largest portion of the Road Home funding and provides the mechanism for distributing assistance to

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<sup>1</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Hurricane Katrina: A Nation Still Unprepared*, special report, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., S.Rept. 109-322 (Washington: GPO, 2007), p. 37.

<sup>2</sup> P.L. 109-148, 119 Stat. 2779, Defense Appropriations Act for FY2006; P.L. 109-234, 120 Stat. 472, Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery Act of 2006; P.L. 110-116, 121 Stat. 1343, Department of Defense Appropriations Act, 2008.

<sup>3</sup> Louisiana Recovery Authority, *The Road Home Housing Programs Action Plan Amendment for Disaster Recovery Funds* (Louisiana: 2006). The Workforce and Affordable Rental Housing Programs includes a low-income housing tax credit “piggyback” program, services funding for supportive housing, flexible incentives for mixed income development, and the small rental property repair program. The Restoration of Homeless Supports and Housing program addresses the increased risks and demands related to homelessness. The Developer Incentives program includes a housing development loan fund, land assembly operations, support for faith-based and community-based housing recovery programs, and funding of building code enforcement by local governments.

homeowners in Louisiana to repair or replace their homes.<sup>4</sup> Currently, CDBG funds provide the core funding for the Road Home program, but additional funding is being sought to supplement the CDBG funds in order to expand the HAP component of the Road Home. To this end, legislation before Congress would address the use of Hazard Mitigation Grant Program (HMGP) funds for the HAP component.

This report discusses funding for the Road Home program and related activities. However, before focusing on funding issues, the report discusses the HAP component of the Road Home program, which is the program's largest and most controversial.

## Louisiana Homeowners Assistance Program

Louisiana residents whose homes were damaged by Hurricanes Katrina or Rita may be eligible for the Louisiana HAP administered by the Louisiana Recovery Authority. Program funds assist eligible owners or occupants to repair, rebuild, buy, or sell damaged properties.

**Program Eligibility.** To be eligible, owners in Louisiana must meet the following conditions:

- the damaged home must be located in one of the 37 parishes designated in the Homeowner Program policies document;<sup>5</sup>
- the owner must be able to prove that he or she owned and occupied the property as a primary residence prior to August 29, 2005 (for Hurricane Katrina related damages) or September 24, 2005 (for Hurricane Rita related damages);<sup>6</sup>
- the owner must be in a single-unit or double unit structure, town home, manufactured housing (mobile home) unit, or condominium; and,<sup>7</sup>
- the property must have sustained at least \$5,200 in damage from Hurricanes Katrina or Rita.<sup>8</sup>

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<sup>4</sup> This report solely addresses HAP because that program primarily operates with federal funding and is the focus of congressional scrutiny. While HAP is one component of the Road Home housing program, it is sometimes referred to as the Road Home program in discussions that address only the homeowners assistance element of the program. For the purposes of this report, the Road Home program refers to all four components of the program and HAP refers only to the homeowners assistance component.

<sup>5</sup> State of Louisiana, Office of Community Development, *The Road Home Homeowner Program*, (Louisiana, January 4, 2008), p. 1, located at [[http://www.road2la.org/Docs/policies/Homeowner\\_Program\\_Policies\\_1-4-08\\_v5.1.pdf](http://www.road2la.org/Docs/policies/Homeowner_Program_Policies_1-4-08_v5.1.pdf)].

<sup>6</sup> Ibid.

<sup>7</sup> Ibid, pp. 4-5.

<sup>8</sup> Ibid, p. 5. Louisiana Recovery Authority program guidelines originally required that the applicant register for FEMA Individual Assistance (42 U.S.C. 5174) and that the home be categorized by FEMA as having been “destroyed” or having suffered “major” damage. Homeowners approved by FEMA for \$5,200 or more in FEMA home repair assistance or (continued...)

