



UPDATE ON LOUISIANA'S FEDERAL RECOVERY AGENDA FOR THE 110th CONGRESS

Governor Kathleen Babineaux Blanco

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Remove State Matching Requirements for Federal Assistance Grants

Congress would send a shot of adrenaline into the Gulf Coast recovery by authorizing 100% federal cost-share for Hurricanes Katrina and Rita. Waiving the 10% non-federal cost-share responsibility would speed up our recovery, just as it did in New York when Congress provided 100% federal cost share after 9/11 and after Hurricanes Andrew and Iniki. This would allow the state to invest an estimated \$700 million in CDBG funds in critical needs, including repairing our police stations, fire stations, and other important infrastructure. Louisiana urges Congress to include this fix in the upcoming emergency supplemental appropriations bill, which is scheduled for mark up in the House Appropriations Committee on Thursday, March 15, 2007, and in the Senate Appropriations Committee the week of March 19, 2007.

Status:

House Majority Whip James Clyburn (D-SC) introduced **HR 1144, the Hurricanes Katrina and Rita Federal Match Relief Act of 2007**. On March 1, 2007, the House Transportation and Infrastructure Committee approved the bill, which would increase to 100% the Federal share of the cost of disaster assistance provided by FEMA under Title IV of the Stafford Act (42 USC 5179 et seq.), limited to FEMA assistance provided in connection to Hurricanes Katrina and Rita before the date of enactment of the bill. Specifically, the bill raises the Federal cost share from 90% to 100% for FEMA's Public Assistance Program and raises from 75% to 100% the Federal share for FEMA's Other Needs Assistance Program.

On the Senate side of the Capitol, Mary Landrieu, has proposed an amendment to the Improving America's Security Act of 2007 (S. 4) that would waive the state- and local-match for FEMA recovery activities. However, one or more Republican members of the Senate have expressed concerns and have placed a hold on the amendment.

Cut the Red Tape in Hazard Mitigation Funding for the Road Home Program

Federal red tape holds hostage \$1.2 billion of Hazard Mitigation Grant Program (HMGP) funding needed to return people to their homes. The White House required Louisiana to include HMGP funding as a part of The Road Home Program to fill our funding gap so we could offer a \$150,000 maximum award to homeowners, the same as Mississippi. FEMA is unwilling to approve this funding due to restrictive rules governing HMGP usage. Louisiana plans to use HMGP funding for: 1) the voluntary acquisition of structures on sites that local governments wish to return to open space and 2) the provisions of grants to homeowners of up to \$7500 to fund individual mitigation measures. Congress can quickly free up these funds for homeowners by simply allowing a waiver of the FEMA regulations or transferring the funds to CDBG dollars.

Status:

On Tuesday, March 6 and Wednesday, March 7, the House Financial Services Committee marked up and approved **HR 1227, the Gulf Coast Hurricane Housing Recovery Act of 2007**, which was introduced by Congresswoman Maxine Waters (D-CA). Among other authorized actions, the bill would transfer \$1.175 billion in Hazard Mitigation Grant Program (HMGP) funds to Community Development Block Grants (CDBG). The legislation requires that these funds still be used for hazard mitigation but frees the money from the overly restrictive FEMA regulations on the use of HMGP funds.

Exempt the Road Home Awards from Federal Tax Penalties

Louisiana asks Congress to exempt homeowners who claimed a casualty loss deduction on their 2005 federal income tax return from having to pay this money back to the IRS upon receipt of the Road Home grant. Homeowners who received a casualty loss deduction and decided to rebuild are penalized by having to repay the IRS, while homeowners who received the deduction and decided to sell their property and move away are not penalized. Louisiana urges Congress to exempt tax penalties from the Road Home awards.

Status:

Senator Landrieu has introduced **S 29**, which would clarify the treatment of Road Home grants by the LRA regarding the casualty loss tax deduction. The bill has been referred to the Senate Finance Committee. Congressman Bobby Jindal introduced the House companion to Senator Landrieu's bill. **HR 641** has been referred to the House Ways & Means Committee.

