



Testimony

Before the Subcommittee on Transportation,  
Housing and Urban Development, and  
Related Agencies, Committee on  
Appropriations, United States Senate

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# DISASTER BLOCK GRANTS

## Factors to Consider in Authorizing a Permanent Program

Statement of John Pendleton, Director,  
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# GAO@100 Highlights

Highlights of [GAO-21-569T](#), testimony before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Committee on Appropriations, United States Senate

## Why GAO Did This Study

Legislation proposed over the years would permanently authorize CDBG-DR or a similar program, but no proposal has been enacted. Since 1993, Congress has provided over \$90 billion in supplemental appropriations through HUD's CDBG program to help communities recover from disasters. Just since 2001, HUD has issued over 100 *Federal Register* notices linked to these funds. Communities use these funds to address unmet needs for housing, infrastructure, and economic revitalization. HUD is one of approximately 30 federal agencies tasked with disaster recovery.

This testimony discusses (1) challenges associated with the lack of permanent statutory authority for CDBG-DR and (2) factors to consider when weighing whether and how to permanently authorize CDBG-DR or a similar program. It is based primarily on GAO's March 2019 and May 2021 reports on CDBG-DR ([GAO-19-232](#) and [GAO-21-177](#)) and GAO reports issued between February 2004 and June 2019 that identified factors to consider in making critical federal policy decisions. For those reports, GAO reviewed documentation on CDBG-DR and its observations of efforts to reorganize or streamline government, among other things.

## What GAO Recommends

In March 2019, GAO recommended that Congress consider permanently authorizing a disaster assistance program that responds to unmet needs in a timely manner. GAO continues to believe that establishing such authority would provide a more consistent framework for administering funds going forward.

View [GAO-21-569T](#). For more information, contact John Pendleton at (202) 512-8678 or [pendletonj@gao.gov](mailto:pendletonj@gao.gov).

May 19, 2021

## DISASTER BLOCK GRANTS

### Factors to Consider in Authorizing a Permanent Program

## What GAO Found

In March 2019, GAO reported that because the Community Development Block Grant Disaster Recovery (CDBG-DR) program lacks permanent authority and regulations—unlike other disaster assistance programs—appropriations require the Department of Housing and Urban Development (HUD) to customize grant requirements for each disaster in *Federal Register* notices—a time-consuming process. GAO identified challenges associated with the lack of permanent statutory authority, including delays in disbursement of funds and the need for grantees to manage multiple grants with different rules. For example, GAO found it took HUD 5 months after the first appropriation for the 2017 hurricanes (Hurricanes Harvey, Irma, and Maria) for HUD to issue the first *Federal Register* notice establishing the grant requirements. Officials from one of the 2017 CDBG-DR grantees told GAO of challenges managing multiple CDBG-DR grants it received over the years because each grant had different rules. HUD officials noted then that permanently authorizing CDBG-DR would allow HUD to issue permanent regulations for disaster recovery.

GAO identified factors to consider when weighing whether and how to permanently authorize a program for unmet disaster assistance needs. These factors, which are based on GAO's body of work on emergency management and past observations of broader government initiatives, include the following:

- **Clarify how the program would fit into the broader federal disaster framework.** GAO has emphasized the importance of articulating a program's relationship to other programs and of aligning the program within organizations with compatible missions and goals. This is particularly important with disaster programs, given the approximately 30 agencies involved in disaster recovery.
- **Clarify the purpose and design the program to address it.** Greater clarity about the purpose of CDBG-DR could help resolve implementation issues GAO has previously identified, such as how much time grantees should have to spend funds and the proportion of funds that should be distributed to renters.
- **Consider the necessary capacity and support infrastructure to implement the program.** GAO's prior work found that state, local, territorial, and tribal grantees and federal agencies faced capacity challenges in administering and overseeing federal grant funds, including CDBG-DR. Capacity challenges for grantees may contribute to fraud risks and slow expenditure of funds.

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Chairman Schatz, Ranking Member Collins, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on one of the federal government's key disaster recovery programs—the Department of Housing and Urban Development's (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) program. In numerous appropriations from fiscal years 1993 to 2019, Congress provided more than \$90 billion in supplemental appropriations through HUD's Community Development Block Grant (CDBG) program to help affected communities recover from disasters.<sup>1</sup> Just since 2001, HUD has issued at least 100 *Federal Register* notices linked to these funds. Communities use their CDBG-DR grants to address a wide range of unmet recovery needs—losses not met with insurance or other forms of assistance, including federal disaster assistance—related to housing, infrastructure, and economic revitalization.

