



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

DEC 18 2009

The Honorable Rick Perry  
Governor of Texas  
Capitol Station  
Austin, TX 78711-2428

Dear Governor Perry:

The Department is in receipt of your November 16, 2009, letter to Secretary Shaun Donovan as well as the letter from Texas Department of Rural Affairs and the Texas Department of Housing and Community Affairs dated November 24, 2009, in regard to the State of Texas Action Plan Amendment 1 for Community Development Block Grant (CDBG) disaster recovery funds appropriated under P.L. 110-329. My previous letter of November 10, 2009, identified the deficiencies which rendered the amendment substantially incomplete. My letter noted that the State must revise the amendment to incorporate the Councils of Governments' (COGs) methods of funding distribution to units of general local government in sufficient detail and provided a 45-day time period for the State to resubmit. The method of funding distribution must include all appropriate levels of citizen participation. As you know, I also met with the representatives of the Texas Department of Rural Affairs, the Texas Department of Housing and Community Affairs and several of your appointees on December 15, 2009, to further discuss the issue.

In your letter, you stress that the \$1.7 billion is urgently needed. However, the Department is confident the State can both aggressively implement its recovery plan with current funding, and proceed with its resubmission of the amendment. Please note that prior to December 10, 2009, according to the Department's Disaster Recovery Grant Reporting (DRGR) system, which the State is required to use to report its budgeted activities and expenditures, of the more than \$1.3 billion in disaster recovery CDBG funding that was initially approved on March 19, 2009, only \$102 million had been budgeted and \$20 million had expended. We appreciate that after your conversation with Secretary Donovan on December 10, 2009, the remaining \$1.2 was budgeted in the DRGR system. However, the fact remains that the State of Texas has expended less than 2% of the initial \$1,314,990,193 allocation.

Your letter also states the COGs are units of local government under Texas law, and that therefore the State has met the requirement of incorporating the method of funding distributions to units of local government. However, COGs are not units of general local government as defined by Federal statute. See 42 U.S.C. 5302(a)(1). Also, as you may recall, the State's Initial Action Plan for \$1.3 billion failed to describe the local methods of distribution for each COG. As of March 19, 2009, methods of distribution for 3 COGs had been subsequently submitted to the State and shared with HUD. As a result, the Department made available approximately \$1.1 billion with the condition that that remaining \$200 million would be made available once the 8 remaining COGs submitted their local method of distribution. The information for the remaining COGs was eventually received and the remaining funds were made available. In the State's Amendment 1, it failed to describe the method of distribution to units of general local government for any of the

COGs and the proposed \$1.4 billion in COG funding.

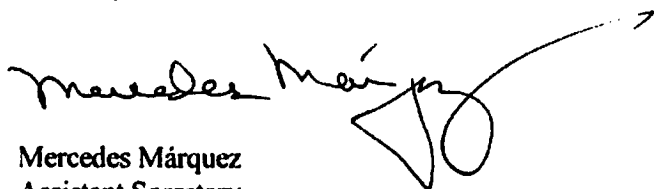
As a guide to the State and local governments in developing methods of funding distribution, the Department would like to share with you the results of HUD's allocation methodology for identifying unmet needs at the local county level (the formula for the allocation methodology was provided in the August 14, 2009, Federal Register Notice). A data extract and corresponding map are provided as appendices to this letter. You will note several areas in which large disparities exist between the relative distribution of unmet needs according to HUD's methodology and that of the State's formula as outlined in Amendment 1.

Of principal concern are counties that seem to be under-funded relative to actual damages and unmet needs, such as Galveston and Orange. Also of concern are areas that may be over-funded such as those within the Deep East Texas Council of Governments (DETCOG). For example, HUD's estimates of the percentage allocations for unmet need for housing and business damage (excluding infrastructure) for Galveston and Orange counties are 41 percent (\$1.087 billion) and 13 percent (\$340 million), respectively; however, the State's percentage allocations are 18 percent and 3 percent, respectively. With regard to the DETCOG region, HUD's estimated percentage allocation is only 2 percent (cumulative for all counties in the region) relative to the State's estimate of 10 percent. The Department hopes the attached data extract and allocation methodology can serve as a valuable tool that the State and local governments can build on.

