

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 740** SLS 08RS 1081
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP #2 SEN COMM AMD**
 Sub. Bill For.:

Date: May 29, 2008 4:18 PM	Author: SHEPHERD
Dept./Agy.: Executive/DOA	
Subject: Road Home Bill of Rights	Analyst: Evan Brasseaux

RECOVERY AUTHORITY EG INCREASE FF EX See Note Page 1 of 2
 Creates the Louisiana Road Home Program Applicants' Bill of Rights. (gov sig)

The proposed legislation establishes the Road Home Applicants Bill of Rights. Included in this Bill of Rights is the right of access to the complete and current policies and rules of the program, the right to written notification of awards, change in awards, and dispute resolution decisions. In addition, the applicant has the right to a complete application file, the right to an appeal of an adverse grant determination before an administrative law judge or the right to mediation, at the applicant's option. The proposed legislation also provides the right of the indigent to legal assistance in the grant application process and on appeal, and the right to protection from overpayment errors that were not caused by the applicant. Also provides for the right to investigation and oversight of the Road Home Program by the state inspector general. Provides that applicants shall be entitled to the highest available pre-storm value for their homes regardless of source. Also provides for the right to use unobligated Road Home Program funds for an ombudsman who shall confer with community workers who help Road Home applicants. The LRA should propose an Action Plan amendment to HUD for this purpose. Continued on page 2

EXPENDITURES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation will increase expenditures by an indeterminable amount. The legislation proposes that ..."any funds expended in support of the activities provided for in this Section shall be limited to expenditures of Community Development Block Grant monies pursuant to supplemental appropriations authorized by the United States Congress through the Department of Housing and Urban Development to the state of Louisiana under the provisions of P.L. 109-148, P.L. 109-234, or P.L. 110-116, and any state funds specifically allocated or appropriated for such purposes. Currently, only \$26 million in CDBG funds are unobligated and potentially available for authorized expenditures. The impact of this legislation will ultimately depend upon availability of CDBG funds and the extent to which Road Home applicants appeal grant determinations before an administrative law judge, request mediation, request legal assistance in the legal process, providing the highest valuation of applicant' homes and protection from overpayment.

Estimated costs of various components of the legislation are as follows:

Highest Valuation- Proposed law states that the homeowner is entitled to the highest available pre-storm value for the home regardless of source. The Office of Community Development (OCD) notes that HUD allows approximately 20% over the highest valid value to be paid to homeowners. According to OCD, this proposal may result in exceeding the 20% allowance and would not be an eligible cost for CDBG funds. OCD indicates the potential impact of this language is estimated to be a minimum of \$500 million and could be significantly higher. However, OCD is unable to give an exact determination as of the writing of this fiscal note. According to HUD, any change of this magnitude would require a substantial action plan amendment be submitted at least 5 days before it is implemented but would not likely be approved.

State Inspector General- Additional responsibilities of this agency would result in an increase of approximately \$1.9 million annually. This includes the salary and related benefits costs of 16 positions costing \$1.6 million, operating expenses of \$135,000 annually, plus additional funding for travel, supplies, training, and acquisitions in FY 09. Based upon information received from HUD, this would likely be considered a duplicative review and would not be an eligible expense for CDBG funding.
CONTINUED ON PAGE 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

<p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change</p>	<p><u>Dual Referral Rules</u></p>	<p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease</p>	<p align="right"><i>H. Gordon Monk</i></p> <p>H. Gordon Monk Legislative Fiscal Officer</p>
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CONTINUED EXPLANATION from page one:

Explanation ctd.

Any funds expended in support of the activities provided for in this Section shall be limited to expenditures of Community Development Block Grant monies pursuant to supplemental appropriations authorized by the United States Congress through the Department of Housing and Urban Development to the state of Louisiana under the provisions of P.L. 109-148, P.L. 109-234, or P.L. 110-116, and any state funds specifically allocated or appropriated for such purposes. Currently, only \$26 million in CDBG funds are unobligated and potentially available for authorized expenditures.

