



COSCDA Federal Advocacy Priorities for Fiscal Year 2007

The Council of State Community Development Agencies (COSCDA) 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. These programs meet critical housing and community development needs and enhance the quality of life in neighborhoods throughout our states.

For over 30 years, the federal government has shown a strong commitment to these community development, affordable housing and homeless programs that are vital to improving the lives of low and moderate-income residents. This partnership between the federal government, cities and states has resulted in documented benefits to millions of residents in every state across the country. However, in 2005, under the guise of seeking to improve effectiveness and restrain domestic spending, we witnessed an unprecedented attack on federal housing and community development programs. The Administration attempted to eliminate the CDBG Program, and replace it with an economic development program at the Department of Commerce primarily designed for communities that are "development ready." While COSCDA acknowledges that economic development programs are important, they cannot do what the CDBG program does - provide infrastructure, community facilities, public services, and affordable housing in low-income communities. Throughout the states, CDBG continues to play a critical role in revitalizing distressed communities and stabilizing neighborhoods plagued with substandard housing and pockets of decline.

In 2005, COSCDA and its community development partners were successful in saving the CDBG Program and retaining it at HUD. However, funding for the program was sharply reduced. This year, COSCDA members are preparing for another Administration attempt to weaken or eliminate housing and community development programs. We are also expecting continued Congressional efforts to cut discretionary spending to pay for the tax cuts, increased defense spending and disaster recovery. COSCDA will continue to advocate against both of these strategies in order to maintain the CDBG program. We will demonstrate the extraordinary success and effectiveness of the program to Congress and the Administration. COSCDA calls on Congress to provide adequate funding to CDBG and HOME to underserved urban and rural communities across this nation.

COMMUNITY DEVELOPMENT PRIORITIES

FUNDING LEVEL

COSCDA supports an appropriation of \$5 billion for the Community Development Block Grant (CDBG) program for FY 2007. Funding for this critical program was cut 10 percent last year and has been significantly reduced in each of the last four years. At the same time, community development needs have continued to grow. Thus, it is essential that Congress restore CDBG formula funding to an adequate level. Any new initiatives or reforms to CDBG proposed by the Administration will be ineffective without sufficient funding for the CDBG formula allocations, furthermore, new initiatives must not be funded through set-asides from CDBG formula funding.

PROGRAM OVERVIEW

The Community Development Block Grant program is the cornerstone of states' community development efforts across the country. CDBG is the primary source of federal assistance available to address rural community development needs. For more than 20 years states have used CDBG funds to address the pressing needs of small and rural communities, leveraging public and private funds for infrastructure, safe water and sewer systems, housing rehabilitation, economic development, community centers and other community development projects and services for low and moderate income households. CDBG is a strong, proven program that works!

The keystone of CDBG's success is its flexibility, allowing state and local governments to decide what programming will best address their communities' needs. States need a flexible federal block grant that can fund a broad spectrum of community development projects designed to assist low and moderate income people. Indeed, the program is a successful model for federalism at its best. The CDBG program is supported by a coalition of state and locally elected officials, including the National Governors Association, which supports continued funding for the program and calls for maximum flexibility for states in the administration of the program.

ADVOCACY PRIORITIES

- **Restore Funding for CDBG!**

The Administration's FY07 Budget proposes to slash funding for community development by over \$1 billion, and specifically reduce the level of funding for the CDBG formula allocations to state and local governments by over \$900 million, a cut of over 25 percent from the FY06 funding level appropriated by Congress. COSCDA strongly opposes proposals to cut funding for the CDBG formula and eliminate the Brownfields, Rural Housing and Economic Development and Section 108 programs.

CDBG is a highly successful program - 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. A 25 percent reduction in funding significantly threatens states' ability to provide important services and economic recovery for their citizens. A recent House Subcommittee on Federalism and the Census Report about CDBG, entitled, "The State of the Community Development Block Grant Program", recommended that sustaining funding for the CDBG program should remain a federal government priority, a recommendation strongly supported by states.