**Covenants Required to Receive Assistance.** The Louisiana HAP program requires recipients of assistance to sign a legally binding covenant stating that they have complied or will comply with the following obligations within three years of the date of execution of the covenant. If the recipient fails to comply with the covenants, the recipient will be required to pay back the entire grant amount. The covenants state that:

- repairs made to the home occupied by a recipient must conform with the minimal local building codes in place at the time the repairs were made if such repairs were completed prior to execution of the covenant agreement;
- repairs made to the home occupied by a recipient must conform with the minimum standards set by the 2003 International Residential Building Code if such repairs were made after execution of the covenant agreement;
- the home occupied by a recipient must comply with the base flood elevation requirement adopted by the local government;<sup>9</sup>
- the home must remain owner-occupied for at least three years from the date of execution of the award documents;
- residential hazard insurance must be maintained on the home occupied by a recipient;
- flood insurance must be maintained in perpetuity if the home is located in a flood zone; and
- claims for unpaid and outstanding insurance claims will be subrogated, or transferred, back to the program.<sup>10</sup>

**Program Assistance Amounts.** The maximum amount of assistance under Louisiana HAP is \$150,000 per application.<sup>11</sup> The formula used to calculate the amount to be provided to grant recipients varies based upon the program option agreement they choose.

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<sup>8</sup> (...continued)

for a buyout had to fit into one of these categories. In response to concerns raised by program applicants, current program guidelines now provide that homeowners who did not meet these criteria because they did not qualify for FEMA assistance may appeal their eligibility for the HAP program. Homeowners who did not register with FEMA may be eligible based on the home evaluation and a determination by Road Home officials that the \$5,200 damage threshold was met.

<sup>9</sup> A Base Flood Elevation (BFE) is the height or average depth of the base flood, usually in feet, above the ground surface.

<sup>10</sup> State of Louisiana, Office of Community Development, *The Road Home Homeowner Program*, (Louisiana, January 4, 2008), p. 43.

<sup>11</sup> *Ibid*, p. 22.

**Option 1: Stay in the home.** Under Option 1, the homeowner chooses to stay in home and is provided compensation for repair or rebuilding costs. Option 1 is based on the lesser amount of:

- the uncompensated damage cost minus any other compensation the recipient has received for loss to the structure; or
- the uncompensated loss based upon the pre-storm value minus any other compensation the recipient received for loss to the structure, up to \$150,000.<sup>12</sup>

**Option 2: Relocate.** Under Option 2, the homeowner chooses to sell to the State of Louisiana and become an owner-occupant in another home in Louisiana.

*For homes that sustained damage totaling less than 51% of the pre-storm value.* Compensation is based upon the lesser amount of:

- the uncompensated cost of damage minus any other compensation received on the loss to the structure; or
- the uncompensated loss based upon the pre-storm value minus any other compensation the recipient received for loss to the structure, up to \$150,000.<sup>13</sup>

*For homes that sustained damage equal to or greater than 51% of the pre-storm value.* Compensation is the pre-storm value minus any other compensation the recipient received for loss to the structure, up to \$150,000.<sup>14</sup>

**Option 3: Sell.** Under Option 3, the homeowner chooses to sell to the State of Louisiana and move out of the state, or become a renter.

*For homes that sustained damage totaling less than 51% of the pre-storm value.* Compensation is based upon the lesser amount of:

- the uncompensated cost of damage minus any other compensation received on the loss to the structure; or
- 60% of the pre-storm value minus any other compensation the recipient received for loss to the structure, up to \$150,000.<sup>15</sup>

*For homes that sustained damage equal to or greater than 51% of the pre-storm value.* Unless the homeowner meets certain age requirements, compensation is 60% of the pre-storm value minus any other compensation the recipient received for loss to the structure, up to \$150,000.<sup>16</sup>

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid, p. 23.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid. By calculating the compensation amount based upon 60% of the pre-storm value for  
(continued...)