Expenditures continued:

Protection from Overpayment- According to OCD, HUD rules require the reimbursement of any overpayments. Therefore, to the extent that its review of payments to homeowners discloses overpayments, SGF would be required to reimburse HUD as this would be an ineligible expense for CDBG funding. The LFO cannot determine the potential impact of this to the SGF but could be significant.

Increasing the Additional Compensation Grant- The legislation provides that depending upon funding resources, an Action Plan amendment should be proposed to HUD to use any unobligated Road Home funds for this purpose. OCD notes that the total amount of unobligated Road Home funds is currently \$26 million. Funding is provided for applicants whose income which was less than or equal to 80% of the Area Median Income and is increased in this legislation to 120%. The maximum is also increased from \$50,000 to \$75,000 per eligible applicant. OCD estimates that nearly 60,000 applicants could be eligible for this increased award up to \$25,000 per award for a total cost of \$1.5 billion. This number is subject to eligibility and will be reduced accordingly if the number of eligible applicants is less than estimated. Additional administrative costs would be incurred for any additional disbursements.

Notification to applicants- significant additional costs will be incurred with regard to the requirements of the legislation to provide applicants with documentation regarding their applicant file, awards, changes in awards, dispute resolution, etc. In addition, every Road Home applicant shall be entitled to a complete and accurate copy of his entire grant file upon written request of the Road Home Program. In addition, field review appraisal are to be provided at no cost to the applicant. These requirements will ultimately depend upon the size of files to be provided to the applicant, the cost of sending this information by certified mail, and the administrative costs incurred to prepare this information for submittal to this large number of applicants. According to OCD, this additional responsibility may require an amendment to the ICF contract. Any increase in this contract would negatively impact funding available for the program.

The Division of Administrative Law (DAL) will realize additional costs dependent upon the number of appeals requested. The DAL estimates that a minimum of 20,000 appeals may ultimately be filed which equates to 12.6% of eligible applicants. The total estimated additional cost for this number of appeals is \$4.2 million in FY 09 and FY 10 for a total cost of approximately \$8.4 million. Based on this assumption, the DAL estimates that a total of 37 additional employees will be necessary, including a general counsel, twenty-five attorney 3 positions, two attorney supervisors, four administrative coordinator 4 positions, three paralegals, one IT Technology Supervisors Specialist, one administrative program manager, and one administrative assistant. Total salary and related benefits costs in FY 09 are approximately \$3.7 million. Additional costs include office rent (\$304,000), supplies (\$60,000), acquisitions (\$88,000), travel (\$28,000), training (\$20,000) and other associated costs including security (\$56,000). These costs are based on approximately 20,000 appeals and will likely increase should the actual number of appeals increase over what is anticipated. Additional costs will be incurred for mediations but the amount is indeterminable. According to OCD, decisions made by the DAL that are outside the policies of the program or from information not in the program's possession, are not eligible CDBG expenses and would have to be paid from another source of funding.

The La. Legislative Auditor's Office (LLA) notes that there will be additional costs of approximately \$600,000 in FY 09 and \$900,000 in FY 10 related to performing a statistically representative sample of closed Road Home applicant files. According to OCD these costs have already been anticipated and funding is currently available for this expense.

The creation of an ombudsman program will increase expenditures related to personnel and operating costs and will be funded with any unobligated Road Home Program funds. According to OCD, the total cost of this program is not anticipated to be significant as many of these functions are currently being provided in the existing program.

The proposed legislation also provides the right of the indigent to legal assistance in the grant application process and on appeal. Assistance in the grant application process for the indigent has been provided through a contractual agreement. The LFO cannot estimate the potential cost for legal assistance with regard to appeals but anticipates that this would not be an allowable expense for CDBG funds.

Senate Dual Referral Rules

[x] 13.5.1 >= \$500,000 Annual Fiscal Cost

[] 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

[x] 6.8(F) >= \$500,000 Annual Fiscal Cost

[] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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