HUD is one of approximately 30 federal agencies tasked with helping communities respond to, recover from, and mitigate the impacts of disasters. The Federal Emergency Management Agency (FEMA) is the lead agency, and several national frameworks, such as the *National Response Framework*, *National Disaster Recovery Framework*, and *National Mitigation Framework*, set a vision for a coordinated federal approach.<sup>2</sup> However, even with these and other coordinating bodies in place, successfully executing these wide-ranging and interrelated disaster recovery and mitigation programs is an immense challenge.

Over the years, questions have been raised about the administration of CDBG-DR, including the long life cycle of CDBG-DR grants and grantees' capacity to administer them. For example, as of April 2021, Florida, Texas, Puerto Rico, and the U.S. Virgin Islands had spent 5 percent of the over \$31 billion available to respond to the 2017 hurricanes (Harvey, Irma, and Maria). In addition, we and others have noted that HUD has to customize grant requirements for each disaster due to a lack of permanent statutory authority.

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<sup>1</sup>The total amount of CDBG-DR appropriations is in nominal dollars.

<sup>2</sup>Department of Homeland Security, Federal Emergency Management Agency, *National Response Framework, Third Edition* (Washington, D.C.: June 2016); *National Disaster Recovery Framework, Second Edition* (Washington, D.C.: June 2016); and *National Mitigation Framework, Second Edition* (Washington, D.C.: June 2016).

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In this statement, I will discuss (1) challenges associated with the lack of permanent statutory authority for CDBG-DR and (2) factors to consider when weighing the possibility of permanently authorizing CDBG-DR or a similar disaster assistance program. In preparing this statement, we relied primarily on our March 2019 and May 2021 reports on CDBG-DR and our prior work issued between February 2004 and June 2019 identifying useful considerations and principles for critical federal policy decisions, such as government reorganizations.<sup>3</sup>

For our March 2019 report, we conducted a literature search for GAO, HUD Office of Inspector General (OIG), and other reports on CDBG-DR funds used to recover from the 2005 Gulf Coast hurricanes and Hurricane Sandy and reviewed relevant reports. For our March 2019 and May 2021 reports, we also interviewed HUD officials and the four grantees that received the largest CDBG-DR grants to respond to Hurricanes Harvey, Irma, and Maria to obtain their perspectives on challenges administering the 2017 grants. Our work identifying useful considerations and principles for federal policy decisions was based on our observation of efforts to reorganize or streamline government and prior work related to disaster recovery and resilience. Detailed information on the scope and methodology can be found in the issued products cited throughout this testimony.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>3</sup>GAO, *Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grants Fraud Risks*, [GAO-21-177](#) (Washington, D.C.: May 5, 2021); *Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed*, [GAO-19-232](#) (Washington, D.C.: Mar. 25, 2019); *Federal Protective Service's Organizational Placement: Considerations for Transition to the DHS Management Directorate*, [GAO-19-605T](#) (Washington, D.C.: June 11, 2019); *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015); and *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, [GAO-04-408T](#) (Washington, D.C.: Feb. 3, 2004).

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## Background

### Overview of Federal Disaster Recovery and Resilience Programs

Federal agencies can respond to a disaster when effective response and recovery are beyond the capabilities of the affected state and local governments. In such cases, the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) permits the President to declare a major disaster in response to a request by the governor of a state or territory or by the chief executive of a tribal government.<sup>4</sup> Such a declaration is the mechanism by which the federal government funds and coordinates response and recovery activities.

Major disaster declarations can trigger a variety of federal response, recovery, and resilience-promoting programs and activities involving at least 30 federal agencies. Under the *National Response Framework*, which governs any type of federal disaster or emergency response, the Department of Homeland Security (DHS) is the federal department with primary responsibility for coordinating disaster response.<sup>5</sup> Within DHS, FEMA has lead responsibility and provides three principal forms of funding for disaster recovery—Individual Assistance, Public Assistance, and Hazard Mitigation Grants.<sup>6</sup> The Small Business Act also authorizes the Small Business Administration (SBA) to make direct loans to help businesses, nonprofit organizations, homeowners, and renters repair or replace property damaged or destroyed in a federally declared disaster.

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<sup>4</sup>42 U.S.C. § 5170. Under the Stafford Act, the governor of a state may request a declaration of a major disaster when effective response and recovery are beyond the capabilities of the state and affected local governments. 42 U.S.C. § 5170.

<sup>5</sup>Department of Homeland Security, Federal Emergency Management Agency, *National Response Framework*. The *National Response Framework* is part of the National Preparedness System established in Presidential Policy Directive 8. It is to be used to manage any type of disaster or emergency response, regardless of scale, scope, and complexity. Specifically, this framework covers actions to save lives, protect property and the environment, stabilize communities, and meet basic human needs following an incident.