The Department understands that revising the amendment may prove to be challenging in a 45 day period. The Department has reviewed this timeline and is granting an additional 45 days for a total of 90 days from the original notice date, November 10, 2009. As such, HUD would expect to receive the State's revised amendment no later than February 8, 2010. Moreover, if, for any reason, the COGs are unable to develop approved methods of distribution within the provided timeframe, pursuant to the Federal Register Notice of February 13, 2009, the State may submit an initial partial amendment and amend it one or more times subsequently until the amended Action Plan uses the total grant amount.

The Department remains committed to the recovery of the State of Texas and its communities. If you have any questions regarding this letter, please contact me at (202) 708-2690.

Sincerely,

A handwritten signature in black ink that reads "Mercedes Márquez". The signature is written in a cursive style with a long, sweeping tail that extends to the right and then loops back down.

Mercedes Márquez  
Assistant Secretary

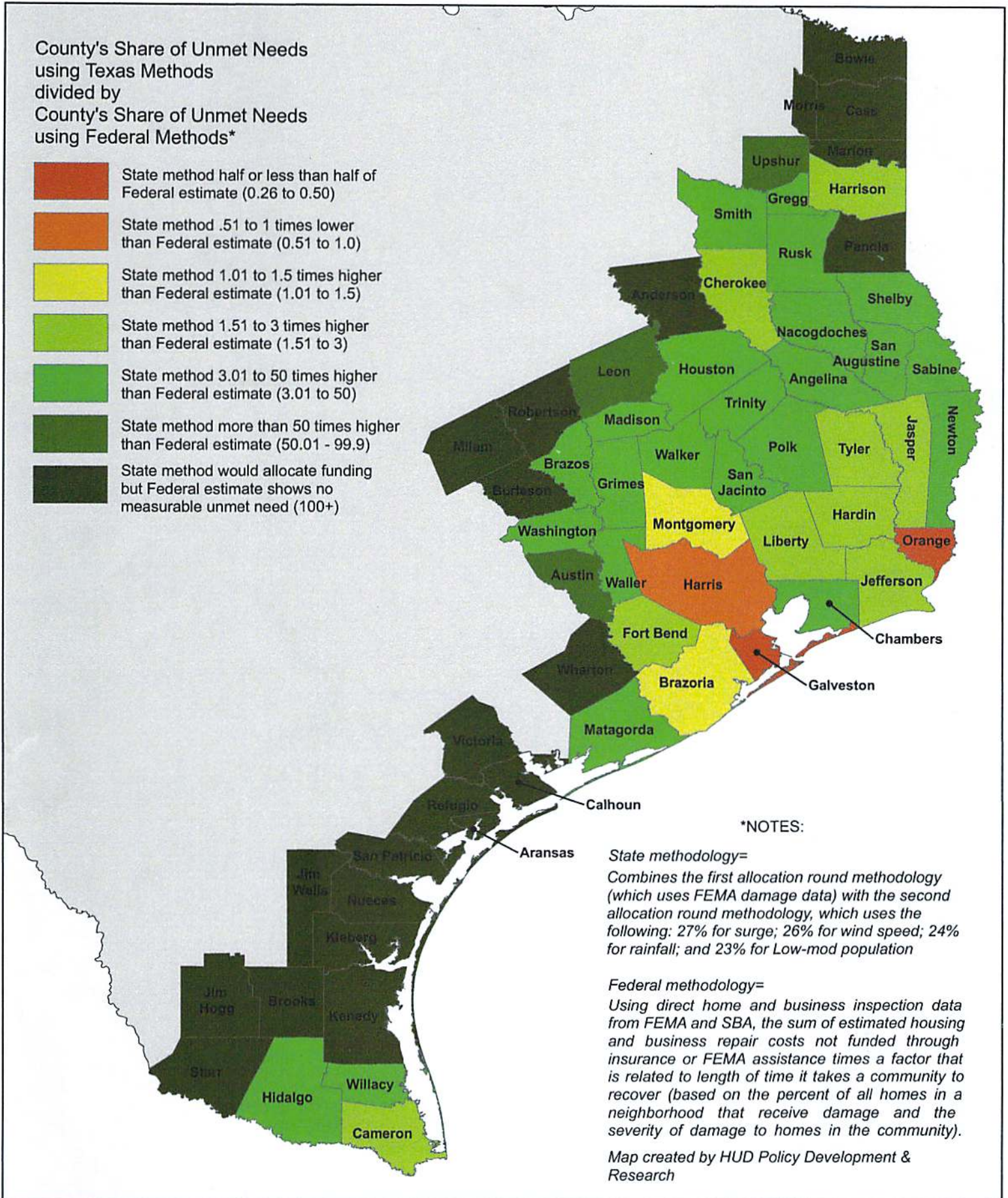
Enclosures:

