

House Financial Services Committee, Oversight and Investigations Subcommittee hearing CDBG Disaster Recovery...,sked FINAL

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TRANSCRIPT

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COMMITTEE HEARING

REP. AL GREEN, D-TEXAS

HOUSE FINANCIAL SERVICES COMMITTEE, OVERSIGHT AND INVESTIGATIONS
SUBCOMMITTEE HEARING CDBG DISASTER RECOVERY: STATES, CITIES, AND
DENIALS OF FUNDING

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HOUSE FINANCIAL SERVICES COMMITTEE, OVERSIGHT AND
INVESTIGATIONS SUBCOMMITTEE HEARING CDBG DISASTER RECOVERY:
STATES, CITIES, AND DENIALS OF FUNDING

JULY 15, 2021

SPEAKERS:

REP. AL GREEN, D-TEXAS, CHAIRMAN

REP. SYLVIA GARCIA, D-TEXAS

REP. RASHIDA TLAIB, D-MICH.

REP. ALMA ADAMS, D-N.C.

REP. JESUS GARCIA, D-ILL.

REP. NIKEMA WILLIAMS, D-GA.

REP. MAXINE WATERS, D-CALIF., EX OFFICIO

REP. TOM EMMER, R-MINN., RANKING MEMBER

REP. BARRY LOUDERMILK, R-GA.

REP. WILLIAM TIMMONS, R-S.C.

REP. ALEX MOONEY, R-W.VA.

REP. DAVID KUSTOFF, R-TENN.

REP. PATRICK T. MCHENRY, R-N.C., EX OFFICIO

WITNESSES:

MS. CAROL HADDOCK, DIRECTOR, HOUSTON DEPARTMENT OF PUBLIC WORKS
AND ENGINEERING

THE HONORABLE LINA HIDALGO, COUNTY JUDGE, HARRIS COUNTY

MS. HEATHER LAGRONE, DEPUTY DIRECTOR FOR COMMUNITY DEVELOPMENT
AND REVITALIZATION, TEXAS GENERAL LAND OFFICE

MS. SARAH SAADIAN, VP OF PUBLIC POLICY, NATIONAL LOW INCOME
HOUSING COALITION

MR. STEPHEN BEGG, DEPUTY INSPECTOR GENERAL, OFFICE OF THE
INSPECTOR GENERAL, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GREEN: (Inaudible) Subcommittee will come to order. Without objection, the chair is authorized to declare a recess of the subcommittee at any time. Without objection, members of the full committee not on the subcommittee are authorized to participate in today's hearing.

As a reminder, I ask all members to keep themselves muted when they are not being recognized to minimize disturbances while members are asking questions of our witnesses. The staff has been instructed not to mute members except where a member is not being recognized and there is inadvertent background noise. Members are reminded that all House rules related to order and decorum apply to this remote hearing.

Members are also reminded that they may participate in only one remote proceeding at a time. If you are participating today, please keep your camera on. And if you choose to attend a different remote proceeding. If members wish to be recognized during the hearing, please identify yourself by name to facilitate recognition.

The title of today's hearing is, "CDBG Disaster Recovery: States, Cities, and Denials of Funding." I will now recognize myself for three minutes to give an opening statement.

In May of 2018, Ms. Lagrone sat before this subcommittee and said in her testimony about Hurricane Harvey, quote, "To further illustrate the scope of this disaster, the Harris County Flood Control District reported that 1.5 feet of water covered 70 percent of the 1,800 square miles that comprise Harris County. The weight of that water depressed the earth's crust enough to temporarily drop the elevation of Houston by 2 centimeters. The amount of water was approximately 1 trillion gallons."

In May of 2021, almost three years exactly after that testimony, Ms. Langrone's office, the Texas General Land Office, GLO, announced that Houston and Harris County would receive zero dollars of 4 trillion in mitigation funding appropriated by this body (ph). Such was the result, GLO said, of the formula it had conceived to govern the allocation of Harvey mitigation funds.

GLO said nothing could be done for these, the hardest-hit disaster victims in the most impacted areas, because the allocation formula had spoken. Left unsaid was the vantage (ph) formula was rigged ab initio -- from the inception -- against the disaster victims and residents of Harris County at Houston.

Also left unsaid by GLO was that this was exactly what was expected because GLO had been warned in January 2020 by experts in the city of Houston and advocate groups that reliance of GLO's proposed formula would shut out the most densely populated and most impacted LMI (ph) jurisdictions in the state.

But, just days later, GLO announced that it would circumvent its own rigged formula as applied to Harris County and, instead, GLO sought and accomplice when it simply by fiat proposed to direct HUD to give \$750 million to Harris County, something GLO was without legal authority to do.

Then, in a fit of pique, GLO falsely and publicly stated that HUD had denied its request for direct allocation to Harris County. So, should any first-year law student read the law, they could tell you that it flatly prohibits direct allocation to certain jurisdictions. And Harris County, unfortunately, was included in these jurisdictions.

And so, today, we are here to provide critical oversight of a rigged formula, the hijacking of a federal mitigation appropriations process, and to do what we can to prevent the rigging of the system by grantee of federal resources in a manner that further victimizes the victims of disasters. I think that the time has come for a course correction.

The chair now recognizes the ranking member, Mr. Emmer, for five minutes for an opening statement.

EMMER: Thank you, Mr. Chairman. I appreciate you holding this hearing today. And thanks to our witnesses for appearing before this committee. I look forward to all of your testimonies.

The Community Development Block Grant Disaster Relief program is designed to address the unmet needs of our most vulnerable communities to help low- and moderate-income people and help small businesses fully recover from the most severe natural disasters. It's one of the several ways Congress and the federal government assist in the local recovery process.

Currently, this program lacks the proper oversight needed to succeed in this endeavor. So, we frequently see instances where these funds are misused and our government struggles to swiftly distribute billions of dollars in disaster relief to those that need it most.

Why is this program so susceptible to waste, fraud, and abuse? I hope the testimony we hear today will help to better understand that question and help to shape our continued efforts as a committee, specifically the efforts of my colleagues Chairman Green and Congresswoman Wagner to codify this program.

When disaster strikes, it's critical that aid comes in an effective and efficient manner. This can only be done through implementing proper controls and oversight of the distribution of billions of dollars in disaster relief. I'm proud that this committee shares this priority.

As we explore or as we will explore in this hearing, communities are currently left without a clear understanding where to turn and how to properly access the Community Development Block Grant Disaster Recovery funds. If codified, this program will establish a clear, streamlined structure so all parties involved in distributing relief to communities understand the process and guidelines.

For example, the supplemental appropriations for disaster relief far exceed the annual appropriation for the Department of Housing and Urban Development's Community Development Block Grant program. We need to be smart stewards of the taxpayers' dollars and codify this program because, frankly, there are too many dollars at stake to manage the program on an ad hoc basis.

Of course, no two disasters are the same, which is why it is so important that affected communities are able to put this money in the best use. But, it is crucial that this program has the proper controls in place. This funding is supposed to help rebuild homes and infrastructure, provide assistance to affected business owners, and support our low- and moderate-income communities.

But, time and time again, we see examples of grantees misusing disaster recovery money for purposes outside the scope of approved action plans or we see bureaucratic gridlock in distributing funds appropriately. The Department of Housing and Urban Development's Office of the Inspector General has spent years conducting audits and investigations of this program, revealing potential for mismanagement and the possibility of waste, fraud, and abuse.

I look forward to the witnesses' testimony so we can further our efforts to protect vulnerable communities in times of disaster, increase transparency into the program, and establish proper structure and oversight so funds can be swiftly distributed.

Thank you, Mr. Chairman. I yield back the remainder of my time.

(UNKNOWN): Mr. Chairman, you are not...

(CROSSTALK)

GREEN: I was muted. Please...

(UNKNOWN): Yes.

GREEN: ... forgive me. Thank you, Mr. Emmer.

The chair now recognizes the chairwoman of the full committee, the gentlewoman from California, for one minute.

WATERS: Thank you so very much, Chair Green. The disaster mitigation funding (inaudible) appropriated to Texas since 2018 was meant to finance infrastructure projects that would protect the most vulnerable communities from future disasters. Yet, Texas (inaudible) this money to Houston, which suffered the lion's share of the damage from Hurricane Harvey.

We know that hurricanes, wildfires, and other disasters are getting worse, endangering millions of Americans, their homes, and their businesses. To better prepare for future disasters, we must target mitigation, responding directly to those who needed to protect those communities that are at highest risk today. I look forward to hearing from our witnesses about what went wrong in Texas and how to better prevent misallocation of disaster relief in the future. Thank you so very much for paying attention to this very important issue.

Congressman Green, I yield back the balance of my time.

GREEN: Thank you, madam chair.

The chair now recognizes the vice chairwoman of the subcommittee, the gentlewoman from Georgia, for one minute. Ms. Williams?

WILLIAMS: Thank you, Mr. Chairman.

Natural disasters are unexpected and devastating. But, even if we can't predict when and where they're going to happen, there is one thing that we can prepare for. We can design the strongest possible federal framework for disaster recovery now so that we're ready to build our communities back stronger than ever when disasters do strike. That's why this hearing is so important.