<sup>6</sup>The Individual Assistance Program provides financial assistance directly to survivors for expenses that cannot be met through insurance or low-interest loans, such as temporary housing, counseling, unemployment compensation, or medical expenses. The Public Assistance Program provides federal disaster grant assistance to state, local, tribal, and territorial governments and certain types of nonprofit organizations for debris removal, emergency protection, and the restoration of facilities. The Hazard Mitigation Grant Program is designed to help communities prepare for and recover from future disasters. It funds a wide range of projects, such as purchasing properties in flood-prone areas, adding shutters to windows, and rebuilding culverts in drainage ditches.

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HUD uses data from FEMA and SBA to make decisions on the amount of CDBG-DR funding to allocate to affected communities.

We have previously identified the rising number of natural disasters and increasing reliance on federal assistance as a significant source of federal fiscal exposure. In 2013, we included the federal government's fiscal exposure to climate change risks on our High-Risk List.<sup>7</sup> Investments in disaster resilience are a promising avenue to address the federal fiscal exposure because such investments offer the opportunity to reduce the overall impact of disasters. However, we have found that the federal approach to disaster risk reduction, including investments in disaster resilience, has been reactive—revolving around disaster recovery efforts—and fragmented.<sup>8</sup>

Funding disaster resilience in reaction to disasters after they have occurred has exacerbated fragmentation across federal programs with different timelines and purposes. In turn, this creates challenges for nonfederal partners trying to use federal funds in a way that maximizes overall risk reduction. For example, following Hurricane Sandy, we found that a lack of a strategic approach to disaster resilience may have resulted in lower returns on investments or lost opportunities to mitigate against known hazards effectively. Specifically, grantees noted that timing differences among federal grant programs—some funding was available right away, other funding was available months later—contributed to a fragmented recovery process and made it difficult for grantees to invest in resilience and comprehensively plan to use the federal funds for maximum risk reduction.<sup>9</sup>

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<sup>7</sup>The term fiscal exposure refers to the responsibilities, programs, and activities that may either legally commit the federal government to future spending or create the expectation for future spending. For the most recent High-Risk List update, see GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress on Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

<sup>8</sup>GAO, *Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters*, [GAO-20-100SP](#) (Washington, D.C.: Oct. 23, 2019). We have defined fragmentation as those circumstances in which more than one federal agency is involved in the same broad area of national need and opportunities exist to improve service delivery. See, for example, GAO, *2019 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions in Financial Benefits*, [GAO-19-285SP](#) (Washington, D.C.: May 21, 2019).

<sup>9</sup>GAO, *Hurricane Sandy: An Investment Strategy Could Help the Federal Government Enhance National Resilience for Future Disasters*, [GAO-15-515](#) (Washington, D.C.: July 30, 2015).

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Recognizing the serious effects of natural disasters, including federal fiscal exposure they can create, we developed the *Disaster Resilience Framework* in October 2019.<sup>10</sup> This framework is intended to support analysis of federal opportunities to facilitate and promote resilience to natural hazards. It provides a set of high-level principles to help those who have responsibility for oversight and management of federal efforts to consider actions they might take to increase resilience to natural hazards. See appendix I for more information on the framework.

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## History and Administration of CDBG-DR

The Housing and Community Development Act of 1974 created the CDBG program to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons. Program funds can be used for housing, economic development, neighborhood revitalization, and other community development activities. Because the CDBG program already has a mechanism to provide federal funds to states and localities, the program is widely viewed as a flexible solution to disburse federal funds to address unmet needs in emergency situations.

When disasters occur, Congress often appropriates additional CDBG funding (CDBG-DR) through supplemental appropriations. These appropriations often provide HUD the authority to waive or modify many of the statutory and regulatory provisions governing the CDBG program, thus providing states with greater flexibility and discretion to address recovery needs.<sup>11</sup> Eligible activities that grantees have undertaken with CDBG-DR funds include relocation payments to displaced residents, acquisition of damaged properties, rehabilitation of damaged homes and public facilities (such as neighborhood centers and roads), and hazard mitigation.

In numerous appropriations from fiscal years 1993 to 2019, Congress provided more than \$90 billion in CDBG-DR funds to help states recover from federal disasters. For example, Congress directed CDBG-DR funds toward recovery and rebuilding efforts in the Gulf Coast after Hurricanes Katrina, Rita, and Wilma in 2005; in New York after the September 11th terrorist attacks in 2001; in North Dakota, South Dakota, and Minnesota after the floods in 1997; in Oklahoma City after the 1995 bombing of the

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<sup>10</sup>[GAO-20-100SP](#).

