



**Committee on Transportation and Infrastructure
U.S. House of Representatives**

Bill Shuster
Chairman

Washington, DC 20515

Nick J. Rahall, III
Ranking Member

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

September 16, 2013

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
FROM: Staff, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
SUBJECT: Subcommittee Hearing on “FEMA Reauthorization: Recovering Quicker and
Smarter”

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will hold a hearing on Wednesday, September 18, 2013, at 10:00 a.m. in room 2167 Rayburn House Office building to receive testimony from the Federal Emergency Management Agency (FEMA), the U.S. Department of Housing and Urban Development (HUD), Small Business Administration (SBA), and state and local emergency managers and tribal representatives involved in disaster recovery efforts in various jurisdictions. The purpose of the hearing is to review recovery efforts to Hurricane Sandy, the tornadoes in Oklahoma and other recent disasters to ensure effective coordination among federal, state, tribal, and local agencies in helping communities to recover in a quicker and smarter way. The hearing will also focus on how reforms enacted in the Sandy Recovery Improvement Act of 2013 are helping to address red tape and streamline the recovery process for recent disasters.

BACKGROUND

Hurricane Sandy

On October 29, 2012, Hurricane Sandy made landfall at New Jersey as a “post-tropical cyclone” with hurricane-force winds of up to 80 mph, colliding with a nor’easter creating what has been called “Superstorm Sandy.” The superstorm brought with it storm surges of more than 11 feet, killing more than 100 people, destroying or damaging thousands of homes, and leaving more than 8 million people without power. The damage to transportation infrastructure immediately following Hurricane Sandy included approximately 600 million gallons of water that infiltrated the mass transit system and critical inter-city roads. States along the Eastern Seaboard were impacted from Florida to Maine, with the most destruction occurring in New

Jersey and New York. Prior to landfall, pre-storm emergency declarations were issued for Connecticut, Delaware, the District of Columbia, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, and West Virginia to facilitate preparation. Following the storm, major disaster declarations were issued for Connecticut, New York, New Jersey followed by Rhode Island, Maryland, Delaware, Virginia, West Virginia, and New Hampshire. The Sandy Supplemental/Disaster Relief Appropriations Act, 2013 included a total of \$50 billion for Sandy to 19 federal agencies. As of August 19, \$9.9 billion of that total was obligated and \$5 billion outlayed by various agencies.

Moore, Oklahoma

On May 20, 2013, Moore, Oklahoma and surrounding areas were struck by an EF5 tornado with winds up to 210 mph. The 1.3-mile-wide tornado was on the ground for 39 minutes destroying 17 miles of 5 counties. The damages from the “mile-wide” tornado have been estimated at \$2 billion; destroying 1200 homes, businesses, 1 hospital, 2 elementary schools, and killing 24 people, while leaving 377 injured. More than 61,500 people were directly impacted by the tornado and were left with power outages. Following the tornado, a major disaster declaration was issued for the State of Oklahoma.

Twenty Oklahoma counties have been approved for all categories of work under FEMA’s Public Assistance Program. For Individual Assistance (IA) \$14,339,962 has been approved including \$9,826,801 for housing assistance and \$4,513,160 for other needs. There are more than 15,000 households registered for assistance and 8,386 inspections completed. By September 9, local officials had cleared out 96 percent of the debris, totaling 1,166,376 cubic yards. \$11.5 million of FEMA’s Public Assistance funds have been obligated as of September 9. As part of the rebuilding and recovery efforts, SBA has approved over \$45 million in low-interest disaster loans for renters, homeowners and businesses.

Federal Programs and Response to Hurricane Sandy

Department of Housing and Urban Development

On November 15, 2012, the President announced that he had tasked HUD Secretary Shaun Donovan to work with the impacted communities on identifying redevelopment plans, asserting that HUD’s involvement would help streamline the process of rebuilding. While FEMA continued to lead the recovery pursuant to the Stafford Act, HUD would work with FEMA in accordance with the National Disaster Recovery Framework.

HUD’s Community Development Block Grant Program (CDBG) provides communities with resources to address a wide range of housing, infrastructure, and economic development needs. CDBG provides annual grants on a formula basis to more than 1,200 units of general local government and states. In certain situations, Congress provides additional CDBG funding specifically for disaster recovery purposes (CDBG-DR).