If there's one thing the global pandemic has taught all of us, it's that we have to think differently about recovery. We can't just get back to normal when disaster strikes. Our goal should always be to rebuilt from disaster in a way that puts all people, especially those most marginalized, in a better position to build a good life for themselves and their families. Today, I'm looking forward to discussing how we can ensure our disaster recovery dollars are serving all of our communities and serving them in a way that best positions them for long-term success.

Thank you to all of our witnesses for joining today.

And Mr. Chairman, I yield back the balance of my time.

GREEN: (inaudible) Gentlewoman Williams (ph).

Please allow me now to welcome our witnesses. And I'm very pleased to introduce this panel. Our first witness will be Sarah Saadian, who is vice president of public policy with the National Low Income Housing Coalition. Next, we will have the Honorable Lina Hidalgo, who is the Harris County judge, thereafter, the Honorable Carol Haddock, who is director of public works and engineering for the city of Houston to be followed by the Honorable Heather Lagrone, a senior deputy director for community development and revitalization at the Texas General Land Office, and to also be followed by Stephen Begg, who is deputy inspector general in the Office of Inspector General at the Department of Housing and Urban Development. And I must say that I should recognize the first witness as the Honorable Sarah Saadian.

Once the witnesses finish their testimony, each member will have five minutes to ask questions.

Ms. Saadian, you are now recognized for five minutes. And please correct my pronunciation of your name if I have not done so properly.

SAADIAN: Thank you, chairman, ranking member, and members of the subcommittee. I'm really grateful for the opportunity to testify before you today.

The National Low Income Housing Coalition has worked on disaster recovery issues for more than 15 years since Hurricane Katrina. And from this experience, we have reached a simple conclusion -- America's disaster housing recovery framework is fundamentally broken and in need of major reform.

When disasters strike, the most marginalized households are often hardest hit. They have the fewest resources to sustain themselves during a disaster and they face the longest, steepest path to recovery. And yet, our nation's recovery and mitigation programs often overlook their needs. They're consistently left behind in recovery and rebuilding efforts, and their communities are made less resilient to future disasters. In turn, this exacerbates the housing crisis, solidifies segregation and racial inequities, and deepens inequality.

Today, we're discussing the Community Development Block Grant Disaster Recovery program, which is a vital tool that provides flexible, long-term resources needed to rebuild after a disaster and prepare for future harm. But, too often, the most marginalized survivors -- those with the lowest incomes, people of color, people with disabilities, and others -- face enormous challenges to a complete and equitable recovery under the program.

First, it takes far too long for assistance to reach households. Congressional inaction and the lack of formal authorization means that years can pass before households receive help.

Second, recovery and mitigation efforts consistently favor higher-income, white communities at the expense of low-income communities and communities of color. Decisions about how to allocate resources are often made based on inaccurate data that underestimates the needs of low-income renters.

Low-income communities and communities of color are often located in areas that are at higher risk of disasters and have less resilient infrastructure due to decades of disinvestment. And yet, resources tend to go towards higher-income communities that face lower risks. The consistent lack of fair housing and civil rights enforcement by HUD means that survivors are further marginalized, and State Action Plans can contribute to inequity.

And, third, disaster recovery efforts often worsen America's housing crisis. A major cause of the housing crisis is the severe shortage of housing affordable to people with the lowest incomes. And for too long, these homes have been placed in areas at greater risk of natural disasters.

When a disaster strikes, affordable housing is often damaged and destroyed but never rebuilt. The consequences can be devastating, putting survivors at risk of displacement and, in worse cases, homelessness.

It is critical that we work toward several key goals. Recovery and mitigation must be centered on survivors with the greatest needs. Dismantling segregation and inequity must be an explicit goal of disaster recovery. All neighborhoods should be made free of environmental hazards and be safe and resilient. And those who are most impacted must have a say in how their communities are rebuilt.

As a first step toward these goals, Congress should enact the Reforming Disaster Recovery Act. If enacted, it would permanently authorize the CDBG-DR program, allowing funds to reach households and communities more quickly. But, it also provides important safeguards and tools. It targets resources to households with the greatest needs. It prioritizes data transparency and better oversight. It protects civil rights and fair housing standards. And it encourages mitigation and resiliency.

I thank you again for the opportunity to testify before you today, and I look forward to your questions.

GREEN: Thank you. The gentlelady yields.

Next, we will have Ms. Carol Haddock. You may now proceed with your opening statement.

HADDOCK: Chairman Green, Ranking Member Emmer, and members of the Financial Services Oversight and Investigation Subcommittee, thank you for the opportunity to be here today. My focus for my discussion is going to be on the Community Development Block Grant Mitigation funds of \$4.3 billion allocated for the state of Texas after Hurricane Harvey.

My name is Carol Haddock and I am the director of Houston Public Works, a department that's responsible for Houston's public street, drainage, water, and wastewater infrastructure as well as permitting and inspection of development for more than 2.3 million Houstonians. In this role, I am in the midst of recovery from Hurricane Harvey and the 2015 and 2016 storms before that.

Houston has a significant flooding history. But, we are committed to build forward and forge a resilient Houston that will be ready to withstand the next storm since we all know that that next storm will happen. However, we still face significant challenges. And one of the biggest ones today is fact that the General Land Office has failed Houstonians who want and need to mitigate from future storms.

Even after input and warnings from multiple communities and their leaders, the state of Texas submitted an action plan that resulted in no funding award to the areas in Texas that received the most damage from Harvey, which include Aransas and Nueces Counties, where Harvey made landfall; Jefferson County, which endured the highest rainfall totals; and the city of Houston and Harris County, suffered 50 percent of the damage statewide.

The Texas General Land Office's process for allocating granted zero dollars to all of these localities. And it was only after bipartisan political pressure that the GLO retroactively requested \$750 million for Harris County.

The complaints and criticisms of GLO's process is not new. There have been multiple points where the city of Houston has elevated our concerns to no avail. Both Mayor Turner and Chief Recovery Officer Steve Costello offered comments in December 2019 on a draft version of the State Action Plan.

At this hearing, the city specifically requested that mitigation funding be used by revising programs to ensure distribution is proportional to the impacts of Hurricane Harvey and the previous storms for that area, increase the maximum points for mitigation resiliency measures to provide actual mitigation, revise the program language to incentivize regional coordination through the joint application process.

And the next two items really cut to the heart of this matter -- to remove the limit on the project applications by entity and the cap on grant awards and to remove the percentage of persons benefiting within jurisdictions' language. These two items essentially ensured that Harris County and Houston could not obtain funding as projects were limited in size by funding caps. And, then, we were punished because these smaller projects didn't benefit our full population. There comments were also submitted in writing on January 6, 2020. However, the requested changes were not incorporated into the GLO's State Action Plan.

More than a year later, in June 2021, the GLO announced the outcome of this flawed State Action Plan. As previously warned the city of Houston and Harris County received no funding allocation. Every single city of Houston and Harris County elected official signed a joint letter to Commissioner Bush to reconsider, to revise the metrics, and to allocate CDBG Mitigation funding based on the proportionality of damages.

In my day-to-day job as director of Houston Public Works, I see Houstonians that continue to struggle to recover from Hurricane Harvey. Next month, it will have been four years since these damages were inflicted. Four years. And to date, the response from the GLO, is that mitigation is not worthy of funding in Houston.

Houston, on the other hand, took immediate action to ensure that people would not put themselves in harm's way. Houston updated our floodplain standards and issued substantial damage letters to more than a thousand homeowners requiring that they not repair where they were but that they be brought into current code compliance.

New homes are required to be built higher above the floodplain, and we implemented a proxy for the higher rainfall totals that resulted from Atlas 14. We have increased detention requirements for new development. We are doing our part. We need help in getting the existing historic development out of harm's way.

In June of 2021, Mayor Turner and Judge Hidalgo requested that Secretary Fudge work with Texas' GLO to disperse an equitable and proportional amount of the 4.3 billion to entities with Harris County, specifically to Harris County and the city of Houston as direct subrecipients. To support this ask, we noted that more than half -- more than 154,000 of the 300,000 structures that flooded and 36 of the 68 fatalities were in Harris County.

In contrast to the GLO system, 40 percent of the funds under the Federal Emergency Management Agency's Hazard Mitigation Grant Program went to the city of Houston and Harris County. We thank the Texas Division of Emergency Management for their great partnership in getting these funds into local hands and to getting mitigation on the ground.

To date, the city of Houston still has not been allocated CDBG funding under the Hurricane Harvey State Competition. And in fact, past money has been used as an excuse so we don't need current funding.

I look forward to working with this committee and answering any questions that you might have on this topic. Thank you.

GREEN: Thank you very much.

And let me complement the witnesses on doing an outstanding job with your testimony in terms of maintaining the time. But, the staff has reminded me that there is a protocol that I must adhere to. And, hence, I will advise witnesses that you are reminded that your oral testimony will be limited to five minutes.

