

Disaster Recovery Initiative
U.S. Department of Housing and Urban Development (HUD)
[Docket No. FR-5051-N-01]
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**Louisiana Office of Community Development,
Division of Administration**

Louisiana Recovery Authority
The Road Home Housing Programs
Action Plan Amendment for Disaster Recovery Funds



Kathleen Babineaux Blanco
Governor

Mitch Landrieu
Lieutenant Governor

GAO Highlights

Highlights of GAO-08-913, a report to the Committee on Finance, U.S. Senate and the Committee on Ways and Means, House of Representatives

Why GAO Did This Study

In 2005, Hurricanes Katrina, Rita, and Wilma devastated the Gulf Coast, destroying wide swaths of housing, key infrastructure, and numerous private businesses. In response, Congress granted the states a wide range of disaster relief, including billions of dollars of grants and tax incentives to revitalize the Gulf Coast. Specifically, the Gulf Opportunity (GO) Zone Act of 2005 (Pub. L. No. 109-135) provided tax incentives to individuals and businesses in certain presidentially declared disaster areas. Congress mandated that GAO review how state and local governments allocated and used federal tax incentives in the act and subsequent legislation.

This report (1) identifies tax incentives in the GO Zone Act of 2005 and subsequent legislation for which state and local governments have allocation and oversight responsibilities, (2) describes the procedures state governments use in allocating the tax incentives, including how they plan to monitor compliance with federal laws, and (3) describes how tax incentives have been allocated and for what purposes. To address these objectives, GAO analyzed key documentation from GO Zone states and interviewed state officials, selected local officials, and representatives from private and nonprofit entities.

What GAO Recommends

GAO is not making any recommendations. Technical comments from officials in the five states, IRS and Treasury were incorporated as appropriate. To view the full product, including the scope and methodology, click on GAO-08-913. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

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GULF OPPORTUNITY ZONE

States Are Allocating Federal Tax Incentives to Finance Low-Income Housing and a Wide Range of Private Facilities

What GAO Found

States with GO Zones are responsible for allocating and overseeing the use of four tax incentives in the GO Zone Act of 2005. The table below identifies the provisions and the amounts each state received. Alabama, Louisiana, and Mississippi received allocation authority for all four provisions. Florida and Texas each received \$3.5 million in GO Zone low-income housing tax credit (LIHTC) authority, but did not receive allocations under the other incentives.

GO Zone Act of 2005 Cumulative Allocation Authority by State

Dollars in millions				
Incentive	Alabama	Louisiana	Mississippi	Total
GO Zone tax-exempt private activity bonds**	\$2,174	\$7,840	\$4,921	\$14,935
LIHTCs***	47	170	106	323
GO Zone tax credit bonds	50	200	100	350
GO Zone additional advance refunding bonds	1,125	4,500	2,250	7,875

Source: GAO analysis of Joint Committee on Taxation and Gulf Coast state data.

**These provisions are extensions of existing federal tax incentives. States received GO Zone allocation authority for these provisions in addition to their annual state allocation.

***Florida and Texas each received \$3.5 million in GO Zone LIHTC authority for 2006.

Dollars for private activity bonds and LIHTCs are rounded to the nearest million.

With some process variations, the three eligible states with GO Zones generally allocated bond authority on a first-come, first-served basis without consistently targeting the allocations to assist recovery in the most damaged areas. Officials in Louisiana and Mississippi acknowledged that the first-come, first-served approach led to allocating bond authority to less-damaged areas at the start of the program. The five eligible state housing finance agencies used existing processes to award GO Zone LIHTCs, but differed in how they targeted these credits. For all three bond provisions, state officials and bond issuers said the borrower's bond counsel is generally responsible for ensuring that the bonds are compliant with applicable laws when issued. State housing finance agencies plan to use existing procedures to monitor compliance once units are placed in service.

