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MEMORANDUM

TO: LRA Board Members and Interested Parties

FROM: Andy Kopplin, LRA

DATE: February 4, 2007

RE: CDBG Allocation in Support of Local Plans

Purpose: The following percentages will be used to allocate CDBG dollars that are distributed to local government for recovery plan implementation. These percentages are based on our best estimates of infrastructure need as determined by losses due to the hurricanes.

Note: Previous versions of this document used the identical formula as described below, but arrived at different percentages. The first document was based on housing damage numbers from February of 2006 and Public Assistance dollars from October. Since that time, FEMA has conducted more housing inspections to verify damages and additional project worksheets have been submitted. In addition, we were able to earmark most of the statewide projects to the appropriate parish. These new numbers are based on housing inspections through November and Public Assistance projects through December 28, 2006. The housing inspections numbers are not expected to change since the application deadline for IA has expired. The Public Assistance numbers may change slightly, but are not expected to result in a significant shift in the percentages.

Methodology:

Calculations are based on a combination of two factors:

- 1) Dollar amount of current obligated project worksheets submitted for categories C through G and any 'statewide' projects that can be associated with a particular parish, and
- 2) Level of damage to housing units.

The obligated project worksheets for categories C through G plus statewide projects that can be allocated to a particular parish are the best available data that reflect total infrastructure damage at the parish level. 2/3 of the weight goes to the dollar amount of the obligated project worksheets. Note that to the extent possible, projects designated as statewide were allocated to the parish in which the damage occurred. Only obligated projects were considered as these have gone through FEMA and GOHSEP review and are more consistent across parishes.

The level of damage to housing units is based on statewide inspections of residential housing units. Homes classified as “major” damage were assumed to be 50% damaged and homes with “severe” damage were assumed to be complete losses. In the damage level calculation, homes with severe damage counted as 1 unit and homes with major damage counted as ½ a unit. This was to fairly account for parishes that had a larger percent of their housing stock wiped out as opposed to just damaged.

Additional Questions and Considerations regarding the methodology

Why did the LRA choose to use housing damage and obligated PA?

The LRA research and policy staff considered a number of data sources, but these two indicators capture the primary components of infrastructure. In addition, only these two data sets provided a level of consistency that could be applied fairly across all parishes.

What other data sources were considered?

Categories A & B (debris removal and emergency protective measures) were considered; however, they were excluded for two main reasons. Categories C-G represent permanent infrastructure damage, and are therefore a better proxy for actual physical damages. In the debris removal category, category A (debris removal) data are incomplete because some parishes relied more heavily on mission assignments from the Corps of Engineers, Coast Guard or other interagency agreements. Only about ¼ of the mission assignment data were reportable by parish with entire parishes having no data available. Even had the data been available, it would have been questionable as to whether cubic yards or dollars for debris removal would be appropriate measures of infrastructure damage. A cubic yard of vegetation is not comparable to a cubic yard of value-added products such as houses, vehicles and personal property. The same issues above regarding mission assigned work also disqualifies Category B data as a reliable indicator.

Insured losses were also considered. For the most part, insured losses tracked fairly consistently with housing damage except that it tends to favor the more affluent parishes over the less affluent parishes. The purpose is to consistently gauge damages and need across all parishes; the housing damage assessments are consistent across parishes and do not factor in affluence.

Why were statewide funds allocated to the parishes?

The purpose of the allocations was to get the best reflection of total damage. Statewide C-G represented mostly state buildings that were damaged in a particular parish. Local government buildings were already picked up in the individual C-G, but including the statewide damages provides a more complete picture of infrastructure damage at the parish level. Areas that benefited the most from this inclusion were areas that had heavy damage and provide services on a more regional basis.

Why was housing weighted only 1/3 and PA weighted 2/3?

Obligated PA provides direct funding for damaged infrastructure and better represents actual infrastructure damage. The Road Home program is focused exclusively on restoration of housing stock, and expenditures under that program will reflect almost exactly the damage to housing. Most of the money allocated through this process will be spent on the recovery of infrastructure, so weighting PA more heavily is appropriate when considering the purpose of the funds. The reasons it makes sense to leave housing in the calculation are as follow:

- While housing and obligated PA both provide a good indicator of total damage, weighting PA more heavily tends to favor parishes that are struggling the most with

recovery. The housing damage is probably more consistent and adds consideration for those parishes that are more residential and less commercially based.