You should be able to see a timer on your screen that will indicate how much time you have left and a chime will go off at the end of your time. I would ask that you be mindful of the timer and quickly wrap up your testimony if you hear the chime so that we can be respectful of both the witnesses' and the committee members' time.

Without objection, your written statements will be made a part of the record. Once the witnesses finish their testimony, each member will have five minutes to ask questions.

Now, continuing with the questions, we have Judge Hidalgo. You're recognized for five minutes.

HIDALGO: Congressman Green, thank you. Ranking Member Emmer, thank you all and the members for inviting me here. On behalf of the people of Harris County, I want to express my gratitude for your calling this hearing, your work in making sure that these programs reach out communities because we depend on these programs to recover from disasters.

As our county's chief executive and chief emergency manager, I have seen firsthand the heartbreaking devastation our communities are still reeling from since Hurricane Harvey struck in 2017. The national media attention may have faded away by now, but there are still dozens of families suffering in silence -- businesses, homeowners, renters, neighborhoods all yearning to benefit from long-term mitigation projects before the next flood hits.

Yet, due to CDBG disaster programs that are mired in red tape, complexity, and uncertainty, millions of our residents, particularly vulnerable residents, continue to feel abandoned and frustrated. Harris County bore the majority of fatalities in Texas due to Hurricane Harvey. We also suffered the most damage compared to any other jurisdiction in our state. More than half -- around 154,000 of the roughly 300,000 structures that damaged -- were damaged or destroyed across the state during Harvey were in Harris County.

Harris County is a big county. We have roughly 5 million people. We have the geographic size of the state of Rhode Island. Not only are we the largest jurisdiction in Texas, but we, along with the city of Houston, are also the economic engine for much of the Southwestern United States and the epicenter of our national energy infrastructure.

Despite our past losses, despite our growing risk in the face of climate change, despite the national importance of our critical energy infrastructure, our county received zero CDBG Mitigation funds in the latest round of funding. In response to that, I joined Mayor Sylvester Turner of the city of Houston in asking HUD Secretary Marcia Fudge for certainty in an allocation and for review of the criteria used.

I also have expressed those two goals to members of our congressional delegation. First, the GLO must make the \$750-million direct allocation to Harris County that it has announced publicly, which we view as an initial down payment relative to what our community needs.

Second, the city of Houston and Harris County must each receive at least \$1 million in CDBG-MIT funds. We ask that HUD approve the portion of the GLO's action plan that pertains to the \$750 million for Harris County but reject the flood allocations.

The Harris County Flood Control District acts as the flood control district for all cities within Harris County and folks in unincorporated area. Approximately half of my constituents are residents of the city of Houston. I want to stress that Harris County supports the city of Houston in its efforts to obtain its own funds. I must also note that if approved by HUD, the projects proposed in the current action plan for the \$750 million are focused on LMI areas of the county and around half of funding would go to projects located within the city of Houston.

In addition to the recent debacle with the CDBG-MIT program, the CDBG-DR program also has been a source of trauma and frustration for residents, particularly as it's been -- when it comes to programs like the homeowner assistance and reimbursement programs, which are designed to help and protect vulnerable and low-income individuals.

Unlike FEMA funds, which flow quickly and with certainty in the hours after a declared disaster, CDBG-DR funds take years to reach survivors with no certainty as to how much or when funds will arrive. Each grantee has a different way of administering the funds and the funds are mired in delays as rules are developed, RFPs are written, et cetera. There is no intuitive or standard way for survivors to sign up for help. Required documentation is burdensome and varies. And we need CDBG-DR funds to be treated as emergency funds.

When it comes to flood control or flood recovery relief, the people of Harris County care about results, not action plans, appropriations, or competition rules. Thank you for your time.

GREEN: Thank you, judge.

The chair now recognizes Ms. Lagrone for five minutes to give an oral presentation of your testimony.

LAGRONE: Good afternoon, Chairman Green, Ranking Member Emmer, and members of the committee. My name is Heather Lagrone. I am the senior deputy director for community development and revitalization at the Texas General Land Office. Thank you for having me here today to help clarify the record on our recent mitigation allocation and, in so doing, hopefully provide information that will be helpful in removing some of the restrictions that limit the state's options when disbursing these kinds of funds.

On February 8, 2018, Congress passed Public Law 115-123 directing the U.S. Department of Housing and Urban Development to make available no less \$12 billion dollars in Community Development Block Grant Mitigation funds to specific grantees that received CDBG-DR allocations for 2015, 2016, and 2017 disasters in the same proportion as received in CDBG-DR funds.

With no further congressional intent provided and more than a year and a half years -- more than a year and a half years -- more than one and a half years later, HUD published Federal Register dated Friday, August the 20th, 2019, and named the state of Texas as the grantee responsible for administering almost 4.3 billion dollars in 140 total eligible counties.

I want to emphasize that the Federal Register specifically indicated mitigation funds were provided to mitigate disaster risks and reduce future risk in areas impacted by recent disasters, in contrast to some of the public statements. None of this money could be used for recovery from past events. HUD was very specific and the CDBG-MIT funds are to be used for distinctly different purposes than CDBG-DR funds.

The State of Texas Action Plan outlines the use of funds, programs, eligible applicants, and eligibility criteria in accordance with HUD rules, requirements, and extensive guidance. The plan included competitions for eligible entities for each of the three disaster years and eight additional programs for mitigation projects and resilient housing totaling to nearly 4.3 billion dollars.

The plan was sent to HUD on February 3rd, 2020 after an extraordinary public outreach effort, including a 50-day public comment period and eight regional public hearings, more than doubling HUD's federal requirements. HUD approved the plan, including the mitigation competition scoring criteria, on March 31st. HUD and the state of Texas executed a grant agreement January 12th, 2021.

Of the \$4.3 billion dollars allocated to the state of Texas, the GLO set aside \$2.3 billion to fund local mitigation projects through a competitive process. In May of 2020, the GLO launched the first round of the competition for nearly \$1.2 billion. Applications were submitted by cities, counties, and special purpose districts in eligible Texas counties impacted by Hurricane Harvey and severe flooding in 2015 and 2016.

The GLO received more than \$6.5 billion in requests for mitigation project funding, underscoring the urgent need for increased resiliency throughout the eligible area. Applications closed that first round of funding October 28th, and the GLO evaluated all 290 submitted applications in accordance with HUD-approved scoring criteria and CDBG-MIT eligibility. The eligible applications with the highest scores were awarded funds.

The GLO conducted three competitive application programs that awarded \$31 million to 2015 mitigations competition, \$135 million to 2016 mitigation competition, and \$975 million to the Hurricane Harvey mitigation competition.

To understand the shift in focus from HUD's CDBG-DR program to this new CDBG program, it is important to note HUD's definition of mitigation -- those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship.

In a letter to the GLO on June 14th, HUD stated, "Unlike CDBG-DR allocations, which are allocated based on a long-established disaster-based formula, CDBG-MIT was made available in Public Law 115-123," confirming that the GLO could not consider previous damages in administering these funds. While drafting the action plan, the GLO staff was repeatedly reminded by HUD's -- or immediately staff that previous damage was not to be a consideration.

GREEN: The gentlelady's time has expired. The chair will allow her additional time if you have not finished.

LAGRONE: Thank you, sir.

Harris County is 1 of 28 counties impacted by all three eligible events. The county government, Harris County Flood Control District, and the city of Houston did not submit applications that were competitive against the higher-scoring projects submitted by other eligible entities and, as such, did not receive direct funding from the Hurricane Harvey mitigation competition round one. However, several projects within Harris County received awards totaling \$117 million from this first round.

For the record, the Texas land commissioner, George P. Bush, was, by design, recused from the scoring committee and the scoring process. The commissioner was informed of the competition results only after the projects had been through eligibility review and scored in accordance with the federally approved action plan.

The GLO now plans to subaward \$750 million in mitigation funding to Harris County. The GLO, in coordination with Harris County, has drafted an action plan amendment that will include a set aside of \$750 million in CDBG-MIT funding for the county to develop a method of distribution. The remaining funds in the mitigation competition, HMGP supplemental, coastal resilience, and planning programs will be reprogrammed to direct at least \$500 million in additional funds into the regional mitigation.

There are currently three active Federal Registers governing CDBG Mitigation funds. Per HUD requirements, the action plan is currently being translated from English into five additional languages. When translation is completed, we are required to post for public comment for 45 days and hold public hearings to gather additional comments. Once we have responded to the comments, the action plan will be sent to HUD, which has up to 60 days to approve or deny the amendment.

As a state operating under 20 different Federal Registers with seven separate disaster events and three Federal Registers over simply the CDBG-MIT grant, streamlining the process and permanently codifying the CDBG-DR grant program will be extremely beneficial. It will provide grantees clearer guidance, reduce the time it takes from disaster impact to program implementation, and prevent references to multiple Federal Registers.

I'm happy to answer any of your questions.

GREEN: Thank you very much. Your time has indeed expired.

At this time, the chair will recognize Mr. Stephen Begg, who is the deputy inspector general in the Office of Inspector General of the Department of Housing and Urban Development, for five minutes. You may proceed.

