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MEMORANDUM

TO: LRA Board Members and Interested Parties

FROM: Andy Kopplin, LRA

DATE: February 4, 2007

RE: CDBG Allocation in Support of Local Plans

Purpose: The following percentages will be used to allocate CDBG dollars that are distributed to local government for recovery plan implementation. These percentages are based on our best estimates of infrastructure need as determined by losses due to the hurricanes.

Note: Previous versions of this document used the identical formula as described below, but arrived at different percentages. The first document was based on housing damage numbers from February of 2006 and Public Assistance dollars from October. Since that time, FEMA has conducted more housing inspections to verify damages and additional project worksheets have been submitted. In addition, we were able to earmark most of the statewide projects to the appropriate parish. These new numbers are based on housing inspections through November and Public Assistance projects through December 28, 2006. The housing inspections numbers are not expected to change since the application deadline for IA has expired. The Public Assistance numbers may change slightly, but are not expected to result in a significant shift in the percentages.

Methodology:

Calculations are based on a combination of two factors:

1) Dollar amount of current obligated project worksheets submitted for categories C through G and any 'statewide' projects that can be associated with a particular parish, and
2) Level of damage to housing units.

The obligated project worksheets for categories C through G plus statewide projects that can be allocated to a particular parish are the best available data that reflect total infrastructure damage at the parish level. 2/3 of the weight goes to the dollar amount of the obligated project worksheets. Note that to the extent possible, projects designated as statewide were allocated to the parish in which the damage occurred. Only obligated projects were considered as these have gone through FEMA and GOHSEP review and are more consistent across parishes.

The level of damage to housing units is based on statewide inspections of residential housing units. Homes classified as “major” damage were assumed to be 50% damaged and homes with “severe” damage were assumed to be complete losses. In the damage level calculation, homes with severe damage counted as 1 unit and homes with major damage counted as ½ a unit. This was to fairly account for parishes that had a larger percent of their housing stock wiped out as opposed to just damaged.

Additional Questions and Considerations regarding the methodology

Why did the LRA choose to use housing damage and obligated PA?

The LRA research and policy staff considered a number of data sources, but these two indicators capture the primary components of infrastructure. In addition, only these two data sets provided a level of consistency that could be applied fairly across all parishes.

What other data sources were considered?

Categories A & B (debris removal and emergency protective measures) were considered; however, they were excluded for two main reasons. Categories C-G represent permanent infrastructure damage, and are therefore a better proxy for actual physical damages. In the debris removal category, category A (debris removal) data are incomplete because some parishes relied more heavily on mission assignments from the Corps of Engineers, Coast Guard or other interagency agreements. Only about ¼ of the mission assignment data were reportable by parish with entire parishes having no data available. Even had the data been available, it would have been questionable as to whether cubic yards or dollars for debris removal would be appropriate measures of infrastructure damage. A cubic yard of vegetation is not comparable to a cubic yard of value-added products such as houses, vehicles and personal property. The same issues above regarding mission assigned work also disqualifies Category B data as a reliable indicator.

Insured losses were also considered. For the most part, insured losses tracked fairly consistently with housing damage except that it tends to favor the more affluent parishes over the less affluent parishes. The purpose is to consistently gauge damages and need across all parishes; the housing damage assessments are consistent across parishes and do not factor in affluence.

Why were statewide funds allocated to the parishes?

The purpose of the allocations was to get the best reflection of total damage. Statewide C-G represented mostly state buildings that were damaged in a particular parish. Local government buildings were already picked up in the individual C-G, but including the statewide damages provides a more complete picture of infrastructure damage at the parish level. Areas that benefited the most from this inclusion were areas that had heavy damage and provide services on a more regional basis.

Why was housing weighted only 1/3 and PA weighted 2/3?

Obligated PA provides direct funding for damaged infrastructure and better represents actual infrastructure damage. The Road Home program is focused exclusively on restoration of housing stock, and expenditures under that program will reflect almost exactly the damage to housing. Most of the money allocated through this process will be spent on the recovery of infrastructure, so weighting PA more heavily is appropriate when considering the purpose of the funds. The reasons it makes sense to leave housing in the calculation are as follow:

- While housing and obligated PA both provide a good indicator of total damage, weighting PA more heavily tends to favor parishes that are struggling the most with recovery. The housing damage is probably more consistent and adds consideration for those parishes that are more residential and less commercially based.

- Housing damage provides a good proxy for overall damage, whereas obligated C-G PA money provides a good proxy for infrastructure specific damage.
- The inclusion of housing damage also helps smooth out any differences in the quality of work orders submitted.

Are parishes that rely on more private infrastructure being penalized?
LRA staff considered the effect of removing category F (utilities) from the equation due to this concern. However, upon closer examination, the data appeared to be fairly consistent across parishes as most parishes have some mix of private and public or non-profit utilities. This question was originally raised by St Tammany parish officials; upon closer examination, the St. Tammany allocation would actually decrease slightly if category F were removed from the allocation formula.

Why is the parish allocation limited to $150,000 or greater?
According to officials at OCD, $150,000 is a bare minimum for which applications should be considered. Grants are costly to administer due to the federal requirements imposed on the funding. Smaller grants would be much less cost-effective to employ and would waste already limited resources.

Why not limit the money for the only the most impacted parishes?
To some degree that has been done by limiting the grant amount to no less than $150,000. There was some debate as to whether the allocation should go to the four most impacted parishes, the eight most impacted parishes or some other (somewhat) arbitrary number. All of the parishes that meet the $150,000 dollar minimum have a parish plan with more infrastructure needs than can be met, and all are deserving of funding. As it stands, over 80% of the money is going to the four most affected parishes and 95% of the money is going to the eight most affected parishes. With the extra 5%, we can help many more parishes, a total of 23, move toward their recovery goals.