**Insurance Penalty Deduction.** Unless a community opts out of participation in the National Flood Insurance Program (NFIP), homeowners residing in flood plains are required to carry flood insurance. There will be a 30% deduction in the homeowners compensation grant amount where flood hazard insurance was not carried by the homeowner prior to Hurricanes Katrina or Rita.<sup>17</sup>

## Funding for the Road Home Program

Congress has appropriated \$19.7 billion in CDBG disaster assistance to be used for expenses related to disaster relief, long-term recovery, and the restoration of infrastructure in the states affected by Hurricanes Katrina, Rita, and Wilma. Of this total, Louisiana has received \$13.4 billion (68%) that may be used for the Road Home program or a variety of other recovery programs that provide disaster relief, long-term recovery, and restoration of infrastructure, as detailed in **Table 1**.<sup>18</sup> A comprehensive evaluation of the amount of CDBG funds that have been budgeted by Louisiana for the Road Home program is not yet possible since the 2007 quarterly reports provided by the state pursuant to the CDBG reporting requirements do not include data for the latest appropriations provided under P.L. 110-116.<sup>19</sup>

**Table 1. Allocation of CDBG Disaster Relief Assistance, Hurricanes Katrina and Rita**

Public Law	Intended use of funds	Louisiana Allocation
109-148	“For necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of hurricanes in the Gulf of Mexico in 2005 in States for which the President declared a major disaster...to remain available until expended.” <sup>20</sup> (119 Stat. 2779)	\$6,210,000,000 <sup>a</sup>

<sup>16</sup> (...continued)

recipients that choose Option 3, recipients are incurring a 40% penalty for choosing to move out of the State of Louisiana. The 40% penalty is waived for recipients who were 65 years old or older as of December 31, 2005.

<sup>17</sup> Ibid.

<sup>18</sup> Several recovery programs are detailed in the quarterly performance reports provided to HUD in compliance with the reporting requirements under CDBG.

<sup>19</sup> State of Louisiana, *July 1, 2007 through September 30, 2007 Performance Report* (Louisiana: 2007). Based upon the 3<sup>rd</sup> quarter performance reports for appropriations provided through CDBG under P.L. 109-148 and P.L. 109-234, approximately \$6.360 billion of the total CDBG recovery grant funds budgeted are to be used for HAP.

<sup>20</sup> The Road Home program falls under the long-term recovery component of the intended use of funds.



Public Law	Intended use of funds	Louisiana Allocation
109-234	“For necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricanes Katrina, Rita, or Wilma...to remain available until expended.” (120 Stat. 472)	\$4,200,000,000 <sup>b</sup>
110-116	“To remain available until expended...solely for the purpose of covering costs associated with otherwise uncompensated but eligible claims that were filed on or before July 31, 2007, under the Road Home program administered by the State in accordance with plans approved by the Secretary (of HUD).”(121 Stat. 1343).	\$3,000,000,000
	<b>Total</b>	<b>\$13,410,000,000</b>

a. P.L. 109-148 states that no state shall receive more than 54% of the appropriated amount (which was \$11.5 billion). Louisiana received the maximum amount.

b. P.L. 109-234 states that no state shall receive more than \$4.2 billion. Louisiana received the maximum amount.

**Source:** U.S. Department of Housing and Urban Development, *Federal Register*, Oct. 30, 2006, vol. 71, no. 209, p. 63338; U.S. Department of Housing and Urban Development, *Federal Register*, February 13, 2006, vol. 71, no. 29, p. 7666.

Of the three public laws that appropriated CDBG disaster assistance, P.L. 109-148 and P.L. 109-234 appear to provide for a more general use of funds within the scope of disaster relief, long-term recovery, and the restoration of infrastructure. While the language within the statutes does not expressly appropriate funds to the Louisiana HAP, there is no statutory element that would prohibit the use of funds for the program. By comparison, P.L. 110-116 provides more specific language that appropriates the funds solely for costs associated with the Road Home program. Currently, CDBG provides the core funding for the Road Home program. However, efforts are being made to expand the Louisiana HAP through federal funding that would supplement CDBG funding. Congressional activity has focused on the use of HMGP funding to expand the Louisiana HAP. FEMA has estimated that Louisiana will be eligible for over \$1.47 billion in HMGP funding under the major disaster declarations for Hurricanes Katrina and Rita.<sup>21</sup> Louisiana submitted an application for \$1.2 billion in HMGP funding for the Road Home program that is still pending FEMA approval. The discussion of program costs provided in **Table 1** and **Table 2** of this report, below, does not include any amounts associated with activities that would use HMGP funding.

