A TOP TO BOTTOM REVIEW OF THE THREE-DECADES-OLD COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: IS THE CDBG PROGRAM STILL TARGETING THE NEEDS OF OUR COMMUNITIES?

HEARINGS

BEFORE THE

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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STRENGTHENING AMERICA'S COMMUNITIES: IS IT THE RIGHT STEP TOWARD GREATER EFFICIENCY AND IMPROVED ACCOUNTABILITY?

TUESDAY, MARCH 1, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:03 a.m., in room 2154, Rayburn House Office Building, Hon. Michael R. Turner (chairman of the subcommittee) presiding.

Present: Representatives Turner, Dent and Foxx.

Staff present: John Cuaderes, staff director; Shannon Weinberg, counsel; Ursula Wojciechowski, professional staff member; Juliana French, clerk; Neil Seifring, Hon. Turner, legislative director; Stacy Barton, Hon. Turner, chief of staff; Erin Maguire, Hon. Dent, LC; David McMillen and Adam Bordes, minority professional staff members; Earley Green, minority chief clerk; and Cecelia Morton, minority office manager.

Mr. TURNER. Good morning. A quorum being present, this hearing of the Subcommittee on Federalism and the Census will come to order.

Welcome to the Subcommittee on Federalism and the Census. This is the first oversight hearing entitled, "Strengthening America's Communities: Is It the Right Step Toward Greater Efficiency and Improved Accountability?" Today's hearing is the first meeting of this newly established subcommittee.

Before I move on, I would like to thank our chairman Tom Davis for establishing this new subcommittee. As a former county administrator, Chairman Davis understands the importance of the intergovernmental dynamics between Federal, State and local governments, and I thank him for his leadership in establishing this subcommittee.

On February 7, 2005, the administration unveiled a plan in the fiscal year 2006 budget to consolidate 18 existing direct grant, economic, and community programs managed by five Federal agencies into a single direct grant program within the Department of Commerce. The grants previously awarded under these programs would be awarded in the name of the newly formed Strengthening America's Communities grant program. The budget for these 18 programs would drop 30 percent, from $5.31 billion in fiscal year 2005 to $3.71 billion in fiscal year 2006.

To underscore the enormous impact that this new proposal would have on State and local governments, consider that in fiscal year 2005, the Community Development Block Grant program alone was funded at $4.15 billion, $450 million more than the $3.7 billion requested for the new Strengthening America's Communities grant program in fiscal year 2006.

The administration's Strengthening America's Communities initiative is described as a unified direct-grant program focusing on America's most economically distressed communities with the intent of creating the conditions for economic growth, robust job opportunities and livable communities. While these are certainly laudable goals, there is widespread concern and many unanswered questions about this wide-reaching proposal. The purpose of this hearing is to better understand the administration's proposal and to begin an important dialog on some of the strong concerns raised by stakeholders involved in administrating these programs.

The rationale behind the reorganization of these 18 programs is to refocus the grant moneys on the original intent of each of the programs. According to a review by the Office of Management and Budget, most of the 18 grant programs lack clear goals or sufficient accountability. Further, many of the grants overlap in key areas, resulting in duplicative efforts and wasted money. The goal of the administration's Saving American Communities proposal—Strengthening America's Communities proposal is to make these grant programs not only more efficient and effective but to improve the measures of success within a community and instill a greater accountability. Additionally, the administration aims to simplify access to these grant programs and set new eligibility criteria.

I commend the administration for initiating a conversation about how to best utilize tax dollars to help distressed areas address the community and economic development challenges they face. There appears to be broad recognition that the programs targeted for elimination or consolidation need reform. However, there are several aspects of this proposal that concern me. Most significantly, the administration is proposing a massive realignment of programs associated with longstanding and complex programs, such as housing, job creation, business and community and economic development. We do not have specific details on this reorganization plan or a transition plan to move these programs to the Department of Commerce.

Finally, the administration has not spelled out a clear rationale for reducing the historic role of HUD in addressing these issues. The Department of Commerce does not have historic successes in urban revitalization.

One concern of our subcommittee will be determining if the proposal actually creates rather than diminishes duplication among Federal programs. Another will be focusing upon what, if any, metrics can be applied to the administration's proposal to determine the proposal's likely success.

The administration has proposed a far-reaching restructuring of the role the Federal Government plays in improving our distressed areas. I look forward to an in depth discussion about this proposal and how it is expected to perform more effectively than the current programs in aiding our communities. I welcome the views of those who administer and analyze these programs in helping us understand the impact of the administration's plans.

We have two panels of witnesses before us to help us understand the implications of the Strengthening America's Communities program. First, we will hear from Mr. Roy Bernardi, the Deputy Secretary of the Department of Housing and Urban Development. Because the CDBG program is a major component of the Strengthening America's Communities program, I have asked HUD to give the subcommittee an overview of how the current system is run and perhaps even ideas about how the current system can be improved.

Also, on the first panel, we will hear from Mr. Clay Johnson III, Deputy Director for Management at the Office of Management and Budget; and from the Department of Commerce, Mr. David Sampson, Assistant Secretary of Commerce for Economic Development. OMB played a large role in creating the Strengthening America's Communities program while Commerce will be the chief implementer under the proposed plan.

The second panel will consist of stakeholder representatives from the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties and the National Community Development Association. We have the Honorable Don Plusquellic, mayor of Akron, OH, on behalf of the U.S. Conference of Mayors; Mr. Angelo Kyle, president of the National Association of Counties; on behalf of the National Community Development Association and the National Association for County Community and Economic Development, Chandra Western, the executive director.

Last, but not least, we have the Honorable Mr. James Hunt, councilman for the city of Clarksburg, WV, testifying on behalf of the National League of Cities.

I look forward to the expert testimony of our distinguished panels and the leadership that they will provide today. Welcome to you all.

For additional information, today's hearing can be viewed via live Webcast at reform.house.gov on the multimedia link, live multimedia stream.

I now yield to our vice chairman, Mr. Dent, for an opening statement.

[The prepared statement of Hon. Michael R. Turner follows:]

TOM DAVIS, VIRGINIA
CHAIRMAN

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RANKING MINORITY MEMBER

ONE HUNDRED NINTH CONGRESS

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
Congressman Michael R. Turner, Chairman

OVERSIGHT HEARING
STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing topic: ***"Strengthening America's Communities – Is It the Right Step Toward Greater Efficiency and Improved Accountability?"***

Tuesday, March 1, 2005
10:00 a.m.
Room 2154, Rayburn House Office Building

OPENING STATEMENT

Welcome to the Subcommittee on Federalism and the Census' first oversight hearing entitled "Strengthening America's Communities—Is It the Right Step Toward Greater Efficiency and Improved Accountability?" Today's hearing is the first meeting of this newly established Subcommittee. Before we move on, I would like to thank Chairman Tom Davis for establishing this new Subcommittee. As a former county administrator, Chairman Davis understands the importance of the intergovernmental dynamics between federal, state and local governments, and I thank him for his leadership.

On February 7, 2005 the Administration unveiled a plan in the FY2006 budget to consolidate 18 existing direct grant economic and community development programs, managed by five federal agencies, into a single direct grant program within the Department of Commerce. The grants previously awarded under these programs would be awarded in the name of a newly formed Strengthening America's Communities (SAC) grant program.

The budget for these 18 programs would drop 30% from $5.31 billion in FY2005 to $3.71 billion in FY2006. To underscore the enormous impact that this new proposal would have on state and local governments, consider that in FY2005 the Community Development Block Grant (CDBG) program alone was funded at $4.15 billion, $450 million more than the $3.7 billion requested for the new SAC grant program in FY2006.

The Administration's Strengthening America's Communities (SAC) initiative is described as "a unified direct-grant program focusing on America's most economically distressed communities" with the intent of creating "the conditions for economic growth, robust job opportunities, and livable communities." While these are certainly laudable goals, there is widespread concern – and many unanswered questions - about this wide-reaching proposal. The purpose of this hearing is to better understand the Administration's proposal and begin an important dialog on some of the strong concerns raise stakeholders involved in administering these programs.

The rationale behind the reorganization of these 18 programs is to refocus the grant monies on the original intent of each of the programs. According to a review by the Office of Management and Budget, most of the 18 grant programs lack clear goals or sufficient accountability. Further, many of the grants overlap in key areas resulting in duplicative efforts and wasted money. The goal of the Administration's SAC proposal is to make these grant programs not only more efficient and effective, but to improve the measures of success within a community and to instill greater accountability. Additionally, the Administration aims to simplify access to these grant programs and set new eligibility criteria

I commend the Administration for initiating a conversation about how to best utilize tax dollars to help urban areas address the community and economic development challenges they face. There appears to be broad recognition that the programs targeted for elimination or consolidation need reform. However, there are several aspects of this proposal that concern me. Most significantly, the Administration is proposing a massive realignment of programs associated with longstanding and complex problems such as housing, job creation, business, community and economic development. We do not have specific details on this reorganization plan, or a transition plan to move these programs to the Department of Commerce. Finally, the Administration has not spelled out a clear rationale for reducing the historic role of HUD in addressing these issues. The Department of Commerce does not have historical successes in urban revitalization.

One concern of our Subcommittee will be determining if the proposal actually creates rather than diminishes duplication among federal programs. Another will be focusing upon what, if any, metrics can be applied to the Administration's proposal to determine its likely success.

The Administration has proposed a far-reaching restructuring of the role the federal government plays in improving our urban areas. I look forward to an in-depth discussion about this proposal and how it is expected to perform more effectively than current programs in aiding our cities. I welcome the views of those who administer and analyze these programs in helping us understand the impact of the Administration's plans.

We have two panels of witnesses before us to help us understand the implications of the Strengthening America's Communities program. First, we will hear from Mr. Roy Bernadi, the Deputy Secretary of the Department of Housing and Urban Development. Because the CDBG program is a major component of the SAC program, I have asked HUD to give the Subcommittee an overview of how the current system is run and perhaps even ideas about how the current system could be improved.

Also on the first panel, we will hear from Mr. Clay Johnson, III, Deputy Director for Management at the Office of Management and Budget, and from the Department of Commerce, Mr. David Sampson, Assistant Secretary of Commerce For Economic Development. OMB played a large role in creating the Strengthening America's Communities Program while Commerce will be the chief implementer under the proposed plan.

The second panel will consist of stakeholder representatives from the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, and the National Community Development Association. We have the Honorable Don Plusquellic, Mayor of Akron, Ohio, on behalf of the U.S. Conference of Mayors and Mr. Angelo Kyle, President of the National Association of Counties. On behalf of the National Community Development Association and the National Association for County Community and Economic Development, Ms. LaShea Smith, the Community Development Administrator from my hometown, Dayton, Ohio will testify. Last but not least, we have the honorable Mr. James Hunt, Councilman for the City of Clarksburg, West Virginia, testifying on behalf of the National League of Cities.

I eagerly look forward to the expert testimony our distinguished panel of leaders will provide today.

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Mr. DENT. Thank you, Mr. Chairman. I appreciate this opportunity.

Last week, I had the opportunity to spend time with many of the housing advocates in my community who expressed to me their concerns and reservations about some aspects of the administration's proposal with respect to the consolidation and proposed cuts in HUD funding generally. So I just really look forward to hearing what you have to say.

There is a great deal of concern about HOPE VI in particular as well as some other initiatives. So, with that, I will stop now, and just look forward to receiving your testimony. Thank you.

Mr. TURNER. We will now start with the witnesses. Each witness has kindly prepared written testimony which will be included in the record of this hearing. Each witness has also prepared an oral statement summarizing their written testimony. Witnesses will notice that there is a timer light on the witness table. The green light indicates you should begin your remarks, and the red light indicates that your time has expired. In order to be sensitive to everyone's time schedule, we ask that witnesses cooperate with us in adhering to the 5-minute time allowance for their oral presentation, and we will follow that with a question-and-answer period. We will not strictly enforce the red light; if it comes on and you are in the middle of something, feel free to conclude.

It is the policy of this committee that all witnesses are sworn in before they testify. So if you would please stand and raise your right hands.

[Witnesses sworn.]

Mr. TURNER. Let the record show that all witnesses responded in the affirmative.

And we will begin our testimony with Secretary Bernardi.

STATEMENTS OF ROY A. BERNARDI, DEPUTY SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; CLAY JOHNSON III, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET; AND DAVID A. SAMPSON, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

STATEMENT OF ROY A. BERNARDI

Mr. BERNARDI. Good morning, Mr. Chairman, and members of the subcommittee.

I am Roy Bernardi, Deputy Secretary of the Department of Housing and Urban Development. And on behalf of Secretary Alphonso Jackson, HUD appreciates the opportunity to appear today with regard to the Bush administration's Strengthening America's Communities Initiative.

The goal of the initiative, Mr. Chairman, as you indicated, is to consolidate collection of 18 community and economic programs spread across five Federal departments. And I am sure we will get into that. The subcommittee has asked that I focus on providing an overview of how CDBG and related HUD programs are administered by the Department. In addition to CDBG, the proposed initiative would consolidate and replace other much smaller HUD programs, including brownfields development grants, grants to Round

II Empowerment Zones, rural and economic development grants, and the Section 108 loan guarantee program. However, I will focus most of my attention on CDBG.

The CDBG program is the Federal Government's largest single grant program to assist local jurisdictions in undertaking a variety of community development activities targeted to improving the lives of low and moderate-income Americans. For the past 30 years, CDBG has provided a steady source of funding for housing rehabilitation, public services, public facilities and infrastructure, and economic development activities benefiting millions of Americans.

It's unique among Federal programs in that it may be counted as a local government match for funding under Federal programs that require local financial contributions. CDBG owes its existence to the Congress and is embodied in the Housing Community Development Act of 1974, and at that time, it consolidated 10 categorical urban development programs into a single, predictable, flexible program where ultimate funding decisions were reserved to local officials.

The legislative purposes of the CDBG program have remained unchanged since 1974: The development of viable communities by providing decent housing; establishing suitable living environments; and expanding economic opportunities, all targeted principally to persons of low and moderate-income. Currently, the law requires that 70 percent of CDBG funds benefit low and moderate-income persons.

In 1975, the CDBG's first year of operation, there were a total of about 600 entitlement communities. In 2005, there were about 1,100, including 165 urban counties that represent a funding conduit for more than 2,500 local governments. And the State portion of the appropriation is 30 percent. And, with that, the States allocate that money to towns and villages, over 3,000 grants annually.

Each activity funded with these dollars must meet one of three of the program's national objectives: Funding to benefit low and moderate-income persons; elimination of slums and blight conditions; and the third one is meeting imminent health or safety threats. And, obviously, CDBG is employed by communities in many different ways. The CDBG funds are used to directly finance activities such as construction of public facilities and improvements, public services, economic development, and housing. Citing one example from fiscal year 2004, the resources used by local governments to fund economic development activities at a level of $434 million, these investments served to create or retain 78,000 jobs, of which 76 percent went to low and moderate-income persons. And we expect the successor to CDBG to be even more effective in this regard.

Briefly, the administration of CDBG must comply with HUD's consolidated planning process that requires each jurisdiction to conduct a comprehensive assessment of its community development needs, and this is generally a 5-year plan, and then a coordinated effort is put into place to meet these needs.

HUD's office of CPD through its field staff has the primary responsibility for working with the grantees and monitoring the grantee performance, use of funds, and compliance. This includes, for instance, the timeliness feature which I will talk about perhaps a little bit later of how we are able to bring down the untimeliness with the grantees.

The Department currently monitors the use of funds and the accomplishments of its grantees through what's called Integrated Disbursement and Information Reporting System. HUD has studied the CDBG formula in light of concerns about targeting to the neediest individuals and communities. Obviously, over time, a formula study had to be done. It was completed on February 21st of this year, and that study provides four alternatives to the present formula that's in place.

Over the last 28 years, since 1978, there have been many factors, many demographic changes that lead us to believe that a change in the formula is necessary.

In closing, I appreciate the opportunity to describe the CDBG program and its highlights, strengths, and weaknesses. In my previous role as mayor of the city of Syracuse, I was obviously able to use those CDBG dollars in many positive ways. There are many pluses to the program, but like any program, it needs a reevaluation, a refresh if you will, to see if we can do it in a better way and in a more effective way.

The circumstances that make a program right for a certain area do not continue indefinitely. We learn from experiences. How can we better target our resources? How can we operate effectively and set clear goals and performance measurements for the future? So, with that, I thank you for this opportunity, and I will be happy to answer any questions you have.

[The prepared statement of Mr. Bernardi follows:]

WRITTEN STATEMENT OF

DEPUTY SECRETARY ROY A. BERNARDI

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

MARCH 1, 2005

Mr. Chairman and Members of the Committee:

I am Roy A. Bernardi, Deputy Secretary of the Department of Housing and Urban Development (HUD), and on behalf of Secretary Alphonso Jackson, I wish to thank you for the opportunity to appear today, as the Committee begins its deliberations on the Strengthening America's Communities (SAC) Initiative advanced as part of the Administration's FY 2006 budget.

The goal of the Initiative is to consolidate a collection of 18 community and economic development programs spread across five federal departments into a single, more effective program. The new program will be more flexible and it will be easier for communities to access than the current set of overlapping and, at times, duplicative programs. It will be administered by the Department of Commerce, which has considerable experience and a central mission in this area, and it will build on the experience of HUD and the other departments with related programs. The Committee, in requesting HUD's testimony at this hearing, has asked that I focus on providing an overview of how the Community Development Block Grant (CDBG) and related programs are currently administered. I will focus most of my testimony on the CDBG program. The Administration's proposal builds on the CDBG program in ways that are fundamental and important.

Historical context

The CBDG program is the Federal government's largest single grant program to assist local governments in undertaking a wide range of community development activities targeted to improving the lives of low- and moderate-income persons across America. It is one of 17 grant programs in the consolidation, and it accounts for about one quarter of the funding of the 35 community and economic development programs that were considered by the Administration's review. In the course of its thirty-year history, CDBG has provided a ready source of funding for housing rehabilitation programs, public services, public facilities and infrastructure, and economic development activities benefiting millions of Americans. We have analyzed this experience and see a way to improve the effectiveness of the federal government's efforts while retaining CDBG's strengths.

The CDBG program was enacted as part of the Housing and Community Development Act of 1974 (HCD Act) and was notable for the fact that it consolidated ten categorical urban development grant programs and replaced them "with a single, more comprehensive, flexible and soundly financed" program as stated in the Senate committee report accompanying the original legislation. Since that time the federal government's programs for community development have again become somewhat fragmented and in need of consolidation.

CDBG established a formula-driven program for larger cities and urban counties that were designated as "entitlement communities" under the CDBG program. In 1975, the CDBG program's first year of operation, there were a total of 594 entitlement grantees. For FY 2005, the CDBG program has a total of 1,168 city, state and other governmental grantees.

The number of communities qualifying for CDBG entitlement status has grown 87 percent over three decades due to demographic changes, with significant increases experienced in those years (1982, 1993, and 2004) when updated decennial census data became available. One reason for reform is to better target limited federal resources to places without the fiscal capacity to meet their own needs.

The legislative purposes of the CDBG program have remained unchanged to this day: the development of viable urban communities by providing: decent housing, a suitable living environment, and expanding economic opportunities principally for persons of low and moderate income. However, these purposes lack a clear set of benchmarks by which to judge the results of this spending and accompanying local efforts to strengthen low-income communities.

Currently, the law requires that 70 percent of CDBG funds benefit low and moderate-income persons. Grantees report that 95 percent of all CDBG expenditures in FY 2004 were devoted to activities that provided at least one-half of their benefits to low- and moderate-income persons.

CDBG is employed by communities in many different ways. In its simplest form, CDBG funds are used to directly finance activities such as the construction of public facilities and improvements.

CDBG is also source of funding for subrecipients such as non-profit organizations, community-based organizations, and faith-based organizations. These entities utilize CDBG to deliver public services such as child day-care, senior citizen programs, adult literacy and education, and assistance for the homeless.

Finally, CDBG was used by local government to fund economic development activities at a level of $434 million in FY 2004. These investments served to create or retain more than 78,000 jobs, of which 76 percent went to low- and moderate-income persons. We expect the successor to CDBG and other current programs will be even more effective in this regard.

In addition to CDBG, the Administration's proposal would consolidate and replace other, much smaller HUD programs including Brownfields development grants, grants to Round II Empowerment Zones, Rural and Economic Development grants, and the Section 108 guarantee program. The Section 108 program has been used by a relatively small fraction of CDBG recipient communities to leverage their CDBG funds to pursue physical and economic revitalization projects that can renew entire neighborhoods or provide affordable housing to low- and moderate-income persons.

Administration of CDBG

In order for an eligible jurisdiction to receive its CDBG grant, it must comply with HUD's consolidated planning process that requires each jurisdiction to conduct a comprehensive assessment of its community development needs generally every five years and map out a coordinated strategy for addressing those needs.

CPD's field staff has the primary responsibility for working with our CDBG grantees. They not only serve as an expert resource for those grantees but they execute HUD's critical functions in managing the CDBG program. They perform risk analyses of grantees in order to establish priorities for monitoring and review of grantee activities. They carry out the hard work of monitoring grantee performance and compliance, and criticize grantee administration and recommend and enforce remedial actions and sanctions.

The CPD field staff also serves to educate and inform our grantees of critical issues in the CDBG program. Let me now address a few of those critical issues for the benefit of the Committee.

Timely expenditure of CDBG funds

Section 104(e)(1) of the HCDA requires HUD to review CDBG grantees to determine if they have carried out their CDBG assisted activities in a timely manner. As a result, a grantee may not have more than 1.5 times its current grant in its Line of Credit.

By 1999, the amount of CDBG funds remaining unexpended in grantees' lines of credit due to the lack of timely expenditures was a growing concern to HUD, as well as to Congress and the Government Accountability Office (GAO). In early 1999, there were over 300 untimely grantees, with a relatively small percentage of those that were untimely being responsible for the largest percent of funds that exceeded the 1.5 standard. Therefore, as Assistant Secretary of CPD at the time, I established a grant reduction policy for untimely CDBG grantees that was announced in the fall of 2001, with implementation starting in March 2002.

Implementation of the timeliness policy has succeeded in reducing in both the number of grantees that are currently untimely – from over 300 to approximately 50 -- and the amount of CDBG funds above the 1.5 standard that is undisbursed in grantees' lines of credit – from a high point of $370 million, now down to roughly $30 million.

<u>Formula Study/Targeting of Funds</u>

HUD has studied the CDBG formula in light of concerns about targeting to the neediest individuals and communities. To establish the formula basis for allocating each year's appropriation, the statute identifies poverty, neighborhood blight, deteriorated housing, physical and economic distress, decline, suitability of one's living environment, and isolation of income groups, among others, as important components of community development need. The statute prescribes both the components of the formula calculation and its application. Two alternative formula calculations are made initially, each using variables identified in the 1970s that proxy these dimensions of community development needs, including population, poverty, overcrowded housing, age of housing and growth lag. Each formula uses three of these variables (both use poverty) with each weighted separately. These core variables in the formula have not been changed since 1978. The calculations and the determination of which formula allocation is used for each grantee are quite complex.

The CDBG formula has undergone five major assessments since 1974. On February 21, 2005, HUD released a new assessment based on the introduction of 2000 Census data into the CDBG formula. In addition to estimating how well the formula allocates to community development need after introduction of the 2000 Census data, it provides four alternative formulas for targeting funding. This analysis of the CDBG formula will help to inform decisions about how federal resources can be better targeted in the proposed initiative.

Targeting operates on the premise that a community with high need should get a larger per capita grant than a community with low need. As designed, the formula was targeted to need, but that targeting has weakened substantially since 1978. This result is not surprising or unexpected given that the same factors have been used, without change, for 28 years, while the demographics of the country have changed dramatically during that time.

Monitoring

A major part of HUD's administration of the CDBG program is monitoring grantees' use of funds. In addition to requiring HUD to determine that grantees are carrying out their CDBG assisted activities in a timely manner, the HCD Act requires HUD to review and audit CDBG grantees to determine whether they have:

- Carried out CDBG assisted activities and certifications in accordance with the requirements and primary objectives of the Act and other applicable laws; and
- Have a continuing capacity to carry out those activities in a timely manner.

In order to implement this requirement, HUD performs risk analyses to determine which grantees to review on-site and conducts an assessment of each grantee at the end of the program year. Grantees are also required to have an annual audit pursuant to OMB Circular A-133.

The risk analysis process identifies high-risk CDBG grantees and ensures that HUD's resources are targeted to monitoring those grantees on site. In FY '04, HUD performed on-site monitoring for 380 of its 1162 CDBG grantees. As a result of this program monitoring effort, HUD staff identified 465 concerns and 610 findings. This led to 130 sanctions in which grantees were advised to reimburse their CDBG programs with non-federal funds due to their failure to carry out activities in accordance with the statute and regulations.

The regulations identify a range of corrective actions that may be used when a finding of non-compliance is made. Corrective actions recommended by HUD are to be "designed to prevent a continuation of the performance deficiency; mitigate, to the extent possible, the adverse effects or consequences of the deficiency; and prevent a recurrence of the deficiency. As specified in regulations, HUD monitors to consider each finding on a case-by-case basis and determine the most appropriate corrective action to recommend when a finding is made. Advising a grantee to reimburse its CDBG program with non-federal funds always gets a grantee's attention, but reimbursement is not the most appropriate remedy in every case.
You will note that HUD does not monitor the extent to which CDBG has improved community conditions, increased opportunity, or otherwise

strengthened low income communities, nor is funding contingent on demonstrating progress and results. On the other hand, these will be central elements of the Administration's new approach.

Summary

I appreciate the opportunity provided by the Committee to describe our administration of the CDBG program and to highlight some of its strengths and weaknesses. CDBG has remained true to its roots over the past three decades with the principles of consolidation and local flexibility and responsibility being constant. In my previous role as mayor of Syracuse, New York, I experienced both the joys and frustrations that go along with the CDBG territory. I understand the esteem with which some view the CDBG program and have seen the good it has achieved within my own community and across America. At the same time, I can also recognize the frustrations of local officials trying to implement activities within the interlocking webs of local politics and federal requirements.

The circumstances that make a program right for a certain era do not continue indefinitely. We can learn from our experience and do things better. In the future, our support for these communities will be improved if we better target funds to communities in greater need of assistance, consolidate our programs, set clear goals for our efforts at the federal level, and hold ourselves and recipients accountable for progress and results consistent with those goals. Thank you.

Mr. TURNER. Thank you.

Now we will hear from Clay Johnson III, Office of Management and Budget.

STATEMENT OF CLAY JOHNSON III

Mr. JOHNSON. Mr. Chairman, Congressman Dent, thank you for inviting me here today. I look forward to fielding your questions. I have a very, very brief oral statement here at the beginning.

We want government programs to work. We are not in the business of getting rid of programs. We are in the business of making sure that programs work. We want the government's community and economic government programs to work to achieve their intended results. We believe we have an opportunity to better structure our community and economic development programs to get more of the intended results, which are to create vibrant communities that would not exist otherwise.

We do not believe that the money that we are spending now is creating the satisfactory level of intended results that were intended by the original bills or the money that's been appropriated for the accomplishment of these goals. We think we have an opportunity to better target areas most in need of assistance, to spend more money on communities where the need is real. We think we have an opportunity to make it easier for needy communities to access the various forms of Federal assistance that are available to them as opposed to have them now shop the variety of programs that potentially offer them some assistance. And we think there is a tremendous opportunity to build more accountability into the programs to ensure that the focus is on what we get for the money, not on how much money we spend.

We also think it's important that the Department of Commerce be the lead department for this, because their mission, which is to create conditions for economic growth and opportunity, is more consistent with the mission of these community and economic development programs.

So, with that statement, sir, I look forward to handling, receiving and responding to any questions you might have.

[The prepared statement of Mr. Johnson follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF **MANAGEMENT** AND BUDGET
WASHINGTON, D.C. 20503

Testimony of the Honorable Clay Johnson III,
Deputy Director for Management, Office of Management and Budget
before the
Subcommittee on Federalism and the Census, Committee on Government Reform,
U.S. House of Representatives

March 1, 2005

The Bush Administration wants the government's programs to work – to achieve their intended results. We are systematically assessing programs to determine whether or not they work. If they don't, we figure out how to fix them.

So far, we have assessed programs that account for 60 percent of the Federal Budget – 607 programs in total. We ask of every program:

- Does it have a clear definition of success, and is it designed to achieve it?
- Are its goals sufficiently outcome-oriented and aggressive?
- Is it well managed?
- Does it achieve its goals?

This assessment invariably reveals ways a program can be improved, no matter whether the program is a top or poor performer.

This past year we assessed the collection of Federal economic and community development programs, and determined most were not accomplishing their intended results. We worked with agencies and stakeholder groups to find ways to improve targeting, as well as performance and accountability, key elements of this proposal. The Federal Government invests approximately $16 billion each year through approximately 35 grant and loan programs and tax incentives across 7 major agencies. With no administration-wide approach to guide these efforts, many of these investments are:

- largely uncoordinated,
- too loosely targeted,
- weakly leveraged,
- and not achieving results.

Most important, these programs often cannot demonstrate they are having any positive impact on the communities they serve. After more than 30 years and over

$100 billion dollars, the federal government can point to few examples of measurable success.

The Administration proposes to address this problem by consolidating 18 of the government's community and economic development programs into a new approach, the Strengthening America's Communities Grant Program, with a clear definition of success: economic growth and opportunity in communities where it would not have otherwise existed.

Additionally new eligibility criteria, based on job loss, unemployment levels and poverty, are proposed to ensure the funds are directed to the communities most in need of the development assistance. While fewer communities would likely be funded, eligible communities could receive increased funding compared to their Community Development Block Grant amounts.

Finally, and most importantly, it is proposed that communities be required to meet specific accountability measures to track progress towards the community's goals.

For those communities that show inadequate progress meeting the program's goals, a plan of action will be developed and technical assistance will be provided to ensure that future funds are strategically targeted and invested in proven activities. Communities that are consistently unable to use taxpayer dollars to meet the accountability measures would stand to lose future funding.

The Administration proposes to consolidate this new entity at the Department of Commerce because its mission – creating the conditions for economic growth and opportunity – is most consistent with the mission of the new program.

The Bush Administration wants community and economic development programs to work. The President's Strengthening America's Communities Initiative establishes clear principles for reform. The Administration is ready to work with the Congress to enact enabling legislation. America's communities will be better for it.

Mr. TURNER. Thank you.

David Sampson, Department of Commerce.

STATEMENT OF DAVID A. SAMPSON

Mr. SAMPSON. Mr. Chairman, it is a pleasure to join my colleagues today to brief you on the President's Strengthening America's Communities Initiative.

President Bush has proposed an innovative strategy to help our most economically distressed communities get on the path to economic growth and opportunity. And what I will do is briefly highlight the underlying principles and then the main points of the initiative.

While America's economy is strong and getting stronger, we all know that that economic strength is not felt equally throughout the Nation. As members of this committee are well aware, there are low-income communities and communities where traditional industries do not employ as many people as they did a generation ago where that economic opportunity can appear to be out of reach. President Bush believes that these communities can make the transition to vibrant broadbased, strong economies because of the entrepreneurial spirit, the vision and the hard work of those who live there.

He also believes that the goal of Federal economic and community development programs should be to fundamentally create the conditions for economic growth, more and better jobs and livable communities, thereby reducing a community's reliance on perpetual Federal assistance.

Why propose such a financial reform? Well, in total, the Federal Government administers 35 economic and community development programs housed in seven different Cabinet agencies. This proposal calls for the consolidation of 18 of those programs which are the direct-grant programs. Some of these programs, based on OMB analysis, duplicate and overlap one another. They lack clear accountability goals, and they cannot sufficiently demonstrate measurable impact on achieving improved community and economic performance. Many of the communities with relatively low poverty rates receive Federal funding at the expense of distressed communities, thereby undermining the purpose of the programs.

The purpose of this program is to target Federal funds better, in a more customer-friendly, easily accessible manner. Let me explain briefly the actual components of the proposal.

The new initiative calls for two components to the Strengthening America's Community grant program. The first is a formula-based economic and community development grant program which will represent the bulk of the funds. The second component is the Economic Development Challenge Fund which is a bonus program modeled on the concept of the Millennium Challenge Account which will focus on incentivizing those communities that have already taken substantial steps to improve economic conditions and have demonstrated a readiness for development.

Now, finally, as we move forward, we recognize there is a lot of hard work ahead of us with regard to the implementation of this initiative. The administration will submit legislation for this initiative as part of a collaboration with Congress and with stakeholder groups, including State and local officials, and we look forward to continued collaboration with this committee as that legislation takes shape.

I do want to share with you that a secretarial advisory committee is being created at the Department of Commerce. The notice of that is published in today's Federal Register, which will provide assistance with some of the most complex issues of the proposal, such as setting eligibility criteria and what accountability measures will be adopted. The administration seeks the widest possible input to help shape the legislation that we intend to send to Congress as soon as feasible.

The President's proposed initiative will, we believe, position communities, regions and States to be more competitive in the worldwide economy, increasing opportunity, employment and creating more viable communities. And, with that, I will close. And I look forward to answering any questions that you may have.

[The prepared statement of Mr. Sampson follows:]

Testimony of Assistant Secretary of Commerce for Economic Development David A. Sampson before House Federalism and Census Subcommittee, Government Reform Committee
March 1, 2005

Chairman Turner, Ranking Member Clay, Members of Congress:

It is a pleasure to join my colleagues from the Office of Management and Budget and Housing and Urban Development to discuss the President's Strengthening American Communities Initiative and his efforts to improve the effectiveness of federal economic and community development efforts.

President Bush's Strengthening America's Communities Initiative is an innovative approach to help our most-economically-distressed American communities get on the path to economic growth and opportunity.

Today I would like to share with you:

- The underlying principles behind the initiative;
- The case for reform; and
- The main points of the initiative.

Underlying Principles:

America's economy is strong, and growing stronger, but that growing economic strength is not felt equally throughout the Nation. As the members of this committee know, in low-income communities and in communities where traditional industries do not employ as many workers as they did a generation ago, opportunity can appear out of reach. President Bush believes that these communities can make the transition to vibrant and strong economies because of the entrepreneurial spirit, the vision, and the hard work of those who live there.

He also believes that the goal of federal economic and community development programs is to create the conditions for economic growth, robust job opportunities, and livable communities, thereby encouraging a community's improvement and reduction of the need to rely on perpetual federal assistance.

Why We Need Reform

In total, the federal government administers 35 economic and community development programs housed in several different cabinet agencies. The Strengthening America's Communities Initiative addresses the 18 direct grant programs within that portfolio. As you can see from the chart (*see chart entitled "the Current Economic Development System is Fragmented*"), the current system forces communities to navigate a maze of federal departments, agencies and programs – each imposing a separate set of standards and reporting requirements – in order to access federal assistance. Some of these programs duplicate and overlap one another, and some have inconsistent criteria for eligibility and little accountability for how funds are spent. Most of these programs lack clear goals or accountability measures, and thus cannot sufficiently demonstrate any measurable impact.

Many communities with relatively low poverty rates receive federal funding at the expense of distressed communities, thereby undermining the purpose of some programs.

OMB has studied the performance issues of the programs being consolidated; and, it is safe to say that the American taxpayer deserves better results than what they are getting today.

Moreover, the status quo is not helping distressed communities across this country. Although it may make sense "Inside the Beltway," distressed communities across America do not understand why they need to spend local tax dollars to hire grant writers and experts to figure out how to access federal grant money from these 18 programs.

The current federal system largely involves efforts from five cabinet agencies (Commerce, Housing and Urban Development, Agriculture, Health and Human Services, and Treasury,) with programs that share a similar mission of improving economic opportunity and the quality of life in America's communities. To ensure the efficient use of taxpayer resources and improve the focus on results, the Administration continues to look for ways to improve the performance of programs. In some cases, by focusing on one program at a time, we miss an opportunity to achieve comprehensive reform and increased efficiencies. The Administration's review of federal development efforts found that many programs are not only duplicative but are also unable to demonstrate any measurable results. The President's proposal focuses on those programs that overlap in function and mission.

Success is often hampered by this fragmented, and often duplicative, set of programs. In some instances, programs act in isolation from one another, even though they share the exact same purpose and serve the same populations. As a result, funding is spread thinly and not strategically targeted to have any impact on communities in need. The status quo is also unfair to small towns in rural America that do not have built in bureaucracies to tap into 18 different pots of federal money. Rather, the President's proposal attempts to provide "one stop shopping" for federal direct grant assistance and seeks to enlist Congress to support this streamlining of federal assistance for all users.

These concerns about the status quo mirror the growing consensus among the nation's leading economists and economic development researchers and practitioners that because of the fragmented, unfocused, and duplicative nature of the programs, there is a need to fundamentally rethink and refocus the federal role in support of state and community efforts to promote economic growth and spur job creation in the 21st century economy. For example, the U.S. Council on Competitiveness recently issued a groundbreaking report, "Innovate America." In that report, over 400 corporate and academic leaders called for the consolidation of federal development programs in order to bolster America's competitiveness. America must rework its federal support system in order to keep communities in tune with a changing world-wide economy.

As you can see here *(See chart entitled "Strengthening America's Communities Initiative Would Streamline Federal Economic Development),* the Strengthening America's Communities Initiative simplifies access to the federal system, which will drastically reduce the administrative burdens currently placed on grant applicants and recipients, freeing local resources to focus on their programs and not on navigating a complex federal system.

Key Elements of the Initiative:

Let me explain in further detail, the actual proposal. As you see in this chart *(See chart entitled "FY2005 35 Economic and Community Development Programs),* the President's 2006 budget proposes consolidating 18 of the 35 existing federal programs into a single $3.71 billion unified grant making program. This program will target funding to those communities most in need of assistance and achieve greater results for low-income persons and economically-distressed communities by setting new eligibility criteria determined by such things as job loss, unemployment levels, and poverty.

The new initiative will also simplify access to the federal system, and establish strong accountability standards, all in exchange for flexible use of funds by communities most in need. The consolidated program, which will be administered by the Department of Commerce, will have two components:

1) The "Strengthening America's Communities Grant Program" – a formula-based unified economic and community development grant program representing the bulk of program funds, and

2) The Economic Development Challenge Fund, a bonus program modeled on the concept of the Millennium Challenge Account.

The Strengthening America's Communities Grant Program will require assisted communities to track progress toward certain goals, including such things as increasing job creation, new business formation, and private sector investment from an economic development standpoint; and increasing homeownership—including first-time and minority homeownership—and commercial development, from a community development standpoint.

The Economic Development Challenge Fund will provide a bonus to communities that have already taken steps to improve economic conditions and have demonstrated a readiness for development, such as improving schools by meeting the No Child Left

Behind adequate yearly progress goals, reducing regulatory barriers to business creation and housing development, and reducing violent crime rates within the community.

Finally, we recognize that there is a lot of work ahead of us with regard to implementation of the Initiative. The Administration will submit legislation for this initiative as a part of a collaboration with Congress and stakeholder groups including America's mayors, counties and cities and we look forward to continued collaboration as the legislation takes shape.

A Secretarial Advisory Committee is being created at the Department of Commerce to provide assistance with some of the most complex and contentious issues regarding this proposal, such as eligibility and what will accountability measures look like. The Administration seeks the widest possible input to help shape the legislation we intend to send to Congress as soon as feasible.

Conclusion:

States and communities must have the flexibility to apply development funds where they are most needed and they should not have to go through the laborious process currently existing to access federal funds. At the same time, they must be accountable and be able to show tangible results for the federal funding they receive. This flexibility is critical to improving the competitiveness of America's communities and thereby improving the standard of living for those most in need.

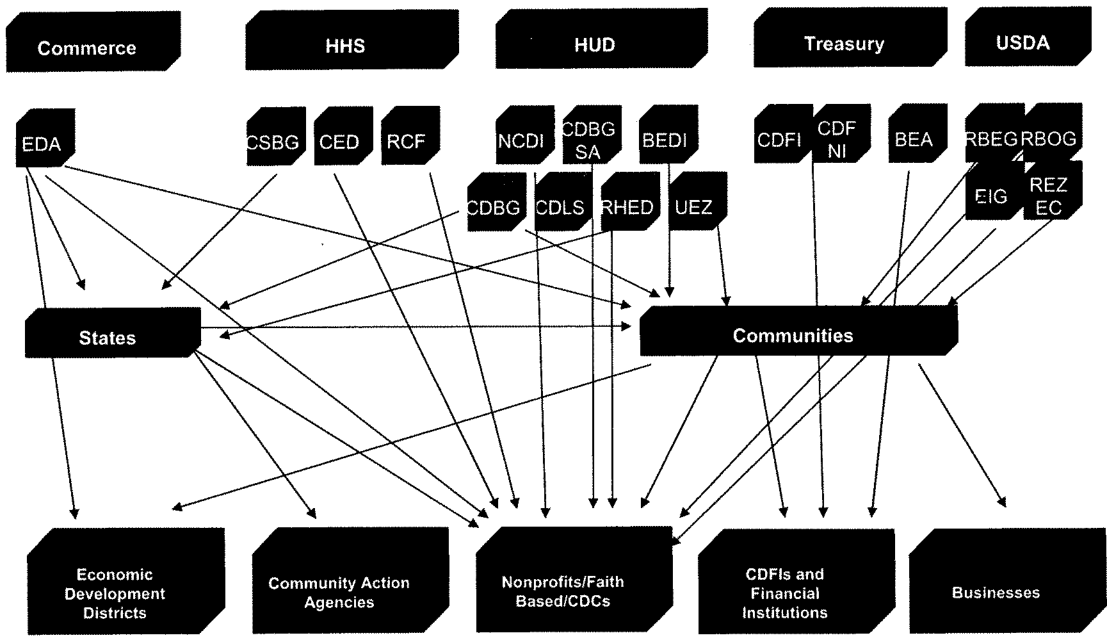
The federal government must also be more accountable. For too long programs have been administered without requiring measurable results – and have been allowed to duplicate each other. This duplication is at the expense of our communities that most lack the resources to navigate the federal maze that currently exists.

The President's proposed initiative is good for the economy, is good for distressed communities and is simply just good government. It will position communities, regions and states to be more competitive in the worldwide economy and most importantly, it will create more American jobs and a rising standard of living.

I appreciate the opportunity to explain this proposal to the committee. As I noted, there is much work to be done and I look forward to working with your committee to make sure that legislation sent to Congress is the result of an open dialogue with stakeholders and Members of Congress. I look forward to answering any questions that you may have.

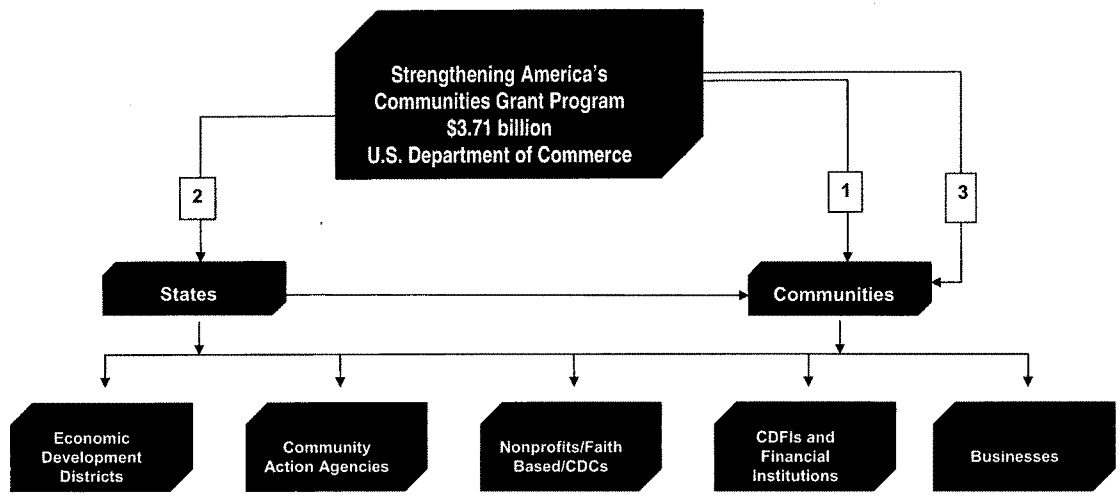
Thank you.

The Current Economic and Community Development System is Fragmented



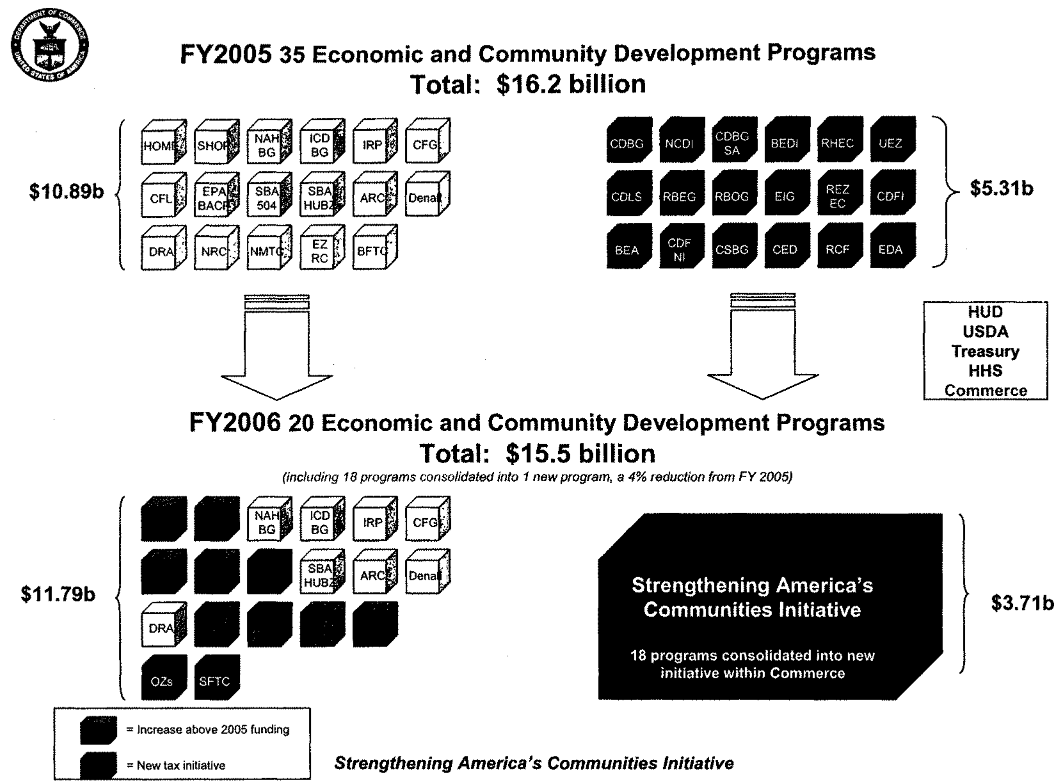
Strengthening America's Communities Initiative

Strengthening America's Communities Initiative Would Streamline Federal Economic Development Assistance



Funding will flow in three ways:
1. Directly to the community level to fund economic activities
2. To states, who will in turn distribute funding to communities
3. As bonus or incentive funding to a certain number of communities that are "development-ready"

Strengthening America's Communities Initiative



FY2005 35 Economic and Community Development Programs
Total: $16.2 billion
$10.89b
HOME
SHOP
NAH BG
ICD BG
IRP
CFG
CFL
EPA BACR
SBA 504
SBA HUBZ
ARC
Denali
DRA
NRC
NMTC
EZ RC
BFTC
CDBG
NCDI
CDBG SA
BEDI
RHEC
UEZ
CDLS
RBEG
RBOG
EIG
REZ EC
CDFI
BEA
CDF NI
CSBG
CED
RCF
EDA
$5.31b
HUD
USDA
Treasury
HHS
Commerce
FY2006 20 Economic and Community Development Programs
Total: $15.5 billion
(including 18 programs consolidated into 1 new program, a 4% reduction from FY 2005)
$11.79b
NAH BG
ICD BG
IRP
CFG
SBA HUBZ
ARC
Denali
DRA
OZs
SFTC
Strengthening America's Communities Initiative
18 programs consolidated into new initiative within Commerce
$3.71b
= Increase above 2005 funding
= New tax initiative
Strengthening America's Communities Initiative

Mr. TURNER. Thank you, gentlemen.

I appreciate the opportunity for us to discuss in a question format some of the important specifics of this program. As I said in my opening statement, certainly the issues that you have identified and the problems with these programs, I think, are widely recognized. The solutions as to how we go about reforming those or finding greater opportunities for those programs to be effective are really the important part of our discussion today.

And Secretary Bernardi, having served as a mayor, both from the receiving end of CDBG and then having served in your position with HUD on the administrating side of CDBG, that many of the grants, moneys are used in the area of community development, quality-of-life type projects. For example, where an abandoned house may be burdening a neighborhood and the property is available perhaps for open-space use, the community was able to use CDBG moneys to address that abandoned building, increase the quality of life for the community, and the open space would be an amenity both for the children and the people who live in the community, providing a gathering place in some communities which have incredibly high density where that type of open space is not available.

In your testimony, you indicate that CDBG has been used for housing rehabilitation programs, public services, public facilities, infrastructure, economic development activities. You go on to cite that some CDBG programs include child daycare centers, senior care programs, adult literacy and education and assistance for the homeless. The important part of CDBG has been that each community can tailor its needs in looking to CDBG. And what's good for Syracuse may not be good for Dayton, OH. What's good for Dayton, OH, might not be good for Austin, TX. In those quality-of-life projects, the types that you cite, how would you ever be able to fashion metrics to measure the impact on the community for those projects?

Mr. BERNARDI. Each entitlement community—and I will take Syracuse as an example. They all operate under a comprehensive plan. And along with that comprehensive plan there is an annual performance report. As you know, Mayor, to have that 5-year plan involves the entire community, the citizen participation, the advisory council boards for the CDBG program itself. And they put forth a 5-year plan, and that 5-year plan, each and every year with the start of the program year, they have what they call their annual performance plan. And that tells you what is going to occur during that particular point in time in the year. And then that money is accessed through the grant program, and then there is an annual performance report at the end of the year which we receive which lists the accomplishments and lists the goals and objectives that the community wanted to undertake.

I understand full well we used some of our CDBG dollars for a senior citizens center, for adult literacy, for child care. We used it for infrastructure, for sidewalks, water, sewer. We used it for economic development; obviously, always making sure that it had a benefit to at least better than 70 percent of low and moderate-income individuals. I have utilized the area benefit, which perhaps you have, where it's 51 percent, utilized the jobs benefit and the housing benefit. People, if they qualify for housing, they have to be low-income. People that qualify for multifamily housing, that multifamily housing unit has to be better than 51 percent. So I'm familiar with the program, and the program has served us very well.

At the same time, we understand that there are many communities in this country that are severely distressed. Everyone can point to distress. But the severely distressed communities, the focus of this plan will be to provide as many resources as we possibly can in communities that have high unemployment, communities that have higher poverty rates, in communities that have lost jobs because of severe distress. And this proposal will embody all of the community development programs into this new proposal that's proposed to Commerce.

Mr. TURNER. Of the projects that you listed where you had undertaken these community development projects as mayor and you used CDBG dollars, did you have readily available to you other sources of funds to accomplish those? I mean, did the CDBG moneys make those projects possible?

Mr. BERNARDI. Well, of course, the flexibility of the program is one of its strengths. And the fact is that you could utilize CDBG dollars as a match for other Federal funding. And I believe it's the only program you can do that with. And, yes, to utilize that money to begin an economic development initiative—for example, I used it for demolition. You spoke of that one house. We did an awful lot of demolition with CDBG dollars.

Mr. TURNER. You served as assistant secretary of the community planning and development, primarily responsible for administrating CDBG, prior to your current position. What type of staff structure, what are the number of people that are involved in order to administrate this program?

Mr. BERNARDI. In the community planning and development program area at the Department of HUD, there are approximately 800 employees; 600 are in the 42 field offices, and 200 are headquartered here in Washington, DC. Of the 200 that are in headquarters, approximately 40 devote almost all of their time to the CDBG program and the loan rate loan guarantees. In the field, with those 600 employees, I would guess that all of them devote at least a third of their time meeting with the grantees and doing the things, the monitoring and doing what's necessary to ensure that the program is run correctly.

I would like to say that one nice accomplishment that we had is that, back in 2001, there were 300 communities in this country that were not spending their money in a timely fashion. And by that, we define that as, if they have more than 1½ times their program year allocation in the line of credit, then they are not doing then what they should be doing. We have been able to bring that down to under 50 entitlement communities, and from $370 million that was left unspent, we are under $50 million.

So I think the program, there are good people that operate the program. And each 1 of those 42 field offices services the better than 6,000 or 7,000 recipients of those dollars.

Mr. TURNER. If Congress should agree that these programs need to be reformed but does not agree that they should be transferred to Commerce, does HUD have the capacity to undertake reform and administer these programs through a reformation of them?

Mr. BERNARDI. Well, Congressman, every program can be improved upon. And I believe that, obviously, we have good employees. They have the capacity, the experience, the institutional knowledge to improve on any program.

I would like to add just a little something, if I could. The fact of the matter remains is that we are constantly looking, under difficult budget constraints, ways in which we can provide additional resources to those people that need it most. Congressman Dent mentioned the HOPE VI program, but I would like to just add as an aside, with the $1.1 billion increase that we have in our 2006 budget for our Section 8 tenant voucher, that kind of pressure on HUD makes it very difficult—even if the program were to remain in HUD, the CDBG program—makes it very difficult to have the dollars that are necessary to do the things that you would like.

Mr. TURNER. Thank you.

Mr. Johnson, one of the concerns obviously from the stakeholder community has been their participation in the formulation of this proposal. In your comments, you indicate that "we worked with agencies and stakeholder groups to find ways to improve targeting as well as performance and accountability key elements of this proposal." Could you describe the process that you went through in looking for input from stakeholders in putting together this program and its recommendations?

Mr. JOHNSON. I can't describe it in the detail you are asking for. The people that were involved are sitting here behind me. But I could give you a written description of it afterwards.

But there are associations and interest groups that work with us, and they have meetings, and we have met with them and met with the Departments. And we evaluated these programs and determined what the opportunities were to do this better. But I don't have the detail that you are asking for.

Mr. TURNER. I would appreciate it if you would provide us that.

Mr. JOHNSON. I would be glad to do so.

Mr. TURNER. Because most of the groups and organizations that we have been involved with in that have experience in working with these programs, who our recipient stakeholders, believe and feel that they have not been included, and they have not had an opportunity to participate in making recommendations in the formulation as planned.

They obviously have an extensive amount of knowledge and expertise, and many of them hold an opinion similar to all of the testimony that you have given us today of the need for reform but have divergent opinions as to the current proposal that we have in front of us.

Mr. JOHNSON. OK.

Mr. TURNER. Would you agree with Mr. Bernardi that if Congress' decision was to leave the programs in HUD but to work toward the goals of performing them, that HUD would have the capacity and the ability under the administration's leadership to accomplish that?

Mr. JOHNSON. Well, there's the physical capacity. Do they have the bodies to administer the program. And I think the answer to that is yes. But I think the question is, is HUD's mission better aligned with the desired results intended by these community and economic development programs, or is Commerce's mission better aligned? And our proposal suggests that Commerce's mission is more in keeping with the intended results with these community and economic development programs. Housing is a means to an end. And the end is more vibrant, more vibrant economic conditions where they would not exist otherwise. That is the business the Commerce Department is in, and we think that it makes much more sense. Their mindset of what they do at the Commerce Department is much more consistent with what we want these programs to do.

Mr. TURNER. In your testimony, you talked about the accountability measures that are going to be applied here. And in that, one of the issues raised is housing, and other areas of economic development appear to relate to programs that are still going to remain in HUD. So it appears that by shifting a portion of these programs from HUD to Commerce and with HUD continuing to administrate a great deal of its programs that relate to urban development, that you are going to actually create some duplication. Do you have concerns there as to how these two agencies, having dual relationships and responsibilities, are going to operate together?

Mr. JOHNSON. I don't have any concerns about it. We are reducing duplication with this proposal; we are not increasing duplication.

Mr. TURNER. Seeing my time is up, I will turn to Mr. Dent for another 10-minute question time period, and then we will go for a second round.

Mr. DENT. Thank you, Mr. Chairman.

I mentioned a few moments ago that I'd attended a public session last week with my Lehigh Valley Coalition on Affordable Housing. And their interpretation of the proposal, the administration's proposal, is that HUD's budget will be cut from $32.4 billion to $28.5 billion. They are just simply looking at the numbers and saying, this may be a consolidation, but they are trying to cut us in the meantime. And I guess where I am going with this question is this: By consolidating these 18 programs, I can see the logic in transferring perhaps some of these programs to Commerce—the Brownfields Economic Development Initiative, for example, and probably the Urban Empowerment Zones, those grant programs—I can see the logic in that, having come from a State like Pennsylvania where we took our Department of Commerce and merged it with what was then called our Department of Community Affairs, which was kind of like a housing and community development arm. We put them together and created one department. It worked pretty well.

But we brought the expertise in housing and community development from what was community affairs to commerce. And I guess where I'm going with this is that, you know, have you in Commerce thought enough about your ability to deal with, for example, housing issues? Do you have the expertise there on staff to handle these types of programs?

Mr. SAMPSON. Well, Congressman, the first response is the core housing programs remain at HUD under this proposal. And I think it's important to recognize that. And a number of those are even strengthened and plussed up in the President's 2006 budget request.

With respect to leveraging expertise, we clearly understand that in consolidating all 18 of these programs, the new entity is going to have to leverage subject matter experts within the different programs in creating this new entity within Commerce that will be responsible for administering Strengthening America's Communities.

Commerce has a very extensive grant portfolio currently. We manage about a $2.3 billion grant portfolio of community and economic development grants currently. But we clearly will have to leverage the subject matter expertise and the lessons learned from other agencies and other programs in creating this new program.

Mr. DENT. I guess, just drawing on my own experience, when we went through this in Pennsylvania, there was a lot of initial gnashing of teeth about merging these two programs or these two departments into one, a lot of opposition. And at the end of the day, it worked out pretty well. I guess this gets down to outreach. I mean, some of the folks that had initial reservations about merging programs like these were coalitions on affordable housing.

Have you done any meaningful outreach to these groups and others like them around the country to let them know you are trying to strengthen their communities? Because they are simply seeing a consolidation and a cut, and they see this as an attack on their housing programs and homelessness initiatives.

Mr. SAMPSON. Well, it's an excellent point. Let me say that we have already conducted, since the President released his budget on February 6th, a number of briefings for interest groups that were held at the White House in which many of the professional associations and groups were invited. We had conducted group briefings. I have conducted individual briefings for a number of specific associations. This past weekend, I was in Key West, FL. I briefed the executive committee of the U.S. Conference of Mayors.

We are aggressively reaching out to discuss the underlying principles and the intent and the goals behind the President's proposal with all affected stakeholders around the country, even those that have expressed in very clear terms their opposition to it. We believe that dialog is essential. We are going further, as I mentioned in my oral testimony, that the White House has asked the Secretary of Commerce to establish a secretarial advisory committee, which will include a balanced geographic and interest group representation from around the country now that the proposal is out on the table and we move toward crafting the legislation that will be forwarded to Congress to deal with some of the most complex issues that you have identified.

Mr. DENT. Thank you.

With respect to CDBG—and perhaps, Secretary Bernardi, you might be able to help me with this. In my communities, my cities, I have Allentown, Bethlehem, and Easton. I know some of those municipalities currently utilize CDBG funds for example, code enforcement, to pay their code enforcement officers out of that. And they use it for other things. But are you finding that there are some communities that are not appropriately spending that CDBG funding? As you mentioned, there is a great deal of flexibility with the dollars, and that is sort of the beauty of it, in my view, and using those dollars—at least where I live, it seems to be for a lot of important community economic development issues. And I would put code enforcement under that. It is an important part of our housing and community development strategy.

Mr. BERNARDI. Congressman, as Mayor of Syracuse, we utilized CDBG dollars for code enforcement as well. The fact is that, with the entitlement communities, the urban counties and the States, as I mentioned earlier, there are 6,000 or 7,000 entities that are receiving dollars, and there's over 100,000 organizations that receive this kind of money each and every year. Our monitoring is extensive; it's intensified. We make sure that, where there is a difficulty, we quickly go in there and do what we have to do. And if we find that the money has not been spent according to the national objectives or appropriately, that money is taken back. It has to be paid back to the CDBG dollar program by other moneys. They can't use CDBG funding that they have or that they are going to receive.

Mr. DENT. You mentioned about 1,100 or so communities are eligible for CDBG grants. I guess those are all entitlement communities?

Mr. BERNARDI. Those are entitlement communities, cities of a population of over 50,000.

Mr. DENT. And what percentage of those communities will remain eligible under the Strengthening America's Communities program? Do you have any idea?

Mr. SAMPSON. I can take a stab at that, Congressman. First of all, the eligibility criteria have not yet been determined. That is something that we believe is important to engage the stakeholder communities around the country as well as with Members of Congress before that eligibility criteria is determined. I can share with you what the intent of the proposal is. The intent of the proposal is that most entitlement communities will continue to remain eligible. The intent is to graduate from the program the wealthiest communities in America who are still entitlement communities. The intent is to graduate the wealthiest communities in America and redirect that funding so that those communities who remain eligible actually receive more money than they currently do. But the specific line where that eligibility criteria will be drawn has not yet been established.

Mr. DENT. OK. I have no further questions at this time. Thank you.

Mr. TURNER. Mr. Sampson, I understand you are indicating that you cannot give us any information about the current eligibility criteria under this proposal; that you are going to be looking to a committee task force, if you will, that comes together for the purpose of advising you on that. However, both in your testimony and in written and oral, you make some statements about the outcome of that eligibility. You indicated that some wealthy communities will graduate from the program, meaning that they will lose their current CDBG eligibility in order to be able for you to focus on the most distressed communities. And you've indicated that there are communities that are currently entitlement communities that will receive more money even though the overall budget for this program has been cut—consolidate all the programs from the 2005 budget number; it's a reduction of 30 percent, which if you look at what the appreciation would have been, it's probably a greater cut than that. So you've got less money, but you're indicating that they are going to receive more money. But the eligibility criteria is not yet defined. It would seem to me that you have done some initial calculations to determine upon what you base that statement. Could you share with us or this committee what your assumptions are that you've undertaken to indicate to us that the entitlement communities that are distressed will be receiving more money, not less?

Mr. SAMPSON. What I will share with you is that is the intended outcome of the consolidation and the restructuring. We think that can be achieved on a couple of levels: First of all, by reducing 18 bureaucracies to administer the current 18 programs; second, by targeting the funds much more tightly to the most distressed communities in America, should enable us to achieve that goal. There simply has not been an effort at this point to draw the line on the eligibility criteria. What we have done is looked at spreadsheets of data where you look at multiple factors. You look at poverty rates. You look at unemployment rates. You look at the loss of firms as possible components of the new formula. Depending on how you weigh, any one of those criteria will change the eligibility outcome, and that simply hasn't been done yet. We are not sharing that with you, not because we don't want to share it with you; we are just telling you that hasn't been done yet. All we have is a spreadsheet of each community and those different factors.

Now, I can tell you, as you look at that, there are clearly a number of communities in America where you have—I think the number is 38 percent of current HUD CDBG grants go to communities with poverty rates below the national average. And so that is the broadbrush picture on which we base that. I think that if you look at some of that data and you see communities with poverty rates of 2 to 3 percent, it's pretty clear to us that is a good candidate for retargeting those funds to communities with poverty rates of 20 to 26 percent.

Mr. TURNER. Secretary Bernardi and Congressman Dent have both indicated that code enforcement is one of the areas that CDBG moneys are currently used for by cities. Certainly, in the city of Dayton, that is an item that I am familiar with, that they have used CDBG moneys for. Not only is it an eligibility area, it is also an area that HUD has looked favorably upon cities utilizing their money for. Recognizing that, throughout this country, cities are currently under a budgetary crisis, you can't pick up a paper anywhere in this country where there is an urban core and not read an article about the struggles that the cities have undergone as a result of the economic downturn. And recognizing that some of the CDBG moneys currently have been directed toward code enforcement, which would be considered a basic service or operation of the city, it's clear that for these programs to terminate and a new program to begin with different eligibility criteria and different utilization standards, that the cities' bottom line of their operational budgets will be impacted, which of course will result in them making decisions on the staffing level for code enforcement and ultimately to basic services such as police and fire.

Have you taken that into consideration in your proposal and looked to the issues of the cost of transition for communities?

Mr. SAMPSON. That's an excellent question. Let me address it at two levels. First of all, the question presupposes that activities such as code enforcement would not be eligible activities, and I don't think that's a safe assumption. That determination has not been made. That's the sort of question that we want the input from the secretarial advisory committee and stakeholders around the country.

What we are asking for is that there be a very clear connection between the local community's strategy for expenditure of those funds and how it is actually going to fundamentally, at the core improve the business environment and the community viability. And if that can be demonstrated and if there are performance metrics that can associate with that developed by the community, we would envision very broad flexibility in terms of how local communities can use those funds.

With respect to the second part of your question, transition, clearly transition issues moving from an existing program to a new program have to be taken into account. And that is particularly one of the issues that the secretarial advisory committee will be charged with, is to look at the range of transition issues. The secretarial advisory committee, contemplating that there will be five ex officio members in addition to the 25 citizens from around the country, those ex officio members representing the five Cabinet agencies who will have programs consolidated. We believe that they need to be at the table so that all of those transition issues can be addressed and make sure that it is a seamless transition that does not disrupt communities nor their budgets.

Mr. TURNER. Are you familiar with the comprehensive planning process that Secretary Bernardi mentioned concerning HUD and the 5-year plan for home and CDBG dollars?

Mr. SAMPSON. I'm familiar with the comprehensive plans at the city level, having worked with those in the past. I'm not sure that I understand the particular component that he referenced about HUD's——

Mr. TURNER. I was wondering if you could contrast for us what the planning process that you would expect in the Department of Commerce versus the comprehensive planning process that HUD currently uses.

Mr. SAMPSON. I believe, sir, that we have to some degree an ability to mutually certify comprehensive plans from one agency to the other. I will be happy to go back and look at that. But what we envision is a community strategy that takes into account the fundamental market drivers of what is going to attract new private sector investment in the community that will drive new job creation, new tax revenue for those communities and make sure that it is a market-driven strategy.

I think one of the clear lessons that we have learned, looking at the research data over the last decades, is that those communities that are making the most improvement in terms of their economic and community viability are those that have had a strong bias toward integrating and taking advantage of market opportunities. And so we envision a comprehensive strategy that will have strong connection with market opportunities to leverage private sector investment for community revitalization.