BEGG: Good afternoon, Chairman Green, Ranking Member Emmer, and distinguished members of this committee. Thank you for the opportunity to participate in today's hearing. It is my honor to represent the dedicated oversight professionals of the HUD Office of Inspector General and to discuss our work related to disaster recovery.

In recent years, we have identified the administration of disaster recovery assistance as a top management challenge for HUD as the frequency of disasters and amount of federal funding (ph) on them -- federal spending on them through HUD's programs has increased exponentially. We appreciate the department's commitment to working with our office to continuously improve these disaster programs.

But, several themes from our work remain challenges for HUD -- the lack of permanent program requirements, grantees building capacity to manage large grants early on and then to spend funds timely to achieve intended outcomes, and HUD maintaining capacity to monitor grantees as the program increases in size and complexity. Our office believes that codifying HUD's disaster program requirements is critical to reducing the amount of time it takes for grantees to access funds and deliver assistance to the individuals and communities in need.

In 2018, we recommended codification of the requirements that do not change across disasters. Earlier this year, we found that the timing of HUD's release of Federal Register notices and signing of grant agreements for the 2017 disasters was significantly delayed due to its negotiations with OMB about potential new requirements. HUD could reduce the amount of time it takes to work through these phases with grantees by standardizing aspects of the program.

Our reviews have also found grantees are challenged early in the process to hire adequate staff, establish internal controls and stand up systems sufficient to manage large grants. The complexity of program requirements outlines in many Federal Register notices can exacerbate these challenges especially for grantees with limited experience.

We found capacity issues existed for the HUD grantees in Texas and Puerto Rico, and we noticed specifically that the unprecedented amount of grant funds they were administering was a significant factor in their struggle to establish capacity. We know that codification will not solve all of the issues that grantees face, but it could provide grantees with more certainty about core requirements while they are planning and establishing programs immediately following a disaster. HUD and its grantees could then focus more on addressing capacity issues with technical assistance and working through the unique circumstances of each recovery and mitigation effort.

As grantees build systems and processes to comply with standard requirements, those programs could be executed more efficiently through (ph) disasters, providing clear, reasonable expectations for grantees but also help avoid spending delays later in the grant cycle. We have identified recently that the complexity of new requirements can cause confusion even to more experienced grantees and lead to years-long delays in spending at the local levels.

In our report on HUD's top management challenges, we noted our concern with the increasing number of disaster grantees that HUD has designated as slow spenders. We are currently reviewing HUD's process for monitoring and assisting these grantees and increasing the timeliness of their activities.

HUD has made progress increasing its staffing capacity and procedures to oversee grantees. But, opportunity still exists to improve insight into grantee operations and data especially at the sub-grantee level. Increase access to data would also assist HUD and our office in detecting and preventing fraud, waste, and abuse.

The COVID-19 pandemic exacerbated the existing challenges in HUD's disaster programs as HUD was unable to conduct onsite monitoring reviews for an extended period and many grantees struggled to communicate effectively with their local partners and to advance construction projects and control costs. Moving forward, our office will continue conducting oversight to help HUD achieve its strategic objective to support effectiveness and accountability and long-term disaster recovery.

We believe codification is an important step toward achieving that objective. We appreciate the bipartisan efforts from the members and staff of this committee to advance legislation on codification, and we look forward to supporting your work on this topic in the future. Thank you for the opportunity to discuss our oversight work. I look forward to answering your questions.

GREEN: Thank you, Mr. Begg.

I now recognize the gentlewoman from California, the chair of the full committee, for five minutes for questions. The gentlelady may be muted.

Let me please move forward. And I will now recognize the -- I will now recognize the gentleman from Missouri, Mr. Cleaver, for five minutes.

CLEAVER: Thank you, Mr. Chairman. And I appreciate you having this committee hearing.

And you have discussed, I am chairing the Subcommittee on Housing and Community Development, which takes (inaudible) Oversight Committee -- Subcommittee. And this is something that's very important to me and it's something that we've got to get right. I don't need to remind you, Mr. Chairman, that you are -- the full committee chair and I were in Mississippi and Alabama...

(CROSSTALK)

EMMER: Point of order, Mr. Chair. We can't see Mr. Cleaver. His camera (inaudible).

CLEAVER: I apologize. I apologize. I want to be seen because I got on a new tie. So, thank you...

(CROSSTALK)

(UNKNOWN): (inaudible)

CLEAVER: Pardon, Mr. Chairman. I apologize. So, here's what I am -- I want -- I'd like to -- a question I want to raise (inaudible). The -- we're going to have more of these events happening. And I know that probably people who believe climate change is some kind of joke (inaudible) late-night TV. But, here in Kansas City, Missouri, we are having the kind of summer that people usually have in Seattle. I mean I doubt if it's 80 degrees here. Normally, we are hovering at 100. And, so, we're going to have -- I mean this is going to happen over and over again.

And, so, we -- that makes CDBG-DR extremely important, I think. And when you consider the fact that the areas where we're going to have a lot of the flooding -- we found that the moderate and high-poverty census trends (ph) are correlated with flood-prone census trends (ph). And, so, the top fives states with the highest share of the homeless population are also among the top six states that are most disaster-prone in the country.

And, so, if you put aside the sure need (ph) we have for increasing the number of housing units, can you explain why Congress should also be committed to ensuring that those units are resilient, sustainable, and equitable? In other words, increasing the number of housing units is something we are working on. But, do you see the need also for us to make sure that the units that we are helping to build or redevelop are resilient and sustainably built and sited (ph) equitably?

When I say sustainably built, I mean I'm talking about the way the housing -- the housing that was built in Ward Nine (ph) down in New Orleans after Katrina, which Mr. Green and I have both seen. I mean do you think that we need to start now trying to make sure that poor people living in those areas -- yes, we are building affordable housing. Should not we start thinking about building them with a higher level of sustainability?

(UNKNOWN): Mr. Chair, Mr. Cleaver's camera (inaudible).

GREEN: Mr. Cleaver?

CLEAVER: Yes.

GREEN: We've lost sight of you again and we'd like to see that lovely tie that you have.

CLEAVER: Yes. I'm sorry. I was trying to reposition (ph) the camera. I'm sorry. I was talking about sustainably-built housing for poor people in areas that are likely going to be hit with repeated events like Katrina. And I talked about the housing we saw in New Orleans. And my time is running out. (inaudible)?

(UNKNOWN): You're putting to (inaudible)? I'm sorry, Mr. Chair.

CLEAVER: No. I was looking at your -- at your face. Actually, I wanted the question to go to Ms. Saadian. I messed up your name, too, like -- I'd probably mess up others, so forgive me. And would you please respond?

SAADIAN: Sure. Happy to. It's really important that we're building both resiliency (ph) and in areas that are (inaudible) disasters.

GREEN: Ma'am, we will ask that you kindly submit the remainder of your question for -- the answer for the record, if you would, please.

CLEAVER: Thank you. Thank you, Mr. Chair.

GREEN: Thank you. And we will try to give you time later on to answer the question.

The chair now recognizes Mr. Emmer for questions for five minutes.

EMMER: Thank you, Mr. Chair.

Ms. Lagrone, so the record is clear. How much federal for housing repair and mitigation has Houston actually received to date? And of that amount, how much has actually been spent?

LAGRONE: Yes, sir. So, the city of Houston and Harris County both received about \$1.1 billion each for disaster recovery unmet needs. The city of Houston has spent about \$88 million of that, and the county has spent about \$29 million of that \$1 billion each.

EMMER: So, how many homes has the city of Houston helped to rebuild in the past four years?

LAGRONE: The city of Houston has built just over 250 homes as of today.

EMMER: Out of how many that were damaged?

LAGRONE: That number is kind of a sliding scale. I think earlier testimony said 300,000 houses were flooded in Houston.

EMMER: Right (ph). Is it true that the Department of Housing and Urban Development had to take over Houston's housing programs? And if so, what was the reason?

LAGRONE: So, HUD did not take over the programs. But, the GLO did have to take over the housing programs for the city of Houston and Harris County. In both instances, the state is the grantee to HUD and Harris County and the city are subrecipients to the state of Texas.

And those programs were not progressing as quickly as we wanted to see them progress and our programs were doing really well in the other 48 counties. So, we stepped in to utilize our resources within the city limits of Houston and in Harris County.

EMMER: Yes. The city limits of Houston -- you're talking about 29 million of 1 billion that had been spent in what was roughly 200 homes. And that's why stepped in.

LAGRONE: Yes, sir.

EMMER: You mentioned the city opted for a lawsuit to obtain a Temporary Restraining Order instead of working with the General Land Office. I'd like to drill down on the state of affairs at that time. You mentioned that Houston received nearly 1.3 billion in housing funds. I think you said 1.2 just a second ago. Can you tell us how many people have the city of Houston reached with that pot of money as of when the city filed for the temporary restraining?

LAGRONE: Sure. So, the city had completed less than 100 houses at that point in time.

EMMER: And how much money did Houston budgeted for the purpose of suing the GLO?

LAGRONE: The number that I saw in the press was \$700,000.