Recipients for Sandy Recovery purposes

State/Local Government Grantee	CDBG-DR Allocation
State of New Jersey	\$1,829,520,000
City of New York, NY	\$1,772,820,000
State of New York	\$1,713,960,000
State of Connecticut	\$71,820,000
State of Maryland	\$8,640,000
State of Rhode Island	\$3,240,000
Total	\$5,400,000,000

*HUD anticipates making awards to states and local governments in at least two rounds. The first round provides assistance to the areas most impacted and distressed by Hurricane Sandy.

Congress appropriated \$16 billion for HUD CDBG-DR purposes under the Sandy Supplemental/Disaster Relief Appropriations Act, 2013, (Public Law 113-2, enacted January 29, 2013) (the Act). The initial allocation of \$5.4 billion meets the Act’s requirement that no less than 33 percent of the appropriation be allocated to grantees within 60 days of the law’s enactment. As of July 31, \$1.646 billion was obligated and \$44 million outlayed.

Grantees may use CDBG-DR funds for a variety of disaster recovery activities including:

- Housing (includes rehabilitation, new construction, buyouts, mold remediation)
- Economic development (includes grants or loans for small businesses for working capital, machinery and equipment, real property repair/improvement)
- Infrastructure (includes repair, reconstruction, new construction, acquisition)
- Public Services (up to 15 percent of allocation includes activities such as job training, health services, housing counseling, day care); and
- Administration (limited to 5 percent by the Act).

By supervising CDBG-DR funds, HUD and the Hurricane Sandy Rebuilding Task Force, in coordination with Office of Management and Budget, are taking additional steps to ensure this money is used as intended. The Task Force has established a project management office to track spending and provide information to the relevant inspectors general. CDBG-DR grantees must use HUD’s Disaster Recovery Grant Reporting System to establish the Action Plan activities, draw down funds, and report outcomes and accomplishments.

Federal Emergency Management Agency

FEMA’s Disaster Assistance Programs

When, at the request of a Governor, the President declares a major disaster or emergency, the official declaration triggers certain federal response authorities and financial disaster assistance. In particular, when such a declaration is made, the President is authorized to direct any federal agency, with or without reimbursement, to assist state, tribal, and local governments and protect life and property. FEMA is responsible for coordinating federal agency response and ensuring the necessary federal capabilities are deployed at the appropriate place and time. In

addition, FEMA provides direct support and financial assistance to states and local governments and individuals as authorized under the Stafford Act.

FEMA's primary Stafford Act programs for disaster response and recovery in the aftermath of a major disaster are in the Public Assistance Program and the Individual Assistance Program. The Public Assistance Program, authorized primarily by sections 403, 406, and 407 of the Stafford Act, reimburses state, tribal, and local emergency response costs and provides grants to state and local governments, as well as certain private non-profits to rebuild facilities. The Public Assistance Program generally does not provide direct services to citizens.

The Individual Assistance Program, also known as the Individuals and Households Program, is primarily authorized by section 408 of the Stafford Act. The program provides assistance to families and individuals impacted by disasters, including housing assistance. Housing assistance includes money for repair, rental assistance, or "direct assistance," such as the provision of temporary housing.

Section 404 of the Stafford Act authorizes the Hazard Mitigation Grant Program (HMGP). HMGP provides grants to state, tribal, and local governments to rebuild after a disaster in ways that are cost effective and reduce the risk of future damage, hardship, and loss from natural hazards. FEMA also provides grants under HMGP to assist families in reducing the risk to their homes from future natural disasters, through such steps as elevating the home or purchasing the home to remove it from the floodplain.

Disaster Relief Fund

The Disaster Relief Fund (DRF) is the primary account used to fund many of the FEMA disaster assistance programs for state, tribal, and local governments and certain nonprofits following a declared disaster or emergency. In most cases, funding from the DRF is released after the President has issued a disaster declaration.

As of August 31, the following were the balances in the DRF:

FY 2013 CR Appropriation:	\$7,008 million
FY 2013 Sandy Supplemental	\$11,488 million
FY12 Carryover balance:	\$1,020 million
FY13 Recoveries to date:	\$840 million ¹
DRF Obligations as of 8/31/13	(\$10,152 million)
<u>Sequestration</u>	<u>(\$928 million)</u>
Balance	\$9,276 million ²

¹ Part of the \$961 million estimated total recoveries projected for all of FY 2013 but not yet realized.

² This balance does not reflect a .132% rescission or transfers to USAID.