Mr. TURNER. In your testimony, you identify some categories that you see as potential metrics that would be applied to the program, both for the planning process and ultimately if the community is not successful in using the funds that might be available to them. Many of the topics that you identified in your testimony may be categories that are either unrelated to the grant possesses itself. For example, you identify violent crime. I don't know to what extent your program is going to be providing funding for police services or for criminal justice.

And then the second is that you identify No Child Left Behind. And many communities have separate school boards and then separate city councils and county commissions, so that the receiver of the CDBG dollars, the reformulated dollars, the Strengthening America's Communities dollars would have no jurisdiction or ability to impact that. Are the items that you identify in your presentation, the metrics items that you intend to move forward with this? Is this also something that the community is going to determine as to what applies?

Mr. SAMPSON. These are illustrative in nature and not definitive at this point or positive. What I would say, the criteria that you have mentioned are specifically those for the bonus fund or the community challenge fund, which is a bonus over and above the basic formula of funding grant opportunity. We know, first of all, that issues such as crime rates and educational performance are absolutely critical issues in building a positive business environment to attract new private investment into a community.

Second, we would hope that by providing incentive funding, that in those cases that you have mentioned where you have separate governing bodies for schools and cities, that it would force a much closer or incentivize a much closer collaboration on addressing these fundamental issues to economic and community performance with the availability of incentive funding out there.

Mr. TURNER. For the core grant program, you identify increasing home ownership. And one of the discussions that we've had is that HUD will retain the responsibility over the housing grant programs that go to these communities. Isn't that going to result in duplication of effort between Commerce and HUD?

Mr. SAMPSON. I don't believe so, sir. Clearly, one of the most important drivers in building a positive business environment is the availability of affordable housing. There are many communities around this country that simply cannot successfully attract new business investment because of the lack of affordable housing. The core mission of HUD remains the housing mission. But what this encourages is the development of an economic development strategy, to recognize the importance of housing and affordable housing as a component of building a comprehensive positive business environment.

Mr. TURNER. Thank you.

Mr. Dent.

Mr. DENT. Thank you.

Mr. Sampson, I thought I heard you say something. Perhaps you could clarify the statement. You were talking about communities that had 2 or 3 percent poverty that were currently receiving CDBG funds. They were entitlement communities, I take it.

Mr. SAMPSON. That's correct, sir.

Mr. DENT. Could you get us a list of those communities? I would love to see those.

Mr. SAMPSON. I can give you an illustrative list. I don't have a comprehensive list. But communities such as Palo Alto, CA; Boca Raton, FL, Scottsdale, AZ. Newton, MA, Neighborville, IA—or, Neighborville, IL. Neighborville, IL, for example, has a poverty rate of 2.2 percent. And when you look at other communities in that region, such as Gary, IN, with poverty rates of 26 percent, Chicago of 20 percent, the administration believes that it is time to reprioritize these poverty alleviation funds that are going to communities that do not have high rates of poverty.

Mr. DENT. I would agree with you. How are you defining poverty? AFDC families? Or what's the criteria?

Mr. SAMPSON. I don't know what—it's the standard definition, the Census definition of poverty. I'm sorry, sir.

Mr. DENT. I just find that remarkable. Where I live, I guess cities of Allentown and Bethlehem would be considered entitlement communities, or 50,000 people, but the poverty rates are considerably higher. I find it remarkable that we have communities that are that relatively affluent that are receiving these programs. I see CDBG as a program that is supposed to support essentially, I won't use the term distressed, but declining or distressed communities I guess is the proper term.

Mr. SAMPSON. Well, Congressman, we believe, the administration believes that it is fundamentally not defensible in this kind of environment.

Mr. DENT. I would agree with that. There is also concern, too, with how Commerce adjusts this so-called regional bias, the regional bias. And poverty is considered as it is dictated by the Census Bureau. And as you just mentioned, most of the areas in poverty are found in the southwest region of this country. Will your Strengthening America's Communities program provide a substitute for poverty in calculating which cities and States are eligible for these grants to prevent that bias?

Mr. SAMPSON. Congressman, I'm aware that there is an ongoing effort at the Department of Commerce and at the Census Bureau to look at modernizing the definition of poverty. I think that is something that is ongoing that I don't—it's not within my portfolio, so I can't speak definitively to that. But the goal of this program is to ensure that whatever measure that we determine the criteria, that it will clearly pass the sensibility test; that anyone could look at these communities and say these are some of the most impoverished communities in America. And while we might disagree at the margins or exactly where that line is drawn, I believe that when you look at the broad scope of entitlement communities, there is going to be broad consensus that there are communities that are wealthy communities, and then there are communities that are clearly economically distressed, and that we ought to be able to achieve broad consensus as to what those most distressed communities are.

Mr. DENT. And when you send over that list of communities that are relatively affluent receiving these CDBG funds, I would also like to see how much funding they're actually receiving and how the formula plays out—I'm trying to understand this, I'm new here. I'd like to see where I am in Allentown, or Bethlehem, PA, where we have relatively poor communities; I would like to see what those numbers are that we receive compared to those communities and see if the funding is driven based on poverty, or just the fact that you're over 50,000 people, does that entitle you what percentage of the funds?

Mr. SAMPSON. I can tell you—I'm not the expert here on formula, but there are a number of factors. It is more than just population.

Mr. BERNARDI. That's true.

Mr. DENT. I would just be curious to see what those relatively affluent communities are receiving.

Mr. BERNARDI. They receive, per capita, less than, obviously, the communities that are more distressed. It's based on formula A and formula B, and whichever formula benefits the community is the formula that HUD provides to that community.

There are communities, as the Assistant Secretary indicated, that are affluent communities, but on a per capita basis they receive, based on the formula, considerably less amount of money.

Mr. SAMPSON. And, Congressman, if I could just add to that, most of the discussion this morning has focused on urban areas. I would also point out that some of the most impoverished areas of our country are rural and small communities that are not entitlement communities, and we believe that there is a very compelling case to be made that we need to focus on those areas, and not just have the entire discussion on urban America.

Mr. BERNARDI. That's true; but if I can add, the States receive a CDBG allocation of 30 percent, and they provide resources to the towns and villages that are impoverished.

Mr. DENT. Well, how about a bureau where I live; we have many municipalities—we're a very densely packed area, but multiple municipalities, many of them are not entitlement communities because of their population, below 50,000, small bureaus, for example, but are contiguous to the cities. How would they be impacted? I mean, they're not really rural communities.

Mr. BERNARDI. Well, the State of Pennsylvania——

Mr. DENT. Pennsylvania would take the 30 percent, and then——

Mr. BERNARDI. The State of Pennsylvania receives an allocation from HUD, along with the other 49 States, and they disperse that money to the communities that they ascertain through a process that are in most need.

Mr. DENT. Thank you. And again, I just wanted to finish where I began in the first round of questioning.

Some of the consolidations may make some sense logically to me as I look at this, just from my experience, particularly in that brownfields area in the urban empowerment, because I believe that Congress should have the capacity to manage those types of programs; but I get back to the housing initiatives, and that's where my main concern is with the administration's proposal. By consolidating, will we have better programs if the capacity may or may not be there in Commerce to deal with these types of programs where HUD has had a great deal of expertise over the years?

Mr. BERNARDI. We have a home program, as you know, Congressman, and that's a $2 billion budget. It's an increase in 2006 over 2005 that we're requesting in the American Dream Downpayment Initiative, which is the President's initiative to provide first-time home ownership for minority home ownership in this country, and the goal is to have 5½ million more minority homeowners by the end of the decade; and we're at 2.2 million right now, 40 percent of that goal, and we're very proud of that. The home program basically goes to the construction of affordable housing for low-income Americans. It's a very targeted program. Those that qualify have to be at 80 percent or less median income.

So we've done very well when it comes to home ownership in this country. As you know, it's at an all-time high of 69.2 percent; minority home ownership is over 51 percent—first time ever over 50 percent—in the last quarter of 2003. So this administration, through the Department of Housing and Urban Development, Secretaries Martinez and Jackson have really concentrated on providing home ownership opportunities to deserving Americans, low-income Americans.

Mr. DENT. And I would concur. And I would also just add that at least where I live, a lot of these types of funds have been used to help us lower the density of our populations where we have what were once unoccupied residences, rowhomes that became three multiunit apartments, raising the density, more trash in the streets, cars, kids in the schools and all that, and we've done a reasonably good job of trying to deconvert back to an owner-occupied setting. And so we've seen some success with that.

I guess in conclusion the only thing I would say is that HOPE VI, I know your goal there, too—and this is a little off track, I guess, but HOPE VI, you propose to eliminate that program this year. I guess your goal is to try to reduce or eliminate the 100,000 or so what I call old housing developments, but people might call them projects, I guess. We have a very old one in my community, and we have a very aggressive plan, and the timing of this isn't great for us. You did a nice job of getting rid of 100,000 units apparently, but not where I live. And there is a great deal of interest in the cities of Allentown and Easton regarding HOPE VI, and I'm hoping that it can be continued at least for 1 more year.

Mr. BERNARDI. Congressman, the HOPE VI funding, there has been 120,000 distressed units during the life of that program that have been taken down, and 88,000 was the number that when that program initiated 5 years back or so that were considered distressed; so we've done over and above that.

The fact of the matter is there is an awful lot of money that's in the pipeline, I believe it's over $2 billion, and we would like to see that money move forward and provide the opportunity to demolish those kinds of structures, and at the same time provide housing for the folks that live there. As you know, our budget for 2006 calls for the rescission of that $143 million.

Mr. DENT. And my only point is that the moneys intended—we're going to spend it well in my community, should we get it; it's going to be some very aggressive rehabilitation of what have been distress areas, and we will do a great deal to enhance the community.

Thank you.

Mr. TURNER. Thank you.

Gentlemen, with that, we will end our questioning. I will ask you if you have any additional statements or any thoughts that you want to add to the record.

Mr. BERNARDI. Just thank you for the opportunity to be here, and we will continue the dialog.

Mr. TURNER. Great. We thank you for participating and for your input. This is certainly an important discussion.

We will go to our panel two, then. Thank you, gentlemen.

Turning to our second panel, then, which includes stakeholders from the U.S. Conference of Mayors, the National Association of Counties, National League of Cities, National Association of Local Housing Finance Agencies, the National Association for County Community and Economic Development, the National Community Development Association, the National Association of Housing and Redevelopment Officials, Council of State Community Development Agencies have submitted a joint testimony to our committee.

We have appearing for oral testimony Mr. Don Plusquellic, president of the U.S. Conference of Mayors; Mr. Angelo D. Kyle, president, National Association of Counties; Chandra Western, the executive director of the National Community Development Association, on behalf of the NCDA and the National Association for County Community and Economic Development. We also have Mr. James C. Hunt, who is a councilman, city of Clarksburg, WV, who will be testifying on behalf of the National League of Cities.

For the second panel, as you heard from the first panel, it is the policy of this committee that all witnesses be sworn in before they testify. I would ask that you please rise and raise your right hands.

[Witnesses sworn.]

Mr. TURNER. Let the record show that all the witnesses responded in the affirmative.

We want to welcome you, and we appreciate your testimony today and your participation in what obviously is going to be an important discussion on not only about the successes or the problems that these programs that have been targeted represent, but also the recommendations by the administration and other ideas or thoughts that you might have as to how these programs may be approved and the importance of them to your community.

We will begin with Mayor Plusquellic, president of U.S. Conference of Mayors, and mayor of Akron, OH.

STATEMENTS OF DON PLUSQUELLIC, PRESIDENT, U.S. CONFERENCE OF MAYORS; ANGELO D. KYLE, PRESIDENT, NATIONAL ASSOCIATION OF COUNTIES; CHANDRA WESTERN, EXECUTIVE DIRECTOR, NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION; AND JAMES C. HUNT, COUNCILMAN, CITY OF CLARKSBURG, WV, ON BEHALF OF NATIONAL LEAGUE OF CITIES

STATEMENT OF DON PLUSQUELLIC

Mr. PLUSQUELLIC. Thank you. Thank you very much, Chairman Turner.

First I would like to thank you and the other members of the subcommittee for inviting the Conference of Mayors to share our thoughts about this proposal to virtually eliminate the Community Development Block Grant Program.

You were a strong leader with the Conference when you were mayor of Dayton, and we appreciate your continued leadership in addressing the issues before the communities of our Nation.

I am also very pleased to be here today with local government colleagues and others supporting this effort that we have undertaken to oppose, and I mean 100 percent unanimously oppose, the budget proposal that would eliminate the CDBG program by merging it with 17 other programs and moving it to the Commerce Department, and, as you pointed out in your opening statement, cutting the overall funding by 30 percent.

We stated this position when the proposal was first mentioned and announced that we had no prior consultation with anyone on this issue, and we unanimously reaffirmed this position during the last week's winter meeting in Florida where we met with Dr. Sampson and told him directly of our opposition.

CDBG has been successful for 30 years, and based on that success, the Nation's mayors urged Congress to continue the program's current funding and leave it in the Department of Housing and Urban Development. Our written statement, joint statement, has been previously submitted for the record, and it is replete with that, or it shows clearly the outstanding performance of CDBG over the 30 years. I won't bore you with those numbers, but it has created in just the last year 78,000 jobs. Nearly 160,000 households receive housing assistance, and of that number 11,000 became new homeowners, a priority of President Bush. A number of other statistics that are in that report, they point out the proud record that we have of using these HUD funds wisely. I might also mention that the HUD Web site has further information on the success.

In Akron we've used these funds to clear dilapidated or old houses that have outlived their usefulness, and we've helped leverage private sector developers to come in and build new housing in our oldest neighborhoods. We've helped induce the private owner of a grocery store chain to open in an area that was not served with a grocery store in many years. And we've helped senior citizens, assisted handicapped children, and, again, helped new homebuyers to purchase homes.

Much has been said, and you heard today, about OMB's rating of CDBG and this perceived lack of performance outcome. First, I know the national organizations representing appointed officials and elected officials worked for a year with OMB to try to develop new performance outcome measurements, and we were very disappointed that OMB turned aside an agreed-upon framework of sound performance measures instead of the proposed—and instead proposed elimination of CDBG.

And second—and I believe this is most important, it is to me—the performance ratings, talking about leveraging private sector funds in particular and looking at the outcome in just raw numbers is not only misleading, I use a clause that many have used: "It may be factually correct, but it's inferentially wrong." It infers that somehow we're doing something with these moneys other than what was intended, and that we're not meeting some performance standard, that it would be easier to measure and to achieve if we were doing that out on some green pasture in some urban sprawl area. And I have made an analogy to two doctors, one working in sports medicine with 16, 17, 18-year-olds, and others working with old guys like me. How much time do you think it would take me to come back from an injury with all the arthritis I have—I was going to mention this to Mr. Johnson and compare him, and just suggest how our grandkids might respond to good doctoring. And if you measure that doctor working with a sports medicine clinic and the time that it takes elderly people to come back from injuries, clearly it's not the same scale. We're talking about two different situations.

The CDBG money is used in some of the most distressed and difficult areas in the community, and yet they're some of the most important, because what we do is keep from allowing that decay from older buildings, older structures from spreading, and we thereby bring back the whole community.

There are pockets of poverty in almost every community across this country, and it's important to remember that when they start talking about 38 percent going to communities that are below the poverty line, I think one of the most important things that we've done is reach out to the private sector, and the comments from groups like the Real Estate Round Table and International Council of Shopping Centers who are standing with us are most important because they recognize the benefit of these CDBG funds in doing the kinds of things that are vitally necessary to bring back those older neighborhoods.

And so I hope this committee and the Congress will recognize the great work that's been done across our country. I look forward to working with you.

And, Congressman Turner, as you know, in our time working together in Ohio, I have a pretty good record of managing the city of Akron for 19 years without raising city income tax for city activities or city purposes. During the 1990's when money seemed to be flowing into every city, we were right-sizing by cutting employees. I'm not one to look at programs and want to see a lot of waste.

We are perfectly happy, when we save this program in HUD and save this funding level at $4.7 billion, to sit down with you and anyone else here in Washington to try to improve the program; but cutting it does no one any good and will harm the ability of communities across this country to address some of our most pressing needs.

I thank you very, very much for the opportunity to testify, and I look forward to working with you, and certainly to the questions that you and the committee members may have. Thank you.

Mr. TURNER. Thank you, Mayor.

[The prepared statement of Mr. Plusquellic follows:]

STATEMENT BY

U.S. CONFERENCE OF MAYORS
NATIONAL ASSOCIATION OF COUNTIES
NATIONAL LEAGUE OF CITIES
NATIONAL ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES
NATIONAL ASSOCIATION FOR COUNTY COMMUNITY AND ECONOMIC DEVELOPMENT
NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION
NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS
COUNCIL OF STATE COMMUNITY DEVELOPMENT AGENCIES

TO THE

HOUSE SUBCOMMITTEE ON FEDERALISM

OVERSIGHT HEARING ON

"STRENGTHENING AMERICA'S COMMUNITIES – IS IT THE RIGHT STEP TOWARD GREATER EFFICIENCY AND IMPROVED ACCOUNTABILITY?"

MARCH 1, 2005

The U.S. Conference of Mayors (USCM), National Association of Counties (NACo), National League of Cities (NLC), National Association of Local Housing Finance Agencies (NALHFA), National Association for County Community and Economic Development (NACCED), National Community Development Association (NCDA), National Association of Housing and Redevelopment Officials (NAHRO), and the Council of State Community Development Agencies (COSCDA) appreciate the opportunity to present this statement to the House Subcommittee on Federalism and the Census. We offer this testimony in strong support of the Community Development Block Grant Program (CDBG) and in equally strong opposition to the Administration's "Strengthening America's Communities Initiative."

The Administration's FY 2006 budget proposes *the total elimination* of CDBG. In CDBG's place, the Administration is proposing the creation of a smaller program within the Department of Commerce that will focus solely on economic development. We strongly oppose this substantive policy change for several reasons. First, CDBG is the nation's premier community development program with a long record of success. Second, the Department of Housing and Urban Development (HUD) and the Department of Commerce each play an important role in an intergovernmental partnership with respect to community and economic development. These roles must be preserved. Overall there is no reason to eliminate CDBG or create a new program within the Department of Commerce to administer federal community development funds.

CDBG was signed into law by President Gerald Ford in 1974. Now in its 30th year, CDBG is arguably the Federal Government's most successful domestic program. The CDBG program's success stems from its utility i.e., providing cities, counties and states with flexibility to address their unique affordable housing and neighborhood revitalization needs. Based on HUD's most recent data, in FY 2004 alone the CDBG program *assisted over 23 million persons and households*.

CDBG Has Positive Impact

HUD, OMB and grantees celebrated CDBG's anniversary last September under the theme "Performance Counts." This was entirely appropriate because CDBG has been performing at a high level for 30 years, and it continues to produce results. In fact, according to HUD, more than 78,000 jobs were created or retained by CDBG in FY 2004. In addition, in FY 2004, 159,703 households received housing assistance from CDBG. Of this amount 11,000 became new homeowners, 19,000 rental housing units were rehabilitated and 112,000 owner occupied homes were rehabilitated. In FY 2004, over 9 million persons were served by new or reconstructed public facilities and infrastructure, including new or improved roads, fire stations, libraries, water and sewer systems, and centers for youth, seniors and persons with disabilities from CDBG funds. In addition, more than 13 million persons received assistance from CDBG-funded public services in FY 2004, including employment training, child care, assistance to battered and abused spouses, transportation services, crime awareness, and services for seniors, the disabled, and youth. In addition, over time grantees provide CDBG-funded loans to businesses located in distressed neighborhoods, with minority businesses receiving approximately 25% of the loans.

CDBG has been achieving results like this throughout it history. An analysis performed by Professor Stephen Fuller of George Mason University in 2001 shows that over the first 25 years of the CDBG program CDBG-funded projects created 2 million jobs and contributed over $129 billion to the Gross Domestic Product (GDP).

Examples of CDBG at Work

Consider the following examples of CDBG at work in the community. These projects were all award winners at last September's 30th Anniversary Celebration of the CDBG program.

The City of Jacksonville-Duval County, FL has invested more than $20 million to revitalize the Royal Terrance neighborhood, one of its oldest and poorest. The improvements included extensive drainage, sewer, paving and curbs and gutter improvements. Since 1998, CDBG, together with HOME funds, has been expended to rehabilitate the homes of 72 low- and moderate-income residents. In addition, CDBG funded-rehabilitation has resulted in 75 homes of low- and moderate-income persons being hooked up to sewer lines. A $700,000 Section 108 loan guarantee assisted with the rehabilitation of a 200-unit apartment complex where all of the residents receive Section-8 rent subsidies. A private investor contributed $4.5 million to the rehabilitation. CDBG funds also addressed part of the rehabilitation of vacant buildings in the Royal Terrance neighborhood that have now been converted into commercial facilities that house businesses.

Los Angeles County used CDBG funds to develop its Business Technology Center, the largest high-tech business incubator in California. Opened in 1998, the BTC is a 40,000 square-foot facility in a minority community that was developed with CDBG funds ($3.5 million) and Economic Development Administration funds ($2 million). This is a good example of the programs of the two agencies complementing each other. Development of the facility removed a blighted structure, provided an anchor to revitalize a commercial corridor, and used technology to jump-start a disadvantaged community. Today, the BTC serves 39 tenant and affiliate firms with specialties ranging from fuel cells to biometric software to make DNA micro arrays more effective. Over 45% of the BTC firms have received more than $65 million in equity investment and created more than 475 jobs.

The City of Portland, Oregon's Rosemont project involved the redevelopment of an eight-acre site to preserve the historic Villa St. Rose School and Convent while creating a range of affordable homeownership and rental housing opportunities. Completed in 2002, Rosemont integrates several different housing types, provides a spectrum of affordability, and includes much-needed community services. There are 100 units of senior rental housing in the preserved and expanded Villa St. Rose Convent building.

There are 18 new family rental units, 17 affordable homes for first-time homebuyers, 30 town homes, several single-family homes for sale at market rate, and a Head Start facility that will have five classrooms and administrative offices. The City provided $3.9 million in permanent CDBG financing to develop the senior housing, helped with the site planning, made street and other public improvements, and provided homebuyer assistance.

Yuma, Arizona's historic Carver Park Neighborhood is a 22-block area that is 73% Hispanic and has a high rate of unemployment with nearly half of its residents living in poverty. The City designated it a Neighborhood Revitalization Strategy Area under the CDBG program in 2000. As a result, significant improvements and additions have been made to the neighborhood's housing stock. Thirty-six town homes and 89 units of new rental housing (constructed with Low-Income Housing Tax Credits) have been built. An additional 40 units of private single-family units have been added to the housing stock, 53-units have been rehabilitated, and two homes were reconstructed. HUD also approved a Section 108 loan guaranteed for homeownership activities. The neighborhood just celebrated the opening of the Dr. Martin Luther King Neighborhood Community Center, a safe place for youth to gather. The improvements made in this neighborhood demonstrate the impressive leveraging of public and private funds and programs to maximize CDBG funding. To date a total of $27.5 million in additional investment has been leveraged for neighborhood revitalization from a total CDBG investment of $4.1 million.

The City of Dayton, Ohio has focused its community development efforts on eradicating blight from its neighborhoods and making large abandoned commercial sites available for re-use and redevelopment in order to create jobs. From 2000 to 2003, the city spent $3.8 million to clear 61 acres of blighted commercial properties in order to make these brownfields sites available for business re-use. Of the 61 acres, 10 have been developed for a new business incubator and the expansion of Select Tool, a Dayton manufacturing firm that retained 55 jobs and will create 100 new jobs. In addition to brownfields redevelopment, the City spent over $600,000 for business loans and grants to 29 businesses, resulting in the creation of over 56 jobs for low- and moderate-income residents. In addition, from 2000 to 2003, the City spent over $350,000 in workforce development programs and partnered with such local agencies as the home builder's association to equip under- and unemployed residents in accessing living wage jobs. Over 800 low- income residents were served through the City's workforce development partners and 172 were placed in full-time, living wage jobs. Overall, from 2000 to 2003, the City leveraged $61 million in additional private and public funds for every CDBG dollar it allocated.

When disaster strikes, Congress usually turns to the CDBG program to help provide relief as it did for Florida in the wake of last year's devastating hurricane season. CDBG has also been an effective resource in helping New York City rebuild after the September 11th tragedy. HUD has provided New York with $3.483 billion in CDBG funds to be administered by the Empire State Development Corporation (ESDC) and its subsidiary the Lower Manhattan Development Corporation (LMDC). Of that amount, $700 million has been committed to ESDC and $350 million to LMDC for business retention/attraction and economic loss compensation. An additional $305 million is being used by LMDC for a residential incentive program, training assistance and administrative costs. The process of designating the balance of the funds continues, and CDBG will continue to play a critical role in the City's recovery.

The Self Help Virginia water and sewer program is able to bring centralized water or sewer service (and often both) to remote, undeserved, low-income rural communities where conventional infrastructure financing (loans or grants) would not be economically feasible. The program takes advantage of local volunteer labor to provide water and sewer services where those services would be difficult or unaffordable to provide through conventional needs, particularly in the state's Appalachian counties. In the past six year's the state has provided over $6.1 million in CDBG funds to assist 30 projects. Over 100 miles of pipe have been laid. Over 2,800 people now have (or will soon have) reliable water and sewer service. The state has further supported revitalization in these areas with housing rehabilitation grants and other community development investments. The state has stretched its dollars by combining CDBG funds with Appalachian Regional Commission funds and local dollars. The state estimates the cost savings from this program to be $10 million (a 62% reduction from the estimated "retail cost" of these projects if they had been contracted out).

CDBG Works, Why Eliminate It?

CDBG is popular on both sides of the aisle, and the private sector recognizes its value as well. Senator George Voinovich (R-OH) said recently at the U.S. Conference of Mayors Winter Meeting that "CDBG is the finest Federal program ever to impact cities... [it] should be increased, not decreased." The President of the Mortgage Bankers Association of America, Michael Petrie, was quoted at the same meeting as stating "we need to work together to preserve funding for HUD programs such as CDBG." Senator Christopher Bond, Chair of the Senate HUD Appropriation's Subcommittee, and someone who has considerable experience with CDBG as a former governor and as chair, was quoted in the February 8th edition of the *Washington Post* as saying that the proposal "makes no sense."

We are frankly puzzled that the Administration offered this sweeping proposal. In late January, HUD Secretary Alfonso Jackson told the Winter Meeting of the U.S. Conference of Mayors that the Bush Administration is "... committed to the CDBG program. He said that CDBG "...is a good program and the Administration is committed to seeing that it meets its responsibilities." He said that the FY 2006 budget "... would be fiscally conservative but it will allow you [mayors] to carry out your responsibilities." What a remarkable turn of events to see that the FY 2006 budget *completely eliminates* the CDBG program.

The organizations represented by this testimony do not agree with the poor rating the program received by the Office of Management and Budget (OMB) as part of its Performance Assessment Rating Tools (PART) process. Our analysis of the PART suggests that it is an inappropriate measure of a block grant program's performance.

Instead, it lends itself to an assessment of categorical programs. As described above, contrary to the results of this inappropriate rating tool, the program does work well. Since its enactment in 1974, the program has been, and continues to be, a critical affordable housing and neighborhood revitalization tool for communities. While providing essential services to citizens nationwide, CDBG also acts as an engine of economic growth. It creates jobs and retains business, and it provides communities with the tools to make needed infrastructure improvements, all with t a focus on low- and moderate income persons and their neighborhoods.

The PART review of CDBG states that the program lacks performance outcome measures. NCDA, NACCED, NAHRO, and COSCDA worked with OMB and HUD for nearly a year on performance outcome measures for HUD's four formula grant program: CDBG, HOME Investment Partnerships Program, Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOWPA). Through a *consensus*, the group has developed a framework and specific outcome measures to evaluate the effectiveness of these programs. **OMB helped develop this and has signed off on the framework and the outcome measures.** HUD is in the process of implementing it. We worked in good faith with OMB and HUD in developing sound performance measures for CDBG; all parties supported the existing program. Why suddenly has OMB shifted its support of the program? Why did it develop a whole new "Strengthening America's Communities" (SAC) Initiative to replace CDBG when all parties agreed that CDBG had great accomplishments that could now be reported through our newly created Performance Measures system?

Administration's "Strengthening America's Communities" Proposal

It has been reported that a "Cross Cutting Working Group" of senior staff from federal agencies recommended these changes and that is the genesis of the Strengthening America's Communities Proposal. This is patently untrue. That group met last year to develop common outcome measures for certain federal programs. The work of that group was to collect information in a common way about programs that helped communities. However, each of the federal programs proposed to be eliminated plays a different role, and each is still very much needed.

It is difficult for us to comment on the Administration's proposal without knowing the full details. The Initiative is undefined and unknown at this point. What is clear is that 18 programs that touch on urban and rural economic development, at an FY 2005 funding level of $5.5 billion, are proposed to be turned over to the Department of Commerce and reemerge as a new program whose funding level is proposed at $3.71 billion, a reduction of nearly $2 billion. We do not support such an initiative. We do not support the elimination of the CDBG program in any form nor do we support the transfer of its funding or the funding of any other HUD program to the Department of Commerce.

With the creation of this Initiative, the Administration seems to be suggesting that CDBG is only an economic development program. In FY 2004, 25% or $1+ billion in CDBG funds went to housing activities – assistance to first-time homebuyers, and single- and multi-family housing rehabilitation. Another 40% of the funds went to support public infrastructure – water and sewer facilities, streets and sidewalks, fire stations, and community centers, all in low- and moderate-income neighborhoods.

It is also reasonable to question whether the Commerce Department has the capacity to administer a multi-billion dollar program. Its $257.4 million economic development grant and loan programs are dwarfed by HUD's $4.7 billion CDBG program. HUD, together with its more than 1100 urban, suburban and rural CDBG grantees, constitutes an effective infrastructure for program administration. State and local grantees are intimately familiar with the CDBG statute and implementing regulations. It begs the question, why not move Commerce's economic development programs to HUD for it to administer?

Moreover, programs currently located within the Department of Commerce's Economic Development Administration (EDA) portfolio already address several of the issues contemplated by the new initiative. EDA's grant and loan programs are utilized by local governments to stimulate private sector job growth, ease sudden and severe economic distress and promote long-term economic development planning. They are critical to the nation's distressed areas across the country. EDA's programs were reauthorized last year through FY 2008, a move strongly supported by local governments. The severe impact created by the loss of these important resources cannot be understated.

In addition, a major concern for us, and the communities we serve, is the issue of repayment of Section 108 guaranteed loans. Section 108 is a component of CDBG and allows communities to fund large scale projects pledging future CDBG allocations to repay these loans. Many communities across the country have undertaken projects financed by Section 108 guaranteed loans and depend on their CDBG allocations for repayment. Without CDBG, these communities would be forced to repay these loans with their own funds. This would put many communities at risk of repayment and/or reduce already diminishing local general revenues.

Summary

In summary, we find this new proposal totally unacceptable, and we are extremely disappointed that this tactic is being used as an excuse to eliminate CDBG and cut much needed resources to communities. A key priority of the Bush Administration is stimulating the domestic economy by creating jobs and expanding homeownership, and that is exactly what CDBG does. CDBG is good business and is the foundation of our nation's communities.

The fact is, CDBG is working, and it will work even better once HUD implements the new performance outcome measurement system. It needs to remain at the Department of Housing and Urban Development and funded in FY 2006 at a funding level of at least $4.7 billion, with no less than $4.35 billion in formula funding. This funding level approximates the FY 2004 funding level and the amount requested by the President in his FY 2005 budget.

Mr. TURNER. Next we will hear from Angelo D. Kyle, president, National Association of Counties.

STATEMENT OF ANGELO D. KYLE

Mr. KYLE. Thank you, Mr. Chairman, Congressman Turner. We appreciate this opportunity to testify this afternoon.

My name is Angelo Kyle. I am a county commissioner from Lake County, IL, and I currently serve as president of the National Association of Counties, representing the 3,066 counties in the United States. We appreciate this opportunity to testify.

Mr. Chairman, you have asked us to question and answer whether the Strengthening of America's Communities Initiative is the right step toward greater efficiency and improved accountability. Our answer is a resounding no.

In our opinion, based on 30 years of experience in Federal community development programming, this initiative is not the right step. The right step is to maintain the CDBG program and incorporate the performance measures, negotiate it with OMB and HUD.

HUD's own data tells us that in fiscal year 2004, over 23 million people were assisted by the program. Most of these people are of low and moderate income, especially the elderly and the disabled.

For more than 30 years the program has created a unique flexible and valuable partnership between the Federal, State and local governments that is both effective as well as beneficial. In fiscal year 2005, 177 county governments received over $600 million that will create and assist county governments with activities designed to create jobs, leverage private investments, rehabilitate housing units and improve the lives of citizens through a range of service programs.

In Los Angeles County, CA, CDBG has been used to create the largest high-tech business incubator in California, the Business Technology Center. Since 1998, this center has created more than 475 jobs and revitalized a formally blighted neighborhood.

My own home of Lake County, IL, will use its $2.9 million fiscal year 2005 allocation to assist with a range of programs and activities such as daycare, transitional housing, homeless assistance, fair housing, emergency food assistance, homeowner rehabilitation, first-time homebuyer assistance, and employment training, as well as for important infrastructure improvements, public services, and economic development activities.

As president of the National Association of Counties, I have made home ownership one of my primary Presidential initiatives, especially for our first responders. The very people that we expect to pay the ultimate price, to serve and protect our communities, cannot pay the asking price to afford to own a home in the same communities in which they serve.

The administration has chosen to completely eliminate CDBG by consolidating it along with 17 others in this new program. We oppose this proposed consolidation. First, the new program would focus solely on economic development. Activities undertaken with CDBG funds must meet at least one of three national objectives: to principally benefit low and moderate-income persons, prevent slum or blight, or to meet urgent community development needs that pose a serious and immediate threat to the health, safety and welfare of the community. By emphasizing factors such as poverty and job loss, the consolidation is silent with respect to the myriad activities CDBG funds that meet those national objectives.

The new consolidated initiative would leave these activities at the State and local level without a Federal funding stream, meaning that the Federal Government would be getting out of the business of community development. There is a vital role for the Federal Government to play in this arena.

Community development is a related but essential complement to economic development activities. Congress must preserve the functions of both community and economic development at the Federal level to maintain effective intergovernmental partnerships that create and sustain viable communities.

Second, criticisms of CDBG are largely as a result of an inaccurate assessment of the program, using the Office of Management and Budget's program rating assessment tool, also known as the PART. The PART fails to consider the broad and wide-range nature of the program, as well as the role of local governments in designing activities using CDBG that address challenges that are of particular value to their community.

Third, the consolidation reflects a flawed assumption that the CDBG dollars are no longer needed in many of the Nation's blighted urban areas that are located in high-income counties. I can assure you that there is a need in every part of this country. NACo is concerned that the consolidation is funded at $3.71 billion, which is below the $4.15 billion allocated under the CDBG formula in fiscal year 2005 alone. How will the consolidation address more need with less resources?

As local elected officials, we are on the ground level interacting with citizens on a daily basis. CDBG can and still does positively impact lives. There is simply no need to change the architecture of the Federal Community and Economic Development programming for one simple reason: CDBG works.

In conclusion, I want to commend the committee for bringing attention to the CDBG program, and thank you for your leadership and inviting us to testify, and I would be happy to answer any questions. Thank you.

Mr. TURNER. Thank you, Mr. Kyle.

Chandra Western.

STATEMENT OF CHANDRA WESTERN

Ms. WESTERN. Good morning, Chairman Turner.

My name is Chandra Western, and I am the executive director of the National Community Development Association. I am pleased to be with you this morning to speak on behalf of NCDA and the National Association for County Community and Economic Development in support of the Community Development Block Grant Program. Together these two associations represent over 550 communities which minister to the CDBG program locally.

First and foremost, let me say that the CDBG program works; I know this personally. I have been a practitioner and an advocate for this program for over 20 years. CDBG provides State and local governments with the flexibility needed to provide an array of services and activities in over 1,100 communities across America. It is often the carrot that brings in other investors, both public and private, to distressed and needy communities that would otherwise not be redeveloped.

According to HUD, for every CDBG dollar, nearly $3 is leveraged in private funding. Because the program works so well, we vigorously, vigorously oppose the administration's Strengthening America's Communities Initiative, an initiative that is designed to replace CDBG and 17 other programs. To be frank, we were shocked to see CDBG eliminated in the administration's fiscal year 2006 budget, and this new initiative suggested in its place.

The arguments the administration puts forward for this new initiative lend themselves to great scrutiny. One reason the administration gives for the creation of this new program is to develop one program that is focused on economic and community development funding in order to avoid the maze Federal departments and communities must navigate now in order to access community and economic development funding. This begs the question, why not fold the smaller economic development programs from the other Federal agencies into CDBG and HUD? CDBG, at $4.7 billion, is by far the largest of the 18 programs that is proposed for consolidation; and HUD already has a State and local government network in place to administer these programs.

According to the administration, this new $3.71 billion consolidated grantmaking program will provide funding to communities most in need by setting eligibility criteria determined by job loss, unemployment levels and poverty. CDBG funds are already directed to those most in need. Currently over 95 percent of CDBG funds are allocated to low and moderate-income persons. In fiscal year 2004 alone, CDBG assisted over 23 million persons in households. It also assisted in the creation or retention of 78,000 jobs for low or moderate-income persons.

Another reason given by the administration for the creation of this initiative is that most other programs that have been proposed for consolidation lack clear goals or accountability. We do not believe this is the case. Congress decided how the programs should have been administrated, how the program goals are to be defined. We think that Congress was right. We have addressed this issue for CDBG. NCDA, NACED and several other national associations spent the last 2 years working with OMB and HUD and reached a consensus on a performance outcome for CDBG. We worked in good faith with OMB and with HUD, and HUD is in the process right now of implementing the new performance measurement system that the group created. The administration's new initiative renders this considerably expensive and thought-provoking effort useless.

CDBG does more than the new initiative ever could. The new initiative focuses primarily on economic development activities, while CDBG is much broader, providing funding for affordable housing, public facilities, public services and economic development.

How would existing communities fund these—CDBG programs continue to meet these other needs if this new initiative is enacted? The answer is they would not be able to meet these current needs. The beauty of CDBG is that it is a program that allows communities to decide how best to use their funds, whether it be for housing, neighborhood revitalization or economic development, or some other activity that the locality decides is a priority for it. The new initiative would take away this flexibility.

CDBG was designed as a flexible program for locally determined needs that would address housing and community development activities within that community. We do not believe that this new program—or how many of the communities in this existing program would be funded under the America Communities Strengthening Initiative. We do not know, if the President proposes a significant cut in the funding of community development, how these programs would be funded. At $5.8 billion now, the new program would be $3.71 billion. That is a 30 percent cut to the existing economic and community development programs.

In short, there are too many unknowns with the new program, and too many positive knowns within CDBG; therefore, we support continuation of CDBG within HUD at a funding level of $4.7 billion in fiscal year 2006.

Mr. Chairman, National Community Development Association and National Association for County Community and Economic Development appreciate the opportunity to testify before you today, and we offer ourselves for comments and questions as the hearing proceeds. Thank you very much.

Mr. TURNER. Thank you.

I want to acknowledge that in addition to our Vice Chairman Dent, we also have with us Virginia Foxx from North Carolina. I also want to relate that our minority members of the subcommittee have largely not been able to attend as a result of the weather, which we all know by seeing the news the difficulty in travel, and I appreciate that each of you have made significant efforts to be here today. And we certainly will make certain that everybody in the subcommittee and the committee is aware of the testimony that we have received and the importance of what you've told us today.

I would like to recognize James C. Hunt, National League of Cities.

Mr. Hunt.

STATEMENT OF JAMES C. HUNT

Mr. HUNT. Thank you, Mr. Chairman and members of the subcommittee, and I certainly feel that this is a historic first hearing for this subcommittee.

My name is Jim Hunt, and I'm a city councilman and former mayor of Clarksburg, WV. I'm testifying today in my capacity as first vice president of the National League of Cities.

The National League of Cities' concerns with the administration's Strengthening America's Communities Initiative are threefold. The proposal would drastically reduce community development funding that cannot be replaced. No. 2, the proposal would alter eligibility requirements to the disadvantage of some low and moderate-income communities. No. 3, the proposal would narrow the mission of the CDBG program, which would reduce its flexibility and effectiveness.

The administration's proposal would consolidate 18 current programs with a combined fiscal year 2005 budget of $5.6 billion into a new two-part grant program with only $3.7 billion in funding. That is a drastic cut, nearly $2 billion. What is even more alarming is the majority of the funding for this new and smaller program will come from CDBG.

CDBG has played a critical role in rejuvenating distressed neighborhoods and alleviating economic decline in all types of communities. It is one of the best and only tools currently available to spur economic growth. However, CDBG is not just a jobs creator or economic development tool; it is also a catalyst for affordable housing and new public infrastructure.

For example, my city of Clarksburg, WV, using CDBG grant funds, constructed a new water line that serves the FBI's new CEGIS Division in Clarksburg, which now has 2,700 employees in my community. This project also opened up hundreds of acres of land that are now a hotbed of economic development activity. Before the project these properties were idle because they had no reliable access to water. Today these lands generate jobs, spur economic activity and provide housing and greenspace. They also generate new revenue for the city, the State, and ultimately the Federal Government. Yet despite measurable successes such as these, the Office of Management and Budget proposes to gut CDBG in favor of the Strengthening America's Communities. What is the rationale?

The details are still unclear as to which communities will be eligible for SAC grants, but it seems clear that they must, at the very least, have poverty and job rates above the national average. If this is so, then the administration has made the mistaken assumption that impoverished neighborhoods no longer exist in communities ranking above the national average on the poverty and job loss index. We at the local level, however, know that this is far from reality.

Using national averages to measure assistance needs ignores the reality that our Nation is comprised of local economic regions that are unique. For example, the majority of families who earn below the regional medium household income in the greater Washington, DC-Baltimore metropolitan area may earn more than the national poverty rate, but they are just as much in need of assistance because of the cost of living, and this region is significantly higher than the national average.

Second, OMB claims that the programs like CDBG have no measurable results. The administration's proposal suggests new performance standards like job creation, new business formation rates, commercial development and private sector investment as tools to determine whether the communities receiving the Strengthening America's Communities funds are achieving results. Unfortunately measuring results by these criteria makes little sense for the communities that are chronically impoverished, have little to offer in the way of resources, and are unlikely to show significant progress over a relatively short period. In short, they are being set up to fail.

Clarksburg, WV, recently used a $250,000 Small Cities Grant to demolish vacant and dilapidated buildings in certain neighborhoods throughout our city. These structures were havens for crime, targets for vandalism and fire, and an attractive nuisance for children.

We use the vacant lots created by the projects to expand businesses, as well as create space for larger yards and garages for our citizens. It is very difficult to assess the impact of removing a drug den from a neighborhood using economic criteria alone; moreover, it is difficult to assess the economic impact in relation to this type of project over a short period, yet the administration's proposal appears to try to do just that.

Mr. Chairman, closing down a drug den may not immediately create job growth, spur new business formation or encourage new commercial and residential development; however, it will immediately increase the quality of life of its neighbors. That is measurable and is the foundational beginning for any plan to attract new commercial and residential development in the future. Throughout West Virginia, when you travel to virtually every city from large to small, you don't have to drive very far to find the areas of our cities and towns where poverty and despair reign.

Mr. Chairman, the one-size-fits-all approach proposed by the administration will likely stifle the flexibility and effectiveness currently found in the CDBG. For these reasons the National League of Cities and its member cities throughout the country will aggressively advocate for the continued existence of a strong and distinct CDBG grant program. We hope that you will help us by urging your colleagues in the Appropriations Committee to fully fund CDBG formula grants at $4.35 billion, and $4.7 billion overall. Thank you for this opportunity to appear.

Mr. TURNER. Thank you.

[The prepared statement of Mr. Hunt follows:]

To strengthen and promote cities as centers of opportunity, leadership, and governance.

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Testimony of the Honorable James C. Hunt, City Councilor, Clarksburg, West Virginia and First Vice President, National League Cities

Before the House Government Reform Subcommittee on Federalism and the Census

March 1, 2005

Chairman Turner, Ranking Member Clay and members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's proposed shift of Community Development Block Grant (CDBG) program to the Department of Commerce. My name is Jim Hunt. I am City Councilman and former Mayor of Clarksburg, West Virginia and am appearing before you today as First Vice President of the National League of Cities.

The National League of Cities, the nation's oldest and largest organization for municipalities, represents 18,000 cities and towns and over 140,000 local elected officials. Its mission is to strengthen and promote cities as centers of opportunity, leadership, and governance, and to serve as a national resource and advocate for the municipal governments it represents. No matter the size of city, programs like the Community Development Block Grant (CDBG) program have played a critical role in rejuvenating distressed communities and alleviating economic decline throughout our nation's cities.

CDBG has played a critical role in rejuvenating distressed neighborhoods and alleviating economic decline in all types of communities. It is one of the best and only tools currently available to spur economic growth. However, CDBG is not just a jobs creator or economic development incubator, it is also a catalyst for affordable housing and new public infrastructure.

Take my city of Clarksburg, West Virginia, as an example. Using CDBG grant funds, Clarksburg recently constructed a new water line that serves the FBI's new Criminal Justice Information Services Division building. The facility employs over 2,700 people in and around my community.

This project also opened up hundreds of acres of land that are now a hotbed of economic development activity. Before the project, these properties were either blighted or idle because they had no reliable access to water. Today, these lands generate jobs, spur economic activity, and provide housing and green space. They also generate new revenue for the city, the state, and ultimately, the federal government.

This story is echoed in cities across America:

- Tuscaloosa, Alabama used $2 million in CDBG funds to renovate an area near the University of Alabama. The project helped create more than 100 new jobs and retained many more.
- Milwaukee, Wisconsin used the program to rehabilitate or construct more than 700 affordable housing units — and help more than 250 low income, first-time home buyers live out the American dream.

Unfortunately, the Administration is proposing to eviscerate the CDBG program by shifting its funding to a new and significantly smaller program within the Department of Commerce. For reasons to be outlined shortly, NLC urges you to reject the Administration's proposal and to maintain CDBG as a distinct and separate program within the Department of Housing and Urban Development (HUD).

A. The Administration's Strengthening America's Communities Initiative (SAC) Would Not Serve the President's Goal of Supporting Economic Development.

The Administration's Strengthening America's Communities Initiative (SAC) will have a tremendous impact on the way the Federal government allocates community development funds. Unfortunately, it has offered little in the way of details to the various stakeholders. Therefore, it is difficult to quantify one's concerns without knowing the specifics. However, based on the documents released by the Administration in support of the proposal, local governments have these initial concerns

Specifically:

1. The proposal would drastically reduce community development funding by roughly $2 billion -- funding local governments will not be able replace.

2. The proposal would significantly alter eligibility requirements to the disadvantage of some low- and moderate- income communities.

3. The proposal would narrow the performance standards from that of the current CDBG program to only economic criteria, a step that would drastically reduce the flexibility and effectiveness of community development monies.

1. The Administration's SAC Program Would Drastically Reduce Funding for Community Development Programs That Cannot Be Recovered.

The Administration's SAC proposal collapses 18 current programs, whose combined fiscal year 2005 budgets total approximately $5.5 billion, into a single grant program funded at $3.7 billion. The Administration's proposed budget for SAC grants represents a funding cut of nearly 35 percent from what Congress allocated in fiscal year 2005 for all 18 programs. This cut disproportionately harms CDBG funding because CDBG's fiscal year 2005 funding level of $4.7 billion represents nearly 80 percent of the $5.5 billion of combined funding. Moreover, the proposed $3.7 billion for SAC grants is $1 billion short of CDBG's current funding level.

The Administration claims that it is seeking to "retarget and refocus" these funds to create new program efficiencies. However, from a practical standpoint, NLC questions whether moving the programs from HUD, where administrative and professional infrastructures already exist and function well, to the Department of Commerce will generate any real savings because building the agency's capacity to administer the programs alone would likely consume any cost savings derived from consolidating these programs.

2. The Administration's New Eligibility Criteria Would Ignore the Needs of Many Low- and Moderate - Income Communities.

The Office of Management and Budget claims that SAC will better fund communities most in "need of assistance" by creating new eligibility criteria around national job loss, unemployment, and poverty rates. Too many communities, it says, receive funding that they no longer need, even though many of these communities have poverty rates below the national average.

The details are still unclear as to which communities will be eligible for SAC grants, but it seems clear that they must, at the very least, have poverty and job loss rates above the national average. If this is so, then Administration has made the mistaken assumption that impoverished neighborhoods no longer exist in communities ranking above the national average on the poverty and job loss index. We at the local level know however, that this is far from reality.

Using national averages to measure assistance needs ignores the reality that our nation is comprised of local economic regions that are unique. For example, the majority of families who earn below the regional median household income in the greater Washington, D.C. - Baltimore metropolitan area may earn more than the national poverty rate, but they are just as much in need of assistance because the cost-of-living in this region is significantly higher than the national average.

Throughout West Virginia, when you travel to virtually every city, from large to small, you don't have to drive very far to find the areas of our cities and towns that have been forgotten; where poverty and despair reign. This one-size-fits-all approach proposed by the Administration will likely stifle the flexibility and effectiveness currently found in CDBG. The result will be that many cities and towns will still be forgotten and poverty and despair will continue to reign.

3. The Administration's Proposal Would Narrow Performance Standards, Drastically Reducing the Flexibility and Effectiveness of Community Development Monies.

The Office of Management and Budget claims that programs like CDBG have no measurable results. The Administration's proposal suggests new performance standards like job creation, new business formation rates, commercial development and private sector investment as tools to determine whether communities receiving SAC funds are achieving results and thus, their eligibility to retain funds or to earn bonus grants.

Unfortunately, measuring results by these criteria makes little sense for communities that are chronically impoverished, have little to offer in the way of resources, and are unlikely to show significant progress over relatively short periods. In short, these communities are being set up to fail.

For example, Clarksburg recently used a $250,000 CDBG grant to demolish vacant and dilapidated buildings in certain neighborhoods throughout our city. These structures were havens for crime, targets for vandalism and fires, and an attractive nuisance for our children. The city used the vacant lots created by the project to expand businesses as well as create space for larger yards and garages for our residents.

Unfortunately, it is very difficult to assess the impact of removing a drug den from a neighborhood using economic criteria alone. Moreover, it is difficult to assess economic impact in relation to this type of project over a short period. Yet, the Administration's proposed criteria would try to do just that. Closing down a drug den may not immediately create job growth, spur new business formation, or encourage new commercial and residential development. However, it will immediately increase the quality-of-life of its neighbors. That is measurable and is the foundational beginning for any plan to attract new commercial and residential development in the future.

Since its creation in 1974, CDBG has had a three-pronged mission to: (1) benefit low- and moderate-income individuals and households; (2) eliminate slums and blight; and (3) address the urgent needs of communities faced with a serious and immediate economic or health threat.

These goals have allowed local government broad latitude in how it uses grant funds, and whether that use is for the creation of new economic development opportunities, affordable housing, public facilities, or services. Ultimately, these goals have given cities the latitude to address "urgent needs" like eliminating drug dens and other cancers on our communities -- latitude not found with other programs. It is because of CDBG's flexibility and autonomy of local control that the CDBG program has become, from the local government perspective, the most effective form of federal assistance currently available.

If the Congress alters the CDBG program as proposed, however, we in West Virginia fear that the state's entitlement cities will be placed in direct competition with non-entitlement cities as well as with larger municipalities located across the nation. CDBG communities have already faced reduced funds from the program. This problem does not necessarily stem from huge cuts in CDBG funding. Instead, it is the result of a continued and growing need. More simply put, more communities have been competing for a static or slightly decreasing pot of money. Now the Administration proposes to cut that scarce funding by a total of nearly $1 billion ($2 billion if one includes the other 17 community development programs). This cut can only exacerbate the problem and increase competition among localities. To say that the SAC proposal is a compassionate attempt to bring more money to distressed areas like those in West Virginia is to deny the reality that there will be less funding for an ever-larger universe of need.

B. The CDBG Program Should Remain Flexible and Distinct from Other Community Development and Economic Development Programs and Should Be Level Funded for FY 2005.

The long-standing goal of community development has been to improve the physical, economic, cultural and social conditions and opportunities a community offers its residents. For this reason, NLC urges the Congress to work with state and local governments as a full partners in achieving this goal. Over the last 30 years, the CDBG program has served as an excellent example of a successful federal and local community development partnership. For this reason, NLC will continue to advocate in Congress for a fully-funded CDBG program at the Department of Housing and Urban Development that is distinct and separate from other economic and community development programs.

NLC will strongly support legislation that funds CDBG formula grants at no less than $4.35 billion and the overall program at $4.7 billion. Moreover, NLC will support legislation that keeps the CDBG program within the HUD account and provides a direct, flexible and reliable source of funding to local government. Lastly, NLC will seek to maintain the current "dual formula" system where at least 70 percent of CDBG formula funds go directly to cities.

Mr. TURNER. We're going to go now to a round of 10-minute questions.

One of the things that I think is most important for us, as we talk about CDBG, is the fact that each and every community can utilize these funds for different goals and objectives. I know that in the city of Dayton, for example, every neighborhood is different, so that our use of CDBG funds for economic development projects, community development projects, housing projects would each be different.

Now, I would ask Mayor Plusquellic and Commissioner Kyle and Mr. Hunt, if you would each speak on that issue of—I am certain that all your communities are not the same, and that the varied needs of CDBG—varied needs of your community permit you, through CDBG, to tailor them to the needs of your community.

Mr. PLUSQUELLIC. Thank you. Mr. Congressman, I would also add that the funding mechanisms are different and the available resources are different from community to community, State to State. Your county was very aggressive in starting a program to help provide economic development dollars for each community to share. There's a formula that's used. And so in some ways I would look at Dayton and Akron and say even within the same State, you might have additional resources to be used for economic development purposes that the city of Akron doesn't have because we chose to do something else along the way to provide extra money for housing on a countywide basis.

So every situation is different, every community is different, and every funding resource formula is different. And so it adds to the need to have a program that is flexible and allows us not to just adopt this cookie cutter—as Jim Hunt had suggested earlier—that the Federal Government is attempting to do.

I think that flexibility may be, in all honesty, the one that sort of gets us in trouble sometimes because some Members here on the Hill here have something that they don't necessarily agree with. They might not understand why that someone might use money for a certain purpose. But when you look at a neighborhood and you look at one—and I talk about spending money, for instance, on a grocery store. Most people probably in America can't even fathom that there isn't a grocery store right down the street somewhere from them.

But if you look at the older neighborhoods where businesses have abandoned—and I love working with the private sector; I have a great relationship with our business community—but it's pretty hard for me to get them enticed to go in on some market basis to fix the roof of an elderly person's home just on a market basis. It's a matter of helping that senior citizen stay in her house or his house and have a better quality of life, which is exactly what many of these dollars do. And so having the opportunity for me to go in one neighborhood in Akron and say the most important thing that I can do here is to try to provide the incentive necessary to get a private developer to come in and put in a grocery store so the residents of that neighborhood that don't have a grocery store for miles can get their basic necessities, and go to another neighborhood where there is a high percentage of elderly people still living in their homes—and they want to do that—to help them live in a safe environment, putting a new roof on, maybe providing some extra wiring, new wiring that's needed to make the home not only more livable, quality of life, but safer, and help entice a new family to come in when that senior citizen leaves, I think, are two examples of how we in Akron use the dollars differently, which may be completely different, for instance, than the way Dayton might have used it for downtown development or other things.

Mr. TURNER. Commissioner Kyle.

Mr. KYLE. Thank you, Mr. Chairman.

In Lake County, IL, we utilize the CDBG funding in a variety of ways. And I think that has been one of the assets of the CDBG program is its flexibility. As you know, a lot of the Federal-funded programs are very stringent in what you can utilize those allocations for, so I think the flexibility is actually an asset to the program.

We've utilized the funding for our Affordable Housing Commission in Lake County, IL, where we not only promote and market affordable housing opportunities, but we also provide funding to those community developers who specialize in the construction of affordable housing. Also, we utilize it for emergency food assistance programs.

And I think what we must realize is that there are pockets of poverty in every community. You will identify homelessness and hunger in Palms Springs, CA, to Greenwich, CT, in Hollywood. In several of the most affluent capital cities and counties in the United States you will find pockets of poverty. So if we have a significant amount of the citizens of a particular community who will drive up the median income of that particular city or county, do we just ignore the pockets of poverty that will still exist in those communities? I think that's the important thing here.

Also, we've utilized our funding for daycare services, and we would like to question whether or not those types of service delivery systems will continue out of the Department of Commerce. Will public services continue? Will infrastructure improvements continue? And I think we must realize and not just confine the Community Development Block Grant Program into just bricks-and-mortar type of a program. Community development programs also develop morale in a program—in a community. It also develops self-esteem, self-confidence, self-motivation. These types of programs actually produce productive citizens in a community, and I think that criteria is oftentimes not measured in the significance of these Community Development Block Grant Programs, and they cannot always be measured in bricks and mortar and hammers and nails.

Mr. TURNER. Thank you very much.

Councilman Hunt.

Mr. HUNT. Mr. Chairman, one of the things that when you look at why different neighborhoods have a different look with CDBG is I think one critical component of the CDBG is that we asked low and moderate-income persons to come to meetings on these planning; so what the needs in Dayton, OH, and in Clarksburg, WV, they're going to reflect the needs of these moderate and low-income persons that come out.

And I think, as most of us will attest, that some of those meetings are the most critical ones we hold as public officials. And when you look at it in Akron, when they say we'd like a grocery store, in West Virginia that's not generally a problem, but when you look at community centers in rural areas, community centers are the lifeblood of the communities.

So I think the one thing that you look at CDBG is the flexibility; the other is we've asked people, just according to the statute that we follow that says, what are your needs in your community? And that's why you're going to get a different face on it completely across the country. And I think it would be difficult to punish the CDBG recipients for doing exactly what the statute asked.

Mr. TURNER. I asked you that question in order to ask you this next one. One of the things that we have as justification for dismantling these programs and reconstituting them is that the performance measures that are currently being utilized in judging the CDBG program have not favorably reflected upon the program. The performance measure that is currently being used is the PART analysis, known as the Program Assessment Rating Tool. I'm going to read you one paragraph of it and I'd like you to respond to it because I think this is something that you might have a contrary view to.

And the question is: Is the program designed so that it is not redundant or duplicative of any other Federal, State, local or private effort? And the answer in the measurement analysis here says, "Federal, State and local programs, as well as other for-profit and nonprofits, address similar objectives. CDBG funds are rarely the only resource for the community development activities of public agencies or nonprofits."

Now, my experience and my understanding has been that of the types of projects that you are describing, that you don't have readily available to you another either Federal, State or local source to fund those. I would like your comments on that and I will start with the mayor.

Mr. PLUSQUELLIC. Well, I think it's the leveraging issue. There's certainly other funding sources that we all have, depending on our State laws and local ordinances and the provision of—the level of political will that the local government leaders have to ask their own people to step to the table to provide resources. And we have different mental health levies that go on in Ohio, we have different school levies and needs of school. All of these issues someone could say somehow they're overlapping, but when we can use CDBG moneys to attract private sector investment in particular, but even if we have to, to make a project work, put some other local resources to work.

We put some money in, city dollars, into the grocery store project. I'm not sure how somebody sitting in some office here in the Beltway thinks that's a bad thing that there are other sources out there. The question is are there other sources to make up for the significant cut here, even if you accept—which I don't, and the Conference of Mayors does not—that this is, you know, really fully funded to really meet the people that are the most neediest?

If you look at the 30-something percent cut, and you look at the 30-something percent that they say are below the poverty line, if you wiped out that percentage just on a per capita basis, you would say there is no more money then for the neediest. I mean, I can do the math if I get the list that you have requested from OMB and from Dr. Sampson, but even if we were talking about the same level of funding, shifting and doing some things that are supposed to be for improving a program, we don't see it that way because the funding level is much lower.

So bringing other funds, bringing other resources to the table is exactly what public-private partnerships are all like, and I think bringing in some of the public agencies, for instance, and having city governments or others put money into it—that could be a county, it could be a park district, depending on the State law—that have other resources, I don't see as a bad thing. I see it as a collaborative effort in each community to meet the needs of that community. And I go back to this flexibility that you mentioned earlier; that's why these funds are flexible and each community gets to decide what their priorities are.

Mr. TURNER. Commissioner.

Mr. KYLE. Thank you.

I think we could look at your question also in reverse. If we're looking at some potential duplication of services or deliveries out of the CDBG program and in the Department of Commerce, we can also look at it from the standpoint of if we're specifying the housing-related projects, we could also transfer the Housing and Economic Development-related projects from the Department of Commerce over to CDBG. And then we could also eliminate some duplications in reverse from that aspect also.

But the significance of the CDBG program, as we have indicated, they provide certain unique programs like transitional programs, transitioning individuals who have, for example, been incarcerated. We have a recidivism program in Lake County, IL, where we're providing funding through CDBG to transition individuals that have been incarcerated back into the work force with job skills development and those types of issues; also individuals who have fallen into drug addiction and transitional programs to transition them back into the work force to make them productive citizens also.

So these types of programs, they also produce an element of pride in your community, which would be a criteria that's lacking in a lot of other Federal-funded programs. And as I indicated, these types of things are difficult to measure, particularly with the criteria and the standards that are being utilized to measure these types of delivery systems.

Mr. TURNER. Thank you.

Ms. Western.

Ms. WESTERN. I think that is a very good question, but what I would like to comment on really is looking at the proposal the administration has put forward in terms of consolidating programs from CDBG and 17 others into a new program. When CDBG was created as a consolidation of seven other programs because there was too much redundancy and too difficult in terms of applying for funding across the national—the Federal level—if you look at the program, CDBG has 28 eligible activities, and it allows for each community to determine its priority needs based on three national objectives that the Congress determined was what the program should undertake. And so when you look at duplication of effort, and you've already rolled in seven programs into one, and now you're looking at trying to roll in 18 programs into 1, the Federal Government itself duplicates the effort; it's not that the program is duplicative of other efforts.

I think CDBG is the program that should be the one that focuses on cities and communities and neighborhoods because it allows for locally determined, identified, prioritized needs based on what Congress intended them to do with these funds. And if you see everyone doing different things differently, that's why the program exists, because it supports every community's goals and objectives through this one source of funding, and HUD.

Mr. TURNER. Councilman Hunt.

Mr. HUNT. Mr. Chairman, you know, the private sector does do affordable housing, they do have a very effective affordable housing program, and that is, if you can afford it, they will build it. And I think that's, in a nutshell, a little bit of the difference of when we talk about affordable housing. And that's why it's not an overlap with the private sector or other programs is that in many cases the private sectors had the opportunity to come into my town and into Akron and into other communities at any point and purchase these dilapidated properties. The taxpayers have already invested in water and sewer, sidewalks, streets, facilities that run right in front of these dilapidated properties. Any private developer can do it.

One of the challenges, however, is when you add in asbestos regulations, when you add in the different costs of removing these properties, what the cheapest thing to do is and what's happening all over America is we go out to greenspace and we start putting in new roads and water and sewer. And I will tell you that the cost of putting in water and sewer for a neighborhood of 30 in a subdivision is clearly more expensive than tearing down a dilapidated house and salvaging the neighborhood for those other residents.

And you have to look at it on a real-world basis, when you walk those neighborhoods and that house comes down, and all of a sudden—and I don't think there's any public official that can contest this, is when you tear down a house in a neighborhood, the building permits on the adjacent properties go up, and somebody who wasn't going to put a deck on now invests in a deck, somebody who wasn't going to put siding on now puts siding on.

It's not even something you say it thinking, gee, somebody will argue with you because we will all see it. And when improvements are made in neighborhoods, no matter how bad they are—and that's why graffiti removal, when you start looking at gang activities in most of our communities—in West Virginia there was an article in the Charleston Gazette about gang activity in West Virginia, something I never thought we'd see—when you look at it, it's signified by the graffiti that is growing out in these small little West Virginia towns. When we take an active role of graffiti removal—we're not going to eliminate gangs in West Virginia with methamphetamines, but we do have the tools that we can go after some of these activities.

So I just say, I mean, when you look at neighborhood redevelopment, private sector is in there every day—predatory lending; there are a lot of nasty things in our neighborhoods. CDBG are funding the type of activities that work toward the betterment of those neighborhoods.

Mr. TURNER. Thank you.

Mr. Dent.

Mr. DENT. Yes, thank you.

Mr. Hunt, you made a good point there about the uses of these CDBG funds. In my experience it's been very useful when moneys, public moneys, whether they be CDBG or other public moneys, be used for demolition or mediation or buying those power hoses to remove the graffiti, or whatever the case may be, or even tearing down an old dilapidated house and putting a little pocket park, or maybe even a parking lot, depending on the circumstances of a densely packed neighborhood.

But the administration has a point, and I think, Mr. Kyle, you spoke to the issue a little bit, but I guess I have a problem with a community like Boca Raton, FL, getting the CDBG money if, in fact, it has the capacity in the local community to take care of some of those projects themselves. I would rather reserve those precious public dollars for those communities that are truly distressed, that do need to tear down that dilapidated, drug-infested house, whatever the case may be.

But does the administration have a point; should we not be looking at those communities that are not very impoverished, but are somehow getting these dollars?

Mr. HUNT. And we're not going there with guns getting the money; there are rules and regs that are portrayed for this.

And there's no question, you make a good point; but it's like, let's reevaluate the program within the existing confines. It doesn't seem to make sense that if that's the one issue of which we haven't even clarified how much of those dollars and what they've been spent on, because there are eligible activities even within those communities, that they have to be targeted to low-income and moderate-income persons. But even if that's the case, then let's solve that problem without completely dismantling one of the most effective community development programs.

And I think even through the testimony, like I said, we don't have a clear number of how much of that is actually occurring when you look at clearly you do have examples of communities, of low and moderate-income communities, that are using these funds.

Mr. PLUSQUELLIC. I think it would be difficult for me to give testimony on behalf of a wealthy community. Akron is not a wealthy community in that measurement. But I'm sure one of the things they would say is they send more than their share of taxes here to Washington, and they ought to get some of it back; I'm sure that would be their first argument. And if, in fact, there are still people who meet the requirements—because keep in mind, Congress established the requirement that the moneys still have to be spent 70 percent low and moderate. If they don't meet that requirement, they can't get the funds.