<sup>11</sup>The HUD Secretary may provide waivers or specific alternative requirements if such waivers are not inconsistent with the overall purpose of Title I of the Housing and Community Development Act of 1974. The Secretary may not waive requirements related to fair housing, nondiscrimination, labor standards, and the environment.

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Alfred Murrah Building; in Southern California after the 1994 Northridge earthquake; and in Florida after Hurricane Andrew in 1992. As of April 2021, HUD was overseeing 157 CDBG-DR grants totaling more than \$84 billion.

HUD's Office of Community Planning and Development (CPD) administers the traditional CDBG program and CDBG-DR funds. Before 2004, existing CPD staff that administered the traditional CDBG program also administered CDBG-DR. In 2004, HUD established the Disaster Recovery and Special Issues Division within CPD's Office of Block Grant Assistance to manage large CDBG-DR grantees with allocations of \$500 million or more. CPD field office staff generally manage all other grantees.<sup>12</sup>

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## GAO's Prior Work on CDBG-DR

In our March 2019 report on CDBG-DR, we made five recommendations to HUD, four of which the agency has implemented.<sup>13</sup> These recommendations were intended to help HUD improve CDBG-DR program management by better assessing grantees' processes and capacity, implementing a comprehensive monitoring plan, and developing a workforce plan.

The recommendation that HUD has not yet implemented is for the agency to provide its staff with additional guidance on reviewing the capacity and unmet needs assessments that CDBG-DR grantees develop. In February 2021, HUD provided us with a draft of such guidance, which largely refers HUD staff to the associated *Federal Register* notice but generally does not describe how HUD reviewers should evaluate the adequacy of capacity and unmet needs assessments. For example, the guidance does not clarify how HUD staff could determine whether the number of personnel a grantee plans to designate for certain program functions, including management and monitoring, is reasonable. See table 1 for the status of our March 2019 recommendations.

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<sup>12</sup>According to HUD officials, HUD headquarters staff may assume oversight of grants under \$500 million if the grants prove to be high risk.

<sup>13</sup>[GAO-19-232](#).



**Table 1: Status of Recommendations to HUD from GAO-19-232, as of May 2021**

Recommendation	Status	Description of actions taken
Develop additional guidance for HUD staff to use when assessing the adequacy of grantee capacity and unmet needs assessments that grantees develop.	Not implemented	HUD partially agreed with the recommendation and provided us with draft guidance in February 2021. We do not believe it is specific enough to meet the intent of our recommendation.
Develop additional guidance for HUD staff to use when assessing the adequacy of the financial controls, procurement processes, and grant management procedures that grantees develop.	Implemented	HUD partially agreed with the recommendation and revised its checklists for review of grantees' financial processes and procedures to include specific guidance indicating examples of acceptable responses and documentation that would address the program requirements.
Require staff to document the basis for their conclusions during reviews of grantees' financial processes and procedures and capacity and unmet needs assessments.	Implemented	HUD agreed with the recommendation and revised the checklists used for the disasters in 2018 and 2019 to require grant managers to indicate the basis for their conclusions.
Develop and implement a comprehensive monitoring plan for the 2017 grants.	Implemented	HUD agreed with the recommendation and developed a fiscal year 2020 and 2021 monitoring schedule and strategy that described the scope of review for the monitoring visits for the 2017 grantees.
Conduct workforce planning for the Disaster Recovery and Special Issues Division to help ensure that it has sufficient staff with appropriate skills and competencies to manage a growing portfolio of grants.	Implemented	HUD agreed with the recommendation and conducted a workload analysis in fiscal year 2019, assessing organizational functions, work products, and resources to determine the staffing gaps within the division. As of June 22, 2020, HUD had hired 28 staff to fill gaps identified.

Source: GAO. | GAO-21-569T

Note: The recommendations in this table are from GAO, *Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed*, GAO-19-232 (Washington, D.C.: Mar. 25, 2019). The actions taken are based on analysis of documentation from the Department of Housing and Urban Development (HUD).

