

THE ACCOUNTABILITY GAP: UNANSWERED QUESTIONS TWO YEARS LATER

**By: Derrick Johnson, Esq., State President, Mississippi State Conference
National Association for the Advancement of Colored People (NAACP)**

Taxpayers and public officials need and deserve to know how their money will be spent on this unprecedented program. The State has and will continue to work closely with HUD's Inspector General to ensure financial accountability and MDA will be publishing even more information than House Bill 1320 would require, keeping taxpayers informed. For example, House Bill 1320 would require MDA to post on a website the total number of grant recipients and the total number and amount of grants disbursed on a monthly basis. As part of the State's plan, MDA will exceed this level of disclosure by publishing on the internet the average grant award by income range and geographic area.

-Governor Haley Barbour, Veto Message for House Bill 1320 "AN ACT TO PROVIDE FOR THE TRACKING OF CERTAIN FEDERAL GRANT FUNDS THAT ARE TO BE PROVIDED TO THE STATE OF MISSISSIPPI FOR ASSISTANCE TO HOMEOWNERS WHOSE HOMES WERE DAMAGED OR DESTROYED BY HURRICANE KATRINA" March 15, 2006¹

Introduction

In the first legislative session following the landfall of Hurricane Katrina, a motivated legislature passed a bill to require the public reporting of key information regarding the implementation of billions of federal recovery dollars to rebuild homes on the Gulf Coast. The governor responded to the legislation by vetoing the bill. His response, quoted above, called for "financial accountability" and a standard of disclosure that would "exceed" the levels reporting required by HB 1320. With the exception of very basic Homeowner Assistance Grant Program information, little public information is available to taxpayers and the most vulnerable residents of the Gulf Coast to evaluate the state's progress.

This paper specifically examines the Mississippi's hurricane recovery accountability gap and the consequences associated with keeping concerned citizens at arms length. Some highlights from the paper include:

- The state requested and received waivers of low- moderate-income participation requirements on \$4.1 billion (80%) of all federal hurricane recovery funds allocated to date;
 - No data has been made publicly available to assess the implementation of the program;
- Phase II – the state's largest designated program for low- and moderate income residents has experienced delays and a slow implementation;
 - At the current rate the program will take approximately 3 years to complete;
- Recovery allocations have been disproportionately skewed towards homeowners and away from programs to rebuild affordable rental options;
 - Over 11,000 households that formerly rented are still living in FEMA trailers in Hancock, Harrison, Jackson and Pearl River Counties.

Allocations, Waivers and Expenditures

¹ The full text of the Governor's Veto Message can be found at <http://billstatus.ls.state.ms.us/documents/2006/html/veto/HB1320.htm>

Approximately \$5.5 billion in federal monies were made available to assist the state of Mississippi with its hurricane rebuilding efforts through Public Law 109-234 and HR2863. The funds were made available through the federal Community Development Block Grant (CDBG) program and administered by the Mississippi Development Authority. As of August 15, an estimated \$5.2 billion in federal hurricane recovery funds had been allocated by the state in six different areas. Of the \$5.2 billion allocated, 79.5% or \$4.1 billion was waived from the requirement that at least 50% of the funds benefit low- and moderate-income people (Table 1).

Table 1 Mississippi Disaster Recovery Programs²		
Program³	Amount	Low / Mod Waiver
Economic Development Program	\$500,000,000	
Grants and Loans	\$340,000,000	*
Community Revitalization Grants	\$150,000,000	*
Planning	\$10,000,000	*
Gulf Coast Regional Infrastructure Program	\$641,075,000	*
Rate Payer and Wind Pool Mitigation Program	\$440,000,000	
Rate Payer Mitigation	\$360,000,000	*
Wind Insurance Mitigation	\$80,000,000	*
Homeowner Assistance Program Phases I & II	\$3,260,000,000	
Phase I and unspent balance	\$2,560,000,000	*
Phase II	\$700,000,000	
Small Rental Property Assistance Program	\$262,500,000	
Public Housing Program	\$105,000,000	
Total	\$5,208,575,000	
Total Amount Allocated with Low / Mod Waivers	\$4,141,075,000⁴	
Percent of Allocation with Low / Mod Waiver	79.5%	

Source: Mississippi Disaster Recovery Action Plans

² Table only includes approved plans as of August 14, 2007. Pending plans were not included.

³ A brief description of each program is available in Appendix A.