So, I mean, I think there is a protection there, I guess, from wealthy communities spending these dollars on wealthy people, which is sort of the inference in that 38 percent, which I said is so, in my opinion, misleading; it's probably accurate, factually correct, but inferentially wrong. It infers that they're spending it on wealthy people in wealthy neighborhoods, and that just can't be by the regulations themselves.

Mr. DENT. OK. And finally I guess, Mr. Kyle, you had mentioned something about, I guess, measuring the program, you talked about capital funding. I thought you made some reference to capital funding shouldn't be the primary emphasis. Did you say that? I was trying to get a clarification. I've always liked using these public dollars for capital purposes because I could see the results in my community, whether you're tearing down the building, removing the graffiti, even if you are going to hire a couple code enforcement officers. Whatever the case, I want to make sure there is something tangible as opposed to paying for something that's less measurable.

Mr. KYLE. Sure. I appreciate the question. We utilize the funding, our CDBG funding, in Lake County, IL for programs like emergency food assistance, to provide food in food pantries throughout various blighted and dilapidated neighborhoods. We'd also used the funding, as I'd indicated, for day care, for those individuals who cannot afford day care but still have to go to work every day. We utilize the funding also for a recidivism program, which is a program to make those individuals who have been incarcerated, teaching them job skills, development, job training, and transition them back into productive citizens. We also utilize that program also for a drug transitional program, to counsel and train individuals of how to stay off of drugs and how to make them more productive citizens.

So these are the types of programs that are not necessarily brick and mortar but they are pragmatic in nature and systemic, whereas we don't necessarily have to build a building to provide these programs.

Mr. DENT. I guess just from my experience with the program, where I live at least, it seems that those programs you mentioned, while they are worthy, whether it's child care or helping people return from prison back to the mainstream of life, they are worthy initiatives, but I am just not aware of, like where I live, of community development funds, for example, being used for that type of initiative. It's more in line with what Mr. Hunt had talked about.

Mr. KYLE. Sure.

Mr. DENT. And that's where I would like to see the focus.

Mr. KYLE. Sure.

Mr. PLUSQUELLIC. May I comment? Many of these programs connect up with other things we are doing. Let me give you an example, and I can't speak for 1,100 communities across the country, but if we are helping a new homeowner, single mother, purchase a first home, and, for whatever reason our system, whatever, whoever is responsible for not allowing every person 19, 21, 25, 30 years old to know and understand how to get good credit and keep good credit, we have a credit counseling agency that works with them for some period of time so that we are not just encouraging go buy a new home, we will give you some down payment, you can work in there, and then you go back and charge everything on credit card and you lose your home, that we in our community believe strongly and the President of the United States has said he believes strongly in home ownership. So it may be a social service agency and money spent for that, but we try to connect it up.

We've supported home delivery, a local group raises a lot of donations locally, but we have supported at various times for home meal delivery for senior citizens, that we fix the roof and add the safe wiring, so that it connects up with helping seniors stay where they want to stay and not feel afraid to live in that neighborhood.

So I think many of these things that you look at are connected up to the hard types of capital investment that you are suggesting. And I am not sure what the percentage—in Akron we only spend about a half a million out of the 13 million on those social service agencies. So in most communities it's a small part.

Mr. DENT. That is fine. That would be my thinking as well.

And I want to conclude just by saying the administration, as I mentioned a few minutes ago, I believe there is some logic to taking some of these programs they've identified—and, again, I'm looking at the brownfields in particular and maybe urban empowerment zone grants, just to name two—but there might be some logic in consolidating them or shifting them into commerce, based on my experience, that it might look more like economic development activities as opposed to perhaps community development or housing activities. And I would just like to hear what your thoughts would be.

I am not suggesting that CDBG be moved over, but what do you think? Are they onto something here with some of these programs, whether they come out of HUD, or perhaps agricultural or wherever the program may be, should they not be moved to Commerce?

Mr. PLUSQUELLIC. Well, let me say something first of all that I meant to say. I have personally deep respect for Dr. Sampson. We have worked in Akron with Dr. Sampson and EDA, the Commerce Department, on several things including an incubator project. I believe he is a very knowledgeable professional, and competent, and knows and understands economic development.

I think much of the testimony we have heard is there are so many other ways that community development block grant moneys are used that improve the communities that don't go into these numbers that OMB pumps out and the statistics. You just can't measure those things on straight job development.

So I believe he is sincere in trying to make this work, but in our meeting he mentioned that EDA—I believe the numbers are correct, I'm sure someone in the room will correct me if I'm wrong—EDA administers a program right now at about $370 million. And first and foremost, to stick this HUD program of $4.7 billion into a program and compare the efficiency and effectiveness of a program that primarily deals with business people, and now you are dealing with elderly and low-income folks in dilapidated neighborhoods, and all that just doesn't make sense at all. Is there a piece of the—I don't have the agencies here. Is there some piece?

Someone mentioned brownfields. Could that be moved under Commerce because it's dealing with business and revitalizing? This is my own personal—this isn't the Conference of Mayors; we haven't taken a position on that. But I think, like you, that might make some logic for some small part of those 17 programs that you are talking about. We believe strongly that CDBG should not be moved, and that's the—you don't move a big program, doing a lot of other things, into one over here that's only dealt with business development.

Mr. DENT. I understand. The main concern here today is CDBG, and the other programs, well, we could have a discussion perhaps another time.

Mr. PLUSQUELLIC. I was trying to say yes without giving in completely, Mr. Congressman. I hope you understood.

Mr. DENT. Thank you.

Mr. HUNT. I think one thing is important to look at the arithmetic, though, on the proposal, is that clearly CDBG is going to bear the brunt of the cuts. So the other 18 programs combined, even if they all went to Commerce, CDBG was retained as funding. I mean, you are paying for all those 18 programs out of the current CDBG program. And I would make the comment a lot of times the brownfields' perception is that this is an urban issue and it's not.

We just last week took ownership of a former glass factory in our town that was put up for public auction that had gone through the Federal brownfields remediation. And, to be quite honest, one of the challenges and one reason that CDBG might have a role there is the private sector are very leery of going in the first owner of a brownfields site. We had a courthouse sale. We had over $400,000 of liens in our community against this site where we'd expended cleanup, and no private sector or person came up for a property that's valued well over $1 million. So from what our understanding is and talking to the private sector is that you may well have to expend CDBG money to make it attractive enough for the private sector to stay.

Mr. DENT. I agree with you 100 percent on that. I represent the largest brownfield site in America in Bethlehem Steel, the old Bethlehem Steel site. I know what you are talking about. And that public money, whether it's CDBG or other funds, you have to put it in there because nobody is going to take their private dollars and remediate that site and accept the liabilities. We have a good brownfield program where I live.

Mr. KYLE. And if I could just add, Congressman, is that when we talk about brownfield funding, if you would look at the objectives of the brownfield funding out of CDBG, which is primarily for redevelopment purposes, and the brownfield funding out of the EPA is for cleanup. So therefore you have the same type of funding, but the funding has different objectives and different goals.

Ms. SMITH. I would just like to say that all the programs that are being proposed for consolidation and be moved over at Commerce are already eligible under CDBG. In fact, brownfields used to be a part of CDBG before it became a separate program that identified specific activities in conjunction with other funding. And brownfields are still eligible under CDBG as a part of the CDBG program. So I would think that the economies of scale would be more readily maximized if you put everything over in the CDBG and at HUD, already an existing infrastructure for delivery. It goes directly to communities where the programs are going to be funded anyway, and it provides communities with parameters in what they can spend the funds on, based on how they have identified their needs to public participation process so they can determine what to spend the money on, when, and why.

So, I mean, I think that the whole proposal is counterproductive in terms of maximizing efficiency to move the big program and what it's been doing for 30 years over to Commerce without any infrastructure or any idea how the distribution of funds is going to take place to accomplish the same things we are already doing, and doing very well.

Mr. TURNER. With that, that ends our questioning. And like the panel before you, I will give you an opportunity if there is any closing remarks or additional thoughts that you would like to provide for the record.

Mr. PLUSQUELLIC. Thank you. I would like to thank you once again, Congressman Turner, and the others, for allowing us an opportunity to state as strongly, hopefully, as we can here today how important CDBG funds are. I would like to make an offer that when this is settled and everybody realizes that HUD has done a good job, every program can be improved and we can look at working together, that we get some of the folks from inside the Beltway here who run numbers to get on a bus—I didn't say a plane because that would be wasteful government spending—but get on a bus and take a tour of America and go through eastern and western Pennsylvania where the Governor gets $55 million of CDBG to distribute to the small communities. Come to Ohio and see what all the cities there are doing with the CDBG. And continue across the country to actually see from year to year, and measure those neighborhoods that cannot statistically ever measure up to some green pasture. And if they would do that and see some of the great things that go on, they would have a better way of sitting here in front of Congress testifying on what's really going on in America thanks to the partnership that has existed since Richard Nixon was President of the United States in a program that he proposed to Congress and they accepted.

And so I make that offer on behalf of the U.S. Conference of Mayors to work with your committee, work with anyone else here in Washington, even the folks at OMB, to show them what's really going on. We appreciate the opportunity for us to express what we believe is the success story of CDBG, and thank you for that opportunity, and look forward to working with you in the future.

Mr. KYLE. Thank you very much. And on behalf of the National Association of Counties, we also appreciate the opportunity to testify this afternoon. And we wanted to, of course, reiterate how vital and crucial the sustainability of the community development block grant is to counties across this country. It has been a most successful program throughout counties throughout the United States, and we wanted to point out the significance.

Even if you look here in Washington, DC, the capital of the United States, the most powerful city in the world, there is homelessness right outside of the gates of the White House, there is hunger right around Capitol Hill. These types of social-oriented issues cannot go ignored, and we cannot go into a state of denial about these issues. These issues are most prevalent throughout all the parts of this country. So we want to reiterate the importance and significance of the community development block grant to counties across the country and to this Nation. Thank you.

Mr. HUNT. And once again I would like to thank you for holding this hearing. If you talk sometimes about did we do anything wrong—and probably with CDBG you go to an apartment complex when they are cutting the ribbon and you let the owners and the residents puff their chests out and say what a great project this is. Very seldom do you see a big banner that says CDBG.

And I think when we look across America what is has done for us at the National League of Cities, and, I'm sure with our sister organizations, is that now we do know where those four initials go on a lot of these projects. And I think that's something that says that, you know, if you have to brag about it, sometimes something's wrong. And we weren't bragging about CDBG; we were doing the work that CDBG was intended, and these projects were cropping up all over America and with not a whole lot of applause at that point. And I don't think we want to change that to where poor residents throughout America have to know that their own initiative has kind of been superseded by a Federal program, but it certainly has worked well throughout America. Thank you.

Mr. TURNER. I want to thank the panel. In the near term this subcommittee will continue its oversight of the many issues discussed today. Over the coming months we will delve into these programs to ascertain their strengths, weaknesses, and what impediments exist to their efficient and effective implementation. The subcommittee will also explore what legislative modifications Congress should consider to improve the administration of these programs. I look forward to taking an in-depth look at these issues, and hope it will lead us down a path to solutions beneficial to the stakeholders and working with each of you in that.

I want to thank members of our first panel also for taking their time today, as with our second panel. And in the event that there may be additional questions either from members who are present or not present and for questions we didn't have time for today, the record will remain open for 2 weeks for submitted questions and answers.

Thank you. And with that, we will stand adjourned.

[Whereupon, at 12:12 p.m., the subcommittee was adjourned.]

[The prepared statement of Hon. Wm. Lacy Clay and additional information submitted for the hearing record follow:]

STATEMENT OF CONGRESSMAN WM. LACY CLAY
HEARING ON STRENGTHENING AMERICA'S COMMUNITIES
MARCH 1, 2005

Mr. Chairman, let me begin by congratulating you on becoming chairman of our newly formed Federalism and the Census Subcommittee for the 109th Congress. There is no question your expertise in areas of intergovernmental relations, as a distinguished mayor of Dayton, Ohio, brings credibility and common sense to our committee efforts. I very much look forward to working with you and your staff.

Today, we will review the Administration's proposed consolidation of 18 separate block grant and lending initiatives that provide the vital resources needed for effective community and economic development activities throughout our nation. Unfortunately, I have significant reservations that the proposed Strengthening America's Communities is a thinly veiled attempt to alter the focus of our efforts away from community development toward economic development. While I recognize and support the principals of both community and economic development programs, there are substantial differences between the two.

As a member of the Financial Services Committee, and as a former state legislator, I understand the value of programs such as the Community Development Block Grant and the Section 108 Loan Guarantees that are provided through the Department of Housing and Urban Development. Thus, I fear their consolidation into the Department of Commerce will significantly alter their focus away from community development, without accounting for the needs of local officials. In addition, the consolidation of these programs will force programs like CDBG to compete for funding with other vital programs in areas such as health care, rural development, and brownfields redevelopment.

Without regard to programmatic changes, the proposal before us reveals little in terms of formulas for grant allocations or distribution of program resources, nor does it account for the nearly $2 billion reduction in funding for its activities

when compared to this year's budget. Therefore, it is unrealistic for us to appropriately evaluate the consolidation of these programs until further information on funding formulas and allocations is made available.

Lastly, I have reservations about shifting program funds away from traditional beneficiaries toward a defined number of distressed communities, as this will impact the well being of many working class individuals who live and work in economically well off communities.

It is my hope that today's hearing will allow us to further understand the intent and purpose for consolidation of these programs, while sharing my concerns with the Administration as to why such sweeping changes will have an adverse impact on our communities. Thank you, again, Mr. Chairman.

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-1000

OFFICE OF THE ASSISTANT SECRETARY FOR
CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

March 9, 2005

The Honorable Charles Dent
Vice-Chairman
Subcommittee on Federalism and the Census
Committee on Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Vice-Chairman:

This is in response to your request of Deputy Secretary Roy Bernardi during his testimony at the hearing on March 1, 2005, to provide you a list of the Community Development Block Grant (CDBG) communities with populations that fall at or below the national poverty rate (i.e., 12.5 %) and the amount of CDBG funds that those communities received.

As you review the enclosed information, it is very important to note that the "percent of poverty" is not the sole factor in determining eligibility for CDBG funding. I have enclosed a description of the CDBG formulas to assist in your review and understanding of the CDBG Program.

The Department hopes that the enclosed response will be useful. If you require additional information, please contact me at (202) 708-0005.

Sincerely,

Steven B. Nesmith
Assistant Secretary for Congressional and
Intergovernmental Relations

Enclosures (2)

CDBG Formula

Percent of poverty is not the sole factor in determining eligibility for CDBG funding. Communities become entitled for CDBG annual funding based on their size, [over 50,000 in population], their status as a principle city in a Metropolitan Statistical Area [MSA] and that is usually over 50,000 but can be less, or as an Urban County meeting certain population and other, sometimes unique, demographic factors. States are all entitled except Hawaii, which chose not to be included. These entities are eligible for entitlement funding and there is no distress test. However, the formula determines how much funding is allocated to each entitlement community. The law provides 70% of the funds for entitled cities and urban counties and 30% for states to be distributed to non-entitled areas.

The CDBG statute establishes two formulas and a calculation is made for each entity under both formulas. Each entity gets the highest amount, but since that calculation would exceed the total funds available, each grantee is prorated down so as not to exceed the available appropriation.

Formula A is based on shares of population weighted 25 %, number of persons in poverty weighted 50 %, and overcrowded housing weighted 25 %.

Formula B is based on shares of number of persons in poverty weighted at 30%, the count of pre-forty housing weighted at 50%, and growth lag weighted at 20 %. The state formula is similar, except that population is used in place of growth lag.

Using this formula process results in communities with high distress and high poverty getting as much as $70 per capita and well off entitlements getting as little as $ 4 per capita.

The formula is still well targeted to distress; however, it has become less so overtime. While a majority of the data elements (as described in Formula A and Formula B above) are updated every ten years when new census data is available, the formula has not been changed for 27 years.

HUD monitors how the formulas are working and issues a formula study every ten years or so. Consistent with its practice, HUD recently published a formula study that presents four alternatives designed to improve the CDBG Formula so that funds allocated under it reflect current demographic factors.

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
AK	ALASKA STATE PROGRAM	State Program	2,817,522	10.9%
AK	ANCHORAGE	Metro City	2,162,050	7.3%
AK	FAIRBANKS	Metro City	288,876	10.5%
AL	HOOVER	Metro City	321,246	3.4%
AL	JEFFERSON COUNTY	Urban County	2,371,307	8.1%
AR	BENTONVILLE	Metro City	198,196	10.3%
AZ	CHANDLER	Metro City	1,543,419	6.6%
AZ	GILBERT	Metro City	660,792	3.2%
AZ	GLENDALE	Metro City	2,526,810	11.9%
AZ	MARICOPA COUNTY	Urban County	3,213,555	10.2%
AZ	MESA	Metro City	3,904,823	8.9%
AZ	PEORIA CITY	Metro City	732,841	5.2%
AZ	PIMA COUNTY	Urban County	2,881,675	9.7%
AZ	SCOTTSDALE	Metro City	1,315,640	5.8%
CA	ALAMEDA	Metro City	1,500,628	8.2%
CA	ALAMEDA COUNTY	Urban County	2,245,320	6.5%
CA	ANTIOCH	Metro City	840,848	8.5%
CA	BUENA PARK	Metro City	1,162,342	11.3%
CA	BURBANK	Metro City	1,350,501	10.5%
CA	CAMARILLO	Metro City	408,333	5.3%
CA	CARLSBAD	Metro City	569,566	5.9%
CA	CARSON	Metro City	1,272,185	9.3%
CA	CERRITOS	Metro City	444,940	5.0%
CA	CHINO	Metro City	697,721	8.3%
CA	CHINO HILLS	Metro City	491,430	5.1%
CA	CHULA VISTA	Metro City	2,261,525	10.6%
CA	CITRUS HEIGHTS	Metro City	753,940	8.3%
CA	CONCORD	Metro City	1,189,516	7.6%
CA	CONTRA COSTA COUNTY	Urban County	3,932,306	5.9%
CA	CORONA	Metro City	1,368,165	8.3%
CA	CUPERTINO CITY	Metro City	434,807	4.8%
CA	DALY CITY	Metro City	1,426,259	7.1%
CA	DOWNEY	Metro City	1,726,626	11.1%
CA	ELK GROVE	Metro City	435,487	3.9%
CA	ENCINITAS	Metro City	465,563	7.3%
CA	FAIRFIELD	Metro City	946,035	9.3%
CA	FOUNTAIN VALLEY	Metro City	408,063	4.3%
CA	FREMONT	Metro City	1,921,405	5.4%
CA	FULLERTON	Metro City	1,736,652	11.4%
CA	GILROY CITY	Metro City	552,908	10.4%
CA	GLENDORA CITY	Metro City	394,539	5.9%
CA	GOLETA	Metro City	307,861	7.3%
CA	HAYWARD	Metro City	1,969,380	10.0%
CA	HUNTINGTON BEACH	Metro City	1,591,169	6 6%
CA	IRVINE	Metro City	1,458,672	9.1%
CA	LA MESA	Metro City	508,662	9.4%
CA	LAGUNA NIGUEL	Metro City	391,525	4.1%
CA	LAKE FOREST	Metro City	560,041	4.5%
CA	LAKEWOOD	Metro City	844,634	7.4%
CA	LIVERMORE	Metro City	527,369	5.3%
CA	MARIN COUNTY	Urban County	1,846,403	6.6%
CA	MILPITAS CITY	Metro City	670,852	5 0%
CA	MISSION VIEJO	Metro City	574,951	3.8%
CA	MONTEREY	Metro City	259,170	7.8%
CA	MOUNTAIN VIEW	Metro City	785,762	6.8%
CA	NAPA CITY	Metro City	789,106	8.9%
CA	NEWPORT BEACH	Metro City	412,233	4.2%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
CA	NORWALK	Metro City	1,790,233	11.9%
CA	OCEANSIDE	Metro City	2,082,600	11.6%
CA	ORANGE	Metro City	1,520,737	10.0%
CA	ORANGE COUNTY	Urban County	4,390,334	6.8%
CA	PALM DESERT	Metro City	395,595	9.2%
CA	PALO ALTO	Metro City	779,281	4.8%
CA	PARADISE	Metro City	257,018	12.4%
CA	PETALUMA	Metro City	401,966	6.0%
CA	PITTSBURG	Metro City	741,240	11.5%
CA	PLEASANTON CITY	Metro City	321,586	2.6%
CA	RANCHO CUCAMONGA	Metro City	1,134,608	7.1%
CA	REDLANDS	Metro City	652,212	10.5%
CA	REDONDO BEACH	Metro City	476,221	5.9%
CA	REDWOOD CITY	Metro City	834,053	6.0%
CA	ROSEVILLE	Metro City	570,795	4.9%
CA	SACRAMENTO COUNTY	Urban County	7,553,631	12.4%
CA	SAN BUENAVENTURA	Metro City	1,004,759	9.0%
CA	SAN CLEMENTE	Metro City	452,279	7.6%
CA	SAN DIEGO COUNTY	Urban County	5,408,793	8.9%
CA	SAN FRANCISCO	Metro City	24,137,382	11.3%
CA	SAN JOSE	Metro City	11,476,479	8.8%
CA	SAN LEANDRO	Metro City	844,512	6.4%
CA	SAN MARCOS CITY	Metro City	771,812	12.0%
CA	SAN MATEO	Metro City	907,829	6.1%
CA	SAN MATEO COUNTY	Urban County	3,261,347	5.5%
CA	SANTA CLARA	Metro City	1,228,224	7.8%
CA	SANTA CLARA COUNTY	Urban County	2,018,640	5.5%
CA	SANTA CLARITA	Metro City	1,301,402	6.4%
CA	SANTA MONICA	Metro City	1,553,719	10.4%
CA	SANTA ROSA	Metro City	1,446,939	8.5%
CA	SANTEE	Metro City	365,395	5.4%
CA	SEASIDE	Metro City	469,202	12.1%
CA	SIMI VALLEY	Metro City	830,304	5.8%
CA	SONOMA COUNTY	Urban County	2,295,165	8.2%
CA	SOUTH SAN FRANCISCO	Metro City	686,877	5.2%
CA	SUNNYVALE	Metro City	1,418,817	5.4%
CA	THOUSAND OAKS	Metro City	787,767	5.0%
CA	TORRANCE	Metro City	1,358,665	6.4%
CA	TUSTIN	Metro City	923,725	8.5%
CA	UNION CITY	Metro City	740,372	6.5%
CA	UPLAND	Metro City	810,720	12.0%
CA	VACAVILLE	Metro City	649,677	6.1%
CA	VALLEJO	Metro City	1,358,593	10.1%
CA	VENTURA COUNTY	Urban County	2,317,072	9.9%
CA	WALNUT CREEK	Metro City	373,075	3.7%
CA	WEST COVINA	Metro City	1,383,461	9.0%
CA	WHITTIER	Metro City	1,094,250	10.5%
CA	WOODLAND	Metro City	662,639	11.9%
CA	YORBA LINDA	Metro City	310,314	3.0%
CO	ADAMS COUNTY	Urban County	1,886,195	7.1%
CO	ARAPAHOE COUNTY	Urban County	1,160,858	5.9%
CO	ARVADA	Metro City	582,474	5.2%
CO	AURORA	Metro City	2,798,683	8.9%
CO	CENTENNIAL	Metro City	355,667	2.2%
CO	COLORADO SPRINGS	Metro City	2,925,299	8.7%
CO	COLORADO STATE PROGRAM	State Program	12,428,946	9.3%
CO	DOUGLAS COUNTY	Urban County	678,546	2.1%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
CO	GRAND JUNCTION	Metro City	387,644	11.9%
CO	JEFFERSON COUNTY	Urban County	1,279,359	4.4%
CO	LAKEWOOD	Metro City	1,059,106	7.1%
CO	LONGMONT	Metro City	613,944	7.8%
CO	LOVELAND	Metro City	330,522	5.7%
CO	WESTMINSTER	Metro City	642,212	4.7%
CT	BRISTOL	Metro City	677,941	6.6%
CT	CONNECTICUT STATE PROG	State Program	15,107,297	4.0%
CT	DANBURY	Metro City	715,318	8.0%
CT	EAST HARTFORD	Metro City	710,527	10.3%
CT	FAIRFIELD	Metro City	585,614	2.9%
CT	GREENWICH	Metro City	1,054,272	4.0%
CT	HAMDEN TOWN	Metro City	570,489	7.8%
CT	MANCHESTER	Metro City	736,382	8.0%
CT	MERIDEN	Metro City	1,033,134	11.0%
CT	MIDDLETOWN	Metro City	458,989	7.5%
CT	MILFORD TOWN	Metro City	601,126	3.7%
CT	NORWALK	Metro City	1,052,671	7.2%
CT	NORWICH	Metro City	1,145,252	11.5%
CT	STAMFORD	Metro City	1,235,403	7.9%
CT	STRATFORD	Metro City	754,692	5.0%
CT	WEST HARTFORD	Metro City	1,234,582	4.5%
CT	WEST HAVEN	Metro City	805,730	8.8%
DE	DELAWARE STATE PROGRAM	State Program	2,199,329	10.2%
DE	NEW CASTLE COUNTY	Urban County	2,732,600	6.3%
FL	BOCA RATON	Metro City	512,099	6.7%
FL	BOYNTON BEACH	Metro City	602,622	10.2%
FL	BREVARD COUNTY	Urban County	1,870,840	7.6%
FL	CAPE CORAL	Metro City	720,731	7.0%
FL	CLEARWATER	Metro City	1,079,985	12.3%
FL	COLLIER COUNTY	Urban County	2,508,528	10.7%
FL	CORAL SPRINGS	Metro City	1,034,304	8.0%
FL	DAVIE	Metro City	723,305	9.8%
FL	DELRAY BEACH	Metro City	663,871	11.8%
FL	DELTONA	Metro City	563,408	8.1%
FL	DESTIN	Metro City	68,212	5.5%
FL	FORT WALTON BEACH	Metro City	210,298	9.9%
FL	HILLSBOROUGH COUNTY	Urban County	6,726,087	10.1%
FL	JACKSONVILLE-DUVAL	Urban County	7,743,767	11.9%
FL	LAKE COUNTY	Urban County	1,056,606	7.5%
FL	LARGO	Metro City	537,236	9.1%
FL	LEE COUNTY	Urban County	2,449,422	8.8%
FL	MANATEE COUNTY	Urban County	1,725,497	8.8%
FL	MARGATE	Metro City	481,984	8.4%
FL	MARION COUNTY	Urban County	1,962,925	12.0%
FL	MELBOURNE	Metro City	641,232	11.5%
FL	MIRAMAR	Metro City	871,580	8.2%
FL	NAPLES	Metro City	129,135	5.9%
FL	ORANGE COUNTY	Urban County	6,954,105	11.2%
FL	PALM BAY	Metro City	681,366	9.5%
FL	PALM BEACH COUNTY	Urban County	7,868,623	9.3%
FL	PASCO COUNTY	Urban County	2,815,360	10.5%
FL	PEMBROKE PINES	Metro City	1,030,251	5.4%
FL	PINELLAS COUNTY	Urban County	3,493,162	7.9%
FL	PLANTATION	Metro City	599,165	6.4%
FL	POLK COUNTY	Urban County	3,465,954	11.8%
FL	PORT ST LUCIE	Metro City	692,498	7.9%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
FL	PUNTA GORDA	Metro City	93,383	6.5%
FL	SARASOTA COUNTY	Urban County	1,687,616	6.2%
FL	SEMINOLE COUNTY	Urban County	2,736,550	7.4%
FL	SUNRISE	Metro City	847,322	9.7%
FL	TAMARAC	Metro City	481,741	8.9%
FL	TITUSVILLE	Metro City	385,469	12.4%
FL	VOLUSIA COUNTY	Urban County	2,543,138	10.1%
GA	CLAYTON COUNTY	Urban County	2,374,603	10.1%
GA	COBB COUNTY	Urban County	3,700,103	5.5%
GA	DE KALB COUNTY	Urban County	6,504,796	10.5%
GA	FULTON COUNTY	Urban County	2,962,992	8.6%
GA	GWINNETT COUNTY	Urban County	4,615,969	5.7%
GA	ROSWELL	Metro City	516,444	5.0%
HI	HONOLULU	Metro City	11,225,510	9.9%
HI	KAUAI COUNTY	HI State County	892,821	10.5%
HI	MAUI COUNTY	HI State County	2,293,143	10.5%
IA	CEDAR RAPIDS	Metro City	1,475,859	7.5%
IA	COUNCIL BLUFFS	Metro City	1,232,726	10.3%
IA	DES MOINES	Metro City	4,865,142	11.4%
IA	DUBUQUE	Metro City	1,398,731	9.5%
IA	IOWA STATE PROGRAM	State Program	29,258,459	7.9%
IA	SIOUX CITY	Metro City	2,155,749	11.2%
IA	WEST DES MOINES	Metro City	264,567	4.5%
ID	BOISE	Metro City	1,477,071	8.4%
ID	IDAHO FALLS	Metro City	465,543	10.9%
ID	IDAHO STATE PROGRAM	State Program	10,080,980	12.3%
ID	LEWISTON	Metro City	305,967	12.0%
ID	NAMPA	Metro City	589,068	12.4%
IL	ARLINGTON HTS	Metro City	339,827	2.5%
IL	AURORA	Metro City	1,401,703	8.5%
IL	BELLEVILLE	Metro City	819,196	11.7%
IL	BERWYN	Metro City	1,524,250	7.9%
IL	BLOOMINGTON	Metro City	690,996	7.8%
IL	BOLINGBROOK	Metro City	359,444	4.2%
IL	COOK COUNTY	Urban County	11,971,108	6.2%
IL	DES PLAINES	Metro City	386,520	4.6%
IL	DOWNERS GROVE	Metro City	250,873	2.3%
IL	DU PAGE COUNTY	Urban County	4,060,653	4.0%
IL	ELGIN	Metro City	961,117	8.1%
IL	EVANSTON	Metro City	2,247,021	11.1%
IL	ILLINOIS STATE PROGRAM	State Program	36,004,939	9.1%
IL	JOLIET	Metro City	1,034,279	10.8%
IL	KANE COUNTY	Urban County	1,369,728	4.1%
IL	LAKE COUNTY	Urban County	2,910,496	3.9%
IL	MADISON COUNTY	Urban County	3,497,526	9.7%
IL	MCHENRY COUNTY	Urban County	1,455,010	3.6%
IL	MOLINE	Metro City	1,015,006	9.5%
IL	MOUNT PROSPECT	Metro City	426,381	4.6%
IL	NAPERVILLE	Metro City	554,770	2.2%
IL	OAK LAWN	Metro City	325,429	5.4%
IL	OAK PARK	Metro City	2,212,949	5.6%
IL	PALATINE VILLAGE	Metro City	475,033	4.8%
IL	PEKIN	Metro City	472,290	9.4%
IL	RANTOUL	Metro City	417,559	10.7%
IL	SCHAUMBURG VILLAGE	Metro City	407,844	3.0%
IL	SKOKIE	Metro City	605,285	5.4%
IL	SPRINGFIELD	Metro City	1,436,533	11.7%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
IL	ST CLAIR COUNTY	Urban County	1,625,796	11.7%
IL	WHEATON CITY	Metro City	274,848	3.6%
IL	WILL COUNTY	Urban County	1,544,896	3.4%
IN	CARMEL	Metro City	216,158	2.3%
IN	COLUMBUS	Metro City	335,598	8.1%
IN	FORT WAYNE	Metro City	2,749,139	12.3%
IN	GOSHEN	Metro City	317,269	9.3%
IN	HAMILTON COUNTY	Urban County	646,088	3.1%
IN	INDIANA STATE PROGRAM	State Program	34,933,351	7.2%
IN	INDIANAPOLIS	Metro City	10,771,100	11.8%
IN	LA PORTE	Metro City	566,520	11.0%
IN	LAKE COUNTY	Urban County	1,523,717	4.8%
IN	MISHAWAKA	Metro City	626,243	9.9%
KS	JOHNSON COUNTY	Urban County	1,362,240	3.7%
KS	KANSAS STATE PROGRAM	State Program	19,171,855	10.2%
KS	LEAVENWORTH	Metro City	411,756	9.1%
KS	OVERLAND PARK	Metro City	738,048	3.2%
KS	SHAWNEE	Metro City	252,405	3.3%
KS	WICHITA	Metro City	3,270,909	11.2%
KY	ELIZABETHTOWN	Metro City	182,649	10.5%
KY	LOUISVILLE	Metro City	13,558,056	12.4%
LA	SLIDELL	Metro City	228,534	11.8%
MA	ARLINGTON	Metro City	1,476,080	4.1%
MA	ATTLEBORO	Metro City	534,949	6.2%
MA	BARNSTABLE	Metro City	402,455	8.8%
MA	BROOKLINE	Metro City	1,823,713	9.3%
MA	CHICOPEE	Metro City	1,471,358	12.3%
MA	FRAMINGHAM	Metro City	610,809	8.0%
MA	GLOUCESTER	Metro City	892,133	8.8%
MA	HAVERHILL	Metro City	1,178,708	9.1%
MA	LEOMINSTER	Metro City	585,539	9.5%
MA	MALDEN	Metro City	1,763,424	9.2%
MA	MASSACHUSETTS STATE PROG	State Program	38,578,167	5.3%
MA	MEDFORD	Metro City	2,015,524	6.4%
MA	NEWTON	Metro City	2,543,897	4.3%
MA	NORTHAMPTON	Metro City	843,817	9.8%
MA	PITTSFIELD	Metro City	1,696,679	11.4%
MA	PLYMOUTH	Metro City	452,376	5.4%
MA	QUINCY	Metro City	2,381,419	7.3%
MA	SALEM	Metro City	1,282,141	9.7%
MA	TAUNTON	Metro City	970,317	10.0%
MA	WALTHAM	Metro City	1,215,293	7.0%
MA	WESTFIELD	Metro City	510,808	11.3%
MA	WEYMOUTH	Metro City	896,098	5.8%
MA	YARMOUTH	Metro City	164,703	7.5%
MD	ANNE ARUNDEL COUNTY	Urban County	2,438,423	4.5%
MD	BALTIMORE COUNTY	Urban County	4,824,337	6.5%
MD	BOWIE CITY	Metro City	193,909	1.6%
MD	FREDERICK	Metro City	444,338	7.4%
MD	GAITHERSBURG	Metro City	517,174	7.1%
MD	HARFORD COUNTY	Urban County	1,208,519	4.9%
MD	HOWARD COUNTY	Urban County	1,338,880	3.9%
MD	MARYLAND STATE PROGRAM	State Program	8,944,527	6.9%
MD	MONTGOMERY COUNTY	Urban County	5,891,237	5.4%
MD	PRINCE GEORGES COUNTY	Urban County	7,043,379	8.1%
ME	AUBURN	Metro City	718,215	12.0%
ME	MAINE STATE PROGRAM	State Program	15,665,948	10.4%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
ME	SOUTH PORTLAND	Metro City	507,781	6.7%
MI	CANTON TWP	Metro City	414,919	3.7%
MI	CLINTON TWP	Metro City	604,145	5.8%
MI	DEARBORN HEIGHTS	Metro City	1,215,447	6.1%
MI	FARMINGTON HILLS	Metro City	435,291	4.1%
MI	GENESEE COUNTY	Urban County	2,136,367	7.9%
MI	HOLLAND	Metro City	368,887	10.6%
MI	KENT COUNTY	Urban County	1,742,055	4.9%
MI	LINCOLN PARK	Metro City	939,194	7.7%
MI	LIVONIA	Metro City	456,290	3.2%
MI	MACOMB COUNTY	Urban County	1,893,902	5.0%
MI	MICHIGAN STATE PROGRAM	State Program	40,737,188	8.4%
MI	MIDLAND	Metro City	286,373	8.8%
MI	NORTON SHORES	Metro City	145,063	5.3%
MI	OAKLAND COUNTY	Urban County	4,356,395	4.4%
MI	PORTAGE	Metro City	248,069	4.8%
MI	REDFORD	Metro City	1,101,940	5.1%
MI	ROSEVILLE	Metro City	642,499	7.9%
MI	ROYAL OAK	Metro City	1,562,355	4.3%
MI	SOUTHFIELD	Metro City	592,869	7.4%
MI	ST CLAIR SHORES	Metro City	1,064,637	3.7%
MI	STERLING HEIGHTS	Metro City	781,381	5.2%
MI	TAYLOR	Metro City	584,794	10.8%
MI	WARREN	Metro City	989,335	7.4%
MI	WASHTENAW COUNTY	Urban County	904,492	8.8%
MI	WATERFORD TOWNSHIP	Metro City	422,712	5.1%
MI	WAYNE COUNTY	Urban County	6,225,637	8.7%
MI	WESTLAND	Metro City	1,207,249	6.8%
MI	WYOMING	Metro City	540,471	7.3%
MN	ANOKA COUNTY	Urban County	1,291,544	4.0%
MN	BLOOMINGTON	Metro City	469,818	4.0%
MN	COON RAPIDS	Metro City	352,817	4.8%
MN	DAKOTA COUNTY	Urban County	1,951,003	3.8%
MN	HENNEPIN COUNTY	Urban County	3,314,879	4.0%
MN	MINNESOTA STATE PROGRAM	State Program	23,155,171	8.2%
MN	PLYMOUTH	Metro City	302,894	2.6%
MN	RAMSEY COUNTY	Urban County	1,210,875	4.3%
MN	ROCHESTER	Metro City	641,311	7.8%
MN	ST LOUIS COUNTY	Urban County	2,777,543	9.5%
MN	WASHINGTON COUNTY	Urban County	912,951	2.9%
MO	FLORISSANT	Metro City	262,759	4.0%
MO	INDEPENDENCE	Metro City	862,847	8.6%
MO	JEFFERSON CITY	Metro City	392,296	11.5%
MO	JEFFERSON COUNTY	Urban County	1,308,531	6.8%
MO	LEES SUMMIT	Metro City	351,780	3.8%
MO	MISSOURI STATE PROGRAM	State Program	27,066,164	11.9%
MO	O'FALLON	Metro City	263,677	3.3%
MO	ST CHARLES	Metro City	358,978	6.3%
MO	ST LOUIS COUNTY	Urban County	6,099,465	7.3%
MO	ST PETERS CITY	Metro City	218,286	2.7%
MT	BILLINGS	Metro City	805,288	12.0%
NC	CARY	Metro City	497,104	3.4%
NC	CHARLOTTE	Metro City	5,299,260	10.6%
NC	CONCORD	Metro City	437,917	8.2%
NC	CUMBERLAND COUNTY	Urban County	1,577,782	11.4%
NC	GREENSBORO	Metro City	2,171,643	12.3%
NC	HICKORY	Metro City	364,684	11.3%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
NC	KANNAPOLIS	Metro City	463,972	10.5%
NC	NORTH CAROLINA STA PROG	State Program	50,010,517	12.2%
NC	RALEIGH	Metro City	2,684,205	11.5%
NC	WAKE COUNTY	Urban County	1,552,397	5.8%
ND	BISMARCK	Metro City	392,406	8.4%
ND	FARGO	Metro City	789,140	11.8%
ND	NORTH DAKOTA STATE PROG	State Program	5,436,827	12.0%
NE	LINCOLN	Metro City	2,018,381	10.1%
NE	NEBRASKA STATE PROGRAM	State Program	13,716,048	9.1%
NE	OMAHA	Metro City	5,728,714	11.3%
NH	DOVER	Metro City	402,593	8.4%
NH	MANCHESTER	Metro City	2,106,693	10.6%
NH	NASHUA	Metro City	843,086	6.8%
NH	NEW HAMPSHIRE STATE PROG	State Program	10,258,723	5.9%
NH	PORTSMOUTH	Metro City	745,656	9.3%
NH	ROCHESTER	Metro City	349,073	8.4%
NJ	ATLANTIC COUNTY	Urban County	1,622,568	7.8%
NJ	BAYONNE	Metro City	2,142,142	10.1%
NJ	BERGEN COUNTY	Urban County	11,962,908	5.0%
NJ	BLOOMFIELD	Metro City	1,282,239	5.9%
NJ	BRICK TOWNSHIP	Metro City	414,134	4.5%
NJ	BURLINGTON COUNTY	Urban County	1,902,448	4.1%
NJ	CAMDEN COUNTY	Urban County	2,890,386	6.3%
NJ	CHERRY HILL	Metro City	488,453	4.0%
NJ	CLIFTON	Metro City	1,608,646	6.3%
NJ	DOVER TOWNSHIP	Metro City	523,824	5.7%
NJ	EDISON	Metro City	746,803	4.8%
NJ	ESSEX COUNTY	Urban County	6,856,978	5.8%
NJ	EWING TOWNSHIP	Metro City	228,433	6.4%
NJ	FRANKLIN TOWNSHIP	Metro City	364,845	5.1%
NJ	GLOUCESTER COUNTY	Urban County	1,616,972	6.8%
NJ	GLOUCESTER TWP	Metro City	408,609	6.2%
NJ	HAMILTON TWP	Metro City	633,262	4.2%
NJ	MIDDLESEX COUNTY	Urban County	2,243,736	4.2%
NJ	MIDDLETOWN	Metro City	329,033	3.1%
NJ	MONMOUTH COUNTY	Urban County	3,580,097	5.3%
NJ	MORRIS COUNTY	Urban County	2,587,903	3.4%
NJ	NEW JERSEY STATE PROGRAM	State Program	8,953,909	5.7%
NJ	NORTH BERGEN TOWNSHIP	Metro City	768,779	11.1%
NJ	OCEAN CITY	Metro City	344,236	6.8%
NJ	OCEAN COUNTY	Urban County	1,593,980	5.4%
NJ	OLD BRIDGE TOWNSHIP	Metro City	376,035	4.2%
NJ	PARSIPPANY-TROYHILLS	Metro City	331,218	3.9%
NJ	SAYREVILLE	Metro City	266,918	4.7%
NJ	SOMERSET COUNTY	Urban County	1,422,231	3.5%
NJ	UNION	Metro City	739,581	4.2%
NJ	UNION COUNTY	Urban County	5,999,071	5.9%
NJ	WASHINGTON TOWNSHIP	Metro City	213,048	3.2%
NJ	WAYNE TOWNSHIP	Metro City	231,027	2.8%
NJ	WOODBRIDGE	Metro City	692,926	4.8%
NM	RIO RANCHO	Metro City	332,370	5.1%
NM	SANTA FE	Metro City	654,655	12.3%
NV	CARSON CITY	Metro City	508,562	10.0%
NV	CLARK COUNTY	Urban County	7,056,508	10.6%
NV	HENDERSON	Metro City	1,248,491	5.6%
NV	LAS VEGAS	Metro City	5,807,332	11.9%
NV	NEVADA STATE PROGRAM	State Program	3,032,605	8.7%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
NV	SPARKS	Metro City	698,101	8.0%
NY	AMHERST TOWN	Metro City	685,466	6.4%
NY	BABYLON TOWN	Metro City	1,489,501	6.7%
NY	CHEEKTOWAGA TOWN	Metro City	1,099,089	6.5%
NY	CLAY TOWN	Metro City	335,688	5.7%
NY	COLONIE TOWN	Metro City	449,893	4.7%
NY	DUTCHESS COUNTY	Urban County	1,830,179	5.6%
NY	ERIE COUNTY	Urban County	3,224,964	5.6%
NY	GREECE	Metro City	492,654	4.8%
NY	HAMBURG TOWN	Metro City	505,273	4.5%
NY	HUNTINGTON TOWN	Metro City	1,049,518	4.6%
NY	IRONDEQUOIT	Metro City	1,114,186	5.4%
NY	ISLIP TOWN	Metro City	2,372,158	6.6%
NY	MONROE COUNTY	Urban County	1,703,300	4.6%
NY	NASSAU COUNTY	Urban County	17,568,621	5.4%
NY	NEW ROCHELLE	Metro City	1,922,743	10.5%
NY	NEW YORK STATE PROGRAM	State Program	54,423,586	10.1%
NY	ONONDAGA COUNTY	Urban County	2,400,608	5.4%
NY	ORANGE COUNTY	Urban County	1,981,992	5.4%
NY	ROCKLAND COUNTY	Urban County	2,412,110	8.5%
NY	SARATOGA SPRINGS	Metro City	421,968	8.8%
NY	SUFFOLK COUNTY	Urban County	4,241,020	5.9%
NY	TONAWANDA TOWN	Metro City	2,128,131	6.9%
NY	UNION TOWN	Metro City	1,597,404	11.3%
NY	WEST SENECA	Metro City	341,712	4.6%
NY	WESTCHESTER COUNTY	Urban County	6,520,720	5.2%
NY	WHITE PLAINS	Metro City	1,036,556	9.8%
OH	BUTLER COUNTY	Urban County	1,313,111	6.4%
OH	CLEVELAND HEIGHTS	Metro City	1,968,638	10.6%
OH	CUYAHOGA COUNTY	Urban County	3,779,047	4.7%
OH	CUYAHOGA FALLS	Metro City	798,216	6.1%
OH	ELYRIA	Metro City	739,003	11.7%
OH	EUCLID	Metro City	1,162,974	9.7%
OH	FRANKLIN COUNTY	Urban County	2,094,477	5.2%
OH	HAMILTON COUNTY	Urban County	3,119,388	6.2%
OH	KETTERING	Metro City	586,932	4.6%
OH	LAKE COUNTY	Urban County	1,584,721	5.7%
OH	LAKEWOOD	Metro City	2,481,510	8.9%
OH	LANCASTER	Metro City	639,713	10.6%
OH	MASSILLON	Metro City	840,838	10.7%
OH	MENTOR	Metro City	203,616	2.7%
OH	MONTGOMERY COUNTY	Urban County	2,146,788	7.0%
OH	OHIO STATE PROGRAM	State Program	54,560,938	8.4%
OH	PARMA	Metro City	1,050,765	4.9%
OH	STARK COUNTY	Urban County	1,638,193	5.0%
OH	SUMMIT COUNTY	Urban County	1,186,496	3.8%
OK	BROKEN ARROW	Metro City	442,457	4.5%
OK	EDMOND	Metro City	455,122	7.2%
OR	BEAVERTON	Metro City	673,640	7.8%
OR	BEND	Metro City	471,520	10.5%
OR	CLACKAMAS COUNTY	Urban County	2,410,481	6.6%
OR	HILLSBORO	Metro City	729,491	9.2%
OR	MULTNOMAH COUNTY	Urban County	339,653	7.8%
OR	OREGON STATE PROGRAM	State Program	15,932,045	12.1%
OR	WASHINGTON COUNTY	Urban County	2,289,188	6.8%
PA	ABINGTON	Metro City	934,770	3.6%
PA	ALLEGHENY COUNTY	Urban County	18,357,147	7.8%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
PA	BEAVER COUNTY	Urban County	4,420,302	9.4%
PA	BENSALEM TOWNSHIP	Metro City	438,909	7.4%
PA	BERKS COUNTY	Urban County	3,083,945	4.8%
PA	BRISTOL TOWNSHIP	Metro City	749,311	7.6%
PA	BUCKS COUNTY	Urban County	2,712,354	3.8%
PA	CHESTER COUNTY	Urban County	3,143,079	5.2%
PA	CUMBERLAND COUNTY	Urban County	1,552,938	5.9%
PA	DAUPHIN COUNTY	Urban County	1,726,485	6.0%
PA	DELAWARE COUNTY	Urban County	4,684,000	6.5%
PA	HAVERFORD	Metro City	1,117,396	3.7%
PA	LANCASTER COUNTY	Urban County	3,841,662	6.0%
PA	LOWER MERION	Metro City	1,334,844	4.5%
PA	LUZERNE COUNTY	Urban County	5,707,708	9.2%
PA	MILLCREEK TOWNSHIP	Metro City	283,944	5.8%
PA	MONTGOMERY COUNTY	Urban County	4,209,531	3.8%
PA	PENN HILLS	Metro City	823,026	7.5%
PA	PENNSYLVANIA STATE PROG	State Program	55,485,726	10.1%
PA	UPPER DARBY	Metro City	2,206,103	9.1%
PA	WASHINGTON COUNTY	Urban County	4,938,200	9.8%
PA	WESTMORELAND COUNTY	Urban County	5,011,268	7.9%
PA	YORK COUNTY	Urban County	2,986,957	4.7%
RI	CRANSTON	Metro City	1,192,409	7.3%
RI	EAST PROVIDENCE	Metro City	889,267	8.6%
RI	RHODE ISLAND STATE PROG	State Program	5,860,847	7.4%
RI	WARWICK	Metro City	979,806	5.9%
SC	GREENVILLE COUNTY	Urban County	2,712,597	9.8%
SC	LEXINGTON COUNTY	Urban County	1,123,954	7.7%
SC	MYRTLE BEACH	Metro City	228,237	12.0%
SC	RICHLAND COUNTY	Urban County	1,562,996	10.0%
SC	SPARTANBURG COUNTY	Urban County	1,477,093	9.4%
SD	SIOUX FALLS	Metro City	932,017	8.4%
TN	CLARKSVILLE	Metro City	910,235	10.6%
TN	KNOX COUNTY	Urban County	1,143,903	6.4%
TN	OAK RIDGE	Metro City	293,923	10.9%
TN	SHELBY COUNTY	Urban County	1,296,015	4.2%
TX	ALLEN	Metro City	266,037	3.0%
TX	ARLINGTON	Metro City	3,627,032	9.9%
TX	BEXAR COUNTY	Urban County	1,964,264	10.3%
TX	BRAZORIA COUNTY	Urban County	2,215,316	10.0%
TX	CARROLLTON	Metro City	921,105	5.6%
TX	DALLAS COUNTY	Urban County	2,359,986	6.4%
TX	FLOWER MOUND	Metro City	241,514	2.5%
TX	FORT BEND COUNTY	Urban County	2,062,963	8.3%
TX	FRISCO	Metro City	230,040	3.4%
TX	GARLAND	Metro City	2,461,018	8.9%
TX	GRAND PRAIRIE	Metro City	1,587,311	11.1%
TX	HARRIS COUNTY	Urban County	12,131,506	8.5%
TX	IRVING	Metro City	2,658,482	10.6%
TX	LEAGUE CITY	Metro City	306,761	4.8%
TX	LEWISVILLE	Metro City	646,877	6.0%
TX	MCKINNEY	Metro City	538,007	8.5%
TX	MESQUITE	Metro City	1,060,345	6.8%
TX	MISSOURI CITY	Metro City	322,371	3.3%
TX	MONTGOMERY COUNTY	Urban County	1,987,356	7.8%
TX	NEW BRAUNFELS	Metro City	377,144	10.9%
TX	NORTH RICHLAND HILLS	Metro City	372,809	4.7%
TX	PLANO	Metro City	1,434,056	4.3%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
TX	RICHARDSON	Metro City	740,202	6.3%
TX	ROUND ROCK	Metro City	432,402	4.0%
TX	SUGAR LAND	Metro City	372,122	3.8%
TX	TARRANT COUNTY	Urban County	3,604,397	6.4%
TX	WILLIAMSON COUNTY	Urban County	1,169,802	4.8%
UT	CLEARFIELD	Metro City	266,281	12.2%
UT	LAYTON	Metro City	387,946	5.6%
UT	OREM	Metro City	696,788	8.4%
UT	SALT LAKE COUNTY	Urban County	2,746,645	6.2%
UT	SANDY CITY	Metro City	447,904	3.8%
UT	ST GEORGE	Metro City	523,992	11.6%
UT	TAYLORSVILLE	Metro City	430,416	5.9%
UT	UTAH STATE PROGRAM	State Program	7,203,376	7.8%
UT	WEST JORDAN	Metro City	532,340	5.1%
UT	WEST VALLEY	Metro City	1,052,137	8.7%
VA	ALEXANDRIA	Metro City	1,411,586	8.9%
VA	ARLINGTON COUNTY	Urban County	2,172,472	7.6%
VA	CHESAPEAKE	Metro City	1,403,905	7.3%
VA	CHESTERFIELD COUNTY	Urban County	1,420,374	4.5%
VA	CHRISTIANSBURG	Metro City	117,422	8.5%
VA	COLONIAL HEIGHTS	Metro City	100,411	5.5%
VA	FAIRFAX COUNTY	Urban County	6,905,321	4.6%
VA	HAMPTON	Metro City	1,258,790	11.3%
VA	HENRICO COUNTY	Urban County	1,666,987	6.2%
VA	LOUDOUN COUNTY	Urban County	939,835	2.8%
VA	PRINCE WILLIAM COUNTY	Urban County	2,145,660	4.6%
VA	VIRGINIA BEACH	Metro City	2,856,155	6.5%
VA	VIRGINIA STATE PROGRAM	State Program	21,693,341	10.1%
VT	VERMONT STATE PROGRAM	State Program	8,273,922	8.8%
WA	ANACORTES	Metro City	121,177	7.7%
WA	BELLEVUE	Metro City	809,599	5.7%
WA	CLARK COUNTY	Urban County	1,506,816	7.0%
WA	FEDERAL WAY	Metro City	818,405	9.3%
WA	KENT CITY	Metro City	899,418	11.6%
WA	KING COUNTY	Urban County	5,037,471	5.8%
WA	KITSAP COUNTY	Urban County	1,326,470	6.8%
WA	OLYMPIA	Metro City	446,440	12.1%
WA	PIERCE COUNTY	Urban County	3,376,774	7.5%
WA	RENTON CITY	Metro City	516,521	9.7%
WA	RICHLAND	Metro City	307,173	8.2%
WA	SEATTLE	Metro City	14,038,888	11.8%
WA	SHORELINE	Metro City	402,008	6.9%
WA	SNOHOMISH COUNTY	Urban County	3,485,180	5.9%
WA	SPOKANE COUNTY	Urban County	1,737,347	9.1%
WA	VANCOUVER	Metro City	1,522,564	12.2%
WI	APPLETON	Metro City	684,260	5.5%
WI	DANE COUNTY	Urban County	1,258,615	4.4%
WI	FOND DU LAC	Metro City	640,468	7.5%
WI	GREEN BAY	Metro City	1,077,846	10.5%
WI	JANESVILLE	Metro City	616,704	6.5%
WI	KENOSHA	Metro City	1,220,301	9.5%
WI	MILWAUKEE COUNTY	Urban County	1,859,964	4.5%
WI	NEENAH	Metro City	238,549	5.4%
WI	OSHKOSH	Metro City	937,683	10.2%
WI	SHEBOYGAN	Metro City	1,189,247	8.3%
WI	WAUKESHA	Metro City	488,518	5.4%
WI	WAUKESHA COUNTY	Urban County	1,190,238	2.2%

FY2005 CDBG Grantees with Overall Poverty Rate at or below National Poverty Rate

STATE	NAME	TYPE	CDBG FY05 ALLOCATION	POVERTY RATE
WI	WAUSAU	Metro City	803,687	11.4%
WI	WAUWATOSA	Metro City	1,357,568	3.8%
WI	WEST ALLIS	Metro City	1,576,546	6.5%
WI	WISCONSIN STATE PROGRAM	State Program	31,491,158	6.6%
WV	WEIRTON	Metro City	559,885	10.3%
WY	CASPER	Metro City	514,095	11.4%
WY	CHEYENNE	Metro City	618,345	8.8%
WY	WYOMING STATE PROGRAM	State Program	3,571,002	11.8%

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

MAR 14 2005

The Honorable Michael R. Turner
Chairman
Subcommittee on Federalism and the Census
Committee on Government Reform
Washington, DC 20515

Dear Mr. Chairman,

At the hearing on March 1, 2005 before your Subcommittee on Federalism and the Census, you asked me to elaborate on the extent to which consultation with stakeholders was a factor in the Administration's decision to consolidate 18 community and economic development programs at the Department of Commerce. In summary, while the decision to consolidate 18 programs was made as part of the FY2006 Budget process, a two-year collaborative effort by an interagency group informed key aspects of the proposal, such as the requirement to measure performance and ensure greater accountability. The Office of Management and Budget and agencies also engaged stakeholders on these issues.

Beginning last year, OMB staff began to work with the Interagency Collaborative on Community and Economic Development (ICCED) to look for ways to improve the performance of these programs. Representatives from four departments (Housing and Urban Development, Commerce, Agriculture, and Treasury) used program assessments and other information to analyze programs across agencies to clarify their common purpose, find a standard set of goals and performance measures, increase effectiveness, and focus on achieving quantifiable results.

Ultimately, this interagency group agreed that these programs should measure conditions and track changes in key indicators of community development such as job creation, homeownership, commercial development, and increases in private sector investment.

In addition to the ICCED, the Administration engaged stakeholders of community and economic development programs in the following activities:

- **HUD/OMB Outcome Measurement Working Group.** This group contains multiple stakeholder groups and was formed in June 2004 to develop an outcome measurement system for four HUD block grant programs. After several months of meetings, the group reached consensus on a common measurement system for the CDBG, HOME, HOPWA, and ESG block grant programs.
- **Presentations to stakeholders**. OMB career staff have presented at 12 annual meetings of stakeholder groups, both inside and outside Washington, D.C. The discussions were focused on the lack of program results demonstrated and the need to begin measuring

project outcomes to drive real lasting change in communities. Attached in an appendix is a list of the specific stakeholder groups.

- **Site Visits**. OMB staff visited local governments and discussed performance measurement and accountability with members of HUD's field staff and local city officials. Attached also in an appendix is a list of those cities.

Thank you for the opportunity to provide additional information and examples on how we involved stakeholders in arriving at our decision to consolidate these programs. We believe that this proposal provides a more effective way of using taxpayer resources and improving the focus on results for the benefit of those stakeholders.

Sincerely,

Clay Johnson III

Appendix A

1) OMB staff made presentations to the following stakeholders:

- Council for State Community Development Associations.
- National Association for County Community and Economic Development (an affiliate of National Association of Counties).
- Indiana Association for Community and Economic Development.
- HHS Office of Community Services.
- National Academy of Public Administration panel on developing performance measures for the CDBG program.
- National Congress for Community and Economic Development.
- Native American Indian Housing Council.
- National Council of State Housing Agencies.
- HUD teleconference with HUD field offices on performance measurement notice.
- National Congress for Community and Economic Development.
- Neighborhood Reinvestment Corporation.
- National Low Income Housing Coalition

2) OMB staff conducted the following site visits:

- Detroit, Michigan
- Richmond, Virginia
- Miami Dade County, Florida
- New Orleans and Jefferson Parish, Louisiana
- San Francisco, California (and surrounding area)
- Indianapolis, Indiana
- Baltimore, Maryland
- Washington, DC
- Philadelphia, PA
- Camden, NJ
- Native American Reservations in South Dakota

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050

The Honorable Michael R. Turner
Chairman, Subcommittee on
Federalism and the Census
Committee on Government Reform
U.S. House of Representatives
Washington, DC 20515-6143

MAY 1 2005

Dear Mr. Chairman:

Thank you for your letter of March 4, 2005, concerning questions as a follow-up to my testimony at your hearing on March 1, 2005, which was entitled " Strengthening America's Communities (SAC) – Is It the Right Step Toward Greater Efficiency and Improved Accountability?"

Your first question indicated:

1. Your letter states that, "The Community Development Block Grant (CDGB) formula has undergone five major assessments since 1974. On February 21, 2005, HUD released a new assessment based on the introduction of 2000 Census data into the CDBG formula. In addition to estimating how well the formula allocates to community development need after introduction of the 2000 Census data, it provides four alternative formulas for targeting funding. This analysis of the CDBG formula will help to inform decisions about how federal resources can be better targeted in the proposed initiative."

   What are those four alternatives and with which stakeholder groups did HUD work to reach these four alternatives?

   Answer: The four alternatives are fully described in HUD report entitled "CDBG Formula Targeting to Community Development Need" published February 2005. A copy is enclosed.

   HUD invited comments and suggestions from several public interest groups at informal meetings over a period of time beginning in 2003. When the 2000 Census data was fully introduced into the CDBG formula for Fiscal Year 2003 it became clear that demographic changes in the country were causing significant shifting of funds among grantees. In fact, HUD published a report entitled "Redistribution

Effect of Introducing Census 2000 Data into the CDBG Formula." Following that report the Department continued to invite comments and suggestions from interest groups as it conducted its analysis of alternatives leading up to the publication of its report in February 2005. The interest groups consulted were National Community Development Administration (NCDA), United States Conference of Mayors (USCM), the Council of State Community Development Agencies (COSCDA), National Association for County Community and Economic Development (NACCED) and the National Association of Housing and Redevelopment Officials (NAHRO).

Your second question indicated:

2. According to SAC documentation and during a routine pre-hearing interview with your staff, it was learned that in June 2004 a joint HUD/OMB working group began work on an outcome measurement program for key federal community development programs. The Subcommittee would like to know who was involved in this working group and what non-federal stakeholders were consulted. The Subcommittee would also like to know at what point it was decided the results of this working group were to be included in the SAC proposal. Finally, the subcommittee would like to know if HUD plans on implementing the outcome measurements that were recommended by the joint working group.

Answer: A working group of several federal agencies was established in February 2004 by OMB known as the Interagency Collaborative on Community and Economic Development. Participating agencies included the Community Development Financial Institutions, Department of Agriculture, Economic Development Administration, the Appalachian Regional Commission, the Neighborhood Reinvestment Corporation, and HUD. The purpose of the working group was to develop common performance indicators and to improve coordination of community and economic development agency programs. Only federal agencies participated in this group. Federal agencies briefly shared information on Program Assessment Rating Tool information and collected information on program performance elements such as targeting and duplication. However, this group did not have any in-depth discussions on these issues nor did the group review the SAC proposal.

A separate but parallel effort was the Performance Measurement Working Group established on March 31, 2004 at the behest of several public interest groups. The effort included participation by OMB, HUD and several public interest groups led by COSCDA and including; the National Association of Housing Finance Agencies, NACCED, NCDA, and NAHRO. The interest groups represented a cross-cut of interests including state agencies, counties, rural areas, and large metropolitan areas. The interest group met monthly to develop a performance measurement system for HUD's community development grant programs, particularly CDBG. Although in draft form, the performance measurement system is ready for public comment and meetings are being scheduled to gather input from grantees. The effort has been well received and had been lauded by OMB. In light of the new SAC proposal, the schedule for its release has been revised but the Department intends to shortly publish the notice for comment.

I trust that you will find these answers responsive and helpful.

Sincerely,

Roy A. Bernardi

Enclosure

THE 1970's LOOK: IS THE DECADES-OLD COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA READY FOR AN EXTREME MAKEOVER?

TUESDAY, APRIL 26, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Michael R. Turner (chairman of the subcommittee) presiding.

Present: Representatives Turner and Dent.

Staff present: John Cuaderes, staff director; Shannon Weinberg and Jon Heroux, counsels; Peter Neville, fellow; Juliana French, clerk; Erin Maguire, LC/Mr. Dent; Adam Bordes, minority professional staff member; and Cecelia Morton, minority office manager.

Mr. TURNER. A quorum being present, this hearing of the Subcommittee on Federalism and the Census will come to order.

Welcome to the subcommittee's oversight hearing entitled "The 1970's Look: Is the Decades-Old Community Development Block Grant Program Formula Ready for an Extreme Makeover?"

In March this subcommittee held a hearing reviewing the Bush administration's Strengthening America's Communities Initiative. During that hearing we learned that HUD had undertaken certain in-house initiatives to improve the administration of the program. It is one of those initiatives that brings us here today, a review of the CDBG formula and the development of four possible grant formula reforms. This is the first in a series of oversight hearings dedicated to the review of the Community Development Block Grant Program at the Department of Housing and Urban Development.

The Community Development Block Grant Program [CDBG], is one of the largest Federal direct block grant programs in existence. For fiscal year 2005, Congress appropriated $4.71 billion for the CDBG program, including $4.15 billion for CDBG formula grants alone.

State and local governments use CDBG grant moneys to fund various housing, community development, neighborhood revitalization, economic development and public service provision projects. Such projects must address at least one of three projectives: One, to principally benefit low and moderate-income individuals; two, eliminate or prevent blight; and three, remedy urgent threats to the health or safety of the community when no other financial resources are available.

For over 30 years the CDBG program has been a critical tool in the arsenal of cities to help create livable communities for individuals and families. Without question, the program provides vital funds for addressing poverty as well as community development means, from eradicating blight to providing potable water and building sewers. And while CDBG enables States and local governments to accomplish many of the objectives outlined in the original authorization, the program exhibits several problems that require remedy.

The formula for which the bulk of CDBG funds are distributed to entitlement communities and nonentitlement communities is quite complex. The 1974 legislation creating the CDBG program identified poverty, blight, deteriorating housing, physical and economic distress, decline, living environment suitability and isolation of income groups as some of the factors to be considered in determining community development need.

The original formula specified in the CDBG statute only considered three variables to assess and target these needs; poverty, population and overcrowding. However, Congress also intended for the CDBG program to address housing, economic development, neighborhood revitalization, and other community development activities not exclusively associated with poverty.

Analysis of the formula shortly after 1974 showed that while the CDBG formula targeted poverty populations fairly well, it failed to adequately address older and declining communities. Accordingly, in 1997 Congress amended the law by creating a second parallel formula. The original formula became known as Formula A, the new formula became known as Formula B. Formula B was designed to target older and declining communities by using the new variables of growth lag and pre-1940 housing. Jurisdictions received the greater sum of the two formula calculations.

The last modification of the grant formula came in 1981. Congress amended the formula by adding the 70/30 split requiring that funds be split 70 percent to 30 percent between entitlement and nonentitlement areas respectively. Since 1978, the factors used in these calculations have remained constant, while the demographic composition of the Nation has changed dramatically. In particular, the number of entitlement communities has grown drastically. In fiscal year 2004, there were more than 1,100 designated entitlement communities. More than 250 new entitlement communities were certified since 1993 alone, as compared to only 128 new entitlement community designations between 1982 and 1993. And while the number of entitlement communities sharing the 70 percent portion of CDBG funds continues to grow, the overall funding of the program has not kept pace. Thus, a larger portion of the population is sharing a relatively static portion of CDBG funds, resulting in smaller per capita grants per jurisdiction. At the same time, the number of nonentitlement communities grows smaller, effectively increasing their share of the 30 percent portion of CDBG.

Additional questions of fundamental fairness have arisen in recent years. First, there are numerous instances of richer communities receiving higher per capita awards than poorer communities.

Second, similarly situated communities often get disparate per capita awards.

The purpose of this hearing is to consider two basic questions regarding the structure of the allocation formula. First, is the current formula, last modified in 1981, still applicable and effective today? And second, if the answer to the first question is no, what factors should Congress consider, and what changes to the formula would be appropriate?