In our March 2019 report, we also recommended that Congress consider permanently authorizing a disaster assistance program that responds to unmet needs in a timely manner rather than continue the ad hoc approach taken since 1993. Similarly, as recently as April 2021, the HUD

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## Permanent Statutory Authority Would Provide a More Consistent Framework

OIG called on HUD to pursue codification of the CDBG-DR program.<sup>14</sup> Legislation has been proposed over the years that would have permanently authorized the CDBG-DR program or a similar program, but no proposal has been enacted.<sup>15</sup>

Unlike CDBG-DR, other federal disaster assistance programs, such as those administered by FEMA and SBA, are permanently authorized and activated upon a presidential disaster declaration.<sup>16</sup> In our March 2019 report, we identified a number of challenges that could be linked in part to the lack of permanent statutory authority for CDBG-DR, including lags in funding and varying requirements.<sup>17</sup>

**Time lags in accessing funding.** As shown in figure 1, it took 154 days (or 5 months) after the first appropriation for the 2017 hurricanes for HUD to issue the *Federal Register* notice establishing the grant requirements. According to HUD officials, they delayed issuance of the first notice for the 2017 hurricanes because they expected a second appropriation and wanted to allocate those funds in the same notice.<sup>18</sup> After HUD issued the *Federal Register* notice, it took the 2017 grantees over 6 months to complete all of the required steps to enter into grant agreements.

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<sup>14</sup>Department of Housing and Urban Development, Office of Inspector General, *Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico*, 2019SU008945I (Washington, D.C.: Apr. 20, 2021).

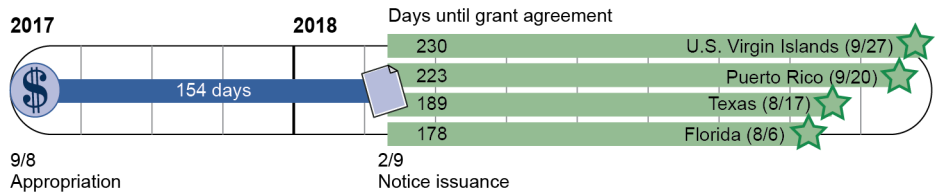
<sup>15</sup>Reforming Disaster Recovery Act of 2018, H.R. 4557, 115<sup>th</sup> Cong. (2018); Reforming Disaster Recovery Act of 2019, H.R.3702, 116<sup>th</sup> Cong. (2019); Reforming Disaster Recovery Act, S.2301, 116<sup>th</sup> Cong. (2019); and Natural Disaster Recovery Program Act of 2020, H. R. 8949, 116<sup>th</sup> Cong. (2020). Most recently, the Natural Disaster Recovery Program Act of 2021, H.R. 2809, 117<sup>th</sup> Cong. (2021) was introduced.

<sup>16</sup>SBA also makes disaster loans available when it issues a physical disaster declaration in response to a timely request by a state governor, based on the occurrence of at least a certain minimum amount of physical damage that meets certain tests. SBA can also make an economic injury disaster declaration in response to a determination of a natural disaster by the Secretary of Agriculture or by relying on a state certification that at least five small business concerns in a disaster area have suffered substantial economic injury as a result of the disaster and are in need of financial assistance not otherwise available on reasonable terms. 13 C.F.R. § 123.3.

<sup>17</sup>[GAO-19-232](#).

<sup>18</sup>Because the second appropriation took longer than HUD expected, the February 2018 notice allocated only the first appropriation.

**Figure 1: Time It Took HUD to Issue the Initial *Federal Register* Notice and Enter into Grant Agreements for the 2017 Hurricanes**



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-569T

Establishing permanent statutory authority would allow for the issuance of permanent regulations and require less need for *Federal Register* notices and the use of waivers after each disaster, according to HUD officials. They said these changes would allow funds to be available for providing assistance sooner. They stressed that for a permanently authorized CDBG-DR program to be effective, Congress would need to provide HUD the flexibility to waive traditional CDBG statutory requirements and adopt alternative requirements to help address recovery needs. Moreover, two grantees that we interviewed also suggested that the CDBG-DR process could be shortened if there were an established set of rules for states to follow instead of waiting months for a new *Federal Register* notice to be published for each allocation.

**Varying requirements.** CDBG-DR grant requirements vary from notice to notice. Officials from one of the CDBG-DR grantees we interviewed for our 2019 report said it was challenging to manage multiple CDBG-DR grants, each with different rules. As an example, they noted that 2015 grant funds could not be used on levees, while funds from other years could be used for this purpose. To help manage these different requirements, they stated that they must tie each grant to the relevant public law in their grant management system. To further ensure compliance with the various notices, their legal department prepares a new template for the agreement that the state signs with subrecipients for each public law. Officials from another 2017 grantee stated that it was difficult to build infrastructure for managing current and future CDBG-DR funds, as the rules often could be different for each allocation. According to HUD officials, the requirements have varied because of differences in appropriations language and policies across administrations and changes made in response to input from the HUD OIG.