Was any special consideration given in the formula for the four parishes that lost the largest proportion of their property and infrastructure?
There is no explicit part of the formula that factors in the percent of total devastation to a parish that would obviously favor such massively damaged parishes such as Orleans, St Bernard, Plaquemines and Cameron. However, weighting the PA C-G to 2/3 does help account for this discrepancy and these four parishes do receive 80% of the funds and are among the highest in allocation on a per capita basis.

Why is the money directed at parish governments at the possible expense of municipalities?
There are two reasons. One is mentioned above in terms of the expense of managing multiple smaller grants. The other is that the LRA is supporting and encouraging the parish planning processes that were initiated by FEMA's ESF-14 process and continued through the LouisianaSpeaks initiative. A logical use of these funds is to directly provide resources to accomplish these plans. The LRA is available to provide assistance, but the local communities are better suited to determine where in their parish their limited dollars will be most effective for recovery. Having said that, the LRA supports language within the funding resolution that encourages the equitable distribution of funds within the parish, and will be glad to assist parishes and municipalities with data and information as they prioritize their projects.

Conclusion: Developing a fair and equitable method of distributing funds is a challenging, yet critical task. The LRA has strived to be responsible and transparent in the methods used. Unfortunately, this is a zero-sum game. Any changes to the formula that increase funding for one parish or group of parishes, inherently takes money away from other parishes in need. The LRA recognizes that there is not enough money to accomplish a full recovery of all affected communities and complete the goals of every planning process. But having an equitable method of distributing funds as they become available will help speed the recovery by moving funds to the local communities as quickly as possible. The LRA is committed to assisting the parishes and municipalities by fairly allocating funds, helping them identify and build the highest priority projects available, and continuing to seek additional funding for recovery.

AK/db

Appendix: Recommended Allocation by Parish

Parish	C-G & Statewide	Hsg %	Prior Release	Prior Release	Updated Release	Updated Release
Orleans	59.48%	56.59%	58.26%	$116,520,000	58.51%	$117,294,201
St. Bernard	14.02%	10.91%	13.14%	$26,280,000	12.99%	$26,033,717
Jefferson	4.02%	13.39%	7.16%	$14,320,000	7.14%	$14,321,406
Plaquemines	7.84%	3.52%	6.50%	$13,000,000	6.40%	$12,835,332
St. Tammany	2.45%	6.55%	3.76%	$7,520,000	3.82%	$7,656,578
Cameron	5.67%	1.32%	4.21%	$8,420,000	4.22%	$8,466,458
Calcasieu	2.62%	2.63%	2.66%	$5,320,000	2.62%	$5,258,422
Vermilion	1.14%	1.00%	1.08%	$2,160,000	1.09%	$2,192,216
Terrebonne	0.31%	0.91%	0.51%	$1,020,000	0.51%	$1,020,282
Lafourche	0.61%	0.20%	0.48%	$960,000	0.47%	$948,104
Washington	0.25%	0.53%	0.35%	$700,000	0.34%	$689,579
Iberia	0.27%	0.38%	0.31%	$620,000	0.31%	$615,677
Tangipahoa	0.29%	0.35%	0.32%	$640,000	0.31%	$625,030
St. Charles	0.14%	0.18%	0.15%	$300,000	0.15%	$305,968
St. John the Baptist	0.12%	0.14%	0.13%	$260,000	0.12%	$247,644
Acadia	0.05%	0.17%	0.09%	$180,000	0.09%	$181,301
Jefferson Davis	0.06%	0.14%	0.08%	$160,000	0.08%	$168,174
Beauregard	0.04%	0.18%	0.09%	$180,000	0.09%	$178,206
St. Mary	0.09%	0.12%	0.10%	$200,000	0.10%	$199,764
East Baton Rouge	0.19%	0.08%	0.15%	$300,000	0.16%	$311,944
Livingston	0.03%	0.14%	0.07%	$140,000	0.07%	$150,000
Vernon	0.03%	0.08%	0.05%	$100,000	0.05%	
Allen	0.06%	0.07%	0.06%	$120,000	0.06%	$150,000
St. James	0.03%	0.04%	0.04%	$80,000	0.04%	
Lafayette	0.08%	0.04%	0.07%	$140,000	0.07%	$150,000
Ascension	0.01%	0.06%	0.02%	$40,000	0.02%	
Assumption	0.01%	0.05%	0.02%	$40,000	0.02%	
St. Landry	0.02%	0.04%	0.03%	$60,000	0.03%	
St. Helena	0.03%	0.02%	0.03%	$60,000	0.03%	
Iberville	0.02%	0.03%	0.02%	$40,000	0.02%	
St. Martin	0.00%	0.03%	0.01%	$20,000	0.01%	
Sabine	0.01%	0.02%	0.01%	$20,000	0.01%	
Evangeline	0.01%	0.02%	0.01%	$20,000	0.01%	
East Feliciana	0.00%	0.01%	0.00%		0.00%	
West Baton Rouge	0.00%	0.01%	0.00%		0.00%	
Pointe Coupee	0.00%	0.01%	0.00%		0.00%	
West Feliciana	0.00%	0.00%	0.00%		0.00%	
TOTAL	100.00%	100.0%	100.0%	$199,940,000	100.00%	$200,000,000