EMMER: And what was the effect of the restraining? Did it shut down the General Land Office's work rebuilding and repairing homes in Houston?

LAGRONE: It definitely slowed us down in the initiation of our -- bringing those resources to the table within the city limits. Yes.

EMMER: When the Temporary Restraining Order went into effect, how many homes have been GLO rebuilding and how many reimbursements had been issued by that time?

LAGRONE: We had just hit 1,000 houses at the Land Office, and we had spent about \$85 million on reimbursements to homeowners who had come out of pocket and paid for their own repairs.

EMMER: Is that about 2,700 reimbursements?

LAGRONE: Yes, sir, 2,700.

EMMER: In light of those numbers, the 1,000 homes and the 2,700 reimbursements completed by the GLO versus the 80 by the city of Houston, I think we have every right to ask why giving no-strings-attached money to Houston is the answer here (ph). Ms. Lagrone, what does your office hear from people with housing repair needs who are waiting for help in Houston?

LAGRONE: Since we've taken on the Houston program, we have had many homeowners who have told us that they have submitted information to the city that the city did not transfer to us. And, so, we are having to recreate documents for those homeowners or with those homeowners. And in a lot of cases, those homeowners have simply just given up and moved on to other resources and/or settled into the situation they are living in.

EMMER: (inaudible) agree that we should be questioning no-strings-attached money?

LAGRONE: Yes, sir.

EMMER: Good. Thank you.

Mr. Begg, in June of this year, the Department of Housing and Urban Development's Office of the Inspector General released an audit entitled, "Harris County (inaudible)" Houston, Texas was inefficient and ineffective in operating its Hurricane Harvey program. You found that three years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 grant program participants and had spent less than 1 percent of its disaster funds. What's the process to get money into the hands of disaster victims? And can you explain the relationship between HUD, the grantee, and, in this case, the Texas GLO and the subgrantees?

BEGG: Thank you, congressman, for the question. The process...

EMMER: Actually, Mr. Begg, I'm terribly sorry. It looks like my time has run out. If you don't mind, if you could submit that to us in writing.

And Mr. Chair, my time has expired.

BEGG: Absolutely.

GREEN: Thank you, Mr. Ranking Member. Your time has expired.

The chair will now move to Ms. Adams of North Carolina for five minutes.

ADAMS: Thank you, Chair Green and Ranking Member Emmer and Chairwoman Waters for holding the hearing today.

To our witnesses, thank you as well for your testimony. After Hurricane Matthew devastated Eastern North Carolina in 2016, CDBG's disaster relief account provided over \$200 million, which has helped tens of thousands of North Carolinians here in my state to get their lives back on track.

Now, I know I was proud to vote for that critical funding in H.R. 5235 along with you, Chair Green. But, I think it's important to point out that in my home state, these critical CDBG-DR dollars were put to use to help solve the affordable housing crisis that was exacerbated by national disasters like Hurricane Matthew.

And according to the North Carolina Office of Resiliency, 76 percent of CDBG-DR funds allocated to my state were used to repair homes. And that statistics shows us just why it's necessary that we make sure that these funds are being used as Congress intends and not held hostage.

So, Mr. Saadian, what are the disadvantages to states, localities, and victims of disasters of Congress' failure to codify the rules for CDBG-DR? And what do you recommend with respect to codification?

SAADIAN: So, the lack of authorization means that communities have less advanced knowledge of what they will be held to, how program dollars can be used, which means that they can't prepare in advance of disasters. It also means that the money will reach them and households in need much more slowly. It's really important that Congress pass the Reforming Disaster Recovery Act to help those dollars reach communities more quickly.

But, there are other really important tools and safeguards that are in the bill that will also help communities and survivors. The bill requires that dollars are targeted to those who are most in need and that we're equitably allocating resources between homeowners, renters, and people experiencing homelessness. And we are rebuilding to a higher resiliency level.

There are additional things that aren't in the bill that I think would also go a long way toward helping communities. One I think that's really important is that we are using these housing dollars to -- in a more transformational way by building housing that's more deeply affordable to those who have the greatest needs.

So, for example, the underlying cause of the housing crisis is a shortage of housing for people who are extremely low income. And if we focus our resources on building those units and increasing the supply, we can both recover more quickly and more equitably but also help tackle the housing crisis at the same time.

ADAMS: OK. Well, thank you. So, how can the program be improved to better include the voices and on-the-ground knowledge of communities impacted by disasters?

SAADIAN: That's a great question. What we see over and over is that state and local government officials are under enormous pressure to get dollars out as quickly as possible. And, so, that means that they often make the public input process very short and ineffective.

What needs to happen is that communities are engaging with those who are most impacted before a disaster hits and throughout the process so there are be mid-course corrections and improvements to programs if we're not working and if they're not reaching households.

We also need to see this when it comes to decisions about how to rebuild and whether to mitigate -- or whether households need to relocate. And because there is not a formal authorization of the program, we see wildly different outcomes in different communities.

For example, in New Jersey after Superstorm Sandy, households weren't able to receive recovery dollars if they wanted to relocate to safer areas. But, in Puerto Rico, households were told that they have to relocate and couldn't use dollars to mitigate or to build more resiliently. It's really important that those decisions are made equitably and that the people in those communities are driving the decisions about whether and how to rebuild.

ADAMS: Well, thank you. Some of your comments indicated that we need to be a little more proactive. But, thank you very much for your question (ph).

Mr. Chairman, I'm going to yield back.

GREEN: The gentlelady yields.

Mr. Loudermilk, Georgia, is now recognized for five minutes.

LOUDERMILK: Well, thank you, Mr. Chairman. I appreciate everyone on the panel today and for this hearing.

First, I'd like to emphasize the need for a permanent statutory structure for the CDBG-DR program. The lack of a permanent law governing the program means that anytime Congress activates the program following a disaster, the structure of the program must be established on an ad hoc basis and HUD must engage in a rulemaking process every time new funds are appropriated. And, of course, this leads to major inefficiencies and delays with distributing funds.

For my first question, Mr. Begg, do you agree that -- with this assessment? And can you explain the problems that are caused by the lack of structure for this program?

BEGG: Thank you for the question, congressman. I do agree with your assessment. And our office has historically -- the problems that we generally see I touched on in my opening statement. Well, first and foremost is timeliness. There are stages of the process that cannot be completed while HUD is in the process of making requirements to Federal Register notices.

There are aspects of grantee and subgrantee planning that cannot take place with certainly while that happens. And, ultimately, these initial lags in planning and development of programs cause future downstream delays that could be taken care of in large part by standardizing the requirements that don't change across disasters and grants.

LOUDERMILK: All right. And I appreciate that. And something else that I appreciate is that Mr. Green and Ms. Wagner have been working on a bipartisan basis over the past several years toward providing a permanent statutory framework for the program. And I hope that we'll be able to get this bill signed into law at this Congress.

Mr. Begg, I know you're aware of many examples of wasted CDBG-DR funds, the disaster relief funds, that were supposed to go to housing improvements but have gone to museums, flood walls, ports, state slush funds, and other areas that are not intended for the purpose of the funds. So, besides establishing a permanent statutory structure for the program, what should Congress and HUD be doing to eliminate waste or misappropriation in this program and ensure funds are used for their intended purpose?

BEGG: Thank you again for that question. One area that we see as a potential to eliminate fraud, waste, and abuse is increased access to grantee data and standardization of the data. And the reporting of grantees and subgrantees are required to provide to HUD. That would assist us and the department in proactively analyzing and assessing risk early on so that we can prevent it rather than chase it.

LOUDERMILK: So, something besides just misuse of funds -- we need to eliminate the waste in general. But, it also needs to be balanced with the need to distribute the funds properly. What other changes can be made to make sure that the funds don't take three and four years to distribute?

BEGG: Something that you just mentioned -- Chairman Green's proposed draft of legislation includes deadlines and timelines that are built in to the statute that would require out of the gate certain deadlines being met in each phase. Creating expectations along those lines would be consistent with promoting more swift distribution of funds.

LOUDERMILK: Thank you, Mr. Begg.

Mr. Chairman, I appreciate the time. And even though this is unusual for me, I will yield back the balance of my time.

GREEN: Thank you. The chair will remember this in the future.

The chair now yields to Ms. Tlaib, the gentlelady from Michigan.

TLAIB: Thank you so much, Chairman Green, for convening this important hearing. As many of you know, we just had some record rainfall in Michigan where thousands of our families were under water, their homes, some of our city halls, and even some of our hospitals. And the president just approved our emergency request for assistance. So, this is an (inaudible) timely.

One of the most immediate and devastating impact of disasters is on housing affordability for our low-income neighbors. And markets across the country are already squeezed by the lack of housing supply, and disasters often cause dramatic spikes in rental prices, leading, of course, to displacement, evictions, and homelessness.

So, Sarah, I was really struck by the portion of your testimony where you outlined the effects of disasters on the housing stock. Based on the ZIP codes in the Houston area, for instance, all rate (ph) increases (inaudible) 15 (ph) percent after Hurricane Harvey. Large portions of (inaudible) housing stock were wiped out by one of the wildfires that happened in (inaudible) -- the wildfire that happened in 2018.

