



COSCD A Federal Advocacy Priorities Fiscal Year 2006

The Council of State Community Development Agencies (COSCD A) represents state community development and housing agencies responsible for administering a number of U.S. Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant Program (CDBG), the HOME Investment Partnerships Program (HOME), and the McKinney-Vento Homeless Assistance Programs as well as those of other federal agencies. These programs provide funds that enhance the quality of life in neighborhoods throughout our states.

Federal community development, affordable housing and homeless programs are crucial to states' efforts to provide assistance to our communities in many tangible ways. This longstanding federal-state-local partnership has provided funding for over 25 years that is used to build infrastructure projects in low income communities; fund much needed affordable housing; stimulate the economy; expand the local tax base and leverage significant private investment in communities within our nation's states. States advocate for a national community development and housing policy that maintains the federal commitment to community development.

As Congress faces increasing pressure to cut discretionary spending in the Fiscal Year 2006 budget, COSCD A's role is to use the collective voice of its membership to communicate the impact of these important programs to their members of Congress and to ensure adequate funding for these much needed community development tools. Congress should not dismantle programs that have proven to benefit millions of low and moderate income people in every state across the country. At the same time, the Bush Administration is increasing its emphasis on performance and accountability for community development and housing programs. COSCD A members have worked to develop outcome measures which can document the visible results of these programs that have improved the quality of life in our communities. This is not the time to propose the dismantling of community development programs that are the bedrock of important efforts taking place across this nation. COSCD A members have a story to tell about the value of community development programs and are committed to supporting community development and affordable housing initiatives to serve low and moderate-income households.

To that end, COSCDA has adopted the following priorities for federal programming in Fiscal Year 2006:

FUNDING LEVELS

- **Community Development Block Grant Program:**

COSCD A calls for an appropriation of \$4.7 billion for the Community Development Block Grant (CDBG) Program with a formula allocation of \$4.350 billion, with no set-asides for separate or new program initiatives funded from monies appropriated for formula distribution to states and entitlement jurisdictions.

- **HOME Investment Partnerships Program:**

COSCD A supports funding the Home Investment Partnerships Program (HOME) at \$2.9 billion, with no set-asides for special initiatives or projects. Housing counseling and related activities should be funded separately.

- **McKinney-Vento Homeless Assistance Programs:**

COSCD A supports an increased appropriation for the McKinney-Vento Homeless Assistance Programs to \$1.6 billion, with separate funding for renewals of expiring Shelter Plus Care projects through an account separate from the McKinney-Vento account.

PROGRAM PRIORITIES

Community Development Priorities

The Community Development Block Grant (CDBG) program is the mainstay of states' community development efforts. The hallmark of the CDBG program is its flexibility. This important and highly successful block grant program allows state and local governments to choose programming to address their specific needs. For more than 20 years, states have used CDBG funds to address the community development needs of small and rural local communities, leveraging public and private funds for infrastructure, public works, housing rehabilitation, economic development, community centers and other services for low and moderate income families and seniors. CDBG helps states and local jurisdictions tackle their most serious community development challenges: creating and retaining over 90,000 jobs and rehabilitating nearly 170,000 housing units on an annual basis. One dollar of CDBG leverages nearly 3 dollars of private investment. Last year, CDBG assisted over 13 million low and moderate income people by funding essential and life enhancing community services. More than 9 million people were provided with new or improved public facilities such as clean water and sewers. Since its inception, it has created over 2 million jobs, invested over \$15 billion in public works and infrastructure in small and rural communities and rehabilitated over 4 million dilapidated housing units nationwide.

- **Stop the Cuts – Restore the Program**

COSCD A opposes the current proposals to eliminate the CDBG program along with the transferring of community development resources from the Department of Housing and Urban Development and calls for \$4.7 billion for the Community Development Fund in FY06. The keystone of CDBG's success is its flexibility, allowing states to decide what programming will best address their communities' needs. States continue to need a flexible federal block grant that can fund a broad spectrum of community development projects designed to assist low and moderate income people.