In addition, a July 2018 HUD OIG report identified 59 duplicative or similar requirements in most of the notices that could benefit from a

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permanent framework.<sup>19</sup> For example, the following rules or waivers were consistently repeated: (1) allowing states to directly administer grants and carry out eligible activities, (2) requiring grantees to submit an action plan, (3) requiring grantees to review for duplication of benefits, (4) allowing states to use subrecipients, and (5) allowing flood buyouts.<sup>20</sup> The HUD OIG recommended that the Office of Block Grant Assistance work with its Office of General Counsel to codify CDBG-DR in regulations.<sup>21</sup> HUD disagreed with this recommendation, stating that it lacked statutory authority to create a permanent CDBG-DR program.<sup>22</sup> In commenting on the report, HUD stated that congressional direction would be needed for a more standard, regulation-governed program.

**Unpredictable timing of CDBG-DR appropriations.** In a July 2015 report on Hurricane Sandy, we found that the unpredictable timing of the appropriation for CDBG-DR created challenges for grantees' recovery planning.<sup>23</sup> As shown in figure 2, the first CDBG-DR supplemental appropriation for the 2005 Gulf Coast hurricanes was enacted 4 months after the first of these hurricanes occurred. For Hurricane Sandy in 2012 and Hurricane Harvey (the first of the 2017 hurricanes), less time elapsed between when the hurricane occurred and Congress's appropriation of funds—3 months and 2 weeks, respectively. In contrast, a presidential disaster declaration, rather than congressional appropriation, activates the provision of funds from FEMA's Disaster Relief Fund. The SBA Disaster Loan Program is also activated by a presidential disaster

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<sup>19</sup>Department of Housing and Urban Development, Office of Inspector General, *HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program*, 2018-FW-0002 (Fort Worth, TX: July 23, 2018).

<sup>20</sup>Flood buyouts refer to the acquisition of property located in a floodway or floodplain that is intended to reduce risk from future flooding. Unlike traditional CDBG funds, grantees may use CDBG-DR funds for a buyout program. The purpose is to encourage revitalization through uses compatible with open space, recreational, and natural floodplain functions; other ecosystem restoration; or wetlands management practices.

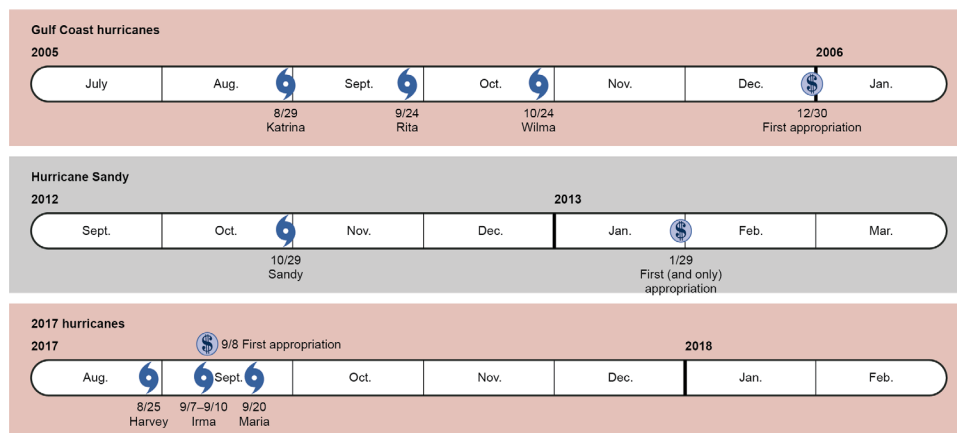
<sup>21</sup>As previously discussed, the HUD OIG reiterated this recommendation in its April 2021 report. Department of Housing and Urban Development, Office of Inspector General, 2019SU0089451.

<sup>22</sup>HUD further stated that CDBG-DR funds are provided under a series of constantly changing appropriation statutes, and that it could not publish regulations that rely on statutory waivers and alternative requirements, as it has not been permanently granted authority from Congress to do so.

<sup>23</sup>[GAO-15-515](#).

declaration. Congress funds both programs through annual appropriations.<sup>24</sup>

**Figure 2: Time Elapsed between Selected Hurricanes and First Appropriation of Community Development Block Grant Disaster Recovery Funds**



Source: GAO analysis of appropriations data and National Aeronautics and Space Administration and National Oceanic and Atmospheric Administration data. | GAO-21-569T

## Factors to Consider in Authorizing a Permanent Statutory Program for Unmet Needs

Based on our prior reviews of CDBG-DR, our body of work on emergency management, and our past observations of broader government initiatives, such as reorganization efforts, we have identified factors to consider when weighing whether and how to permanently authorize a program for unmet disaster recovery needs.

