



COSCD A Federal Advocacy Priorities for Fiscal Year 2012

Making Progress State by State

The Council of State Community Development Agencies (COSCD A) represents State community development and housing agencies responsible for administering Department of Housing and Urban Development (HUD) Programs, including the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs.

It's been a busy year for COSCD A members. While the Administration continued programs to address unemployment and the recession, a new Congress was elected altering the balance of power, changing committee leadership, and creating a new national agenda. In addition to focusing on job creation and the economy, there is a major emphasis on deficit reduction, and tax and spending decreases. The House of Representatives in their FY 2011 Budget have recommended reducing the Community Development Block Grant (CDBG) Program with a 62 percent cut. The Administration has proposed a seven per cent cut to CDBG in its FY 2012 Budget request.

COSCD A members serve as the focal point of distributing the funds that addressed the foreclosure and economic crisis---the state role is a valuable one to the country. State Housing & Community Development agencies distributed billions of dollars to get the economy functioning again. Their critical role in promoting the economic recovery is being undertaken despite their own significant budget shortfalls, diminishing tax revenue and employee furloughs. States were and continue to be agents of change for the betterment of communities throughout the nation.



1825 K Street, N.W., Suite 515
Washington, D.C. 20006
www.coscda.org

States employ the flexibility of CDBG to address economic development, job creation and overall community needs that would make them competitive to attract and retain businesses and build or maintain strong communities. **CDBG has demonstrated its effectiveness as a jobs producer, critically important as the country slowly edges its way out of the recession.** During the past six years, CDBG has:

--produced 260,000 jobs

--helped 866,000 low/moderate-income with housing/energy/housing safety

-- benefitted 23 million low and moderate-income households through such public improvements as development of senior centers, centers for persons with disabilities, health and child care centers and parks and recreation facilities.

As always, COSCDA works hard to ensure that community development, housing and homelessness programs are adequately funded to address the long-term needs of low and moderate income communities. These needs will not disappear when the crisis subsides. We urge Congress to provide sufficient funding and to join with state agencies and their local partners to strengthen housing and community development programs. Additionally, COSCDA supports an active state role in the Federal placed based initiatives that are being debated and funded within the Administration and Congress.



1825 K Street, N.W., Suite 515
Washington, D.C. 20006
www.coscda.org

COMMUNITY DEVELOPMENT PRIORITIES

PROGRAM OVERVIEW

The Community Development Block Grant (CDBG) is the cornerstone of states' efforts to address the economic and community development needs of small towns and rural areas. CDBG is the only flexible source of federal assistance available to address a wide array of rural community development needs that stabilize and grow communities. For three decades, states have used CDBG funds to address these needs, leveraging both public and private funds. This flexibility has been critical to CDBG's effectiveness, allowing communities to decide which projects and programs will provide the greatest benefit to their low and moderate income residents. Created under a Republican Administration, the CDBG program continues to be a successful model for federalism at its best.

CDBG is used for economic development activities that stimulate the economy through the creation and retention of jobs and that ultimately improve the quality of life for low- and moderate-income persons. Over the past six years, the CDBG Program created or retained almost 260,000 jobs for low- and moderate-income persons through a variety of economic development activities. CDBG is often combined with other investments, both public and private, to help small businesses create or retain jobs. It is the "glue" that holds communities together. Without CDBG assistance at its current level, communities that are home to many low- and moderate-income households will be further neglected with lost opportunities for economic growth, potable water and sanitary sewer systems. These communities will thus be unable to support economic development and a suitable quality of life for their residents.

States spend slightly more than half their CDBG funds on public infrastructure, projects that repair and replace public water and sewer systems, repair and upgrade roads, and provide public facilities that supply vital services in neglected communities across the nation.

State CDBG funds provide safe habitable environments for low- and moderate-income homeowners and tenants of properties in dire need of rehabilitation. Without this assistance, low-income persons are unable to repair their homes and are forced to live in unsafe conditions. CDBG assisted 866,000 households through single-family and multifamily residential rehabilitation, homeownership assistance, energy efficient improvements and lead-based paint abatement over the past six years.

CDBG funds have also benefitted millions of low and moderate income households through public improvements such as senior centers and making buildings accessible for persons with physical disabilities, and through public services as employment and training, fair housing and mental health services.



FUNDING LEVEL

COSCD A supports \$4 billion in funding for the Community Development Block Grant program. COSCD A opposes any mandated set-asides of CDBG funding.

ADVOCACY PRIORITIES

- **Maintain the Current Funding for the CDBG Program**

COSCD A urges Congress to fund the CDBG program at the FY2010 level of \$4 billion. CDBG is arguably the Federal Government's most successful domestic program. For 30 years, COSCD A has successfully worked with Congress and HUD to meet locally prioritized needs. However, over \$3 billion in funding has been lost since FY2004. In 2008, CDBG funding was at its lowest level since 1992, only \$3.59 billion. This downward trend for the general CDBG program was reversed in 2010 when funding increased to \$4 billion. Any reduction in CDBG funding would severely slow down or eliminate thousands of local and state projects and programs that are directly contributing to local and regional recovery.