**Projecting Program Funding Levels.** According to the Proposed Action Plan developed by Governor Kathleen B. Blanco and the Louisiana Recovery

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<sup>21</sup> Testimony of David I. Maurstad, Assistant Administrator Mitigation, Federal Emergency Management Agency, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana’s Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

Authority, the Louisiana Road Home program (which includes all four elements) was initially projected to be fully funded at \$8.08 billion.<sup>22</sup> The Homeowner's Assistance Program portion of the Road Home program was to be fully funded at \$6.347 billion (approximately 78% of total Road Home funding).<sup>23</sup>

In May 2007, the Louisiana Recovery Authority reported an initial budget of \$7.5 billion for HAP. This amount falls short of the current projection of \$10.4 billion, excluding any additional funding that may become available from the HMGP.<sup>24</sup> To date, the Road Home program has received \$13.4 billion in federal funding (see **Table 1**) that could be used to fund the Road Home program, including the Homeowners Assistance portion of the program, with an additional \$1.2 billion in HMGP funding that may become available. This will result in approximately \$14.6 billion in federal funding that may be available to fund the Road Home program.

**Program Funding Projection Differentials and Use of Data.** There is a difference of approximately \$6.3 billion between the initial program funding projections and the current funding projections. Road Home officials have suggested that this difference is the result of changes in the data used to project program costs including an unexpectedly high number of applicants, the inclusion of wind damaged homes in the program, and a higher than anticipated average award amount.

The initial program funding projections made by the State of Louisiana were based on “the best available information on housing needs, housing costs, potential public funding, and the ability of the programs to leverage private resources.”<sup>25</sup> **Table 2** provides information on projections of eligible households and the total funding based on data attained by FEMA, the LRA, and ICF corporation (the contractor administering the Road Home program).

The projections used for the state's initial funding request appear to be largely based on owner-occupied damage estimates for both insured and uninsured losses for flood and wind damage.<sup>26</sup> FEMA, the Small Business Administration (SBA), and the National Flood Insurance Program (NFIP) are identified as sources of data used to calculate the \$9.4 billion initial projection. This projection seems to conflict with the initial homeowners assistance program funding projections presented in the State's CDBG Action Plan, which suggested that the homeowners assistance program under the Road Home program would be fully funded at \$6.347 billion.<sup>27</sup> It appears that

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<sup>22</sup> Louisiana Recovery Authority, *The Road Home Housing Programs Action Plan Amendment for Disaster Recovery Funds* (Louisiana: 2006), p. 4.

<sup>23</sup> Ibid.

<sup>24</sup> Testimony of Andrew Kopplin, Executive Director of the Louisiana Recovery Authority, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana's Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

<sup>25</sup> Louisiana Recovery Authority, *The Road Home Housing Programs Action Plan Amendment for Disaster Recovery Funds* (Louisiana: 2006), p. 3.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid, p. 4. The initial funding projection of \$6.347 billion is not reflected in Table 2 (continued...)

after negotiation with the Federal Coordinator for the Office of Gulf Coast Rebuilding for the Department of Homeland Security, the parties agreed that the appropriate amount of initial program funding should have been \$7.5 billion.<sup>28</sup>

**Table 2. Estimation of Program Costs Based on Number of Households Eligible for the Road Home Homeowners Assistance Program**