To help us answer these questions we have the Honorable Roy Bernardi, the current Deputy Secretary of the Department of Housing and Urban Development and former Assistant Secretary of Community Planning and Development.

On February 21, 2005, HUD published a document entitled CDBG Formula Targeting to Community Development Need, the result of a study on the declining effectiveness of the current grant formula in targeting a need, as compared to the study. The study demonstrates that the current formula continues to target need. The top 10 percent of communities with the greatest community development need to receive 4 times as much as the lowest 10 percent of communities. Further, the per capita grants awarded to the most needy of communities have decreased, while the per capita grants awarded to the least needy of communities have increased. To address these deficiencies the document details four alternative formulas. The subcommittee looks forward to hearing more of those details from Mr. Bernardi on this study.

Following Mr. Bernardi, we will hear from Mr. Paul Posner, Director of Federal Budget and Intergovernmental Relations at the Government Accountability Office.

Joining Mr. Posner from GAO is Mr. Jerry C. Fastrup, Assistant Director of Applied Research and Methods.

Rounding out our second panel of witnesses, we are pleased to welcome Mr. Saul Ramirez, Jr., executive director of National Association of Housing and Redevelopment Officials. Mr. Ramirez served as the Deputy Secretary of HUD during the Clinton administration, as well as the Assistant Secretary of Community Planning and Development from 1997 to 1998.

I look forward to the expert testimony our distinguished panel of leaders will provide us today, and I thank all of you for your time and welcome you.

[The prepared statement of Hon. Michael R. Turner follows:]

ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
Congressman Michael R. Turner, Chairman

OVERSIGHT HEARING
STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing topic: "The '70s Look: Is the Decades-Old Community Development Block Grant Formula Ready for an Extreme Makeover?"

Tuesday, April 26, 2005
10:00 a.m.
Room 2154, Rayburn House Office Building

OPENING STATEMENT

Welcome to the Subcommittee's oversight hearing entitled, "The '70s Look: Is the Decades-Old Community Development Block Grant Formula Ready for an Extreme Makeover?"

In March, this Subcommittee held a hearing reviewing the Bush Administration's "Strengthening America's Communities" initiative. During that hearing, we learned that HUD had undertaken certain in-house initiatives to improve the administration of the program. It is one of those initiatives that brings us here today – a review of the CDBG formula and the development of four possible grant formula reforms. This is the first in a series of oversight hearings dedicated to review of the Community Development Block Grant program at the Department of Housing and Urban Development.

The Community Development Block Grant program, or CDBG, is one of the largest federal direct block grant programs in existence. In FY 2005, Congress appropriated $4.71 billion for the CDBG program, including $4.15 billion for CDBG formula grants alone. State and local governments use CDBG grant monies to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects. Such projects must address at least one of three objectives: (1) to principally benefit low- and moderate-income individuals; (2) eliminate or prevent blight; or (3) remedy urgent threats to the health or safety of the community when no other financial resources are available.

For over thirty years, the CDBG Program has been a critical tool in the arsenal of cities to help create livable communities for individuals and families. Without question, the program provides vital funds for addressing poverty as well as community development needs, from eradicating blight to providing potable water and building sewers. And while CDBG enables states and local governments to accomplish many of the objectives outlined in the original authorization, the program exhibits several problems that require remedy.

The formula through which the bulk of CDBG funds are distributed to entitlement communities and non-entitlement communities is quite complex. The 1974 legislation creating the CDBG program identified poverty, blight, deteriorated housing, physical and economic distress, decline, living environment suitability, and isolation of income groups as some of the factors to be considered in determining community development need. The original formula specified in the CDBG statute only considered three variables to assess and target these needs – population, poverty, and overcrowding. However, Congress also intended for the CDBG program to address housing, economic development, neighborhood revitalization, and other community development activities not exclusively associated with poverty. An analysis of the formula shortly after 1974 showed that while the CDBG formula targeted poverty populations fairly well, it failed to adequately address older and declining communities. Accordingly, in 1977, Congress amended the law by creating a second, parallel formula. The original formula became known as Formula A. The new formula became known as Formula B. Formula B was designed to target older and declining communities by using the new variables of growth lag and pre-1940 housing. Jurisdictions receive the greater sum of the two formula calculations.

The last modification to the grant formula came in 1981. Congress amended the formula by adding the "70/30 split," requiring that funds be split 70 percent to 30 percent between entitlement and non-entitlement areas respectively

Since 1978, the factors used in these calculations have remained constant while the demographic composition of the nation has changed dramatically. In particular, the number of entitlement communities has grown drastically. In FY2004, there were more than 1,100 designated entitlement communities – more than 250 new entitlement communities were certified since 1993 alone as compared to only 128 new entitlement community designations between 1982 and 1993. And while the number of entitlement communities sharing the 70 percent portion of CDBG funds continues to grow, the overall funding of the program has not kept pace. Thus, a larger portion of the population is sharing a relatively static portion of CDBG funds, resulting in smaller per capita grants per jurisdiction. At the same time, the number of non-entitlement communities grows smaller, effectively increasing their share of the 30 percent portion of CDBG.

Additional questions of fundamental fairness have arisen in recent years. First, there are numerous instances of "richer" communities receiving higher per capita awards than "poorer" communities. Second, similarly situated communities often get disparate per capita awards.

The purpose of this hearing is to consider two basic questions regarding the structure of the allocation formula. First, is the current formula, last modified in 1981, still applicable and effective today? Second, if the answer to the first question is "no," what factors should Congress consider and what changes to the formula would be appropriate?

To help us answer these questions, we have the Honorable Roy Bernardi, the current Deputy Secretary of the Department of Housing and Urban Development and former Assistant Secretary of Community Planning and Development. On February 21, 2005, HUD published a document entitled *CDBG Formula Targeting to Community Development Need*, the result of a study on the declining effectiveness of the current grant formula in targeting need. The study demonstrates that the current formula continues to target need – the top ten percent of communities with the greatest community development need receive four times as much as the lowest ten percent of communities. Further, the per capita grants awarded to the most needy of communities have decreased while the per capita grants awarded to the least needy of communities have increased. To address these deficiencies, the document details four alternative formulas. The subcommittee looks forward to hearing more details from Mr. Bernardi on this study.

Following Mr. Bernardi, we will hear from Mr. Paul Posner, Director of Federal Budget & Intergovernmental Relations at the Government Accountability Office. Joining Mr. Posner from GAO is Mr. Jerry C. Fastrup, Assistant Director of Applied Research and Methods. Rounding out our second panel of witnesses, we are pleased to welcome Mr. Saul Ramirez, Jr., Executive Director of National Association of Housing and Redevelopment Officials. Mr. Ramirez served as the Deputy Secretary of HUD during the Clinton Administration as well as the Assistant Secretary of Community Planning and Development from 1997 to 1998.

I look forward to the expert testimony our distinguished panel of leaders will provide today. Thank you all for your time today and welcome.

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Mr. TURNER. And I want to recognize—Mr. Dent from Pennsylvania, who is here with us today, and ask if he has any opening comments.

Mr. DENT. I thank you, Mr. Chairman.

My only comment is that I look forward to receiving your testimony. I have a lot of questions on this issue. Thank you.

Mr. TURNER. Thank you. We will now start with the witnesses. Each witness has kindly prepared written testimony, which will be included in the record of this hearing.

Witnesses will notice there is a timer light at the witness table. The green light indicates that you should begin your prepared remarks, and the red light indicates that your time has expired. The yellow light will indicate when you have 1 minute left in which to conclude your remarks.

It is the policy of this committee that all witnesses be sworn in before they testify. Swearing in the first panel, Mr. Bernardi, if you would rise and raise your right hands.

[Witness sworn.]

Mr. TURNER. Let the record show that the witness has responded in the affirmative. And beginning then with Mr. Bernardi's testimony.

STATEMENT OF ROY A. BERNARDI, DEPUTY SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. Well, thank you, Chairman Turner, Congressman Dent. On behalf of the President and Secretary Jackson, I appreciate the opportunity to speak with you today about a recently released HUD report on the CDBG formula and how it performs relative to community development need.

As you are aware, the President, via his 2006 budget, has proposed to consolidate 18 programs from 5 agencies within the Department of Commerce, and that's including the CDBG program. These programs would be consolidated into one program, the Strengthening America's Communities Initiative. This initiative would support communities' efforts to meet the goal of improving their economic conditions through, among other things, the creation of jobs. Therefore, under the President's proposal, the CDBG program would be eliminated. Notwithstanding, I offer the following testimony on the proposed CDBG formula targets, which may be helpful in your review of the Strengthening America's Communities Initiative.

This is the fifth time HUD has prepared a report like this since 1974 on how the CDBG formula targets the need. Like our previous reports, we generally ask the question, how is the CDBG program doing in terms of meeting the community development need in this country?

The first report provided the framework for creation of the dual formula that first allocated funds, as you mentioned, Mr. Chairman, in 1978. The current formula is comprised of Formula A and Formula B. HUD calculates the amount of each grantee under both formulas. The grantees are then assigned the larger of the two grant amounts. Generally communities with poverty and overcrowding get higher grants under Formula A, while communities with old housing and slow population growth get higher grants under Formula B.

In 1983 and 1995, we found that CDBG formulas had become increasingly less effective in targeting need. The problem is that while the variables and the formulas have not changed since 1978, this country has. I'm sure it comes as no surprise to anyone here in the United States, it is a significantly different country than it was 30 years ago. We have seen significant demographic and economic change. Some communities experience tremendous growth, while others are facing decline. Not surprisingly, when we began to crunch the numbers from the latest census, we noticed that the CDBG formula continues to be a less effective vehicle for targeting need.

Today I'd like to outline our findings and offer some options, should you consider changing the program's formula to meet today's needs.

As with prior studies, we designed an index to try to rank each community based on its relative level of community development need. This needs index uses variables that relate directly to the statutory objectives of the CDBG program, such as poverty, crime, unemployment and population loss. A total of 17 variables were identified for entitlement communities; those are cities and large urban counties that receive direct funding. For the States, or the nonentitlement program, we created a needs index using 10 variables. Applying techniques used in the previous four studies, those variables are combined into a single score for each community.

When we compare how the current formula is allocated against this needs index, we see some stark examples of funding disparity. For example, communities with similar need may receive significantly more or less funding on a per capita basis. We also find examples of communities with less need receiving roughly the same amount of funding as higher-need areas. Exhibit 1 illustrates this point. And I apologize for the complexity, but I think this will become clear shortly.

This chart shows how CDBG's current formula is targeted today. You will see along the bottom of this chart communities are ranked by their relative community development need, starting with the lowest need communities on the left, and ending with the highest need communities on the right. The solid line represents an appropriate funding level relative to the need for the per capita grant amount of the grantee community. The jagged line represents the per capita allocation for grantees under the current formula.

This chart on my right demonstrates that CDBG's current formula is far from perfect. For example, some low need communities, such as Newton, MA; Portsmouth, NH; Royal Oak, MI are allocated more than $25 per person, while other low-need communities are receiving $5 to $7 per capita.

The starkest contrast, however, is among the high need communities on the right side of the chart, and I will use three communities as an example. The cities of St. Louis, Miami and Detroit have similar needs according to the needs index, but get very different grant amounts. St. Louis receives $73 per capita, well above the needs index line; Detroit gets about $50 per capita, which is right about at the needs index line, and Miami receives $26 per capita, well below the needs index.

Now why is this? There are several reasons, and, Chairman Turner, you mentioned some of those. Two big reasons are with respect to the pre-1940 housing variable and the growth lag variable in Formula B. As distressed communities have demolished their older housing, and less distressed communities renovated their older housing, the pre-1940 housing shifted money from distressed communities to less distressed communities.

In terms of growth lag, the relatively few communities that get funding under this variable get a lot of funding, because the growth lag here is at 20 percent, so it is pegged with communities' population in 1960. It is the communities with growing lag that represent the spikes you'll see in the chart; like I mentioned, St. Louis at about $70 per capita—St. Louis lost an awful lot of population, from about 780,000 down to about 330,000, so that growth lag differential, that 20 percent, they receive a large portion of that.

There are other elements to the CDBG current formula that tend to benefit smaller college towns with a high population of students earning little or no income. When you consider these students in measuring poverty, which we do under the present formula, it is misleading, as many receive funds from parents and others. You get a relatively higher grant as compared with similar communities with no significant student population, but with absolutely higher poverty.

Finally, the dual formula structure tends to provide greater funding to communities funded under Formula B, developed for declining areas, than equally needy Formula A grantees, which was developed for growing areas.

Let me also take a moment to talk on the nonentitlement formula that allocates 30 percent of the CDBG funding to the States. The nonentitlement formula does not have the wild swings in funding as the formula our cities and counties use. As a result, there are no stark differences in funding between States, no matter their need. With the exception of Puerto Rico, the formula for the 50 States doesn't really target need at all. But Puerto Rico obviously probably is a Formula—I'm sure is a Formula A grantee because 50 percent of it is poverty.

The report considers four alternatives, and they all improve targeting to need, and I will just do a brief summary of each one, if I may, please.

Alternative 1 on the left, it keeps the current dual formula, but corrects some of the most serious problems. For example, it defines the age of the housing stock a little more precisely. Instead of counting just the number of units built before 1940, this option would measure housing older than 50 years—and here is the key—and occupied by a person of poverty.

By establishing a means test on this housing variable, alternative 1 generally redistributes funds from less needy communities to communities in decline, correcting that imbalance that you see in the present formula. Exhibit 2 shows the impact of these corrections; that would be alternative 1. It substantially reduces the overfunding of low-need communities like Newton, Portsmouth and Royal Oak, and only modestly reduces the funding difference between Miami and St. Louis. Similar changes to the nonentitlement formula also have positive effects on targeting.

Alternative 2. Now, this is a very simple approach designed to minimize differences in funding among places with similar need. It is a single formula that uses four measures of need, poverty, female-headed households with children, housing 50 years and older and occupied by a poverty household, and overcrowding. As Exhibit 3 shows, this alternative greatly improves the fairness of the formula by reducing the per capita grant variation, so you don't have those fluctuations and those lines. The disadvantage of alternative 2 is that the high-need communities tend to fall below the needs line. Miami, St. Louis and Detroit all receive the same amount of money; however, they're below the needs line.

Now alternative 3, that adjusts alternative 2 to increased fundings for communities in decline and exhibiting fiscal distress. As shown on exhibit 4, this does improve targeting to the most needy, compared to alternative 2. For example, under alternative 3, Detroit and St. Louis would receive grants of approximately $50 per capita, and Miami would receive a grant of about $44 per capita. Alternative 3 has somewhat greater variation between similar needy grantees relative to alternative 2; however, alternative 3 achieves greater targeting to the most needy communities.

Now, the last alternative, alternative 4, resembles alternative 3, but what we've done here is it eliminates the 70/30 funding split between the entitlement and nonentitlement communities, and that's the funding obviously for the nonentitlement areas and the entitlement areas would be allocated under a single formula. This approach would currently result in a split of approximately 69/31, 69 to the entitlements, 31 to the nonentitlements. A chart for alternative 4 would show that the same distribution as the chart for alternative 3.

In conclusion, today's formula—again, a formula that hadn't been modified since 1978—places great emphasis on certain variables that may not be a true reflection of today's need.

I want to thank the committee for allowing me to make this presentation, and I will be happy to attempt to answer any of your questions.

Mr. TURNER. Thank you.

[The prepared statement of Mr. Bernardi follows:]

WRITTEN STATEMENT OF

DEPUTY SECRETARY ROY A. BERNARDI

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEARING ON

HUD Report "CDBG Formula Targeting to Community Development Need"

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

On behalf of the President and Secretary Jackson, I would like to thank the subcommittee and Chairman Turner for the opportunity to speak with you today about a recently released HUD report on the CDBG formula and how it performs relative to community development need.

This is the fifth time HUD has prepared a report like this since 1974 on how the CDBG formula targets to need. Like our previous reports we've generally asked the question...how is the CDBG program doing in terms of meeting the community development need in this country?

The first report provided the framework for creation of the dual formula that first allocated funds in 1978. The current formula is comprised of a Formula A and a Formula B. HUD calculates the amount for each grantee under both formulas. Grantees are then assigned the larger of the two formula amounts. Generally, communities with poverty and overcrowding get higher grants under Formula A, while communities with distressed housing and slow population growth get higher grants under Formula B.

In 1983 and 1995 we found that CDBG's formula had become increasingly LESS effective in targeting need. The problem is that while the variables in the formula have not changed since 1978, this country has. I am sure that it comes as no surprise to any of you, the United States is a significantly different country than it was nearly 30 years ago. We are seeing significant demographic and economic change...some communities have experienced tremendous growth while others are in decline.

Not surprisingly, when HUD began to examine the numbers from the latest Census, we noticed that the CDBG formula continues to be a less effective vehicle for targeting need. Today, I would like to outline our findings and offer some options should you consider changing the program's formula to meet today's needs.

As with prior studies, we designed an index to try to rank each community based on its relative level of community development need. This needs index uses variables that directly relate to the statutory objectives of the CDBG program such as poverty, crime, unemployment, and population loss. A total of 17 variables were identified for entitlement communities...those are cities and larger urban counties that receive direct funding. For the states or "non-entitlement" program, we created a needs index using 10 variables.

Applying techniques used in the previous four studies, those variables are combined into a single score for each community.

When we compare how the current formula is allocated against this needs index, we see some stark examples of funding disparity. For example, communities with similar need may receive significantly more...or less funding on a per capita basis. We also find examples of communities with less need receiving roughly the same amount of funding as higher need areas.

Exhibit 1 illustrates this point. I apologize for the complexity but I think this will become clear shortly.

This chart shows how CDBG's current formula is targeting need today. You will see along the bottom of this chart, communities are ranked by their relative level community development need, starting with the lowest need communities on the left and ending with the highest need communities on the right. The solid line represents an appropriate funding level relative to need for the per capita grant amount of the grantee community. The jagged line represents the per capita allocation for grantees under the current formula.

This chart demonstrates that CDBG's current formula is far from perfect. For example, some low-need communities such as Newton, Massachusetts; Portsmouth, New Hampshire; and, Royal Oak, Michigan are allocated more than 25 dollars per person while other low-need communities are receiving five-to-seven dollars per capita.

The starkest contrast, however, is among high-need communities on the right side of the chart. I will use three communities as an example. The cities of Saint Louis, Miami, and Detroit have similar needs according to our needs index, but get very different grant amounts. Saint Louis gets $73 per capita, well above the needs index line; Detroit gets $50 per capita; and, Miami gets $26 per capita, well below the needs index.

Why is this? There are several reasons, but two big reasons are in respect to the pre-1940 housing variable and growth lag variable in formula B. As distressed communities have demolished their older housing and the less distressed communities renovated their older housing, the pre-1940 housing shifted money from distressed communities to less distressed communities. In terms of growth lag, the relatively few communities that get funding under this variable get a lot of funding, since it is pegged to a communities population in 1960. It is the communities with growth lag that represent the "spikes" you see in the charts.

There are other elements to CDBG's current formula that tend to benefit smaller college towns with a high population of students earning little or no income. When you consider these students in measuring poverty you get a relatively higher grant as compared with similar communities with no significant student population but with absolutely higher poverty. Finally, the dual formula structure tends to provide greater funding to communities funded under formula B (developed for declining areas) than equally needy formula A grantees (developed for growing areas).

Let me also take a moment to talk about the non-entitlement formula that allocates 30 percent of CDBG funds to the States. The non-entitlement formula does not have the wild swings in funding as the formula our cities and counties use. As a result, there are no stark differences in funding between states, no matter their need. With the exception of Puerto Rico, the formula for the 50 States does not really target need at all.

The report considers four alternatives that all improve targeting to need. Here is a brief summary of each:

Alternative 1 keeps the current dual formula but corrects some of the more serious problems. For example, it defines the age of the housing stock a little more precisely. Instead of counting the number of units built before 1940, this option would measure "housing older than 50 years" and occupied by a person in poverty. By establishing a means test on this housing variable, Alternative 1 generally redistributes funds from less needy communities to communities in decline.

Exhibit 2 shows the impact of these corrections. While Alternative 1 substantially reduces the over funding of low-need communities like Newton, Portsmouth, and Royal Oak, it only modestly reduces the funding difference between Miami and Saint Louis. Similar changes to the nonentitlement formula also have positive effects on targeting.

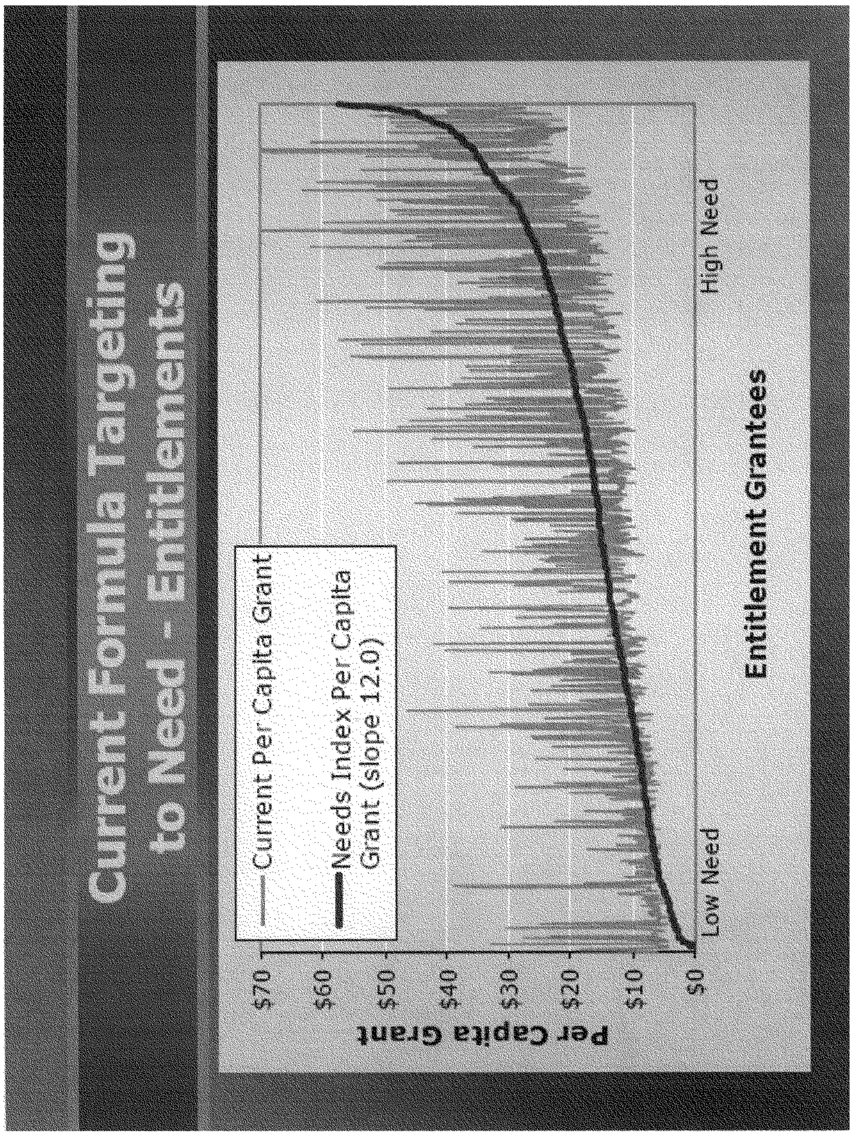
Alternative 2 is a very simple approach designed to minimize differences in funding among places with similar need. It is a single formula that uses four measures of need – poverty, female-headed households with children, housing 50 years and older and occupied by a poverty household, and overcrowding. As Exhibit 3 shows, this alternative greatly improves the fairness of the formula by reducing the per capita grant variation. The disadvantage of alternative 2 is that high need communities tend to fall below our needs line. Miami, St. Louis, and Detroit all get the same amount, however, they would fall below the needs index line.

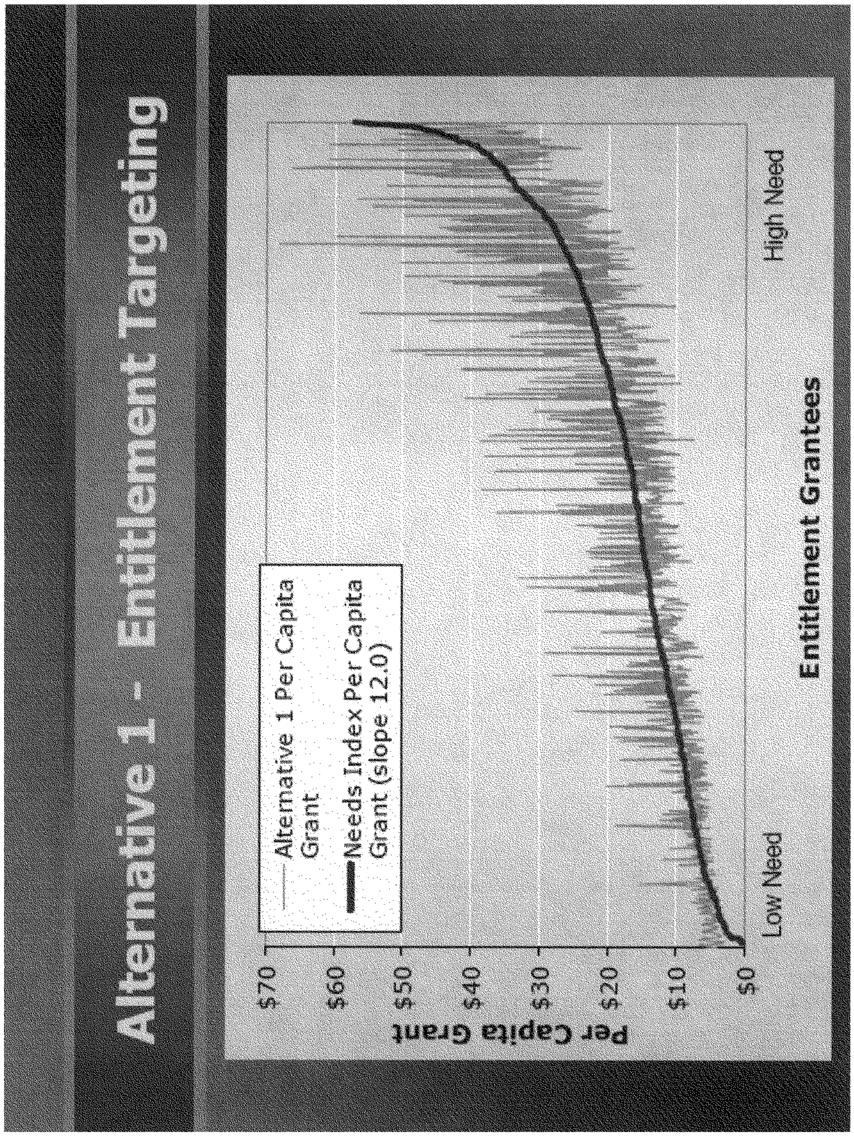
Alternative 3 adjusts Alternative 2 to increase funding for communities in decline and exhibiting fiscal distress. As shown on Exhibit 4, this does improve targeting to the most needy compared to alternative 2. For example, under Alternative 3, Detroit and Saint Louis would receive grants of about $50 per capita and Miami would receive a grant of about $44 per capita. Alternative 3 has somewhat greater variation between similarly needy grantees relative to Alternative 2. However, Alternative 3 achieves greater targeting to the most needy communities.

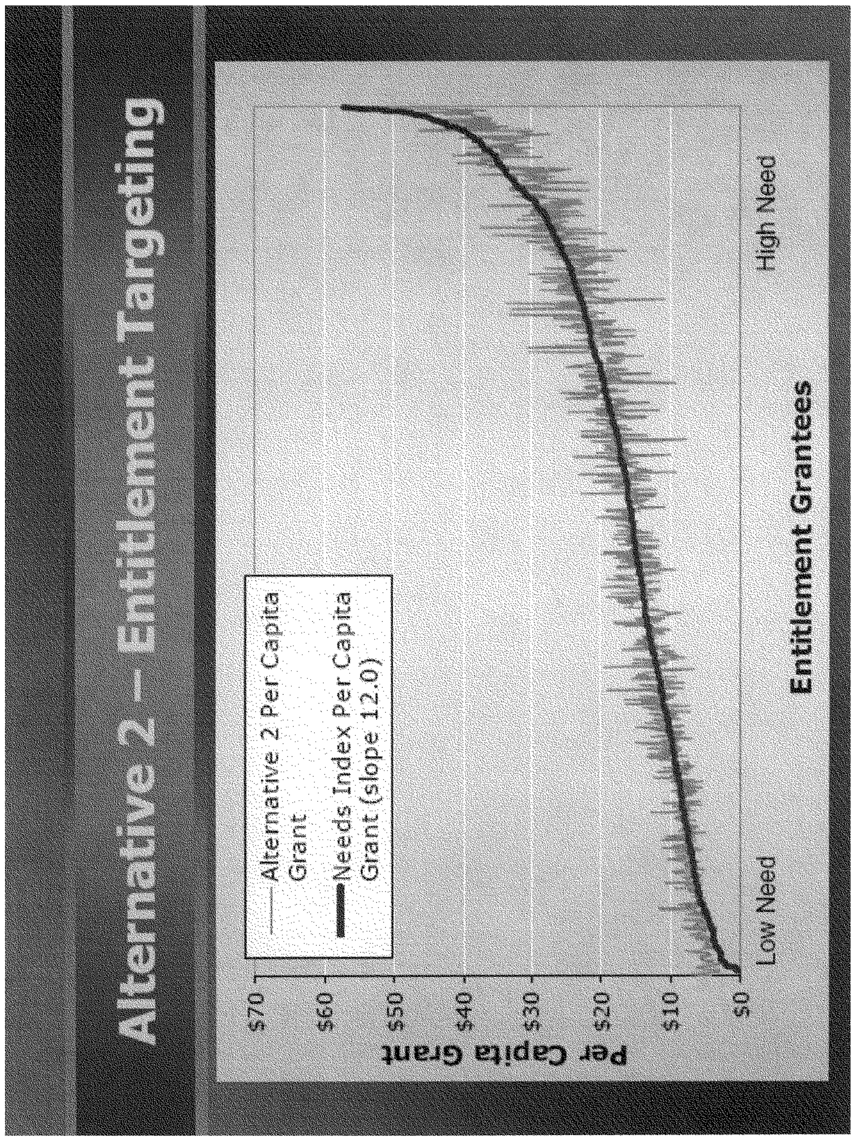
Alternative 4 resembles Alternative 3 but eliminates the 70/30 funding split between entitlement and nonentitlement communities. That is, funding for nonentitlement areas and entitlement areas would be allocated under a single formula. This approach would currently result in a split of 69/31 of funding between entitlements and nonentitlements, very similar to the current split of 70/30. A chart for Alternative 4 would show the same distribution as the chart for Alternative 3, Exhibit 4.

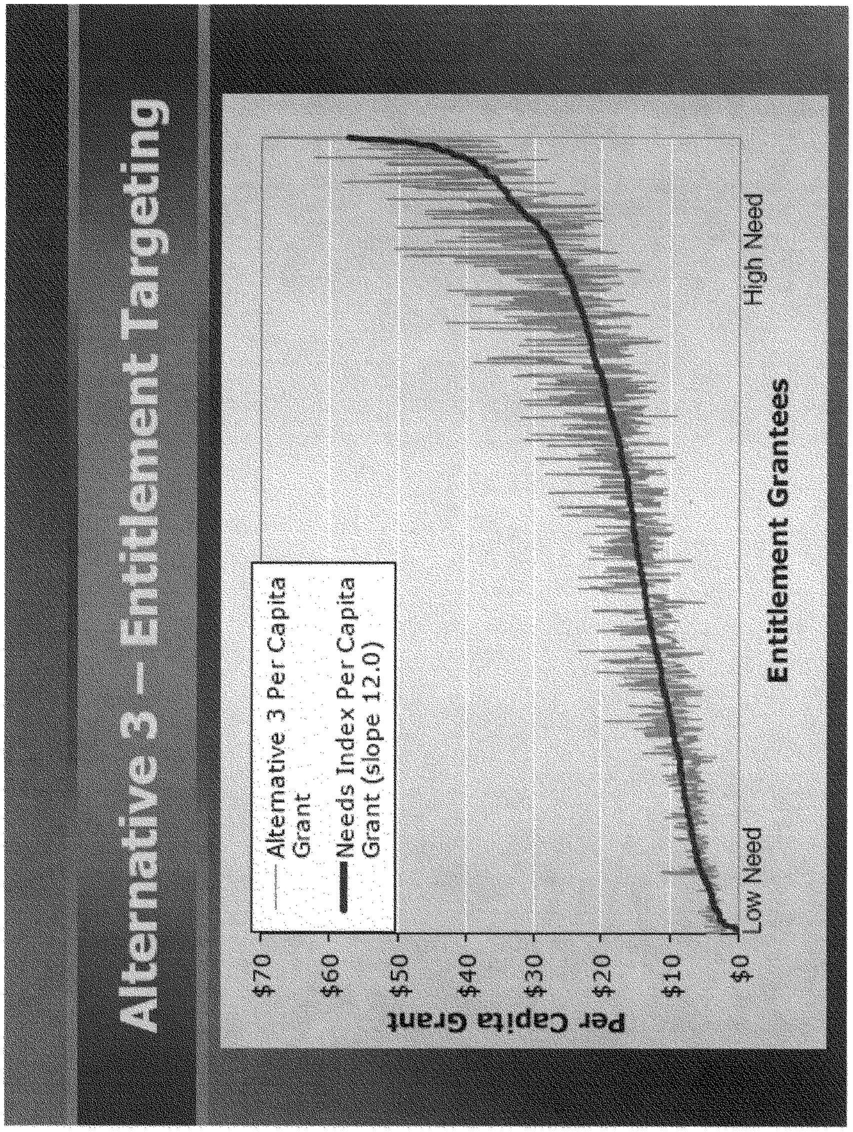
In conclusion, today's formula -- again, a formula that hasn't been modified since 1978 -- places great emphasis on certain variables that may not be a true reflection of today's need.

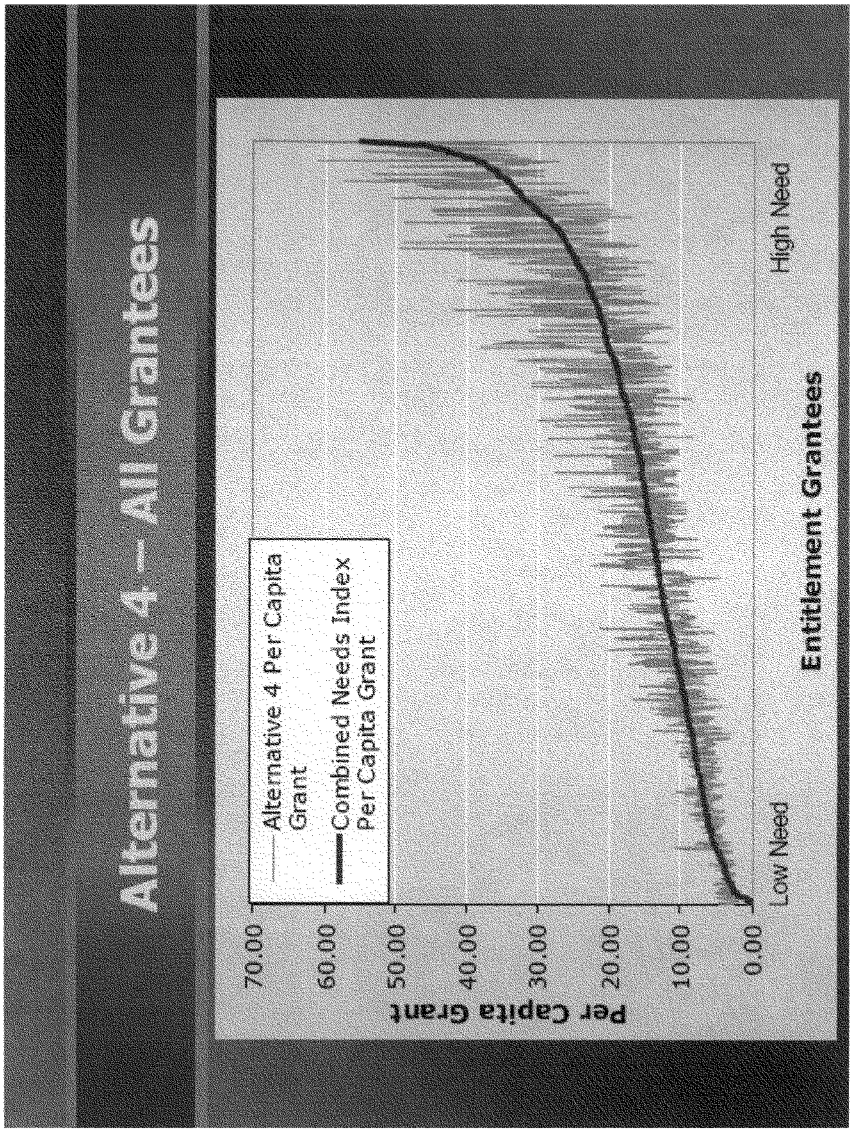
I want to thank you for your time. If you have any questions I would be happy to answer them.


Current Formula Targeting to Need - Entitlements
Current Per Capita Grant
Needs Index Per Capita Grant (slope 12.0)
Per Capita Grant
$70
$60
$50
$40
$30
$20
$10
$0
Low Need
High Need
Entitlement Grantees


Alternative 1 - Entitlement Targeting
Per Capita Grant
$70
$60
$50
$40
$30
$20
$10
$0
Alternative 1 Per Capita Grant
Needs Index Per Capita Grant (slope 12.0)
Low Need
High Need
Entitlement Grantees

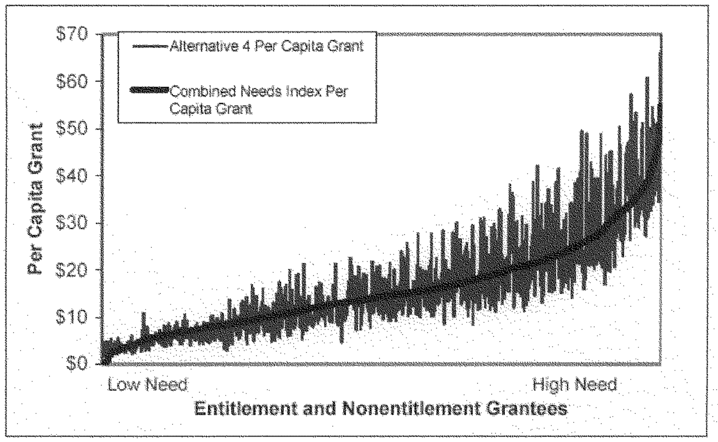

Alternative 2 – Entitlement Targeting
Per Capita Grant
$70
$60
$50
$40
$30
$20
$10
$0
Alternative 2 Per Capita Grant
Needs Index Per Capita Grant (slope 12.0)
Low Need
High Need
Entitlement Grantees


Alternative 3 – Entitlement Targeting
Alternative 3 Per Capita Grant
Needs Index Per Capita Grant (slope 12.0)
Per Capita Grant
$70
$60
$50
$40
$30
$20
$10
$0
Low Need
High Need
Entitlement Grantees

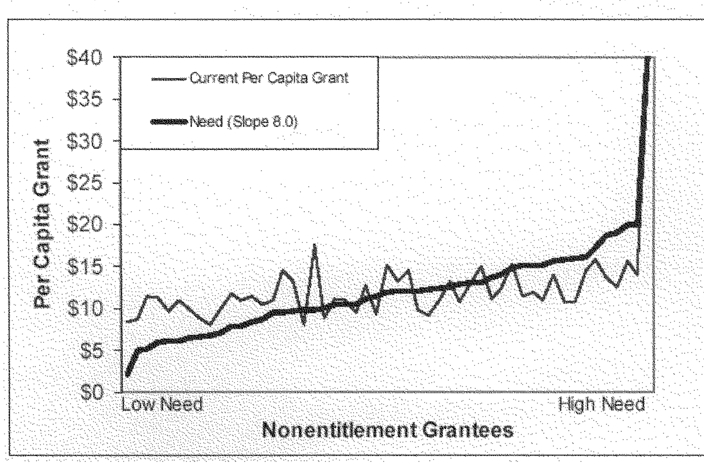

Alternative 4 – All Grantees
Alternative 4 Per Capita Grant
Combined Needs Index Per Capita Grant
Per Capita Grant
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
Low Need
High Need
Entitlement Grantees

Current Formula

70% Entitlement Communities, Dual Formula (A and B)

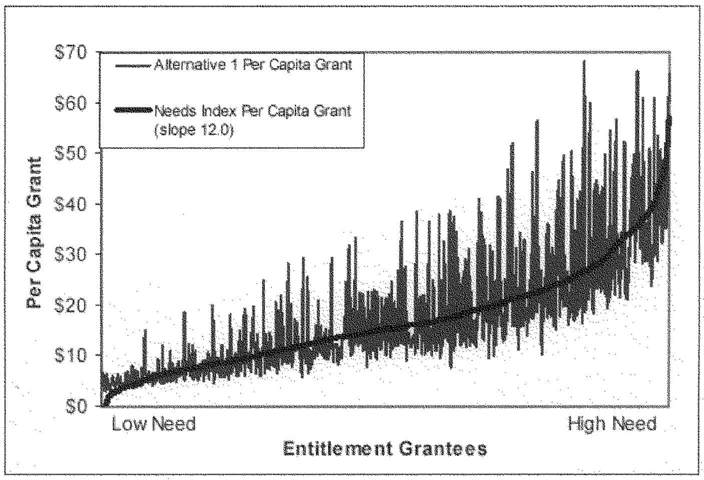


30% Non-entitlement Communities/States, Dual Formula

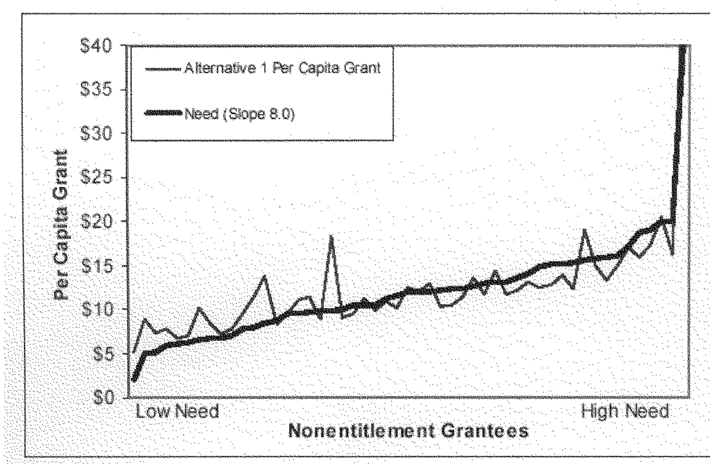


Alternative 1

70% Entitlement Communities, Dual Formula

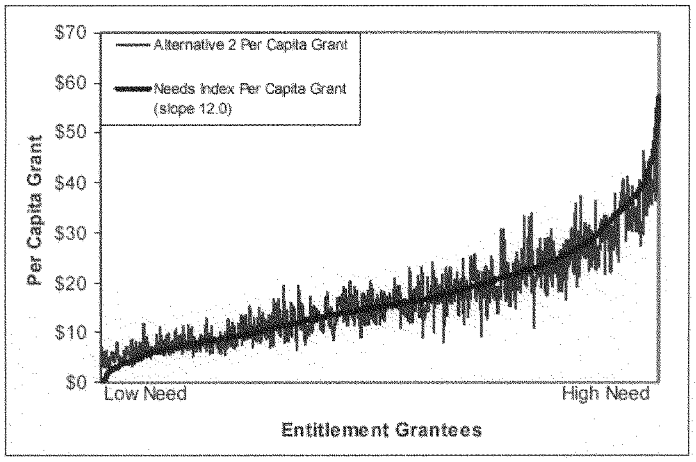


30% Non-entitlement Communities/States, Dual Formula

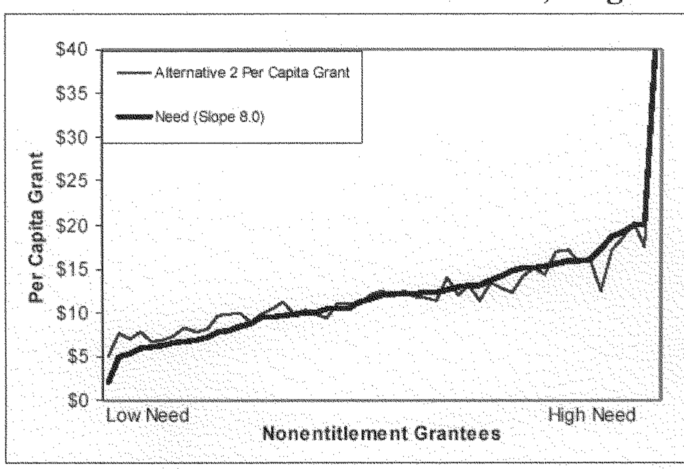


Alternative 2

70% Entitlement Communities, Single Formula

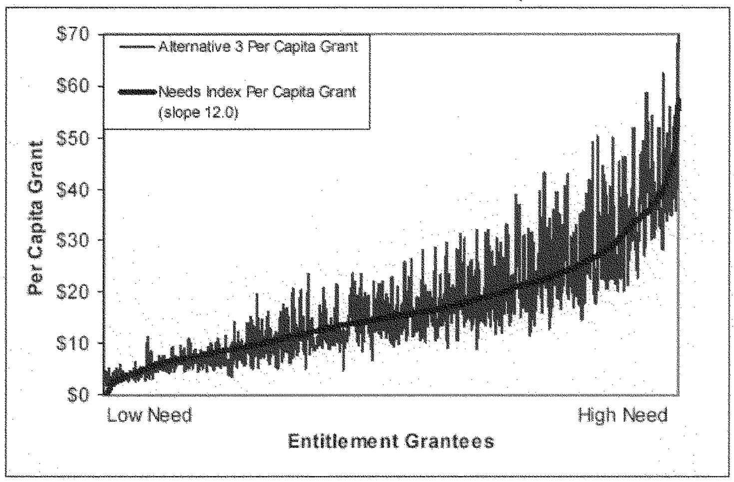


30% Non-entitlement Communities/States, Single Formula



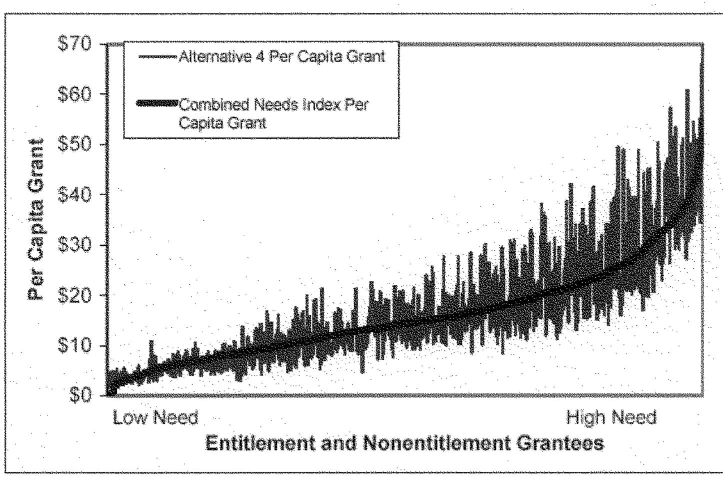
Alternative 3

70% Entitlement Communities, Single Formula / 30% Non-Entitlement Communities (identical to Alt. 2)



Alternative 4

No 70%/30% Split, Single Formula



Mr. TURNER. And unfortunately we're going to have a lot of questions between the two of us, and I know that some of it you may need to provide us additional information after the hearing, or you might have someone else who you might be able to consult in providing us the specific questions.

In looking at this issue on community block grants, one of the things that I recalled was that when I was a student at Ohio Northern University in political science from 1978 until 1982, one of the textbooks that I had actually had a discussion of the CDBG formula allocation as it was occurring through 1978—through 1981, as you referenced in your testimony. And it was interesting because the discussions that they have—and this textbook is from 1978 it goes through the various allocation formulas that were considered and its impacts. And it talks about some of the allocation formulas that were rejected and some of the elements that were considered and accepted. And it talks about the ailing Northeastern and Midwestern cities, such as St. Louis, Buffalo and Detroit, and the least needy cities such as Dallas, Albuquerque and Phoenix.

Now, this sentence is from 1978, but if we look at the information that we have before us today, intuitively I think that most of us would agree that if you take out of that list Detroit and Dallas, we would all have an understanding that in any comparative need that you might structure, we would want a comparison where the need of Detroit is recognized versus the need of Dallas in a weighting. Dallas has needs, Dallas has poverty; but intuitively we all know that if you drive through Detroit, and if you drive through Dallas, and you have the issues of community development as a topic that you want to remedy, your view of the needs of those two communities would have Detroit expressing a higher need and Dallas expressing a lesser need, as just stated even in 1978 as this was discussed in this textbook.

In looking at the four formulas that HUD has prepared, in two out of the four Detroit loses, and in all of the four Dallas wins. So we would have, in that intuitive comparison, formulas before us where we're trying to say in these four formulas that the community needs of Detroit are perhaps lessened, and the community needs and development of Dallas are increased. That's kind of troubling to me.

And so I've looked to the issue then of how the proposals are structured, and with your charts, you have mapped less need versus high need based upon some assumptions that are used then to structure your formula. And it's those assumptions, not necessarily the four examples, that I would like to ask my questions about predominantly, because it seems as if the moment that you define a low need and a high need, based upon factors that you put together here, that the outcomes of your four recommendations are going to be, of course, biased toward those. And in looking at them, there are a few things that jumped out at me.

One, obviously, is immigration. It appears to me, in reading these materials—and obviously this is a very complex report, so I'm going to need your assistance in deciphering it, but it appears that immigration, being identified as a new element of an expression of need, is reflected in your charts at a weighting of what percentage?

From the materials that I saw here, I believe it's 15 percent. Is that accurate?

Mr. BERNARDI. That's correct.

Mr. TURNER. OK. The part that troubled me the most was when I read this, it said a new dimension of community distress that surfaced as a result of the rapid growth in the immigration population. And certainly immigration has not been a new phenomenon. Our committee is the Federalism and the Census, and so I had a visit from census people the other day, and they gave me this great big, thick book, which I looked into the issues of immigration. And if you look at a chart from 1900 to 2003, there is definitely a spike that occurred around 1990 in immigration. But there is, then, a capping that occurs in the amount of immigration that is permitted, legal immigration. And then if you look in the Statistical Abstract of the United States, 2004, 2005, the National Data Book, if you look at immigration from 1901 to 2002, it shows that the rate of immigration per thousand population—immigration population in contrast to the U.S. citizen population in thousands—that we do have a peak in the 1980's and 1990's, but that we have returned to a pace that is similar to the current—the pace that was experienced back when I was in college and they were discussing redoing this formula.

For example, from 1971 to 1980, this report indicates that our rate per thousand is 2.1. From 1981 to 1990, it rises to 3.1; 1991 to 2000, 3.4; spikes in the 1990's, 6.1, 7.2; but it has fallen such that it goes below 3 from 1995 forward to through 1999, and then hovers around 3, 3.7 in the beginning of 2000.

So it seems to me that when we start with the assumption that it's a new phenomenon, it's not. The new phenomenon was we had a temporary spike—and you guys probably can't, because I don't have as big a graph as you do, but we had a temporary spike, and that certainly was a phenomenon that did occur. But it's not new, and we've always had immigration. It's maybe new in certain concentrations in areas of the South, and it may be new in the composition of that population that are immigrants—certainly poverty is not new in concentrations in immigrants. And since our census statistical data shows that it has leveled off and returned to the same levels as when we first put this formula together, I'm wondering if we would be making a mistake at this point to now weight the formula by 15 percent on something that we know from this point going forward should be about the same as we experienced from 1978 until the early 1990's. Your thoughts.

Mr. BERNARDI. As you mentioned, the immigrant population increased in the 1970's and 1980's, I believe you're indicating, up into the 1990's, and you feel it's leveled off——

Mr. TURNER. According to the census data, it is now at the same level——

Mr. BERNARDI. What we did with this study is we took 17 variables and we related these variables back to the primary objective of the CDBG formula program. The variables measured decent housing, suitable living environment, economic opportunities, and low and moderate income. And as they used a factor analysis with these 17 variables, this analysis basically groups these variables down to several individual factors, and those individual factors in the previous studies were poverty, problems in aging communities and communities in decline. The present formula has an 80 percent single factor for poverty, age of housing and decline; and that, as you mentioned, the 15 percent factor related to the fiscal—stress related to immigrant growth; in here, the Santa Ana, Anaheim, CA.

This material was done on information, I believe, right up through 2004. And the overcrowding number in the alternatives has been substantially reduced. If you look at the current formula, overcrowding in Formula A is at 25 percent, and alternative 1 takes it to 30 percent, but then it goes to 20 percent in alternative 2, and down to 10 percent for alternative 3.

The overcrowding takes place in cities like Miami and areas like you mentioned in the South and the Southwest, but our folks felt that percentage would be an accurate indication of what the stress would be because of overcrowding.

Mr. TURNER. Well, and that actually goes to my next area of questions concerning the immigrant population, because there is a weighting for overcrowding, there is a weighting for density of population. It seems to me perhaps as double-counting when you factor in immigration, because what you're doing is you're saying these are expressions of poverty in a community, overcrowding, density, poverty itself, the make-up of the households, but then when you overlay immigration upon it, you're, it seems to me—especially with the weighting of 15 percent in your charts—double-counting what you're going to find in those communities as a result of the impact of immigration.

Mr. BERNARDI. Overcrowding—a great deal of the immigrant population utilizes, as far as I understand it, more of the services than they contribute into the services. And the fact is the overcrowding number is more than 1.01 person per room. And you find that the overcrowding number—and then when you cap it with the low-density places with a high concentration of poverty, they put a 5 percent weight on that. I don't see it as double-counting, but that's open for discussion.

Mr. TURNER. The next question I have with regard to immigration—and then we'll turn to Mr. Dent, and then I have another series of questions of the other factors—is that if we are to accept that it's new, a proposition that I don't necessarily accept, and we are to accept that the migration of immigrant populations are a factor that needs to be taken into consideration, the type of aid that is provided to cities, I wonder whether or not the Community Development Block Grant Program is the appropriate place to do that in that you already have, by the understanding that immigrant populations are going to migrate to areas of the country that have growth, jobs and opportunity—that, in fact, you aren't then shifting Community Development Block Grant funds which are stability in focus, in part, to address issues of growth where there is also economic growth that might be available to remedy some of those needs.

Mr. BERNARDI. True. But as I mentioned earlier, a larger percentage of the immigrant population utilized more services than they provide in services. And that's only a part of the needs index, as we indicated, as 15 percent. I think the strength of this is that

80 percent is on the poverty, age of household and communities in decline.

Mr. TURNER. My question was is it possible that the topic that you're trying to remedy is one that—of immigration and the burdens of needs that are being placed on communities that are seeing large migration—immigration populations might be best served not by modifying CDBG, but by looking at what specific needs and assistance should be provided separately from the CDBG program?

Mr. BERNARDI. Of course. I mean, you could look at any segment of our society and create a new program if you wanted to, Congressman, as to how you would address that.

As far as we're concerned, though, when we did this report in 1983 and 1995—we were mandated by Congress to do this report—we did this as part of our 2004 budget submission. And I think everyone feels very strongly that the formula program does not target strongly the need as it was intended at the inception of the program in 1974. And there's many different ways in which you can change this formula, but I mean, there is a formula 5 that I didn't bring with me today, and that is a little bit of a tweak between alternative 2 and alternative 3. You can reduce or increase any of these factors to compensate for an area in which you feel perhaps there is an overweight.

Mr. TURNER. Thank you.

Mr. Dent.

Mr. DENT. Thanks, Mr. Chairman.

Good morning, Mr. Secretary.

Mr. BERNARDI. Good morning.

Mr. DENT. I enjoyed your presentation.

I guess my question is in order to make this system more fair, you can probably write a lot of formulas, but what is really driving the iniquities? Why are some of these lower-need communities getting their greater share per capita spending than the higher-need communities? Is it population decline? Is it the student population, housing stock? What factors are really driving this disparity, particularly in the entitlement communities more so than the non-entitlement communities?

Mr. BERNARDI. As I indicated in my presentation, you take a look at Newton, MA; Portsmouth, NH; and Royal Oak, MI they all receive between $28 and $37 per capita, and they do that because they're a Formula B community. And in a Formula B community——

Mr. DENT. Is that older housing stock?

Mr. BERNARDI. That is correct. They have the older housing stock, the Formula B provides a higher dollar amount to them, and that's the pre-1940 housing. So by adjusting that, by not just having it pre-1940 housing as it is under the present formula, under these new proposals it's 50-year housing or older, which would make it 1955—and that would be on a growth basis, in 5 years it would be 1960—but what we do is those houses 50 years or older would have to be occupied by a person in poverty, a person in poverty defined as two people making a certain amount of money, three people——

Mr. DENT. So it is not just the age of the house, but the age of the house plus the person living in poverty. I take it Newton, MA, has a lot of older homes, but they're not necessarily lower-income people living in those homes.

Mr. BERNARDI. Exactly.

Mr. DENT. Other factors in determining this formula, tax-exempt property or rental housing, is that a factor you use in determining any of the needs of communities? Many communities have higher— larger percentage of rental property, you probably have higher cases of poverty, for example. Or a lot of communities, older cities, have probably larger amounts of tax-exempt properties, which may include colleges and universities, which again skews the formula. So I guess my question is do you use any of those indicators in determining the wealth of the community?

Mr. BERNARDI. The indicator of housing was not used. As a matter of fact, we have a grant program called the Home Program, which deals with affordable housing in this country. So housing was not used, and rent in and of itself was not used as a tabulation for the formulas that have been presented.

In alternative 3, the one difference that was used there is they used a per capita income basically to make a determination when it comes to the wealth of a community, for example. If a local jurisdiction's per capita income is lower than the per capita income of the metropolitan area, that local jurisdiction would receive additional dollars. If their per capita income, conversely, is higher than the per capita income of that metropolitan area, by a factor analysis that our people put together, they would receive less.

So what you do with alternative 3 that you don't do with alternative 2 is you put in that per capita income caveat.

Mr. DENT. On a related question; do any of these alternative proposals use cost of living as an evaluator of need? Do you use that at all?

Mr. BERNARDI. I don't believe so, no.

Mr. DENT. OK. And I guess it would be fair to say, if I heard your original testimony correctly and clearly, that it seems that the disparities are less among the nonentitlement grantees than the entitlement grantees; is that a fair statement?

Mr. BERNARDI. That is correct.

Mr. DENT. Let me ask another question I have. On page 4 of your testimony, you're showing some of the disparities. I think you said the disadvantage of alternative 2 is that high-need communities tend to fall below our needs line. Miami, St. Louis and Detroit all would get the same amount; however, they would fall below the needs index. And I was trying to understand why those communities would fall under the needs index under that alternative. Do you see where I am in your testimony?

Mr. BERNARDI. Yes.

Mr. DENT. You were pointing out the disadvantage of alternative 2.

Mr. BERNARDI. Well, alternative 2, if you look at the chart, it basically brings all of the communities together, and it doesn't provide additional dollars to the highest-need communities. The highest needs tend to fall below that needs index line. As you can look at that chart to the right where it says highest needs under alternative 2, the majority of those communities are below the needs index line. And then when you take alternative 3, you can see that a majority of them go from below the needs index line to above it.

Alternative 2 does a nice job, and it brings the communities that receive a higher per capita, because, as I indicated to you earlier with Formula B with that pre-1940 housing, those three examples that we used, those communities, that brings them back down to a $5 to $7 per capita range as opposed to when they were a $20 to $30, but it does not provide a greater percentage of dollars to the higher-need communities as alternative 3 does.

Mr. DENT. OK. You do a lot with these formulas. Here is the bottom-line question for me. Is there any way I could see how my communities in my district fare under the current formulas that are used to distribute the CDBG dollars, particularly for the entitlement communities, versus how they would do under the various alternatives you've outlined here today? You might not have it in front of you here, I understand——

Mr. BERNARDI. I do have it in front of me.

Mr. DENT. You do? Wow, I'm really impressed.

Mr. BERNARDI. It indicates here that the majority of your communities will lose funding. All of your communities are Formula B.

Mr. DENT. These are the entitlement communities, or these are the nonentitlements?

Mr. BERNARDI. Both.

Mr. DENT. Both, OK.

Mr. BERNARDI. Both Burkes County and Montgomery County receive more than—I can get this to you if you'd like.

Mr. DENT. Yeah, I'd like to see that. Lehigh and Northampton Counties, and Berks and Montgomery, would you break it out into county-by-county basis? Is that how you have it broken down?

Mr. BERNARDI. We do have it that way, yes.

Mr. DENT. That would be great. Thank you.

Mr. TURNER. Mr. Bernardi, a clarification. In the discussion on housing, you talked about the age of housing, and that the pre-1940 standard versus rolling 50 years, and you went further to say occupied by an individual. And actually, according to what your standards are, it's not really an individual, it's a family in poverty, because you don't count individuals in poverty, which we will get to in a minute, which I believe is a mistake. But by counting the households that are greater than 50 years that are occupied by a family that's in poverty, do you have a factor of counting abandoned housing stock? Because certainly that would be an element representing a blighting influence, and I didn't note that anywhere.

Mr. BERNARDI. We don't. But you're correct, that obviously is a blight to the community. As the mayor of Syracuse and yourself, as mayor of Dayton, we realize the number of abandoned homes that we have.

Mr. TURNER. You and I have had this discussion about abandoned housing—frequently abandoned housing does not necessarily just represent migration trends. It doesn't necessarily mean that a neighborhood is no longer desirable or suitable. Sometimes it means the lifecycle transition of a house or a building, having gone from owner-occupied to a rental unit, from a rental unit to abandonment with title problems where acquisition is inhibited. And the community's ability to go in and rehabilitate that unit, thereby returning a family or an individual to the neighborhood, would be limited to the extent that you reduce their community development block grant funds by the vacancy of the house. You are, in fact, then penalizing them—removing a funding source for housing rehabilitation based on the fact that they're experiencing abandoned housing.

Mr. BERNARDI. Well, as you know, Congressman, the CDBG moneys can be used for acquisition and demolition; and a great deal of that is done in the high-distressed communities, Northeast, the areas where pre-1940 housing under the present formula is taken down. And what that does, obviously, it hurts your number as far as the allocation because of the pre-1940 housing percentage.

Mr. TURNER. But everyone would agree that one of the goals and objectives of CDBG is the acquisition and renovation of abandoned housing units, which are a blighting influence, and this ranking of need would specifically remove those units which are targeted for CDBG funds from the indication or the assessment of need.

Mr. BERNARDI. I'm sorry, I didn't follow you.

Mr. TURNER. We all agree that CDBG for funds—or one of their intended uses is to address the blighting influence of abandoned housing in communities, correct? So I'm just asking you to recognize that your graphs of low need to high need removes an element of need of abandoned housing that the program is specifically designed to try to address.

Mr. BERNARDI. Well, I've just been informed that we're doing research on vacant housing, and it's something to be considered.

Mr. TURNER. OK. The next topic which is identified in the GAO report is the issue of using metropolitan per capita income. And I found it interesting because I'm familiar with David Rusk's work, and I didn't quite get the nexus between his work and utilizing the metropolitan per capita income element here. But in your testimony, Mr. Dent asked you if you take cost of living into consideration, and you indicated you did not.

Mr. BERNARDI. No.

Mr. TURNER. By taking metropolitan per capita income into consideration and not taking costs, aren't you taking—aren't you heavily weighting toward what could be low-cost, wealthy communities?

Mr. BERNARDI. Low-cost wealthy areas.

Mr. TURNER. Yes. Because if you take metropolitan per capita income—and I believe from my reading from this—and please correct me if I'm misunderstanding this—in reading this paragraph it seems to me that you're saying communities that have a high metropolitan per capita income are burdened with higher costs in being able to deliver services and accomplishing community development projects; and therefore, you're taking that as an element into consideration and providing them funding. But if you don't take costs into consideration, you're rewarding communities that may have high per capita income and low costs, I believe. Am I incorrect there? Is there some adjustment that you're making?

Mr. BERNARDI. High per capita income and low costs, personally I don't see how they go hand in hand——

Mr. TURNER. Well, high-growth areas where there is a significant amount of opportunities will have wages that have upward pressure that may not yet have expressed high cost of living in either housing or other elements of family support.

Mr. BERNARDI. Initially; but eventually that catches up, and catches up in a hurry.

I think what we've done here is to look for jurisdictions where the per capita income is lower, obviously, than the per capita income in that metropolitan area. That would demonstrate to me that's a community that has some concerns, has some decline. And that's why that community would receive, according to alternative 3, additional funding.

Mr. TURNER. And I guess I don't quite understand, then, to what extent that is taking into consideration how that is applied. It would seem to me that a community that has low per capita income, and it is also in a metropolitan economy that has low per capita income, would have less opportunity, not more opportunity, because we know in metropolitan regions they tend to be—they are not hard-set boundaries in metropolitan regions for an economy. So that the individuals who are in poverty, who are in a community where the regional per capita income is higher, would have economic mobility greater than someone living in a community where they're in poverty and the per capita income around them is lower.

Mr. BERNARDI. True. You would have more of an opportunity if you're in a region where the per capita income in that region is higher even if your jurisdiction is lower, yes.

Mr. TURNER. Which goes to my questioning. This is a new element that had not been there before.

Mr. BERNARDI. If I may, you can look at a city that has a low per capita income, and then look to the metropolitan area and you see a higher per capita income, and the fact is that the people who put this together were looking for a way to weight, if you will, those individuals living just a few miles from other individuals who, because of many varied circumstances, that per capita income is extremely lower.

Mr. TURNER. And I think certainly the disparity that those individuals experience would be greater, but the economic community development, economic opportunity that that community has, is not necessarily impacted by that. It might actually be enhanced. You might have a greater opportunity for regional resources rather than a lesser opportunity if your region has a lower per capita income, but that is just my thoughts on that. And I appreciate you explaining it to me because it did not make sense to me at first.

I'd like to turn next to the issue of looking to family households and excluding the single poverty individual who is a nonsenior, nonelderly single population. Am I correct that is occurring? There is a huge footnote down here that I do not understand. I understand the intent, that there was a concern that off-campus college students in college towns might have an impact in the overall numbers.

Getting back to intuition, it would just seem to me nationally that we probably have more individuals who are living in poverty in single households than we have in single off-campus college students. Now, I could be wrong, but that's just my guess.