The need for continued funding and flexibility for CDBG is reflected in the recent Hurricane Katrina disaster recovery. The CDBG program was there, and because of its availability and flexibility, it was immediately put into action to help state and local officials respond, not only in the disaster stricken states but also in states assisting evacuees.

■ **Complete CDBG Program Improvements Already Underway**

In the FY07 Budget, the Administration calls for reforms to the program that will do little to help communities. Rather, it appears that the Administration is abandoning its commitment to America's communities in the guise of reform. Calls for reform to the CDBG program do not diminish the need for adequate funding. Neighborhoods across the country in both urban and rural areas are in need of community development improvements that can be effectively delivered right now by the CDBG program. Program reforms are already underway. In collaboration with HUD, states are implementing a new performance measurement system that demonstrates the impact of the CDBG program. It is a results-oriented system that will measure the program's success in providing jobs and infrastructure, assisting new homebuyers, or helping elderly homeowners rehabilitate their homes.

The Administration is proposing performance measures to be applied across federal programs that will add an additional layer of reporting and will require substantial time to develop and implement. HUD's new performance measurement system should not be delayed while those other measures are developed. Instead, HUD's new system could be the model applied to other federal programs. In addition, HUD is currently modernizing its IDIS system, the primary information and reporting system for the CDBG program to accommodate reporting on performance measures which should not be halted or delayed.

Therefore, COSCDA calls on Congress to provide the necessary funding and direction to HUD to fully implement its new performance measurement system expeditiously and to complete modernization of the IDIS system as soon as possible. These two steps will accommodate reporting on the performance measures already developed by consensus with states, local governments, the Office of Management and Budget and HUD.

With regard to performance measurement, COSCDA recommends that the Administration review its own analysis tool for measuring the effectiveness of federal programs. Called the Performance Assessment Rating Tool (PART), the tool is inappropriate for reviewing block grants such as the CDBG program because the type of metrics it utilizes are not designed to assess flexible programs. The House Subcommittee Report on CDBG also questioned the PART and recommended that the Administration consider reviewing the applicability of the PART analysis for block grant programs that are designed to have broad programmatic goals, provide a high degree of flexibility to recipients, and are administered cooperatively among state and local stakeholders.

- **Enhance the Economic Development Provisions of CDBG**

COSCD A calls on Congress to revise the CDBG eligible economic development activities to allow states and localities to address current economic development challenges. For example, COSCDA has long advocated a change in CDBG's "area benefit" provisions to allow states to invest CDBG funds in the development of "Broadband" or other technology infrastructure. This kind of infrastructure can be crucial to economic development efforts in rural areas. Similarly, heritage tourism, a key rural economic development tool, is restricted due to statutory provisions. Long term capital investment should also be considered as an eligible use of CDBG.

COSCD A also recommends that reporting of the job generation created by CDBG investment be updated. Job creation and retention is consistently underreported due to restrictive statutory and regulatory provisions. COSCDA recommends that Congress direct HUD to use multipliers similar to those used by the Department of Labor to better report the jobs created and maintained by CDBG investment.

Lastly, while COSCDA supports regional approaches to planning and development issues, the use of federal dollars to promote regional competitiveness between states, as the Administration proposes to require, is not a welcome mandate. This approach has already been explicitly rejected by Congress. In 1998, Congress enacted "anti-pirating" provisions in the CDBG program which prohibit the use of CDBG funds to help "lure" businesses and jobs from one locale to another.

HOUSING PRIORITIES

FUNDING LEVEL

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

PROGRAM OVERVIEW

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. This very successful program has produced or rehabilitated over 600,000 units of affordable housing.

ADVOCACY PRIORITIES

- **Stop Cuts to HOME Program**

In the past two fiscal years, however, funding for the HOME Program formula grant has decreased 9% and the formula grant amount to state and localities is currently at its lowest level since FY2000. COSCDCA strongly supports increased funding of the HOME Program to a level which will ensure its continued success. COSCDCA also opposes legislatively mandated set-asides for special initiatives or projects. While adequate funding for the HOME Program is COSCDCA's top housing priority for FY2007, we also support the following two housing proposals.