1. Map-Comparison of State of Texas and Federal Models for Calculating Unmet Needs Due to Hurricanes Ike and Dolly
2. Chart-Texas county allocation distribution using Federal Methodology

# Comparison of State of Texas and Federal Models for Calculating Unmet Needs Due to Hurricanes Ike and Dolly

County's Share of Unmet Needs using Texas Methods divided by County's Share of Unmet Needs using Federal Methods\*

- State method half or less than half of Federal estimate (0.26 to 0.50)
- State method .51 to 1 times lower than Federal estimate (0.51 to 1.0)
- State method 1.01 to 1.5 times higher than Federal estimate (1.01 to 1.5)
- State method 1.51 to 3 times higher than Federal estimate (1.51 to 3)
- State method 3.01 to 50 times higher than Federal estimate (3.01 to 50)
- State method more than 50 times higher than Federal estimate (50.01 - 99.9)
- State method would allocate funding but Federal estimate shows no measurable unmet need (100+)



**\*NOTES:**

*State methodology= Combines the first allocation round methodology (which uses FEMA damage data) with the second allocation round methodology, which uses the following: 27% for surge; 26% for wind speed; 24% for rainfall; and 23% for Low-mod population*

*Federal methodology= Using direct home and business inspection data from FEMA and SBA, the sum of estimated housing and business repair costs not funded through insurance or FEMA assistance times a factor that is related to length of time it takes a community to recover (based on the percent of all homes in a neighborhood that receive damage and the severity of damage to homes in the community).*