And, so, one of the things I was hoping is if you can describe or talk about how long did the rentals markets in these communities take to really truly recover to pre-disaster levels, if ever. And were low-income resident permanently displaced as a result of the delayed and inefficient CDBG-DR distribution?

SAADIAN: Yes. That's a great question. And there are a lot of elements to that. But, what we have seen is that for too long, affordable housing has been sited in areas that are at highest risk for disaster. The National Low Income Housing Coalition has just put out a report taking stock that found that a third of federally assisted households are at higher risk of natural disasters, which is higher than those in the private market, which means -- and they are also surrounded by inadequate infrastructure, which exacerbates disasters when they happen so that rental units are lost and, oftentimes, never rebuilt. And, so, the housing crisis that existed before a storm is made worse for those households.

It's really important that we rebuild those units. One of the pieces of the bill would require a one-for-one replacement of federally assisted housing that is damaged or destroyed from a storm. But, there are other things that we can be doing to make sure that we are rebuilding in a way that doesn't worsen the housing crisis.

One proposal that's not included in the bill that we'd love to see is forward funding of CDBG-DR dollars so that we don't have to wait years for Congress to pass those resources in a disaster supplemental. You may have seen that it took eight months after Hurricane Michael for Congress to pass these resources. It has already been a year since the 2020 disasters and Congress hasn't provided those funds either. If we were able to forward fund those resources, we can more immediately rebuild after a disaster to make sure that housing units aren't made worse by the housing crisis and by the disaster.

TLAIB: Thank you very much, Sarah. I was going to talk to you about urgency because what I saw happen a few weeks ago in my community -- I could tell like they needed a -- I mean this is their homes. This is where they live. There is where all their belongings area. So, I'm glad you answered you second question (inaudible) some of the particular things that we could be doing to truly make sure that we rehab and replace these homes.

You all know due to climate change disasters are intensifying and really leaving more damage in the -- in the wake than ever before that we've seen. And I'm curious to hear your ideas in how we (inaudible) similar to -- I know what Sarah had talked about.

But, for example, in my community where you -- we are seeing that flood maps are increasingly inaccurate and out of date and certainly don't take into account climate risk right now. In fact, we just got a one-day rainfall, as I had described, that was worse than a 1,000-year rainfall. Our water system didn't even have any projection for an event like this. And this just (inaudible) this is happening (inaudible) to the west side of our country and so much more. And, so, when 100-year floods and wildfires have become annual occurrences, I think we need to be adapting to how we invest in our recovery funds.

So, to all the witnesses, are there ways we can reform CDBG to our programs to promote resiliency in affected communities and avoid costly disasters in the future, particularly in areas that may be more susceptible to disasters today than they were 10 to 20 years ago? Sarah, I know you answered. If there's any other witnesses -- how about Heather -- if you can talk about this -- and Lina and Carol?

LAGRONE: And thank you so much for that question. That's a really great point. Anytime you delay getting the recovery dollars out to communities, your housing stock continues deteriorate. So, what could have been a rehab for \$50,000 becomes a full reconstruction for \$200,000. So, very quickly, you are spending more money per house. Then, ultimately, we never get enough funding in any of these allocations not able to complete as many houses as a result. So, timeliness is, by far, the most important piece of this.

Secondarily -- and we've seen it here in Texas -- since 2005 with our Hurricane Rita funding, when you build houses back in a more resilient fashion, when they are elevated and they are built to windstorm standards, then you absolutely see dividends on that investment because those houses withstand the next event so much better.

GREEN: The gentlelady's time has expired. Any additional witnesses will respond by giving us a written statement for the record.

And the chair will remind members that if you wait until the end of your time to have your question answered, you are not likely to get it completely answered. The chair is going to be generous, but I would beg that you not wait until the end of your time.

The chair will now move to...

(CROSSTALK)

TLAIB: Thank you so much, Chairman. It's so hard when I don't see the clock. But, I appreciate that...

(CROSSTALK)

GREEN: I apologize for the clock not being in view. We'll have to do something about that.

TLAIB: It's because I am -- I am doing something (inaudible), so it's hard when you are on your phone. But, I sincerely appreciate your (inaudible).

GREEN: Thank you. The chair has enjoyed the colloquy with the lady.

Mr. Kustoff of Tennessee is now recognized for five minutes.

KUSTOFF: Thank you, Mr. Chairman.

And thank you for the witnesses for appearing today in today's hearing.

Mr. Begg, if I could with you -- and I'd like too -- if I could follow up on Mr. Loudermilk's line of questioning about the -- about the deficiencies in the supplemental appropriations and what that causes to you and to your staff. My question is, essentially, with the way the appropriations are handled supplementally, does the lack of a permanent staff contribute to problems with (inaudible) and inefficiencies?

BEGG: Thank you for the question. If I could ask a clarifying question -- the lack of permanent staff was the question?

KUSTOFF: Yes, sir. Well, let me -- let me ask -- is there, in fact, a lack of permanent staff? And if the answer is yes, does that contribute to inefficiencies?

BEGG: Thank you for the clarification. With respect to HUD staff, there are permanent staff within the Office of Community Planning and Development that oversee the administration of block grant assistance and then, specifically, Disaster Recovery and Special Issues is the name of the division.

But, we have noted in our time management challenges report and over the years that that office needs additional staff to oversee the growing number of dollars and grantees and complexity that the program has been infused with. I mean at the grantee levels, we have noticed in our reviews of the capacity that there are staffing issues that would hit on your question in the sense that many grantees have to wait to hire staff until they have new grant dollars. And, so, there is frequently turnover. They are at risk of not being able to staff to plan until the money is in their hands.

KUSTOFF: And correct me if I'm wrong. The problem that you just identified -- that is related to the fact that the program is administered with individuals supplemental appropriations.

BEGG: Yes, sir.

KUSTOFF: OK. And if I could follow up further of Mr. Loudermilk's questioning to you, could you talk to me about HUD's relationship and authority to reject a subgrantee's CDBG-DR action plan when there is concern about their ability to provide benefits to the area that's impacted by a disaster event?

BEGG: Sure. HUD generally provides primary grantees with a significant discretion to operate their programs and will generally -- what we've seen in our work -- they will generally approve action plan amendments as long as they are consistent with federal law statute and then, of course, the notice requirements that are administered through the Federal Register. That is the general framework that's available. Certainly, HUD's Office of Community Planning and Development has the policymakers in the best position to describe how they would treat subgrantee plan and changes to amendments. So...

KUSTOFF: Thank you, Mr. Begg. And earlier in your -- in your testimony, again, with Mr. Loudermilk, you talked about waste, fraud, and abuse -- you all both (ph) in your questioning and the answers. I'll ask you, generally, in your opinion, what reforms can be made to this program to prevent further and future waste, fraud, and abuse?

BEGG: Thank you for that question. And in addition to what I mentioned previously with respect to enhanced access to data, certainly, codification of certain requirements around duplication of benefits would assist in preventing fraud, waste, and abuse. Additionally, standardization of requirements could help reduce the number of programs that grantees create from scratch, which would help reduce some of the uncertainty in developing programs that will ultimately drive outcomes for the individuals on the ground level. And we could see a reduction in waste in that regard.

KUSTOFF: Thank you, Mr. Begg. I appreciate it.

Judge, if I could briefly in the time that I have remaining -- I wrote down -- in your -- in your testimony, you talked about the program essentially being mired in red tape, complexity, and uncertainty. If I could -- and the time is expiring, could I ask you to submit in writing examples of the problems that the red tape has caused and your suggestions on a way to correct it?

HIDALGO: Absolutely. We'll get that to you. Thank you.

KUSTOFF: Thank you, Mr. Chairman.

GREEN: The gentleman's...

(CROSSTALK)

KUSTOFF: I yield back.

GREEN: Thank you. The gentleman's time has expired. And the chair appreciates the gentleman's adherence to the protocols. The chair will now recognize the gentlelady from Texas, Ms. Garcia, for five minutes.

S. GARCIA: Thank you, Mr. Chairman. And thank you for this very important hearing. It is something that is really a critical issue not only in my district but in the Houston region and, in fact, across the country because we are not the only ones who face a disaster and in need of these funds. So, anything that we might be able to do to reform and improve this program and address some of the issues like in the bill that you're proposing would be a big help to all Americans.

So, the issue is serious. We have faced unimaginable challenges in the wake of Hurricane Harvey. Despite what the General Land Office has claimed, we have -- we have not asked for any special treatment or any special favor. All we are asking for is fairness and equity.

Natural disasters of historic proportions do warrant more attention in vulnerable areas. That is the sole purpose of the disaster mitigation grant. This is put into place to prepare vulnerable coastal areas for disasters such as this. Out of 300,000 structures that flooded, over half of them -- half of them -- were in Harris County. And according to FEMA, the Houston area experienced the largest amount of rainwater ever recorded in the continental United States from a single storm.

Despite the brutal realities of the disaster, the General Land Office has chosen to disregard the very real need for disaster mitigation that sits right in front of them, instead hiding behind an obscure rigged formula that is its primary reasons for denying Houston area and Harris County much-needed assistance.

