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**House Appropriations Subcommittee for Transportation,
Housing and Urban Development, and Related Agencies**

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Good afternoon, Chairman Price, Ranking Member Diaz-Balart, and members of the subcommittee. Thank you for welcoming us today to discuss the Department of Housing and Urban Development (HUD) Community Development Block Grant-Disaster Recovery (CDBG-DR) program.

HUD is currently administering a disaster recovery portfolio of \$55 billion in active grants, with projects dating back to the terrorist attacks on September 11, 2001. For the three-year period from 2017-2019, \$40 billion has been appropriated, with half of that amount, \$20 billion, for Puerto Rico alone. That exceeds the entire amount appropriated for CDBG-DR for Hurricanes Katrina, Rita and Wilma.

Grant Funding Process

Contrary to popular belief, HUD is *not* in the immediate disaster response business, except when it comes to ascertaining the whereabouts of HUD employees and the impact on HUD-assisted properties and their residents. We are not the first agency on the ground to broadly assist survivors when disaster strikes. We are not even the second. That work is performed by the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA), respectively.

Instead, HUD has been in the long-term recovery business.

That recovery process begins when you and your colleagues in Congress appropriate CDBG-DR funds. Based on unmet needs assessed from FEMA and SBA data for Presidentially-declared major disasters, HUD allocates those funds to the most

impacted and distressed areas. Following the public announcement of allocations, HUD publishes a *Federal Register* notice outlining the framework of program requirements. Grantees then develop stakeholder-informed Action Plans within this framework and certify their capacity to manage the funds. HUD reviews and approves these plans and certifications, and monitors the grantees for compliance. The Department partners with grantees every step of the way, providing technical assistance and expertise to help ensure success. As a result, our job is to help fill unmet housing, economic development, and infrastructure needs after communities and our Federal partners have had an opportunity to fully assess damages and identify the gaps that will not be filled by other public or private sources of funding.

Unmet Needs

The group of 2017 disaster grantees consisted of California, Florida, Georgia, Missouri, Texas, the U.S. Virgin Islands (USVI) and Puerto Rico. To address their unmet needs, Congress appropriated a total of \$19.4 billion in two separate tranches of funding. The first supplemental appropriations bill contained \$7.4 billion, and was allocated to Florida, Puerto Rico, Texas and the U.S. Virgin Islands. That tranche is fully available to those grantees, which, to date, have spent a combined total of \$123 million, or just 2 percent. Florida, at 3 percent, has spent the largest amount. Texas has spent 2 percent, and both Puerto Rico and the USVI have spent less than 1 percent.

The second supplemental appropriation for the unmet needs of the 2017 group totaled \$12 billion. Of that amount, a combined total of \$1 billion is currently available to grantees in California, Florida, Georgia, Missouri and Texas; Action Plans covering \$8.2 billion and \$779 million, for Puerto Rico and the USVI, respectively, have been approved by HUD and funds will be released to these grantees pending execution of grant agreements; and \$2 billion was appropriated by Congress specifically to rebuild the electrical grids of Puerto Rico and the USVI.

Mitigation Funds

In 2017, for the first time in the history of HUD's administration of disaster recovery appropriations, Congress provided mitigation funds as part of a CDBG-DR appropriation. Mitigation funds were appropriated not only for the 2017 grantees, but also for grantees receiving funds from disasters in 2015 and 2016, based on the proportion of unmet needs funds. While these funds create unprecedented opportunities for grantees, they also raise significant challenges for HUD.

First, HUD has never before administered a stand-alone mitigation program. In contrast to restoring what was lost, mitigation is a less naturally constrained

endeavor. Designing a mitigation program has required a great deal of planning and coordination across the Administration, including HUD, FEMA and other Federal partners. This has taken time, but we believe it is time well-spent, given the size of the appropriation and the fact that every grantee awaiting mitigation funds already has access to funding for unmet needs.

A second challenge for HUD has been the political and financial challenges of the largest grantee – Puerto Rico – which alone will receive \$8.3 billion, or just over half of the appropriated amount. The Commonwealth’s total allocation of \$20 billion is HUD’s largest allocation of funds in the history of the CDBG-DR program. While HUD would question any jurisdiction’s ability to manage an allocation of this size, the Department’s concerns are heightened by the island’s political unrest and the fact that Puerto Rico is seeking financial relief under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act, which established an oversight board to oversee the development of budgets and fiscal plans for Puerto Rico’s instrumentalities and government..

HUD has been working very closely with Puerto Rico to establish financial controls, policies and procedures to protect taxpayer dollars and ensure the recovery of the people of Puerto Rico. On February 2, 2019, HUD authorized the disbursement of \$1.5 billion of the approximately \$20 billion in CDBG-DR funds allocated to Puerto Rico. This first tranche is being used to establish best practices and test systems and controls designed to prevent waste, fraud and misuse of funds. Along with the investment of grant funds, HUD is investing time and expertise into helping Puerto Rico build a strong recovery.

Senior HUD leadership, including Secretary Carson, our Deputy Secretary, and ourselves, have visited Puerto Rico multiple times to meet with the island’s political leadership and with the officials at Vivienda who are responsible for administering the CDBG-DR grant. Our partnership is strong. In August, the Department also announced it would be appointing a Federal Financial Monitor in San Juan to oversee the disbursement of disaster recovery dollars to Puerto Rico.

HUD’s commitment remains strong to the recovery of all Americans whose homes and communities were devastated by natural disasters. And we are steadfast in our stewardship of the funding entrusted to us by you and your colleagues in Congress.

Thank you for the opportunity to update the subcommittee on HUD’s disaster recovery work.