



As reported on January 7th, 2019, the State’s Economic Stabilization Fund, or “Rainy Day Fund,” is projected to top \$15.4 billion thanks to better-than-expected revenue from oil and gas severance taxes. Texas Comptroller Glenn Hegar has called this “an unheard of amount.” He has also lamented that the Rainy Day Fund generates a very poor return on investment.



The best return on investment for the State of Texas — one that would generate \$10 billion in public assistance dollars and over \$1 billion for mitigation projects — would be to maximize the local-match requirements for federal disaster monies for the 55 counties impacted by Hurricane Harvey. This opportunity would save millions in local taxpayer dollars. There is simply no better investment, from both human and financial perspective, than helping counties devastated by the worst housing disaster in American history.

The two federal programs with the greatest impact are FEMA’s Public Assistance (PA) and Hazard Mitigation Grant Program (HMGP).

- As a declared major disaster, the region became eligible for FEMA Public Assistance funds. Public Assistance projects currently require a 10% local match. Under normal circumstances, FEMA requires a 25% local match. The Trump administration gave Texas a 90%-10% match for Harvey. So, for every dollar invested by the State, \$9 dollars in federal money are secured. Funds are distributed by the Texas Department of Emergency Management (TDEM) and help cover costs associated with disaster response and infrastructure repair. The pace is largely dictated by FEMA resources, which have been stretched thin by multiple natural disasters over the past two years. Strict rules must be followed to avoid future “claw-back” of the funds.

- FEMA’s Hazard Mitigation Grant Program provides funds to states and local communities following a Major Disaster Declaration to protect public or private property through various mitigation measures. Mitigation includes long-term efforts to reduce the impact of future events. Following Hurricane Harvey, FEMA allocated an initial \$500 million in HMGP grants to the State of Texas. The total amount of HMGP funds for Texas is anticipated to increase to over \$1 billion. HMGP is a cost-sharing program, which means that the federal government funds up to 75 percent of total project costs, with the remaining 25 percent covered by local government. HMGP requires a 25 percent local match on funded projects. A dollar from the State creates a \$3 return on investment.

Hurricane Harvey created a significant fiscal strain on local governments. Requiring a local match — on top of the financial obligations already borne by local governments since Harvey — will create an undue burden for these counties and municipalities. Some may not even be able to meet the match, leaving federal dollars earmarked for Texas unused. It is essential, and it is in the State’s economic interest, to assist local governments in securing these federal dollars.



Texas has the largest Rainy Day Fund in the country, and it is at a record high. The State is significantly over the current \$7.5 Billion “sufficient fund balance” required for the fund. Hurricane Harvey wreaked unprecedented damage to a 55-county area. In Houston alone, more homes flooded during Hurricane Harvey than in New Orleans during Hurricane Katrina.

STATE BY STATE COMPARISON

For background, a comparison of other states' contributions to local governments in similar circumstances should inform this request. Following Major Disaster Declarations that include Public Assistance (PA), many states around the U.S. agree to assist units of local governments (subgrantees) through funding all or part of the local cost share for eligible projects.

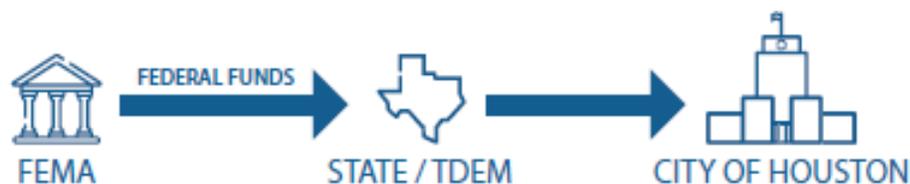
The following table illustrates samples of how other States participate in the local PA cost share – based on a 75% Federal cost share. Only two states, Connecticut and Massachusetts, provide no local match.

State	Federal	State Match	Local Match	Notes
Texas	75%	0%	25%	
North Carolina		25%	0%	Legislative action required, historically funded by State
Florida		12.5%	12.5%	By state law
California		25%	0%	California Disaster Assistance Act (CDAA) Program
South Carolina		25%	0%	Last 2 disasters '15 and '16, previously 50/50 share
Louisiana		TBD	TBD	Through CDBG-DR
Oklahoma		12.5%	12.5%	
Connecticut		0%	25%	
Virginia		15%	10%	
Georgia		12.5%	12.5%	
Missouri		10%	15%	
Iowa		10%	15%	Limited to SFHA damages only
New York		25%	0%	
Wyoming		TBD	TBD	Based on local government ability to pay
Colorado		12.5%	12.5%	
Massachusetts		0	25%	

Supplemental materials: FEMA Public Assistance (PA) Overview

Hurricane Harvey caused an estimated \$2 to \$3 billion in damage to City of Houston public assets, including buildings, water and wastewater systems, parks and utilities. As a declared major disaster, the storm triggered the City's eligibility for FEMA's Public Assistance Program, which is governed by the Robert T. Stafford Disaster Assistance Act and FEMA's Public Assistance Program and Policy Guide. The program is designed to cover up to 90 percent of the cost of eligible expenses tied to the Harvey response and the rebuild of damaged infrastructure.