**Clarify how the program would fit into the broader federal disaster framework.** In prior work, we have emphasized the importance of articulating a program’s relationship to other programs.<sup>25</sup> This is particularly important with disaster programs, given the approximately 30 agencies involved. Therefore, when modifying or developing any new disaster assistance program, it will be important to take into account the similarities and gaps among existing programs; identify any opportunities to fill those gaps; and strategically position the program within an organization with a compatible mission and goals.

CDBG-DR is widely seen as providing flexible grant funds that can address certain unmet recovery and resilience needs after other federal

<sup>24</sup>After large-scale disasters, Congress frequently provides additional funding for both programs through supplemental appropriations.

<sup>25</sup>[GAO-19-605T](#).

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programs have begun providing assistance. It may be helpful to assess what those unmet needs have been, whether other existing programs at HUD or elsewhere can or should address those needs, and whether the program's role addressing unmet needs would be affected by a permanent authorization.

Careful consideration of any new program's alignment with other disaster recovery and resilience programs may also reduce fragmentation of federal efforts. GAO's *National Disaster Resilience Framework* states that federal efforts can facilitate coordination and promote governance approaches that mitigate fragmentation by requiring, or funding, mechanisms to enhance the continuity of different efforts across jurisdictions.<sup>26</sup> For example, joint planning processes across different grant programs or resilience focal points with the responsibility and authority to oversee integrated risk-reduction processes can enhance collaboration. Putting into place agency coordination mechanisms, such as between FEMA and HUD, may better position these agencies to implement any new effort in a coordinated manner.

In March 2019, we cited previous work in which we found that CDBG-DR grantees faced difficulties coordinating with multiple federal agencies.<sup>27</sup> For example, in July 2015, we found that different disaster response programs are initiated at different times, making it challenging for state and local officials to determine how to use federal funds in a comprehensive manner.<sup>28</sup> In response to a survey that we conducted for that report, 12 of 13 states and cities reported that navigating the multiple funding streams and various regulations was a challenge that affected their ability to maximize disaster resilience opportunities. For example, state officials we interviewed for that report noted the redundancy of some federal requirements for receiving disaster assistance such as the duplication of environmental reviews, which are required by both HUD and FEMA.

**Clarify the purpose and design the program to address it.** In prior work, we have stressed the importance of clearly identifying the purpose of government initiatives and the particular national problems they are

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<sup>26</sup>[GAO-20-100SP](#).

<sup>27</sup>[GAO-19-232](#).

<sup>28</sup>[GAO-15-515](#).

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directed toward.<sup>29</sup> In considering whether to permanently authorize a new program or modify an existing program to address unmet needs following disasters, it may be helpful to identify the purpose and specific goals of the effort—what is not working in the current authorizing environment and why. The answers depend on the purpose the funds are intended to serve.

Given CDBG-DR's flexibility as a funding source for unmet needs, greater clarity about the program's purpose could help resolve some implementation issues we have previously identified. These issues include how much time grantees should have to spend CDBG-DR funds and the proportion of funds that should be distributed to renters.

- In March 2019, we found that once grantees had entered into grant agreements with HUD, it could take years for grantees to implement activities and expend all of their CDBG-DR funds.<sup>30</sup> Since 2015, HUD had required that grantees expend their funds within 6 years of signing a grant agreement, but we found that some grantees had not met this requirement.
- In March 2019, we also cited previous work in which we found CDBG-DR funds were not proportionally distributed to renters. In January 2010, we reported that the proportional damage to rental stock in Louisiana and Mississippi after the 2005 Gulf Coast hurricanes was generally greater than damage to homeowner units.<sup>31</sup> However, 62 percent of damaged homeowner units received assistance, compared to 18 percent of rental units. We recommended that Congress consider providing specific direction regarding the distribution of

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<sup>29</sup>[GAO-04-408T](#).

<sup>30</sup>[GAO-19-232](#).

<sup>31</sup>GAO, *Disaster Assistance: Federal Assistance for Permanent Housing Primarily Benefited Homeowners; Opportunities Exist to Better Target Rental Housing Needs*, [GAO-10-17](#) (Washington, D.C.: Jan. 14, 2010).

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disaster-related CDBG housing assistance; however, as of April 2021, this issue had not been addressed.<sup>32</sup>

**Consider the necessary capacity and support infrastructure to implement the program.** Our prior work has emphasized the importance of identifying the resources and investments necessary for government initiatives.<sup>33</sup> These resources include budgetary requirements, human capital needs, and information technology investments. They also include necessary mechanisms for oversight to ensure proper use of program funds.