We have been given insubstantial explanations for why the General Land Office has allocated their funds this way. And despite HUD's willingness to work with the state, they have pushed back on amending their proposal, instead blaming HUD and bureaucracy for the situation. Thank you for helping and getting to the bottom of this. Our citizens' lives depend on it.

I want to begin first with the county judge. Judge Hidalgo, back in January of 2020, did local officials like yourself or the mayor of Houston alert GLO to the adverse disparate impacts that the -- that the proposed formula would have on urban and LMI areas with denser population levels such as Houston and Harris County?

HIDALGO: Yes, congresswoman. I know the mayor and officials of the city did at least.

S. GARCIA: (inaudible). What was -- what was -- what was their response?

HIDALGO: The outcome was the formula remained what it was. And, ultimately, it disadvantaged large urban areas such as ours. For example, there was one criteria where you had to divide the impact by the number of residents. So, seeing as we have 5 million residents, it disadvantaged our scoring in the criteria. That's...

(CROSSTALK)

S. GARCIA: It was almost as if it was purposely done to exclude large urban areas.

HIDALGO: That was my sense -- our sense, that it was -- it was disadvantaging urban areas. And that is why I'm asking, alongside Mayor Turner, for a review of that initial formula. That said, I also am asking for certainty in the \$750 million because my constituents -- it's irrelevant to them when or how the funds come. We just know we need about \$1 billion in funding for flood control in Harris County and the city of Houston each. So, we really need that 750 million.

S. GARCIA: OK. So, let's ask Ms. Lagrone. Who participated or who devised the formula?

LAGRONE: Thank you for that. The General Land Office is the state of Texas' designee for the disaster recovery...

(CROSSTALK)

S. GARCIA: We know of that. I am asking the specific question, who devised the formula in the General Land Office?

LAGRONE: It was done here at the General Land Office following...

(CROSSTALK)

S. GARCIA: (inaudible) you've been very clear that the commission did not score. Well, did the commissioner participate in any way in devising the formula?

LAGRONE: My apologies. No. It was created in our community development and revitalization area and my team.

S. GARCIA: So, did the commissioner participate, review it, stapled, mutilate it, score it? I mean did he participate in any way in the development of the formula?

LAGRONE: He did not.

S. GARCIA: He did not. All right. So, it's a (inaudible) clear that the grant program is not based on past disasters. And I reviewed the GLO's application guide. However, I still have some clarification that's needed. You designated 50 percent of your MIT funding to state most impacted or distressed counties. None of these counties overlap with HUD's designated most impacted or distress counties.

Furthermore, most of the state-designated counties are further inland. They are inland, nowhere near where some of the damage occurred, away from the most vulnerable places hit by Hurricane Harvey. How did you determine which counties separate from HUD's designated impacted counties would get their own pool of money?

GREEN: The gentlelady's time has expired. The witness will respond in writing for the record.

S. GARCIA: Thank you, Mr. Chairman. I look forward to the response.

GREEN: Thank you.

The chair now recognizes Mr. Timmons of South Carolina for five minutes.

TIMMONS: Thank you, Mr. Chairman.

Ms. Lagrone, your office has dealt with a great deal of public pressure and even allegations of discrimination throughout the process of distributing Hurricane Harvey relief funds. And that dynamic really escalated after Harris County and Houston were not awarded money in the first round of funding for Hurricane Harvey relief. Is that accurate -- is that an accurate assessment?

LAGRONE: Yes, sir. That's accurate.

TIMMONS: OK. Can you help us understand the formula you used to award funds? And did HUD approve that formula?

LAGRONE: Yes, sir. So, we went through the Federal Register and found all of the priorities and/or requirements on the funding that HUD wrote into the regulations for mitigation in particular. We created a 100-point score with low and moderate income being prioritized first and foremost. Then, we've look at social vulnerabilities in the populations being served.

We've looked at a community disaster index that considered the likelihood of that county being re-bit by a flood and/or a hurricane. We've looked at if they have done local planning. We've looked at their past capacity to administer programs with us or with the federal government as a whole.

And, then, we've looked to see if they've done any mitigation related to the need that they were identifying in their application. There was an aspect of the program that considered the benefit-cost analysis, if you will, or a percentage of the population being served or a percentage in dollars being served.

TIMMONS: Sure. Do you think future formulas should probably maybe take into account population density and just the public perception that it's inappropriate to not give any resources to some of the larger areas? Is that reasonable maybe?

LAGRONE: So, what we did is we looked at a total population being served as an aspect of the scoring criteria. And one would think that when you have a higher population to serve, that that number -- that denominator, if you will, would be a bigger number. So, we thought by putting together a formula that allocated funds based on population served, we were accounting for the larger population areas.

TIMMONS: OK. And it's my understanding that they can expect 750 million in the -- in the coming weeks and months. Is that correct?

LAGRONE: That's correct.

TIMMONS: OK.

LAGRONE: We've set aside \$750 million for use in Harris County.

TIMMONS: Great. Thank you.

Second, Mr. Begg, I want to remark first that you would likely get a 10 out of 10 from room rates for your office background. I am -- I am a bit jealous with my Zoom fake background. So, I just wanted to begin with that.

Second, I want to give you an opportunity to answer the question Ranking Member Emmer posed before he ran out of time. HUD's office and the inspector general's audit showed that less than 1 percent of Harris County's grant funding was spent in the past three years. So, can you tell us what the process is to get money into the hands of disaster victims? And can you explain the relationship between HUD, the grantee, and the subgrantees?

BEGG: Thank you for the question. Absolutely. As I mentioned, after Congress appropriates funding for a disaster, HUD goes through a process of determining the allocation that will go to the grantees. And grantees, then, in turn, will work to determine the method by which they will distribute that funding to the affected areas, those most impacted and distressed. And they will work with subgrantees on occasion, when they deem appropriate, to utilize their offices to distribute the money locally.

So, in this instance, Texas General Land Office is the primary grantee. Harris County and the city of Houston have been designated as subgrantees for their unmet needs funding. Our office has done work related to both of those grants and the subgrantee's administration of them. We published a report related to Harris County's performance and we are in the process of concluding our work on the city of Houston. And we'll be able to share that work with this committee and the public in the near future.

TIMMONS: Sure. Thanks for the -- I think maybe the shorter answer is that the government bureaucracy takes time and the more -- the faster we can get the money to the people that are adversely impacted, the better.

I have a follow-up question. I'm running out of time. But, I was doing some research and it seems like a lot of these projects go places other than to low- and moderate-income families that have been impacted by disasters. And I'm going to send you an additional question and I'd appreciate an answer in writing. So, really, I just appreciate you all taking the time.

And Mr. Chairman, I yield back. Thank you.

GREEN: The gentleman yields back.

The chair now recognizes the gentlewoman from Georgia, the vice chair of the subcommittee, Ms. Williams, for five minutes.

WILLIAMS: Thank you, Mr. Chairman.

And Ms. Lagrone, I want to follow up on some discussion that you've been earlier. In your written testimony at page two, you quote the August 2019 Federal Register notice which said CDBG-MIT funds do not require a tie back to the specific qualified disaster that has served as the basis for the grantee's allocation of CDBG-MIT funds. Am I correct in reading this to mean that while a tie back to a particular disaster such as Hurricane Harvey was not required under the rule cited, neither was a tie back prohibited by the rule?

LAGRONE: That is correct. The tie back was not prohibited. However, it was not required. And HUD told us that damage from a previous event was not something we should consider with the allocation of the methodology that we put together.

WILLIAMS: So, the tie back was not prohibited by the rule. Therefore, would you agree that, under the HUD rule cited, GLO could have tied back the CDBG-MIT-funded projects to Hurricane Harvey?

LAGRONE: No. Based on our technical assistance and our conversations with HUD, they clarified that statement for us that we could not consider previous damage in our methodology for distribution of the \$4 billion.

WILLIAMS: So, GLO chose not to do so?

LAGRONE: Based on the guidance that we received from HUD.

WILLIAMS: So, GLO thought it was appropriate to unlink mitigation dollars from Harvey given this discretion to deploy mitigation funds in relation to Harvey?

LAGRONE: No, ma'am. We followed HUD's guidance that disaster recovery -- disaster unmet needs not be a part of our criteria for the distribution of mitigation funds.

WILLIAMS: OK. But, Ms. Lagrone, your written testimony continues at page two. And based on this definition and clarifying statement, the GLO was not able to use damage assessments from previous storms when developing the competition scoring criteria. So, is that an accurate statement?

LAGRONE: That is correct. We were not allowed to use disaster need that remained in the 49 eligible counties -- 149 eligible counties for the distribution of these funds.

WILLIAMS: But, Ms. Lagrone, what we've review -- you would agree -- you would have to agree that it's not correct -- it's false to maintain that under the rule that you cite with -- GLO was not able to tie back CDBG-MIT fund into Harvey when we have already stated in your previous testimony -- in your written testimony that the tie back -- there was no prohibited tie back to the rule by the rule.