Data Source	Projected Number of Eligible Households	Approx. Date of Projection	Total Costs		
			Initial Projected Average Award Amount (\$70,000)	May 2007 Projected Average Award Amount (\$74,173)	Actual ICF Average Award Amount (\$62,224)
Federal Emergency Management Agency: Inspections Data	122,592	Initial Damage Assessment 2005	\$8.5 billion	\$9.09 billion	\$7.6 billion
Federal Emergency Management Agency: Revised Inspections Data	120,560	Dec. 2006	\$8.4 billion	\$8.9 billion	\$7.5 billion
Louisiana Recovery Authority: CDBG Action Plan	128,000 <sup>a</sup>	Jan. 2006	\$8.96 billion	\$9.49 billion	\$7.96 billion
Louisiana Recovery Authority: ICF Eligible Applicants Projections	132,215	May 2007	\$9.25 billion	\$9.80 billion	\$8.22 billion

a. Louisiana initially stated that it would assume that it would serve 95% of the owner-occupied homes that FEMA determined to have “major” or “severe” damage. Based on Dec. 2006 FEMA projections of 120,560, 114,532 households could be eligible.

**Source:** Louisiana Recovery Authority, *The Road Home Housing Programs Action Plan Amendment for Disaster Recovery Funds* (Louisiana: 2006); Testimony of Andrew Kopplin, Executive Director Louisiana Recovery Authority, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana’s Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

<sup>27</sup> (...continued)

because it was an early unsubstantiated projection.

<sup>28</sup> Ibid.

## Issues of Potential Congressional Interest

Several concerns and issues have been raised by Louisiana residents, some Members of Congress, the private sector, and public officials regarding the development and implementation of the Road Home program.

**Use of HMGP Funds.** Currently there are several bills pending before Congress that would address the use of HMGP funds administered by FEMA. These bills include the following.

- S. 825 would make HMGP funds available to Louisiana for use under the Road Home program pursuant to specified terms as approved by the Secretary of HUD under provisions of the Community Development Fund.<sup>29</sup>
- S. 1541 would prohibit FEMA from restricting the use of HMGP funds for the Road Home program based on program requirements that limit the amount of funds for homeowners who do not agree to remain an owner and occupant of a home in Louisiana (certain limits are now waived for individuals who were at least age 65 before the end of 2005).
- S. 1668 would provide flexibility in the use of \$1.2 billion in HMGP funds for the Road Home program. Funds would have to be used pursuant to guidelines established under the Supplemental Community Development Block Grant Program, regardless of requirements under the HMGP.
- S. 1897 would prohibit the FEMA Administrator from withholding HMGP funding based upon Road Home program requirements that limit funding based upon whether applicants remain homeowners and occupants in the state of Louisiana, or whether or not they are senior citizens.
- S. 2028 would authorize additional funds for the Road Home program, provided Louisiana made available at least \$1 billion.
- S. 2445 would provide for the use of HMGP funds by waiving regulatory requirements.
- H.R. 1227 would provide flexibility in the use of federal funds for the Road Home program. The legislation would prohibit the FEMA Administrator from restricting the use of HMGP funds based upon any Road Home program provisions that limit or reduce the amount available to eligible homeowners who do not agree to remain an owner and occupant of a home in Louisiana. It would also waive the applicability of any deduction or penalty for elderly homeowners.

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<sup>29</sup> HUD Disaster Recovery Assistance provides supplemental Community Development Block Grant funds appropriated by Congress for recovery from major disasters as determined by a presidential disaster declaration. Supplemental appropriations are disaster specific funds to provide for unmet recovery needs.

The use of HMGP funds for the Road Home program provides a basis for discussion of broader issues related to federal funding for disaster housing assistance. These issues include waivers of federal statutes and regulations, bureaucratic discretion, and state sovereignty.

