



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

September 17, 2008

Hon. Steve Preston, Secretary
U.S. Dept. of Housing and Urban Development
451 7th Street SW
Washington, D.C. 20410

Dear Secretary Preston:

I appreciated the opportunity to speak with you recently about this summer's flood disaster in Wisconsin. As we discussed, this flooding was the worst in our state's history. The losses now exceed even those of the Great Floods of 1993. I am sure you have heard about the damage not only in your hometown of Janesville, but all across the southern half of our state. Thousands of individuals and hundreds of communities in Wisconsin were impacted by this devastating event.

I am thankful for the speed at which Congress has made additional monies available to your department for housing, business and infrastructure needs. I am thankful for your swift distribution of the initial allocation. Wisconsin's original allocation of this funding was five percent of the initial allocation, or \$5 million. This allocation was an important and appreciated first step; however, substantially more is needed to respond to the urgent needs of our communities. It is my hope that as you allocate the remaining \$200 million, you take into consideration a host of other factors that are outlined below. Wisconsin's unmet needs, both in the private and public sectors, require resources far beyond what we can provide.

Due to the widespread nature of the damages in our rural areas, it is more difficult to assess the amount of damages, yet initial unmet need estimates from the affected counties for housing, business and infrastructure exceed \$1.22 billion.

The rural nature of most of the communities hardest hit by the flooding means that many of the individuals and families involved meet HUD's Low and Moderate Income criteria. One community, Gays Mills, which flooded twice in the last 10 months, is 58.8% LMI. Avoca, which had to be evacuated in June 2008, is 59.4% LMI. Neither the villages nor their residents have the funds available to meet their needs. There are literally dozens of other Wisconsin communities in similar situations.

FEMA and SBA have been active throughout the declared counties as they work to assist the 40,595 victims. Yet 19,626, nearly 50% of those registrants, have received no financial assistance from FEMA or SBA, leaving a significant unmet housing need. In addition, a preliminary assessment by Wisconsin Emergency Management has

identified nearly 500 homes that qualify for buyouts. This significant and immediate need is compounded, because some communities will not have the resources to match FEMA funds. This lack of resources will prevent many of these planned acquisitions from proceeding without state CDBG assistance.

The unemployment rate in declared counties has risen from 4.0% in May to 4.6% in July 2008. Initial claims for unemployment insurance in Wisconsin increased by over 31,500 from May through July 2008, a staggering 58% jump. The City of Jefferson, for example, is reeling from the permanent loss of 200 jobs from anchor employer Tyson Foods, which was forced to cut production due to over \$7 million in flood damages. Wisconsin's premier tourism industry was also hard-hit by the flooding and resulting aftermath. Lake Delton, a popular tourist destination, alone estimates lost business totaling \$20 million after a breached embankment drained the lake.

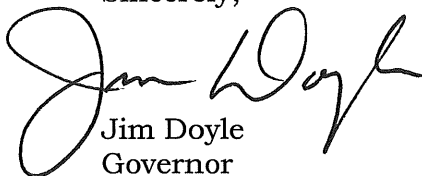
Infrastructure damages were widespread causing threats to health and safety. For example, the City of Madison was forced to discharge 1.5 million gallons of raw sewage into its lakes. The City of Reedsburg's treatment plant was inundated causing discharge into the Wisconsin River, and shutting off services to thousands of residents. FEMA has only just begun the process of determining public infrastructure damage estimates in Wisconsin.

To help address the immediate unmet needs, Wisconsin has already redeployed most of our available Small Cities Community Development Block Grant funds to help with flood recovery. Wisconsin has experience in combining the Small Cities CDBG funds successfully with the FEMA grants, and even SBA loans, to restore homes and communities to pre-disaster condition.

I am committed to doing everything I can with our current resources to help Wisconsin communities recover. However, the tremendous unmet need in Wisconsin underscores the necessity for additional CDBG funding to meet critical housing needs, to rebuild small businesses, and to restore damaged infrastructure so it is fully functional and less vulnerable to future damages. Without this funding, Wisconsin's citizens and communities will struggle to recover and restore the viability of the impacted communities.

I have enclosed an initial summary analysis of Wisconsin's tremendous unmet housing, business and infrastructure needs. As you will note, the \$5 million allocated to date is greatly outpaced by the over \$1 billion burden that Wisconsin families and businesses are facing. I encourage your consideration of the challenges faced by the people of Wisconsin as you allocate the remaining \$200 million in CDBG funding.

Sincerely,



Jim Doyle
Governor

Cc: Todd M. Richardson, Deputy Assistant Secretary for Policy, HUD
Wisconsin Congressional Delegation

ATTACHMENT
Wisconsin 2008 Flood Damage Assessment
As of 9-15-2008

Wisconsin estimates \$1.22 billion in CDBG-eligible unmet needs.

Housing

40,595 households have applied for aid from FEMA. This includes households in both entitlement areas (such as Milwaukee) and non-entitlement areas (such as Gays Mills). Based on past experience and adjusted for inflation and relocation, Commerce estimates an average unmet need of \$25,000 per household. While all 40,595 households may not require or be eligible for assistance, the need could reach \$1 billion less \$77 million in FEMA and SBA assistance already provided for a total of \$923 million.

Total Unmet Housing Needs: \$923 million

Business

5,092 businesses have registered with FEMA and been referred to SBA. Loans made to date average \$50,000. Wisconsin estimates that the majority of registered businesses will require additional assistance not covered by SBA or insurance. Using the average SBA award, business needs could reach \$255 million.

Total Unmet Business Needs: \$255 million

Infrastructure

Infrastructure damage figures are still being formulated as FEMA teams remain in the field, however from information already gathered from affected county emergency officials, an estimated \$160 million in infrastructure repairs and replacement were identified. These needs include water systems, wastewater treatment systems and local roads. Considering FEMA covers 75% of the damages, and local and state government must split the 25% match, CDBG monies can be used for the local match, or 12.5%. The FEMA Mitigation Assessment Team is currently in the field assessing public building damages, but preliminary estimates are up to \$25 million. The potential need for infrastructure assistance, including public buildings, could reach \$40 million.

Total Unmet Infrastructure Needs: \$40 million