Allow Forgiveness of Community Disaster Loans

Less than two months after Hurricane Katrina, Congress passed the Community Disaster Loan Act of 2005 (PL 109-88), requiring local governments receiving Katrina and Rita aid to reimburse the federal government. Congress eliminated the possibility of forgiveness, even though historically, over 90% of the Community Disaster Loans have been forgiven. Louisiana asks Congress to repeal the prohibition which forbids cancellation of these community disaster loans by the federal government.

Status:

The Hurricanes Katrina and Rita Federal Match Relief Act (HR 1144) by Majority Whip Clyburn (D-SC) also would delete from statutory law the Vitter amendment, which specifically prohibits the forgiveness of Community Disaster Loans. HR 1144 would permit the cancellation of Community Disaster Loans related to Hurricanes Katrina, Rita, and Wilma.

Senator David Vitter has introduced S 87, which would permit the cancellation of Community Disaster Loans under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The bill was referred to the Senate Homeland Security and Government Affairs Committee.

Senator Landrieu has introduced S 253, Disaster Loan Fairness Act of 2007, which would also permit the cancellation of Community Disaster Loans under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The bill was referred to the Senate Homeland Security and Government Affairs Committee.

Congressman Jefferson has introduced HR 680, which would permit the cancellation of Community Disaster Loans under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The bill was referred to the House Transportation & Infrastructure Committee.

Combat Crime in New Orleans

Louisiana has sent an additional 300 National Guard Troops and 60 State Troopers to reinforce the New Orleans Police Department since last June. The state continues to assist in providing functions essential to the city's criminal justice system. Louisiana calls on Congress to provide an urgent influx of additional COPS grants to the city and an overall boost in funding to reestablish the criminal justice system in the area.

Status:

Congressman Jindal has introduced the **Violent Crime Reduction Act (HR 638)**, which would amend the Violent Crime Control and Law Enforcement Act of 1994 to improve efforts to reduce gang activity and violent crime. The bill has been referred to the House Judiciary Committee.

Extend SSBG Supplemental Funds

Social Services Block Grant (SSBG) supplemental funds remain available until September 30, 2007. Louisiana asks Congress for a one-year extension of funds in order to ensure a continuation of critical hurricane recovery related services. Factors including the slower than anticipated repopulation of affected areas and the tight labor market for social service professionals contributed to the need for this extension. SSBG funding provides critically needed services, including mental health care, child welfare, the treatment of addictive disorders, and other important services.

Senator Landrieu has introduced **S 293**, which would extend the period through September 30, 2008 during which states may spend funds from the additional allotments of Social Security Block Grants. The bill has been referred to the Senate Committee on Finance.

Congressman Charlie Melancon is the author, Louisiana's other 6 Members of the House of Representatives are original co-sponsors, of **HR 148**, which would extend by one year the date by which emergency SSBG funds must be spent. The bill has been referred to the House Ways & Means Committee.

Allocate Disaster Recovery Funds Proportional to Damage

Louisiana recommends that Congress mandate a policy requiring the allocation of disaster recovery funds based on actual damages, especially in situations where one state may have a disproportionate share of damages in comparison with other states. The recent decision by FEMA to give nearly four times more housing money for Katrina Cottages to Mississippi than Louisiana, in spite of Louisiana suffering 75-80% of damages from Katrina and Rita, magnifies the need for this policy.

Status:

The House Democratic Leadership has included additional funds for Gulf Coast recovery in the emergency supplemental appropriations bill for the war in Iraq. The bill has not yet been introduced, but it is expected that the House Appropriations Committee will mark up the emergency supplemental appropriations bill on Thursday, March 15, 2007, and that the legislation will appropriate \$2.9 billion for Gulf Coast recovery.

Invest in Hurricane Protection and Coastal Restoration

Louisiana's master plan for a comprehensive approach to coastal restoration and protection requires a strong partnership with the federal government. Louisiana is grateful to Congress for passing an historic OCS revenue sharing bill. However, real OCS funding will not begin until 2017. We must act now to build up our defenses against future hurricanes. Louisiana calls on Congress to see that the Army Corps works in concert with the state's plan. Congress should begin the Coastal Impact Assistance Program as scheduled and pass the Water Resources Development Act, a bill that includes critical infrastructure funding.