⁴ The calculation includes the sum of the allocations for the recovery programs with an "*" marked in the Low / Mod Waiver category.

While one can piece together the allocations cited in Table 1 from the 29 links to approved and pending plans, modifications and amendments on the Mississippi Development Authority website, a similar level of detail is not available for program expenditures or outcomes. Upon review of the Phase I and Phase II data from the MDA website, one can conclude that 14,423 people have received a little over \$1 billion (Table 2).

	Phase I	Phase II	Totals
# Eligible	15,696	9,243 ⁵	24939
Grants Paid #	13,636	787	14,423
% eligible served	86.9%	8.5%	57.8%
Grants Paid \$	\$986,279,730	\$55,082,134	\$1,041,361,864
Average Grant	\$72,329	\$69,990	\$72,201.47

Source: Mississippi Development Authority - August 22, 2007

The data made available represent less than 1/5 of all approved allocations. Furthermore, in addition to failing to meet the level of reporting expectations raised by the governor in his veto message, the data leave many questions unanswered. For example:

- What percentage of grant recipients were low-income (earning incomes below 80% of the area median income on the Gulf Coast)?
- What percentage of grant recipients lived in low-income census tracts?
- What were the income characteristics of the people who did not receive any assistance to through the Homeowner Assistance Program?

Several local and national advocacy organizations have worked to procure Phase I and Phase II program data with the hopes of answering some of the above mentioned questions. Despite formal and informal records requests, additional information beyond Table 2 has not been made publicly available by the MDA.

The Unintended Consequence – Slow Implementation

The absence of publicly available information to make the state accountable to its taxpaying residents has also contributed to a lack of public accountability for its primary contractor for hurricane recovery – the Reznick Group. Reznick Group received a contract worth \$88,232,353 to oversee and implement the Mississippi Homeowner Assistance Grant Program.⁶ With the exception of an

⁵ # eligible is an estimate based on the methodology used in Table 3.

⁶ Clarion Ledger. "Mississippi Development Authority Questioning Expenses Md. Company paid for Travel Jackson, Mississippi." June 19, 2007
<http://www.clarionledger.com/apps/pbcs.dll/article?AID=/20070619/NEWS/706190377/1002/NEWS01>

investigative report examining the travel expenses of the Reznick Group, no information has been made available for public review of the process or outcomes of the company's implementation of the Homeowner Assistance Grant Program. As a result, while most of the Phase I applicants have been served, the Phase II program – the state's largest recovery investment in low-income and special needs people – has been slow in its delivery.

Between June 8, 2007 and August 22, 2007 the state paid 744 Phase II grants at a rate of 13.3 grants per work day to bring the reported total to 787.⁷ Assuming an 80% payout rate to all applicants and a rate of delivery similar to the rate experienced over the last two months, the Phase II program will take an additional 2.5 years to reach completion.⁸ Table 3 illustrates the program's outputs and projections.

	Number	Methodology
Total Applications Received for Phase II Funding	11554	
Projected % eligible	80%	(Based on Phase I payout rates)
Projected Eligible Applications	9,243	(11,554*.80)
Remaining Projected Eligible Applications to be Funded	8,456	(9,243 - 787)
Projected number of work days needed to fund potential applications based on average grants paid per work day	636	(8,456/13.29)
Projected years needed to complete project (Based on 250 work days per year)	2.5	(636/250)

Source: Mississippi Development Authority August 22, 2007. MS NAACP Estimates

By the end of the Phase II program, Mississippi Gulf Coast residents will have been out of their homes for nearly half a decade.

An Uneven Recovery

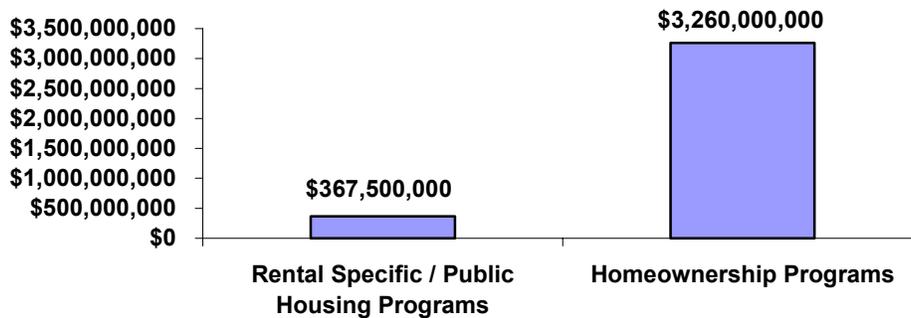
Perhaps the greatest consequence to a lack of public accountability has been the development of an inequitable recovery – a recovery significantly more skewed towards the redevelopment of housing stock than the replacement of affordable workforce rental housing. With Reznick charged to focus its efforts on the Mississippi Homeowner Assistance Grant Program, almost all of Mississippi's state funded recovery efforts have focused on homeownership. To date, Mississippi's hurricane recovery allocations