- **Support GSE Legislation That Would Create an Affordable Housing Fund for Housing Production**

Housing analysts continue to report that there is an enormous need for more affordable housing in the United States. According to the National Low Income Housing Coalition, the gap has grown between what people earn and what they must pay for housing. A full-time worker at minimum wage cannot afford a one-bedroom apartment anywhere in the country. Although housing vouchers have been instrumental in helping low-income families with housing payments, there continues to be a shortage of rental units at which the vouchers could be used. COSCDCA calls on Congress to pass proposed legislation that would create an affordable housing fund in bills reforming the Government-Sponsored Enterprises (GSEs). COSCDCA

supports the use of the fund primarily for rental housing production and rehabilitation, and recommends administration by state agencies designated by the Governor. The proposed legislation should not include restrictions on the purchase of tax-exempt single and multifamily housing bonds and low-income housing tax credits in the GSEs' portfolios, since the GSEs are the major purchasers of these key instruments that provide affordable housing to low-income households.

- **Adopt Homeownership Tax Credit Legislation**

In this Congressional session, two bipartisan bills have been introduced 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. Several proposals were also introduced in the last Congressional session. In the aftermath of Hurricanes Katrina and Rita, Congress has shown increased interest in using tax incentives, such as the homeownership tax credit, to help the Gulf area recover. COSCDA calls on Congress to enact legislation creating a single-family homeownership tax credit which, like the LIHTC, would provide incentives for the production of more affordable housing.

HOMELESS AND RENTAL ASSISTANCE PRIORITIES

FUNDING LEVEL

COSCD A supports an appropriation of \$1.6 billion for the McKinney-Vento Homeless Assistance programs, with funding for renewals of expiring Shelter Plus Care and Supportive Housing program projects through an account separate from the Homeless Assistance grants account.

PROGRAM OVERVIEW

The McKinney-Vento Homeless Assistance programs were established almost twenty years ago as the Congress recognized the need to provide shelter and services to homeless families and individuals. Since that time, the programs have grown and evolved to meet the changing needs of the various homeless populations. However, the programs remain separately funded, with funding provided for the three Continuum of Care programs—Shelter Plus Care, Supportive Housing and Section 8 SRO—through a competitive process and Emergency Shelter Grant (ESG) funding provided by formula. COSCDA strongly supports consolidation of these programs.

Nearly four years ago, the Administration established a goal of ending chronic homelessness within ten years. State and local governments and their homeless service provider partners are the entities charged with implementing the programs that, with adequate funding, make possible attainment of this goal. The goal is only achievable with the strong and consistent partnership of the Federal government as demonstrated through consistent funding of these programs and policies that encourage the efficient use of those resources to assist homeless families and individuals.

ADVOCACY PRIORITIES

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

COSDCDA 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, COSDCDA recommends that all four programs 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 more than 5,000 applications submitted in 2005. 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.

COSDCDA 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 ESG 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. In order for assistance to be provided, current law requires that an assisted family has experienced a “sudden reduction in income” and that they already have an eviction notice. This approach severely limits the ability of grantees to effectively assist those most in need. COSCDA therefore supports elimination of these requirements and greater legal and regulatory flexibility in the use of Emergency Shelter Grant funds to prevent homelessness.

- **Allocate Sufficient Funding for Rental Assistance**

The availability of rental assistance is critical to the success of a variety of affordable housing and homeless assistance programs, including the HOME programs, Low-Income Housing Tax Credits, the Shelter Plus Care program and the Supportive Housing program. For many years, the Section 8 program, now known as the Housing Choice Voucher Program, has been the most significant source of federal funding for rental assistance. Recent efforts to reduce funding for rental assistance and to change the basis for funding the program threaten the availability of affordable housing for many low-income Americans and our ability to pursue the goals of ending chronic homelessness. Because COSCDA member agencies administer many of these programs designed to assist our most vulnerable citizens, we remain extremely concerned that this important resource is in danger. The Section 8 program must be adequately funded, with funding based on the real cost of housing units rather than on a budget-based system.