And to go the next step of then just excluding all single, nonelderly households in order to get to the off-campus college students seems extreme. Your footnote goes on to explain the rationale and the basis for it, and claims statistically that it does parallel itself, but it seems to me that the footnote said, in order to prove that eliminating all single, nonelderly households that are in poverty to get to the off-campus college students, we prove that it doesn't have that much of an impact if we globally do it; and you went, I think, by going to go and look at the population of off-campus college students.

If you can look at the population of off-campus college students, why aren't we just doing that instead of eliminating all single poverty households that are not elderly?

Mr. BERNARDI. As we mentioned earlier regarding those communities that are affluent communities, if you will, that receive above the line in the need index, the Portsmouths and the Newtons, there that is older housing, and just by having to indicate that it's pre-1940 housing, they receive a benefit there. And there are many, many individuals that reside in those properties that are anything but poor people in need.

Mr. TURNER. I understand your point——

Mr. BERNARDI. In other words, I don't believe you could just do it for the university areas and not have the desired outcome that you would want, the weighted under Formula B right now that provides to those affluent communities with the pre-1940 housing.

Mr. TURNER. And perhaps you need to provide me more information on this, but let me read these next two sentences to explain my question. It says that, because this variable excludes single, nonelderly persons in poverty, there is a sense that it may misrepresent the needs of communities with particularly high portions of their population made up of non-college students who are single, nonelderly and in poverty. That is my sense——

Mr. BERNARDI. It would be nice to get everyone into the mix——

Mr. TURNER. The next sentence, though, says, to test this, HUD requested a special tabulation of census data that specifically excluded full-time college students from the poverty count. And my question, which perhaps you can provide me information later, is if you can do that, why not just do that instead of excluding all non-college students, single nonelderly in poverty? Because it seems that the footnote says we're going to exclude all these non-college students, single, poverty, nonelderly, because we have tested it with the census data, and it gives us the same number as if we just exclude full-time college students. And it goes on to say that people aren't necessarily going to believe that or trust that. I'm one of those. So if you can, why don't you just eliminate full-time college students? And perhaps that is something that you can provide us information.

Mr. BERNARDI. I'll be happy to do that.

But as I mentioned a moment ago, you still have to address the pre-1940 housing and those affluent communities that presently operate under Formula B and receive a disproportionate share per capita based on pre-1940 housing. Then you would have to add another caveat, if you will, to address that.

Mr. TURNER. I understand your housing point.

Mr. Dent, further questions?

Mr. DENT. Thanks, Mr. Chairman.

When you're driving these formulas, have you looked at tax effort or a community's fiscal capacity in determining grant levels? In other words, some communities that are quite poor have very high tax efforts, and some of those communities that are of perhaps lower need may have much lower tax efforts. Have you ever looked at that as a potential component to the formula?

Mr. BERNARDI. I don't believe so. I don't believe that the taxes of a particular jurisdiction come into play at the ability of the community, if you will, to provide for services that some communities could not because of their ability to have the higher sales tax or to have a higher property tax base.

Mr. DENT. I guess the reason I'm asking is in my State of Pennsylvania, we used to run these complicated school subsidy formulas, and we always tried to throw in a tax effort whenever we could. Do you measure poverty here by TANF families, or what is the definition of poverty under this?

Mr. BERNARDI. The definition of poverty is a family—an individual with a certain income, two people with a certain income, three people with a certain income.

Mr. DENT. OK. Is that essentially—is that the TANF criteria, more or less?

Mr. BERNARDI. I believe so.

Mr. DENT. OK. And the next question I have is, you know, we're doing two things here. We're trying to look at the formula that drives the money out to the various communities, but the question I have is how are these CDBG funds generally spent by the neediest communities, and how would they be spent generally by the lower-need communities, and what's the difference? In the communities that Chairman Turner and I represent, a lot of those dollars are being used for demolition, deconverting rental units back down to owner-occupied settings, and all types of what I would consider legitimate community development, putting money into areas where we would not be able to invest, be able to draw private sector investment, but basically preparing sites, preparing land, preparing housing.

What do you see the difference of how the moneys are spent between these high-need communities versus the low-need communities?

Mr. BERNARDI. Well, as you know, Congressman, the flexibility of the program within parameters allows each community to basically spend the money within the guidelines of the rules and regulations.

I can tell you, with the 2004 expenditures, basically, oh, I think it was $1.6 billion out of the $4.1 billion, about 26 percent was used for housing rehabilitation. And I think the low-need communities, as Congressman Turner mentioned earlier, when you have to do an awful lot of rehabilitation, maybe do some demolition housing, housing is maybe the highest expenditure.

There are also communities that can use it for public services, like adult literacy, child day care, but there's a cap of 15 percent. So the communities would look at their priorities and make a determination as to how they want to utilize those dollars. There's also public facilities, percentages used for sidewalks, streets, sewers. Economic development is another area where resources are used.

Mr. DENT. I guess the final question I have, do you think it will be difficult for Congress to come to some kind of consensus on this given the complexities of the methodologies that you are using? Because at the end of the day, if most Congressmen are like me, they will look at their communities and see how they will do under the old system, look how they will do under the new system and that will drive a lot of their decisionmaking. Have you thought about that at all?

Mr. BERNARDI. We have. That's why we have four alternatives that are in front of you. Regardless of which alternative you were to choose, if you were to choose a change in the system, there are going to be communities that will receive more dollars and there will be communities—everyone will be affected.

But, then again, the variables that are being used here, it's how close you want to target to need the objectives of the program, decent housing, economic opportunity, quality of life and providing dollars for people of low and moderate income. The communities right now spent about 95 percent of their allocations to benefit low and moderate income individuals; that was 60 percent. It was raised to 70, then to 80 by Congress just 10 years ago.

But the communities, in your previous question, communities utilize the moneys. I think, to help the people that they think need it the most, depending on what areas they want to do, whether it's housing or whether it's a program for senior citizens through the public service cap.

Mr. DENT. When you talk about those communities, I don't want to talk about winners and losers, but those communities may do better than others. I have a good sense of which communities would need a greater boost through CDBG than some others that might not fare as well or do worse or could afford perhaps to do a little worse. Would these formulas be able to break these, break this down by municipality? I know you have a county-by-county analysis. But you could actually break it down by municipality in my district so I could see the——

Mr. BERNARDI. Yes. We do all that information. We can provide for you exactly what would occur with each urban county, for example, for an entitlement community, for your non-entitlement communities. Also, when the program went from a categorical grant program to the formula here back in the 1970's, there was a phase-in period that was put into place by Congress. I think it was anywhere from 3 to 5 years.

If you choose to change the formula, you could do the same thing here so that the community would be phased in to receiving that extra money so they have the capacity and the wherewithal how to use the capacity at the same time if they were to lose those dollars.

Mr. DENT. That would help me quite a lot. I could pick at you all day in terms of the formula—what form it should be in and shouldn't be in—but if I could look at all four alternatives and break it down, I could get a sense of what is the fairest for my district. I am trying to drive the money to the communities most in need. That would be helpful to me and in my decisionmaking process if we went forward with some kind of formal funding.

Mr. BERNARDI. We have that information and would be happy to provide it to you.

Mr. DENT. That would help me to see what is more equitable versus what is less equitable. So thank you.

Mr. TURNER. Well, Mr. Secretary, for just a moment, I want to get back to the immigration issue, because, as we were talking about the David Rusk issue of the inelasticity or elasticity of metropolitan areas—basically your document, as it reflects David Rusk, is talking about the ability for a metropolitan area to grow into a regional metropolitan government type versus those that are geographically frozen, small central cities, perhaps growing affluent suburbs.

Taking into consideration, as you do, the disparity of per capita income between the metropolitan area and the urban core, as a percentage, I indicated that I believe that may be incorrect, because you are an individual who is in poverty in a community where that is not that great disparity, has less of an overall economic opportunity than a person who is in a situation where the metropolitan area is significantly higher than the urban core.

But getting back to immigration. We have here percentage point change in poverty rate as an element that you consider. And we have in here metropolitan per capita income disparity between the urban core and the suburban area, and we have in here concentration of poverty. Those are weighted, and then as we discussed immigration, I was indicating—I believe that some of the factors that you have double count the expression of immigration and opportunity—and I just want to walk through that.

I am not asking you a question, but you can comment on it if you would like. It would seem to me that if you have an area, if we have a small urban core that geographically is frozen but cannot grow, but a successful metropolitan area, where the per capita income is higher in the suburbs than in the urban core, significantly, which is what you are trying to register and capture, that would be an area that would attract immigrants, and that, again, the urban core, not having an ability to grow and probably having the less expensive housing options available would attract that immigrant population.

Because it's under David Rusk's model, geographically unable to grow to capture the economic growth in its suburbs, it would have a percentage change in poverty that would go up. It would have, because its population is growing, a higher concentration of poverty than it had before, and it would remain in an area where its per capita income is in a significant disparity to its metropolitan area.

So that's one of the reasons I am concerned that you used these elements that are things that I believe will occur in an area that's experiencing immigration, and then you go back in and weight your system an additional 15 percent for immigration, when, I think in the elements that you are capturing, the expression of immigration is already going to be reflected.

Mr. BERNARDI. So, if I may, you are looking to localize this then. You are saying immigration would tend to be in areas where there's a low per capita income, but we estimate the metropolitan area is high income. There's more opportunity. There's less expensive housing, so these individuals—I don't know how you capture that.

Mr. TURNER. My concern is that your factors, by then going back and adding immigration, what you are doing is saying, we are going to look at poverty and community development needs. Then you are factoring over on top of those an expression of certain types of poverty by the individual whose impoverished, the immigrant.

I think that double counts the expression of poverty in the community that probably does not serve us. And that's my analysis of this, and any other additional analysis and comments that you make or further discussion, I would love to hear.

Mr. BERNARDI. I appreciate what you are saying. It also seems to me that when you talked about the college towns and making a separate distinction as to why we can't just make the adjustment in the way the university housing is or the college housing is—and I would like to say that these are just alternatives.

Mr. TURNER. I understand.

Mr. BERNARDI. I told you I have an alternative five that I like even better than the first four alternatives.

Mr. TURNER. I would love to see it.

Mr. BERNARDI. But you can tweak these numbers, and you can eliminate, like, for example, between two and three, as I mentioned, what we did there to provide additional dollars to the high-need communities is we took the overcrowding, the number that you are talking about, that would tend to come with an immigrant population and reduce that by 10 percent, and at the same time, we increased by 10 percent housing 50 years or older. So there are ways in which you can even make more distinctions than we have made here.

Mr. TURNER. OK. When you were present for the Strengthening America's Communities Hearing, David Sampson from Commerce gave us some initial discussions concerning how that program, if it were to be approved, would allocate its community development to dollars.

And his discussion was that a task force is going to be formed that would flush out what these elements or factors were to be considered. But his testimony here pretty much focused on poverty only and looking at communities that had a poverty expression greater than the national average.

I didn't see in yours, and it may be there, and I just don't see it, that where you have communities that have a poverty in excess of the national average, that there's an additional weighting toward them versus just the expression of poverty generally. Is that accurate?

Mr. BERNARDI. Well, the numbers that Mr. Samson provided you, I believe, he said that 38 percent of the cities that received CBDG resources were below the poverty number. That's not the case. It's more like 22 percent.

The fact of the matter is, I think this particular formula that we presently operate under and the alternatives that we proposed, I think, target more of a need. As you can see by the numbers here, I think the poverty of family and elderly poverty is 50 percent in formulas two and three.

Mr. TURNER. Going back to the factors again. When you identify what the factors are—and, by the way, the report, I do want to compliment you on your report. This is an excellent report in being able to read and digest it and being able to look at the extent of data analysis that has gone on this. Whether or not anyone agrees with the outcomes or the specific recommendations, the work that is done here is just excellent work.

Getting to, then, once you have identified these factors that you believe and the new demographics could be taken into consideration—when you go to put that chart together of less need and high need, you then weight these factors. We just had discussions whether or not the elements as a factor should even be considered. The next process is the weighting of those factors.

The discussion in the document pretty much, that I got from it, in discussing how that weighting occurred, is a judgment based on this factor is either higher and lower, and so then a number higher or lower is picked.

But I didn't get any information as to how the exact number was picked: 80 percent for factor one; 15 percent for factor two; 5 percent for factor three. Do you have information that tells us what that process was in determining that?

Mr. BERNARDI. I am sure we do, and I can get that to you. But as I mentioned, the 17 variables taken into consideration break down into four areas. There were three variables on decent housing, three on unsuitable living environment, four for economic opportunities, and then low and moderate income had the remainder. I will be happy to get you that information as to how they weighted it so that it came down to the number that we have.

Mr. TURNER. I know Mr. Dent was asking for additional information on how the four formulas are applied to communities. I don't recall specifically if he also asked in looking at how the alternatives are applied to cities and then looking at the equation that is in the front. I don't think we have the data of the actual application of the equation to each city so that a city could pick it up and see how their number was decided based on the data that was in front of them. Could we have that information given to us?

Mr. BERNARDI. Well, we can give you the information right now as to what I know each community would receive or would not receive based on each one of the alternatives. Now, to give you the information behind how that was calibrated?

Mr. TURNER. Right.

Mr. BERNARDI. We will do it, sure. I should say, my people behind me will do it.

Mr. TURNER. Grandfathering has been a question that comes up frequently. GAO makes note in the written testimony, grandfathering provisions in the current law which allow communities that no longer meet eligibility requirements to remain entitled.

Some of the questions that we have here are, how many communities fall into this category right now and how long really is grandfathering permanent, and is there a geographical trend that shows certain areas falling out of entitlement status and into grandfathering status?

Mr. BERNARDI. I don't believe we have too many areas that are falling out of entitlement. We have had a significant increase in entitlement communities, as you mentioned in your opening statement. But I would be happy to tell you how we grandfather.

Mr. TURNER. Or if you could tell us who is, what is the time period and give information about that process.

Perhaps you could give us your thoughts on the issue of rural areas. I mean, throughout this report and also through the GAO report, they have identified the issue of rural areas and their needs being different than urban areas. If you could give us your thoughts as to how that might be taken into consideration and what we might need to do in looking at the needs of rural areas.

Mr. BERNARDI. There were 10 variables used for the non-entitlement communities. The non-entitlement communities are the States that represent those rural areas that you mentioned here. I believe that the alternatives here address the disparities that occur from it. From the beginning, though, there was not as much of a fluctuation and a shift between States and non-entitlement communities as there were within entitlement communities.

Mr. TURNER. Any closing remarks for us, Mr. Bernardi?

Mr. BERNARDI. Just that seated behind me here, there's a gentleman named Harold Bunce, and he did the report first report back in 1976. And the gentleman to his left is Kevin Neary, and he participated in the reports in 1983 and 1995. And Todd Richardson is right off my left shoulder here; he just basically is the architect for this report.

I would like to say, this is the third full report that HUD has taken a look at when it has come to redoing the formula. You know, regardless, Congressman Dent indicated that we all—everyone wants to know what is going to happen in their area.

It's a difficult decision as to whether or not you make the determination to change this formula. There's going to be, obviously, some swings regardless of which alternative you choose.

But it still targets the need, as you mentioned, Mr. Chairman, in your opening statement, still targets those that are most in need, but the disparities have grown over the years.

And I want to thank you for the opportunity, and we will be happy to answer all the questions in writing that we have not answered here today. If you have any followup, just let us know. Thank you.

Mr. TURNER. Thank you so much for the time and effort and the time and effort of your staff. What a great service you have done in putting this report together. I am certain this is going to result in a great discussion as we look forward to the topic of CDBG, whether or not there needs to be changes in the formula, and, if so, how that might occur in an equitable manner for our country.

Mr. BERNARDI. Thank you.

Mr. TURNER. We will take a 5-minute recess as we bring forward the second panel.

[Recess.]

Mr. TURNER. I will call the subcommittee on Federalism and the Census back to order beginning with panel two.

Panel two includes Paul Posner, Director, Federal Budget & Intergovernmental Relations, Government Accountability Office;

Jerry Fastrup, Assistant Director, Applied Research Methods, Government Accountability Office; and Saul N. Ramirez, Jr., executive director, National Association of Housing and Redevelopment Officials.

I believe, Mr. Posner, we are starting with you.

I'm sorry, gentlemen, I was just reminded we need to swear the committee in because this committee does swear in witnesses.

[Witnesses sworn.]

Mr. TURNER. Please note on the record that all witnesses have responded in the affirmative.

Again, Mr. Posner, I believe we are starting with you.

STATEMENTS OF PAUL POSNER, DIRECTOR, FEDERAL BUDGET & INTERGOVERNMENTAL RELATIONS, GOVERNMENT ACCOUNTABILITY OFFICE; JERRY C. FASTRUP, ASSISTANT DIRECTOR, APPLIED RESEARCH AND METHODS, GOVERNMENT ACCOUNTABILITY OFFICE; AND SAUL N. RAMIREZ, JR., EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

STATEMENT OF PAUL POSNER, ACCOMPANIED BY JERRY C. FASTRUP

Mr. POSNER. Thank you, Mr. Chairman, and Congressman Dent.

I want to begin by referring to a report GAO issued February 16th of this year, and we call it, 21st Century Challenges: Reexamining the Base of the Federal Government. I think it is very pertinent to what we are talking about here.

Because what we say in that report is, we do have a fiscal problem. We know we have deficits, but over the longer term, we are going to have a real fiscal crisis. We are on an unsustainable fiscal path, really not just at the Federal level but our local States and governments, as you well know, are facing significant structural pressures on both the revenue and spending sides of the budget.

The point of all of this is that, at some point, all major program activities at the Federal level—arguably, the States have been through this in the recent crucible of fiscal crisis—are going to have to be on the table, not to be changed at the margin, like we often do, but really fundamentally reexamining the base to test their relevance, for a 21st Century period, and then new economy, to test their effectiveness.

And one of the things we talk about in here is to test their targeting. Programs are going to have to justify why they should be exempt from such a process. As we are fond of saying, in this process, fiscal necessity may, in fact, become a mother of reform and reinvention in the public sector.

We think the HUD study, in fact, should generate and provide us a good basis to generate this kind of reexamination basis for the CDBG formula. In fact, this hearing, and I commend you for holding this hearing, is a good example of how such a process can get under way.

I think that the questions about the formula that have just been illustrated in the previous discussion are germane and whether or not this program is consolidated and whether or not, frankly, fundings are changed.

Now, first, I want to say, my testimony is based on years of formula design work that GAO has done. I have made sure that Jerry Fastrup accompanies me here at the table. He is our senior public finance economist with—I don't want to tip off his age—but maybe 30 years of experience of working with the Congress on formula design. And not only is he an extremely knowledgeable and sharp technician, but he understands how to explain these issues to various audiences over the many years.

Again, in our view, targeting is always in season to talk about. But the fiscal impetus we have arguably provides a more important impetus. The declining Federal resources is clearly challenging politically, but it does provide an important window to have this discussion. For example, if you are facing cuts, you can provide cuts across the board. But targeting enables you to hold harmless those communities and others with least capacity to absorb the cuts. More targeting, arguably, when you have less resources is needed to address the fiscal gaps between those with high and those with low needs.

In our view, targeting generally entails two kinds of dimensions or two kinds of design decisions. One is the eligibility, what grantees are eligible for the program in the first place and how to allocate money among those grantees. In our testimony, we talk about two general evaluation criteria that are useful to think about this and other programs.

One is treating equals equally. In other words, low-income communities with high needs should be expected to have similar per capita allocations under a well-targeted formula. And two, allocating proportionally greater funds to those areas with higher needs and lower capacity to fund the program on their own.

As the HUD report suggests—and I do want to echo your point, Mr. Chairman, we think the HUD report is a well-done piece of policy analysis—that the CDBG formula does target based on needs, but longstanding inequities exist. And the HUD report does a very good job, I think, of laying out how such factors skew the targeting in such areas as the definition of older housing, lagging growth. The use of two formulas and poverty measures that measure individuals rather than families tend to skew the formula both by providing dissimilar or highly disparate allocations to places with similar needs.

For example, Buffalo with the same score in the same index as New York: Buffalo gets $68 per capita; New York gets $27 per capita. And places with higher needs can get lower amounts than places with lower needs.

I like one sentence in this report to quote, because I think it's very apt. HUD says it's desirable to capture the concept of age without overly rewarding communities that have aged gracefully. I think that captures well some of the issues of the formula design that we are having here.

All of these longstanding problems have been exacerbated by funding declines in real dollar terms after inflation, that there's been a decline in the per capita grant by about two-thirds over the year.

What this says is, when you have a shrinking pool of money, it makes targeting arguably more important to address the high needs communities' needs. And with regard to the alternatives, HUD's report and all the charts you have seen offers the four options from modest to substantial reallocation. The first two provide technical improvements in redefining needs indicators by addressing such factors as age of housing and how a student issues greater targeting for poverty—going to one rather than two formulas, which we think eliminates a lot of the imbalances between communities within similar needs baskets.

The third formula introduces an entirely different element into the equation, which is the issue of income and measuring the relative income of communities, measured by two factors. One is the community's own income, and second, as you indicated in your previous discussion, the metropolitan area's income.

As HUD's analysis shows, this factor substantially improves targeting, but additional analysis is needed, because as our statement indicates, these two specific measures tend to offset one another, that lower-income communities in higher metropolitan area income areas, their income needs get offset.

And so as we think about how we introduce income into this formula, there's some substantial design issues that have to be further flushed out.

But I don't want to lose the main point here, is that fiscal capacity is an important element to consider for this formula, as it is for most other Federal formulas, particularly as we triage scarce Federal funds.

The relative capacity of areas in local governments to fund their open needs should become more important. In a world of unlimited resources, we might never have to make these choices. But in the world of greater and ever shrinking resources, arguably we do.

In fact, communities with lower tax bases will have to raise higher taxes to fund the same level of needs as others. So if we were to close the gaps between the lower-income communities and the higher-income communities, some recognition of the relevant capacity as well as the relevant needs among these communities, in our view, is important to put on the table.

Key questions remain: How do we do this? How much targeting to low-income places do we really want compared to other balancing considerations? And how should this kind of targeting be done?

If we are going to include fiscal capacity as a factor, for example, should we do it solely through the allocation formula, or should we rethink the whole eligibility criteria which is defined solely by population to move beyond population, in other words, to needs or to fiscal capacity/income or both is a real question, I think, facing you and the Congress.

I think the important point here is that we are having this debate now. Recognizing the changes in funding is always controversial, always difficult, always challenging. The more time we have to make and phase in adjustments before, you know, fiscal issues really come to be more pressing, why, the better off we will all be.

Thank you.

[The prepared statement of Mr. Posner follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Federalism and the Census, Committee on Government Reform, House of Representatives

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COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA

Targeting Assistance to High-Need Communities Could be Enhanced

Statement of Paul L. Posner, Managing Director
Federal Budget Analysis and Intergovernmental Relations

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Highlights

Highlights of GAO-05-622T, a report to House Committee on Government Reform, Subcommittee on Federalism and the Census

Why GAO Did This Study

The subcommittee asked GAO to comment on the Department of Housing and Urban Development's (HUD) 2005 report on the Community Development Block Grant (CDBG), "CDBG Formula Targeting to Community Development Need." The CDBG program distributes funding to communities using two separate formulas that take into account poverty, older housing, community size, and other factors. That study evaluates the program's funding formula from two perspectives: 1) to what extent do communities with similar needs receive similar CDBG funding, and 2) to what extent are program funds directed to communities with greater community development needs. The HUD report is particularly salient in light of the administration's 2006 budget request which criticizes the program for not effectively targeting high-need communities. The subcommittee asked us to provide our views on the HUD study based on our experience and past assistance to various congressional committees on a wide variety of federal formula funding issues.

www.gao.gov/cgi-bin/getrpt?GAO-05-622T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul L. Posner, (202) 512-9573, posnerp@gao.gov.

COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA

Targeting Assistance to High-Need Communities Could be Enhanced

What GAO Found

HUD's report on the CDBG formula provides a thoughtful and sophisticated analysis of those elements of the formula that impede effective and equitable targeting of limited federal resources. Central to HUD's analysis is an index of need that encompasses a wide variety of indicators related to poverty, housing infrastructure, and population growth and decline. While we would question some of the factors in their index, overall we believe it serves as a reasonable basis for evaluating CDBG targeting.

The study identifies a number of causes that explain the poor performance of the current formula.

- The use of two formulas rather than one is an important reason communities with similar needs do not receive similar funding.
- The use of population size as a need indicator significantly reduces the extent to which funding is directed to high-need communities.
- Changing the poverty measure to one based on the poverty status of households rather than individuals would avoid large grants to communities with large student populations.
- An increasing number of communities have attained the minimum population size necessary to be eligible for formula funding and this has also reduced funding to communities with the highest needs.

In addition to presenting formula options that address a number of these problems, HUD's study also presents an option that would include per capita income in the formula. The inclusion of per capita income could be justified on the grounds that it directs more funding to communities with weaker economic capacity to meet needs from local resources. However, some of the effect of this factor is offset by introducing an additional factor – metropolitan per capita income. The metropolitan per capita income factor directs more rather than less funding to communities located in high-income metropolitan areas. This works at cross purposes with the local per capita income factor.

GAO suggests that the subcommittee consider a needs-based criterion to determine eligibility and eliminate the grandfathering of eligibility into the formula before this approach is adopted as a means of improving the targeting performance of the program.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss policy considerations associated with fashioning a grant targeting policy and provide our observations on the Department of Housing and Urban Development's (HUD) report titled: "CDBG Formula Targeting to Community Development Need." In our recent report on 21st Century Challenges,[1] we argue for the importance of a thorough assessment of federal programs and policies across the board due to long term fiscal challenges the nation currently faces. In that report we specifically recommend that programs such as the Community Development Block Grant (CDBG) be judged according to whether they target assistance to those with the greatest need and the least capacity to meet them.

The CDBG program is a significant direct federal-to-local grant program. Its supports a wide array of local community development activities that are primarily to benefit low- and moderate-income persons. Program funding is allocated to local communities using two statutory formulas that take into account various indicators of community development need. The HUD report observes that this formula provides widely different payments to recipients with similar needs and that funds going to the neediest communities have decreased over time on a per capita basis. The study then presents several alternative measures of community need that would systematically focus support on those communities with the greatest need. This subcommittee asked us to evaluate the HUD report.

The HUD study takes on even greater significance in light of the administration's proposal to consolidate 18 federal community and economic development programs, including CDBG, into a single block grant. The administration proposal would reduce overall funding by 30 percent. Such a cut raises issues regarding the need to more sharply focus limited funding on those communities in greatest need. In this regard the administration's initiative criticizes the CDBG program as being poorly targeted, indicating that 38 percent of the funds go to eligible communities and states with poverty rates below the national average. To improve targeting, the administration proposal cites both need, specifically poverty, and economic capacity indicators such as unemployment and job loss as important indicators of the need for development funding. Criticisms of

[1]GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP, February 2005.

poor targeting raise fundamental questions about the relationship between formula design choices and federal policy goals.

Over the years we have evaluated and provided technical assistance on a number of formula grant programs. Consequently, we have a broad perspective on formula design issues. Today I will draw on our past work on a variety of grant programs to discuss several key issues that can contribute to good formula design. I will then provide our observations on HUD's evaluation of the current formula and the alternative targeting policies outlined in their report. Finally, I will offer some suggestions the subcommittee may wish to consider to better account for differences in local communities' economic capacities to meet local needs with local resources. We did not independently verify the reliability of the data used in HUD's report nor did we verify their analysis.

To briefly summarize our observations, I would first note that good formula design and grant targeting depend on a number of important policy choices. While the HUD study provides a thoughtful analysis of grant targeting based on improved measurement of program need, additional issues merit further consideration, including taking into account not only the need for community infrastructure improvement but also communities' economic capacities to address those needs. In addition, the subcommittee should consider revising eligibility criteria to encompass both needs and economic capacity.

As agreed with the subcommittee, I will not be commenting on issues related to the state program that provides funding for non-entitlement communities. I would be happy to discuss these issues during our question and answer period if time allows.

Grant Formula Design Embodies Several Policy Considerations

Over the years we have reported on a wide variety of grant formula issues. During the 1970s and 1980s, we issued a number of reports on the funding formulas used to direct Revenue Sharing funds to local communities based on both their capacity and willingness to utilize local resources to address local needs. In anticipation of the 2000 census, we examined the potential effect of the decennial census population undercount on the distribution of federal grant funds for 25 large formula grant programs, including Medicaid. Over the years we have also assisted the Congress in revising the funding formulas under the Ryan White CARE Act, the Older Americans Act, Substance Abuse and Mental Health Block grants, and Title I education grants so that program funding would be more responsive to changes in program needs. This wide range of experience provides us with an in-depth understanding of the issues associated with the equitable and efficient targeting of federal grant dollars.

Based on our past experience, I would like to offer a number of observations on the design of grant funding formulas. First, grant formulas reflect an intergovernmental partnership that structures how costs are to be shared among the various levels of government. When federal resources represent a declining share of the cost of meeting national goals, a greater effort to target high-need communities is necessary if federal funding is to make a significant contribution to closing the fiscal gap between high- and low-need communities.

Second, targeting grant funding involves two key decisions: 1) determining which communities are eligible for assistance and 2) how to distribute funding among eligible communities. A clear statement of policy goals and objectives is essential as a guide for establishing grantee eligibility standards and identifying a manageable number of statistical indicators that can reliably direct formula funding to communities with the greatest need. Because the CDBG program has a wide variety of policy goals — the elimination of slums, historic preservation, and promoting more rational land use, among others — identifying eligibility standards and a reasonable set of indicators to represent program need is especially challenging. For example, the CDBG program's goal of improving the physical infrastructure of economically distressed communities is reflected in several of the need indicators used in the program's formula, such as poverty and older housing. However, there are no indicators for historic preservation or rational land use.

In addition to program needs, consideration of fiscal equity or fairness suggests additional targeting factors beyond need indicators. Here there are two issues: 1) wide differences in communities' ability to meet local needs with local resources and 2) geographic differences in the cost of financing local development projects. Regarding local resources, high income communities generally have stronger tax bases from which to fund program needs without relying on federal assistance compared to lower income areas. Accordingly, the allocation of scarce resources might reflect variations in local funding capacity. In addition, the cost issue arises for areas faced with a high cost-of-living since they would need to pay more for the workers who actually deliver services at the local level.

Performance indicators are sometimes considered as a targeting factor though they present challenges as well. Ideally, performance indicators would reflect only grantee performance and not program outcomes that result from factors local officials have little ability to control. For example, it makes little sense to reward a state that has substantially reduced welfare dependence because it enjoyed a particularly strong economy but did no better than other grantees in terms of efficiently managing its welfare programs. Accurate performance indicators are particularly difficult to develop, especially as they pertain to goals that may take literally decades to realize. As a consequence, they require an even higher degree of scrutiny than needs-based indicators before being incorporated into funding formulas.

For this reason a more common approach to promoting accountability is to require grantees to provide matching funds for projects funded under the program. Grantees are likely to be more vigilant in screening and funding individual projects if they must put a significant portion of their own resources at risk. While often difficult to enforce, at a minimum, such a requirement forces public discussion of how grant funds are to be employed.

Two Formulas Are Used to Target Program Funding

Before I turn to discussing the HUD study and its findings, I would first like to provide a brief description of the eligibility standards and funding formulas now used to target CDBG funding. To obtain entitlement status, a city must be the principal city of a metropolitan statistical area, as designated by the Office of Management and Budget (OMB), or have a population of at least 50,000 residents. An urban county must have a population of at least 200,000 residents. The formulas used to distribute funding among eligible communities reflect several broad dimensions of need. Originally, CDBG funding was distributed to entitlement communities based on a simple three-factor formula that took into account:

- the number of residents (population),
- the number of residents living in poverty, and
- the number of overcrowded housing units.

Beginning in fiscal year 1978, Congress added a second three-factor formula that included the following need indicators:

- the number of residents living in poverty,
- the number of older housing units, and

- slow population growth or decline.

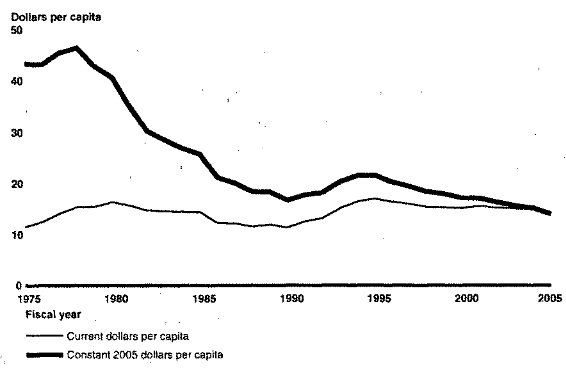
Under this dual formula approach, grantees receive the larger amount allocated by either the first formula, commonly referred to as formula A, or the second formula, commonly referred to as formula B. The use of two formulas, each with three factors, results in allotments exceeding the funds available for distribution. To avoid this outcome, all grantee allotments are proportionally reduced to conform to the amount available for distribution by formula.

Declining Budget Resources Underscore the Need for More Efficient Targeting of Available Funding

Since the advent of the entitlement portion of the program, the number of participating communities has nearly doubled, increasing from 606 in fiscal year 1975 to more than 1,100 in fiscal year 2004. This trend can be expected to continue both because population will continue to grow and because new standards for designating metropolitan areas, as promulgated by OMB and utilized by the program, are also likely to increase the number of eligible communities.

Since 1978 program funding has declined to roughly half its peak of $10.2 billion when measured in purchasing power of today's dollars. When population growth is factored in, the decline in real per capita spending has declined by two-thirds, as illustrated in the accompanying figure.

Figure 1: Trends in CDBG Funding Per Capita 1975-2005



Source: GAO analysis of Census, HUD, and OMB data.

The policy implication of these trends is that with more limited resources, narrowing the gap between high- and low-need communities can only be realized by concentrating this more limited funding on high-need communities. This requires a new look at the program's eligibility standards and funding formulas.

Given the Program's Broadly Defined Purposes, HUD's Evaluation Criteria for Grant Targeting Appear Reasonable

The HUD study relies on two generally accepted equity or fairness principles to evaluate the targeting of CDBG funding: 1) equals should be treated equally and 2) those with greater needs should receive more than those with lesser needs. The first principle is based on the idea that communities with similar needs should receive roughly similar per capita funding amounts. The second standard is based on the idea that to reduce the gap between high- and low-need communities, additional funding must be targeted to communities with greater needs. This criterion is especially pertinent because, as the HUD report observes, Congress designed a formula intended to allocate CDBG funds according to variations in community needs. However, determining the extent to which program funding is disproportionately allocated to communities with the highest needs involves value judgments that are the responsibility of policymakers rather than technicians and administrators. The HUD study measures the extent to which funding is targeted to high-need communities and leaves it to policymakers to decide the appropriate degree of needs-based targeting.

Before I address the conclusions reached in the HUD study, I first want to spend a couple of moments discussing the factors underlying the study's need criterion, since all conclusions rest upon its validity. One of the criticisms directed at the CDBG program in the administration's fiscal year 2006 budget proposal is that there is a "lack of clarity in the program's purpose," a statement which is supported by the long list of specific program objectives cited in HUD's report. Given the broad and diffuse goals established for the program, it is difficult to identify a few clear and succinct indicators of program need appropriate for this program. Though HUD's need criterion is not immune from criticism, it is, in our view, reasonable given the program's diverse objectives. HUD's criterion is strongly related to poverty and older housing occupied by low-income households and a number of other variables related to local poverty conditions such as education, crime, and racial segregation. These variables represent 80 percent of HUD's overall index of need. This, I feel, represents a reasonable approach for distinguishing between high- and low-need communities.

Other indicators included in HUD's need criterion may be more questionable. For example, overcrowded housing, one of the elements in the current formula, may be more indicative of a strong local economy that reflects strong demand pressures in the local housing market rather than economic decline. In addition, low population densities and strong population growth, both reflected in HUD's need criterion, may be more indicative of strong rather than weak economic conditions. However, to the extent that these indicators may be problematic, they represent a comparatively small part of the overall need criterion. Consequently, even if these factors were eliminated from the need index it is unlikely that they would affect their main conclusions to any significant degree.

Many Features of CDBG Funding Formulas Limit Their Ability to Consistently Target High-Need Communities

The HUD study reaches a number of valid conclusions regarding the targeting performance of the program's funding formulas. I will just mention their conclusions to echo the more detailed analysis presented in the HUD report:

- The primary reasons entitlement communities with similar community development needs receive wide differences in funding are 1) using two formulas rather than a single formula and 2) the factor that reflects older housing in formula B results in especially large disparities in funding among communities with similar needs because units occupied by higher income residents typically are not in need of rehabilitation at public expense.

- Formula A is most responsible for reducing the extent to which funding is targeted to high-need communities, because its reliance on general population precludes greater targeting based on community development needs.

- Changing the poverty measure to one based on the poverty status of households rather than individuals would avoid awarding large grants to low-need college towns.[2]

While HUD Formula Options Improve Needs Targeting, Additional Options Should Also Be Explored before Deciding on a Particular Reform Strategy

In our view, the HUD study has clearly identified the major elements that limit the current formula's ability to efficiently and effectively target funding to high-need communities, and it puts forward a number of formula alternatives that would strengthen the program in this regard. Proposals range from a comparatively modest reform to options that result in a more substantial redistribution of program funding.

The study describes two formula alternatives to improve grant targeting among entitlement communities that incorporate new need indicators. The first option, formula alternative one, introduces revised indicators of poverty, older housing units and slow population growth and decline, and places greater emphasis on the poverty indicators. It provides modest improvements by narrowing wide differences in funding received by communities with similar needs and it directs a larger portion of funding to high-need communities. The second option, alternative two, takes a

[2] Data on persons in poverty are from the Bureau of the Census which includes off-campus college students, who often receive support from their families that is not recorded by Census.

somewhat more aggressive approach by eliminating the use of two formulas and replacing them with a single formula that includes a range of indicators related to need. It provides a substantial improvement in the program's ability to provide comparable funding for communities with comparable needs.

However, it is important to point out that neither the poverty indicator used in the current formula nor the alternative HUD proposes takes into account geographic differences in the cost-of-living. As a consequence, both the current formula and the two alternatives probably overstate needs in communities with relatively low cost-of-living and understate them in communities with a higher cost-of-living.

I would characterize the first two alternatives as making technical improvements, in that they utilize better indicators of need and eliminate the primary causes of wide differences in funding for communities with similar needs. In contrast, a third option, formula alternative three, introduces two additional factors—community per capita income and the per capita income of the wider metropolitan area in which the grantee is located. Community per capita income (PCI) is used to increase funding for low-income communities and reduce funding for higher income communities. The metropolitan PCI factor partly offsets the effect of community PCI by increasing funding for communities in high-income metropolitan areas. The net effect of both factors is that the two factors, to some extent, work at cross purposes. For example, if two communities located in different metropolitan areas had the same PCI, the community located in the metropolitan area with a lower area-wide income would receive less aid than the community located in the high-income metropolitan area.

The HUD report suggests using the two per capita income factors because they provide a means of directing more funding to high-need communities. However, they really are much more than a technical means of producing more targeting to high-need communities. And for that reason, I would like to talk about their introduction into the formula in a little more detail.

While these two factors do direct more funding to high-need communities, they also widen rather than narrow differences in funding among communities with similar needs, in effect, increasing the error rate if measured simply in terms of targeting need. The HUD report does not provide any discussion that would justify allowing funding differences to widen under this option. The policy question this raises is: Can these differences be justified by differences in funding capacity or cost differences?

Clearly, the introduction of per capita income can be justified on the grounds that it provides a means of taking into account the underlying economic strength of communities and their ability to fund local needs from local resources. I would also observe that doing so is consistent with the administration's Strengthening America's Community Initiative, which emphasizes indicators of economic conditions such as job loss and unemployment. However, introducing economic capacity also raises the question of to what extent should low income places be targeted? For example, should a community with half the average income be given a grant that is twice the average, or possibly even more? The HUD study provides one answer to this question. The subcommittee may wish to consider possibilities with either a greater or lesser effect.

The inclusion of the metropolitan PCI introduces more controversial issues as well. This factor, rather than targeting more funding to low-income areas, does the opposite. It actually targets more funding to communities in higher income metropolitan areas. However, the rationale for doing so is not discussed in HUD's report. One possible reason for introducing metropolitan PCI as a factor is that it would take account of geographic differences in the cost-of-living. However, consensus within the research community has not yet been achieved regarding the magnitude of these cost differences. Technical experts are therefore unable to provide guidance regarding how these cost differences may be offset in a funding formula. As a consequence, there is no objective basis to determine if HUD's use of metropolitan per capita income is appropriate.

Concluding Observations

In conclusion, the prospect of increasing budgetary stringency at the federal level appropriately prompts a reexamination of programs that respond to challenges faced by communities throughout the nation. The administration's proposal to restructure assistance for community development opens up important issues regarding how to focus such aid on the nation's more hard pressed areas.

For the most part, the HUD study does a very effective job of identifying the critical decisions regarding grant targeting for congressional consideration. However, additional formula options are not explored as part of the process of reaching a decision on how best to target CDBG funding. If program funding continues to decline in inflation-adjusted dollars, it may be appropriate to go beyond simply a needs-based targeting policy and consider alternatives to also take into account the underlying strength of local economies to meet those needs.

Finally, while the formula is a central instrument in targeting program funding, the criteria used to establish entitlement status could also play an important role in directing a larger share of program funding to communities with the greatest need. Rather than the current program's reliance on population size as the primary criterion, the subcommittee may also wish to consider either including a needs-based element in eligibility standards or establishing a minimum threshold allotment in order to qualify for entitlement status. Finally, the subcommittee may wish to reconsider the grandfathering provisions that allow communities that no longer meet eligibility standards to continue participating in the entitlement program.

In closing, I would like to emphasize that the targeting issues raised by the HUD report are important no matter what level of financial support Congress provides for community development activities. The prospect of reduced support for such efforts, as proposed by the administration, would make consideration of these targeting issues particularly salient. I would also note that GAO's report on 21st Century Challenges calls for a reexamination of federal policies and programs to respond to a growing fiscal imbalance. Central to such a reexamination is assessing how to better target federal assistance to those with the greatest need and the least capacity to meet those needs.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or other members of the subcommittee may have. For future comments or questions regarding this testimony, please contact Paul L. Posner, Managing Director for Federal Budget Analysis and Intergovernmental Relations, at (202) 512-9573. Individuals making key contributions to this testimony included Jerry C. Fastrup, Michael Springer, Robert Dinkelmeyer, and Michelle Sager.

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Mr. TURNER. Mr. Ramirez.

STATEMENT OF SAUL N. RAMIREZ, JR.

Mr. RAMIREZ. Thank you, Mr. Chairman. Thank you for having us here to testify on such an important issue. I am Saul Ramirez, executive director for the National Association of Housing and Redevelopment Officials or NAHRO. We were established in 1933, and we have more than 21,000 agency and associate members that are involved in housing, community development, redevelopment, not-for-profits and for-profits.

I also want to recognize and appreciate the privilege and opportunity to speak on behalf of the following national organizations. The National League of Cities, the National Association of Counties, the National Conference of Black Mayors, the Council of State Community Development Agencies, the National Association of County, Community and Economic Development, the National Association of Local Housing Finance Agencies and the National Community Development Association.

Mr. Chairman, in particular, we want to thank you for your advocacy on behalf of important Federal community and economic development policies and programs. We especially appreciate the leadership you have shown in asking tough but necessary questions of the administration regarding the President's proposal to eliminate the community development block grant program. There are better ways to examine important longstanding Federal programs than to call for their total elimination and replacement with new untested initiatives.

CDBG is effective and successful, but there is always room for improvement. For example, NAHRO, along with others, have joined us in testifying today as well as the National Council of State Housing Agencies worked with HUD and OMB to design a new outcome-based performance measure system to evaluate HUD's formula grant programs, including CDBG. We would hope that this committee would encourage the Department to begin implementing this system as soon as possible.

Like you, Mr. Chairman, I am a former mayor, in my case, Laredo, TX. And like you, I believe CDBG is one of the most powerful and versatile fuels for the engines that motor economic growth as well as a catalyst for affordable housing, community development and infrastructure improvements.

An Assistant Secretary for Community Planning and Development, and also Deputy Secretary of the Department of Housing and Urban Development, the Department worked with communities and interest groups to improve the timeliness of the expenditures of the CDBG funds. Over the past several years and under two administrations, untimely grantees have been reduced from over 300 to less than 50.

And I bring this up to make an important point. When stakeholders agree, CDBG can be improved. Interest groups and grantees are more than willing to come to the table with Congress and the Department to work toward responsible change.

Mr. Chairman, we also believe that introducing major changes to the community development block allocation and its formula, no matter how well intended, will divide America's communities. Is the CDBG formula in need of an extreme makeover? Well, if by extreme makeover, you mean an immediate and radical redistribution of funds, NAHRO and our partners would say no.

We do support, though, the notion of a fair and equitable distribution of CDBG dollars, but urge you to proceed with caution. If Congress feels change is truly necessary, then we would think likely that change could happen in a way that mitigates uncertainty and avoids sudden and substantial losses in funding.

Let's note also that CDBG is not strictly an antipoverty program. The statute requires that at least 70 percent of all CDBG funds expended go toward activities to benefit low and moderate-income persons. However, communities are, in fact, targeting much more aggressively than the statute requires.

In 2004, approximately 95 percent of funds expended by entitlement communities and 96 percent of State CDBG funds expended were for activities that principally benefited low and moderate-income persons, as you highlighted earlier, Mr. Chairman.

In previous studies, HUD also is mentioned, "the ability to target funds to needy communities." HUD states in their report, "HUD determined that the data continued to target the funds to the neediest communities and recommended continuing the dual formula as specified in the statute."

HUD's current formula study is an interesting jumping-off point, as has been brought out by others, for what should be a thoughtful, deliberative conversation on targeting. Even the new study declares, as you have highlighted, Mr. Chairman, that current entitlement communities that are targeted, an average of 10 percent of communities with the most need get 4 times larger per capita grants than the 10 percent communities with the least need.

Abandoning a system that continues to target the need is not a decision that should be made slightly, especially when the decision will result in, and I will quote the report again, in significant redistribution of funds.

Dramatically changing the formula structure in a swift manner would create uncertainty and inhibit CDBG's current ability to leverage billions of dollars of both private and public investment in some of our poorest neighborhoods.

For example, the New England region would be hit under all four alternatives dramatically. The whole New England region would lose substantially. In talking to local officials for a large New England community, we asked what this impact would be, and the answer was quite grim. Scheduled physical improvements as well as going forward with repair and rebuilding streets, sidewalks, parks and playgrounds, as well as the acquisition of blighted properties would be greatly diminished, and under each of these four alternatives, neighborhood facility projects would not go forward.

These facilities are the types that help communities meet the needs of those low and moderate-income individuals and families.

Mr. Chairman, if and when we proceed to change the current formula, hard choices would have to be made in communities throughout the Nation. In fact, in the Districts of both you and the vice chair and the ranking member of the subcommittee, significant changes would occur. For example, Dayton would lose a substantial amount of money under this proposal, as well as the State of Ohio.

The program that distributes money to smaller non-entitlement communities, again, would be severely impacted.

There are other areas that would be severely impacted as well. For example, St. Louis would lose anywhere from 15 to 50 percent, and the city of Bethlehem loses, under all four alternatives, ranging from 13 to 34 percent. Adopting and immediately implementing any of the four alternatives outlined in the study will produce massive funding shifts.

Simply by signaling an intention to move quickly on one of these alternatives, Congress could introduce tremendous uncertainty into the required consolidated planning process as well as those that communities employ for strategic planning throughout our Nation. As I mentioned earlier in my statement, we urge Congress to proceed with caution on this matter. And if you choose to move forward at all, we would be prepared to work with you in whatever was necessary to carry that out.

The pursuit of a more equitable system must be balanced by a desire to avoid the kinds of sudden and dramatic shifts that create uncertainty and undermine a community's ability to, again, strategically plan improvements for the long-term to improve the quality of life of their citizens.

If a subcommittee decides to forward a recommendation on to the Financial Services Committee and the subcommittee of jurisdiction, then we must underscore the fact that any subsequent review undertaken by that committee must involve a fully deliberative process that includes participation from local and State governments, public interest groups and community development professionals.

In short, Mr. Chairman, in this respect, I urge you and others interested and affected parties to not let over 30 years of accumulated experience in this field to go by the way side in a discussion as critical and as important as this one is.

In conclusion, under the current formula structure, the CDBG program continues to make real and positive differences in communities throughout America. For example, in 2004, it created or retained more than 90,000 jobs around our Nation. It created over 130,000 rental units and single family homes that were rehabbed; 85,000 individuals received employment training. Over 1.5 million youth were served by after-school enrichment programs and other activities like child care services, which are provided to over 100,000 of these kids in over 205 communities across the country. Nearly 700 crime prevention and awareness programs were funded with these very flexible and available dollars.

Half the persons directly benefiting from community development assistance were minorities that included African-Americans, Hispanics, Asians and American Indians. More than 11,000 Americans were able to reach homeownership through the program, and these are just some of the fruits of the success that this current formula structure has provided our great Nation.

Programs should evolve over time as this one has. Those who oversee them should also buildupon past successes and pay close attention to what is already working well.

We thank you for the opportunity to testify before you here today, and NAHRO, as well as the other interest groups that have participated in this testimony, stand ready to be of further assistance to the subcommittee to be able to answer any questions you may have in addressing this critical issue.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Ramirez follows:]

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Testimony of Saul N. Ramirez, Jr.
Executive Director, National Association of Housing and Redevelopment Officials

Before the House Government Reform Subcommittee on Federalism and the Census

April 26, 2005

On behalf of

The National Association of Housing and Redevelopment Officials

and

The National League of Cities

The National Association of Counties

The National Conference of Black Mayors

The Council of State Community Development Agencies

The National Association for County Community and Economic Development

The National Association of Local Housing Finance Agencies

The National Community Development Association

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Good morning, Mr. Chairman. I am Saul N. Ramirez, Jr. and I am the Executive Director of the National Association of Housing and Redevelopment Officials (NAHRO). NAHRO's members administer HUD programs such as Public Housing, Section 8, CDBG, and the HOME Program. NAHRO's membership includes over 18,000 individual members and associates, and nearly 3,300 agency members, including housing authorities, community development departments, and redevelopment agencies. For over 70 years, NAHRO has been a leading housing and community development advocate for the provision of adequate and affordable housing and strong, viable communities for all Americans—particularly those with low- and moderate-incomes.

Thank you for inviting NAHRO to testify on the Community Development Block Grant Formula. I am honored today to represent not only NAHRO, but also the other national organizations you see listed on the cover of our written testimony. On behalf of NAHRO's members and the members of these other organizations, let me first thank you, Mr. Chairman, and your staff for your advocacy on behalf of important federal policies, such as brownfields redevelopment and community and economic development, which impact America's cities. NAHRO especially appreciates the leadership you've shown in asking tough but necessary questions of the Administration regarding the President's proposal to eliminate the Community Development Block Grant program.

I want to recognize those organizations with whom we have worked closely in our ongoing effort to protect the CDBG program. The National Community Development Association (NCDA), the Council of State Community Development Agencies (COSCDA), the National Association for County Community and Economic Development (NACCED), LISC, and the Enterprise Foundation have all done great work on this issue. We are also grateful for the leadership of the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the National Conference of Black Mayors. As disturbing as the President's proposal was, the collaboration and camaraderie we've experienced with these other organizations (and with many members of Congress from both sides of the aisle) has served as a refreshing reminder of the good that comes from standing together for a worthy cause. And preserving CDBG is certainly a worthy cause.

It has also served as a reminder that there are better ways to examine important, long-standing federal programs than to call for their total elimination and replacement with new and untested initiatives. CDBG is an effective and successful program, but there is always room for improvement. That's why NAHRO, COSCDA, NCDA, NACCED, and the National Council of State Housing Agencies worked with HUD and OMB to design a new outcome-based performance measurement system to evaluate HUD's formula grant programs, including CDBG. Once implemented, this new system will generate the empirical, results-focused evidence we believe will demonstrate what we've always known to be true: CDBG works. I know you will be focusing on this topic in an upcoming hearing. I hope you will use that hearing as an opportunity to encourage the Department to begin implementation of this system as soon as possible.

Let me take a moment to share my personal perspective on CDBG. I served as the Mayor of Laredo, Texas, from 1990-1997. During my tenure as Mayor, I came to appreciate CDBG's role as one of the most powerful engines for economic growth as well as a catalyst for affordable housing, community development, and infrastructure improvements. I have also observed the program's successes from the federal vantage point, having served as the Assistant Secretary for Community Planning and Development and, later, as the Deputy Secretary of the Department of Housing and Urban Development. On my watch, the Department worked with communities and interest groups to improve the timely expenditure of CDBG funds. (An untimely grantee is one with more than 1.5 times its current grant in its line of credit.) Since that effort began, the number of untimely grantees has been reduced from over 300 to less than 50. That undertaking illustrated an important point: when stakeholders agree CDBG can be improved, interest groups and grantees are more than willing to come to the table with Congress and the Department to work toward responsible change.

As I mentioned, making the case for protecting CDBG has brought cities, counties, and states together. Introducing major changes to the CDBG allocation formula, no matter how well-intentioned, is an action guaranteed to divide America's communities. Is the CDBG formula in need of an "extreme makeover?" If by extreme makeover you mean an immediate and radical redistribution of funds, NAHRO and our partners would say no. We of course support the notion of a fair and equitable distribution of CDBG dollars, but I would urge you to proceed with caution in examining the issue of targeting CDBG funds in new and different ways. If Congress feels change is truly necessary, then we would hope that change could happen in a way that mitigates uncertainty and avoids sudden and substantial losses in funding.

If Congress is to decide whether change is needed, it seems reasonable that it would first judge how well the CDBG program, as currently structured, is performing. CDBG was not designed to be strictly an anti-poverty program. Indeed, the statute requires that at least 70% of all CDBG funds expended go toward activities benefiting low- *and* moderate-income persons. The reality is that communities are targeting funds much more aggressively than the statute requires. According to HUD's most recent accomplishment data, "Approximately 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." That is not a statistic one would associate with a program that is not sufficiently targeted to need.

There is another important point about CDBG's structure that needs to be made. For the purposes of the CDBG program, the threshold for low- and moderate-income is defined as 80% of area median income. A person considered low- or moderate-income in a so-called affluent community might not be qualify as low- or moderate-income in another community or state. We should not discriminate against low- and moderate-income persons simply because the place where they are struggling to make ends meet happens to be slightly more affluent, on average, than some other communities.

In previous studies on how the introduction of 1980 and 1990 decennial census data affected CDBG's ability to target funds to needy communities, "HUD determined that the data continued to target the funds to the neediest communities and recommended continuing the dual formula as specified in the statute.[i]" Similarly, in a 2002 report to the Committees on Appropriations, HUD concluded that "a little more than a quarter of all CDBG entitlement communities, i.e., those with the greatest needs as measured by the formula factors, receive nearly 75 percent of the CDBG funds available.[ii]" A May 1995 study by the Urban Institute, contracted by HUD's Office of Policy Development and Research, noted that most "grantees and the program, as a whole, have consistently exceeded the statutory 70 percent overall benefit requirement by a substantial margin.[iii]"

In its recent report[iv] on CDBG and performance measures, the National Academy of Public Administration considered OMB's PART review. On the subject of targeting, NAPA's report took issue with OMB's criticism of the supposed "weak targeting of funds by CDBG formula and by grantees to areas of greatest need." NAPA's report reminded readers that "there is no targeting requirement in the legislation. Making CDBG more categorical by concentrating and focusing investments to places seems to contradict the statute's intent."

We should strive for a CDBG formula that fairly distributes funding in a way that is sensitive to the actual needs of states and communities. HUD's formula study is an interesting jumping-off point for a conversation on targeting, and I'd like to share some of my thoughts on the report's conclusions, its methodology, and its implications for federal community development policy.

Even this newest study of the CDBG formula declares that "the current entitlement formula does continue to target to need. On average, the 10 percent of communities with the most need get four times larger per capita grants than the 10 percent of communities with the least need.[v]" Choosing to abandon a system that continues "to target to need" is not a decision that should be made lightly, especially when, as the study points out, that decision will "result in a significant redistribution of funds."

Our coalition partners have voiced concerns about moving too quickly to change the CDBG formula. For example, the 18,000 cities of the National League of Cities believe that CDBG is the most effective form of federal assistance currently available to local governments because it provides funding directly to over 1000 cities nationwide and allows local autonomy and flexibility. NLC believes as we do that CDBG is the most successful federal block grant and the model against which all future federal programs must be measured. Dramatically changing the formula structure in a swift manner would create uncertainty and inhibit CDBG's current ability to leverage billions of dollars of private investment in some of our poorest neighborhoods.

One of the regions that would be hit especially hard under all four alternatives presented in HUD's formula study is New England. NAHRO got in touch with the city manager and community development staff from a large New England city. We asked them to consider the impact each of these four formula alternatives would have on their local CDBG program. What they told us was striking:

Under Alternative 1, the least redistributive of the four alternatives, 4 out of every 10 scheduled and planned physical improvement projects would not go forward in this community. These are projects that involve repairing and rebuilding streets, sidewalks, parks, and playgrounds. Under the other three alternatives, 6 out of every 10 planned projects would not go through.

Under Alternative 1, 1 out of every 4 neighborhood facilities projects would not go forward. Under the other three alternatives, none of these projects, which fund critical improvements to facilities such as the YWCA and the Boys & Girls Club, would go forward. These facilities help communities meet the needs of low- and moderate-income individuals and families.

Under all four alternatives, up to half of the city's community policing centers would be closed, and up to 550 children would no longer b served by activities and programs at these centers. In addition, under Alternative 1, the city would have to decide to eliminate one of the following:

1) Funding to 8 childcare centers serving 500 families totaling 17,000 hours of child care services.
2) Funding for adolescent and family support services, i.e. homeless teenagers and case management for persons with HIV/AIDS. This equals services to 1,500 adolescents and 5,700 hours of care for persons with HIV/AIDS.
3) Services to homeless persons and senior citizens, including homeless meals programs, homeless healthcare and elderly transportation to medical appointments. This equals 195,000 meals served annually to homeless persons and 19,000 passenger miles traveled to medical appointments.

Under Alternatives 2, 3, or 4, this city would most likely have to eliminate two of those three.

Mr. Chairman, these kinds of hard choices would have to be made in communities throughout the nation. I note that Dayton (OH) would experience a substantial loss of CDBG dollars under each alternative. Under Alternative 2, for example, Dayton would experience a decline of 39%.

Kettering (OH) would also lose funding under all four alternatives, with losses ranging from 49% (Alt. 2) to 63% (Alt. 1). Furthermore, the Ohio state program, the program that distributes money to smaller, non-entitlement communities, would lose funding under all four alternatives. The total amount of CDBG dollars going to Ohio (all entitlement programs plus the state program) would decline under each of the four alternatives in the study, with losses ranging from 9% (Alt. 1) to 21% (Alt. 2).

Mr. Chairman, I would ask whether these kinds of losses "better reflect today's urban environment" as you wrote in your letter inviting me to testify. I wonder whether the needs of low- and moderate-income families and individuals in Dayton have been sufficiently addressed to the point that the City is prepared to absorb a 39% reduction in CDBG funding.

Ranking Member Clay, the City of St. Louis would also experience a substantial erosion of its CDBG allocation under each alternative, with losses ranging from 15% (Alt. 1) up to 50% (Alt. 2).

Vice Chairman Dent, the City of Bethlehem would also lose funding under all four alternatives, with losses ranging from 13% (Alt. 1) to 34% (Alt. 2). Easton would lose a substantial amount of funding under each alternative, with losses ranging from 24% (Alt. 1) to 50% (Alt 2). The total amount of CDBG funding going to the State of Pennsylvania (entitlements plus state program) would decline somewhere between 12% (Alt. 1) and 30% (Alt. 2)

Congressman Kanjorski, Scranton, PA would lose somewhere from 29% (Alt. 1) to 61% (Alt. 2) of its CDBG funding under these alternatives. Wilkes-Barre, PA would lose from 25% (Alt. 1) to 57% (Alt. 2) of its allocation.

These losses are illustrative of the kinds of sudden, dramatic funding declines that would occur in communities across the country. Adopting and immediately implementing any of the four alternatives outlined in the study will produce massive funding shifts. These kinds of shifts are tantamount to a major change in federal community development policy and must not be taken lightly. Simply by signaling an intention to move quickly on one of these alternatives, Congress could introduce tremendous uncertainty into the required Consolidated Planning process for communities across the nation.

Let me briefly highlight a few other points of interest within HUD's study. First of all, accepting the study's conclusions is dependent upon accepting the community development needs index as an accurate measure of need. The reader must also accept that per capita grant amounts are the best measure of whether communities with similar levels of need (as defined by the index) are receiving equitable levels of funding. These are the instruments the author chose to make comparisons across communities. While I would not argue that there is anything particularly objectionable about this methodology, I would point out that it is probably not the only approach one could take to examine the issue of whether funds are appropriately distributed.

Consider cost of living, which we all know varies from one community to the next. It makes sense that certain activities and services, including the provision of affordable housing, that benefit low- and moderate-income persons simply cost more to provide in high-cost areas. Alternative 3 reduces grants for communities that have higher per-capita incomes than other communities within the same metropolitan area, while increasing grants for those neighboring communities with lower per-capita incomes. This may make some intuitive sense at the macro-level, but per capita income does not always tell us the whole story about the unique challenges a community might face.

Many higher per-capita income communities may have pockets of need, and the costs associated with meeting these needs through activities benefiting low- and moderate-incomer persons could be quite high. It is assumed that many of these higher per-capita income communities have sufficient tax bases to find, if they so choose, additional funds to cover the loss of CDBG funds. However, many communities face state-imposed prohibitions against raising property taxes or levying local income taxes. Furthermore, many communities are already overly reliant on their residential tax base and face a shortage of taxable commercial property. And let us not forget that many communities with higher per-capita incomes already spend a significant amount of their own revenues on community and economic development.

In 1995, the CDBG needs indicator featured a housing-related factor that included renter-cost burden. The new study excluded renter-cost burden, even though the author points out that it has generally been "a good indicator of high housing costs." The author excluded this factor because, in his words, "it has the side effect of especially targeting college towns" which "often have high housing costs because they are desirable places to live." The author also points out that many college students are considered to be living in poverty, even though their parents support them financially. This has the effect of increasing the formula allocation to many college towns.

To correct for this "college town phenomenon," HUD proposes using the number of persons in poverty living in a family or elderly household instead of the broader measure of the total number of persons in poverty. My staff recently spoke with Dr. Steve Barton, the Director of Housing for Berkeley, California, which is of course a well-known college town. Dr. Barton told us that the effort to lower the influence of the apparent poverty of college and university students on CDBG allocations is certainly reasonable. However, Dr. Barton also points out that the measure HUD selected discounts single non-elderly non-student persons living in poverty, especially homeless persons and persons living with disabilities. Dr. Barton wondered whether HUD might instead have considered taking a look not just at family and elderly household poverty, but also at single persons over the age of 25 who live alone in poverty. Aren't these individuals also struggling to stay in high-cost communities that are "desirable places to live?" We all know that in many areas of the country, including many communities with distressed neighborhoods, median home prices and rents are extremely high.

Two weeks ago, a well-known governor presented CDBG funds to a community in his state. He said he supported the affordable housing project CDBG would fund because it would mean "people don't feel compelled to move out of communities because they cannot afford to live there. To me that is the single biggest challenge we face as a state." There probably aren't many governors who couldn't point out communities in their own states that face a similar challenge.

The current formula structure allows the program to address a wide variety of community development needs, including needs associated with decaying, deteriorating areas. Let me make another point about the report's methodology: Recall that the current dual formula structure was created to differentiate between communities who faced challenges associated with poverty

(Formula A) and communities facing challenges associated with age and decline (Formula B). In developing the community development needs index for this most recent study of the formula, the author discovered that his factor analysis produced, for the first time, a single factor capturing both poverty and age and decline. This is an important difference from previous studies in which poverty and age and decline were captured under different factors.

In another departure from previous studies, the author was not able to incorporate changes in retail sales over 5 years, in manufacturing employment over 10 years, and in service employment over 10 years in the needs index. This is because this data is no longer available in the same format from the U.S. Census Bureau's Economic Census. In a recent briefing for interest groups, we asked HUD whether the inclusion of this data might have led to different results in the factor analysis. HUD could not guarantee that poverty and age and decline would have collapsed into a single factor had the Department been able to include this data from the Economic Census.

NAHRO understands that Congress is responsible to the American people for ensuring that federal programs, including CDBG, are producing results and performing as intended. Changing the CDBG formula will have serious consequences – economic, political, and otherwise. The pursuit of a more equitable system must be balanced by a desire to avoid the kinds of sudden and dramatic shifts that create uncertainty and undermine communities' abilities to improve the quality of life for their citizens. If Congress decides to pursue change, NAHRO believes that process should be initiated within the appropriate committee of jurisdiction. Furthermore, any consideration of change must involve a fully deliberative process that includes participation from local and state governments, public interest groups, and community development professionals.

In conclusion, under the current formula structure, the CDBG program continues to make a real and positive difference in communities across America. 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.

In 2004, as I mentioned before, 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. Overall, a full half of persons directly benefiting from CDBG-assisted activities were minorities, including African Americans, Hispanics, Asians, or American Indians. Additionally, more than 11,000 Americans became homeowners last year thanks to CDBG funding.

These are some of the fruits of the current formula structure. These are the results of a program of which HUD Deputy Secretary Roy Bernardi last year said,

> "We must continue to support and build upon programs that work, those that have a proven record of flexibility and the ability to fit in with locally determined needs. CDBG is such a program and ranks among our nation's oldest and most successful programs. It continues to set the standard for all other block grant programs."

Programs should evolve over time, but those who oversee them should also build upon past successes and pay close attention to what is already working well. Once again, I would like to thank you for the opportunity to testify before you today. If NAHRO and the other interest groups can be of further assistance to the subcommittee in the future, please do not hesitate to call upon us. I look forward to answering any questions you might have.

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[i] U.S. Department of Housing and Urban Development, "Report to the Committees on Appropriations on the Targeting of Community Development Block Grant (CDBG) Funds to Assist Low- and Moderate-Income Persons," Feb 2002
[ii] Ibid.
[iii] Ibid.
[iv] National Academy of Public Administration, "Developing Performance Measures for the Community Development Block Grant," Feb 2005
[v] Todd Richardson, "CDBG Formula Targeting to Community Development Need," Feb 2005

Mr. TURNER. Thank you, gentlemen.