**Hurricane Sandy FY 2013 Actual/Estimates
As of August 31, 2013
(In millions)**

Category	Actual Spent/Obligated through June*	Estimated July to September	Fiscal year 2013 Totals
Public Assistance	2,971	1,080	4,051
Individual Assistance	1,872	31	1,903
Mitigation	80	32	112
Operations	404	(1)	403
Administrative	698	30	728
Total*	6,025	1,172	7,197

*Includes Sandy Emergencies

U.S. Small Business Administration (SBA)

SBA is responsible for providing affordable, timely, and accessible financial assistance following a disaster to homeowners, renters, non-agricultural businesses of all sizes, and private nonprofit organizations for disaster recovery. This financial assistance is available in the form of low-interest loans, and since the SBA's inception in 1953, SBA has provided more than 1.9 million loans for more than \$49 billion dollars. SBA is not the first responder, but is primarily focused on providing low-interest, long-term loans as part of the recovery effort in coordination with other government partners at the federal, state, and local levels. FEMA is the first point of contact for disaster victims seeking assistance in a presidential declaration. Once registered with FEMA, applicants that meet the minimum income requirements are referred to SBA. There are three types of disaster loans available:

- Home disaster loans: Loans to homeowners or renters to repair or replace disaster-damaged real estate or personal property owned by the victim. Renters are eligible for their personal property losses, including automobiles.
- Business Physical Disaster Loans: Loans to businesses to repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery and equipment. Businesses of any size are eligible. Private, non-profit organizations such as charities, churches, and private universities are also eligible.
- Economic Injury Disaster Loans: Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

SBA loan terms are authorized by law up to a maximum of 30 years. SBA sets the installment payment amount and corresponding maturity based upon each borrower’s ability to repay.

SBA Loans Approved (Sandy)

New Jersey	New York	Total for all States³
\$822.8M	\$1.54B	\$2.4B

Total SBA loans approved for Oklahoma from the May tornados is \$45 million.

Last Congress, Subcommittee Chairman Barletta introduced and the House of Representatives passed, the Disaster Loan Fairness Act of 2012. The bill was intended to make SBA loans more affordable for borrowers, including homeowners, following a disaster. Specifically, the bill would have lowered the interest rate for borrowers with no credit available elsewhere to one-half of the prevailing rate and cap the interest rate at four percent. For those who could get credit elsewhere, the bill would have lowered the interest rate to three-quarters of the prevailing rate and cap the maximum interest rate at four percent. Chairman Barletta has reintroduced this legislation in the 113th Congress.

Sandy Recovery Improvement Act of 2013 (SRIA)

The intent of the Sandy Recovery Improvement Act (SRIA), enacted January 29, 2013, is to speed up and streamline Hurricane Sandy recovery efforts, reduce costs, and improve the effectiveness of several disaster assistance programs authorized by the Stafford Act, namely the Public Assistance Program, the Individual Assistance Program, and the Hazard Mitigation Grant Program. Key provisions of SRIA include:

- Expedited debris removal and public assistance alternative procedures: allows the use of cost estimates and consolidated projects.
- Federal assistance to Individuals and Households: allows FEMA to make limited repairs, instead of lease payments, for the purpose of providing housing when less expensive.
- Hazard Mitigation: expedites hazard mitigation projects by streamlining the environmental review, provides States with advanced hazard mitigation assistance, and provides for State administration of hazard mitigation grants.
- Dispute Resolution Pilot Program: establishes a limited dispute resolution pilot program to resolve disputes over assistance and drive projects to closure and avoid cost overruns.
- Unified Federal environmental review: requires the President to establish an expedited review for environmental and historic requirements for rebuilding damaged infrastructure.
- Individual assistance factors: requires FEMA to review and update factors for individual assistance disaster declarations to make them less subjective.

³ CT, MD, NC, NJ, NY, PR, RI, VA, WV.

- Tribal requests for major disaster declarations: provides for disaster declarations for tribal governments.

WITNESSES

Mr. Joseph L. Nimmich
Associate Administrator for Response and Recovery
Federal Emergency Management Agency

Ms. Yolanda Chavez
Deputy Assistant Secretary for Grant Programs
Office of Community Planning and Development
U.S. Department of Housing and Urban Development

Mr. James Rivera
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration

Mr. Glenn M. Cannon
Director
Pennsylvania Emergency Management Agency
National Emergency Management Association

Mr. Gayland Kitch
Director of Emergency Management
City of Moore, Oklahoma
U.S. Council for the
International Association of Emergency Managers

Mr. Michael Finley, Chairman
Confederated Tribes of the Colville Reservation