- Housing damage provides a good proxy for overall damage, whereas obligated C-G PA money provides a good proxy for infrastructure specific damage.
- The inclusion of housing damage also helps smooth out any differences in the quality of work orders submitted.

Are parishes that rely on more private infrastructure being penalized?

LRA staff considered the effect of removing category F (utilities) from the equation due to this concern. However, upon closer examination, the data appeared to be fairly consistent across parishes as most parishes have some mix of private and public or non-profit utilities. This question was originally raised by St Tammany parish officials; upon closer examination, the St. Tammany allocation would actually decrease slightly if category F were removed from the allocation formula.

Why is the parish allocation limited to \$150,000 or greater?

According to officials at OCD, \$150,000 is a bare minimum for which applications should be considered. Grants are costly to administer due to the federal requirements imposed on the funding. Smaller grants would be much less cost-effective to employ and would waste already limited resources.

Why not limit the money for the only the most impacted parishes?

To some degree that has been done by limiting the grant amount to no less than \$150,000. There was some debate as to whether the allocation should go to the four most impacted parishes, the eight most impacted parishes or some other (somewhat) arbitrary number. All of the parishes that meet the \$150,000 dollar minimum have a parish plan with more infrastructure needs than can be met, and all are deserving of funding. As it stands, over 80% of the money is going to the four most affected parishes and 95% of the money is going to the eight most affected parishes. With the extra 5%, we can help many more parishes, a total of 23, move toward their recovery goals.

Was any special consideration given in the formula for the four parishes that lost the largest proportion of their property and infrastructure?

There is no explicit part of the formula that factors in the percent of total devastation to a parish that would obviously favor such massively damaged parishes such as Orleans, St Bernard, Plaquemines and Cameron. However, weighting the PA C-G to 2/3 does help account for this discrepancy and these four parishes do receive 80% of the funds and are among the highest in allocation on a per capita basis.

Why is the money directed at parish governments at the possible expense of municipalities?

There are two reasons. One is mentioned above in terms of the expense of managing multiple smaller grants. The other is that the LRA is supporting and encouraging the parish planning processes that were initiated by FEMA's ESF-14 process and continued through the LouisianaSpeaks initiative. A logical use of these funds is to directly provide resources to accomplish these plans. The LRA is available to provide assistance, but the local communities are better suited to determine where in their parish their limited dollars will be most effective for recovery. Having said that, the LRA supports language within the funding resolution that encourages the equitable distribution of funds within the parish, and will be glad to assist parishes and municipalities with data and information as they prioritize their projects.

Conclusion: Developing a fair and equitable method of distributing funds is a challenging, yet critical task. The LRA has strived to be responsible and transparent in the methods used. Unfortunately, this is a zero-sum game. Any changes to the formula that increase funding for one parish or group of parishes, inherently takes money away from other parishes in need. The LRA recognizes that there is not enough money to accomplish a full recovery of all affected communities and complete the goals of every planning process. But having an equitable method

of distributing funds as they become available will help speed the recovery by moving funds to the local communities as quickly as possible. The LRA is committed to assisting the parishes and municipalities by fairly allocating funds, helping them identify and build the highest priority projects available, and continuing to seek additional funding for recovery.

AK/db

LOUISIANA RECOVERY AUTHORITY

School District Allocation Approval

June 25, 2007

OVERVIEW: A resolution to request the Louisiana Recovery Authority (LRA) Board to allocate \$200 million of Community Development Block Grant (CDBG) funds to school districts impacted by Hurricanes Katrina and Rita to cover Federal Emergency Management Agency (FEMA) ineligible repairs and expenses, including but not limited to deferred maintenance, insurance deductibles, costs associated with the National Flood Insurance Program (NFIP), and other facilities rebuilding costs which FEMA will not cover and allocate these funds along the parameters of funding scenario No. 3 developed by the LRA staff, with this scenario amended to allocate funds on a 60%-40% basis weighted more toward FEMA Public Assistance obligated funding amounts in Categories C-G than National Flood Insurance Program (NFIP) penalty amounts.

Whereas, the LRA originally committed \$250 million to address this need, of which \$200 million was allocated in an Action Plan to the United States Department of Housing and Urban Development (HUD) that the members of the Louisiana House and Senate Education Committees reviewed during an August 2006 joint committee meeting.