Senator Landrieu has introduced **S 123**, a bill that: 1) directs the Secretary of the Army to carry out the hurricane and storm damage reduction project, Morganza to the Gulf of Mexico, Louisiana, in accordance with the Chief of Engineer's reports of August 23, 2002, and July 22, 2003, at specified federal and non-federal costs; 2) requires the Secretary to credit toward the non-federal share of the cost of the project elements the cost of design and construction work carried out by the non-federal interest before the date of the partnership agreement for the project elements if the work is integral to the project elements; and 3) makes the operation, maintenance, repair, rehabilitation, and replacement of the Houma Navigation Canal lock complex and the Gulf Intracoastal Waterway floodgate features of the project that provide for inland waterway transportation a federal responsibility. The bill has been referred to the Senate Environment and Public Works Committee.

Congressman Melancon has introduced the House companion to S 123. **HR 183** would: 1) directs the Secretary of the Army to carry out the hurricane and storm damage reduction project, Morganza to the Gulf of Mexico, Louisiana, in accordance with the Chief of Engineer's reports of August 23, 2002, and July 22, 2003, at specified federal and non-federal costs; 2) requires the Secretary to credit toward the non-federal share of the cost of the project the cost of design and construction work carried out by the non-federal interest before the date of the partnership agreement for the project if the work is integral to the project, and 3) makes the operation, maintenance, repair, rehabilitation, and replacement of the Houma Navigation Canal lock complex and the Gulf Intracoastal Waterway floodgate features of the project that provide for inland waterway transportation a federal responsibility. This legislation has been referred to the House Transportation & Infrastructure Committee.

US Army Corps of Engineers Supplemental Re-allocation Proposal: In February, the Corps submitted a proposal to Congress outlining a plan to reallocate \$1.3 billion in funds appropriated in the "4th supplemental" (PL 109-234) and apply those monies to projects outlined in the "3rd supplemental" (PL 109-148). The 3rd supplemental originally included estimated funds necessary to complete several hurricane protection systems to pre-Katrina, federally-authorized design height. These funds were insufficient to complete the work. So, the Corps reviewed projects authorized and appropriated for in the 4th supplemental to identify which monies could not be spent in the current fiscal year.

The Corps proposed reallocating funds from projects such as: improving outflow canals and permanent pumps in New Orleans, improvements to the Inner Harbor Navigation Canal (IHNC), selective armoring of levees, storm-proofing pump stations, repairing non-federal levees in Terrebonne Parish, the incorporation of non-federal levees in Plaquemines Parish, a MRGO study, and provisions for 100-year flood level of protection. The Corps' reallocation plan would rescind varying sums of funding from each of the previous projects in order to finish constructing the federally authorized hurricane protection systems known as "West Bank & Vicinity" and "Lake Ponchartrain & Vicinity" and certain repairs to the existing system of "West Bank & Vicinity" and "Lake Ponchartrain & Vicinity".

The House Appropriations Committee has expressed its intention to include \$1.3 billion in the current emergency supplemental appropriations bill to meet the Corps' needs, which would eliminate the need to reallocate funds currently appropriated for the projects listed above.

Increase Recovery Aid to Small Business and Approve Key Business Extensions

After 9/11 Congress made available nearly half of a billion dollars in grants to small businesses. Comparable relief was not extended to small businesses along the Gulf Coast. Small businesses make up the lifeblood of Louisiana's economy, and they were hardest hit by the two storms. Louisiana urges Congress to work with us to supplement existing grant and loan programs and provide the tax relief needed to help our small businesses recover.

Status:

Senator Landrieu has introduced the **Gulf Coast Back to Business Act (S 537)**. This bill, referred to the Senate Small Business and Entrepreneurship Committee, would: 1) authorize appropriations for the Economic Development Administration of the Department of Commerce for grants to appropriate state government agencies in Louisiana and Mississippi for small businesses located in disaster areas caused by Hurricanes Katrina or Rita; 2) amends the Small Business Act to authorize the Administrator of the Small Business Administration (SBA) to defer for a conditional period the payment of principal and interest on disaster loans made to small businesses affected by such hurricanes in the case of loans made before December 31, 2006; 3) includes as a HUBZone (historically underutilized business zone) any area in which the President has declared a major disaster as a result of such hurricanes; and 4) amends the Small Business Competitive Demonstration Program Act of 1988 to make the small business competitive demonstration program (to test innovative small business procurement methods and procedures) inapplicable, for a conditional period, to any contract related to relief or reconstruction from such hurricanes.