**Waiving Statutory and Regulatory Provisions.** A potential precedent could be established if Congress enacts legislation (such as S. 1668 or S. 2445) that would waive provisions of HMGP. The hazard mitigation section of P.L. 93-288 (the Stafford Act) provides resources to the state to reduce the future risks from disasters.<sup>30</sup> Waiving statutory and regulatory provisions during disasters is often a tool used to expedite funding. While little is known about the long term implications of such waivers, many scholars believe that waivers and generous federal disaster assistance creates a disincentive for state and local governments and homeowners to undertake hazard mitigation measures.<sup>31</sup>

Congress may wish to consider the implications of using HMGP funds for a program designed to compensate individuals directly for disaster losses. The hazard mitigation program was developed to implement long term mitigation strategies to prevent future losses.<sup>32</sup> Historically, the implementation of federally funded mitigation activities relied upon the involvement of local jurisdictions in the coordination of mitigation projects such as buyouts. Should HMGP funding be made available to the Road Home program, the role of the local jurisdiction would be reduced significantly since the federal funding would be passed directly from the state to the individual homeowner.

Hazard mitigation activities reduce property damage and potential injuries and loss of life from future disasters. Reducing the impact from disasters also reduces the level of federal disaster assistance that may be required. Congress may wish to consider evaluating the impact of federal waivers in disasters by determining the number and type of waivers that have occurred in specific disasters and assessing the short and long term impact of the waivers.

**Bureaucratic Discretion.** Proposed legislation such as S. 825 and S. 1668 address funding for the Road Home program and raise questions regarding the level of discretion held by the HUD Secretary and the FEMA Administrator. Replacing HMGP program requirements with HUD CDBG program requirements would be a shift in discretion from the FEMA Administrator to the HUD Secretary. There are many challenges involved in combining federal funding sources to address disaster related needs. Among these challenges is the determination of the role of each federal agency involved in a single disaster recovery project. In past disasters, CDBG funding has been used to supplement HMGP funds for certain projects. The current federal funding dynamics with the Road Home present unique challenges in that the primary funding source is CDBG rather than HMGP.

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<sup>30</sup> 42 U.S.C. § 5170c.

<sup>31</sup> Rutherford Platt, "Hazard Mitigation: Cornerstone or Grains of Sand," *Natural Hazards Observer*, vol. 20, (September 1996).

<sup>32</sup> Testimony of David I. Maurstad, Assistant Administrator Mitigation, Federal Emergency Management Agency, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana's Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

FEMA and HUD each hold a distinct role in community recovery. However, each federal agency arguably implements policy under different recovery objectives. For example, HUD programs have traditionally been viewed as a tool to promote economic development. Economic development initiatives generally encompass recovery projects that promote redeveloping and rejuvenating the economic base of communities. By comparison, FEMA programs generally fall under the auspices of short-term recovery needs and hazard mitigation and do not necessarily seek to make communities whole. The focus of most FEMA assistance is to provide for the immediate shelter needs of individuals and restore critical infrastructure such as power, water and sewage systems, and postal services. FEMA grant programs have traditionally been considered reimbursement programs in which individuals and communities are partially reimbursed for losses and damage to properties. HAP is essentially a compensation program in which the state is attempting to compensate individuals for damage to their property. Some of the struggles associated with HAP program funding is the effort to align two different recovery philosophies and two different program goals in a single state implemented disaster housing assistance program.

Implementing disaster recovery measures often involves coordination between several federal, state, and local government agencies. The role of each agency is often determined by the location, scope, and nature of the disaster. Issues of bureaucratic discretion will continue to arise in future disasters and will influence the type of coordination and disaster assistance that is needed. Congress may wish to consider evaluating the role of lead agencies for different disaster assistance areas such as housing, infrastructure repair, and fiscal incentives to determine how those roles could change depending on the scope and nature of the disaster.

***State Sovereignty in Disasters.*** The Road Home program is a state housing program. As such, the state of Louisiana has established the program guidelines pertaining to eligibility, administration, award amounts, and implementation. Proposed federal legislation such as S. 1541, S. 1897, and H.R. 1227 provide the basis for discussion regarding federal preemptions and state authority for state-run programs such as the Road Home. The primary focus of federal attention appears to be on program elements that potentially discriminate against applicants based on age or the choice of whether to remain a homeowner and occupant in Louisiana. While these are policy decisions supported by the state, Members of Congress may exert pressure to change or modify the state policies.