LAGRONE: In a different portion of the Federal Register, we were told that the mitigation disaster funds were to reduce future losses. And in another portion, we were told that the CDBG Mitigation funds were used for a distinctly different purpose than the disaster recovery funds. In looking at both of those examples, those seem to clarify and support what HUD had told us about not using disaster recovery needs or damage from a previous event for our allocation methodology.

WILLIAMS: Well, Ms. Lagrone, I am confused about the statement in your testimony and I am curious as to who put it in your testimony because what the rule actually says is that a tie back was not required, not that a tie back was prohibited. Correct?

LAGRONE: In that particular statement, yes. That's one piece of 34-page Federal Register document.

WILLIAMS: So, Ms. Lagrone, I just want to make sure that the committee is clear on what the true reason is that GLO was not able to use Harvey damage assessments in the scoring criteria since they clearly wasn't due to the HUD rules cited in your testimony.

LAGRONE: So, the one rule that you are pointing to is not the full discussion in the Register. The other items that I pointed out to you, training and technical assistance from HUD, did tell us that we could not use damage assessments toward that. And comments that we received from the city of Houston specifically -- I'm sorry -- from Harris County said that they received 44 percent of the damage from Hurricane Harvey and only eligible to receive 8 percent of the funds. In our action plan that HUD approved, we responded the allocation of the CDBG-MIT funds is based on future risk, not previous damage, per the HUD Federal Register notice. So, that was our response when Harris County raised the issue and had approved that response.

WILLIAMS: Mr. Chairman, I am out of time. And I do have some questions that I would like to submit to Ms. Saadian around equitable recovery, and I will submit those for the record and request a written response.

GREEN: Without objection, they are submitted in the record.

WILLIAMS: Thank you.

GREEN: The chair now recognizes Mr. Mooney of West Virginia for five minutes of questions.

MOONEY: Thank you, Mr. Chairman.

So, some of my colleagues on the other side of the aisle that you were just hearing have claimed that the Texas General Land Office, GLO, purposely wrote rules and used the word "criteria" that made it harder, if not even possible, for the larger urban areas to receive any funding. So, Ms. Lagrone, can you answer that question directly? Did the GLO purposely write rules that make it harder for large urban areas to receive funds?

LAGRONE: No, sir. We did not.

MOONEY: Thank you. And, also, Ms. Lagrone, can you -- can you explain how your office prioritizes low- and moderate-income families in the criteria for Community Development Block Grant Disaster Relief competitions?

LAGRONE: Thank you for that. LMI is the highest prioritized criteria in our criteria of 100 points. It's 20 percent of the score. If you're not doing an LMI project, you didn't score enough to be awarded.

MOONEY: OK. A follow up to that, Ms. Lagrone, can then -- how was -- or was, quote, "level of impact," close quote, one of the reasons why Houston and Harris County did not score high enough to receive funding? As a follow to that, did they not prioritize the most vulnerable populations?

LAGRONE: Yes, sir. Both Harris County and Houston did lose points in those criteria because the populations that they served were not as large as they could have been.

MOONEY: OK. So, thank you. I think it is fair to say that in this case, neither Houston nor Harris County was singled out on purpose but, rather, because it did not follow the competition rubrics for subgrantees to receive funding. The truth is that there are plenty of ways to improve the Community Development Grant Disaster Relief program. Chief among them is cutting out on waste, fraud, and abuse. Those issues should be the focus of this hearing. So, I just wanted to make those comments. And I thank you for testifying.

And Mr. Chairman, I yield back the balance of my time.

GREEN: The gentleman yields back. The chair now desired to engage in a colloquy with Mr. Emmer or the person who is designated currently as the person to take on my questions.

Mr. Emmer, are you there or is there someone else in your chair?

TIMMONS: William Timmons is here from South Carolina to (inaudible).

GREEN: Thank you. Mr. Timmons, thank you very much. The chair would ask now do you have any additional witnesses that you would have -- pardon me -- any additional persons who will be asking questions? Any additional congresspersons to ask questions?

TIMMONS: No, Mr. Chairman.

GREEN: All right. With the said, the chair will now proceed to grant himself five minutes to ask questions.

Let me start with a statement to you, Mr. Lagrone. I did award you extra time. And this was done because, quite frankly, I don't blame you for what's happening and I know you've got a tough job and I want to make sure that we not only treat you fairly but we give the appearance of treating you fairly. So, I thank you for the answers that you've given. And I thank the members for indulging me and allowing me to accord you the extra time.

It has been intimated that a lawsuit by the city of Houston and inaction by the city of Houston as well is the reason that Houston has been left behind. However, I'd like to call to our attention an article from the Houston Chronicle that, without objection, I will submit in the record. It is styled, "Bush says he will ask HUD to send 750 million in flood aid to Harris County following backlash," the backlash, of course, being when bipartisan personalities who associated with politics who hold public trust opposed what was being done when GLO was awarding Houston as well as Harris County zero dollars and in no universe should Harris County and Houston get zero dollars.

But, in this article, it is indicated -- and I'll read what it says. "In a statement, Bush blamed the situation of federal red tape requirements and complex regulations that he described has the hallmark of the Biden administration." Well, the truth is that the Biden administration did not work with GLO initially when the action plan was developed because the Biden administration was not in place at that time.

So, Ms. Lagrone, would you just kindly answer that one question? Isn't it true that the Biden administration was not in place when you initially worked on your action plan?

LAGRONE: That is correct.

GREEN: Continuing, the Biden administration did have an opportunity to work with you. But, I would like to mention another article from the Houston Chronicle dated June 1st, 2021 styled, "Bush federal rules" -- or "Bush blame federal rules for Harris County's lack of flood aid." Our analysis shows that's false. This is the Houston Chronicle.

And the part of the Chronicle that addresses this and I'd like to call to your attention reads, "A Houston Chronicle analysis of the Department of Housing and Urban Development flood mitigation program revealed a different reality" -- a different reality from Bush blaming federal rules is what they are talking about.

Continuing, not only does the federal government grants states significant discretion to decide how to spend their funds, but the criteria Bush's General Land Office developed discriminated against populous areas -- meaning large areas like Houston, Texas. Now, this is the Houston Chronicle alleging a discrimination. And there is additional information, empirical evidence that they contend supports the notion that there was some discrimination taking place such that areas that were less populated were going to receive dollars more so than the areas that were more populated.

Isn't it true, ma'am, that you adhere to a formula when you distribute these dollars? You have to adhere to a formula that's a part of your action plan. Isn't this true?

LAGRONE: Yes, sir. The criteria is in the action plan.

GREEN: Yes, ma'am. And isn't it true that the action plan was developed at some time prior to your actually announcing the results wherein you said that -- you indicated that Houston would get zero as well as Harris County zero dollars? Isn't it true that that plan was developed before that announcement?

LAGRONE: That's correct. The action plan was submitted to HUD February of 2020. And we announced awards for the mitigation beginning in March of 2021.

GREEN: So, if you're adhering to your action plan, you could not deny Houston and Harris County -- but, more specifically, Houston -- funds by virtue of inaction on Houston's part related to construction of homes or inaction by virtue of them filing a lawsuit as opposed to doing something else. It would be true that you are adhering to an action plan that had a formula that didn't include lawsuits, a formula that did not include Houston possibly doing something that you found offensive? Isn't it true that was the action plan that you were working

LAGRONE: Yes. So, the criteria...

(CROSSTALK)

GREEN: Excuse me. I'm going to do this. I did give you a large amount of time initially. I have to close and I have 11 seconds. (inaudible) it has become somewhat intuitively obvious that we have a circumstance wherein we have to take corrective action. I am proud to work with Ms. Wagner and, hopefully, we will come up with something that members will be able to support. I have to yield back the balance of my time as my time has expired.

Now, dear friends, let me move to bring our -- bring to an end and do this. The staff has given me the ending that I shall have to call to your attention.

TIMMONS: Mr. Chairman.

GREEN: Yes. The chair recognizes the gentleman for a question.

GREEN: Yes, Mr. Chairman. I would make a motion for unanimous consent to give you an extra five minutes if you would like.

GREEN: The chair appreciates the generosity. The chair will simply at this time move to bring the hearing to an end and will give you kudos for being so kind. As soon as the chair can locate the proper place within my large amount of information that I have for the ending of the hearing. My staff has done a great job. They have given me much more than I possibly can use, which mean that I am not moving quickly enough. So, chair -- members, please tolerate me for just a moment as I move to the ending that I should have immediately before me.

OK. Thank you very much. My staff has brought me up to speed. And I appreciate them and apologize to you.

Allow me now to thank the witnesses for their testimony, for devoting the time and resources to share their expertise with this subcommittee. Your testimony today will help to advance the important work of this subcommittee and of the U.S. Congress. The chair notes that members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for five legislative days for members to submit written questions to these witnesses and to place their responses in the record.

Also, without objection, members will have five legislative days to submit extraneous materials to the chair for inclusion in the record. And I must remind members to submit written questions and materials for the record to the email address provided to your staff.

Friends, thank you for your participation. This hearing is now adjourned.

END

Jul 19, 2021 12:20 ET .EOF