Senator Landrieu has also introduced **S 539, Helping Our States Through Tourism Act of 2007** or **HOST Act of 2007**, which was referred to the Senate Environment and Public Works Committee. The bill: 1) directs the Secretary of Commerce to establish a grant program to assist relevant tourism entities (conventions, visitors bureaus, and other tourism organizations) to promote travel and tourism in Louisiana and Mississippi to negate the

effects of Hurricanes Katrina and Rita on travel and tourism there; 2) authorizes the Administrator of the Small Business Administration (SBA) to make economic injury disaster loans to small businesses located within disaster areas declared as a result of such hurricanes that suffered economic injury from the slowdown in travel and tourism in such areas after such hurricanes, and 3) establishes in the Treasury the Federal Gulf Coast Travel and Meetings Fund to pay for lodging, meals, travel, and other expenses associated with conventions, conferences, meetings, etc. attended by not less than 100 federal employees and occurring within such disaster areas.

Congressman William Jefferson, a member of the House Small Business Committee, has proposed several pieces of legislation. The **Disadvantaged Business Disaster Eligibility Act (HR 564)** would amend the Small Business Act to ensure that when a small business participating in the 8(a) business development program is affected by a catastrophic incident, the period in which it can participate is extended by 18 months. The **Small Business Disaster Loan Improvement Act of 2007 (HR 565)** would amend the Small Business Act to improve the availability of disaster loans to individuals and businesses affected by catastrophic incidents. The **Gulf Coast Back to Business Act of 2007 (HR 1243)** would address ongoing small business and homeowner needs in the Gulf Coast States impacted by Hurricane Katrina and Hurricane Rita. All have been referred to the Small Business Committee.

Congressman Richard Baker has introduced **HR 1044**, the **Small Business Disaster Response and Loan Improvements Act of 2007**, which would seek to improve the disaster loan program of the Small Business Administration.

Chair of the House Small Business Committee, Congresswoman Nydia Velazquez (D-NY), has introduced the **Relief for Entrepreneurs: Coordination of Objectives and Values for Effective Recovery Act of 2007** or the **RECOVER Act (HR 1361)**. This legislation would improve the disaster relief programs of the Small Business Administration. On February 14, 2007, Chairwoman Velázquez held a hearing of the full House Small Business Committee entitled "The Small Business Administration's Response to the 2005 Gulf Coast Hurricanes".

In the Senate the Chairman of the Senate Small Business and Entrepreneurship Committee, Senator John Kerry (D-MA), has introduced **S. 163**, the **Small Business Disaster Response and Loan Improvements Act of 2007**, and **S. 598**, **Small Business Disaster Loan Reporting Act of 2007**. And the Ranking Member on the Senate Committee on Small Business and Entrepreneurship, Senator Olympia Snowe (R-ME), has introduced **S. 599**, the **Private Disaster Loans Act of 2007**. Each of these bills has been referred to the Small Business and Entrepreneurship Committee

Clarify SBA Loan Treatment Relating to Road Home Grants

Congress needs to instruct the SBA on the difference between a loan and a grant. A federal requirement exists that Road Home Grants be utilized to repay SBA loans. Our homeowners need capital to rebuild their homes. Forcing them to repay loans with grant proceeds does not give them capital; it forces them to go elsewhere. Louisiana asks Congress to provide a full fix to this problem as homeowners struggle to return home.

Status:

Senator Landrieu has dropped **the Catastrophic Disaster Recovery Improvements Act of 2007 (S 690)**, which would amend the Small Business Act to authorize the Administrator of the Small Business Administration to waive the prohibition on duplication of certain disaster relief assistance. The bill has been referred to the Senate Small Business and Entrepreneurship Committee.

Congressman Melancon has introduced the House companion legislation. **HR 1212, the Catastrophic Disaster Recovery Improvements Act of 2007, would** amend the Small Business Act to authorize the Administrator of the Small Business Administration to waive the prohibition on duplication of certain disaster relief assistance.