



Senate Committee on Finance February 25, 2020

Honorable Chair Nelson and Senate Committee Members, on behalf of Mayor Sylvester Turner, thank you for the opportunity to testify before the Senate Finance committee today. For the record, my name is Stephen Costello, Chief Recovery Officer for the City of Houston. Our office is tasked with coordinating with various city departments and utilizing funds from federally-declared disasters, to repair, replace and mitigate city-owned facilities impacted by recent flooding events. Recent events include the Memorial Day and Halloween floods of 2015, Tax Day flood of 2016 and Hurricane Harvey in 2017.

When meeting citizen groups throughout the city to discuss the recovery effort, I generally spend a few moments outlining the recovery process including types of programs and what agencies are involved.

As you look through the various programs, one thing I want to emphasize: these are all reimbursement programs, meaning the City has to pay up front for these projects and programs.

I have handed out an exhibit to the committee members that graphically depicts the recovery effort. There are two federal agencies, FEMA and HUD, that provide the federal funds to the State of Texas. State agencies responsible for management of the federal resources are TDEM (Texas Division of Emergency Management) and GLO (Texas General Land Office).

The federal programs currently available to the City are FEMA Section 404 Public Assistance and Hazard Mitigation Grant Program (HMGP) and HUD Community Development Block Grants Disaster Relief (CDBG-DR) and Mitigation (CDBG-MIT).

I would like to focus the committee's attention on the challenges the City of Houston is facing as we repair/replace and mitigate utilizing federal funds.

Specifically, the City anticipates spending approximately \$2.0 billion over the next 5-8 years from the Public Assistance program. This program requires a local match of 10%. We will also be constructing four HMGP flood mitigation projects with an estimated cost of approximately \$290 million requiring a minimum 25% local match. Collectively these two FEMA programs will require over \$230 million local match.

Passage of Senate Bill 500 and Senate Bill 7, the State will fund 75% of the local match to maximize the federal draw down. This will help the cities and counties of all sizes immensely. On behalf of the City of Houston and all other cities and counties impacted by Hurricane Harvey, thank you.

However, as I mentioned earlier, even with this financial assistance we struggle with cash flow due to the federal programs structured as reimbursement. Availability of advance funds would enable an impacted community to recover quickly.

An illustration of the benefits of advance funding, immediately post Hurricane Harvey, FEMA advanced to the City \$165 million, commonly referred to as expediated funding, for debris removal and sheltering. These funds enabled the City to quickly remove storm debris throughout the affected area and cover the expenses associated with ongoing sheltering and overtime for City personnel and public safety staff. Currently the City is still using these advance funds for floatable debris removal along waterways. Another example is the Office of the Governor giving a grant of \$50 million for insurance and debris removal. The City is currently using the remainder of the grant proceeds to continue dredging sand deposited from Hurricane Harvey at the confluence of the San Jacinto River and Lake Houston.

More advance funding from FEMA or the State providing funds from the Economic Stabilization Fund in the form of a line of credit would expedite recovery efforts. As projects are approved for reimbursement, federal funds would be directly returned to the state.

HUD is another source of federal assistance post a natural disaster through the CDBG-DR program. The City is currently working closely with the GLO implementing six programs primarily focusing on housing recovery.

A new mitigation program, appropriated by Congress in February 2018, commonly referred to as CDBG-MIT, is making available \$4.3 billion for mitigation projects throughout the state for disasters that occurred in 2015, 2016 and 2017.

Fortunately, HUD funds do not require a local match. However, like the FEMA programs, the financial model is reimbursement. Additionally, HUD funding sources are not available to the City in a timely manner resulting in missed opportunities, the biggest example being voluntary, residential buyouts.

Immediately post Hurricane Harvey, the City and Harris County had homeowners interested in selling their home complete a survey. Many of these homes were in flood prone areas and experienced multiple flooding events. HUD funds for buyout were not available for nearly two years post the event. Homeowners either rebuilt, raised, and or sold to rental investors resulting in over 40% drop out rate. A 2-year timeline for buyouts isn't realistic, it is more like 2 months. We hope the State will join us in seeing this much more realistic timeline for Texans.

The other illustration is the Public Assistance timeline. Regardless of project size and costs, every project is subject to over 45 steps through the FEMA process including state agency review. This lengthy review and audit process significantly delay recovery, and that's coming from the 4th largest city in the country with probably the most experience on disaster recovery than any government in the country.

In summary the City of Houston appreciates working with the state agencies as we recover from multiple declared disasters. We are thankful and appreciative for the wise investment in local match funding, and would urge the Legislature to consider these lines of credit financing to expediate recovery.

Thank you

