

PROPOSED GUSTAV/IKE ACTION PLAN AMENDMENT 17

**DISASTER RECOVERY INITIATIVE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CONSOLIDATED SECURITY, DISASTER ASSISTANCE,
AND CONTINUING APPROPRIATIONS
ACT, 2009
H.R. 2638 / Public Law 110-329**

Louisiana Office of Community Development/Disaster Recovery Unit

***Proposed* AMENDMENT No. 17 TO STATE OF LOUISIANA ACTION PLAN FOR
THE UTILIZATION OF CDBG FUNDS IN RESPONSE TO
HURRICANES GUSTAV AND IKE**

RE: Recovery Public Service Program

**Public Comment Period:
September 24 – October 3, 2012**

Submitted to HUD: October 4, 2012

HUD Approved: November 9, 2012

**Bobby Jindal
Governor**

**Jay Dardenne
Lieutenant Governor**

**Paul Rainwater
Commissioner of Administration**

PROPOSED GUSTAV/IKE ACTION PLAN AMENDMENT 17

Amendment Number 17 to Gustav/Ike State of Louisiana Action Plan for Disaster Recovery – Utilizing Funding from the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110-329).

The State of Louisiana was allocated a total of \$1,093,212,571 for recovery from hurricanes Gustav and Ike.

Since the original submittal of the State's Disaster Recovery Action Plan to HUD on January 8, 2009, the State has received several approvals to subsequent Action Plan Amendments for program areas designed to receive CDBG disaster funds. This **Action Plan Amendment 17** is submitted to HUD for approval of the reallocation of funds from the previously approved Disaster State Cost Share Reserve Program (APA 4) to the **Recovery Public Service Program**. This program is intended to further meet the outstanding recovery and economic revitalization needs of the State resulting from hurricanes Gustav and Ike.

This APA 17 creates a new program and is, therefore, submitted for public comment.

Public Comment:

This Amendment will be posted for public comment on September 24, 2012.

This Amendment may be obtained via the Internet at:

<http://doa.louisiana.gov/cdbg/DRactionplans.htm>, or by contacting: Janice Lovett, Office of Community Development, Post Office Box 94095, Baton Rouge, Louisiana, 70804-9095. The Proposed Action Plan Amendment will also be published in Vietnamese and Spanish at the same website.

Written comments on the proposed Action Plan Amendment will be accepted for 10 days from the date it is posted. Comments may be submitted beginning Monday, September 24, 2012, and must be received no later than 5:00 PM (CST) on Wednesday, October 3, 2012.

Comments may be sent to the attention of Janice Lovett at the above address or sent via facsimile to (225) 219-9605 to the attention of Janice Lovett. Comments may also be submitted via email at ocd@la.gov or through the online form at <http://www.doa.louisiana.gov/cdbg/dractionplans.htm>.

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Gustav/Ike Action Plan Amendment 17: Reallocation of Funds from Disaster Recovery State Cost-Share Reserve Program to Recovery Public Service Program

Funding Amount: \$20,000,000

I. INTRODUCTION

The purpose of this Gustav/Ike Action Plan Amendment Number 17 is to reallocate \$20,000,000 in funds currently dedicated to the Disaster Recovery State Cost-Share Reserves Program, which was approved in Action Plan Amendment Number 4, to a **Recovery Public Service Program**.

Reallocation of Funds	Previous Total	Reallocation	New Total	APA
Disaster Recovery State Cost-Share Reserve Program	\$20,000,000	(\$20,000,000)	\$0	APA 4
Recovery Public Service Program	\$0	\$20,000,000	\$20,000,000	APA 17

II. PROGRAM DESCRIPTIONS

A. Disaster Recovery State Cost-Share Reserves Program

The Disaster Recovery State Cost-Share Reserves Program was created to provide gap funding to state government entities and, in special cases, non-state public entities that are eligible for Federal Emergency Management Agency (FEMA) Public Assistance (PA) funds. The program was intended to ensure that critical public facilities were rebuilt and repaired to support disaster recovery needs from Hurricanes Gustav and Ike.

The State had identified a specific need for cost share for state-owned facilities damaged by the storms that received FEMA funds. Subsequent to the approval of APA 4, the state found that the need was not as great as initially estimated and was able to cover those expenses with other funding sources.

The State intends to reallocate these funds to the outstanding identified needs in the area of public service due to the continued economic impacts felt as a result of Gustav and Ike. Economic revitalization is an important component of recovery that allows for the disaster recovery funds investment in not just directly replacing infrastructure damaged by the storms, but also investing in activities that restore the economic strength and vitality of those impacted areas as they strive to recover.