Mr. Ramirez.

Mr. RAMIREZ. Yes.

Mr. TURNER. As you know and as you noted in your comments, this committee of Government Reform has oversight over both Commerce and HUD. This specific subcommittee has oversight over HUD. As you are aware, we began the process of looking at the administration's Strengthening America's Communities Initiative and are continuing our review of HUD- generated proposals for looking at the allocation formula.

Your statement of wanting to participate in that discussion is exactly, of course, why you are here and why you were invited.

I have to tell you that I am a little disappointed in your presentation in that I would pretty much summarize it to say that we should use caution, look to the overall impact, that this is a valuable program, that any changes would result in uncertainty, and that if we are going to have a discussion about it, you would like to be involved.

We are having a discussion about it now. You are involved. We had Mr. Bernardi here and had what I thought was a fairly, highly substantive discussion of HUD-generated four recommendations of merit for which this formula could be adjusted.

I would appreciate if you had a policy and substantive response and analysis to those—which I believe had been made available to you prior to the hearing——

Mr. RAMIREZ. Yes.

Mr. TURNER [continuing]. As to the elements of those recommendations and your evaluation of them.

You made a statement in your testimony, which is not necessarily accurate from HUD's perspective, in that you said that to abandon focusing on the issue of need would be wrong, basically, I am paraphrasing.

The whole purpose of this hearing is to look at HUD under these four different recommendations, definition of need, which then drive the elements that are represented in the four different recommendations.

Could you please speak a moment about HUD's document——

Mr. RAMIREZ. Yes.

Mr. TURNER [continuing]. And their factors that they utilize——

Mr. RAMIREZ. Yes.

Mr. TURNER [continuing]. In identifying need.

Mr. RAMIREZ. I would be glad to. First, let me apologize for any disappointment that we may have caused you, Mr. Chairman, or the committee. Perhaps we are a little jittery considering that, outside of your interest, there's been little interest for enhancing open dialog on this matter. And we appreciate the opportunity, sir.

Mr. TURNER. Mr. Ramirez, that's obviously—that's one of the reasons we are doing this.

Mr. RAMIREZ. Thank you for the opportunity.

Mr. TURNER. I appreciate you doing that—because this document that was produced inside of HUD was released in February, a significant amount of work within the administration occurred on this.

Mr. RAMIREZ. Yes.

Mr. TURNER. I think it's appropriate for us to then take a look at it, take it apart, and turn to your groups and organizations and say, this document is out there. Somebody has taken a look at these issues. We should all take a look at these issues so we can make the best decisions.

Mr. RAMIREZ. Yes, sir, and you are absolutely right. And to answer the question on the substantive piece of policy behind this. We believe that the alternatives that have been presented are weighed too heavily on what we would call creating the equivalent of an antipoverty program.

We believe that when President Nixon created this program with the authorization of Congress to move forward with it, that it was dedicated primarily to help low and moderate-income areas for very specific needs that those areas needed within local jurisdictions and to create maximum flexibility to accomplish that. I think that the statistics would reflect that communities have taken on that charge and have been quite effective in dealing with it.

We believe that looking at what works within the formula is a much more prudent way of addressing the redistribution question than to go out and to dramatically shift the intent of the redistribution of these dollars and what this program was originally intended to do, which was to be very specific about creating certain kinds of opportunities, to create activities within those communities, to deal with those needs that they may have, whether it's to remove blighted areas from neighborhoods to deal with the very poor in certain pockets of their community, or to deal with the community-wide initiative that is necessary for economic development.

And so the short answer is that the tweaks that have been proposed, although a great jumping off point to have a much deeper discussion as to how to deal with it, we believe it's more a question of actual weighting of what is currently in the formula and trying to meet what the intent of Congress is, in this case, as you see fit to be able to accomplish certain activities most effectively.

And as you would know as a former mayor, CDBG is one of the most flexible tools that we have to address some very specific needs within our respective communities in our prior lives and those that are currently trying to address them now.

Mr. TURNER. You are absolutely right—and in the hearing concerning the value of CDBG and its importance and its effectiveness in addressing issues of blight and poverty, both in terms of its importance and achievement and in terms of its ability to be improved, and that's what everyone in this community has said.

Mr. RAMIREZ. Yes, sir.

Mr. TURNER. And I really look forward to working with you on that.

So going to the issue of HUD, obviously, in these charts, and trying to propose alternatives for shifting the eligibility formula, redefines, as you indicated, the issue of need. Whether you agree with those elements or not is obviously one element of this hearing. Another is whether or not there's any interest or need, if you will, of looking at changing the formula.

Are there current inequities in the current formula? We know that entitlement communities have gone from 606 to 1,100. We know that funding has not kept pace with the entitlement community, such that we have communities that are having declining, diminished CDBG receipts and effectiveness. That seems to be in part an issue, not just an issue of the allocation of funding, but the eligibility is causing portions of that—we had testimony from Mr. Bernardi concerning like communities that were treated inequitably.

So let's start first, not with the proposal we have in front of us, but just with the issue of if you believe that there are inequities that do occur in the system, and if those inequities are an item that would be important for us to review?

Mr. RAMIREZ. Well, let me carry out my answer on that to say that there may be particulars to my answer that some of the interest groups that I have testified on behalf of have not fully vetted some of the answers I have been giving to their membership, and it may not reflect their position on this issue.

But you brought up some very interesting points. For example, the grandfathering and perpetuity of communities that are no longer eligible is a growing drag on the intent of the formula in trying to meet the distribution potential of that formula. Close to almost 200 communities now are grandfathered into the current formula that under the guidelines do not qualify any longer to receive these resources under the current definition. And I do believe that GAO does address that as one of the points that should be looked at and perhaps considered by this committee as part of looking at what it does.

The other is that the ability to effectively redistribute the resources on whether it's an annual or biannual basis has always been a challenge under the existing formula. And it's not necessarily that the weights are—that the factors are incorrect; it's how quickly those weights can be adjusted to accurately reflect the condition that the dollars are looking to address within communities around the country. That has been a constant challenge in trying to redistribute these resources.

We do not agree that the college town comment is accurate. And if it is, it's not accurate enough to really factor in other families that live within those communities, singles that are below the poverty line, disabled that are below the poverty line that are within those communities that are not accurately accounted for in any of these four alternatives that are before us as another weakness that exists within the redistribution proposals that are there.

We also feel that we have been able to effectively address some of the—through the formula, as it is currently weighted for issues such as dealing with blighted properties throughout the community, and how that helps redevelop neighborhoods and communities as a whole.

And so there are factors in there, by and large, that we believe are critical to the success of any funding distribution.

The question that we believe needs to be asked is that, in looking at prior analysis of the formula that HUD has conducted, that both analyses that had several years in between them recognize the validity of the formula itself and its effectiveness to the point of, again, as you mentioned, 10 percent of the poorest were getting four times as much, and 10 percent of the richest were getting less.

If we want to increase that number, of whether it's at the low end, which is what we are looking at to accomplish, we need to see what those factors at the top end are that are causing that 10 percent of overfunding for those that are not as needy within that.

And so this formula is somewhat of a left turn from the two prior analyses that HUD has made in trying to figure out a more effective way to distribute these dollars under the formula. We think that one of the biggest weights that has been incorporated into these four alternatives shifts the focus of the program and its intent and pushes the program more toward being an antipoverty program—which I don't believe was the original intent and has not been the intent of 30 years of use of these resources.

Mr. TURNER. Thank you very much. I appreciate your comments there. That was an excellent description of the issue of what I believe you said, that there may be some inequities—there are issues that we need to look at, the solutions that are currently here—here are some of the concerns that you have about them.

Mr. RAMIREZ. Thank you, sir.

Mr. TURNER. There are two reasons to take a look at this from what I am hearing from people who are testifying, one of which is just the issue of time and datedness, which raises the issue of perhaps this is something we need to look at because of the amount of time that has gone by—the issue of inequalities that can be expressed or inherent fact in the fact of passage of time and demographic change.

Mr. Posner, the questions—the issue that you raise which is another topic is the issue of the fiscal pressure of the program.

For this analysis, the HUD recommendations do not really attempt to provide us with any savings. They merely provide a reallocation of whatever number of dollars are allocated.

But, certainly, as we look to our fiscal pressures, we are always going to take a look at the effectiveness of our programs. And, certainly, effectiveness is one element of eligibility.

I would like, if you will, to talk for a moment about the issue of immigration. I didn't notice in your report whether or not you had looked at that issue. My understanding, in looking at their report, is that they talk about immigration and its pressure on communities and what results as being a host of other—a migration of immigration population. Then they also talk about the expression of poverty in a community. And I believe those things that they then weight as expressions of poverty are the same that they say that a community, having expressions of immigration, migration, will have. So, to me, it sounds like double counting.

And then when you get to this less need/more need chart, and they weight immigration by 15 percent, it also seems, not only simple accounting, but it's a rather arbitrary allocation of weight and need.

Have you thought about that issue?

Mr. POSNER. I am going to turn to Mr. Fastrup for the detailed comments on it. Let me make one overall point about the fiscal issue and some lessons learned, if you will.

We had a program that is no longer with us called General Revenue Sharing, and General Revenue Sharing went away in the fiscal crisis of the 1980's or the fiscal crunch of the 1990's.

And I think one of the things that disturbed people was the untargeted way the money went to every unit of local government regardless. It was somewhat weighted for per capita income and fiscal efforts as well as population.

But, nonetheless, there were significant concerns that, as the Federal budget got tighter, we were sending money to wealthier communities, and there were proposals to cap and better target that program, which never could reach political agreement.

I think at some point, when you are an advocate of programs, and you are facing a fiscal situation like we are coming into, you have to start being concerned about whether the formula starts undermining your support. So I think, from many perspectives, in addition to just wise money management and good government as well as potential sustainability of support, you know, looking at this is an important issue.

With regard to immigration, let me ask Jerry to comment on it.

Mr. FASTRUP. Well, the first thing that I would note is that to make a clear distinction between HUD's need criteria and the actual formula alternatives they present, they are two separate distinct things.

In their need criteria, the immigrant population doesn't come into their need index directly. It only comes into it indirectly, and it comes in indirectly in two ways: One through the poverty measure, to the extent these immigrants are low-income people that get picked up in the census counts, they are reflected in that.

The other way it's picked up is in their second factor that you point out that's weighted 15 percent in their overall needs index. The only things in there that capture that immigration is overcrowded housing, which the study says is correlated with high immigrant populations, and to the extent that correlation is there, their need index picks up immigration in that way. But it's a very indirect effect.

With regard to the actual allocations and how well their allocations—how much their allocations are affected by immigration in the actual four alternatives they put forward, that only shows up in the use of an overcrowded housing factor in the formula. And that factor is already there in the formula.

And under the current formula, the overcrowded factoring gets a weight of 25 percent. In your alternatives, they have alternatives that reduce that weight and increase that weight. So looking at—depending on the particular formula you look at, to the extent that overcrowded housing reflects immigration, you get—you put a greater emphasis or a lesser emphasis on that factor, depending on which particular alternative you are looking at.

The other point that we made in our statement is that if you are looking at the CDBG program as a program that's trying to compensate for fiscal distress and economic decline and the need to rehabilitate dilapidated housing and those kinds of things, but just strikes us that overcrowded housing is a sign of a tight labor market and housing market and upward pressure in the housing market, that's usually a sign of strong growth rather than decline.

So our take on it is that the need criteria that's both built into the HUD criteria and the weight that is put on overcrowded housing in the formula are not what I would call one of the stronger points there.

I think, as the Secretary pointed out, their need criteria and the formula is heavily directed toward poverty, which is a more generally agreed upon criterion there.

Mr. RAMIREZ. May I followup on that, Mr. Chairman, real quick, as an additional point, that one of the things—and I would agree with what Jerry has just mentioned, that what we see also is that rent costs do need to be somehow factored into this calculation in hot markets, because that does tend to push out the low and moderate-income families from safe, decent affordable housing.

So there does need to be some weight attached to it. And I didn't want the record to go without that being in included in there that that is our position.

Mr. TURNER. Excellent. Thank you.

Mr. Dent.

Mr. DENT. Thank you.

Mr. Ramirez, my only question deals with some of the things that Chairman Turner talked about.

I do appreciate the effort that the Department went through to put together a process and methodology to come up with a new need-based system of CDBG grants. As you pointed out in your testimony, clearly entitlement communities in my district do not fare particularly well under this, and I would just ask that your organization come back to us at some point with some type of alternative proposal that you think would be reflective of a—would be an equitable basis of distributing those grants.

Based on my analysis of the appendix here, it seems that maybe the Northeastern States don't do very well. I notice Pennsylvania and Ohio don't appear to do very well; you mentioned New England doesn't do very well. It appears that the Southern and Western States for whatever reasons are the beneficiaries of this new formula. It seems in all four alternatives, that would be the case.

So I guess that's my request of you, which is to come back to me and to the committee with some alternatives that you would find acceptable.

Mr. RAMIREZ. We will, Congressman. Thank you.

Mr. TURNER. Mr. Ramirez, one of the discussions that you noted that we had with Mr. Bernardi was the issue of housing, and specifically the issue of vacant housing. I'm concerned that by targeting or by only counting in a need those units that are occupied by what, according to this analysis, constitutes—or they have identified as constituting a family, that you are missing the issue of the blighting influence of abandoned residential structures. CDBG obviously is a program that we attempt to utilize the dollars to target abandoned structures for rehabilitation and restoration and eliminating the blighting influence.

Could you talk about that for a moment as to how you would see that would be an impact that would not be beneficial for communities?

Mr. RAMIREZ. Well, first off, the quick response is we agree with your concerns. We think that by removing an accurate assessment of those types of dwellings, that it will only accelerate the condition of that neighborhood and the overall blight of a community if it's not addressed effectively.

In a prior life, me in the prior life, as a mayor, I can tell you that during my 8 years as a mayor, I was able to eliminate well in excess of 3,500 blighted properties around our community during that 8-year period that in essence revitalized or regenerated neighborhood pride and viability.

So we share your concerns, Mr. Chairman, that those are issues that need to be weighed carefully. They are already in the current formula. Again, we believe that there is always room for improvement, but we have seen substantial success in trying to address it. It's a matter of where we weigh the factors that we want to incorporate into this formula, and how effectively we can redistribute those dollars, once those weights are applied, that will maximize the effectiveness of this distribution of dollars, sir.

Mr. TURNER. Mr. Ramirez, I'd also like you to comment on—and then Mr. Posner—the issue of the metropolitan per capita income. Mr. Posner, the GAO report identifies areas where there is a wide disparity of the per capita income between the urban core and the metropolitan area may actually reflect communities of economic growth and communities where there is little difference than you're looking at a community that overall might not have the opportunity economically for those who are experiencing poverty.

In the GAO report, it's on page 9. You would have heard the discussions that we had with Mr. Bernardi. Mr. Ramirez, what are your thoughts on that?

Mr. RAMIREZ. We believe that communities, even those that have a higher per capita income, do have pockets of poverty within them. In fact, many of those communities struggle with their labor force that services those communities around the country in providing safe and decent housing, and not forcing many of the service-oriented labor force to seek shelter and grow their communities within blighted areas.

And so we do believe that's the balance, to some degree, that this formula has struck. It does allow for communities, high per capita communities to deal with these pockets of poverty and address the low and moderate-income families within those communities.

Can it be improved? Well, we believe it can, but I am not prepared at this point to tell you how, because we would have to run several different scenarios to find the optimum level of distribution. But it is an effective way of dealing with that particular problem, sir.

Mr. TURNER. Mr. Posner.

Mr. POSNER. I'll refer to Mr. Fastrup in a minute. But overall I think we saw the two factors in alternative 3 kind of offsetting one another. On the one hand, you're trying to target aid proportionately to cities and areas that have lower incomes to raise on their own; on the other hand, you're providing greater aid to those communities if they happen to be nested in higher-income metropolitan areas. This is something I think that needs a lot more thinking. I think they're headed in the right direction by trying to capture the element of capacity and wealth.

Mr. FASTRUP. I would say that the HUD study proposes putting the metropolitan and local community per capita increment formula as a means of ratcheting up the degree to which funding is targeted to high-need communities. And to the extent that the committee wants to do that, that's one means of doing it.

However, when we look at the use of both metropolitan per capita income and comparing that to the community's per capita income, the effect is the low-income communities would get more money targeted to them, but by putting the metropolitan per capita income in there, it offsets that degree of targeting to a significant degree so that two communities with the same per capita income, the one living in the higher-income metropolitan area, which generally is going to be an area that is better off economically, that community gets more money than the community with the same income located in a poorer metropolitan area. And we question whether that's an effective way to produce the kind of targeting to low-income areas, and taking into account the economic capacity of the various areas across the country.

Now, one rationale that one could offer for doing that is to argue that areas with high metropolitan incomes tend to be high-cost-of-living areas; that's a legitimate position to take. However, the particular method by which HUD does this, it basically assumes that all of the difference in per capita income between a low-income metropolitan area and a high-income metropolitan area, they're implicitly assuming that's all cost of living differences, and that's not true.

So I think that method of putting metropolitan income into the formula is overdoing it to some extent. But the real nexus of the problem is the fact that the Federal Government does not have good statistics on just what these differences in cost of living are in order to be able to more precisely take them into account in the formula. And if you wish, we can talk about that some more, too.

Mr. TURNER. At this point, actually, I don't have any further questions, and I was going to ask if you had anything else that you wanted to comment on to add to the record, in your thoughts to both the questions that have been asked, comments that you've heard from others.

Mr. Ramirez.

Mr. RAMIREZ. Just in conclusion, Mr. Turner, we want to thank you for airing out these issues on such an important item of import to communities throughout the country. And we will take your charge and dispatch it accordingly to bring back to you different alternatives that we see that may be viable within the existing formula to better enhance its methodology in trying to hit the marks that Congress intended it to hit or intends to hit, and look forward to working with you in this committee, and others, in making that happen, sir.

Mr. TURNER. Mr. Posner.

Mr. Fastrup.

Mr. POSNER. Just to thank you for holding this hearing, and to illustrate how, as those of us who are talking about the fiscal choices facing us frequently talk about the hard choices we face, and this hearing very well illustrates that.

Mr. FASTRUP. I would just like to commend the HUD study for what it has accomplished here because I think what it's showing for the first time is that in these charts here, those jagged edges indicate that communities with similar needs are receiving widely disparate funding levels that can't be justified on the basis of income differences, cost of living differences, or anything else; and that simple equity—whether or not you want to direct more funding to high-need communities or not, simple equity would argue for narrowing those wide disparate differences.

I think the HUD study has identified the key factors that are the cause of that, namely the growth lag factor and the pre-1940 housing that doesn't take into account the income status of the households that are living in those houses are largely responsible for that, along with the use of two formulas that work at cross purposes with one another, and that the biggest single improvement would come by just using a single formula largely based on poverty and housing conditions and the kinds of things that are in these two formulas.

And I would add that because of the poor targeting of the program, you do run the risk, in tight fiscal times, of following the way that the general revenue-sharing program of perceptions of poor targeting, leading people to ask is this really the highest priority use of Federal dollars or not. And to the extent that the targeting of this program is improved, it strengthens the rationale for having this program; to the extent that it's not, you run the risk of people saying is this really the best use of Federal money.

Mr. TURNER. Mr. Fastrup, I think that you have given us the most excellent summary of the purposes of this hearing and the importance of it, so thank you for that. And I want to thank GAO for your efforts in reviewing this program.

We all know the importance of CDBG, the importance of strengthening it and making sure that we preserve it. We know there have been discussions about its effectiveness. And looking at the HUD proposals helps us begin the discussion on what are the elements that can make it effective and more effective so that we can ensure its long-term viability, knowing, Mr. Ramirez, as you had said, of both of us being former mayors and the importance it has in the lives of people in our communities.

With that, I want to thank you for your time, and we will be adjourned.

[Whereupon, at 12:20 p.m., the subcommittee was adjourned.]

[The prepared statement of Hon. Wm. Lacy Clay and additional information submitted for the hearing record follow:]

STATEMENT OF CONGRESSMAN WM. LACY CLAY HEARING ON CDBG FORMULAS APRIL 26, 2005

Mr. Chairman, let me begin thanking you for holding today's hearing and continuing your good work in examining ways to improve the CDBG program. There is no question your expertise in areas of intergovernmental relations, as a former mayor of Dayton, Ohio, brings credibility and common sense to our committee's efforts.

As a member of the Financial Services Committee and as a former state legislator, I understand the value of Community Development Block Grant funds and their positive impact on our nation's communities.

I, too, remain concerned that program funding under current formulas is not reaching the most needy beneficiaries that CDBG funds are intended to help. Therefore, I agree that an examination of how CDBG funds are allocated is appropriate and long overdue.

I have reservations, however, about proposals that would shift program funds away from traditional beneficiaries under the current formulas into different communities that may not demonstrate the same level of need through the formula process. I believe this would impact the well being of many working class individuals who presently live in communities that are deserving of CDBG funds, leaving them without the services they have come to rely on. In short, I don't believe we ought to pursue a reform of CDBG that takes from Peter to pay Paul.

If future proposals are to establish fairness through funding formulas and practices, they will need to include a formula for grant disbursements that maintains the level of funding for community stakeholders in current programs. To meet this requirement, a hold harmless mechanism that would protect current communities from cuts in the future could be incorporated into future authorizing legislation.

It is my hope that today's hearing will allow us to further understand the need for reforming these programs, while outlining my concerns about such efforts. Thank you, again, Mr. Chairman. I yield back the balance of my time.

NAHRO
building communities together

National Association of Housing and Redevelopment Officials
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May 16, 2005

The Honorable Michael R. Turner
Chairman
Subcommittee on Federalism and the Census
Committee on Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Mister Chairman:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I would like to thank you for the opportunity to testify before you during the April 26, 2005 oversight hearing concerning the Community Development Block Grant formula.

Although it remains our position that the current CDBG formula continues to target to need – an assertion verified by HUD's recent study on the subject – NAHRO will explore possible refinements to the existing formula structure. Our Community Revitalization and Development (CRD) committee plans to devote much of its upcoming July business meeting to the subject.

NAHRO's CRD committee addresses a broad range of issues related to the economic vitality of cities and the development and conservation of neighborhoods, including administrative, legislative, regulatory, and funding issues of community development programs and operations. The committee recommends policies to the Board of Governors in support of its primary goal – the achievement of well-planned, socially and economically sound communities. This committee is therefore the appropriate place within NAHRO's structure for a CDBG-related proposal to begin.

Recall that in my written testimony I implied that "the effort to lower the influence of the apparent poverty of college and university students on CDBG allocations is certainly reasonable." At the same time, however, I expressed reservations about the methodology employed by HUD in an attempt to correct for the "college town phenomenon." As we move forward, it is likely that our CRD committee will discuss the methodological challenges posed by university and college towns, as well as the current utility of the pre-1940 housing variable. These are two issues related to the formula that deserve further scrutiny and can perhaps provide opportunities for stakeholders and policymakers to find common ground. Nevertheless, any

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serious examination of the formula must be conducted deliberately and with the expectation that reasonable persons will disagree as to what changes, if any, should be made.

We will keep you informed as our organization continues to examine the important issue of the CDBG formula as it relates to the fair and equitable distribution of federal resources. It should be noted that any future recommendation adopted by our Board will almost certainly include provisions intended to ameliorate the impact of the sudden, significant funding shifts that the implementation of any new formula regime is sure to produce. Let me clear: NAHRO has not yet adopted a position in favor of change. However, if Congress decides to pursue an overhaul of the CDBG formula, it is our hope that it will also consider gradually phasing in changes in order to give grantee communities adequate time to adapt their planning processes to new fiscal realities.

Once again, thank you for the opportunity to present our views on this important matter. If I or my staff can ever be of assistance to you in the future, please do not hesitate to contact me.

Sincerely,

Saul N. Ramirez, Jr.
Executive Director

BRINGING COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS SPENDING INTO THE 21ST CENTURY: INTRODUCING ACCOUNTABILITY AND MEANINGFUL PERFORMANCE MEASURES INTO THE DECADES-OLD CDBG PROGRAM

TUESDAY, MAY 24, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Michael R. Turner (chairman of the subcommittee) presiding.

Present: Representatives Turner, Dent, Maloney, and Clay.

Staff present: John Cuaderes, staff director; Shannon Weinberg and Jon Heroux, counsels; Juliana French, clerk; Neil Siefring, Representative Turner/LA; Susan Stoner, Representative Dent/LA; Adam Bordes, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. TURNER. A quorum being present, this hearing of the Subcommittee on Federalism and the Census will come to order.

Welcome to the subcommittee's oversight hearing entitled, "Bringing Community Development Block Grant Programs Spending into the 21st Century: Introducing Accountability and Meaningful Performance Measures into the Decades-Old CDBG Program."

In March, this subcommittee held a hearing reviewing the Bush administration's "Strengthening America's Communities" initiative. During that hearing, we learned that HUD had undertaken certain in-house initiatives to improve the administration of the program. One of those initiatives was to implement an improved set of performance measures.

CDBG is one of the largest Federal direct block grant programs in existence. In fiscal year 2005, Congress appropriated $4.71 billion for the CDBG program, including $4.15 billion for CDBG formula grants alone. State and local governments use CDBG grant moneys to fund various housing, community development, neighborhood revitalization, economic development, and public service provision projects.

To receive their annual CDBG grant, grantees must develop and submit to HUD a consolidated plan. In their consolidated plan, each grantee must identify its goals for its use of CDBG moneys.

These goals then serve as the criteria against which HUD evaluates each grantee's plan and the performance of each activity under the plan.

Grant recipients may use CDBG funds for a wide variety of activities. For example, CDBG funds can be used for the acquisition of real property, the relocation and demolition of buildings, the rehabilitation of residential and non-residential structures, the provision of public services, and the construction and improvement of public facilities.

In contrast, grant recipients may not use CDBG funds for the acquisition of buildings used for the general conduct of government. Nor may grantees use CDBG funds for political activities, certain types of income payments, or the construction of new housing by local governments.

Following approval of a grantee's consolidated plan, HUD will make a full grant award unless it has determined that the grantee failed to implement its plan in a timely manner and in a way that is consistent with the Housing and Community Development Act.

Critics, as well as some proponents of the program, have questioned whether the consolidated plan is an adequate system for assessing whether certain uses of grant funds are consistent with the goals of the Nation and whether grant recipients are actually administering the funds properly.

Currently, the consolidated plan is the only means by which HUD can measure the performance and outcome of grantee activities. With that said, some observers have questioned whether HUD takes the consolidated plan process seriously enough. Critics of the program have even questioned whether HUD reads each consolidated plan, suggesting that HUD simply does not have the time or manpower to review the more than 1,100 consolidated plans within the 45-day period mandated by the statute.

A primary justification used by the administration for proposing its Strengthening America's Communities Initiative earlier this year is that CDBG received very low scores on the Office of Management and Budget's Program Assessment Rating Tool [PART]. The fundamental question, however, is whether PART is any better of a performance measurement tool for CDBG than is the consolidated plan.

Many CDBG stakeholders attributed CDBG's low PART score to evaluation limitations inherent in the PART tool itself. They argue that PART lacks the proper assessment matrix tools to score block grant programs like CDBG effectively and accurately. These stakeholders also claim that it may be impossible for evaluators to effectively measure the CDBG program because of its multifaceted nature and because grant moneys can be spent on a wide variety of activities that may have "non-tangible" benefits.

With those questions and arguments in mind, today's hearing will specifically explore: one, how communities spend CDBG moneys; two, whether HUD and grantees effectively target funds toward the needs identified in the program's authorization language; and, three, how, if at all, Congress can measure these expenditures for effectiveness of use.

To help us answer these questions, we have on our first panel the Honorable Roy Bernardi, Deputy Secretary of the Department of Housing and Urban Development and former Assistant Secretary of Community Planning and Development.

On our second panel we have four distinguished witnesses. First, we have the Honorable Ron Schmitt, city councilman from Sparks, NV and a founding member of the Human Services Advisory Board in Washoe County. The Human Services Advisory Board led to the creation of the Washoe County Human Services Consortium, the public/private entity that decides how the area will spend its combined CDBG funds.

We will next hear from Thomas Downs, fellow at the National Academy of the Public Administration. Earlier this year, the Academy published specific recommendations on how to improve reporting and performance measurement systems for the CDBG program.

Next, we will hear from Lisa Patt-McDaniel, assistant director of the Community Development Division of the Ohio Department of Development. Ms. Patt-McDaniel is testifying today on behalf of the Council of State Community and Economic Development Agencies.

Last, we have Dr. Sheila Crowley, president of the National Low Income Housing Coalition.

I look forward to the expert testimony our distinguished panel of leaders will provide the subcommittee, and we thank all of you for your time here today.

[The prepared statement of Hon. Michael R. Turner follows:]

ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

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SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
Congressman Michael R. Turner, Chairman

OVERSIGHT HEARING
STATEMENT BY MICHAEL R. TURNER, CHAIRMAN

Hearing topic: *"Bringing Community Development Block Grant Program (CDBG) Spending into the 21st Century: Introducing Accountability and Meaningful Performance Measures into the Decades-Old CDBG Program."*

Monday, May 24, 2005

10:00 a.m.
2154 Rayburn House Office Building

OPENING STATEMENT

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To receive their annual CDBG grant, grantees must develop and submit to HUD a Consolidated Plan. In their Consolidated Plan, each grantee must identify its goals for its use of CDBG monies. These goals then serve as the criteria against which HUD evaluates each grantee's Plan and the performance of each activity under the Plan.

Grant recipients may use CDBG funds for a wide variety of activities. For example, CDBG funds can be used for the acquisition of real property, the relocation and demolition of buildings, the rehabilitation of residential and non-residential structures, the provision of public services, and the construction and improvement of public facilities. In contrast, grant recipients may not use CDBG funds for the acquisition of buildings used for the general conduct of government. Nor may grantees use CDBG funds for political activities, certain types of income payments, or the construction of new housing by local governments.

Following approval of a grantee's Consolidated Plan, HUD will make a full grant award unless it has determined that the grantee failed to implement its Plan in a timely manner and in a way that is consistent with the Housing and Community Development Act.

Critics, as well as some proponents, of the program have questioned whether the Consolidated Plan is an adequate system for assessing whether certain uses of grant funds are consistent with the goals of the nation and whether grant recipients are actually administering the funds appropriately.

Currently, the Consolidated Plan is the only means by which HUD can measure the performance and outcome of grantee activities. With that said, some observers have questioned whether HUD takes the Consolidated Plan process seriously enough. Critics of the program have even questioned whether HUD reads each Consolidated Plan, suggesting that HUD simply does not have the time or manpower to review the more than 1,100 Consolidated Plans within the 45-day time period mandated by the statute.

A primary justification used by the Administration for proposing its Strengthening America's Cities Initiative earlier this year is that CDBG received very low score on the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART). The fundamental question, however, is whether PART is any better of a performance measurement tool for CDBG than is the Consolidated Plan. Many CDBG stakeholders attribute CDBG's low PART score to evaluation limitations inherent in the PART tool itself. They argue that PART lacks the proper assessment matrix tools to score block grant programs like CDBG effectively and accurately. These stakeholders also claim that it may be impossible for evaluators to effectively measure the CDBG program because of its multifaceted nature and because grant monies can be spent on a wide variety of activities that may have "non-tangible" benefits.

With those questions and arguments in mind, today's hearing will specifically explore: (1) how communities spend CDBG monies; (2) whether HUD and grantees effectively target funds toward the needs identified in the program's authorizing legislation; and (3) how, if at all, Congress can measure these expenditures for effectiveness of use.

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Next, we will hear from Lisa Patt-McDaniel, Assistant Director of the Community Development Division of the Ohio Department of Development. Ms. Patt-McDaniel is testifying today on behalf of the Council of State Community and Economic Development Agencies (COSCDA).

Lastly, we have Dr. Sheila Crowley, President of the National Low Income Housing Coalition.

I look forward to the expert testimony our distinguished panel of leaders will provide the Subcommittee. Thank you all for your time today and welcome.

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Mr. TURNER. We will now start with the witnesses. Each witness has kindly prepared written testimony, which will be included in the record of this hearing. Witnesses will notice that there is a timer light at the table. The green light indicates that you should begin your comments; the yellow light will indicate you have 1 minute left in which to conclude your remarks; and the red light indicates that your time has expired.

It is the policy of the committee that all witnesses be sworn in before they testify.

Mr. Bernardi, would you please rise and raise your right hand?

[Witness sworn.]

Mr. TURNER. Let the record show that the witness has responded in the affirmative.

Mr. Bernardi, if you would now begin your comments.

STATEMENT OF ROY A. BERNARDI, DEPUTY SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. Thank you. Good morning, Mr. Chairman and all the individuals in attendance. Thanks for the opportunity to address the subcommittee's inquiry into the three specific Community Development Block Grant issues that you just mentioned: how communities spend their CDBG moneys; whether the funds are effectively targeted toward identified needs; and how these expenditures can be measured for effectiveness.

The Housing and Community Development Act of 1974 allows grantees to determine their own local needs, to set their local priorities, and design programs to address both. There are two limits that help target the use of CDBG funds. First, every assisted activity must either benefit low and moderate-income persons, or prevent and eliminate slums or blight, or meet an urgent community development need the grantee does not have the financial resources to address. And the second condition is a grantee must spend at least 70 percent, over 3 years, of its funds for activities that benefit low and moderate-income persons.

HUD field offices monitor grantees' use of funds to meet these conditions. For the last 4 years, these assisted activities, as reported and categorized, have remained stable. Approximately 95 percent of the funds go to activities benefiting low and moderate-income persons.

We also monitor whether grantees have carried out their CDBG-assisted activities in a timely manner. The timeliness standard provides that 60 days before the end of its current program year a grantee may not have more than 1½ times its current grant in its line of credit. Because the amount of funds above this standard remaining in grantees' lines of credit was increasing, in the fall of 2001, when I was then Assistant Secretary for CPD, we established a new policy giving untimely grantees 1 year to meet the standard or risk a grant reduction in the amount equal to the amount by which it exceeded the 1½ standard.

This policy has been extremely successful. The number of untimely grantees fell from over 300 to approximately 60, and the amount of excess, undistributed funds fell from $370 million to approximately $30 million. This was a winner for the taxpayers, for

HUD, for the grantees, and obviously for the low and moderate-income persons that we serve.

HUD's Integrated Disbursement and Information System [IDIS], is used to report information on grantees' use of funds. Obtaining consistency in reporting and improving data quality are challenges because of the large number of both the grantees—better than 1,100—and also the assisted activities. Nevertheless, HUD's recent efforts to address data quality have yielded great improvements. To modernize our information system, HUD has contracted to develop a more user-friendly IDIS by spring of 2006. Further improvements will also make the front-end application process and the completion and reporting process consistent.

Can the expenditure of CDBG funds be measured for effectiveness? Yes, they can. In January 2003, my office began encouraging recipients of CPD's four formula grant programs—that are, CDBG, HOME, ESG, and HOPWA by issuing a notice to develop performance measurement systems. Since local choice drives the use of these funds, HUD believes performance-based measurement systems should be developed at the same level. To date, 246 grantees have reported using performance measurement systems, while 225 are developing them. That is adding up to approximately 43 percent of all CDBG grantees.

As we have reported previously, HUD has been working with the stakeholders, including the key grantee representatives, in OMB to help develop outcome measures. This effort formed the basis for a proposed measurement system that will soon be completed and published in the Federal Register Notice, a draft of this. In 90 days it will be there for public comment and input, and after we review that public comment and input, we will then publish a final notice after that 90-day period of time.

The proposed outcome performance measurement system will produce data to identify the results of formula grant activities. It will allow the grantees and HUD to provide a broader, more accurate picture. The goal is to have a system that will aggregate results across the spectrum of the programs at the city level, the county, State. We are committed to improving the way we track performance and show results for our program.

These are significant challenges, but I am convinced that we can get the measurable information and reliable results taxpayers are entitled to. And I thank you, Mr. Chairman, for the opportunity to be here in front of your committee.

[The prepared statement of Mr. Bernardi follows:]

WRITTEN STATEMENT OF

DEPUTY SECRETARY ROY A. BERNARDI

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

MAY 24, 2005

TESTIMONY OF ROY A. BERNARDI
DEPUTY SECRETARY
HOUSE SUB-COMMITTEE ON FEDERALISM AND THE CENSUS
MAY 24, 2005

I would like to thank the subcommittee and Chairman Turner for the opportunity to speak with you today about the Community Development Block Grant (CDBG) program. As you are well aware, the President, via his 2006 Budget, has proposed to consolidate 18 programs (from five agencies) within the Department of Commerce, including the CDBG Program. These programs would be consolidated into one new program -- The Strengthening America's Communities (SAC) Initiative. This Initiative would support communities' efforts to meet the goal of improving their economic conditions through, among other things, the creation of jobs. Therefore, under the President's proposal, the CDBG program would be eliminated. Notwithstanding, I offer the following testimony on (1) how communities spend CDBG money; (2) whether the funds are effectively targeted towards the needs identified in the program's authorizing legislation; and (3) how, if at all, these expenditures can be measured for effectiveness. We expect that recent efforts to improve the CDBG program, which I will discuss during my testimony, will inform the Administration's new SACI proposal.

HOW CDBG FUNDS ARE SPENT & TARGETING TOWARDS NEED, AS REQUIRED BY LEGISLATION

The Housing and Community Development Act of 1974, as amended, (HCD Act) authorizes the CDBG program and provides the framework for how the funds can be used. The law provides great flexibility for grantees to determine what their community development needs are, as well as the ability to set local priorities and design local programs to address those needs. The law describes the federal objectives for the use of funds, which are the development of viable urban communities by providing decent and safe housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. The law then says that, over a period of up to three years, each grantee must assure that at least 70% of the funds are used for activities that principally benefit low- and moderate-income persons. The law further sets the framework by listing eligible activities and requiring that each activity meet one of three national objectives. This gives us a two-part test on which activities may be funded. As you can see, most CDBG requirements focus on the types of activities are eligible. Communities are also given wide discretion on where to fund activities, which often results in communities spreading activities across their district which makes it difficult for the program to achieve results at the neighborhood or community level. The first activity test is found at section 105(a) of the statute and specifies that **only** the 25 activities identified in that section may be assisted. This section is quite expansive, making eligible all the activities originally eligible in the 7 categorical programs consolidated in 1974 by the CDBG program. Congress has, over the years, added additional eligible activities or clarified how activities are eligible. For purposes of reporting on the types of activities grantees carry out each year, HUD's Office of Community Planning and Development (CPD) sorts the use of CDBG funds into seven broad categories. Those categories and the percent of funds spent for each in fiscal year 2004 by all grantees – metropolitan cities, urban counties, and states - are:

Housing activities – 24.1%
Public facilities and improvements – 33.1%
Public services – 11.4%
Economic development – 9.0%
Acquisition – 5.5%
Administration and planning – 14.5%
Repayment of Section 108 loans – 2.5%

These uses have remained stable since 2001, with the largest percent of change in any category being less than two percent. HUD's web site also provides data on how each individual CDBG grantee has spent its CDBG funds, broken out by 90 different categories.

There are two additional statutory limitations that apply to specific CDBG activities. Grantees may not obligate more than 15 percent for public service activities and they may not obligate more than 20 percent for administration and planning. The public service limit was established by Congress in 1981 at 10% and raised to 15% in 1983. Previously, the law only allowed public service activities when they were integrally related with and necessary to accomplish neighborhood community development objectives. The percent cap was developed to provide a clear limit to public services. It is noted that there are 63 communities that had a higher percentage use of public services in 1982 or 1983 and they are grandfathered in at their higher percentage. The administration and planning cap was added by Congress to settle a debate on how much money is needed for administration and planning and is found in the CDBG appropriation laws.

The second activity test for CDBG is the national objective test, found at section 104. This section requires each grantee to certify that it will essentially limit its funding to activities that principally benefit low- and moderate-income persons, address or prevent slums or blight, or address a particularly urgent need. In general, activities can qualify as benefiting low- and moderate-income persons in two ways: 1) benefiting a low-income area – 51% or more of the residents of an area must be low-and moderate-income (the statute lowers this threshold for higher income grantees) or 2) benefiting persons – all funds for an activity are counted as benefiting low- and moderate-income persons if 51% or more of the beneficiaries of an activity are low- and moderate income. To qualify as low-and moderate income a family's income must be below 80% of the area median income level. As I indicated earlier, the law requires that at least 70% of each grantee's funds must be used for activities that benefit low- and moderate-income persons. Reports from our grantees show that, year after year, about 95% of the funds are used for activities that benefit low- and moderate-income persons.

While I have indicated the statutory basis for the two main components of eligibility and national objectives, HUD publishes rules in the federal register to implement these statutory requirements. We have found it necessary over the years to provide clear guidance on standards on how eligibility and particularly national objectives may be met. The regulations are found at 24 CFR Part 570.

It is important to describe how HUD determines that these requirements are met. The law describes what must be included in the application and that is found at section 104 of the HCD Act. That provision is brief. It is important to note that prior to 1981, the law required HUD to make a more qualitative, front end review of a grantee's application to determine whether the activities identified to be undertaken addressed the needs described. In 1981, Congress determined that it would be better for HUD to basically accept what the application said and concentrate its review on after the fact monitoring to be sure that requirements were met. This approach was also continued in 1990 in the Cranston-Gonzales National Affordable Housing Act. This law replaced the previously required Housing Assistance Plan for CDBG and created the Comprehensive Housing Affordability Strategy (called the CHAS) as a requirement for the newly established HOME program, as well as CDBG and many other housing related programs. This law established a more complete outline of what must be included in the submission of the CHAS, and the front-end HUD review was limited to whether this plan met the broad purposes of the law and was complete. In 1995, HUD created what is called the Consolidated Plan as a combined and coordinated application process for CPD's four formula grant programs: CDBG, HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA), using the CHAS and the other application components.

As a result, HUD's major review focus for administration of the CDBG program is monitoring grantees' use of funds. In addition to requiring HUD to determine that grantees are carrying out their CDBG assisted activities in a timely manner, the HCD Act requires HUD to review and audit CDBG grantees to determine whether they have:

- Carried out CDBG assisted activities and certifications in accordance with the requirements and primary objectives of the Act and other applicable laws; and
- Have a continuing capacity to carry out those activities in a timely manner.

In order to implement this requirement, HUD performs risk analysis to determine which grantees to review on-site and conducts an assessment of each grantee at the end of the program year. Grantees are also required to have an annual audit pursuant to OMB Circular A-133.

The risk analysis process identifies high-risk CDBG grantees and ensures that HUD's resources are targeted to monitoring those grantees on-site. In FY 2004, about $4.1 billion was allocated through the CDBG program. HUD performed on-site monitoring for 380 of its 1162 CDBG grantees. As a result of this program monitoring effort, HUD staff identified 465 concerns and 610 findings.

It should be noted that the regulations identify a range of corrective actions that may be used when a finding of non-compliance is made. Corrective actions recommended by HUD are to be "designed to prevent a continuation of the performance deficiency; mitigate, to the extent possible, the adverse effects or consequences of the deficiency; and prevent a recurrence of the deficiency." Hence, the range of corrective actions identified in the regulations and the need for HUD monitors to consider each finding on a case-by-case basis in determining the most appropriate corrective action to recommend when a finding is made. Granted, advising a grantee to reimburse its CDBG program with non-federal funds always gets a grantee's attention, but reimbursement is not the most appropriate remedy in every case.

In addition to finding and stopping improper expenditures of CDBG funds, on-site monitoring is valuable in preventing future fraud, waste, and mismanagement, as grantees are less likely to engage in statutory and regulatory violations if they know they will be monitored. The monitoring visits also provide an opportunity for grantees to receive technical assistance so they will not engage in inadvertent improper actions in the future.

There is one other program review responsibility that HUD has from the law: section 104(e)(1) of the HCD Act requires HUD to review CDBG grantees to determine if they have carried out their CDBG assisted activities in a timely manner. As a result, HUD has developed regulations that provide that an entitlement grantee will be considered to be carrying out its CDBG program in a "timely" manner if, 60 days before the start of its next program year, it has an amount of no more than 1.5 times its current grant available to be disbursed from its CDBG line of credit. While this standard has been in place since 1988, if a grantee did not meet this standard, HUD had not pursued aggressive corrective action.

By 1999, the amount of CDBG funds remaining unexpended in grantees' lines of credit due to the lack of timely expenditures was a growing concern to HUD, as well as to Congress and the Government Accountability Office (GAO). In early 1999, there were over 300 untimely grantees. The number of untimely grantees and the amount of funds unexpended appeared to be continuing to grow. Failure of grantees to meet the standard means that low and moderate income persons are not benefiting from the availability of these funds. Therefore, as then Assistant Secretary for CPD, I established a grant reduction policy for untimely CDBG grantees that was announced in the fall of 2001.

The policy operates as follows: when a grantee is first identified as untimely based on its 60-day test, it has one year (until the next 60 day test) to become timely. If, at the next 60 day test, the grantee again fails to meet the 1.5 standard, it will have its next grant reduced by an amount equal to that by which it exceeded the 1.5 standard, unless HUD determines that the untimeliness was due to factors beyond the grantee's control.

Implementation of the timeliness policy has been extremely successful, resulting in significant reductions in both the number of grantees that are currently untimely – from over 300 to approximately 60, as well as the amount of CDBG funds above the 1.5 standard that is undisbursed in grantees' lines of credit – from a high point of $370 million, now down to roughly $30 million. The success of the policy is also evidenced by the fact that only a few grantees actually face a potential grant reduction each year (approximately 5 per year), and only a few grants have actually been reduced because of a grantee's failure to meet the standard. Grantees have been working more diligently to complete activities in a timely manner and have improved the management of their use of funds by reprogramming funds from slow-moving or delayed activities to one or more other eligible activities that are ready to go. This is a win-win for HUD, the grantee, and low- and moderate-income persons being assisted.

HOW CDBG FUNDS ARE MEASURED FOR EFFECTIVENESS

CDBG grantees have long reported on their use of funds and most have reported the number of beneficiaries of such use. For many years in the 1990's, a HUD contractor input data from hard copies of Grantee Performance Reports (GPRs) into a database that allowed HUD to aggregate information on the use of funds at the national level, generally for the purpose of reporting to Congress.

HUD introduced use of the Integrated Disbursement and Information System (IDIS) for reporting on CPD's four formula programs in 1996. Grantees enter information directly into IDIS on the activities they carryout with their CDBG funds and the accomplishments they achieve, by activity. Also, because CDBG funds are drawn through IDIS, information on funds disbursed, by activity, is readily available. The concept of IDIS was and is a great idea: it links financial information, i.e., amount of funds used, with actual accomplishments. It provides "real-time" information on a grantee's program: grantees can input data regularly and it is immediately available to HUD, rather than HUD receiving a single document from each grantee approximately 90 days after the end of the grantee's program year. But, as could be expected with such an ambitious undertaking, the development and implementation of this great idea has experienced many difficulties and growing pains since 1996. For one thing, in HUD's rush to move the system into operation, HUD chose to use a tested but dated computer program language. That legacy platform has made the system very difficult to change and update, frustrating both HUD and our grantees.

Obtaining consistency in reporting and improving the quality of the data on CDBG activities in IDIS has taken years because of both the large number of grantees and the large number of activities that may be assisted under the CDBG program. The flexibility of CDBG is of great importance to grantees because it allows them to use the funds in so many different ways to address their needs. However, that flexibility also created difficulty in getting consistency in accomplishments reported by individual grantees, but HUD has made a concerted effort to address data quality in recent years.

Beginning in late 2001, HUD initiated an IDIS data clean-up effort that, while still on going, resulted in great improvements to data during 2003 and 2004. HUD has also added edits to IDIS to help prevent grantees from entering inaccurate CDBG data, and issued written guidance for grantees on reporting CDBG accomplishments in IDIS. This was done primarily to help achieve better on-going consistency in reporting on the various types of activities eligible to be assisted and to help grantees avoid double-counting of accomplishments. These actions have improved the information available in IDIS on the outputs achieved by grantees' use of CDBG funds. Information on the activities for which CDBG funds have been disbursed and accomplishments achieved are now available, grantee by grantee and in national profiles, on HUD's website.

HUD has contracted for the development of a more user-friendly IDIS, e.g., web-based vs. mainframe, that will be more easily navigated by users and revised by HUD, as needed, and will improve HUD's data aggregation capabilities. This is a two-phase effort and we plan the first phase to be ready to roll out by the winter of 2006. This will represent a huge step forward in modernizing our information system. Beyond that is a phase two improvement that will fully integrate the front-end application process and the completion or reporting phase.

While this discussion has focused on HUD's statute and regulations, recent efforts have focused more on the results and outcomes of these program dollars for communities. In January 2003, CPD began an effort to encourage the development of performance measurement systems by the recipients of CPD's four formula grants: CDBG, the HOME Improvement Partnership Program (HOME), Emergency Shelter Grants (ESG), or Housing Opportunities for Persons with AIDS (HOPWA). During this process, input was solicited from throughout HUD, including CPD field offices, and from public interest groups to develop a CPD Notice that would promote performance measurement.

Because the CPD formula block grant programs promote maximum flexibility in program design and since the use of these funds is driven by local choice, HUD believed that performance based measurement systems should be developed at the state and local level. For CPD's broad-based formula grant programs, this offered new opportunities to integrate grantees' program evaluation responsibilities, program flexibility, and a need to nationally evaluate program performance in addressing broad national goals and issues.

Reporting some program performance is not new to grantees; however, moving toward more outcome-oriented measures will be a shift for most CDBG grantees. Grantees regularly monitor their outputs and report them to HUD. The outputs are measured in terms of what is produced (i.e. housing units, jobs created, persons served). The CDBG program requires that each grantee submit a Consolidated Annual Performance and Evaluation Report (CAPER) that describes the use of CDBG funds, together with an assessment by the grantee of the relationship of the use of their formula funds to the objectives identified in the grantee's Consolidated Plan. The CDBG accomplishments and disbursements are reported to HUD in the Integrated Disbursements and Information System (IDIS) and are available to the public on HUD's CDBG website.

CPD Notice #03-09 was issued in September 2003 to every program grantee. The notice stated the rationale for radically improving our efforts in performance measurement. The notice served as a comprehensive introduction to the concept of performance measurement and also described the benefits of substantiating results. It provided information to help grantees begin developing their own local systems and gave examples of common outcomes that grantees might be able to use for their own activities. The notice also asked that grantees report their status in using or developing a performance measurement system and so far, 246 grantees have reported using such systems and 225 are developing systems. This combined number indicates that about 43 percent of all CDBG grantees are in some stage of being able to show the results of their CDBG program expenditures. Thus, much work remains.

Following the issuance of the notice, a working group of stakeholders, organized by the Council of State Community Development Agencies (COSCDA) and made up of grantee representatives from key national housing and community development associations, as well as HUD and the Office of Management and Budget (OMB), began working to develop outcome measures for the CPD formula block grant programs. The effort, which began in March 2004 and continued until November, formed the basis for a proposed outcome performance measurement system. We will be publishing a notice with the proposed system in the Federal Register shortly. The publication solicits input and comments, particularly from grantees, on the implementation of this system and its inclusion in IDIS.

The proposed outcome performance measurement system has three overarching objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, will produce nine possible "outcome/objective statements" within which to categorize the formula grant activities. Grantees will complete an outcome/objective statement in IDIS by entering data in the form of an output indicator. The system also provides enriched data that will allow grantees and HUD to tell a more complete story on the results of the formula funding. The goal is to have a system that will aggregate results across the broad spectrum of the formula grant programs at the city, county and state levels. Such a system is necessary for HUD to be able to demonstrate how activities, funded by the CPD formula programs, achieve department-wide goals in housing, community development, and economic development. There are numerous and mutually valid ways to measure performance, and the system developed by the working group maintains the flexibility of the block grant programs, as the objectives were determined by the grantees based on the intent of the project and activity. While program flexibility is maintained, the system offers a specific menu of objectives, outcomes and indicators so that reporting can be standardized and the achievements of these programs can be aggregated to the national level.

"Developing Performance Measures for the Community Development Block Grant Program," a report prepared by a Panel of the National Academy of Public Administration (NAPA) for HUD's Office of Community Planning and Development, was released in February 2005. The report emphasized that adopting a performance measurement system for CDBG is a daunting task, and recognized the work being done by the stakeholders in the working group and endorsed that initiative.

The NAPA report also acknowledged that it is extraordinarily challenging to craft a performance measurement system for the CDBG program, as well as other block grants, which promote flexible investment in people, places, and organizations, based on locally determined needs. Developing and implementing such a system involves reconciling conflicting views about what should be accomplished locally and what national goals might be, given the statutory flexibility of the program. Moreover, practical and technical issues must be resolved. The report said that perhaps the most important challenge is to distinguish between performance information that can be realistically reported by state and local grantees, and the net impact information that only nation-wide studies can produce.

Also, to help community development grantees better assess their performance in carrying out community development programs, HUD's Office of Policy Development and Research commissioned a report to identify and document promising performance measurement practices in a small number of jurisdictions. Five communities that have developed systems to measure and assess performance were studied. They are very different in terms of jurisdiction size, community development objectives, and experience with performance measurement. The report also stated that community development is among the most difficult of enterprises in which to gauge success, mirroring the NAPA statement; however, the report concluded that both the agencies that administer programs and the communities that benefit from them will be better off with good performance data and informed decisions based on that information. The report then provided detailed descriptions of the methods each of the jurisdictions use to show results.

CONCLUSION

These hearings have focused attention on CDBG, and on how best to deliver increasingly limited federal dollars for community and economic development for the greatest results. The two things I believe we must do are face the question of how to increase the formula and local targeting of community development funds to areas of greatest need and continue to make advances in performance measurement. The Administration is committed to improving the way we track performance and show results either through the CDBG program or the proposed Strengthening America's Communities Initiative. We can and must continue to improve and do better. I am pleased to have had the opportunity to meet with you, I thank you for your time and support of our efforts, and I look forward to your questions and suggestions.

Mr. TURNER. Thank you, Mr. Secretary.

First off, let me begin by recognizing the accomplishment that you noted in your testimony of the issue where communities were not expending their funds in a timely manner. Your efforts to obtain compliance from communities, working with them and making certain that the funds were expended timely, and that you looked toward a greater enforcement of that requirement clearly showed results, and you ought to be commended for that effort.

Mr. BERNARDI. Thank you. We are very proud of that.

Mr. TURNER. We began this series of CDBG hearings with the notation that the PART performance measurements had indicated that CDBG did not have a clear purpose as a program. And I am going to read the first assessment under PART of CDBG, where it says: "Is the program purpose clear?" It says: "The program does not have a clear, unambiguous mission. Both the definition of community development and the role CDBG plays in that field are not well defined."

Much of the testimony that we are going to receive today, like yours, describes ways in which we can track or measure the activities undertaken through CDBG. The PART performance measurement, however, begins by saying that the purpose of the program is not clear and that, as a result of that flaw, mere measurement or study of the expenditure of CDBG may not be the answer. In fact, from this the justification of the Strengthening America's Communities proposal came forward.

Do you think we just need a better system to track effectiveness, or do you think the program itself could be made more effective, thereby producing data that would show its having an impact on communities?

Mr. BERNARDI. Well, the PART score that we receive from OMB, there were four sections to it, and as you pointed out, Mr. Chairman, the program purpose and design we received a zero score. Candidly, the program purpose and design I think is spelled out in the Community Development Block Grant Act of 1974. The program was meant to be utilized by local officials with determination after a tremendous amount of community input as to how best they would utilize those resources, and there were seven fundamental areas in which those resources would be used with another 25 indicators. So it is a very flexible program; it is a program that was meant to be utilized at the local level.

However, they are absolutely correct in some of the other areas. It is very difficult to have a strategic plan and there are program management results that you would like and program results and activities. The program scored ineffective when you start with the score of zero on program purpose and design, obviously, even though we received a 67 for program management. And I feel very strongly, having worked with the good folks in CDBG both at headquarters and in the 42 field offices, that they do a very good job in administering the program.

Could the goals and objectives be looked at again and perhaps be spelled out in more clarity and detail? Absolutely. Can we measure better than we do now? Yes, we can. You mentioned the consolidated plan. That is a 5-year plan, and that is where the communities list their goals and objectives and what they hope to accomplish within that 5-year period of time. Then there is an annual action plan, and that is at the end of each program year, where that community indicates how much of that 5-year plan they have actually accomplished. Then there is a CAPER Report that is at the end. That is an evaluation performance and that indicates what they have actually done. I believe that we have been able to indicate outputs fairly regularly. Through our Information Disbursement Information System. Each grantee is able to indicate to us the number of jobs that have been created, the number of units that have been assisted, the number of loans that have been recorded.

But those are outputs. And what OMB and I believe others are looking for is to make sure that we can have outcomes: Has the quality of live been improved? Has that neighborhood been served? Has the community been enhanced because of the expenditures of those dollars? As an example, if you go into a neighborhood and you create some business opportunities or you provide more business opportunities for the people that are presently there, how does that reflect in your sales tax revenue; is it higher, is it lower? How do you capture that information? It is very difficult to do. Has crime been reduced by utilizing CDBG dollars in a certain neighborhood? Again, very difficult to measure.

But the fact of the matter is that we are putting together with, what I mentioned earlier, this notice that will be published very soon, and where many, many stakeholders were involved in putting this all together as to how we can have a national measurement system, but at the same time allow the communities to have their local performance measurement system be part of that.

Mr. TURNER. You mentioned in your testimony, and many others following you will also mention, the Integrated Disbursement and Information System. There have been some problems with that system in its implementation. Could you elaborate more on the status of that and discuss the resolutions of some of the problems that people were experiencing?

Mr. BERNARDI. Well, the system has been in existence since 1996, and it allows grantees to enter information on their activities and to draft funds for individual activities. The system has worked very well when it accounts for the dollars, obviously. Over $7 billion each year go through that system. However, we are looking to improve that system by the spring of 2006. We are going to require more complete information on accomplishments; we are going to allow grantees to submit information via the Federalgrants.gov; we are going to improve the type and content of reports available to HUD for monitoring. We want to make it easier to reduce the grantees' time and at the same time be able to consolidate, if you will, into one format the consolidated plan, the annual performance plan, the CAPER plan so that the individuals at HUD that are looking at all this can ascertain what has happened over a 5-year period, over a 1-year period of accomplishments. This IDIS system has worked very, very well, but it needs some improvements, and we are in the process of making those.

Mr. TURNER. You mentioned the consolidated plan process, and we discussed the issue of HUD's review of those in both your testimony and my opening statement. Has HUD rejected consolidated plans from communities; and what is the process for rejection of a consolidated plan if one is to be rejected; and what type of discussion, feedback, or interaction occurs with the community if a consolidated plan is viewed as either deficient or could be improved?

Mr. BERNARDI. Well, the consolidated plan is reviewed by each one of our field offices for all of our entitlement grantees, and as long as it adheres to the national objectives—providing the majority of the resources for low and moderate-income individuals; to eliminate slum and blight; and obviously the third objective is, in the event of an emergency, to utilize those funds for that emergency—the consolidated plan I believe works very well. There is not a rejection of the consolidated plan per se, as long as the goals and objectives that are spelled out in that consolidated plan meet the goals and objectives of the CDBG program.

We do have what we call risk monitoring. Each and every year our personnel takes a look at how everyone is performing, and there is a matrix, if you will, of areas, whether it is financial, whether it is capacity, and they look at that and they say to themselves, OK, this year who are we going to monitor either onsite or offsite? Of our 1,100 approximate grantees, we monitor about a third of those every year to see that they are in accordance with the consolidated plan, that they are spending their money in a timely way, that their goals and objectives and their annual action plan are being realized. This is a very good system, and I feel that our employees, CDBG employees out there in those field offices, they know full well who is performing, who is not, who needs information technology, who needs additional capacity, and our staff is always ready and willing and is out there providing it for these folks.

Mr. TURNER. In the consolidated plan review process, is there a feedback loop for best practices? Certainly HUD, in the period of time that this program has been in existence, has seen throughout the country programs and either services or community development projects that are more successful than others. And when a community puts forth a consolidated plan where the goals and objectives of the program could be enhanced, perhaps with knowledge of what another community's success has been, does HUD undertake that discussion with the community in the consolidated plan process to help enhance the success of the projects that those funds are invested in?

Mr. BERNARDI. In the early years I believe we were more engaged in the preparation of the consolidated plan. Now we pretty much leave it to the communities to make the determinations that they can justify, obviously, as to how they want to utilize their dollars. We feel very strongly that they know best. Of course, we look at those consolidated plans to make sure that they adhere to the rules that are in place.

At the same time, if a community ends up in trouble with a particular project, if the plan is not being adhered to, we can take action. We don't like to reclaim dollars unless we absolutely have to. What we try to do is maybe sit down with the community. Our folks in the field OK, this is an ineligible objective or you are not going to be able to reach this objective because you don't have the capacity; whatever the reasons are. We try to work with the grantee so that either the objective can be met or the objective can be changed to something else. In the final analysis, if they are not able to do what they have to do according to the rules and regulations, then we will take that money back. However, the way we do that is they are not able to repay us with additional CDBG dollars, it has to be their own local dollars. Or, in some cases, in the next grant that they are going to receive, we reduce the amount of money that they have spent in an eligible way.

Mr. TURNER. From your answer, it would appear that HUD's view of the consolidated plan is more an issue of compliance rather than an issue of consultation on degree of likelihood of success.

Mr. BERNARDI. By and large, that is what it is about too, yes.

Mr. TURNER. In your testimony you talked about the different categories for which the funds could be used and limitations upon the expenditures by categories and the limitation for a government entity or a community in spending those funds on its own staff or functions within public service. There doesn't appear to be a limitation, though, on whether a government entity receiving CDBG funds would make the decision to spend all of its CDBG moneys on its own staff functions in the eligible criteria. Is that correct or is there a limitation?

Mr. BERNARDI. The way it breaks down is that there are caps in two areas. There are caps on administration and planning, and that cap is 20 percent. There is also a cap on public service, which is 15 percent. I can report that, on an average, on administration and planning, the average is about 14 percent. So you can see that the grantees spend less on administration and planning, and, obviously, we feel that is a good thing. When it comes to public services, the cap used to be 10 percent. That was changed to 15 percent in the 1980's, but I believe around 62 or 63 entitlement communities were grand-fathered in at a higher number. But 15 percent is the cap on public services.

The other areas the communities can pretty much make the determination as to how they want to spend their dollars, in what areas. As an example of the 2004 appropriation, on an average, about 33 percent of the dollars were spent on public facilities and improvements; on housing activities approximately 25 percent; administration and planning, as I indicated, 14 percent; economic development 9 percent; acquisition 5½; and then 108 loan guarantees about 2½ percent. Those numbers, as we have looked at those, have not fluctuated to any large degree since 2000 in the last 4 years.

And did you notice, I am sure, Congressman, a community finds a need for those dollars, and I know Dayton is an example of this, and I looked at the expenditures of Dayton in the early part of this decade, and those moneys were spent for code enforcement, approximately 30 percent. So you will find that communities, once they develop a consolidated plan, an annual action plan, they make the determination as to how best they can utilize those moneys that are going to affect low and moderate-income persons.

Mr. TURNER. There are no restrictions, though, overall that would prevent a community, a local government entity from going down the smorgasbord, if you will, of eligible uses and allocating

100 percent of its CDBG money for its own staff functions within those eligible uses?

Mr. BERNARDI. When you say staff functions within those eligible uses, it would still have to be a 20 percent. They could not spend more than that for administration and planning.

Mr. TURNER. Well, it is administration and planning, but in other areas, for example, as you indicated, code enforcement, code inspection. That is not necessarily administration and planning, so additional funds—and there you cited a figure that was higher than the 20 percent. One of the criticisms that we hear about CDBG is the opportunity for local governments to utilize the funds rather than for community development, but to fund what many people consider local government activities that perhaps the local tax base should be supporting rather than CDBG.

Mr. BERNARDI. As long as the dollars are used to provide goods and services for individuals who meet the low and moderate-income threshold. The flexibility of the program allows the entities to use the money as they see fit.

Now, let us take the example of code enforcement. If that money was not being utilized through the CDBG program, would a particular community have the local capacity to provide the kind of inspections to make sure that housing stock in their poor neighborhoods was being addressed? Now, that is a local decision that is made, and, basically, as long as it can be justified that it is benefiting people of low and moderate-income, we are not going to be disapproving of that.

Mr. TURNER. And I understand that there are many times very good reasons and justifications for a community to utilize those funds to support the actual local government activities in the eligible use categories, but my question is there is no overall limitation. A government entity could, in going down the smorgasbord of eligible uses, allocate 100 percent of its CDBG moneys for staff functions within those eligible uses and not be in violation of the restrictions placed upon CDBG.

Mr. BERNARDI. I believe you are correct. But as a former mayor myself, as you know, when you deal with your legislative body in your public hearings, the chances of 100 percent of the money going to any one particular activity obviously are remote. I don't know that any communities do that, offhand.

Mr. TURNER. That goes to my next question. To what extent do you track the percent of CDBG moneys that are utilized by a community for its own staff functions? When you told me the different categories that the funds break down into and what communities are likely to spend them on, do you go the next step and an eligible expenditure in that category to have a definition as to what the actual funds went for? If I were to ask you could you tell me of the top 100 cities that receive CDBG funds in population size, what overall percentage that they spend on their staff functions, do you track it so you could provide that number?

Mr. BERNARDI. Yes. The Consolidated Annual Performance Evaluation Report that each grantee submits through the IDIS system to HUD indicates exactly the percentages and the dollars that go to each category.

Mr. TURNER. Could you provide that to our committee for the top 100?

Mr. BERNARDI. Sure.

Mr. TURNER. It would be very good to take a look at that. One of the reoccurring criticisms of CDBG is whether or not the funds have been co-opted for government operations rather than community development functions, even if those government operations support community development functions. That is a criticism that I think might impact the ability to measure effectiveness. We would love to take a look at the information.

The proposal for Strengthening America's Communities and the Commerce Department review of what criteria would go into Strengthening America's Communities in determining eligible uses and eligible communities, my understanding is that work is proceeding with the Commerce Department in looking at what their proposal might be. I wondered if you could talk to us a moment about HUD's participation in that process in assisting Commerce in reviewing both eligible communities and eligible uses that they might propose for the Strengthening America's Communities.

Mr. BERNARDI. The legislation is being written obviously by the folks at Commerce, but we do provide consultation and provide them with any information that they may need.

Mr. TURNER. Could you provide to our committee copies of whatever you have provided to the Commerce Department as they have reviewed this issue of eligible communities and eligible uses?