Whereas, the initial assumption of allocating \$200 million for these costs was based on figures reported by local districts in February and August 2006, which showed that this amount would be sufficient to cover the ineligible costs for all public school districts impacted by Hurricanes Katrina and Rita.

Whereas, in early 2007, at the request of the LRA, the Louisiana Department of Education (DOE) attempted to collect revised district-reported estimates, and these new figures showed a much higher amount for FEMA ineligible costs than was previously reported.

Whereas, the LRA staff developed six funding scenarios for allocating these funds using school district-by-district figures supplied by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) and district-reported figures supplied through the Louisiana Department of Education (DOE) survey, according to formulas based on NFIP reductions and FEMA eligible costs incurred by public school districts acquired through the FEMA Public Assistance (PA) program.

Whereas, for hurricane-impacted school districts to budget appropriately, districts must know how much money they will receive from CDBG funds.

Whereas, the six funding scenarios developed by LRA staff included only the districts within parishes that were part of the LRA's \$200 million commitment to help cover long-term community planning efforts.

Whereas, the parish pool allocation was based on the amount of total damage to a parish and included both housing stock and infrastructure damage.

Whereas, the parishes included were parishes that the board determined were the most significantly impacted by Hurricanes Katrina and Rita.

Whereas, the following is a brief description of the six funding scenarios developed by LRA staff:

Scenarios 1-3 initially allocate \$125 million to cover non-NFIP costs, and then allocate funds to cover NFIP deductions:

Scenario #1: Allocates funds only to school districts with total FEMA Public Assistance rebuilding projects valued above or near \$150,000 on April 30, 2007. Half of the total funds, \$100 million, are allocated to districts based on the distribution of those funds to districts receiving rebuilding dollars. The remaining \$125 million is used to cover NFIP deductions as reported by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). Each half is allocated on a pro-rated basis. Districts that do not have a "total" allocation of \$100,000 are given a minimum grant allocation of \$100,000. This results in a 49.77% vs. 50% allocation.

Scenario #2: This scenario is the same as Scenario #1, except that all districts with rebuilding PA projects are included in the allocation. This scenario has a 50% - 50% allocation distribution between the two general allocations.

Scenario #3: This scenario is the same as Scenario #1, except that it only allocates funds to the parishes included within the LRA's parish pool allocation which funded the most damaged parishes' long term recovery projects. Districts with rebuilding PA projects in these parishes are included in the allocation.

Scenarios 4-6 initially allocate funds to pay 100% of NFIP deductibles, based on data supplied by GOHSEP (\$133,230,060):

Scenario #4: Uses the remaining funds (\$116,769,940) by allocating funds to all school districts with rebuilding PA projects.

Scenario #5: Allocates funds only to parishes within the LRA's parish pool, which funded the most damaged parishes' long term recovery projects. The remaining funds (\$116,769,940) are allocated to 33 districts in these parishes.

Scenario #6: Uses district-reported figures supplied to the DOE. After paying the NFIP amounts reported by GOHSEP, the remaining funds (\$116,769,940) are allocated on a pro-rated basis only to districts that submitted FEMA ineligible damage costs.

Whereas, the LRA staff presented these scenarios to the Louisiana Board of Elementary and Secondary Education's (BESE) Audit and Finance Committee on May 16, 2007, the

BESE Board on May 17, 2007, the Louisiana House of Representatives Education Committee on May 30, 2007, Louisiana Senate Education Committee on May 31, 2007, to all interested local public school district superintendents via conference call on May 29, 2007, and to the LRA Education Committee on June 4, 2007.

Whereas, the consensus from these groups supports funding scenario No. 3, which would have the effect of allocating funds only to parishes within the LRA's "parish pool" and ensure that only the school districts most heavily impacted by Hurricanes Katrina and Rita receive funding.

Whereas, the LRA Education Committee recommends that the LRA Board of Directors support funding allocation Scenario #3 and asks the LRA Board to consider allocating these funds in a manner that gives greater weight to storm damage (PA spread) than NFIP deductions on a 60%-40% distribution basis.

Whereas, the LRA Board sets the schools CDBG allocation formula to be based on April 30, 2007 FEMA Public Assistance (PA) infrastructure obligated amounts and sets the minimum CDBG grant to school districts on a parish by parish basis at \$150,000 and reallocates any smaller allocations within Scenario Number 3 to those districts with allocations higher than \$150,000.