Given our past work on challenges ensuring appropriate use of CDBG-DR funds, it will be particularly important to consider these issues as part of discussions about permanently authorizing CDBG-DR or another program for unmet needs. Our prior disaster recovery work found that it had been a challenge for state, local, territorial, and tribal grantees and federal agencies to build the technical capacity needed to manage large grants and ensure appropriate use of funds.<sup>34</sup> For example, in March 2019, we found that grantees had experienced difficulties establishing the necessary capacity to manage large CDBG-DR grants.<sup>35</sup> These capacity challenges might have contributed to the slow expenditure of funds mentioned previously.

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<sup>32</sup>Although Congress has not provided more specific direction with regard to CDBG-DR funds for homeowners and renters, HUD's February 2018 and August 2018 *Federal Register* notices provided guidance on how 2017 grantees should direct their CDBG-DR funds. For example, the February 2018 *Federal Register* notice required "each grantee to primarily consider and address its unmet housing recovery needs." See *Allocations, Common Application, Waivers, and Alternative Requirements for 2017 Disaster Community Development Block Grant Disaster Recovery Grantees*, 83 Fed. Reg. 5844 (Feb. 9, 2018) and *Allocations, Common Application, Waivers, and Alternative Requirements for Community Development Block Grant Disaster Recovery Grantees*, 83 Fed. Reg. 40314 (Aug. 14, 2018).

<sup>33</sup>[GAO-04-408T](#).

<sup>34</sup>We have a large body of work identifying capacity challenges for disaster grantees and federal agencies, including FEMA, HUD, and the Department of Transportation. See, for example, GAO, *Disaster Resilience: FEMA Should Take Additional Steps to Streamline Hazard Mitigation Grants and Assess Program Effects*, [GAO-21-140](#) (Washington, D.C.: Feb. 2, 2021); *Disaster Recovery: Recent Disasters Highlight Progress and Challenges*, [GAO-20-183T](#) (Washington, D.C.: Oct. 22, 2019); [GAO-19-232](#); and [GAO-15-515](#).

<sup>35</sup>[GAO-19-232](#).



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In addition, in May 2021, we found that CDBG-DR was vulnerable to numerous types of risks, including increased financial risks and fraud risks.<sup>36</sup> Each time Congress appropriates CDBG-DR funds, HUD uses its authority to customize grant requirements—essentially creating new CDBG-DR programs. HUD officials expressed concern about grantees' capacity to implement increasingly complex CDBG-DR requirements and the potential for improper payments. We also identified fraud risks related to grantee capacity challenges, and we recommended that HUD comprehensively assess fraud risks, including by identifying the inherent fraud risks affecting CDBG-DR and examining the suitability of existing fraud controls. HUD acknowledged that it had not performed a comprehensive fraud risk assessment, but noted several actions it takes to minimize risks.<sup>37</sup>

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In sum, we continue to believe that establishing permanent statutory authority for a disaster assistance program that responds to verified unmet needs in a timely manner would provide a more consistent framework for administering funds going forward. The program could be administered either by HUD or another agency that has authority to issue associated regulations. Such a statute and regulations could create consistent requirements for grantees and specify how the program would fit into the federal government's disaster assistance framework. Any such effort would require careful consideration of how the program fits into the broader federal disaster framework, its purpose and design, and necessary capacity and support infrastructure.

We continue to monitor the status of the four largest 2017 CDBG-DR grantees, including the expenditure of funds. In addition, we have ongoing work on how CDBG-DR assists vulnerable populations and on the disaster survivor application process and indicators of fraud or abuse in CDBG-DR program management.

Chairman Schatz, Ranking Member Collins, and Members of the Subcommittee, this concludes my statement. I would be pleased to respond to any questions you may have.

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<sup>36</sup>[GAO-21-177](#).

<sup>37</sup>HUD neither agreed nor disagreed with this recommendation and has not yet implemented it. HUD stated it took initial steps to create a template for fraud risk assessment in 2019, but this effort has been delayed due to the coronavirus pandemic and contracting issues. We continue to monitor steps taken to address this recommendation.

# Appendix I: Disaster Resilience Framework

GAO created the *Disaster Resilience Framework* to serve as a guide for analysis of federal actions to facilitate and promote resilience to natural disasters.<sup>1</sup>

As shown in figure 3, this framework is organized around three broad, overlapping principles and a series of questions that those who provide oversight or management of federal efforts can consider when analyzing opportunities to enhance their contribution to national disaster resilience.

**Figure 3: Principles of GAO's Disaster Resilience Framework**



Source: GAO. | GAO-21-569T

<sup>1</sup>GAO, *Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters*, [GAO-20-100SP](#) (Washington, D.C.: Oct. 23, 2019).

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## GAO Contact and Staff Acknowledgments

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