

Restore Louisiana Action Plan 12 may suggest budget mismanagement improprieties toward SBA recipients.



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HUD Guidance published June 2019 suggests state grantees may not have budgeted according HUD National Objectives. State agendas not serving the Low- to Moderate-income (LMI) communities may have limited funding to SBA DOB victims in higher income classes. Let's open with the following address written by the Governor of the State of Louisiana for the People of Louisiana and his Reimbursement Project designed to refund those that did not need SBA Loans or Federal Grants. Governor Edwards' Reimbursement Program seemed to come without income or geographical restrictions unlike the New Action Plan Amendment the state of Louisiana is requesting HUD to approve that limits assistance by income and for some, by geographical location.

Before the topic of SBA DOB was a buzz term in the news media the program officials were talking about it just hours after the announcement of the Governors Executive Order to start the HUD CDBG-DR program and to assemble a task force for leadership purposes in the long term disaster recovery program. On August 15, 2016 Executive Order JBE-2016-65 was signed into action.

Some of the very first actions taken by task force members, former mayor of Denham Springs Jimmy Durbin, State Rep. J. Rogers Pope, and Louisiana OCD-DRU Director Patrick Forbes, were letters written to HUD requesting approval for the master action plan. This was the first of many requests sent in the days and weeks after the announcement of the Executive Order from Governor Edwards.

Former and current Mayors of Denham Springs lobbied HUD and congressional sub-committees for money, seeking billions in aid. They also were asking HUD to allow the state to use grants to pay off SBA loans as the state did during the Katrina era. The state proposed the same SBA payoff three times using the same wording each time receiving the same answer each time. HUD refused to allow HUD Grants to

be used to pay off SBA loans.

When our first Task Force meeting took place (Sept. 2016) only one CDBG-DR consultant spoke out about SBA loans and the Duplication of Benefits issue homeowners would face.

Restore Louisiana Task Force meeting
July 13, 2018

Louisiana State Capitol House Committee Room 5 900 North 3rd Street Baton Rouge, Louisiana 70802

GOVERNOR JOHN BEL EDWARDS ADDRESS:

"RESTORE is mandated to operate in accordance with the guidelines set forth by the US Department of Housing and Urban Development, which provides the federal funding to operate the program. And I want to stress to everyone here today, and those watching online, again, the expansion of reimbursement funds will not jeopardize any potential grant funds available in the future to homeowners affected by Small Business Administration loan duplication of benefits. Should HUD tell us that the program no longer needs to consider declined SBA loans as a duplication of benefits, either because their interpretation of federal law changes, or because the law itself changes."

The budget information provided to the governor before his public announcement on July 13, 2018 appeared to be true and correct. OCD-DRU director Patrick Forbes referenced \$682 million in grant funds would be held for SBA DOB victims. That was stated to the task force and entered into the original Action Plan Amendment 9 sent to HUD for approval. By the following day the State of Louisiana OCD-DRU repealed and replaced Action Plan Amendment 9 with the following. The difference was the first copy stated \$683 million would be held until HUD Guidance was provided which matched the Governors Address. The updated copy removed that wording as shown below.

OCD-DRU original APA 9 as sent by Lori Dupont via email to HUD ([Email](#)): "By increasing the reimbursement percentage from 50% to 100% for households eligible under Phases III - VI, the state anticipates spending \$649 million on the Homeowner Program, leaving an estimated \$682 million. In the context of the different pieces of legislation going through Congress related to how to account for SBA loans as a duplication of benefit, the state may hold the balance until Congress and HUD issue updated and definitive guidance on how to treat SBA loans when calculating eligible award amounts to serve that potential unmet need."

States Edited APA 9 sent by Kim Jupiter via email to HUD 2 days later ([Email](#)): "By increasing the reimbursement percentage from 50% to 100% for households eligible under Phases III - VI, the state anticipates spending \$649 million on the Homeowner Program, leaving an estimated \$682 million. The state is continuing to update its unmet needs assessment and will make a determination on how to program available funding in future action plan amendments."

Later actions by the state workers at the OCD-DRU seemed to ignore the governors wishes to wait for HUD Guidance. Currently the Restore LA program faces a deficit of nearly \$128 million from overspending on programs before HUD Guidance was released. In the wording of APA 12 the state OCD-DRU seems to pass blame for the budgeting issue to HUD referencing the requirement of servicing low- to moderate-income households.

To remedy this issue for SBA DOB loan victims Action Plan Amendment 11 would need to be repealed as well as Action Plan Amendment 10 for not following budgeting and program spending as promised by Governor Edwards July 13, 2018. To make a public announcement, post the wording in the Action Plan Amendment, and then to change the wording without notifying the public could be interpreted as misconduct. Or was it just a simple mistake not to ask HUD's permission to hold \$683 million until HUD Guidance related to SBA loans was made public?

Resource References:

- [Governor Edwards Address to the Task Force July 13, 2018 full Video link](#)
 - [Governor Edwards Address to the Task Force July 13, 2018 video transcript PDF.](#)
 - [Additional minutes published at the States Boards and Commissions website.](#)
 - [Gov. Edwards Thanks HUD for Approving 100% Reimbursement Increase to Flood Impacted Homeowners](#)
 - (PDF) [Gov. Edwards Thanks HUD for Approving 100 Percent Reimbursement Increase to Flood-Impacted Homeowners](#)
 - [Action Plan Amendment 9 Original sent to HUD](#)
 - [Action Plan Amendment 9 Updated and changed repealed first copy replaced with this copy.](#)
 - [Action Plan Amendment 12 Original posted during open comment period ending Aug. 6, 2019](#)
 - Email by Lori Dupont to HUD original APA 9. SUBJECT: [Louisiana Submission of Great Floods Non-Substantial Action Plan Amendment 9](#)
 - Email by Kim Jupiter to HUD Subject: [Resubmission: Louisiana Submission of Great Floods Non-Substantial Action Plan Amendment 9](#)
 - Email by Brister, Sonya M CPD HUD NOLA Subject: [RE: Resubmission: Louisiana Submission of Great Floods Non-Substantial Action Plan Amendment 9](#)
- "For the Restore Louisiana Homeowner Program, APA 9 increases the percentage of the award for eligible homeowners in Phases III VI from 50% to 100% of the eligible award amount. The Department notes that the implementation of the this amendment will affect the State's LMI overall benefit percentage, decreasing it from 63% to 58%, based on the State's estimate. While the State is currently on target to exceed the required overall benefit threshold of 55%, HUD will continue to closely monitor the State's progress in this area. "

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