As of mid-June 2008, eligible states had allocated 87 percent of the GO Zone private activity bond authority, but bonds issued amount to about 50 percent of the total awarded allocation authority. The bonds issued will be used to finance a wide range of facilities, including manufacturing facilities, utilities, housing, retail facilities, and hotels. State housing finance authorities have awarded 95 percent of the GO Zone LIHTCs. Although few housing units are currently in service, state housing finance agency officials said planned units will be in service by the mandated deadline. GO Zone LIHTC-funded units will address about 17 and 45 percent of the rental housing units with major or severe damage in the states of Louisiana and Mississippi, respectively. The three eligible states with GO Zones used the tax credit bonds and additional advance refundings to varying degrees to provide debt relief. State officials said current economic conditions pose challenges for using both GO Zone bond and LIHTC financing.

United States Government Accountability Office

Government's response to Hurricane Katrina: A public choice analysis

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Abstract. We use public choice theory to explain the failure of FEMA and other governmental agencies to carry out effective disaster relief in the wake of Hurricane Katrina. The areas in which we focus are: (1) the tragedy of the anti-commons resulting from layered bureaucracy, (2) a type-two error policy bias causing over cautiousness in decision making, (3) the political manipulation of disaster declarations and relief aid to win votes, (4) the problem of acquiring timely and accurate preference revelations, (5) glory seeking by government officials, and (6) the shortsightedness effect causing a bias in governmental decision making.

Introduction: Flirting with Disaster

"As we are all aware, disasters are very political events."¹ These words could have easily come from a public choice scholar, but instead were spoken by then-FEMA Director James Lee Witt when he testified before Congress about the cause of persistent problems and corruption in government disaster management back in 1996. Each major U.S. disaster brings yet another tale of FEMA corruption and failure, and yet another Congressional investigation into the problems in FEMA. The failures of FEMA, and of government disaster relief more generally, which occurred in the wake of Hurricane Katrina in 2005 are nothing new; identical problems manifested themselves after virtually every previous major disaster. What was different this time, however, was the visibility and severity of the failure, and of the human suffering it caused. After most other disasters, the individuals who suffer as a result of these government policy errors are geographically diffuse and harder to identify. After Katrina, however, thousands of them were packed into places like the Superdome, resulting in significantly larger media attention to these problems in FEMA and government disaster management.

Government's failed response to Hurricane Katrina is a classic case study in the potential problems with government action identified by public choice theory. The hallmark of the public choice approach – that individual actors

SEE Also:

Government's response to Hurricane Katrina: A public choice analysis

<https://docslib.org/doc/4601508/governments-response-to-hurricane-katrina-a-public-choice-analysis>

State can't pay legal aid bill for Road Home applicants

https://www.nola.com/news/article_8aa6cd80-6e05-5241-bf1f-f30ef221634e.html

Disaster recovery initiative 2006 louisiana recovery authority road home

https://doa.louisiana.gov/media/rpdoemgp/apa1_approved.pdf

Building the *NEW* New Orleans_ NGOs Power

<file:///C:/Users/Christian/Downloads/s12114-010-9081-z.pdf>

OIG state of louisiana needs a strategy to manage hurricanes katrina and rita

https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2013/OIG_DD-13-15_Sep13.pdf

Government's response to Hurricane Katrina: A public choice analysis

<https://docslib.org/doc/4601508/governments-response-to-hurricane-katrina-a-public-choice-analysis>

GAO low income tax credit

<https://www.gao.gov/assets/gao-17-784t-highlights.pdf>

Government's response to Hurricane Katrina: A public choice analysis

<https://docslib.org/doc/4601508/governments-response-to-hurricane-katrina-a-public-choice-analysis>

GAO-08-913 Gulf Opportunity Zone: States Are Allocating Federal Tax ...

<https://www.gao.gov/assets/gao-08-913.pdf>

***<https://www.cato.org/blog/hurricane-katrina-remembering-federal-failures>**