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July 15, 2020

Dear Crumbling Foundations Stakeholder:

Given your involvement in the crumbling foundations issue, I wanted to provide you with an update about recent action on this important issue in the House of Representatives.

House Infrastructure Bill

On July 1st, the House passed the *Moving Forward Act* (H.R. 2) – a \$1.5 trillion infrastructure package which would reauthorize surface transportation programs through 2025 and provide billions in investment in school and housing infrastructure improvements. The *Moving Forward Act* also included three provisions which my office authored to help communities contending with the crumbling foundations crisis. The bill passed the House and now awaits further consideration in the Senate.

School Remediation

Included in H.R. 2 is the *Rebuild America's Schools Act* (RASA), which provides a \$130 billion investment in school infrastructure. This piece of the bill includes language authored by my office, Section 70401 of the bill, that would provide federal funding for the repair or replacement of crumbling foundations due to pyrrhotite. I originally proposed this provision last year during the House Committee on Education and Labor's markup of the *Rebuild America's Schools Act*. My staff and I worked closely with the Tolland community to draft this proposal, ensuring that the bill would meet the needs of Tolland or other school districts who have a school affected by pyrrhotite. As you are likely aware, due to pyrrhotite used in construction, the town of Tolland demolished and is rebuilding Birch Grove Primary School. Although the State of Connecticut is assisting with costs of the project, the price tag looms near \$50 million. The federal funding in H.R. 2 towards school construction will help towns like Tolland with the cost of repairing and rebuilding damaged structures due to pyrrhotite.

Federal Casualty Loss Tax Deduction

Congressman John Larson and I worked on another provision of the bill, Section 90502, that restores the federal casualty loss deduction to crumbling foundation repairs.

As you may recall, in November of 2017, the IRS announced that at our urging, homeowners who have paid to repair their own foundations due to pyrrhotite damage would be able to claim those costs under the federal casualty loss deduction. While that deduction was dramatically limited by the 2017 Tax Cuts and Jobs Act to only presidentially-declared disaster areas, we worked with IRS to provide three additional years in which homeowners would be able to claim pyrrhotite costs on their federal taxes. Without action, this extension expires in 2021.

This provision not only restores the casualty loss deduction to its pre-2018 definition, it also includes our language that specifically codifies the 2017 IRS directive that extended this deduction to pyrrhotite-related crumbling foundation repairs.

Community Development Block Grant

The third provision my office authored pertains to the federal Community Development Block Grant (CDBG) program. HR 2 includes an additional \$10 billion in housing development and rehabilitation investment through the CDBG program. During consideration of the bill, Congressman Larson and I offered an amendment would allow for CDBG funds to be used for home remediation due to iron sulfides as one of the four eligible uses of the funding provided in the bill. It is important to note that the funds provided in this bill would be in addition to the regular CDBG allocation that states receive from the federal government each year, and would, if made into law, provide a significant new opportunity to expand federal funding support for crumbling foundations in our state.

Update on CDBG Testing Funds

Given this action in the House, I wanted to ensure that you were aware of the latest data regarding the use of the federal CDBG funds being utilized to assist homeowners with pyrrhotite testing in our region.

As a quick refresher, back in 2016, my office identified the CDBG program as a source of federal assistance to respond to the crumbling foundations crisis, after the federal Department of Housing and Urban Development (HUD) confirmed in writing that the State's allocation of CDBG funds could be used for crumbling foundations. After I called for the use of CDBG funds for this crisis, former Governor Dannel Malloy announced that \$1 million in CDBG funds would be set aside for crumbling foundations related projects. However, after it was revealed in February of 2018 that only \$250,000 of this allocation had been provided to a single application, and that the remaining \$750,000 had been redistributed to other programs, my staff and I called on the Connecticut Department of Housing (DOH) to restore those funds and reopen the application process so that other communities could have the opportunity to apply. Despite initial resistance to these requests, in May of 2018 DOH reopened the program and ultimately restored \$480,000 for applications from eligible communities.

My office recently received an update on the progress of these two programs:

- The CDBG Pyrrhotite Testing Program (serving Ashford, Bolton, Columbia, Coventry, Tolland, Union, and Willington), which received \$250,000 in CDBG Small Cities funds, exhausted all available funds by testing a total of 42 households (affecting 100 people).
- Additionally, from the most recent data provided to my office by the Regional Crumbling Foundations Testing Program (serving towns of Vernon, Ellington, and Stafford), 47 homeowners have applied to the program and 41 have been or will be tested. This group does not include affected condominium owners, who are ineligible to participate in the program.

Clearly, the CDBG testing program is meeting a serious need in our community. Furthermore, the program is functioning with strong demand, even within the CDBG program's low- and moderate-income guideline criteria and the limited funding that has been provided by the State of Connecticut.

It is important to note that while the State of Connecticut has chosen to limit CDBG funding to only \$730,000 and only for testing activities, there is no federal requirement that the use of these funds be limited in this way. In fact, my office received confirmation from the federal Department of Housing and Urban Development (HUD) and the non-partisan Congressional Research Service (CRS) that funds could also be used towards home remediation.

As we continue to move forward with addressing the impact of crumbling foundations on our region, I continue to believe that we should maximize the use of every single federal dollar available to reduce the burden on state funds. The success of the two federally funded CDBG testing programs show that is an opportunity to build on and expand this work, which is clearly allowed under federal guidelines.

IRS Clarification – CFSIC Payments

In February, my office wrote to the IRS requesting clarification as to how financial assistance paid to Connecticut residents through the Connecticut Foundations Solutions Indemnity Company (CFSIC) would be treated by the IRS.

In response to my letter, in April, IRS Commissioner Rettig provided new guidance for homeowners impacted by the crumbling foundations crisis. The IRS's new guidance clarifies that financial assistance, including payments from CFSIC to contractors on behalf of homeowners, and reimbursements paid to homeowners, will not be treated as taxable income.

Federal Research Funding for Crumbling Foundations

Additionally, I also wanted to bring to your attention an update on the research currently being conducted by the National Institute of Standards and Technology (NIST) to study pyrrhotite and its effects on concrete. Last year, Congressman Larson and I led the Connecticut delegation in securing \$1.5 million in federal funding to allow NIST to partner with academic institutions to conduct research on the effects of pyrrhotite on concrete aggregate. NIST solicited applications for this funding earlier this year, and we received an update from the agency on July 15th that they have received an application for this work.

While the \$1.5 million provided last year was a good start, additional resources will be needed to continue this work once it begins in earnest. Congressman Larson and I again led an effort requesting additional funds for NIST to conduct this research in March, and just this week, the House Appropriations Committee provided another \$2 million for NIST to continue this work in 2021. The House will consider that measure on the floor in the next two weeks.

I hope you found this update helpful. As always, if you have additional questions or concerns about these updates, please do not hesitate to contact me or my primary staff contacts on this issue, Ayanti Grant in my Norwich office or Meghan O'Sullivan in Washington.

Sincerely,

A handwritten signature in blue ink that reads "Joe Courtney". The signature is written in a cursive style with a large, stylized "J" and "C".

JOE COURTNEY
Member of Congress