⁷ Statistics cited by MDA and weekly Homeowner Assistance Program updates <http://www.mississippi.org/content.aspx?url=/page/3525&> between June 8 and August 8 there were 56 work days not including week-ends or the 4th of July.

⁸ The 80% payout rate is based on the percent of total applicants that received or are scheduled to receive a grant through the Phase I program. Source: <http://www.mississippi.org/content.aspx?url=/page/3358&>

for homeownership have been 10 times the amount allocated for the replacement of rental units or public housing. The allocations occurred despite rental rates ranging from 25% - 34% in the Gulf Coast metropolitan areas prior to the storm.⁹ Chart 1 provides a breakdown of the funding decisions made for the housing and rental / public housing sectors.

Chart 1
Approved State Hurricane Recovery Allocations:
Rental / Public Housing vs. Homeownership



Source: Mississippi Development Authority

Given the levels of funding dedicated to the replacement of the rental stock and public housing, there are two significant ramifications of long term consequence. First, the Gulf Coast economy relies heavily on low-wage service sector jobs. According to the Mississippi Department of Employment Security, the occupational category in the Biloxi / Gulfport area with the most projected employment over the next 7 years is the Food Preparation and Serving Related Occupations sector. Over 2,500 jobs will be created in this sector bringing the total number of food preparation jobs in Biloxi / Gulfport to 18,090.¹⁰ The average wage for the cooks, servers and waiters who comprise this category is \$7.99 an hour – an amount nearly \$1.00 below the self-sufficiency wage needed for a family of four.¹¹ To ensure that the workforce is available to work within the hospitality industry, the replacement of the rental stock remains crucial to a full recovery. With vacancy rates low, existing rents high and nominal recovery investments in the rental market relative to the need, a shortage of affordable workforce housing looks to be a challenge for many years to come.

Second, the presence of affordable workforce rental housing poses the quickest avenue for Gulf Coast renters living in FEMA trailers to move out of the trailer and into a more stable living arrangement.

⁹ U.S. Census American Community Survey, 2005. Gulfport – Biloxi and Pascagoula Metro Areas

¹⁰ Mississippi Department of Employment Security, Labor Market Information Department “Occupational Employment Projections, Year 2004 Projected to Year 2014 Gulfport – Biloxi Metropolitan Statistical Area.

¹¹ A married couple with two school age children must have two workers earning \$8.78 to cover the basic costs of housing, transportation, food, health care and child care to be self-sufficient. The Self-Sufficiency Standard for Mississippi, March 2003, by Diana Pearce, Ph.D. with Jennifer Brooks, prepared for Wider Opportunities for Women and the Enterprise Corporation of the Delta.

According to FEMA records, there were 11,361 households that rented prior to moving into a FEMA mobile home or travel trailer in Hancock, Harrison, Jackson and Pearl River counties.¹² Given the opportunity to move into an affordable rental property, most residents would likely choose to move out of the FEMA trailers. However, without affordable options, residents of FEMA trailers who do not have the means to find housing in the current environment will likely continue to live in the trailers until they are forced to leave the trailer and possibly their community.

Conclusion

Eighteen months after the governor's public statements on hurricane spending accountability, public information is scarce and the reporting results are hollow. Subsequently, state implementation of programs targeted towards low-income people has been slow and uneven. Phase II is projected to take three more years while limited efforts to replace the rental stock are creating a housing crisis for Gulf Coast working families. Over time, the crisis could affect the availability of a workforce to fill the jobs of Gulf Coast's service sector – potentially stalling an economic recovery.

While often daunting, accountability almost always results in a better product than without it – especially in government. Going forward efforts to bridge the accountability gap opened by the lack of disclosure around the Mississippi Disaster Recovery Programs need to occur to ensure an equitable and complete recovery.

¹² FEMA Travel Trailer / Mobile Home Reports as of 7-13-2007