Whereas, the LRA Board requires that these funds must be spent by school districts on costs that are directly tied to the damages districts incurred by Hurricanes Katrina and Rita.

THEREFORE BE IT RESOLVED: that the Louisiana Recovery Authority Board does hereby recommend that \$200 million of Community Development Block Grant funds be allocated to school districts impacted by Hurricanes Katrina and Rita to cover FEMA ineligible repairs and expenses including but not limited to deferred maintenance, insurance deductibles, costs associated with the NFIP, and other facilities rebuilding costs which FEMA will not cover.

THEREFORE BE IT FURTHER RESOLVED: that the Louisiana Recovery Authority Board does hereby recommend that the amount of funds distributed to the respective school districts will be allocated in accordance with funding scenario No. 3 developed by the LRA staff.

LOUISIANA RECOVERY AUTHORITY

School District Funding Allocation Approval

December 11, 2007

OVERVIEW: A resolution to request the preliminary approval of an Action Plan Amendment to allocate an additional \$47.5 million of Community Development Block Grant (CDBG) funds to School Districts impacted by Hurricanes Katrina and Rita, increasing the funding from \$200 million to \$247.5 million to cover the estimated cost of performing FEMA-ineligible repairs and expenses to schools due to storm-related damage.

Whereas, Governor Blanco included infrastructure rehabilitation in the list of priorities for investment of supplemental Community Development Block Grant (CDBG) funds approved by Congress and President Bush to assist Louisiana in its recovery efforts;

Whereas, the state's first action plan set aside funds for the Local Government Emergency Infrastructure activity, for match dollars for the Federal Emergency Management Agency (FEMA) Public Assistance Grants, and for providing the non-federal match for FEMA Hazard Mitigation Grants;

Whereas, Action Plan Number 1 Amendment Number 2 expands the infrastructure program to pay for repairs that are ineligible under the FEMA Public Assistance Program, including but not limited to uninsured and underinsured damages, insurance deductibles and improvements for code compliance, if they are determined to be critical to continued delivery and/or protection of vital public services by state and local government entities in accordance with established criteria;

Whereas, at the board meeting held on July 6, 2006, the LRA Board approved Action Plan Amendment No. 2 allocating \$200 million CDBG funds for the repair of primary and secondary schools to cover FEMA-ineligible costs. The Board also committed an additional \$50 million for that purpose;

Whereas, the Board approved reducing the additional \$50 million it had committed to \$47.5 million as part of our reallocation plan to add funding to the Road Home Program;

Whereas, we need to target resources based on the most critical ongoing K-12 school recovery infrastructure needs, such as the use of a formula that was used in the Federal Restart Program;

Whereas, the LRA recommends that an additional \$47.5 million of Community Development Block Grant funds be allocated to school districts which have the most critical ongoing challenges due to Hurricanes Katrina and Rita to cover FEMA ineligible costs; and

Whereas, at the LRA Board meeting held on June 25, 2007, the board approved funding scenario number 3 of six different funding scenarios, which effectively allocates the funds to the school districts most heavily impacted by Hurricanes Katrina and Rita.

THEREFORE BE IT RESOLVED, that the Louisiana Recovery Authority Board does hereby recommend that an additional \$47.5 million of Community Development Block Grant funds be allocated to school districts which have the most critical ongoing challenges due to Hurricanes Katrina and Rita based on funding scenario number 3 which was approved at the June 25, 2007 board meeting, to cover FEMA ineligible costs, repairs and expenses including but not limited to energy efficiency or LEED-related enhancement funds necessary to seed the creation of a State of Local Facilities Construction Authority, deferred maintenance, insurance deductibles, costs associated with the NFIP, and other facilities rebuilding costs which FEMA will not cover.

BE IT FURTHER RESOLVED, that the LRA Board hereby directs LRA and OCD staff to develop and publish for public comment an Action Plan Amendment for the allocation of an additional \$47.5 million of Community Development Block Grant (CDBG) funds to be allocated to school districts which have the most critical ongoing challenges due to Hurricanes Katrina and Rita based on funding scenario number 3 which was approved at the June 25, 2007 board meeting, to cover FEMA ineligible costs, repairs and expenses including but not limited to energy efficiency or LEED-related enhancement funds necessary to seed the creation of a State of Local Facilities Construction Authority, deferred maintenance, insurance deductibles, costs associated with the NFIP, and other facilities rebuilding costs which FEMA will not cover. After final approval of this Action Plan Amendment by the LRA at a subsequent board meeting, it would be forwarded to the Governor and Louisiana Legislature for their approval, before submission to the federal Department of Housing and Urban Development (HUD).