FEMA provides funding to the City through the Texas Department of Emergency Management (TDEM), which serves as an advocate for Houston. TDEM is also responsible for compliance review and disbursement of funds. The City has received strong support and collaboration from TDEM throughout this process.



The City of Houston has deployed a team of internal and contracted experts to work closely with both TDEM and FEMA on a project funnel that begins with site identification through to final audit. The process ensures that eligible PA projects are identified and project specifications (or "project worksheets") are negotiated for funding and managing the overall effort. This team has also collaborated on insurance allocation methods and has convened inter-agency "Listening Sessions" to identify and implement ongoing process improvements across organizational boundaries.



Strict and detailed rules for administering this assistance must be followed to the letter to avoid possible future de-obligation – or "claw-back" – of the funds from the City. FEMA tracks each type of damage into categories of work that range from emergency to "put back" activities to reconstruction.

So far \$166.4 million in public assistance funding across all categories has been disbursed or obligated for Harvey recovery. The pace has been largely dictated by availability of FEMA resources, which are stretched thin across multiple national disasters over the past two years. While there is a long way to go, mitigation funding negotiations between the City of Houston and FEMA are underway and are expected to accelerate in the coming months.

Debris Removal and Emergency Measures

Immediately after the storm, the City mobilized crews, contractors and other resources from around the entire State of Texas to address debris removal, funded by "Category A" FEMA public assistance funds. Currently in its 15th month, the disaster debris management effort has included debris removal in neighborhoods, parks, bayous and within Lake Houston. Outstanding projects include silt remediation in Lake Houston and debris remediation in Harris County Flood Control District waterways within the City limits.

Supplemental Materials: FEMA's Hazard Mitigation Grant Program (HMGP) Overview

FEMA's Hazard Mitigation Grant Program (HMGP) provides funds to states, tribes and local communities after a disaster declaration to protect public or private property through various mitigation measures. Hazard mitigation includes long-term efforts to reduce the impact of future events. HMGP recipients have the primary responsibility for prioritizing, selecting, and administering state and local hazard mitigation projects.

Following Hurricane Harvey, FEMA allocated an initial \$500 million in HMGP grants to the State of Texas for mitigation measures. The total amount of HMGP funds for Texas is anticipated to increase to over \$1 billion. HMGP is a cost-sharing program, which means that the federal government funds up to 75 percent of total project costs with the remaining 25 percent covered by the local sponsor.

Resilience Projects: Scope and Scale of Opportunity

Prior to Hurricane Harvey, the City of Houston's Resilience Office was working on several drainage and flood control projects to address riverine and localized urban flooding. These projects will improve urban drainage infrastructure and supplement ongoing flood control projects being managed by the Harris County Flood Control District (HCFCD). The resilience projects include channel improvements, diversion channels, sub-regional detention and urban storm sewer improvements. Several of these projects became the initial candidates for HMGP funding, and a list totaling an initial estimate of \$908 million in project costs (summarized in Table 10) was presented to City Council on April 2018.

FEMA has a defined procedure for evaluating the eligibility of each project; therefore, in advance of the submittal of projects for evaluation, this list was modified and grouped according to the federal funding sources the City would pursue.

Program Management and Project Applications

The Texas Department of Emergency Management (TDEM) assists with HMGP project selection and manages the flow of funds from FEMA. Completion and approval of a Notice of Interest (NOI) for each candidate project is required prior to submitting a complete application. TDEM and FEMA use the NOIs to gather general project information and provide guidance on project eligibility. Following NOI approval, complete project applications are submitted to TDEM and FEMA for final evaluation. Applications include extensive technical data and benefit-cost analysis. HMGP allocations are competitively based, which means projects must yield positive benefit-to-cost ratios. To date the City has submitted HMGP applications for funding the Inwood Golf Course, North Canal, Lake Houston Dam and TIRZ 17 detention projects. An application has also been submitted to fund residential mitigation projects which include home elevations and demolition-and-rebuild. All applications are in various phases of review with either TDEM or FEMA.

HMGP is funded 75 percent by FEMA; 25 percent in matching funds is required. Potential sources of local match funding for each project have been identified.