COSCD A urges Congress to maintain this base of CDBG funding at \$4 billion to create jobs and meet the needs of low- and moderate-income communities, especially in the context of the nation's continuing economic distress.

- **Grant Flexibility for State Administrative Fees**

To administer the CDBG program properly, states need a flexible administrative fee structure sufficient to meet the current program requirements. The proportion of the annual allocation available to states for administrative expenses should be adjusted from two percent to five percent, at the discretion of the state. In addition, the amount of administrative funding not subject to a match requirement should be adjusted from \$100,000 to \$500,000. It should be noted that this action will not increase the current administrative limits, since the overall administrative cap for states would remain the same.

Since the inception of the state program, states have administered the CDBG program for their non-urban areas; however the funding available to cover the costs of running the program has never been adjusted. During this time, there has been a significant increase in the number of CDBG program requirements, as well as sharply increased costs associated with doing business such as staffing, service delivery and monitoring, particularly due to increased expenses associated with administering a program over a large geographic area. Additionally administrative dollars have decreased at the same rate as the decrease in CDBG funding as personnel costs have



increased and states are being asked to do “more with less” in a austere fiscal environment.

It should be noted that State governments do contribute state resources to cover the costs of administering the CDBG program. In the current economic and state fiscal climate, a majority of states are having difficulty covering the required match. In fact, the HUD Inspector General acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations. Allowing this flexibility would not require additional appropriations, nor would it take money away from projects for local communities, since the overall administrative cap would not be affected. It would simply allow an increased proportion of administrative funding to be available to those states that need additional resources to operate the state CDBG program most effectively.

- **Change Federal Disaster Policy To Expedite Recovery Efforts**

Many COSCDA members administer the emergency appropriations for disaster recovery funded through the CDBG program. These state agencies have led recovery efforts following the Midwest Floods in 1994, Hurricanes Wilma, Rita and Katrina in 2005; along with Gus and Ike in 2008, and most recently the floods which devastated the Midwest in the spring of 2008.

Time and again, implementation of programs and real recovery efforts by these state agencies are delayed by a lack of comprehensive and consistent policies at the Federal level. Most notably, when supplemental appropriations are passed by Congress, too often Federal requirements automatically apply to these funds that clearly should not. In cases of catastrophic disasters, recovery programs implemented by state agencies are frequently overseen by multiple federal agencies. Consequently, there are multiple layers of often conflicting or duplicative spending and reporting requirements that state agencies must adhere to before they can proceed with actually spending these emergency appropriations to provide assistance. While Congress does allow limited waivers of some requirements when it appropriates emergency funds, approval of these waivers can take several months.

Alternatively, if such waiver authority was specifically included in the statute, it could be self-implementing. Certain waivers are often urgently needed but never allowed, such as limited waivers of the National Environmental Protection Act (NEPA) or Davis Bacon Labor Standards. Common sense tells us that replacing a 20-year-old roof that blew off a house is unlikely to have an environmental impact. Yet, a project such as this is delayed sometimes up to six months due to these requirements.



COSCDCA calls on Congress to relax the regulations governing the emergency appropriations for disasters to enable states to spend the funds more expeditiously and get help to the people that so desperately need it. For example, for disasters resulting in damage of at least \$1 billion, COSCDCA recommends that Congress suspend, by statute, the Davis-Bacon labor standards and NEPA requirements for repair or restoration projects in the disaster area for a period of 12 months. In addition, where there are multiple federal agencies involved in the disaster recovery with different implementing regulations, the statutory and regulatory requirements of the CDBG program should prevail, in that most of the recovery funds are appropriated through that program.

COSCDCA recommends Congress reform the sections of the Stafford Act that will help states better implement federally funded disaster recovery programs.

HOUSING PRIORITIES

PROGRAM OVERVIEW

The HOME Investment Partnership Program (HOME) 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 \$1.8 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 produced or rehabilitated almost one million 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. According to housing experts, there continues to be a need for the production and rehabilitation of affordable rental housing units, particularly for extremely low income persons. COSCDCA strongly supports the continued funding of this successful program, and opposes legislatively mandated set-asides for special initiatives or projects.

FUNDING LEVEL

COSCDCA supports funding the HOME Investment Partnerships Program at \$1.82 billion, with no set-asides for special initiatives or projects. Housing counseling and related activities should be funded separately.



ADVOCACY PRIORITIES

- **Maintain Funding for the HOME Program**

Funding for this program has generally declined in the past decade, and the program has only recently received a slight increase in appropriations. COSCDA strongly supports funding of the HOME Program at \$1.82 billion, the level which it received in FY2010, which will ensure its continued and well-documented success.

