

March 1, 2005

The Honorable Judd Gregg  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

The Honorable Kent Conrad  
Ranking Member  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Chairman Gregg and Ranking Member Conrad:

As you prepare to consider the FY 2006 Budget Resolution, we the undersigned organizations want to make you aware of our opposition to proposed cuts in the FY 2006 Department of Housing and Urban Development (HUD) budget. We respectfully request that you craft a Budget Resolution that will allow for the restoration of these cuts.

Of particular concern to us is the proposed elimination of the Community Development Block Grant (CDBG) program along with 17 other federal community and economic development grant programs. We oppose in the strongest terms the elimination of CDBG, and we urge you to reject the proposed "Strengthening America's Communities" (SAC) Initiative as well as support full funding for the CDBG program.

As you know, the FY 2006 Budget would effectively eliminate 18 community and economic development programs, including CDBG, and create an entirely new initiative to be operated by the Department of Commerce. Proposed funding for this "consolidated" program would be \$3.7 billion, a 35% reduction in funding when compared to total FY 2005 appropriations for the 18 programs targeted for elimination under the initiative. Consider that the CDBG program alone was funded at \$4.7 billion in FY 2005. Eliminating these programs and substantially reducing the federal investment in community and economic development would have a devastating impact on state and local governments. Each of these existing programs is an important and necessary component of both urban and rural communities' efforts to revitalize neighborhoods, expand affordable housing opportunities and create economic growth. We believe that CDBG is the glue that holds these efforts together.

For 30 years, the CDBG program has served as the cornerstone of the federal government's commitment to partnering with state and local governments to strengthen our nation's communities and improve the quality of life for low-and moderate-income Americans. Since its inception, CDBG has made a real and positive difference in communities across America, and there is no shortage of CDBG success stories. Many of the groups that signed this letter have been working in partnership with HUD in a good faith effort to improve the CDBG program's ability to measure performance. As a result of this effort, HUD plans to unveil a new outcome-based measurement system in early 2005. As recently as November 2004, OMB endorsed this undertaking. We know that this new system will verify what is already obvious: CDBG works.

CDBG's emphasis on flexibility and local determination of priority needs through citizen participation is allowing state and local governments to achieve real results. According to HUD's "Highlights of FY 2004 CDBG Accomplishments," CDBG funding led to the creation or retention of more than 90,000 jobs in the last year alone. Thanks to CDBG, in 2004 over 130,000 rental units and single-family homes were rehabbed, 85,000 individuals

received employment training, 1.5 million youth were served by after-school enrichment programs and other activities, and child care services were provided to 100,065 children in 205 communities across the country. CDBG also funded nearly 700 crime prevention and awareness programs. Additionally, more than 11,000 Americans became homeowners last year thanks to CDBG funding. CDBG remains a smart, efficient form of investment, as it continues to leverage around three dollars for every dollar of federal investment. It certainly did not come as a surprise to us when HUD Secretary Alphonso Jackson, in a March 2<sup>nd</sup> appearance before the House Financial Services Committee, stated, "The program works."

The CDBG program's design is especially successful at targeting resources to those who need them most. In 2004, 95 percent of funds expended by entitlement grantees and 96 percent of state CDBG funds expended were for activities that principally benefited low- and moderate-income persons. A full half of persons directly benefiting from CDBG-assisted activities were minorities, including African Americans, Hispanics, Asians, or American Indians. Despite the fact that economic challenges and pockets of poverty exist in almost all American communities, adoption of the SAC initiative would almost certainly result in a complete loss of funding for a significant number of communities.

For all of the reasons detailed above, we believe that CDBG should remain at HUD and receive full funding of at least \$4.7 billion for FY 2006. We also believe it is premature for the Budget Resolution to even address such a far-reaching change to the program before the numerous committees of jurisdiction have had sufficient opportunity to hold appropriate hearings on the topic. We urge you to craft a Budget Resolution reflecting those sentiments. More specifically, we strongly encourage you to include language in your Resolution clearly stating that the Resolution "does not assume enactment of the proposed 'Strengthening America's Communities' Initiative nor the proposed reduction in funding for the CDBG program included in the Administration's FY 2006 budget."

We thank you for your favorable consideration of this request.

Sincerely,

Council of State Community Development Agencies  
The Enterprise Foundation  
Habitat for Humanity International  
Housing Assistance Council  
Local Initiatives Support Corporation  
National Association for County Community and Economic Development  
National Association of Counties  
National Association of Housing and Redevelopment Officials  
National Association of Local Housing Finance Agencies  
National Community Development Association  
National League of Cities  
National Low Income Housing Coalition  
United States Conference of Mayors