LOUISIANA RECOVERY AUTHORITY

Long-Term Community Recovery Funding Allocation

December 11, 2007

OVERVIEW: A resolution to request the preliminary approval of an Action Plan Amendment to allocate an additional \$515 million of Community Development Block Grant (CDBG) funds increasing the funding from \$200 million to \$715 million for the implementation of long-term community recovery projects to address long-term community recovery needs including, but not limited to the economy, environment, housing stock, public safety, education, health care, and transportation.

Whereas, Hurricanes Katrina and Rita devastated the parishes of Louisiana and created long-lasting problems including, but not limited to; the economy, environment, housing stock, public safety, education, health care, and transportation among other problems;

Whereas, very robust planning efforts are on-going at the local, regional, and state levels to ensure a wise, forward-looking investment of very limited resources;

Whereas, these planning efforts have provided and continue to provide guidance to our recovery effort;

Whereas, prioritization of projects that drive local recovery must ultimately come from local communities;

Whereas, much of the damage inflicted by the storms was incurred in municipalities within the affected parishes;

Whereas, consistency between local priorities and projects and regional plans provides the best opportunities for wise recovery investments;

Whereas, Louisiana's local communities have requested \$200 million in CDBG funds for the purpose of implementing long-term community recovery projects to address problems, including but not limited to the economy, environment, housing stock, public safety, education, health care, and transportation; and

Whereas, at the board meeting held on February 12, 2007, the LRA Board approved Action Plan Number 1 Amendment No. 12 allocating \$200 million of CDBG funds for the implementation of long-term community recovery projects in the most heavily affected parishes to address long term community recovery needs, including but not limited to the economy, environment, housing stock, public safety, education, health care, and transportation.

THEREFORE BE IT RESOLVED, that the LRA Board hereby directs LRA and OCD staff to develop and publish for public comment an Action Plan Amendment for the

allocation of up to an additional \$515 million of Community Development Block Grant (CDBG) funds increasing the funding from \$200 million to \$715 million for the implementation of long-term community recovery projects to address long-term community recovery needs including, but not limited to the economy, environment, housing stock, public safety, education, health care, and transportation. After final approval of this Action Plan Amendment by the LRA at a subsequent board meeting, it would be forwarded to the Governor and Louisiana Legislature for their approval, before submission to the federal Department of Housing and Urban Development (HUD).

BE IT FURTHER RESOLVED, that the Louisiana Recovery Authority Board does hereby recommend that the funding to be provided under this Action Plan Amendment be distributed among the most heavily impacted parishes based on a damage estimate formula which was approved at the February 12, 2007 board meeting.

BE IT FURTHER RESOLVED, that the Louisiana Recovery Authority Board does hereby recommend that the additional allocation be made under the same conditions that were initially outlined for the implementation of long-term community recovery projects:

(1) The parishes, in cooperation and agreement with the impacted municipalities within their boundaries, select and submit projects to the LRA that address their local recovery needs;

(2) The local project prioritization must include broad-based community participation and approval, as indicated by inclusion in a broadly accepted recovery plan, public meeting and/or input opportunities, Council or Police Jury resolution, or other such mechanism;

(3) The projects prioritized by the parishes and local communities must be consistent with the LRA's priorities and with regional plans, as determined by the LRA;

(4) The projects prioritized must include direct benefits to the most affected municipalities and communities OR have the agreement from the elected officials of the most impacted municipalities;

(5) That the funding be provided for projects in parishes and municipalities that have adopted the latest available base flood elevations of the FEMA Flood Recovery Guidance unless exceptions are granted by the LRA based on reasonable alternatives where safety is not minimized;

(6) That the funding be provided for projects in parishes and municipalities that have adopted, implemented or are in the process of implementing the new statewide building code standards adopted in the 2005 1st Extraordinary Session of the Louisiana Legislature; and

(7) That each infrastructure project considers and/or proposes a mitigation plan to minimize damage in the event of future floods or hurricanes.