The availability of CDBG funds is an essential component of efforts by the states to leverage additional resources from their own and other public and private sources. Maintaining the current funding levels and the current allocation balance between entitlement and non-entitlement communities is necessary to assure that, in particular, the nation's rural areas and smaller municipalities continue to have reliable partners for their efforts to address locally identified needs. The National Governors Association supports level funding for the CDBG program and maintenance of the current formula allocation system, and calls for continued maximum feasible deference and flexibility for states in CDBG programming and administration.

In collaboration with the Office of Management and Budget (OMB) and HUD, COSCD A has recently developed a new outcome reporting system that will collect even more information about the benefits of the program. COSCD A calls on Congress to direct HUD to implement this new system and complete modernization of the information systems to accommodate this new reporting.

- **CDBG Formula**

COSCD A supports maintenance of the current CDBG formula and split between the states and entitlement jurisdictions allocations (30 percent for states and 70 percent for entitlements). The state role in administering the CDBG program in smaller and rural communities is crucial and should not be weakened by decreased funding resulting from changes to the formula. The Department of Housing and Urban Development recently released a report on the CDBG formula which addresses possible changes to the current CDBG formula. COSCD A does not support consideration of changes to the CDBG formula at this time. Changes to the CDBG formula are highly controversial and will inevitably result in decreases in funding to communities that need these federal funds. In light of current proposals to eliminate the CDBG program, COSCD A calls on Congress to reaffirm it's support of the CDBG program. COSCD A will make recommendations to Congress at the appropriate time regarding any changes to the formula or factors under consideration.

Housing

The **HOME** Investment Partnerships Program is the largest Federal block grant to State and local governments designed exclusively to expand the supply of affordable housing for low-income households. Each year it allocates approximately \$2 billion among the States and hundreds of localities nationwide for rental and single-family housing development and rehabilitation, homeownership opportunities, and tenant-based rental assistance. Since 1992, HOME has produced or rehabilitated over 500,000 units of affordable housing. The program provides much flexibility to states and localities in determining how HOME funds can be spent to meet communities' needs and priorities. HOME funds are often used in conjunction with CDBG and McKinney-Vento funds to improve communities and to provide housing for the homeless. COSCDA strongly supports the continued funding of this successful program, and opposes legislatively mandated set-asides for special initiatives or projects. To the extent that funds become available beyond the funding advocated for the HOME program, COSCDA also supports the following housing initiatives:

- **Create a State Administered Housing Production Program**

In 2001, 95 million people, one-third of the nation, had housing problems (high cost burden, overcrowding, poor quality, or homelessness). Although housing vouchers have been instrumental in helping low-income families with housing payments, there is a shortage of rental units at which the vouchers could be used. COSCDA calls on Congress to provide more funds for an affordable housing production program. The program should be administered by state agencies designated by the Governor, and used primarily for rental housing. COSCDA opposes the creation of a new production program within HOME.

- **Provide Administrative Funding for American Dream Downpayment Initiative**

The American Dream Downpayment Act, which provides downpayment assistance to low-income persons, does not contain any additional administrative funds for grant recipients when administering this portion of the HOME Program. This is particularly burdensome for states that do not currently have a downpayment program. COSCDA recommends that Congress provide a 10% administrative allowance for states when carrying out this program, similar to the 10% administrative allowance in the regular HOME Program. COSCDA also asks Congress to fund the Initiative in an account separate from the HOME Program account.

- **Revise Mortgage Revenue Bond Legislation/Tax Credit Modernization.**

Two bills introduced in the last session of Congress would repeal the existing 10-year rule in the Mortgage Revenue Bond (MRB) program, revise maximum MRB home prices, and change the Low-Income Housing Tax Credit (LIHTC) income rules. The 10-year rule, which requires MRB mortgage payments received after the original MRB has been outstanding for

10 years to retire the MRB rather than to make new mortgages, would be repealed. Maximum home price rules in the MRB program would be revised to allow states to determine purchase price limits without relying on obsolete and unreliable sales price data. LIHTC rules would be modified to allow states to allocate LIHTCs in non-metro areas by using the greater of area or statewide median income. COSCDA calls on Congress to pass legislation enacting these provisions. COSCDA will monitor any new legislation introduced in the current Congressional session on these proposals.