B. Recovery Public Services Program (RPSP)

Eligible Activity:	Section 105(a) 8
National Objective:	Benefit to persons of low to moderate income
Activity Amount:	\$20 million

Overview

In September 2008, Hurricanes Gustav and Ike swept across Louisiana, severely flooding many communities with storm surge, causing massive power outages that lasted several days to weeks, and causing physical damage from wind and rain across fifty-three parishes of the state. The damage estimates suggest total physical damage as a result of Gustav and Ike amounts to roughly \$8-20 billion, with additional calculations of substantial economic activity losses at an estimated \$2.5-5 billion. Several

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of the impacted parishes were continuing to recover from the devastating impacts of hurricanes Katrina and Rita in 2005. Although only a Category 2 hurricane when making landfall, Hurricane Ike was the third costliest hurricane to hit the U.S., after Hurricane Katrina and Hurricane Andrew, based on insurance claims.

In response, Congress appropriated supplemental disaster funding, through the disaster CDBG funds from HUD, for "necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008." Louisiana was allocated \$1,093,212,571 to assist the state and local governments in meeting their recovery needs in both physical infrastructure and economic revitalization.

The **Recovery Public Service Program (RPSP)** is a public service activity designed to fund an important educational program supported by state and federal funds that will be lost to many at-risk four-year olds in parishes that were heavily impacted by Hurricanes Gustav and/or Ike without this disaster funding. The RPSP will provide disaster recovery funding to the State Department of Education for the *Cecil J. Picard LA4 Pre-Kindergarten Program*. This funding will help to stabilize these communities and to enable continued sustainable recovery of areas that were impacted by the storms.

The funds will be used to support a program that is critical to the impacted communities, providing for the continued delivery of high-quality early childhood education for students from families of low to moderate-income, which is known to have a lasting impact on a child's educational advancement. The recovery funds dedicated to this public service activity will also have a larger impact on the long-term recovery and economic revitalization of these impacted parishes; supporting increased employment opportunities and workforce expansion both in the school system and for parents able to enter the workforce benefitting from the provision of the public service program.

Cecil J. Picard LA4 Pre-Kindergarten Program LA4 Pre-Kindergarten

The ***Cecil J. Picard LA4 Pre-K Program (LA4)*** is a nationally acclaimed education program for at-risk four-year olds. LA4 is Louisiana's chief preschool program, providing economically disadvantaged children with early childhood education during a six-hour-a-day program and before- and after-school enrichment. Four-year-olds who qualify for free or reduced-price lunch are eligible to attend the program, although children from families who do not meet the income threshold are also eligible to attend, but are funded through local funds or paid tuition.

The LA4 program has consistently proven to be effective at making a positive impact on the academic success of our at-risk students. In fact, students typically enter the LA4 program with standardized test scores below the 10th percentile in language and math skills, but, upon completing the program, their skills jump to the 50th percentile.

Since the program's inception in school year 2001/2002, enrollment has increased eight fold. In school year 2011-2012 approximately 16,000 at-risk four-year olds from families qualifying in the low-to-moderate income range participated in the educational program. The enrollment increases each year have been met by increased funding from the combination of state and federal funding. However, statistics indicate that a higher percentage of the demand is unmet each year as more children apply for entry to the program that has limited capacity. Some of the increased demand has been absorbed at the local level putting a continued stress on limited local funds. For instance, Vermillion parish provided local funds for 28 students in school year 2011-2012 and has seen the demand for funding of 62 students in 2012-2013.

The impacts of hurricanes Gustav and Ike also caused severe economic stress on local communities related to employment and economic opportunities. The significant increase in the percentage of children qualifying for LA4 indicates an impact of this challenging economic environment.

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Between 2008 and 2011 the State of Louisiana experienced employment loss of over 42,000 jobs. Well over one-third of those losses, over 15,000 jobs, were in the top five parishes impacted by Hurricanes Gustav and Ike. The state-level loss in employment during the period was at 2%, while it was at 4% in the five parishes most impacted by Gustav/Ike. The Houma-Thibodaux MSA, which comprises Terrebonne and Lafourche, two of the most impacted parishes, experienced consecutive years of employment loss from 2008-2011, totaling over 5000 jobs, most of which were seen in 2008-2009.¹

The LA4 program has developed as an important public service in support of the economic revitalization of parishes struggling to recover in several ways. The program plays a critical role in allowing parents the ability to pursue employment and job training opportunities. This is especially critical to single parent families. Studies indicate that childcare costs are a significant impediment to employment. This burden has a disproportionate impact on low-income and single parent households. One study found that “high-quality, consistently available preschool education was also associated with greater maternal educational advancement and higher levels of employment particularly for teenage mothers.”² Additionally, the growth of the LA4 program has been an economic driver for employment in schools in the disaster-impacted parishes; including teachers, food and maintenance services, and other school support businesses.