Mr. BERNARDI. Any information that we have, Congressman, that you would like, if we have it, we will provide it.

Mr. TURNER. Thank you. I want to go back to the question again on the issue of measuring effectiveness. As you go forward in looking at ways to more effectively measure the results of the expenditures of CDBG funds, one of the things I think people would hope that would occur is not just a proof or justification that CDBG moneys are having an impact, but also a process of determining whether or not the CDBG program could be enhanced or modified. The data might prove effectiveness, but it also might show in areas of non-performance or less effectiveness.

What is HUD currently doing in looking at the data that it has, and in the data that it intends to generate or hopes to generate, for enhancing the performance of CDBG funds?

Mr. BERNARDI. The first notice that we issued was in January 2003. As I mentioned in my testimony, we asked communities to provide us with performance measurement system, and we have approximately 43 percent of those communities that are doing so. But also as I mentioned, we have a notice that is going to be published in the Federal Register very soon, and that notice was really a collaboration, if you will, with many different organizations, Council of State Development associations took the lead, but others are involved in that; OMB was involved in it. And that particular performance measurement system that is going to be presented will not require, but it will strongly encourage all grantees to utilize a system that everyone can work with. But at the same time we do not want to have local initiative be deterred in any way. If they have their own performance measurement system, we want it to be part of that.

We are going to be looking at objectives. We are going to be looking at outcomes. We are going to have indicators for this system to cover every possible area. And where we can measure, obviously, we need to do so. We need to be able to make sure that the number of jobs created are retained, the number of units that have made accessible, number of jobs with healthcare benefits. Right now we don't have that kind of information, but when this comes forward, we believe very strongly that after the 90-day period and everyone has had a chance to comment on it, hopefully, when you take a look at OMB, you take a look at the grantees, you take a look at HUD, you take a look at NAPA, you take a look at COSCDA and all of the other organizations that are represented behind me here. We can come together with a performance measurement system that not only locally, but as I mentioned in the counties, States, and nationally, that we can have aggregate outcomes. We are able to ascertain how the dollars are being spent better today than they were yesterday.

Mr. TURNER. One of the phrases in management that I always think is important is the one of if you are not measuring it, you are not managing it, and a lot of what we are hearing in your testimony goes to the issue of measurement. Even if you get the best measurement system, if it is only a system intended to produce data, and not a system intended to produce data that then results in management of the system, it is data for the sake of data. What does HUD intend to do as it gets additional information from the performance measures with that data?

Mr. BERNARDI. Well, right now we can measure, as I mentioned, outputs, but we don't have the outcomes. We need to make sure with the performance measurement system that we are able to go right from the beginning of the goals and the objectives to the outcome indicators to the outputs and then to the outcomes. And when we receive that information, that is when we will be able to ascertain whether a community or communities are utilizing their dollars in the best possible way. We will have something to compare it to, which we don't have now.

Mr. TURNER. And then you will work with that community in a consultation manner? You will look at changing——

Mr. BERNARDI. Sure. We do that now, but we will have more of a yardstick, if you will. We will be able to tell their strengths and weaknesses more than we can now.

Mr. TURNER. Will it still be, as your review of the consolidated plan process is, limited to compliance, or will it actually be geared toward enhancement of success?

Mr. BERNARDI. It will be always toward compliance, but at the same time toward performance outcomes: have you been utilizing your resources in a particular activities, do the indicators point out that not only have you reached certain numbers that you said you would reach in your annual report, but at the same time we want to know exactly if that person, if that entity has improved the quality of life for those individuals and that neighborhood. As I mentioned earlier, what has an activity done to reduce crime? What has an activity done in a certain neighborhood to create more jobs or to provide more sales tax dollars or to provide more real estate tax dollars? These are the kinds of outcomes I think we need and that we can point to, you are on the right course, community A, you are doing the right things; we see measurable improvement each and every year with the utilization of these dollars for that particular activity or activities.

Mr. TURNER. I would like for you to speak for a moment, if you will, on the issue of the difficulty of measurement of success in a community. One of the things that we heard with Strengthening America's Communities was an attempt almost to put an economic bubble around a community and do economic/environmental data analysis to determine whether or not the community is advancing.

As you mentioned in your opening comments and in our first couple of questions, for some communities it may be very difficult to measure progress and success. Sometimes progress can be slowing decline or decay, not necessarily that the community, in a very measurable or obvious way, economically advances. Could you speak for a moment to the difficulty of what you are trying to measure? I hear very often from community development people that I know what community development is when I see it. But that doesn't go very well on a measurement application. So could you talk about the difficulty of doing that for a community?

Mr. BERNARDI. Well, the genesis of the program was to provide flexibility, was to provide local initiative, and the fact that you have 23 to 30 activities that you can fund makes measuring those activities difficult, but it doesn't make it impossible. And I think OMB, in their analysis, and other people taking a look at it say when you are going to expend better than $4 billion a year to help 1,100 and some entitlement communities, all 50 States, with another maybe 3,000, 3,500 communities within those States, we had better be sure that we provide to the taxpayers of this country not just numbers, but how has it enhanced the quality of life; has it really done the job that it needed to do to make it a better community.

Certainly, many challenges. Very difficult to measure, for example, if you put in sidewalks or streetlights, how does that benefit the community. If it is an area benefit and 51 percent of those people are low and moderate-income, obviously it is an eligible activity. But at the same time, how do you measure that? It is very difficult. But I believe that what we are putting together with this new notice will go further toward making sure that we can capture as much information and as many outcomes as we can.

Mr. TURNER. The previous hearing that this committee had, reviewed the formula change options that HUD had been reviewing, four different categories of how the formula would be modified with respect to entitlement communities. Has HUD similarly undertaken any type of study or consideration for changing the eligible uses for the expenditure of CDBG moneys?

Mr. BERNARDI. Well, the eligibility, as I mentioned, is very broad. That can always be looked at in conjunction with the Congress and with our grantees, and ascertain whether or not you might want to reconsider some areas of eligibility, add some areas or modify some.

Mr. TURNER. But at this point you have not undertaken a study? You do not have a staff report that looks at possible recommendations for modifying or discussing proposing to Congress changes in eligible uses?

Mr. BERNARDI. Well, take eligible uses. If you expand them, it is going to be even more difficult to do the kind of measurement you want. If you reduce them, then you will do more targeting. And if you do more targeting, obviously there is not as much participation, then you will be able to measure significantly better.

Mr. TURNER. But is this something that HUD is taking a look at?

Mr. BERNARDI. Well, we look at everything, but as far as the eligibility, change in eligibility, no, I don't believe so.

Mr. TURNER. OK.

I want to recognize that we have Mr. Dent from Pennsylvania with us, and Mr. Clay has joined us.

Mr. Clay, would you like to, either, at this time, make any questions or opening comment?

Mr. CLAY. Sure. Thank you, Mr. Chairman. If I could, I would like to ask Mr. Bernardi about the CDBG program, if that is OK.

One of the recommendations in the NAPA report addressed the establishment of an incentive for communities to participate in furthering the national goals and objectives of CDBG. Should such an incentive program be based on benefits, as opposed to penalties, for communities? If you were to implement a new evaluation system today, would it reward communities which demonstrate progress, or simply burden those communities not demonstrating progress?

Mr. BERNARDI. Well, Congressman, obviously, you could go either way with that: you could penalize and you could benefit. We are looking at the notice that will be published in the Federal Register very soon as to performance measurements, and that is something with public comment, if the stakeholders and others would like to take a look at perhaps providing incentives for communities that utilize their resources to the ultimate capacity, we would be happy to look at that, sure.

Mr. CLAY. The administration's PART evaluation graded the CDBG program as ineffective according to various criteria utilized. If possible, could you offer us your opinion of using PART to evaluate the CDBG program and if the criteria used to evaluate a program were an appropriate measurement tool for program goals and objectives?

Mr. BERNARDI. Well, the OMB PART program scored the CDBG program as ineffective, but the only area that I feel we felt a little uncomfortable with was in the first section. There were four functions and we were rated a zero for program purpose and design. The program purpose and design was the Community Development Act of 1974, and we feel very strongly that we have been following the program purpose and design to make it flexible, to make it local-oriented, if you will. However, there were good recommendations in the PART program for how we can improve our performance measurement systems, and we have our own performance measurement system, a notice that we sent out to all of our grantees last year, and almost half of those grantees are providing us with performance measurement system outcomes. And as I mentioned just earlier, we are in the process right now of publishing in the Federal Register a combination of thoughts and suggestions from individuals as to how we can better improve our system.

Mr. CLAY. Doesn't the nature of a block grant with few strings attached make assessment more challenging than other programs with more stringent requirements? Could you detail for me the types of methods or metrics that communities could use to evaluate the performance of their CDBG funds?

Mr. BERNARDI. Well, you are absolutely right. When you have that kind of flexibility, the measurement of those programs becomes more of a challenge. But we have in place a Consolidated Annual Performance Evaluation Report, and that pretty much lists outputs, if you will, Congressman; it will tell you the number of jobs a community has created, it will tell you the number of units that have been assisted, the number of loans that have been processed. We need and are in the process of putting together an evaluation report that will deal with outcomes; how does that affect that neighborhood or that community by utilizing these dollars for a certain activity.

Mr. CLAY. Just from your response, how would you evaluate, say, a city like St. Louis, MO, which gets block grant funding annually, a pretty good portion of it? Does it target the neighborhoods that it is really intended for, that the city qualifies for? Does it actually make a difference in those communities where you have plenty of blighted property, property owned by the city, and really a very disadvantaged community? Have you seen St. Louis yet?

Mr. BERNARDI. I have been to St. Louis on a number of occasions. The block grant program, Congressman, is a consolidated plan and the community spells out what it wants to do over a 5-year period of time. There is also an annual action plan, and each year they have to submit to HUD what they have actually done as part of this overall consolidated plan. They have to stay within the guidelines and the objectives of the CDBG program, but the flexibility of that program leaves it to the officials in that community, to the legislative body, to the administrative body after public hearings to make the determination in many of these eligible areas of activity how they want to spend their money. But they have to spend it to benefit people of low and moderate income. At least by the books, about 70 percent of it has to be spent that way, but we find on an average about 95 percent of the communities utilize their CDBG dollars for low and moderate-income individuals. I don't have the exact number for St. Louis, but maybe I could find that for you.

Mr. CLAY. Would you be willing to share that with me? And please don't miss the point that St. Louis qualifies for this funding based on poor citizens. We don't want to lose sight of that.

Mr. BERNARDI. Sure. The need obviously is there, of course.

Mr. CLAY. Thank you for your response.

[The prepared statement of Hon. Wm. Lacy Clay follows:]

**STATEMENT OF CONGRESSMAN WM. LACY CLAY
HEARING ON CDBG FORMULAS
MAY 24, 2005**

Mr. Chairman, thank you for holding today's hearing and continuing your good work in examining ways to improve the CDBG program. There is no question that your experience as former mayor of Dayton, Ohio brings credibility and common sense to our committee's efforts.

As a member of the Financial Services Committee and former state legislator, I understand the value of Community Development Block Grant funds and their positive impact on our nation's communities. Thus, I support efforts that will improve HUD's ability to evaluate the strengths and weaknesses of community-funded programs. In a time of increasing deficits and competing budget priorities for all levels of government, we ought to be open to new ideas that will help us determine where we get the most value from our expenditures.

I remain concerned, however, about pursuing a new evaluation regimen that would conflict with the flexibility that is inherent to the CDBG program. Unlike formula grants, CDBG affords our communities discretion in developing the types of programs that are most needed. Furthermore, I'm concerned that future efforts which tie arbitrary performance measures to program funding could potentially leave many

communities at a disadvantage and defeat the legislative intent of CDBG.

The National Academy of Public Administration report before us this morning offers several recommendations to both HUD and community stakeholders for the development of better CDBG measurement tools. If CDBG is to remain a vibrant and useful program, all parties must balance the need for accurate and useful program information against the potential burdens some measurement tools would place on communities.

Again, I thank the Chairman for holding this hearing, and look forward to hearing the testimony of our witnesses. I yield back the balance of my time.

Mr. TURNER. Mrs. Maloney, do you have any questions?

Mrs. MALONEY. Sure. First of all, I would like to place my statement in the record.

I just want to state that I have very strong reservations about the administration's dramatic funding cuts for 18 key missions by 35 percent, and reprogramming it to Commerce, funding for so many programs that fall outside of the mission of the Department of Commerce, and I have expressed that in a letter, along with my Democratic colleagues, to the Budget Committee.

I want to state that my city, New York City, CDBG provided over $207 million, and it was used for a variety of programs that help the community, and the $1.42 billion budget cut for CDBG will have a devastating impact for these efforts.

The housing mission of the CDBG program was a very important one in New York, and I truly believe that housing cannot take place, particularly for low-income and moderate-income, without a Federal role. And under the administration's proposal, there is absolutely no assurance that the housing mission of CDBG will have any future. Can you comment on that? On top of that, the housing in general—vouchers, public housing—the Federal role has been scaled back in the proposed budget before us.

But I do want to say that I support valid performance measurements, I think they are very important—transparency, performance measurements are very important—but I doubt that eliminating the program is the right solution, and there is no assurance for the housing and really no assurance that the mission will be continued if it is in fact transferred over to Commerce.

Mr. BERNARDI. Congresswoman Maloney, the CDBG program was zeroed out of HUD's budget and, as you indicated, that money will go to Commerce for the Strengthening America's Communities Initiative. Presently, the Department of Commerce is putting together the legislation for their program, and that should be forthcoming soon. The Section 8 program that we have——

Mrs. MALONEY. But my question specifically was in the language that I read that transferred it over to Commerce with a 35 percent cut in funding, there was no assurance the housing mission of CDBG would have a future. See, CDBG has a history of supporting housing and programs in public housing or around housing in poor communities, and that was not included in the language that went over to Commerce.

Mr. BERNARDI. Well, the language to Commerce is not available; it will be soon, as I understand it. When they put forth their legislation, they will address how they are going to utilize those dollars. I understand that they want to provide for the communities that have extreme distress, communities that have lost jobs, communities that have high unemployment. But I have not seen and I am not privy to how they are going to disburse those dollars.

Mrs. MALONEY. See, that is what is so difficult. What is HUD doing to preserve the housing mission of CDBG, are they working with Commerce to preserve the housing mission that has historically served urban areas so well?

Mr. BERNARDI. We have individuals at HUD who are working with the folks at Commerce to put together the legislation.

Mrs. MALONEY. So what do you think should be in that legislation?

Mr. BERNARDI. Well, that will have to be up to the folks at Commerce to make a determination; it was zeroed out of our budget.

Mrs. MALONEY. But you said people at HUD are over there working to help them put it together.

Mr. BERNARDI. Well, we are providing information that they request. We are providing counsel, if they seek it.

Mrs. MALONEY. See, what is, to me, so disturbing is that after revenue-sharing, probably CDBG was the only program that came into local governments that gave them the discretion to use it for what they thought were the priorities in their communities. In New York, and probably in all localities, there is a very detailed community input, leadership from the poor communities—and this all goes to poor communities—on how the dollars should be used. And now it is being shifted to Commerce with this sort of floating around in ether, no one knows what it is going to be, with a 35 percent cut, and it is very troubling to me. And I certainly don't think we should vote on the budget until we know exactly what is going to be the framework, and I, for one, believe that the housing mission that CDBG really led on in many ways is still preserved.

I do want to say we have been called for a vote, but the Chairman, Mr. Turner, has shown a lot of interest on this, and I want to thank him for his sincere interest on trying to preserve things for local communities. I understand you are a former mayor from an urban area, and I hope your expertise will help sort this thing out. So thank you. We are called for a vote.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

STATEMENT OF CONGRESSWOMAN MALONEY

Government Reform Committee
Performance measurements for CDBG
2154 Rayburn House Office Building
May 24, 2005

Good morning and thank you, Mr. Chairman, for addressing a topic of such importance to my district and state. I also welcome our witnesses.

As a representative of a city with one of America's largest and most diverse populations, I cannot overemphasize the positive impact the block grant programs addressed by the Administration's proposal have had over the years.

As a result, I have strong reservations about the Administration's dramatic funding cuts for 18 key missions– by 35 percent ! --and reprogramming to Commerce funding for so many programs that fall outside the mission of that Department. The Administration has made it clear that the goal of this new program would be economic development through job creation.

Community development programs that have been used to provide housing such as the Community Development Block Grants (CBDG), run by HUD, would be replaced with a vaguely defined program that does not include housing run by the Department of Commerce, which has no community development mission. We all share a common interest here in wanting to improve the delivery of services and outcomes attained through these programs, but I for one believe that the radical proposal before us will throw the baby out with the bath water.

I joined many of my Democratic colleagues in sending a letter to the Budget Committee expressing our dismay at the elimination of CDBG as we know it.

I can speak from experience of the many needs that the CDBG program has fulfilled in the City of New York and throughout the nation.

The CDBG provided $207 million to New York City last year and was used for a variety of city programs that create healthy, vibrant communities. The $1.42 billion budget cut for CDBG will have a devastating impact on these efforts.

Most disturbing, the Administration's proposal offers absolutely no assurance that the housing mission of CDBG will have any future.

Certainly these programs should have valid performance measurements but I doubt that eliminating the program is the right solution. Thank you and I look forward to the testimony.

Mr. TURNER. Thank you so much.

Mr. Bernardi, let me give you just one opportunity if you have any closing statement to make to enter it now. Upon the conclusion of those remarks, we are going to adjourn, go and vote, and we will come back into session for the second panel.

Mr. BERNARDI. I just want to thank you for the opportunity, members, and happy birthday, Congressman Dent. I wish you a wonderful day. I like the fact you didn't ask me any questions.

Mr. DENT. Well, thank you. I am depressed; I am half way to 90, so I am thinking about that.

Mr. BERNARDI. Thank you, sir. And if you have any additional questions from us, just kindly let us know and we will be happy to respond.

Mr. TURNER. Well, thank you so much for all of the great participation that you have had with this committee's work and all the work of your staff. Being a former mayor yourself, you bring to this a great deal of knowledge, and I appreciate your commitment to these programs and to community development in our urban areas. Thank you.

Mr. BERNARDI. Thank you very much.

Mr. TURNER. With that, we will be adjourned, and after this vote we will begin with the second panel. Thank you.

[Recess.]

Mr. TURNER. We are going to go ahead and get started while my colleagues are returning.

As I noted in the beginning of this hearing, it is the policy of the committee that all witnesses be sworn in before they testify. Therefore, as we look to our second panel, would you please stand to be sworn in? Rise and raise your right hands.

[Witnesses sworn.]

Mr. TURNER. Let the record show that all the witnesses have responded in the affirmative.

I want to begin by thanking all of you for taking your time both in preparing for this committee and then attending today to testify. This, as you know, is an important issue for many communities, and that is the effectiveness of CDBG and how we might be able to make it more effective. Your perspective on CDBG and HUD's performance is certainly helpful for us, as everyone looks to these issues.

We have with us today the Honorable Ron Schmitt, councilmember of the city of Sparks, NV; Mr. Thomas Downs, a fellow from the National Academy of Public Administration; Ms. Lisa Patt-McDaniel, assistant deputy director, Community Development Division, Ohio Department of Development, on behalf of COSCDA; and Sheila Crowley, Ph.D., president, National Low Income Housing Coalition.

We will begin with Mr. Schmitt.

STATEMENTS OF RON SCHMITT, COUNCILMEMBER, CITY OF SPARKS, NV; THOMAS DOWNS, FELLOW, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION; LISA PATT-MCDANIEL, ASSISTANT DEPUTY DIRECTOR, COMMUNITY DEVELOPMENT DIVISION, OHIO DEPARTMENT OF DEVELOPMENT, ON BEHALF OF COSCDA; AND SHEILA CROWLEY, PH.D., PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

STATEMENT OF RON SCHMITT

Mr. SCHMITT. Thank you, Mr. Chairman. Good morning. Thank you for the opportunity to speak to you about this very important concern to our community. I am Ron Schmitt, councilman of the city of Sparks, NV, and president of the Nevada League of Cities and Municipalities.

The community of Reno, Sparks, and Washoe County comprises approximately 380,000 citizens. Sparks is one of the fastest growing cities in the State of Nevada, with Nevada being the fastest growing State in the Nation since 1990.

I was a founding member of our Human Services Advisory Board in 1996. I became involved with this process after a focus group of citizens decided there had to be a better way to distribute Federal, State, and local funds dedicated to our human services providers. The process in place at that time was very inefficient, time-consuming, and, above all, not getting a large percent of the funds to those who needed the services. This resulted in the formation of the Washoe County Human Services Consortium.

The Consortium includes a board comprised of three appointed citizens from each entity: the city of Reno, the city of Sparks, and Washoe County. I served as a citizen for 5 years. A safety net was built into the process by making this an advisory board who submits their recommendations of funding to the triumvirate. The triumvirate consists of one elected official from each entity. They have the option of ratifying or making adjustments to the board's recommendations. With this new process, service providers no longer had to submit three different applications or attend three different hearings; there was one application, one board hearing.

The old system created many inequities; some services going unfunded, while others receiving a windfall of revenue. This new system encourages collaboration between service providers. A set of seven child care providers, each submitting an application, they would submit one application for all seven and then work together to monitor the needs and the distribution of the funds. This has lowered the cost to monitor the program, increased the services to the public, and stretched our limited dollars to help our community become a better place to live.

A successful applicant must include objectives and measurable outcomes in their application, which become a component of their contract. These contracts are monitored and verified during the course of the program year. An example from a recent application from the C-A-R-E Chest of the Sierra Nevada, a group that provides medical equipment and supplies to the elderly in our community, two of their primary objectives include the reduction in the number of individuals living in assisted care facilities and prevent in-home accidents by providing durable medical equipment such as grab bars and shower chairs.

Some of the measurable outcomes for this application period were as follows: 1,548 people were assisted with 2,852 medical equipment items; 334 people were assisted with 601 cases of liquid nutrition. These outcomes were monitored and reported to the board at the end of each year, when the next application period started. This has raised the bar for our service providers and made them review their programs for more effective ways of doing business in order to get more service to our community. This process has made our providers more accountable for the dollars they receive.

Let me tell you a story about Jonelle, one of C-A-R-E Chest's clients. She is an inspiring, unforgettable woman. Born with cerebral palsy, the doctors thought she was never going to speak. "I showed them and haven't stopped talking since," she boasted. Recently she moved to Nevada to be close to her adopted family. While her MediCal is being switched to Nevada Medicaid, Jonelle came to C-A-R-E Chest for help. She was loaned an electric wheelchair, and upon receiving the wheelchair, Jonelle sped off to the bus stop, thrilled to explore her new neighborhood. She is slowly but determinedly fulfilling her long-time dream of teaching special needs children "like me" she adds.

Without the continuation of CDBG funds, many of the service providers to our community could not continue. I again want to thank you, Mr. Chairman, for allowing me to speak to you today on this very important issue of our community, and thank you for all that you do for our country.

[The prepared statement of Mr. Schmitt follows:]

The City of Sparks

CITY COUNCIL

May 16, 2005

The Honorable Michael R. Turner, Chairman
Subcommittee on Federalism and the Census
Committee on Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Turner:

On behalf of the City of Sparks, Nevada, it is an honor to submit to you and your committee testimony in support of the Community Development Block Grant (CDBG) program.

This testimony focuses on our public service component of the CDBG program. In our county we have established a regional effort, comprised of three local governments, one county and its two main cities, to address grant funding for human services provision through non-profit agencies. That process is the Washoe County Human Services Consortium. In 1998 Reno, Sparks and Washoe County received a Housing and Urban Development best practices award for this consortium, as an innovative approach for delivering human services grants in a single efficient, consolidated process.

Thank you for the opportunity to speak on behalf of a program that has had a positive impact on our community. Your continued support for efforts such as ours is appreciated.

Sincerely,

Ron Schmitt
Sparks City Councilman

cc: Jon P. Heroux, Counsel
John Cuaderes, Staff Director

Enclosures

City Hall: 431 Prater Way, P.O. Box 857, Sparks, Nevada 89432-0857
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Community Development Block Grant Program
Public Services

Located within Washoe County in Northern Nevada, the Cities of Reno and Sparks are designated Community Development Block Grant (CDBG) Entitlement Communities. According to the 2000 U.S. Census of Population and Housing, the total population of Washoe County was recorded at 339,486 with the City of Reno at 180,480 and the City of Sparks at 66,346. A recent population estimate prepared by the State of Nevada's Demographers Office lists the City of Sparks' population as 81,673 with Reno at 199,249 as of 2004. Since 1990, Nevada has led the nation in the rate of population growth and Sparks is one of the fastest growing incorporated cities in Nevada. Through the CDBG program, the City of Sparks is committed to assisting low and moderately-low income individuals and families in our community. One mechanism of assistance is through grant funding for area non-profit programs that target services for low income persons and families. Pursuant to the Code of Federal Regulations, 24CFR570.201(e)(1), communities have the ability to grant up to 15% of their entitlement dollars for eligible public service programs; an opportunity for service to the community the City of Sparks utilizes annually.

Through community survey and working groups, staff was informed non-profit agencies were put in the position of going from City Council to City Council to County Commission requesting funding for their programs, some were successful and would receive grants from all, some from none. A series of workshops were held with the public service agencies and interested citizens. The outcome of this effort was a consolidated process, where the Cities of Reno and Sparks joined with Washoe County to leverage their annual Public Service share of CDBG funds with other community support dollars to provide a single, annual grant making process, entitled the Washoe County Human Services Consortium. The consortium is governed by a board, a triumvirate, comprising of one elected official from each of the three local jurisdictions. This Triumvirate has final decision authority regarding these funds. This consolidated effort by the jurisdictions has successfully and effectively served the entire Reno, Sparks and Washoe County community and provided those much needed funds to serve low-income individuals and families. Our regional efforts creating a single process supporting the low-income community, was awarded a Best Practices Award from the Department of Housing and Urban Development in 1998.

Since 1996, the Cities of Reno and Sparks and Washoe County have leveraged an average of approximately $1,000,000 annually, consisting of Community Development Block Grant (approximately 40% of the total funds), Emergency Shelter Grant, Low Income Housing Trust Fund, and Community Support (i.e. general fund tax dollars from the City of Sparks and Washoe County). Currently, the human service applicants are instructed to submit their application under one of following headings, described as follows:

a. <u>Basic Needs/Job Training/Education</u>
Programs which provide basic material necessities for survival, including food, clothing,

and transportation. This includes disaster relief and advocacy service for basic needs entitlement. Literacy education and training – specific programs that provide formal, informal or supplemental education, literacy or job preparation or training which enhances a person' ability to become self sufficient and economically secure.

b. Family Strengthening/Mental Health
Services that address mental health needs and help strengthen individuals and families. This includes general counseling, domestic violence, child abuse and neglect, crisis intervention and suicide prevention programs.

c. Health/Rehabilitation/Disabilities
Services geared to the promotion and maintenance of general health and treatment, including prevention, education and direct treatment. In addition, services that address the needs of physically and developmentally disabled persons and their families.

d. Housing Assistance (LIHTF)
Programs for low and moderate-income individuals that prevent homelessness, such as housing assistance (mortgage payments, rent payments and deposits, etc.) utility payments and deposits, and security deposits.

e. Seniors
Services specifically designed to assist persons 55 or older, including advocacy, accessibility to services, meals, home companions and other related programs that focus on the needs of the aging population.

f. Youth
Programs which address full range of needs of children and youth eighteen years and younger, including character leadership development, volunteerism, recreation, day and resident camp, club programs, gang prevention.

g. Child Care
Licensed or school based childcare services, or full time before and after school programs and related activities. Generally for infants and children through the age of 12.

h. Substance Abuse
Services which are geared to those persons who are, and families with, victims of alcohol and/or chemical dependence. Includes prevention and education, direct treatment, support groups and counseling.

The grant making process takes place over approximately five (5) months during the fiscal year prior to the funding year. The Request for Proposals (RFPs) is made available to the public, typically in November with a due date in either late December or early January (depending how holidays fall and when the RFP is released). The typical methodology for notification is a display ad in the Reno Gazette Journal, the Sparks Tribune and Ahora, the area's Hispanic periodical. In addition, this information is posted on the jurisdictions' websites. Staff holds two (2) training sessions on the application; one in early to mid December and the other in January.

One session is held in the morning, the other an afternoon session and each is in a different geographic location in an effort to provide more convenient accessibility. The applications are due at one location, the Washoe County Manager's office. After the due date, copies of all completed, eligible applications are sorted by staff and provided to an Advisory Board for review and funding allocation recommendations. The Advisory Board is made up of three residents, plus one alternate, from each jurisdiction for a total of twelve members – nine active, three alternates. Advisory Board members serve three year terms up to two terms or a total of eight years should they replace someone mid-term. Alternates serve one year at a time, with no current limits. The members must apply through each jurisdiction and are interviewed and appointed by the Triumvirate. The Advisory Board typically meets throughout the year in preparation for the grant making process.

Applications and the evaluation tools/forms are typically distributed to the Advisory Board in January. In conjunction with the Advisory Board, a Task Force recently conducted a review of the grant making and funding allocation process. This Task Force was comprised of staff from each jurisdiction, three members of the Advisory Board – each representing Reno, Sparks or Washoe County, and members from the community and non-profit agencies at large. This Task Force developed an evaluation tool in which the applications are broken down and scored by application question. In addition, a recommendation of minimum scoring requirements was made to assist in the determination of which applications should receive funding.

As part of the process a series of Public Meetings/Hearings are conducted over a two week period in February/March. The number of public meetings depends on the total number of applications. The applicants are invited to these meetings in which they may make a three (3) minute presentation on their application and answer any questions the Advisory Board may have. On the final night, the Advisory Board divides up the available funds; however, they are only advisory in capacity; therefore, they do not make the final decision on funding. Those recommendations are presented in a final public hearing to the Triumvirate, the governing board. Typically, the Triumvirate does not overturn the recommendations.

In addition to this process, and as a condition to funding these programs, the Consortium requires each agency to submit program objectives and measurable outcomes for each objective. The jurisdictions compile this service data into a Consortium Annual Report which is used as an aide in determining needs met and gaps and grantee accountability. The following is an excerpt from the FY03/04 Annual Report showing one program's objectives and outcomes for the grant year.

> ***C*A*R*E* Chest of the Sierra Nevada***
> ***– Medical Supplies and Equipment*** ***Grant amount $34,989***
> Provides prescription and required medical equipment assistance to low income or uninsured households. This program is a partnership with local health care, medical equipment and pharmaceutical enterprises. Primary goals include a reduction in the number of individuals living in assisted care facilities and prevent in-home accidents by providing durable medical equipment, such as grab bars and shower chairs; 1,000 individuals will be helped with 2,430 pieces of medical equipment. Increase the nutritional health of individuals in Washoe County who are unable to digest solid foods due to injury or illness; 220 individuals will be

helped with 620 cases of liquid nutrition products. Prevent diabetics from experiencing serious complications by providing necessary health maintenance items, such as glucometers, insulin, test strips, lancets; 400 diabetics will be helped with 800 items. Reduce the number of individuals suffering from chronic respiratory conditions by providing nebulizers and replacement circuits; 64 individuals will be assisted.

Measurable Outcomes:

1. 1,548 people were assisted with 2,852 medical equipment items.
2. 334 people were assisted with 601 cases of liquid nutrition.
3. 736 people were assisted with 1,631 diabetic items.
4. 84 people were assisted with respiratory equipment.

In addition to the above, the following is a recent "Client Spotlight" from the C*A*R*E* Chest:

"Long after Jonelle went her merry way, we could still hear her infectious laughter and feel the warmth of her personality in our heart. She is an inspiring unforgettable woman. Born with cerebral palsy, the doctors thought she was never going to speak, "I showed them and haven't stopped talking since" she boasted. At 13, she asked Child Protective Services to take her away from her abusive mother. "I finally got the guts to fight for myself" she recalls. Remaining in a foster home until graduating high school, Jonelle moved to a studio apartment. She loves her independence and welcomes challenges that come her way. At 26 years old, Jonelle is working towards a teaching degree. She is taking it slow but determined to fulfill her long time dream of teaching special needs children, "like me" she adds. Nothing seems to dampen the spirit of this jovial young woman who teaches those around her to embrace her disability. Recently she moved to Nevada to be close to her adopted mom, and while her MediCal is being switched to Nevada Medicaid, Jonelle came to C*A*R*E* Chest for help. While she waits for Medicaid, we loaned her an electric wheelchair that Jonelle sped off to the bus stop in, thrilled to finally explore her new neighborhood."

In Fiscal Year 2003/2004 (July 1, 2003 through June 30, 2004) the following number of low- and moderately-low income clients was served under each of the service categories:

Funding/Service Category	Population Served
Basic Needs/Job Training/Education	41,037
Family Strengthening/Mental Health	20,077
Housing Assistance (LIHTF)	995
Seniors	3,603
Youth	438
Child Care	368
Substance Abuse	1,545
Total number of individuals served	**71,008**

Based upon the funding available and the population served, it can be extrapolated that 71,008 individuals were served at an average cost of $11.72 per person. Programs recently funded were those such as the area's Food Bank; dental and health exams; services for abused women and families; literacy programs; youth mentoring; prevention of homelessness; child care and substance abuse treatment. This service data is also contained in the Consolidated Annual Performance and Evaluation Report to HUD.

In addition to compiling data reports for the community and the Department of Housing and Urban Development, staff reviews policies, procedures and processes each year. Over the ten years since inception, services have been consolidated in a reduction of potential duplication and grants have increased in value for greater service delivery. For example, during the initial year of inception, the Consortium administered sixty-two (62) grants, some as small dollar as $1,000. For the upcoming year, twenty-three grants were approved for funding with the lowest funding level at $20,234. By consolidating services and improving delivery, not only is the community better served but both the non-profit agency and local government staff have experienced a reduction in time needed for grant administration. For example, in the Consortium's first year, the City of Sparks administered twenty-eight grants. The year prior to the Consortium development, the City of Sparks administered in excess of thirty-five subrecipient grants. For the upcoming year, Sparks will administer five awards. Based upon these Consortium practices, the cities of Reno and Sparks were awarded a Best Practices Award from HUD in 1998. However, despite this recognition, the Consortium continues to meet with community representatives and review their process each year for ways to continually improve service delivery and client access to services. Because the City of Sparks does not provide direct client services such as that provided by a County Health Department, the Community Development Block Grant program provides the City of Sparks the mechanism to assist it's low and moderately-low income individuals and families who need assistance, but may not be able to afford it. Without the continued support of the Community Development Block Grant program, the core of our community, our citizens and most notably, the working poor, would be left behind.

Mr. TURNER. Thank you.
Mr. Downs.

STATEMENT OF THOMAS DOWNS

Mr. DOWNS. Thank you, Mr. Chairman. I am here on behalf of a panel of the National Academy of Public Administration.

CDBG officials asked the Academy to recommend performance measures that would satisfy CDBG management, State and local grantees, and the Office of Management and Budget, while being consistent with the requirements of the 1974 Housing Act, the 1973 Government Performance and Results Act [GPRA], and the President's management agenda under PART. In addition, CDBG officials asked the panel to recommend ways to incorporate performance measurement into its management information system, the Integrated Disbursement and Information System [IDIS].

The Academy panel produced two reports and requests respectfully that both be included in the record. A list of panel members and their backgrounds is attached to the statement. The views presented here are those of the panel and its members.

I would like to highlight the findings that most directly relate to the CDBG issues under consideration by this subcommittee, specifically: assessing CDBG performance under PART, reporting CDBG performance under GPRA, incorporated performance into IDIS, developing performance measures, and leading the CDBG program.

The panel notes that there is considerable difference of opinion among CDBG management, grantees, OMB, policy experts, and, indeed, this Congress about what CDBG really is. So we applaud your effort to address some of these issues.

I would like to begin with CDBG's PART assessment.

A PART assessment yielded an overall rating of "ineffective" in 2003–2004. The panel agrees with OMB that CDBG did not effectively demonstrate performance results for the program over its 30-year history, and that it resisted gathering and/or reporting performance data related either to short or long-term goals and objectives. The panel believes that CDBG's effectiveness has not yet been established.

However, the panel disagrees with OMB that CDBG's mission and purpose are unclear. The 1974 Housing Act clearly gives wide latitude—intentionally, I might add—to States and communities to spend CDBG moneys to meet the needs of poor people and distressed communities.

The panel also disagrees with OMB's criticisms that CDBG is not geographically or place targeted. Although the panel appreciates OMB's view that directing funding to distressed areas may provide greater benefits to poor people, the 1974 Housing Act has no such requirements to be geographically targeted. Therefore, the panel believes that OMB criticized grantees for something they were not required to be doing. There is some disagreement in the field as to whether the Secretary of HUD can compel communities to geographically target. Perhaps this is an issue that the Congress should or could clarify.

Next I would like to focus on several aspects of performance reporting.

In our study, we found that some officials in HUD and in the CDBG grantee community believe that performance reporting under GPRA does not apply to them. Indeed, CDBG is a $4 billion program, yet contributes only three performance measures to HUD's Strategic Plan, even though the program funds nearly 100 different kinds of activities. The panel believes that CDBG management and grantees have an obligation to contribute adequate performance data to the GPRA process.

Much of the frustration in performance-based management in CDBG relates to the IDIS management information system. It works poorly, if at all, by most standards for the broader purposes that it claims. The panel applauds CDBG for its recent initiatives to clean up grantee data reported in IDIS so that it can be used for management and analysis purposes. It is essentially now an expenditure control system, not a performance management system. The panel commends CDBG for its recent efforts to upgrade the system and its data bases. The panel urges Congress to encourage CDBG to fully upgrade IDIS if performance-based management is to be taken seriously. And Congress should monitor CDBG's progress on this issue. If, in reality, this is going to be taken seriously, it needs some specific performance targets itself that are closely monitored.

After careful review of the state-of-the-art in performance measurement, and extensive consultation with CDBG, grantee stakeholders and OMB, the panel proposed a set of performance measures for consideration by CDBG that would satisfy both PART and GPRA. While the panel was engaged in its effort, a Working Group comprised of CDBG staff, OMB staff, and grantee stakeholders developed their own set of performance measures, which is a far preferred outcome. The panel strongly supports this collaborative effort and urges the Congress and OMB to adopt both the process and the outcome measures produced by this Working Group.

Finally, the panel is concerned about the leadership of the CDBG program. We acknowledge that OMB did not find fault with CDBG's management under PART. But, although the panel did not formally study this issue, it was clear that much of the controversy about the program, like performance measurement and a computer system, stem directly from a lack of attention in setting program direction and holding all parties accountable for performance, not just recently, but for years and perhaps decades. The panel believes that until the program becomes better led at all levels at HUD, it will continue to be the subject of controversy.

The panel also believes that management issues resulted in part from the low national priority afforded community development. In spite of billions spent, there has been insufficient attention to what the funding is being spent on and its effectiveness. It is probably a good time for Congress and the administration to have a harder look at the Nation's urban policy goals and the role of CDBG. Debates about Strengthening America's Communities is a place to start.

Mr. Chairman, thank you again for the opportunity to share our views. I would be pleased to answer any questions you might have.

[The prepared statement of Mr. Downs follows:]

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DEVELOPING PERFORMANCE MEASURES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Statement of
THOMAS M. DOWNS
Panel Member

Before the

U. S. House of Representatives
Committee on Government Reform
Subcommittee on Federalism and the Census

May 24, 2005

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee on behalf of a National Academy of Public Administration (Academy) Panel to discuss our report on performance measures for the Department of Housing and Urban Development's Community Development Block Grant Program (CDBG).[1]

CDBG officials asked the Academy to recommend performance measures that would satisfy CDBG management, state and local grantees, and the Office of Management and Budget and be consistent with the requirements of the *1974 Housing Act, 1973 Government Performance and Results Act* (GPRA), and the *President's Management Agenda* under *PART* (Program Assessment Review Tool). In addition, CDBG officials asked the Panel to recommend ways to incorporate performance measurement into its management information system—the Integrated Disbursement and Information System—commonly referred to as IDIS.

The Academy Panel produced two reports and requests that both be included in the record.[2] A list of Panel members and their backgrounds is attached to my statement. Views presented here are those of the Panel.

I would like to highlight the findings that most directly relate to the CDBG issues under consideration by this Subcommittee, specifically:

[1] The study was funded by the Office of Community Planning and Development, US Department of Housing and Urban Development.
[2] The reports are, respectively, *Developing Performance Measures for the CDBG Program* and *Integrating CDBG Performance Measures into IDIS*, both available at www.napawash.org.

- Assessing CDBG performance under PART
- Reporting CDBG performance under GPRA
- Incorporating performance into IDIS
- Developing performance measures
- Leading the CDBG program

The Panel notes that there is considerable difference of opinion among CDBG management, grantees, OMB, policy experts and indeed Congress about what CDBG really is. So, we applaud your efforts to address some of these issues.

I would like to begin with …

CDBG's PART Assessment

CDBG's PART assessment yielded an overall rating of "ineffective" in 2003-4. The Panel agrees with OMB that CDBG did not effectively demonstrate performance results for the program over its 30-year history, and that it resisted gathering and/or reporting performance data related either to short- or long-term goals and objectives. The Panel believes that CDBG's effectiveness has not been established.

However, the Panel disagrees with OMB that CDBG's mission and purpose are unclear. The *1974 Housing Act* clearly gives wide latitude to states and communities to spend CDBG monies to meet the needs of poor people and distressed communities.

The Panel also disagrees with OMB's criticisms that CDBG is not geographically or place targeted. Although the Panel appreciates OMB's view that directing funding to distressed areas may provide greater benefits to poor people, the *1974 Housing Act* has no such requirement. Therefore, the Panel believes that OMB criticized grantees for something they were not required to do. There is some disagreement in the field as to whether the Secretary of HUD can compel communities to geographically target. Congress might want to consider resolving this issue.

Next, I would like to focus on several aspects of performance reporting.

In our study, we found that some officials in HUD and in the CDBG grantee community believe that performance reporting under *GPRA* does not apply to them. Indeed, CDBG is a $4 billion program, yet contributes only three performance measures to HUD's Strategic Plan, even though the program funds nearly 100 different kinds of activities. The Panel believes that CDBG management and grantees have an obligation to contribute adequate performance data to the *GPRA* process.

Much of the frustration in performance-based management in CDBG relates to the IDIS management information system. It works poorly by most standards. The Panel applauds CDBG for its recent initiatives to cleanup grantee data reported in IDIS so that it can be used for management and analysis purposes. The Panel commends CDBG for its recent efforts to upgrade the system and its databases. The Panel urges Congress to encourage CDBG to fully upgrade IDIS if performance-based management is to be taken seriously. And, Congress should monitor CDBG's progress on this issue.

Also, after careful review of the state of the art in performance measurement, and extensive consultation with CDBG, grantee stakeholders and OMB, the Panel proposed a set of performance measures for consideration by CDBG that would satisfy both PART and GPRA. While the Panel was engaged in its effort, a Working Group comprised of CDBG staff, OMB staff and grantee stakeholders developed their own set of performance measures. The Panel strongly supports this collaborative effort and urges the Congress and OMB to adopt both the process and outcome measures produced by the Working Group.

Finally, the Panel is concerned about leadership of the CDBG program. We acknowledge that OMB did not find fault with CDBG's management under PART. But, although the Panel did not formally study this issue, it was clear that much of the controversy about the program, like performance measurement and the computer system, stem directly from a lack of attention in setting program direction and holding all parties accountable for performance, not just recently, but for years. The Panel believes that until the program becomes better led at all levels, it will continue to be the subject of controversy.

The Panel also believes that management issues resulted in part from the low national priority afforded community development. In spite of billions spent, there has been insufficient attention to what the funding is being spent on and its effectiveness. It might be a good time for Congress and the Administration to have another look at the Nation's urban policy goals and the role of CDBG. Debates about Strengthening America's Communities Initiative is a place to start.

Mr. Chairman, thank you again for the opportunity to share our views. I would be pleased to answer any questions you or other Members of the Subcommittee might have.

ACADEMY PROJECT PANEL

Nicolas Retsinas, *Panel Chair*
Director, Joint Center for Housing Studies, Harvard University; Lecturer in Housing Studies, JFK School of Government and Harvard Design School, Harvard University. Former Assistant Secretary for Housing-Federal Housing Commissioner, U.S. Department of Housing and Urban Development; Director, Office of Thrift Supervision, U.S. Department of the Treasury; Executive Director, Rhode Island Housing and Mortgage Finance Corporation; Director of Policy for the Governor, State of Rhode Island.

Thomas M. Downs
President and CEO, ENO Foundation. Former Executive Director, National Center for Smart Growth and Education, University of Maryland College Park; Executive Vice President and Chief Executive Officer, National Home Builders Association; President and Chairman, AMTRAK; Commissioner, New Jersey Department of Transportation; President, Triborough Bridge & Tunnel Authority; City Administrator, Government of the District of Columbia; Executive Director, U.S. Urban Mass Transportation Administration; Associate Administrator for Planning and Policy Development, Federal Highway Administration.

Barry White
Director, Government Performance Projects, Council for Excellence in Government. Former positions with the U.S. Office of Management and Budget: Deputy Associate Director, Education, Income Maintenance, and Labor; Chief, Education Branch; Budget Examiner, Employment and Training Programs. Former Director, Office of Policy, Planning and Evaluation, Food and Nutrition Service, U.S. Department of Agriculture; Special Assistant to the Secretary, U.S. Department of Labor; Director, Elementary and Secondary Education Analysis, Office of Planning and Budget, U.S. Department of Education.

David F. Garrison
Senior Fellow and Deputy Director, Greater Washington Research Program, Center for Urban and Metropolitan Policy, The Brookings Institution. Former Vice President, National Academy of Public Administration. Former positions with U.S. Department of Health and Human Services: Counselor to the Deputy Secretary; Acting Director, Office for Civil Rights; Principal Deputy Assistant Secretary for Planning and Evaluation; Deputy Director and Senior Advisor, Intergovernmental Affairs. Former Director, The Urban Center, Levin College of Urban Affairs, Cleveland State University. Former positions with the U.S. Department of Housing and Urban Development: General Deputy Assistant Secretary, Office of Policy Development and Research; Deputy Assistant Secretary, Office of Policy Development and Research. Former Budget Analyst, Committee on the Budget, U.S. House of Representatives; Legislative Counsel, National League of Cities/U.S. Conference of Mayors.

Mr. TURNER. Thank you.

Ms. Patt-McDaniel.

STATEMENT OF LISA PATT-MCDANIEL

Ms. PATT-MCDANIEL. Good morning, Mr. Chairman. My name is Lisa Patt-McDaniel. I am the assistant deputy director of the Community Development Division in the State of Ohio's Ohio Department of Development. The Division administers over $300 million in Federal and State funds, including CDBG, CSBG, LIHEAP, HOPWA, HOME, and Emergency Shelter funds. I have been involved in developing outcome measures for Ohio community development programs and homeless programs, both Federal and State-funded, for the past 5 years.

I am here today to testify about Community Development Block Grant outcome measures before your subcommittee on behalf of organizations that represent CDBG grantees: cities, counties, and States, along with elected official organizations. These organizations are listed in our written submissions.

On behalf of our organizations, we would like to thank you for your interest in the CDBG program. We look forward to working with this subcommittee and the Subcommittee on Housing and Community Opportunity to address issues of concern about the CDBG program. We would also like to thank you for your leadership on other important community development issues, such as brownfields revitalization, planning and census issues, and the Saving America's Cities Coalition.

You have received a copy of the Joint Grantee/HUD/OMB Consensus Document on Outcome Measures for the CDBG, HOME, HOPWA, and ESG programs. I would like to take this opportunity to explain to the subcommittee how and why this document came about, the rationale behind the chosen outcomes, and why we believe implementation of this outcome measurement system will benefit the CDBG program and its beneficiaries.

Joint Consensus Document grew out of an outcome framework originally created by community development agency members of the Council of State Community Development Agencies [COSCDA]. We were assisted in our efforts by the Renssalaerville Institute, a nationally recognized expert in outcome framework thinking. Our goal was to develop common outcome measures that States could use in their programming that could also be reported to HUD and aggregated in useful ways that would enable us to tell Congress and our constituents of the results and benefits of the CDBG program, while at the same time encouraging our members to establish additional measures specifically for their own programs and initiatives.

The national grantee organizations proposed to HUD and OMB that they join us in an innovative consensus building process that would build on the COSCDA framework and develop common outcome measures that all grantees—cities, counties, and States—could use and report on to HUD. Our goal was to answer the question: In what way can we best demonstrate that the CDBG program does achieve the results that Congress intended for the program?

For our new outcome measurement system, we purposely developed outcomes and indicators for the four programs covered by the consolidated plan—CDBG, HOME, HOPWA, and ESG—because these programs often represent an integrated approach to addressing a community's or State's needs.

Mr. Chairman, I am pleased to report that our Working Group succeeded. We found that indeed grantees at all levels of government do have common outcomes that we seek to achieve in our funding decisions and priorities. As you will see, these outcomes, decisions, and priorities are all clearly linked to the authorizing statute. To us, this means the program is working as Congress intended it to. The outcome measurement system is a way to understand how these outputs benefit the communities or low-income people participating in these projects and activities.

Now I would like to explain the outcome measurement system a bit more.

There is a flow chart on the screen that shows the way in which the outcomes of many of the activities of these four core community development programs can be reported. There are three overarching objectives, three outcome categories, and 17 output indicators. The three objectives are: creating a suitable living environment; providing decent affordable housing; and creating economic opportunities, which are directly taken from the CDBG statute, but also are applicable to the three other programs—HOME, ESG, and HOPWA—covered by the outcome measurement system.

In general, suitable living environment relates to activities that are designed to benefit communities or the people who live there by addressing issues in their living environment. The objective of decent affordable housing would include activities that typically cover the wide range of housing assistance that is possible under HOME, HOPWA, or ESG. It focuses on housing programs where the purpose of the program is to meet an individual's, family's, or community's housing needs. The objective of creating economic opportunities applies to the types of activities related to economic development, commercial revitalization, or job creation.

The outcome category "availability/accessibility" applies to activities which makes services, such as infrastructure, housing, and/or shelter available or accessible to low-income people. A key obstacle for low and moderate-income people is that basic community services and facilities are not available or accessible to them.

The outcome category of "affordability" applies to activities which provide affordability of a tangible service or product in a variety of ways to low and moderate-income persons. Sometimes the outcome a grantee is seeking is to make an available community service more affordable to the low and moderate-income people where they live.

Sustainability is the other outcome that has emerged as a common result of CDBG and other programs. This outcome applies to projects where the activities or activity are aimed at improving a neighborhood by helping to make it livable for low and moderate-income people, often times through multiple activities or providing a particular service that can sustain a section of the community.

How will this outcome measurement system help the CDBG program? We believe that when this outcome measurement system is implemented, we will begin to more clearly tell Congress and OMB more about the benefits of CDBG and the other consolidated plan programs. Aggregating the results by outcomes can help Federal policymakers assess whether the statutory intent of the program is being met, and the system can be an important management tool at both the grantee and Federal level.

If we all agree that achieving these outcomes will improve communities—and it appears that we do—we now have a common framework within which to assess our progress and results at the local, State, and Federal levels. And, certainly, our organizations and HUD can and should encourage grantees to develop specific outcomes and indicators for their own local initiatives.

It is my understanding that this subcommittee is charged with addressing issues of government accountability. In that role, we would urge that in any report generated by this subcommittee about CDBG, that you recommend that this outcome measurement system be implemented as soon as possible. We also ask that Congress ensure that sufficient funding is available to modernize the IDIS system so that this new kind of reporting can be implemented with minimal burden to our grantees.

Outcome measurement for the CDBG program will also shape how CDBG funds are spent, both in what kinds of activities are selected to be funded and how these decisions are made. The current CDBG statute authorizes a menu of eligible activities that recognizes the differences in the types of communities to be served by the program and provides communities with appropriate tools to address their unique problems.

I appreciate the opportunity to talk to you today and am happy to answer any questions.

[The prepared statement of Ms. Patt-McDaniel follows:]

Testimony of Lisa Patt-McDaniel
Assistant Deputy Director of the Community Development Division in the State of Ohio's Department of Development

Before the House Government Reform Subcommittee on Federalism and the Census

May 24, 2005

On behalf of
Council of State Community Development Agencies
The National Community Development Association
The National Association for County Community Economic Development
The National Association of Local Housing Finance Agencies
The National Association of Counties
The National Association of Housing and Redevelopment Officials
United States Conference of Mayors

Good morning, Mr. Chairman, my name is Lisa Patt-McDaniel. I am the Assistant Deputy Director of the Community Development Division in the State of Ohio's Department of Development. The Community Development Division includes the Office of Housing and Community Partnerships, the Office of Community Services, and the Office of Energy Efficiency. These offices administer over $300 million in federal and state funds, including CDBG, CSBG, HOME, LIHEAP and Emergency Shelter funds. I have been involved in developing outcome measures for Ohio community development and homeless programs, both federal and state funded, for the past 5 years.

I am here today to testify about Community Development Block Grant (CDBG) Outcome Measures before your Subcommittee on behalf of organizations that represent CDBG Grantees - cities, counties and states that administer the CDBG program. These organizations are the Council of State Community Development Agencies, the National Community Development Association, the National Association for County Community Economic Development, the National Association of Local Housing Finance Agencies, the National Association of Counties, the National Association of Housing and Redevelopment Association, and the National Council of State Housing Finance Agencies along with elected official organizations including the United States Conference of Mayors, National Association of Counties and non-profit organizations such as the Local Initiatives Support Corporation, the Enterprise Foundation.

On behalf of our organizations, we would like to thank you for your interest in the CDBG program. We look forward to working with this Subcommittee and the Subcommittee on Housing and Community Opportunity to address issues of concern about the CDBG program. We would also like to thank you for your leadership on other important community development issues, such as brownfields revitalization, planning and census issues and the Saving America's Cities Coalition.

JOINT GRANTEE/HUD/OMB CONSENSUS OUTCOME MEASURES

You have received a copy of the Joint Grantee/HUD/OMB Consensus Document on Outcome Measures for the CDBG, HOME, HOPWA and ESG programs. I'd like to take this opportunity to explain to the Subcommittee how and why this document came about, the rationale behind the chosen outcomes and why we believe implementation of this outcome measurement system will benefit the CDBG program and its beneficiaries.

Innovative Joint Working Group

First, I'd like to share with you some of the historical context of how we have arrived at this point, because it should be understood that the Joint Consensus Document is the result of a rigorous and deliberative effort undertaken by community development agencies and professionals from across the country. The Joint Consensus Document grew out of an Outcome Framework originally created by community development agency members of the Council of State Community Development Agencies (COSCDA). COSCDA has been providing training on outcome frameworks and promoting the use of outcome measurement as an effective management tool to its members in various program areas, such as the HOME program, since 2000. In 2003, I was a founding member of a task force convened by COSCDA to address the issue of performance measurement in community development programming. We were assisted in our efforts by The Rensselaerville Institute, a nationally recognized expert in outcome framework thinking. Our goal was to develop common outcome measures that states could use in their programming that could also be reported to HUD and aggregated in useful way that would enable us to tell Congress and our constituents of the results and benefits of the CDBG program.

Grantee's Community Development Block Grant (CDBG) funds are distributed based on our Consolidated Plans, which are based on citizen input and the needs and priorities expressed by our communities/neighborhoods through the applications we receive from them. Depending on the size of the jurisdiction, there are several different kinds of projects and activities that are funded every year. But the key concept in outcome framework thinking is to "begin with the end in mind". Our key question became, why did we fund that project, what were we trying to achieve? When we looked at that one question, we found that while we may fund several kinds of projects and activities, at the heart of these activities, there are common outcomes that most communities are trying to achieve. We were able to distill those outcomes down to three - **Availability, Affordability and Sustainability**, which I will explain in greater detail below. To fine tune our framework, the COSCDA Task Force then tested these outcomes and actual output indicators on real projects already funded. Our goal was to create a system that would have common measures that could be used to report the benefits of the program nationally, while at the same time encouraging our members to establish additional measures specifically for their own programs and initiatives.

In FY04, OMB rated the CDBG program poorly due the lack of established outcome measures and reporting for the program. The grantee organizations that I am representing here disagreed with the criticisms of the CDBG program in the PART evaluation and sought to develop a system that would give us the evidence to document our claim the CBDG is both successful and effective. To that end we proposed to HUD and OMB that they join us in an innovative consensus building process that would utilize the COSCDA framework and develop common outcome measures that all grantees, cities, counties and states could use and report on to HUD. Our goal was to reach consensus on a common set of measures amongst all grantees at all levels of government and to answer the question, "in what way can we best demonstrate the results that Congress intended for the CDBG program have indeed been achieved"?

Over a period of 6 months, grantees, OMB staff and HUD staff met regularly to discuss and deliberate the merit of national outcome measures, and grappled with which measures would indeed be possible given the limitations and burdens of data collection at the sub-grantee or sub-recipient level. The Working Group established certain parameters regarding the outcome measurement system, including *simplicity and lack of duplicative reporting*. We decided that an effective system had to preserve program flexibility, capture multiple outcomes, and recognize that similar projects are funded for different purposes. The Working Group agreed that implementation of any new system should not place unnecessary administrative burden on the providers at the local level, the non-profit housing development group or the small rural town with a part-time staff were not overly burdened with data collection at the expense of actually providing community development or affordable housing services.

For our new outcome measurement system, we purposefully developed outcomes and indicators for the four programs covered by the Consolidated Plan – CDBG, HOME, HOPWA and ESG – because these programs often represent an integrated approach to addressing a community's or states needs. We wanted something that would be useful and provide "value added" for HUD, OMB, Congress and our communities, but it had to be based on data that was readily available at the end of the project, and it had to be based on data that could be easily "rolled up" or aggregated at the national level in order to show the programs' true results.

In addition, the Working Group carefully considered several questions raised by OMB regarding the national impact of these programs. The Group, including OMB, concluded that an outcome system alone cannot answer certain questions of national impact, but it can supply the data for it, and therefore recommended that these questions be addressed instead by research studies specifically designed to ascertain those impacts.

Mr. Chairman, I am pleased to report that our Working Group succeeded. We found that indeed grantees at all levels of government do have common outcomes that we seek to achieve in our funding decisions and priorities, and as you will see, these outcomes, decisions and priorities are all clearly linked to the authorizing statute. To us, this means the program is working as Congress intended it to. HUD already reports several output indicators achieved by the CDBG program to Congress that are related to the statute, you have heard that testimony today about the numbers of households served, jobs created and housing units assisted. But the outcome measurement system is a way to understand how these outputs benefit the community or low income people participating in these projects and activities. These outcomes are not being captured in a systematic way in the reporting grantees are currently doing for HUD.

Consensus Outcome Framework

The Outcome Measurement System has three overarching objectives, three Outcome Categories and 17 output indicators. The three objectives are Creating a Suitable Living Environment, Providing Decent Affordable Housing and Creating Economic Opportunities, which are taken directly from the CDBG statute but also are completely applicable to the three other programs (HOME, ESG and HOPWA) covered by the outcome measurement system. In general, the objective of Suitable Living Environment relates to activities that are designed to benefit communities or groups of families by addressing issues in their living environment. The objective of Decent Affordable Housing would include activities that typically cover the wide range of housing assistance that is possible under HOME, CDBG, HOPWA or ESG. It focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort (that would be captured above under Suitable Living Environment). The objective of Creating Economic Opportunities applies to the types of activities related to economic development, commercial revitalization or job creation.

- **Availability/Accessibility**

  This outcome category applies to activities which make services; infrastructure; housing, and/or shelter available or accessible to low income people. In this category accessibility is not limited to physical barriers, but also to making the basics of daily living available and accessible to low and moderate income people where they live. A key obstacle for low and moderate income people is that basic community services and facilities are not available or accessible to them.

  Therefore, a key outcome of community development programming is when we make such community services available or accessible to low and moderate income people that would otherwise are not be available to them. In rural areas, it is often clean water or sewer lines, in urban areas it might be an economic development project, and in many instances it is neighborhood revitalization or infrastructure. In these types of outcomes, it is clear that without intervention funded by CDBG (or HOME, HOPWA or ESG) the community facility or service could not be made available to the target population.

- **Affordability**

  This outcome category applies to activities which provide affordability of a tangible service or product in a variety of ways to low and moderate income persons. Sometimes the outcome a grantee is seeking is to make an available community service more affordable to the low and moderate income people where they live. For example, there may be decent housing in a neighborhood, but it is not affordable to low and moderate income families. There are also other community services that are available but not affordable to the low income people that live in a particular community, such as affordable sewer hook-ups, child care for back to work mothers, job training, work transportation and others

- **Sustainability: Promoting Livable or Viable Communities**

  Sustainability is the other outcome that has emerged as a common result of CDBG and the other programs. This outcome applies to projects where the activity or activities are aimed at improving a neighborhood by helping to make it livable for principally low and moderate income people, often times through multiple activities, or by providing a particular service that can sustain a section of the community.

  There is a Flow Chart or Matrix on the screen that shows the way in which the outcomes of many of the activities of these four core community development

programs can be reported. I am going to walk through three brief examples of actual projects funded by my Department for illustrative purposes.
In a project we funded in FY 04, we sought to create a suitable living environment through new access to clean water by extending 10,500 linear feet of water line to 71 households, 42 of which are low and moderate income. In this activity, the outcome we purposefully sought was **accessibility** for these households in Allen County.

We created economic opportunity by providing access to 20 new high wage jobs as a result of a low interest loan funded by CDBG to Liberty Castings, an iron foundry, for the purchase of new machinery and equipment. In this project, we sought **access** to high paying jobs as the outcome we wanted to help further our objective of creating economic opportunity. Finally, we created decent affordable housing for 20 low and moderate income households by affordably rehabilitating 20 owner - occupied houses in Lorain County. In this project, **affordability** was the outcome needed, as these households could not afford to rehabilitate those houses, and the decent housing stock in that place is also improved, which is a benefit to that community as well.

How Will This Outcome Measurement System help The CDBG Program?

We believe that when this outcome measurement system is implemented we will begin to be able to tell Congress and OMB more about the benefits of CDBG and the other Consolidated Plan programs. We now have a common set of program outcomes that allow us to specifically report achievement that relates directly to statutory intent of the programs. Aggregating the results by outcomes can help federal policy makers assess whether the statutory intent of the program is being met. The system can be an important management tool at both the grantee and federal level. If we all agree that achieving these outcomes will improve communities, and it appears that we do, we now have a common framework within which to assess our progress and results, at the local, state and federal levels.

The outcomes in the Joint Document represent the consensus of the grantee organizations, HUD and OMB. We recognize that there are other indicators and outcome that could be added that address the statutory purposes of the programs, but these outcomes were determined to be the most common and least burdensome for local community groups and small towns to implement. As with any system, it will evolve over time but we feel that this is a good place to start. And, certainly our organizations and HUD can and should encourage grantees to develop specific outcomes and indicators for their own local initiatives.

The President's Management Agenda calls for improved accountability of all federal programs. This outcome measurement system will help CDBG provide the information that demonstrates its accountability. As stated earlier, OMB fully participated in the development of these outcomes and concurred with the consensus reached on them, which indicates that their review and score of the CDBG program in their Performance Assessment Rating Tool (PART) will improve with these measures in place.

We are all confident that once this system has been fully implemented, the results achieved through the CDBG program will be more demonstrable and that this will be reflected in any future reviews of the program. Consider that during a September 2004 HUD event celebrating CDBG's 30th Anniversary, an OMB program examiner said, "We've seen a lot of improvement, just in the last year or so. HUD staff and others have really taken to heart the need for outcome measurement. According to the official, if [OMB] had to re-rate the [CDBG] program today, it would definitely get a higher [PART] score just based on the work that HUD has done."

All of the grantee associations involved in the development of the outcome measurement system have briefed their members and obtained their input on the consensus measures.

HUD has begun implementation of the new measures by seeking official public comment from grantees and other stakeholder groups. It is my understanding that this Subcommittee is charged with addressing issues of government accountability. In that role, we would urge that in any report generated by this Subcommittee about CDBG that you recommend that this outcome measurement system be implemented as soon as possible.

REPORTING

One of the key parameters established by the Working Group was to ensure that the indicators we selected to represent the outcomes were data that was easily obtainable and easy to report. Until now, reporting and capturing many of the achievements of the CDBG program and the others included in the Consolidated Plan have been greatly hampered by HUD's IDIS system. In the Consolidated Annual Performance and Evaluation Report (CAPER), a part of the required Consolidated Plan, citizens are informed about the results of the program's expenditures in a narrative format, but the current IDIS system does not allow this kind of reporting. You have heard today about the ongoing efforts to improve HUD's IDIS system, which we wholeheartedly support. It would seem now is the most appropriate time to include reporting on qualitative results of the program, which is not really possible under the current system. We ask that Congress ensure that sufficient funding is available to modernize the IDIS system so that this new kind of reporting can be implemented with minimal burden to grantees.

PLANNING AND PRIORITIZING THE USE OF CDBG FUNDING

Outcome Measurement for the CDBG program will also shape how CDBG funds are spent, both in what kinds of activities are selected to be funded and how those decisions are made. CDBG is a program that was designed to help many different kinds of communities- those that are growing, those that are fighting off decay and those that are already deteriorated. The current CDBG statute authorizes a menu of eligible activities that recognizes the differences in the types of communities to be served by the program and provides communities with appropriate tools to address their unique problems.

The original list of eligible activities was enacted to enable communities to meet the statutory purposes of the program. While those statutory purposes have not changed, and over the years whenever new community problems have emerged, such as brownfields, energy efficiency, economic opportunity, Congress has added eligible activities to help communities address these issues. Certainly not every community eligible for CDBG needs assistance with those issues, but again, this approach recognizes that a broad menu of activities must be available in order for communities to address their community development needs.

CDBG typically plays two vital roles, it becomes the funding that is "first- in" and is the catalyst for other public or private funding, such as the acquisition of a deteriorated multifamily housing complex or it is often the funding of last resort, when a community development effort will not succeed without CDBG funding, because it is that funding that makes a community facility or service available or affordable to low income people.

For example, a community may use CDBG funds to help build a community center. At that community center, there is a job training program that is paid for by the Dept. of Labor. After they graduate from the program, the residents can get jobs but they have no transportation to the plant 30 miles away. The county may also provide CDBG funds to pay for a van so those residents can get to those jobs until they can afford to pay for their own transportation. There may or may not be funds available from other sources to pay for the transportation, so the county made sure that the community development effort was a success by providing the transportation.