- **Adopt Homeownership Tax Credit Legislation**

The President's FY04 and FY05 budgets contained a proposal that would create a single-family homeownership tax credit for developers/investors that build or substantially rehabilitate homes for sale to low-income buyers in low-income areas. In the last Congressional session, two Senate bills and one House bill were introduced that would have created a single-family homeownership tax credit. The bills were not passed out of committee. COSCDA calls on Congress to pass legislation creating a single-family homeownership tax credit, which, like the LIHTC, would provide incentives for the production of more affordable housing.

- **Monitor Section 8 Funding and Allocation**

The availability of rental assistance is critical to the success of a variety of affordable housing and homeless assistance programs, including the HOME program, Low-Income Housing Tax Credits, the Shelter Plus Care program and the Supportive Housing Program. In FY05, the Administration attempted to block grant the Section 8 Voucher Program and replace it with the Flexible Voucher Program --- a switch from the current unit-based funding system to a "dollar-based" system. Although the Flexible Voucher Program was not enacted, HUD plans to propose new legislation this year and is currently funding the Section 8 program on a "dollar-based" system, which threatens its ability to assist low income families in the future. We remain extremely concerned that this important resource is in danger. Funding for the Section 8 program must be based on the real cost of housing units rather than on a dollar based system.

Homeless

For nearly two decades, the McKinney-Vento programs have provided assistance to our most vulnerable citizens—the homeless. States have played a crucial role in administering the four HUD programs - the Emergency Shelter Grant (ESG) program, the Supportive Housing Program, the Shelter Plus Care program and the Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings program. The programs have been extremely effective in combating homelessness, however, significant needs remain, especially among chronically homeless families and individuals. The McKinney-Vento programs must be adequately funded to allow us to respond to those needs and meet the Administration's stated goal of ending chronic homelessness by 2012. In addition, COSCDA supports the following measures that will allow state and local grantees to more effectively utilize the funding provided through the Homeless Assistance programs.

- **Consolidate and Formula Allocate the McKinney-Vento Homeless Assistance Programs**

COSCD A has consistently supported both legislative and regulatory proposals to consolidate the Emergency Shelter Grant, Shelter Plus Care, Supportive Housing and Section 8 SRO Programs authorized under the McKinney-Vento Act. Consolidation of these programs would relate more directly to the Continuum of Care planning process and provide state and local governments and their nonprofit partners with needed flexibility and control in most efficiently structuring their efforts to end homelessness. In addition to program consolidation, COSCD A recommends that all four programs should be funded through a formula allocation directly to states and local governments. The current competitive funding structure (for all but the Emergency Shelter Grant program) is the largest in the Federal government with thousands of applications each year. The competition requires valuable time and resources on the local, state and federal levels that could be more effectively used to assist the homeless. A formula based funding system would also support consistent and sustained efforts by state and local governments, based on their Continuum of Care process. COSCD A also supports the funding of Shelter Plus Care and Supportive Housing program renewals from an account separate from the Homeless Assistance grants account. Without such a change, the funding of new projects under these programs will become all but impossible within a few years.

- **Expand the Use of Emergency Shelter Grants for Prevention of Homelessness**

Current law permits the use of up to 30 percent of Emergency Shelter Grant funding for activities, such as direct financial assistance designed to prevent homelessness. However, the law and the resulting regulations are unnecessarily restrictive in their definition of the circumstances under which ESG funds can be used for this purpose. The requirements that an assisted family has experienced a “sudden reduction in income” and that they already have an eviction notice in order for assistance to be provided severely limit the ability of grantees to effectively assist those most in need. COSCD A therefore supports elimination of these requirements and greater legal and regulatory flexibility in the use of Emergency Shelter Grant funds to prevent homelessness.