HOME Program funds can be used to meet the needs of rental housing for the increasing number of families that have lost homes due to the economic downturn. COSCDA opposes mandated set-asides that impose federal priorities that reduce states' flexibility to address their housing needs. While adequate funding for the HOME Program continues to be COSCDA's top housing priority for FY2012, we also support the following proposals.

- **Extend the National Affordable Housing Trust Fund for Housing Production and Rehabilitation**

The Housing and Economic Recovery Act of 2008 included a National Affordable Housing Trust Fund, administered by states, which would provide for primarily rental housing production and rehabilitation. Given the current housing crisis, many homeowners who have lost their jobs and then their homes due to foreclosure will now seek affordable rental housing, which the Trust Fund would help to provide. According to housing experts, there continues to be a shortage of affordable rental housing units, with only 37 rental homes available and affordable for every 100 households with incomes below 30% of their area median. A portion of the Fund would be set-aside for this income group, who historically have had difficulties in locating safe affordable housing and are now finding it increasingly difficult to afford housing given the significant downturn in the economy.

COSCDA asks Congress to provide a dedicated and sustainable source of funding for the Trust Fund to enable states and localities to meet the ongoing housing needs of the very low income.



HOMELESS PRIORITIES

PROGRAM OVERVIEW

The McKinney-Vento Homeless Assistance programs were established more than twenty years ago to help provide shelter and services to homeless families and individuals. The programs include the Emergency Solutions Grant (ESG), which is distributed by formula and the Continuum of Care programs (Supportive Housing, Shelter Plus Care and Section 8 SRO) which are distributed competitively. Together, these programs support a wide range of community efforts to assist the homeless and provide permanent housing.

FUNDING LEVEL

COSCD A supports an appropriation of \$2.4 billion for the McKinney-Vento Homeless Assistance programs. Funding for renewals of expiring Shelter Plus Care and Supportive Housing program projects is especially important, and may be jeopardized by the new requirements authorized by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. Congress should appropriate sufficient funds to fully implement the HEARTH Act, which would fully fund renewals and provide states and communities with funding for new projects in FY 2012.

Although \$2.4 billion would be an increase in funding, it is a direct response to the ongoing weak jobs market. As employment continues to be sluggish, states and communities need resources to address citizens that have not found alternative ways of sustaining themselves. The HEARTH Act provides the critical resources needed to meet this need.

ADVOCACY PRIORITIES

■ Provide Flexibility to States in the HEARTH Act Regulations

COSCD A is requesting that HUD maintain flexibility in state administration of the McKinney-Vento (HEARTH Act) programs while it develops regulations. For example:

- HUD should maintain flexibility regarding the state's role as the Collaborative Applicant in the Continuum of Care process.
- Funding provided to a Unified Funding Agency should be made available through the IDIS system.



- Funding thresholds for the new Emergency Solutions Grant Program should be sufficient for each local grantee and continue to allow the existing range of eligible activities.
- Administrative fee for the new ESG should be 10% for general and 2.5% for training and TA.

HUD did not meet the HEARTH Act's required timeline for the issuance of regulations. We ask HUD to expedite the development of the proposed regulations and to provide ample time for states and other grantees to comment to assure a smooth transition to the significant changes of the HEARTH Act.

CROSS CUTTING PRIORITIES

▪ **Clarify States' Role in Affirmatively Furthering Fair Housing**

State housing and community development agencies appreciate the importance of fair housing for the overall development of communities and the well-being of its citizens. Given HUD's increased emphasis on the Analysis of Impediments as a tool to promote fair housing, COSCDA asks HUD to provide reasonable regulations for states as well as clear written instruction on the contents of the state Analysis of Impediments and appropriate state actions regarding its subgrantees' fair housing efforts. Proposed regulations revising HUD's rules regarding the Analysis of Impediments should reflect states' different responsibilities and powers.

▪ **Implement Flexible Section 3 Requirements**

COSCDA calls on HUD to revise the current Section 3 requirements to provide more flexibility and deference to states in administering Section 3. The current Section 3 requirements are not effective in rural and small city settings. Many states with sparsely populated rural areas have difficulty in meeting the requirements since funding for many CPD programs is provided to local governments that may only receive a one-time grant and are far from the state offices. Therefore, long-term Section 3 monitoring can be problematic. HUD needs to strike the appropriate balance between the limitations of state and local agencies' administrative and financial resources and Section 3 program goals.



- **Implement States' Role in Sustainable Communities Initiative**

COSCD A asks Congress and HUD to recognize states as having a vital interest in the Sustainable Communities Initiative and in overall regional housing and transportation planning. States can in fact enhance the coordination of transportation and housing investments. Given the role that states play in transportation, housing and state planning in general, states should be eligible applicants and partners with regional and local entities for the planning and implementation grants of this Initiative, which are intended to result in more regional and local sustainable development patterns. COSCD A calls on Congress and HUD to allow states to directly apply for funding for this Initiative.



1825 K Street, N.W., Suite 515
Washington, D.C. 20006
www.coscda.org