*Map created by HUD Policy Development & Research*

Texas county allocation distribution using Federal methodology

FIPS Code	State Code	County Name	Formula Variables				Base Data			
			Percent Allocation Using Federal Methodology	Total Estimated Unmet Housing and Business Damage	Adjustment for Recovery Risk	Recovery Risk Score	Estimated Unmet Housing Damage	Unadjusted Unmet Small Business Damage	Business Adjustment for Non-Inspection	Adjusted Unmet Business Needs
48167	TX	Galveston County	41.31%	\$1,087,186,220	1.10	0.32	\$820,999,975	211,352,299.00	1.28	\$266,186,245
48201	TX	Harris County	22.73%	\$731,117,017	0.90	0.08	\$443,125,902	\$209,610,159	1.37	\$287,991,115
48361	TX	Orange County	12.92%	\$340,084,162	1.10	0.36	\$313,707,852	\$21,006,020	1.26	\$26,386,509
48245	TX	Jefferson County	4.91%	\$156,515,447	0.91	0.11	\$128,744,863	\$20,686,775	1.34	\$27,770,584
48039	TX	Brazoria County	2.95%	\$95,009,892	0.90	0.05	\$71,590,212	\$18,007,961	1.30	\$23,419,680
48071	TX	Chambers County	2.74%	\$82,342,489	0.96	0.17	\$76,605,618	\$4,339,428	1.32	\$5,736,871
48061	TX	Cameron County	2.33%	\$74,899,222	0.90	0.04	\$53,845,456	\$16,851,253	1.25	\$21,053,766
48291	TX	Liberty County	2.25%	\$72,287,210	0.90	0.07	\$69,837,424	\$1,788,686	1.37	\$2,449,786
48339	TX	Montgomery County	1.85%	\$59,538,074	0.90	0.06	\$55,146,631	\$3,148,582	1.39	\$4,391,443
48215	TX	Hidalgo County	1.38%	\$44,524,751	0.90	0.03	\$41,300,454	\$2,358,714	1.37	\$3,224,297
48199	TX	Hardin County	0.97%	\$31,091,108	0.90	0.05	\$29,308,903	\$1,279,532	1.39	\$1,782,205
48373	TX	Polk County	0.67%	\$21,500,859	0.90	0.06	\$19,794,726	\$1,154,921	1.48	\$1,706,133
48157	TX	Fort Bend County	0.65%	\$20,862,763	0.90	0.03	\$16,940,668	\$2,709,342	1.45	\$3,922,095
48407	TX	San Jacinto County	0.39%	\$12,501,616	0.90	0.04	\$12,414,319	\$69,838	1.25	\$87,298
48457	TX	Tyler County	0.36%	\$11,725,804	0.90	0.05	\$11,636,197	\$47,439	1.89	\$89,607
48241	TX	Jasper County	0.36%	\$11,581,966	0.90	0.04	\$11,323,310	\$162,286	1.47	\$238,656
48489	TX	Willacy County	0.17%	\$5,612,072	0.90	0.04	\$4,343,419	\$854,962	1.48	\$1,268,653
48005	TX	Angelina County	0.16%	\$5,278,659	0.90	0.03	\$4,643,726	\$507,946	1.25	\$634,933
48471	TX	Walker County	0.13%	\$4,163,481	0.90	0.04	\$4,105,196	\$38,857	1.50	\$58,286
48073	TX	Cherokee County	0.11%	\$3,650,358	0.90	0.04	\$3,564,210	\$57,432	1.50	\$86,148
48347	TX	Nacogdoches County	0.11%	\$3,649,584	0.90	0.05	\$3,520,419	\$110,713	1.17	\$129,165
48225	TX	Houston County	0.08%	\$2,499,430	0.90	0.05	\$1,599,546	\$618,670	1.45	\$899,884
48473	TX	Waller County	0.06%	\$1,961,403	0.90	0.05	\$1,932,691	\$17,945	1.60	\$28,712
48185	TX	Grimes County	0.06%	\$1,940,179	0.90	0.04	\$1,743,789	\$117,834	1.67	\$196,390
48351	TX	Newton County	0.06%	\$1,875,829	0.90	0.03	\$1,751,290	\$95,799	1.30	\$124,539
48455	TX	Trinity County	0.05%	\$1,651,142	0.90	0.03	\$1,651,142	\$0	1.50	\$0
48321	TX	Matagorda County	0.05%	\$1,624,102	0.90	0.03	\$1,624,381	-\$186	1.50	-\$279
48401	TX	Rusk County	0.04%	\$1,353,111	0.90	0.04	\$1,353,111	\$0	0.00	\$0
48203	TX	Harrison County	0.04%	\$1,176,082	0.93	0.14	\$1,176,105	-\$15	1.50	-\$23
48313	TX	Madison County	0.02%	\$503,805	0.90	0.01	\$491,634	\$12,171	1.00	\$12,171
48423	TX	Smith County	0.02%	\$503,790	0.90	0.06	\$472,784	\$25,838	1.20	\$31,006
48419	TX	Shelby County	0.01%	\$425,568	0.90	0.01	\$425,568	\$0	2.00	\$0
48405	TX	San Augustine County	0.01%	\$388,442	0.90	0.05	\$340,303	\$48,139	1.00	\$48,139
48183	TX	Gregg County	0.01%	\$388,393	0.90	0.01	\$388,393	\$0	1.67	\$0
48477	TX	Washington County	0.01%	\$216,457	0.90	0.01	\$163,995	\$43,719	1.20	\$52,463
48403	TX	Sabine County	0.01%	\$196,234	0.90	0.01	\$196,234	\$0	2.00	\$0
48041	TX	Brazos County	0.01%	\$172,202	1.00	0.21	\$150,457	\$21,745	1.00	\$21,745
48015	TX	Austin County	0.00%	\$116,879	0.90	0.06	\$116,879	\$0	0.00	\$0
48289	TX	Leon County	0.00%	\$52,778	0.90	0.01	\$52,778	\$0	0.00	\$0
48459	TX	Upshur County	0.00%	\$52,778	0.90	0.01	\$52,778	\$0	0.00	\$0
	TX	Unassigned to County	0.00%	\$19,438	0.90	0.00	\$0	19,438.00	1.00	\$19,438