If this program were to cease or drastically reduce operation, there would be thousands of households in the impacted areas who would either have to absorb these burdensome childcare costs or, worse, have to drop out of the workforce. Loss of this program would further hurt vulnerable families and the at-risk children’s academic advancement in the most impacted areas. The State of LA has also greatly benefited from the program, showing a steady increase in enrollment in Pre-K statewide that correlates strongly with the increase in LA-4 enrollment. This program has had a positive influence on providing more access to these important pre-K services.

Funding

The State of Louisiana has continued to see the importance of early childhood education on children, families and communities. This is evidenced by the funding from the state having increased by nearly fivefold from 2003/2004 to the 2008/2009 school year, steadily increasing each year.

The budget for the school year beginning in 2009, following hurricanes Gustav/Ike experienced a decrease in the state-contributed funding, but with the service level to students maintained due to an increase in Early Childhood Temporary Assistance for Needy Families (TANF) funds and an effort to decrease the per pupil cost to keep the program at elevated levels. The state was able to continue service to the same number of pre-K, at-risk students in both school years 2010/11 and 2011/12 with the insertion of Emergency TANF (“stimulus”) funding that was part of the support for the economic recovery nationwide, despite continued financial challenges experienced by the state.

As a contributing factor to the justified insertion of federal TANF and emergency TANF, Gustav and Ike had a significant impact on several industries that serve as economic drivers for Louisiana. In particular, the storms greatly impacted oil and gas production, destroying 60 platforms and severely damaging another 31. The state had a reduction in oil and gas revenues over the subsequent 2 years of over \$500 million (2009 and 2010).

The budget for LA4 for the state Fiscal Year 12 (July 2011-June 2012) included \$40,500,000 in Emergency TANF. While in the process of developing the budget for Fiscal Year 13 (July 2012-June 2013), the state learned that the \$40,500,000 of federal funds would no longer be available and fully intended to increase the state’s contribution to maintain this needed public service. At the same time, the

¹ QCEW Annual Employment –Bureau of Labor Statistics (2001 Preliminary Estimates)

² *Persistent Effects of Early Childhood Education on High-Risk Children and Their Mothers*, by Craig T. Ramey, et al published in *Applied Developmental Science* Vol 4, Issue 1, 2000.

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state's revenue forecast was being adjusted down by \$205 million for FY 12 and \$304 million for FY 13. This revenue reduction followed a previous revenue reduction of \$198 million for FY 12 and \$214 million for FY 13. Given the substantial and unexpected revenue reductions, the state did not have the revenue available to fully backfill the loss in federal funding.

The loss of federal funds without the ability of the state to completely fill the gap in FY 13 would cause the state to drastically reduce or even halt in some areas the much-needed LA4 program. The disaster CDBG funds will allow the educational public service to continue at current levels, which, without disaster funds, would result in a severe reduction in the number of students participating in the program. With already vulnerable economic situations in these storm-impacted parishes and the lack of alternatives, there would be a domino effect on employment and education in these parishes struggling to recover. The state identified that the recovery CDBG funds were appropriate to provide the public service that, but for these funds, would be eliminated in the short term. The allocated disaster CDBG funds will enable the LA4 program to continue at existing levels.

The State funding in FY 13 was increased to \$11,900,000, up from \$5,900,000 in FY 12. The \$20 million in disaster CDBG funds will provide a bridge for the full provision of the program. Preliminary revenue estimates are looking positive, signaling that state revenues have stabilized and more revenue will be available for Fiscal Year FY14 (June 2013-July 2014). Regardless, the Administration intends to fully fund the LA4 program in FY14 and all future years.

Eligibility

Parishes that received the most damage from hurricanes Gustav and Ike will be eligible to participate in the **Recovery Public Service Program**. The Louisiana Department of Education will be responsible for administering the program, including the by-formula allocation of funds to the local level. The eligible parishes for Gustav/Ike funding are Terrebonne, Cameron, Iberville, Lafourche, East Baton Rouge, Jefferson, Assumption, St. Mary, Ascension, Rapides, Pointe Coupee, Calcasieu, St. Landry, Livingston, Iberia, St. James, Tangipahoa, Vermilion, West Baton Rouge and St John the Baptist.

Monitoring

This activity is considered to be a low risk activity. The program shall be monitored by OCD-DRU in accordance with disaster recovery CDBG rules and regulations.

Appendix 1 – Summary of Public Comments and State's Response

The proposed Action Plan Amendment was published for Public Comment on September 24 through October 3, 2012. The State did not receive any comments.