

# THE BOND BUYER

## New call for federal disaster mitigation aid for Puerto Rico

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A group of 27 congressional Democrats has issued a new call for faster disbursement of disaster aid to Puerto Rico while there's separate evidence the territory has been slow to spend what's been made available.



Sen. Robert Menendez, D-N.J.

The aid in question involved Community Development Block Grant Disaster Recovery money disbursed by the U.S. Department of Housing and Urban Development for damage caused by Hurricane Maria.

Sen. Robert Menendez, D-N.J., led a group of nine senators and 18 House lawmakers who sent a letter to Department of Housing and Urban Development Secretary Ben Carson dated Wednesday urging him to publish a Federal Register Notice to the requirements for the disbursement of federally appropriated disaster recovery funds focused on mitigation.

CDBG mitigation is a new program to support communities for events that are likely to occur rather than recovery from events that have already occurred. Some disaster recovery funds have been used in the past for mitigation.

Mitigation funds can be used for a variety of purposes, including voluntary buyouts of homeowners in flood zones who are willing to relocate and have their homes demolished. Or the money can be used to elevate living spaces.

Mitigation work is a key element to the future long-term recovery and economic stability of Puerto Rico as the commonwealth works to emerge from its bankruptcy reorganization.

In the recently released annual report by the Financial Oversight and Management Board that is overseeing the debt restructuring, Chairman Jose Carrion cited the importance of federal disaster aid. "The people of Puerto Rico need to be assured that the funds will be timely and wisely invested to rebuild a resilient 21st century infrastructure on the Island," Carrion said. "The funds will not be used to pay debt. These badly needed funds go only toward the repair of damage caused by Hurricane María."

HUD announced Friday in a [Federal Register Notice](#) the publication of mitigation rules for nine states — including California, Florida and Texas — and five communities that have been awarded similar grants, but the department has not yet announced them for the two territories.

The guidelines call for the money to be used for "data-informed investments in high-impact projects that will reduce risks attributable to natural disasters, with particular focus on repetitive loss of property and critical infrastructure"; to "Build the capacity of States and local governments to comprehensively analyze disaster risks and to update hazard mitigation plans through the use of data and meaningful community engagement"; to "Support the adoption of policies that reflect local and regional priorities that will have long-lasting effects on community risk reduction, to include the risk reduction to community lifelines such as safety and security, communications, food, water, sheltering, transportation, health and medical, hazardous material (management) and energy (power & fuel), and future disaster costs"; and "maximize the impact of available funds by encouraging leverage, private-public partnerships, and coordination with other Federal programs."

Puerto Rico was the largest recipient of \$28 billion in disaster recovery funding for the nine states and two territories announced by HUD in April 2018, which included \$15.9 billion set aside solely for mitigation work to prevent future damage caused by natural disasters.

Puerto Rico overall was awarded \$18.43 billion in CBDG-Disaster Recovery money with \$8.28 billion set aside for the new mitigation program.

Many elected officials have been critical of the slow disbursement of disaster aid to Puerto Rico, but a HUD official pointed out Friday the territory currently has \$1.5 billion in CDBG-Disaster Recovery money available. The territory spent only \$915,000 of that 2017 grant through July 31.

HUD recently announced the decision to appoint a Federal Financial Monitor to oversee Puerto Rico's disaster funds, which promises to further slow the pace at which federal aid is sent to the commonwealth.

Congressional Democrats said the disaster recovery money has been slow in being disbursed to the two territories despite approval of the money by Congress.

"In a recent background briefing, senior officials at HUD announced the agency would soon be publishing an FRN for \$16 billion in CDBG-DR for disaster mitigation," Menendez's office said in a press statement. "While HUD officials noted that an FRN for a first tranche of funding for nine states would be published in the upcoming weeks, they failed to provide a specific timeline for the second tranche in which Puerto Rico and the U.S. Virgin Islands would be eligible."

HUD documents show that similar grants awarded in response to disasters in 2006 and 2008 also had a slow initial rate of spending.

When averaged across grants, for Hurricanes Ike, Katrina, Rita, and Wilma and the Midwest floods, "grantees expended 18% of their budgeted grant amounts by the end of Year 2, 54% by the end of Year 4, and 72% by the end of Year 6," HUD reported.

HUD said it generally expects grants to be completed eight to 10 years after the grant agreement.