***Legal Issues in Disaster Funding.*** Legal concerns about equitable distribution of federal funds have delayed some assistance under the Road Home Program. For example, questions have been raised regarding Road Home program provisions wherein purchase price offers for buyout programs have been based on the age of the homeowners, the homeowners' ability to remain in-state, and the ability of the homeowners to own property for three years after the benefits are received.<sup>33</sup> Until determinations have been made on whether such provisions are improperly discriminatory under federal statutes and regulations, delays in funding may continue.

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<sup>33</sup> Testimony of David I. Maurstad, Assistant Administrator Mitigation, Federal Emergency Management Agency, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana's Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

Of particular concern has been the Road Home program's reduction in assistance for applicants who choose the option not to retain and occupy a home in Louisiana. FEMA has raised this issue in discussions related to the approval of the HMGP application. There has not been a final determination as to whether this program element violates conditions on the use of federal funds.

The federal role in state disaster assistance programs will continue to be an issue in future disasters. As with many disasters, the nature and scope of the disaster often plays a role in the level of federal involvement in disaster response and recovery. Congress may wish to consider what level of federal involvement is appropriate in state initiated disaster recovery programs by establishing different guidelines and federal grant requirements based upon criteria such as type of disaster, level of federal funding, or scope of damage.

**Federal Agency Information Sharing.** The difficulty of sharing information through databases used in common by federal agencies such as FEMA, HUD, the SBA, the Department of Transportation (DOT), and the Department of Health and Human Services (HHS) creates risks of fraud, waste, and abuse.<sup>34</sup> The limited ability of federal agencies to share information makes it difficult to cross-check information provided by disaster assistance applicants in order to prevent duplication of federal benefits. Congress may wish to consider conducting a cost-benefit analysis of implementing information sharing measures among the primary agencies involved in disaster assistance.

**Redundancy of Disaster Inspections.** Members of Congress, like residents and others, may be concerned with the redundancy and inefficiency of home inspections. A single home may be inspected as many as five times by different entities, including FEMA, SBA, private insurers, Road Home officials, and lenders, all of whom express the need to assess the same damage.<sup>35</sup> The duplication of inspections creates delays in the provision of disaster assistance and places a burden on homeowners. Congress may wish to consider waiving inspection requirements in instances where inspection information has already been attained by a federal agency.

**Standardizing Program Cost Projections.** HAP has shown that it is difficult to project program costs in areas of large-scale disasters. When the initial projections fall substantially short of the program needs, additional legislative action may be required. In order to ensure program efficiency and to expedite funding, there arguably is a need to standardize a methodology for projecting funding for disaster-related housing programs. Congress may wish to consider standardizing the methodology used to establish disaster assistance program costs across all federal agencies involved in disaster recovery.

**Cost and Availability of Hazard Insurance.** HAP requires that homeowners receiving federal assistance maintain insurance coverage. This requirement is considered by some homeowners to be burdensome due to high

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<sup>34</sup> Testimony of Susan Elkins, Executive Director of the Louisiana Office of Community Development, in the U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Disaster Recovery, *The Road Home? An Examination of the Goals, Costs, Management and Impediments Facing Louisiana's Road Home Program*, hearings, 110<sup>th</sup> Cong., 1<sup>st</sup> sess., May 24, 2007 (Washington: GPO, 2007).

<sup>35</sup> Ibid.

premium costs and limited availability of new hazard policies. Congress may wish to consider policies related to insurance coverage when assessing housing-related disaster assistance.<sup>36</sup>

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<sup>36</sup> For additional information on flood insurance reform, see CRS Report RL34367, *Side-by-Side Comparison of Flood Insurance Reform Legislation in the 110<sup>th</sup> Congress*, by Rawle O. King.