Frankly, money that makes the project happen must be available from a broad menu of eligible activities. The CDBG program is an inherently flexible program, designed that way by Congress because of the complex and varying natures of our nation's communities. We believe Congress got it right – we need the flexibility of eligible activities we have to address our communities' problems, achieve the outcomes described above and meet the statutory intent of the program. While that flexibility sometimes makes it difficult to measure the effectiveness of the activities, it can be done and we are confident that the proposed outcome measurement system will make that possible.
The current process for decision making and establishing priorities for expenditure of CDBG funds is a solid one, established by the statutes governing the CDBG program as well as the Consolidated Plan.

Now that we have ten years of experience with the Plan, HUD has embarked on a Consolidated Plan Improvement Initiative to help streamline the Plan. For example, HUD has already streamlined the entitlement Plan submissions with an electronic template and COSCDA is working with HUD now to revise the format for the State Plan submissions.

There is ample opportunity for citizen input in the Consolidated Plan, but again, after 10 years of experience, we may find that there are some ways that citizen input can be obtained that are more innovative and useful than others, and there may be some models that are more successful than others. If Congress is interested in addressing this issue, it should direct HUD to find ways to train local governments on best practices on community planning and citizen involvement in that kind of planning.

After hearing from citizens, the decisions state and local governments make are not always popular but there are often hard decisions that must be made with scarce resources. The outcome measurement system we are recommending can help improve the citizen input and public participation process. By establishing measurable outcomes communities can facilitate meaningful dialogue with their citizens about the best use of funds.

Outcome Measurement System

Step 1: Assess Needs and Select Goals

Suitable Living Environment	**Decent Housing**	**Economic Opportunity**

Step 2: Select Outcomes

Availability/Accessibility	**Affordability**	**Sustainability**
Enhance Suitable Living Environment Though New/Improved Accessibility	Enhance Suitable Living Environment Though New/Improved Affordability	Enhance Suitable Living Environment Though New/Improved Sustainability
Create Decent Housing with New/Improved Availability	Create Decent Housing with New/Improved Affordability	Create Decent Housing with New/Improved Sustainability
Provide Economic Opportunity Through New/Improved Accessibility	Provide Economic Opportunity Through New/Improved Affordability	Provide Economic Opportunity Through New/Improved Sustainability

Step 3: Design Programs and Choose Activities

Community facilities/recreational facilities
Public safety (fire stations)
Utilities
Environmental remediation
Targeted community/neighborhood revitalization
Tenant based rental assistance
infrastructure to support housing
Lead-based paint abatement activities
Housing counseling or supportive services
Technical assistance or training to businesses
Health centers
Roads, sidewalks, curbs
Public services
Rental rehabilitation
Owner occupied rehabilitation
Rental housing production
Accessibility modifications
Micro-enterprise assistance
Code enforcement
Incubators
Water, sewer or solid waste systems
Transportation (rail spur)
Flood and drainage control
Homeownership assistance
Housing for homeless
Special needs housing On-site
Housing preservation activities
Job training services
Infrastructure to attract businesses

Step 4: Complete the Con Plan/Action Plan

Step 5: Measure Outcomes Through Indicators

For all projects report program requirements plus:
Leverage
Number of persons, households, units
Income levels of persons or households by 30%, 50%, 60%, or 80% of an area median income
Number of communities/neighborhoods assisted
Current Racial/Ethnic and disability categories

Choose indicators based on activity and outcome:
Number of households assisted
Number of facades
Number of new businesses assisted
Number of jobs created or retained
Number of LMI persons served
Number of LMI households assisted
Total units
Number units made 504 accessible
Number units subsidized by federal, state, local program
Number of years of affordability guaranteed
Number units meeting IBC Energy standards
Number units brought to lead safety
Number units moved from substandard to standard (code)
Number of households receiving downpayment assistance
Number of households receiving mortgage buydown
Number of households receiving a second mortgage
Number of persons with improved access to public facilities
Number of units of permanent housing for homeless persons
Number of jobs with employer sponsored health care benefits
Number of unemployed getting jobs
Number of persons stabilized
Acres/sq ft of brownfields redeveloped
Number of businesses retained
Amount of money leveraged
Slum/blight demolition
Number acres/sq ft of brownfields remediated
Number of affordable units
Number of housing units for HIV/AIDS
Two digit NAIC industry classification
Number of units for the chronically homeless
Number units meeting Energy Star standards
Number of first-time homebuyers
Number of subsidized tenants becoming homebuyers
Number of households receiving closing costs
Number of households receiving interest reduction
Number of households receiving principal reduction
Number of minority households becoming homebuyers
Type of job (use existing EDA classification)
Prior employment status before taking job created
Business DUNs number
Start-ups that remain operational 3 years after assistance
Number of assisted business provide a good or service to neighborhood/community
Other —can include crime #s, property value change, housing code violations, business occupancy rates, employment rate

Step 6: Report (IDIS, CAPER, PER)

Consensus Document:
Joint HUD/OMB/Grantee Outcome Measurement Working Group

The Joint Grantee/HUD/OMB Outcome Measurement Working Group was formed in June 2004 to develop an Outcome Measurement System for key federal community development programs. The Joint Working Group is comprised of representatives from the Council of State Community Development Agencies, the National Community Development Association, and the National Association for County Community Economic Development, the National Association of Housing and Redevelopment Officials, HUD's Office of Community Planning and Development, and the Office of Management and Budget.

On October 18 and 19 2004 the Joint HUD/OMB Grantee Outcome Measurement Working Group reached consensus on an Outcome Measurement System to implement for the CDBG, HOME, HOPWA and ESG block grant programs.

The System includes Objectives, Outcome Measures and Indicators. In the System, there are three overarching objectives and three categories of outcomes.

The objectives are Creating Suitable Living Environments; Providing Decent Affordable Housing; and Creating Economic Opportunities. The Outcome Categories are: Accessibility/Availability; Affordability and Sustainability. There is a specified list of output indicators that Grantees would report on as appropriate to their chosen objective and outcome. The Working Group is confident that the list is broad enough so that the results of a significant amount of activities of each of the programs will be reported. Most of the output indicators required by the System do not require additional data collection or reporting.

As proposed, grantees would use this System in their five-year Consolidated Plans and Annual Action Plans, but are free to add objectives, outcomes and indicators specific to their state or local initiatives or priorities. Modifications to existing HUD reporting requirements and mechanisms, such as IDIS, the CAPER or PER will be made to include these outcomes, indicators and appropriate data variables.

The System has been designed to enable grantees and HUD to tell Congress and OMB about many of the benefits provided by the programs. Our goal is to have information to aggregate results across the broad spectrum of programming at the city, county and state level funded by these block grants. In addition, grantees are encouraged to utilize this performance measurement system as the basis for assessment and management of their programs.

HOW WILL IT WORK?

Based on their intent when funding them, Grantees would determine under which of the three objectives to report the outcomes of their projects and activities. Similarly, once the objective is chosen, then the Grantee would also choose which of the three outcome categories best reflects what they are seeking to achieve (the results) in funding a particular activity. Next, Grantees would choose from a list of indicators (also known as outputs) to report on, and supply the data for those indicators to HUD.

The System maintains the flexibility of the block grants programs, as the objectives and outcomes are determined by the grantees based on the intent of the project and activity. While program flexibility is maintained, the System offers a specific menu of objectives, outcomes and indicators so that reporting can be standardized and the achievements of these programs can be aggregated to the national level.

OBJECTIVES

Suitable Living Environment

In general, this objective relates to activities that are designed to benefit communities or groups of families by addressing issues in their living environment.

Decent Affordable Housing

The activities that typically would be found under this objective are designed to cover the wide range of housing that is possible under HOME, CDBG, HOPWA or ESG. It focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort (that would be captured above under Suitable Living Environment).

Creating Economic Opportunities

This objective applies to the types of activities related to economic development, commercial revitalization or job creation.

OUTCOMES

Availability/Accessibility

This outcome category applies to activities which make services, infrastructure, housing, or shelter available or accessible to low income people. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living available and accessible to low and moderate income people where they live.

Affordability

This outcome category applies to activities which provide affordability in a variety of ways in the lives of low and moderate income people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation or day care.

Sustainability: Promoting Livable or Viable Communities

This outcome applies to projects where the activity or activities are aimed at improving a neighborhood by helping to make it livable or viable for principally low and moderate income people through multiple activities, or by providing services that sustain communities or sections of communities.

Output Indicators

Although implementation of the System has not yet been designed, the consensus of the Working Group is that most of the input of data on output indicators will be accomplished by a menu-driven "pick list". While there are some data or outputs that will be required for each activity, for the most part Grantees will be required to report only on the indicators that apply to the activity funded and source of funds (CDBG, HOME, HOPWA or ESG). If there is an indicator that is not applicable to the activity or an existing program requirement (statutory or regulatory) then reporting is not required for that indicator.

For each Activity, Grantees Would Report On:

- Amount of money leveraged (from other federal, state, local, and private sources) per
- Number of persons, households, units (pick which one is appropriate to project or activity, one only)
- Income levels of persons or households by 30%, 50%, 60%, or 80% of an area median income, per applicable program requirements (area benefit activities will use presumptive income categories). However, this

requirement is mot applicable for economic development projects awarding funding on a "made available basis".

- Number of communities/neighborhoods assisted
- Current Racial/Ethnic and disability categories for household reporting still apply

Specific Indicators (for CDBG, HOME, ESG and HOPWA if applicable)

1) If Activity is _______ (list of infrastructure and service activities)

Number of households assisted:

- with new access to service or benefit (Grantees will pick from list of services or benefit similar to existing IDIS codes).
- with improved access to service or benefit (Grantees will pick from list similar to existing IDIS codes)
- where activity was used to meet a quality standard or measurably improved quality, report number of households that no longer have access to substandard service only

2) Number of homeless persons stabilized due to access to overnight shelter or other emergency housing support

3) Are activities part of a targeted revitalization effort (Y/N)?

If Yes (check one)

a) Comprehensive
b) Commercial
c) Housing
d) Other

Choose all that apply for b through d. If a) Comprehensive, choose at least three indicators

- number of new businesses assisted
- number of businesses retained
- number of jobs created or retained in target area
- Amount of money leveraged (from other public or private sources)
- # of LMI persons served
- Slum/blight demolition

- # of LMI households assisted
- # Acres/Sq ft of brownfields remediated
- of households/persons with new or improved access to public facilities
- # of commercial façade treatment/business building rehab
- other—can include crime #s, property value change, housing code violations, business occupancy rates, employment rates (optional)

4) Is activity to address slum and blight spot basis (y/n)

5) # of commercial façade treatment/business building rehab (site, not target area based)

6) Acres/Sq ft of brownfields redeveloped (site, not target area based)

7) Number of rental units constructed (new) per project or activity,

Total units:

Of total,
Number that are affordable
Number made 504 accessible

Of affordable,
Number subsidized by program (federal, state or local, with pick list to specify which federal program)
Number of years of affordability guaranteed

Number of housing units (supported through development and operations: or rental assistance) for HIV/AIDS#
Of these, # of units for the chronically homeless

Number of units of permanent housing for homeless persons and families (supported through development and operations)
Of these, # of units for the chronically homeless

8) Number of rental units rehabbed

Total Number of units

Of total:
Number made Affordable
Number made 504 accessible
Number moved from substandard to standard (code)
Number meeting International Building Code (IBC) Energy Standards
Of those, number meeting Energy Star standards

Number brought to lead safety

Of Affordable

Number subsidized by federal, state or local program (with pick list to specify which federal)
Number subsidized by program
Number of years of affordability guaranteed

Number of housing units (supported through development and operations) for persons with HIV/AIDS#
Of these, # of units for the chronically homeless

Number of units of permanent for homeless persons and families (supported through development and operations)
Of these, # of units for the chronically homeless

9) Direct Financial Assistance to homebuyers

First-time homebuyers Y/N
Subsidized tenants Y/N
Minority household Y/N
Downpayment Assistance Y/N
Closing Costs Y/N
Mortgage buydown Y/N
Interest Reduction Y/N
Second Mortgage Y/N
Principal Reduction Y/N

10) Number of owner occupied units rehabbed or improved

Number of units brought up to standard condition (as defined by grantee using applicable program regulations)

Number brought to IBC Energy Standard
Of those, number brought to Energy Star standards

Number brought to lead safety
Number subsidized by federal, state or local program (pick list to specific which federal program)

Note Section 504 is not applicable

11) Number of jobs created

Employer sponsored health care benefits: Y/N
Type of job created (use existing EDA classification)
Prior employment status before taking job created:
Number of Unemployed _________ (N/A for projects awarding funding on a "made available to basis.")

12) Number of jobs retained, saved, or maintained:

Employer sponsored health care benefits: Y/N
Type of job created (use existing EDA classification)
Prior employment status before taking job created:
Number of Unemployed N/A for projects awarding funding on a "made available to basis."

13) Number of businesses assisted (new, expansion, relocation, start-up):
DUNs number
Two digit NAIC industry classification (if needed w/ DUNs)

14) Start-ups that remain operational 3 years after asst (no reporting necessary, HUD to determine if available through DUNs?)

15) Does assisted business provide a good or service to meet needs of service area/neighborhood/community (to be determined by community) ? Y/N

16) Number of Homeownership Units Constructed, Acquired, and/or Acquired with Rehabilitation (per project or activity)

<u>Total Number of Units</u>

Of those
Number of affordable units
Number of years affordability guaranteed
Number meeting IBCE standards (plus Energy Star)
Number made 504 accessible

<u>Of affordable</u>
Number subsidized by state/local programs
Number subsidized by federal programs
Number specifically for HIV/AIDS
Number specifically for homeless
Of those, number specifically for chronically homeless

17) Number of renter units assisted with on-going (monthly) subsidies (TBRA)

Total Number of units

Of those:
Number subsidized by state/local programs
Number subsidized by federal programs
Number assisting HIV/AIDS
Number assisting homeless
Of those, number assisting chronically homeless

Examples

Each outcome category can be connected to each of the overarching objectives, resulting in a total of nine groups of outcomes under which grantees would report the activity or project data to document the results of their activities or projects. They are activities or projects that provide:

Accessibility for the purpose of creating suitable living environments
Accessibility for the purpose of providing decent affordable housing
Accessibility for the purpose of creating economic opportunities
Affordability for purpose of creating suitable living environments
Affordability for the purpose of providing decent affordable housing
Affordability for the purpose of creating economic opportunities
Sustainability for the purpose of creating suitable living environments
Sustainability for the purpose of providing decent affordable housing
Sustainability for the purpose of creating economic opportunity

There is a basic formula that can be used to describe each outcome statement. For example:

Output (##'s) + Outcome Statement + Activity = Purpose/Objective

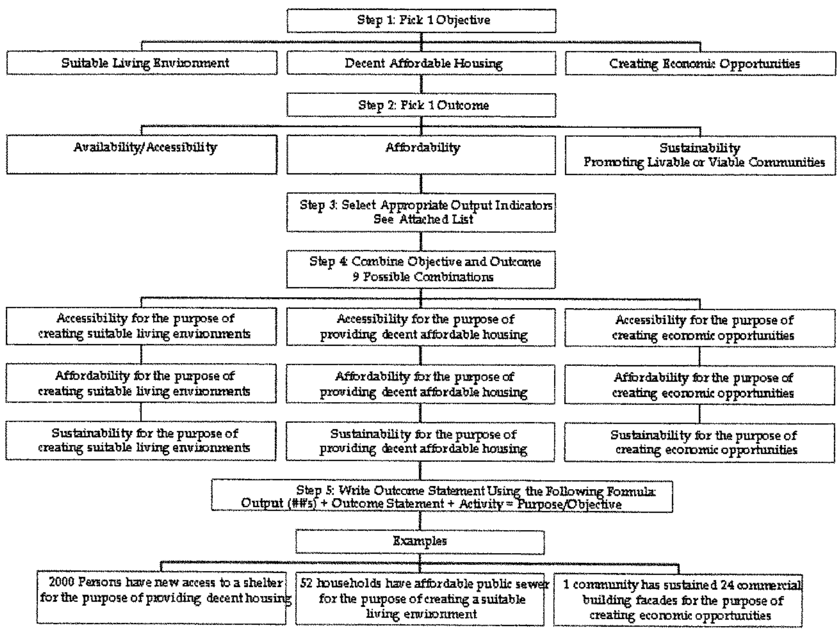
Sometimes, an additional description will be provided, such as whether the activity or outcome is something new, improved or corrective, may also be appropriate to use. Here are some examples of how the list of indicators, outcomes and objectives can be combined to create outcome statements. -

- 2000 homeless persons have new access to a shelter for the purpose of providing decent housing
- 7 households have new access to homeownership for the purpose of creating decent housing
- 24 households have sustained affordable housing by emergency repair for the purpose of providing decent housing
- 52 households have new access to public sewer for the purpose of creating a suitable living environment

- 52 households have affordable public sewer for the purpose of creating a suitable living environment
- One community has sustained 24 commercial/retail building facades for the purpose of creating a suitable living environment
- 50 persons have access to new jobs through extension of a water line to a business for the purpose of creating economic opportunity
- 50 households have affordable housing through a down payment assistance program for the purpose of creating decent housing

These would be the type of outcome statements Grantees would report to HUD and include in their Consolidated Plans and Annual Performance Reports. Then HUD would aggregate these outcomes. See Flow Chart below.

Outcome Measures Flow Chart



Mr. TURNER. Thank you.
Ms. Crowley.

STATEMENT OF SHEILA CROWLEY, PH.D.

Ms. CROWLEY. Chairman Turner and Mr. Dent, thank you for the invitation to testify today.

There can be no doubt that the Community Development Block Grant has been a force for enormous good at every low-income community in the country. The resources that the Federal Government has distributed through the CDBG program in the last 30 years have contributed to the improved well-being of untold numbers of Americans.

There is no policy justification for reducing the level of funding for CDBG. Moreover, the National Low Income Housing Coalition adamantly opposes the proposed consolidation of CDBG and 17 other programs in a single block grant housed at the Department of Commerce. However, any public program should be appraised periodically to assure that the program is responsive to contemporary needs and emerging problems.

I want to take my time today to focus on two areas of potential change. The first has to do with accountability. As has been noted, OMB has been critical of CDBG based on the assessment that grantees cannot demonstrate results that have been achieved with CDBG funds. However, the congressional intent is that: grantees have wide latitude in how they choose to spend their funds; the range of eligible activities are considerable; the income targeting is higher than in other Federal housing and community development programs; the planning requirements are limited; and the reporting requirements are perfunctory.

The 1974 Housing and Community Development Act, which created CDBG, also required the grantees prepare a Housing Assistance Plan, do housing plan; and that did in fact result in a linkage between housing needs and use of CDBG funds in the early years. However, in the 1980's, the HAPs were no longer required. Planning requirements were re-established in 1990 in the National Affordable Housing Act, with the creation of the Comprehensive Housing Affordable Strategy [CHAS]. The CHAS is the primary statutory basis for the consolidated plan, which HUD created in 1994.

The consolidated plan streamlined what was required of entitlement jurisdictions to receive Federal Housing and Community Development funds. As has been noted, the Conplan combines into one document the CHAS and the annual applications for the four block grants. The intent of the Conplan was to increase both the autonomy and the accountability of entitlement jurisdictions in use of Federal block grants. The Conplan includes an assessment of the full range of housing and community development needs in the community submitting the Conplan.

The Conplan has the potential of being a mechanism by which CDBG communities can be held more accountable for how their funds are used, but there are two serious flaws. The first—and this is a huge one—there is no statutory requirement that jurisdictions actually spend their Federal block grant dollars, including CDBG, on any of the needs that they identify in the Conplan. The second flaw is that HUD has limited capacity to monitor what jurisdictions do with their funds and hold jurisdictions accountable for less than adequate performance.

HUD's work force was cut in half in the 1990's, without a concomitant reduction in HUD's statutory duties. Moreover, the political fallout from HUD challenging how a jurisdiction spends its funds has the potential of being unpleasant, to say the least. If Congress wants to assure that jurisdictions spend their Federal block grant dollars appropriately, HUD needs enough of the right staff who have the right authority to do so.

Another improvement that would go a long way to making the CDBG program more effective would be to lower the income targeting requirements. Current income targeting is that 70 percent of CDBG funds benefit people with incomes at or less than 80 percent of the area median. On a national basis, that is approximately $40,000 a year; it is $47,000 a year in Dayton, almost $53,000 a year in St. Louis, $49,000 a year in Allentown. The remaining 30 percent of the funds have no income limitations.

One of the purposes of CDBG, as defined in the statute is the conservation expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons. Currently, about a quarter of the CDBG funds are used for housing. According to the 2003 American Community Survey, on a national basis, there are 6.3 million households with incomes at or less than 30 percent of the area median who pay more than half of their income for their housing. This income group is by far those with the most serious housing problems, yet none of the Federal programs that provide funds for housing production, preservation, or rehabilitation are targeted to those with the most need.

In the very least, all CDBG funds should be directed to benefit people with incomes at or less than 80 percent of area median income and further deeper income targeting of some portion of CDBG and a requirement that a greater portion of CDBG funds be used for housing are in order.

Another way to more directly target the CDBG funds to needs would be to consider housing cost burden as a factor in the CDBG formula. Housing cost burden is by far the most serious housing problem today. The housing factors currently in the CDBG formula—overcrowding and the age of housing stock—are much less relevant indicators of need than they were 20 to 30 years ago.

Again, thank you for the opportunity to testify today.

[The prepared statement of Ms. Crowley follows:]

NATIONAL LOW INCOME
HOUSING COALITION

Dedicated solely to ending America's affordable housing crisis

Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to
Federalism and the Census Subcommittee of the Government Reform Committee
United States House of Representatives
May 24, 2005

Chairman Turner, Ranking Member Clay, and members of the subcommittee, thank you for the invitation to testify today on the Community Development Block Grant. I am Sheila Crowley, President of the National Low Income Housing Coalition. The National Low Income Housing Coalition is solely dedicated to ending the affordable housing crisis in the United States.

I speak today on behalf of our members, who include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing and homeless coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. While our members include the wide spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus on what is in the best interests of people who receive and those who are in need of federal housing assistance. Of particular concern to NLIHC are the lowest income people with the most serious housing problems, including people who are homeless.

Prior to coming to Washington to work on federal housing policy, I spent two decades working at the community level with many years of interaction with local housing and community development officials. I also conducted a dissertation on the implementation of consolidated planning in and among three entitlement jurisdictions in 1995, the first year of the consolidated plan. Thus, my community-based practice and research inform my views of the CDBG program.

Let me say at the outset that there can be no doubt that CDBG has been a force for enormous good in every low income community in the country. The resources that the federal government has distributed to cities, counties, and states through the CDBG program in the last 30 years have contributed to the improved well-being of untold numbers of Americans. There is no policy justification for reducing the level of funding for CDBG. Moreover, NLIHC adamantly opposes the proposed consolidation of CDBG and 17 other programs into a single new block grant housed at the Department of Commerce.

However, any public program should be appraised periodically and adjustments made to assure that the program is responsive to contemporary needs and emerging problems. It is both appropriate and prudent for Congress to undertake an examination of the goals, objectives, and results of the CDBG program and consider changes that will update and improve it. I will focus on two areas of potential change for your consideration.

Accountability. OMB has been critical of CDBG, labeling it ineffective in its PART analysis. The criticism is based on OMB's assessment that grantees cannot demonstrate results that have been achieved with CDBG funds. This seems to be a case of imposing accountability on grantees after the fact. Congressional intent, as reflected in the statute, is that grantees have wide latitude in how they choose to spend their funds. The range of eligible activities is considerable, the income targeting is higher than other federal programs, the planning requirements are limited, and the reporting requirements are perfunctory.

As the committee members well know, CDBG was created in 1974 by consolidating several federal categorical urban and anti-poverty programs into one block grant. The 1974 Housing and Community Development Act, which created CDBG, also required that grantees prepare a Housing Assistance Plan (HAP). As a result, many entitlement jurisdictions did assess their housing needs and used their CDBG funds accordingly.[1] However, under further devolution in the 1980s, HAPs were no longer required. Planning requirements on housing were reestablished in the 1990 Cranston-Gonzalez National Affordable Housing Act with the Comprehensive Housing Affordability Strategy (CHAS). The CHAS is the primary statutory basis for the Consolidated Plan (Conplan), which was created by HUD in 1994.

The Conplan was another attempt to consolidate and streamline what was required of entitlement jurisdictions to receive federal housing and community development funds. The Conplan combines into one document the CHAS and the annual applications for CDBG, the HOME block grant, the Emergency Shelter block grant (ESG), and the Housing Opportunities for People with AIDS (HOPWA) block grant. The intent of the Conplan was to increase both the autonomy and accountability of entitlement jurisdictions in the use of the federal block grants. The Conplan includes an assessment of the full range of housing needs and non-housing community development needs.

OMB determined in President Bush's Management Agenda that the Conplan needed be even more streamlined and results oriented, and in 2002, HUD undertook the Conplan Improvement Initiative (CPII). CPII is theoretically still underway; the most tangible result was the publication of a proposed rule on December 30, 2004 that would "amend the consolidated plan

[1]Hays, R.A. (1995). *The federal government and urban housing: Ideology and change in public policy. 2nd ed.* Albany: State University of New York Press.

regulations…to make clarifying and streamlining changes that are expected to make the consolidated plan…more results-oriented and useful to communities in assessing their own progress towards addressing the problems of low income areas."[2]

The Conplan has the strong potential of being a mechanism by which CDBG communities can be held more accountable for how their funds are used, but there are two serious flaws. The first is that there is no statutory requirement that jurisdictions actually spend their federal block grant dollars, including CDBG, on the needs identified in their Conplans. The Conplan requires that the jurisdiction assess the number of extremely low income, low income, and moderate income households who need affordable housing and to whom the jurisdiction will provide affordable housing. However, jurisdictions are not required to demonstrate that extremely low income people are actually aided by CDBG funds. Projects funded with the block grants simply have to be eligible activities under the statute. Congress could easily remedy this disconnect by requiring that block grant funds be spent on identified needs.

Rectifying the second flaw is more complicated. HUD has limited capacity to monitor what jurisdictions do with their funds and to hold any jurisdiction accountable for less than adequate performance. HUD's workforce was cut in half in the 1990s, without a concomitant reduction in HUD's statutory duties. Moreover, the political fallout from HUD challenging how a jurisdiction spends its funds has the potential of being unpleasant. If Congress wants HUD to assure that jurisdictions spend their federal block grant dollars appropriately, HUD needs enough of the right staff who have the right authority to be able to do so. There also need to be consequences for failure.

Concern is raised periodically about CDBG funds being used to supplant local funds that should be allocated for community development purposes. The CDBG statute expressly addresses supplanting by stating that Congress intends that CDBG funds "not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to" the enactment of CDBG. However, supplanting can only be prevented if HUD is capable of monitoring how funds are used and take action if it occurs.

My study of the implementation of consolidating planning includes the following finding:

> HUD is nearly irrelevant…HUD distributes entitlement funds as long as Congress appropriates them and localities fill out the paperwork. This leaves entitlement jurisdictions with little

[2]Department of Housing and Urban Development. (2004, December 30). *Federal Register,* "24 CFR Part 91, Revisions and updates to Consolidated Plan; Proposed Rule." pp. 78830-78843.

incentive to be accountable to HUD's mission.

> ...three factors contribute to HUD being sidelined as meaningful partner in the local process. One,...HUD's irrelevancy to local stakeholders is a function of the level of funding HUD provides each jurisdiction. HUD's participation in the local funding mix is minor. HUD therefore has very little power to compel or prevent local action.
>
> Furthermore, HUD is not inclined to use what power it has for fear of being overly prescriptive and perceived as overbearing. HUD's limited influence...is a case of political timidity couched in the devolutionary rhetoric of "locals know best."
>
> Finally,...HUD's irrelevancy...is partially a result of HUD's ambitious agenda with multiple goals. It is difficult to get a sense of a coherent national agenda when (there are) several national agendas. Further, localities have a smorgasbord of loosely defined eligible activities and no mandate to even spend funds on the most pressing needs.[3]

The lesson of this current crisis of confidence in the CDBG program is to be careful what you wish for. It is precisely the flexibility and autonomy that entitlement jurisdictions want in the CDBG program that has created the conditions under which Congress questions the effectiveness of their use of CDBG funds.

Income targeting. An important improvement to the CBDG program, which would go a long way to making the program more accountable, would be to lower the income targeting requirements. Current income targeting is that 70% of CDBG funds benefit people with incomes at or less than 80% of the area median. Eighty percent of AMI is approximately $40,000 a year on a national basis. The remaining funds can be used for prevention or elimination of slums and blight or to meet an urgent need, with no income limitations.

The third of the nine purposes for CDBG as defined in the statute is the "conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income." Currently, about a quarter of CDBG funds are used for housing.

According to the 2003 American Community Survey, on a national basis,

[3] Crowley, S.(1998). *A constructivist inquiry of the interpretation of federal housing policy in and among three entitlement jurisdictions.* Richmond, VA: Virginia Commonwealth University. Unpublished dissertation.

there are 6.3 million households with incomes at or less than 30% of the area median (AMI) who pay more than half of their income for housing.[4] (Attached are data that show the distribution of severe housing unaffordability on a state by state basis.) This income group is by the far those with the most serious housing problems. Yet none of the federal programs that provide funds for housing production, preservation, and rehabilitation are targeted to those with the most need. (See attached chart of federal housing programs.)

An important reform to the CDBG program would be to improve the income targeting. (H.R. 1191, a bill introduced in the 107th Congress, would have required more effective targeting of CDBG funds.) In the very least, all CDBG funds should be directed to benefit people with incomes at or less than 80% of AMI. Further, deeper income targeting of some portion of the CDBG funds and a requirement that a greater portion of CDBG funds be used for housing are in order.

Another way to more directly target the CDBG funds to needs would be to consider housing cost burden as a factor in the CDBG formula. Housing cost burden is by far the most serious housing problem today. The housing factors currently in the CDBG formulae, overcrowding and age of housing stock, are much less relevant indicators of need that they were 20 to 30 years ago. Concern has been raised that communities with large college student populations will have a high number of households with high housing cost burdens that are not composed of low income families. It should be a relatively simple task to count and exclude college students from any housing cost burden calculation.

This subcommittee has responsibility for examining the relationship among the three levels of government and considering the appropriate roles of the federal, state, and local government in assuring the well-being of the American people. Housing and community development are clearly local and regional concerns, which also require active federal intervention in order to find solutions to pressing and persistent problems. My view is that the federal government has three major roles in housing and community development.

The first is to establish national standards for decent and affordable housing and healthy communities. Decent housing in a suitable living environment for every family is our national goal. A citizen in one state or community should not have a poorer quality of housing than citizens in another state. Only the federal government can balance the inequalities among states and provide the leadership necessary to solve national problems. National standards mean there should be a social minimum that gives each American access to decent housing. Providing housing subsidies and requiring that subsidies go to those

[4]National Low Income Housing Coalition (2005, May 12 draft). *Who's living in severely unaffordable housing?* Washington, DC: Author.

with the greatest need are basic federal responsibilities. How housing is actually produced is best decided at the local level. Setting national standards is not enough however. The federal government must enforce standards with strict guidance and monitoring.

The second major federal role is to generate the funding necessary to achieve national goals and standards. Only the federal government has the capacity to bring sufficient resources to bear on low income housing and community problems.

Finally, it is the responsibility of the federal government to insure basic civil rights by prohibiting and preventing discrimination. Protection and enforcement of civil rights must never be devolved.

Thank you for the opportunity to testify today.

NLIHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

NATIONAL LOW INCOME HOUSING COALITION

		State Totals					
		HHds with Severe Cost Burden			Total Households		
State	Income Category	renter	owner	all	renter	owner	all
Alabama	ELI HHds*	94,776	70,144	164,920	154,359	170,674	325,033
	60% AMI HHds*	5,062	17,875	22,937	111,743	235,749	347,492
	Upp Inc HHds*	676	7,247	7,923	149,760	834,972	984,732
	Total	100,514	95,266	195,780	415,862	1,241,395	1,657,257
Alaska	ELI HHds*	11,872	5,168	17,040	19,575	14,562	34,137
	60% AMI HHds*	1,088	3,277	4,365	25,654	26,115	51,769
	Upp Inc HHds*	-	932	932	28,071	102,227	130,298
	Total	12,960	9,377	22,337	73,300	142,904	216,204
Arizona	ELI HHds*	110,670	60,518	171,188	162,416	132,712	295,128
	60% AMI HHds*	21,844	43,089	64,933	186,622	263,672	450,294
	Upp Inc HHds*	1,764	20,545	22,309	240,334	990,797	1,231,131
	Total	134,278	124,152	258,430	589,372	1,387,181	1,976,553
Arkansas	ELI HHds*	56,816	30,734	87,550	93,101	79,429	172,530
	60% AMI HHds*	6,657	9,911	16,568	88,210	134,760	222,970
	Upp Inc HHds*	381	3,450	3,831	123,734	512,787	636,521
	Total	63,854	44,095	107,949	305,045	726,976	1,032,021
California	ELI HHds*	871,967	313,112	1,185,079	1,236,032	642,913	1,878,945
	60% AMI HHds*	265,997	305,354	571,351	1,341,098	1,092,500	2,433,598
	Upp Inc HHds*	28,136	253,068	281,204	2,134,798	5,105,283	7,240,081
	Total	1,166,100	871,534	2,037,634	4,711,928	6,840,696	11,552,624
Colorado	ELI HHds*	100,581	63,444	164,025	156,657	134,018	290,675
	60% AMI HHds*	18,355	39,932	58,287	162,876	221,557	384,433
	Upp Inc HHds*	406	17,713	18,119	189,597	919,966	1,109,563
	Total	119,342	121,089	240,431	509,130	1,275,541	1,784,671
Connecticut	ELI HHds*	76,880	44,666	121,546	146,537	87,626	234,163
	60% AMI HHds*	10,602	22,117	32,719	119,549	157,188	276,737
	Upp Inc HHds*	564	14,383	14,947	135,344	648,421	783,765
	Total	88,046	81,166	169,212	401,430	893,235	1,294,665
Delaware	ELI HHds*	11,128	7,934	19,062	20,542	23,224	43,766
	60% AMI HHds*	1,731	3,780	5,511	24,699	38,096	62,795
	Upp Inc HHds*	63	1,639	1,702	30,996	158,498	189,494
	Total	12,922	13,353	26,275	76,237	219,818	296,055
District of Columbia	ELI HHds*	27,618	4,690	32,308	42,778	7,804	50,582
	60% AMI HHds*	4,675	2,775	7,450	30,658	12,389	43,047
	Upp Inc HHds*	856	2,449	3,305	59,966	82,320	142,286
	Total	33,149	9,914	43,063	133,402	102,513	235,915
Florida	ELI HHds*	366,990	257,969	624,959	522,784	539,938	1,062,722
	60% AMI HHds*	88,050	161,152	249,202	542,168	908,608	1,450,776
	Upp Inc HHds*	10,557	75,537	86,094	774,599	3,175,592	3,950,191
	Total	465,597	494,658	960,255	1,839,551	4,624,138	6,463,689
Georgia	ELI HHds*	179,484	101,400	280,884	280,133	252,926	533,059
	60% AMI HHds*	24,414	64,030	88,444	273,955	390,923	664,878
	Upp Inc HHds*	873	28,196	29,069	349,095	1,491,333	1,840,428
	Total	204,771	193,626	398,397	903,183	2,135,182	3,038,365
Hawaii	ELI HHds*	26,342	9,552	35,894	38,126	21,794	59,920
	60% AMI HHds*	7,304	6,336	13,640	42,817	35,813	78,630
	Upp Inc HHds*	1,521	5,271	6,792	75,029	179,111	254,140
	Total	35,167	21,159	56,326	155,972	236,718	392,690
Idaho	ELI HHds*	17,735	13,355	31,090	30,205	34,268	64,473
	60% AMI HHds*	4,148	8,005	12,153	43,742	69,974	113,716
	Upp Inc HHds*	698	3,131	3,829	43,275	267,284	310,559
	Total	22,581	24,491	47,072	117,222	371,526	488,748
Illinois	ELI HHds*	258,907	155,054	413,961	432,212	339,225	771,437
	60% AMI HHds*	39,700	90,005	129,705	400,152	551,222	951,374
	Upp Inc HHds*	2,802	41,161	43,963	518,095	2,263,683	2,781,778
	Total	301,409	286,220	587,629	1,350,459	3,154,130	4,504,589
Indiana	ELI HHds*	118,824	66,020	184,844	200,441	178,007	378,448
	60% AMI HHds*	12,878	29,087	41,965	192,614	346,910	539,524
	Upp Inc HHds*	198	7,493	7,691	207,520	1,157,224	1,364,744
	Total	131,900	102,600	234,500	600,575	1,682,141	2,282,716
Iowa	ELI HHds*	49,070	31,210	80,280	98,072	94,186	192,258
	60% AMI HHds*	4,408	8,748	13,156	89,258	178,329	267,587
	Upp Inc HHds*	261	3,095	3,356	92,997	576,686	669,683
	Total	53,739	43,053	96,792	280,327	849,201	1,129,528
Kansas	ELI HHds*	52,362	25,418	77,780	101,362	70,855	172,217
	60% AMI HHds*	8,236	11,851	20,087	93,984	148,569	242,553
	Upp Inc HHds*	523	2,599	3,122	106,792	503,840	610,632
	Total	61,121	39,868	100,989	302,138	723,264	1,025,402
Kentucky	ELI HHds*	73,704	55,450	129,154	141,076	163,792	304,868
	60% AMI HHds*	5,870	18,467	24,337	109,201	213,815	323,016
	Upp Inc HHds*	314	6,793	7,107	149,912	743,792	893,704
	Total	79,888	80,710	160,598	400,189	1,121,399	1,521,588
Louisiana	ELI HHds*	110,369	61,097	171,466	174,595	159,499	334,094
	60% AMI HHds*	11,087	21,674	32,761	120,066	205,714	325,780
	Upp Inc HHds*	351	8,447	8,798	167,296	749,505	916,801
	Total	121,807	91,218	213,025	461,957	1,114,718	1,576,675
Maine	ELI HHds*	18,257	15,076	33,333	41,635	38,022	79,657
	60% AMI HHds*	3,876	10,776	14,652	44,037	70,950	114,987
	Upp Inc HHds*	354	4,949	5,303	55,159	267,777	322,936
	Total	22,487	30,801	53,288	140,831	376,749	517,580
Maryland	ELI HHds*	106,037	62,086	168,123	181,654	134,534	316,188
	60% AMI HHds*	13,748	34,758	48,506	184,963	244,427	429,390

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

		State Totals					
		HHds with Severe Cost Burden			Total Households		
State	Income Category	renter	owner	all	renter	owner	all
Maryland	Upp Inc HHds*	685	12,048	12,733	225,715	1,036,855	1,262,570
	Total	120,470	108,892	229,362	592,332	1,415,816	2,008,148

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

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NATIONAL LOW INCOME HOUSING COALITION

		State Totals					
		HHds with Severe Cost Burden			Total Households		
State	Income Category	renter	owner	all	renter	owner	all
Massachusetts	ELI HHds*	157,828	91,069	248,897	307,920	191,117	499,037
	60% AMI HHds*	25,893	55,571	81,464	213,347	275,247	488,594
	Upp Inc HHds*	2,935	27,620	30,555	294,841	1,096,947	1,391,788
	Total	186,656	174,260	360,916	816,108	1,563,311	2,379,419
Michigan	ELI HHds*	185,221	145,231	330,452	337,499	360,827	698,326
	60% AMI HHds*	18,305	63,289	81,594	280,398	568,453	848,851
	Upp Inc HHds*	1,311	28,236	29,547	309,697	1,951,482	2,261,179
	Total	204,837	236,756	441,593	927,594	2,880,762	3,808,356
Minnesota	ELI HHds*	81,230	57,375	138,605	159,033	161,037	320,070
	60% AMI HHds*	10,572	31,553	42,125	155,080	281,298	436,378
	Upp Inc HHds*	616	12,972	13,588	126,268	1,094,910	1,221,178
	Total	92,418	101,900	194,318	440,381	1,537,245	1,977,626
Mississippi	ELI HHds*	52,154	38,483	90,637	86,343	94,492	180,835
	60% AMI HHds*	10,075	17,069	27,144	70,772	130,047	200,819
	Upp Inc HHds*	78	6,060	6,138	112,674	509,510	622,184
	Total	62,307	61,612	123,919	269,789	734,049	1,003,838
Missouri	ELI HHds*	111,622	63,886	175,508	208,045	184,366	392,411
	60% AMI HHds*	10,043	28,117	38,160	175,119	327,403	502,522
	Upp Inc HHds*	979	7,187	8,166	238,172	1,088,690	1,326,862
	Total	122,644	99,190	221,834	621,336	1,600,459	2,221,795
Montana	ELI HHds*	15,315	10,609	25,924	30,437	29,758	60,195
	60% AMI HHds*	1,841	6,108	7,949	33,146	49,188	82,334
	Upp Inc HHds*	179	2,809	2,988	37,172	171,467	208,639
	Total	17,335	19,526	36,861	100,755	250,413	351,168
Nebraska	ELI HHds*	32,693	18,436	51,129	66,133	53,711	119,844
	60% AMI HHds*	2,587	6,148	8,735	57,694	83,712	141,406
	Upp Inc HHds*	324	2,725	3,049	70,801	319,408	390,209
	Total	35,604	27,309	62,913	194,628	456,831	651,459
Nevada	ELI HHds*	45,403	22,637	68,040	67,629	49,183	116,812
	60% AMI HHds*	12,184	19,871	32,055	93,332	89,182	182,514
	Upp Inc HHds*	1,188	7,873	9,061	140,842	371,550	512,392
	Total	58,775	50,381	109,156	301,803	509,915	811,718
New Hampshire	ELI HHds*	25,047	17,876	42,923	44,372	36,751	81,123
	60% AMI HHds*	1,499	7,929	9,428	34,507	60,512	95,019
	Upp Inc HHds*	74	4,102	4,176	45,684	260,660	306,344
	Total	26,620	29,907	56,527	124,563	357,923	482,486
New Jersey	ELI HHds*	184,513	127,255	311,768	325,386	221,644	547,030
	60% AMI HHds*	18,530	75,765	94,295	297,384	363,908	661,292
	Upp Inc HHds*	1,721	42,552	44,273	361,800	1,484,686	1,846,486
	Total	204,764	245,572	450,336	984,570	2,070,238	3,054,808
New Mexico	ELI HHds*	38,476	25,773	64,249	63,102	62,769	125,871
	60% AMI HHds*	6,415	11,722	18,137	50,582	85,860	136,442
	Upp Inc HHds*	1,100	2,791	3,891	76,852	332,423	409,275
	Total	45,991	40,286	86,277	190,536	481,052	671,588
New York	ELI HHds*	616,085	193,468	809,553	943,608	359,819	1,303,427
	60% AMI HHds*	138,274	138,694	276,968	800,336	623,048	1,423,384
	Upp Inc HHds*	23,055	120,855	143,910	1,334,869	2,851,120	4,185,989
	Total	777,414	453,017	1,230,431	3,078,813	3,833,987	6,912,800
North Carolina	ELI HHds*	178,727	100,654	279,381	287,201	271,552	558,753
	60% AMI HHds*	18,273	50,870	69,143	279,288	435,340	714,628
	Upp Inc HHds*	1,754	19,106	20,860	345,474	1,513,913	1,859,387
	Total	198,754	170,630	369,384	911,963	2,220,805	3,132,768
North Dakota	ELI HHds*	10,682	5,532	16,214	24,808	20,891	45,699
	60% AMI HHds*	806	1,443	2,249	23,227	31,639	54,866
	Upp Inc HHds*	183	1,034	1,217	23,981	117,071	141,052
	Total	11,671	8,009	19,680	72,016	169,601	241,617
Ohio	ELI HHds*	232,913	143,050	375,963	441,669	352,115	793,784
	60% AMI HHds*	21,095	72,341	93,436	375,227	625,850	1,001,077
	Upp Inc HHds*	2,561	25,090	27,651	419,880	2,147,746	2,567,626
	Total	256,569	240,481	497,050	1,236,776	3,125,711	4,362,487
Oklahoma	ELI HHds*	73,062	42,567	115,629	113,399	102,795	216,194
	60% AMI HHds*	7,658	14,433	22,091	114,926	179,914	294,840
	Upp Inc HHds*	801	6,453	7,254	149,023	619,580	768,603
	Total	81,521	63,453	144,974	377,348	902,289	1,279,637
Oregon	ELI HHds*	107,732	42,407	150,139	169,559	98,103	267,662
	60% AMI HHds*	11,126	26,610	37,736	157,963	174,906	332,869
	Upp Inc HHds*	1,148	13,108	14,256	168,805	612,224	781,029
	Total	120,006	82,125	202,131	496,327	885,233	1,381,560
Pennsylvania	ELI HHds*	227,516	175,032	402,548	418,107	429,857	847,964
	60% AMI HHds*	29,053	79,354	108,407	382,446	694,563	1,077,009
	Upp Inc HHds*	3,873	28,245	32,118	461,038	2,302,477	2,763,515
	Total	260,442	282,631	543,073	1,261,591	3,426,897	4,688,488
Rhode Island	ELI HHds*	28,838	12,606	41,444	50,723	23,455	74,178
	60% AMI HHds*	3,307	9,728	13,035	36,939	40,981	77,920
	Upp Inc HHds*	271	3,424	3,695	55,048	193,739	248,787
	Total	32,416	25,758	58,174	142,710	258,175	400,885
South Carolina	ELI HHds*	82,896	56,956	139,852	131,556	131,391	262,947
	60% AMI HHds*	6,155	24,833	30,988	127,606	220,084	347,690
	Upp Inc HHds*	1,321	7,793	9,114	149,183	735,885	885,068
	Total	90,372	89,582	179,954	408,345	1,087,360	1,495,705
South Dakota	ELI HHds*	12,431	6,552	18,983	25,147	18,839	43,986
	60% AMI HHds*	1,380	2,846	4,226	24,428	35,426	59,854

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

National Low Income Housing Coalition

		State Totals					
		HHds with Severe Cost Burden			Total Households		
State	Income Category	renter	owner	all	renter	owner	all
South Dakota	Upp Inc HHds*	65	1,612	1,677	28,116	152,268	180,384
	Total	13,876	11,010	24,886	77,691	206,533	284,224

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp inc HHds have incomes above 60% AMI

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NLIHC Analysis of 2003 American Community Survey
Severe Housing Cost Burden Among ELI and 60% of AMI Households

National Low Income Housing Coalition

		State Totals					
		HHds with Severe Cost Burden			Total Households		
State	Income Category	renter	owner	all	renter	owner	all
Tennessee	ELI HHds*	123,384	70,379	193,763	207,450	169,304	376,754
	60% AMI HHds*	16,566	40,237	56,803	177,616	285,130	462,746
	Upp Inc HHds*	885	13,454	14,339	254,092	1,128,654	1,382,746
	Total	140,835	124,070	264,905	639,158	1,583,088	2,222,246
Texas	ELI HHds*	441,232	230,506	671,738	688,652	553,921	1,242,573
	60% AMI HHds*	77,755	108,335	186,090	758,612	851,987	1,610,599
	Upp Inc HHds*	4,038	50,711	54,749	1,059,590	3,477,062	4,536,652
	Total	523,025	389,552	912,577	2,506,854	4,882,970	7,389,824
Utah	ELI HHds*	36,707	19,776	56,483	54,952	39,933	94,885
	60% AMI HHds*	4,572	14,132	18,704	65,508	87,879	153,387
	Upp Inc HHds*	103	5,723	5,826	69,510	418,356	487,866
	Total	41,382	39,631	81,013	189,970	546,158	736,138
Vermont	ELI HHds*	12,669	8,272	20,941	23,119	16,827	39,946
	60% AMI HHds*	1,653	5,219	6,872	18,591	36,600	55,191
	Upp Inc HHds*	60	1,377	1,437	22,574	118,484	141,058
	Total	14,382	14,868	29,250	64,284	171,911	236,195
Virginia	ELI HHds*	128,689	72,445	201,134	221,153	191,468	412,621
	60% AMI HHds*	27,016	40,283	67,299	230,322	328,467	558,789
	Upp Inc HHds*	2,628	19,284	21,912	340,535	1,398,794	1,739,329
	Total	158,333	132,012	290,345	792,010	1,918,729	2,710,739
Washington	ELI HHds*	157,764	62,868	220,632	249,259	141,606	390,865
	60% AMI HHds*	24,735	47,947	72,682	247,399	260,706	508,105
	Upp Inc HHds*	836	24,236	25,072	301,644	1,124,609	1,426,253
	Total	183,335	135,051	318,386	798,302	1,526,921	2,325,223
West Virginia	ELI HHds*	37,041	20,158	57,199	69,663	77,495	147,158
	60% AMI HHds*	1,378	6,858	8,236	38,977	111,382	150,359
	Upp Inc HHds*	276	1,086	1,362	48,763	346,123	394,886
	Total	38,695	28,102	66,797	157,403	535,000	692,403
Wisconsin	ELI HHds*	110,254	65,244	175,498	209,560	145,548	355,108
	60% AMI HHds*	10,010	42,826	52,836	196,490	288,986	485,476
	Upp Inc HHds*	885	11,997	12,882	214,666	1,051,784	1,266,450
	Total	121,149	120,067	241,216	620,716	1,486,318	2,107,034
Wyoming	ELI HHds*	6,502	4,947	11,449	14,225	15,392	29,617
	60% AMI HHds*	638	2,714	3,352	14,976	27,208	42,184
	Upp Inc HHds*	-	885	885	20,397	100,942	121,339
	Total	7,140	8,546	15,686	49,598	143,542	193,140

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Amonç

NATIONAL LOW INCOME HOUSING COALITION

State	Income Category	Comparisons Within States: HHds with Severe Cost Burden by income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
		renter	owner	all	renter	owner	all	renter	owner	all
Alabama	ELI HHds*	22.8%	5.7%	10.0%	94.3%	73.6%	84.2%	37.1%	13.7%	19.6%
	60% AMI HHds*	1.2%	1.4%	1.4%	5.0%	18.8%	11.7%	26.9%	19.0%	21.0%
	Upp Inc HHds*	0.2%	0.6%	0.5%	0.7%	7.6%	4.0%	36.0%	67.3%	59.4%
	Total	24.2%	7.7%	11.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Alaska	ELI HHds*	16.2%	3.6%	7.9%	91.6%	55.1%	76.3%	26.7%	10.2%	15.8%
	60% AMI HHds*	1.5%	2.3%	2.0%	8.4%	34.9%	19.5%	35.0%	18.3%	23.9%
	Upp Inc HHds*	0.0%	0.7%	0.4%	0.0%	9.9%	4.2%	38.3%	71.5%	60.3%
	Total	17.7%	6.6%	10.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Arizona	ELI HHds*	18.8%	4.4%	8.7%	82.4%	48.7%	66.2%	27.6%	9.6%	14.9%
	60% AMI HHds*	3.7%	3.1%	3.3%	16.3%	34.7%	25.1%	31.7%	19.0%	22.8%
	Upp Inc HHds*	0.3%	1.5%	1.1%	1.3%	16.5%	8.6%	40.8%	71.4%	62.3%
	Total	22.8%	8.9%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Arkansas	ELI HHds*	18.6%	4.2%	8.5%	89.0%	69.7%	81.1%	30.5%	10.9%	16.7%
	60% AMI HHds*	2.2%	1.4%	1.6%	10.4%	22.5%	15.3%	28.9%	18.5%	21.6%
	Upp Inc HHds*	0.1%	0.5%	0.4%	0.6%	7.8%	3.5%	40.6%	70.5%	61.7%
	Total	20.9%	6.1%	10.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
California	ELI HHds*	18.5%	4.6%	10.3%	74.8%	35.9%	58.2%	26.2%	9.4%	16.3%
	60% AMI HHds*	5.6%	4.5%	4.9%	22.8%	35.0%	28.0%	28.5%	16.0%	21.1%
	Upp Inc HHds*	0.6%	3.7%	2.4%	2.4%	29.0%	13.8%	45.3%	74.6%	62.7%
	Total	24.7%	12.7%	17.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Colorado	ELI HHds*	19.8%	5.0%	9.2%	84.3%	52.4%	68.2%	30.8%	10.5%	16.3%
	60% AMI HHds*	3.8%	3.1%	3.3%	15.4%	33.0%	24.2%	32.0%	17.4%	21.5%
	Upp Inc HHds*	0.1%	1.4%	1.0%	0.3%	14.6%	7.5%	37.2%	72.1%	62.2%
	Total	23.4%	9.5%	13.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Connecticut	ELI HHds*	19.2%	5.0%	9.4%	87.3%	55.0%	71.8%	36.5%	9.8%	18.1%
	60% AMI HHds*	2.6%	2.5%	2.5%	12.0%	27.2%	19.3%	29.8%	17.6%	21.4%
	Upp Inc HHds*	0.1%	1.6%	1.2%	0.6%	17.7%	8.8%	33.7%	72.6%	60.5%
	Total	21.9%	9.1%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Delaware	ELI HHds*	14.6%	3.6%	6.4%	86.1%	59.4%	72.5%	26.9%	10.6%	14.8%
	60% AMI HHds*	2.3%	1.7%	1.9%	13.4%	28.3%	21.0%	32.4%	17.3%	21.2%
	Upp Inc HHds*	0.1%	0.7%	0.6%	0.5%	12.3%	6.5%	40.7%	72.1%	64.0%
	Total	16.9%	6.1%	8.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
District of Columbia	ELI HHds*	20.7%	4.6%	13.7%	83.3%	47.3%	75.0%	32.1%	7.6%	21.4%
	60% AMI HHds*	3.5%	2.7%	3.2%	14.1%	28.0%	17.3%	23.0%	12.1%	18.2%
	Upp Inc HHds*	0.6%	2.4%	1.4%	2.6%	24.7%	7.7%	45.0%	80.3%	60.3%
	Total	24.8%	9.7%	18.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Florida	ELI HHds*	19.9%	5.6%	9.7%	78.8%	52.2%	65.1%	28.4%	11.7%	16.4%
	60% AMI HHds*	4.8%	3.5%	3.9%	18.9%	32.6%	26.0%	29.5%	19.6%	22.4%
	Upp Inc HHds*	0.6%	1.6%	1.3%	2.3%	15.3%	9.0%	42.1%	68.7%	61.1%
	Total	25.3%	10.7%	14.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Georgia	ELI HHds*	19.9%	4.7%	9.2%	87.7%	52.4%	70.5%	31.0%	11.8%	17.5%
	60% AMI HHds*	2.7%	3.0%	2.9%	11.9%	33.1%	22.2%	30.3%	18.3%	21.9%
	Upp Inc HHds*	0.1%	1.3%	1.0%	0.4%	14.6%	7.3%	38.7%	69.8%	60.6%
	Total	22.7%	9.1%	13.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Hawaii	ELI HHds*	16.9%	4.0%	9.1%	74.9%	45.1%	63.7%	24.4%	9.2%	15.3%
	60% AMI HHds*	4.7%	2.7%	3.5%	20.8%	29.9%	24.2%	27.5%	15.1%	20.0%
	Upp Inc HHds*	1.0%	2.2%	1.7%	4.3%	24.9%	12.1%	48.1%	75.7%	64.7%
	Total	22.5%	8.9%	14.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Idaho	ELI HHds*	15.1%	3.6%	6.4%	78.5%	54.5%	66.0%	25.8%	9.2%	13.2%
	60% AMI HHds*	3.5%	2.2%	2.5%	18.4%	32.7%	25.8%	37.3%	18.8%	23.3%
	Upp Inc HHds*	0.6%	0.8%	0.8%	3.1%	12.8%	8.1%	36.9%	71.9%	63.5%
	Total	19.3%	6.6%	9.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Illinois	ELI HHds*	19.2%	4.9%	9.2%	85.9%	54.2%	70.4%	32.0%	10.8%	17.1%
	60% AMI HHds*	2.9%	2.9%	2.9%	13.2%	31.4%	22.1%	29.6%	17.5%	21.1%
	Upp Inc HHds*	0.2%	1.3%	1.0%	0.9%	14.4%	7.5%	38.4%	71.8%	61.8%
	Total	22.3%	9.1%	13.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Indiana	ELI HHds*	19.8%	3.9%	8.1%	90.1%	64.3%	78.8%	33.4%	10.6%	16.6%
	60% AMI HHds*	2.1%	1.7%	1.8%	9.8%	28.3%	17.9%	32.1%	20.6%	23.6%
	Upp Inc HHds*	0.0%	0.4%	0.3%	0.2%	7.3%	3.3%	34.6%	68.8%	59.8%
	Total	22.0%	6.1%	10.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Iowa	ELI HHds*	17.5%	3.7%	7.1%	91.3%	72.5%	82.9%	35.0%	11.1%	17.0%
	60% AMI HHds*	1.6%	1.0%	1.2%	8.2%	20.3%	13.6%	31.8%	21.0%	23.7%
	Upp Inc HHds*	0.1%	0.4%	0.3%	0.5%	7.2%	3.5%	33.2%	67.9%	59.3%
	Total	19.2%	5.1%	8.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kansas	ELI HHds*	17.3%	3.5%	7.6%	85.7%	63.8%	77.0%	33.5%	9.8%	16.8%
	60% AMI HHds*	2.7%	1.6%	2.0%	13.5%	29.7%	19.9%	31.1%	20.5%	23.7%
	Upp Inc HHds*	0.2%	0.4%	0.3%	0.9%	6.5%	3.1%	35.3%	69.7%	59.6%
	Total	20.2%	5.5%	9.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Kentucky	ELI HHds*	18.4%	4.9%	8.5%	92.3%	68.7%	80.4%	35.3%	14.6%	20.0%
	60% AMI HHds*	1.5%	1.6%	1.6%	7.3%	22.9%	15.2%	27.3%	19.1%	21.2%
	Upp Inc HHds*	0.1%	0.6%	0.5%	0.4%	8.4%	4.4%	37.5%	66.3%	58.7%
	Total	20.0%	7.2%	10.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Louisiana	ELI HHds*	23.9%	5.5%	10.9%	90.6%	67.0%	80.5%	37.8%	14.3%	21.2%
	60% AMI HHds*	2.4%	1.9%	2.1%	9.1%	23.8%	15.4%	26.0%	18.5%	20.7%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.3%	9.3%	4.1%	36.2%	67.2%	58.1%
	Total	26.4%	8.2%	13.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maine	ELI HHds*	13.0%	4.0%	6.4%	81.2%	48.9%	62.6%	29.6%	10.1%	15.4%
	60% AMI HHds*	2.8%	2.9%	2.8%	17.2%	35.0%	27.5%	31.3%	18.8%	22.2%
	Upp Inc HHds*	0.3%	1.3%	1.0%	1.6%	16.1%	10.0%	39.2%	71.1%	62.4%
	Total	16.0%	8.2%	10.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Maryland	ELI HHds*	17.9%	4.4%	8.4%	88.0%	57.0%	73.3%	30.7%	9.5%	15.7%
	60% AMI HHds*	2.3%	2.5%	2.4%	11.4%	31.9%	21.1%	31.2%	17.3%	21.4%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing

NLIHC Analysis of 2003 American Co
Severe Housing Cost Burden Amonç

National Low Income Housing Coalition

		Comparisons Within States								
		HHds with Severe Cost Burden by income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
State	Income Category	renter	owner	all	renter	owner	all	renter	owner	all
Maryland	Upp Inc HHds*	0.1%	0.9%	0.6%	0.6%	11.1%	5.6%	38.1%	73.2%	62.9%
	Total	20.3%	7.7%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American Co
Severe Housing Cost Burden Amon

NATIONAL LOW INCOME HOUSING COALITION

		Comparisons Within States								
		HHds with Severe Cost Burden by income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
State	Income Category	renter	owner	all	renter	owner	all	renter	owner	all
Massachusetts	ELI HHds*	19.3%	5.8%	10.5%	84.6%	52.3%	69.0%	37.7%	12.2%	21.0%
	60% AMI HHds*	3.2%	3.6%	3.4%	13.9%	31.9%	22.6%	26.1%	17.6%	20.5%
	Upp Inc HHds*	0.4%	1.8%	1.3%	1.6%	15.8%	8.5%	36.1%	70.2%	58.5%
	Total	22.9%	11.1%	15.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Michigan	ELI HHds*	20.0%	5.0%	8.7%	90.4%	61.3%	74.8%	36.4%	12.5%	18.3%
	60% AMI HHds*	2.0%	2.2%	2.1%	8.9%	26.7%	18.5%	30.2%	19.7%	22.3%
	Upp Inc HHds*	0.1%	1.0%	0.8%	0.6%	11.9%	6.7%	33.4%	67.7%	59.4%
	Total	22.1%	8.2%	11.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Minnesota	ELI HHds*	18.4%	3.7%	7.0%	87.9%	56.3%	71.3%	36.1%	10.5%	16.2%
	60% AMI HHds*	2.4%	2.1%	2.1%	11.4%	31.0%	21.7%	35.2%	18.3%	22.1%
	Upp Inc HHds*	0.1%	0.8%	0.7%	0.7%	12.7%	7.0%	28.7%	71.2%	61.7%
	Total	21.0%	6.6%	9.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mississippi	ELI HHds*	19.3%	5.2%	9.0%	83.7%	62.5%	73.1%	32.0%	12.9%	18.0%
	60% AMI HHds*	3.7%	2.3%	2.7%	16.2%	27.7%	21.9%	26.2%	17.7%	20.0%
	Upp Inc HHds*	0.0%	0.8%	0.6%	0.1%	9.8%	5.0%	41.8%	69.4%	62.0%
	Total	23.1%	8.4%	12.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Missouri	ELI HHds*	18.0%	4.0%	7.9%	91.0%	64.4%	79.1%	33.5%	11.5%	17.7%
	60% AMI HHds*	1.6%	1.8%	1.7%	8.2%	28.3%	17.2%	28.2%	20.5%	22.6%
	Upp Inc HHds*	0.2%	0.4%	0.4%	0.8%	7.2%	3.7%	38.3%	68.0%	59.7%
	Total	19.7%	6.2%	10.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Montana	ELI HHds*	15.2%	4.2%	7.4%	88.3%	54.3%	70.3%	30.2%	11.9%	17.1%
	60% AMI HHds*	1.8%	2.4%	2.3%	10.6%	31.3%	21.6%	32.9%	19.6%	23.4%
	Upp Inc HHds*	0.2%	1.1%	0.9%	1.0%	14.4%	8.1%	36.9%	68.5%	59.4%
	Total	17.2%	7.8%	10.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Nebraska	ELI HHds*	16.8%	4.0%	7.8%	91.8%	67.5%	81.3%	34.0%	11.8%	18.4%
	60% AMI HHds*	1.3%	1.3%	1.3%	7.3%	22.5%	13.9%	29.6%	18.3%	21.7%
	Upp Inc HHds*	0.2%	0.6%	0.5%	0.9%	10.0%	4.8%	36.4%	69.9%	59.9%
	Total	18.3%	6.0%	9.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Nevada	ELI HHds*	15.0%	4.4%	8.4%	77.2%	44.9%	62.3%	22.4%	9.6%	14.4%
	60% AMI HHds*	4.0%	3.9%	3.9%	20.7%	39.4%	29.4%	30.9%	17.5%	22.5%
	Upp Inc HHds*	0.4%	1.5%	1.1%	2.0%	15.6%	8.3%	46.7%	72.9%	63.1%
	Total	19.5%	9.9%	13.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Hampshire	ELI HHds*	20.1%	5.0%	8.9%	94.1%	59.8%	75.9%	35.6%	10.3%	16.8%
	60% AMI HHds*	1.2%	2.2%	2.0%	5.6%	26.5%	16.7%	27.7%	16.9%	19.7%
	Upp Inc HHds*	0.1%	1.1%	0.9%	0.3%	13.7%	7.4%	36.7%	72.8%	63.5%
	Total	21.4%	8.4%	11.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Jersey	ELI HHds*	18.7%	6.1%	10.2%	90.1%	51.8%	69.2%	33.0%	10.7%	17.9%
	60% AMI HHds*	1.9%	3.7%	3.1%	9.0%	30.9%	20.9%	30.2%	17.6%	21.6%
	Upp Inc HHds*	0.2%	2.1%	1.4%	0.8%	17.3%	9.8%	36.7%	71.7%	60.4%
	Total	20.8%	11.9%	14.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Mexico	ELI HHds*	20.2%	5.4%	9.6%	83.7%	64.0%	74.5%	33.1%	13.0%	18.7%
	60% AMI HHds*	3.4%	2.4%	2.7%	13.9%	29.1%	21.0%	26.5%	17.8%	20.3%
	Upp Inc HHds*	0.6%	0.6%	0.6%	2.4%	6.9%	4.5%	40.3%	69.1%	60.9%
	Total	24.1%	8.4%	12.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New York	ELI HHds*	20.0%	5.0%	11.7%	79.2%	42.7%	65.8%	30.6%	9.4%	18.9%
	60% AMI HHds*	4.5%	3.6%	4.0%	17.8%	30.6%	22.5%	26.0%	16.3%	20.6%
	Upp Inc HHds*	0.7%	3.2%	2.1%	3.0%	26.7%	11.7%	43.4%	74.4%	60.6%
	Total	25.3%	11.8%	17.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
North Carolina	ELI HHds*	19.6%	4.5%	8.9%	89.9%	59.0%	75.6%	31.5%	12.2%	17.8%
	60% AMI HHds*	2.0%	2.3%	2.2%	9.2%	29.8%	18.7%	30.6%	19.6%	22.8%
	Upp Inc HHds*	0.2%	0.9%	0.7%	0.9%	11.2%	5.6%	37.9%	68.2%	59.4%
	Total	21.8%	7.7%	11.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
North Dakota	ELI HHds*	14.8%	3.3%	6.7%	91.5%	69.1%	82.4%	34.4%	12.3%	18.9%
	60% AMI HHds*	1.1%	0.9%	0.9%	6.9%	18.0%	11.4%	32.3%	18.7%	22.7%
	Upp Inc HHds*	0.3%	0.6%	0.5%	1.6%	12.9%	6.2%	33.3%	69.0%	58.4%
	Total	16.2%	4.7%	8.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ohio	ELI HHds*	18.8%	4.6%	8.6%	90.8%	59.5%	75.6%	35.7%	11.3%	18.2%
	60% AMI HHds*	1.7%	2.3%	2.1%	8.2%	30.1%	18.8%	30.3%	20.0%	22.9%
	Upp Inc HHds*	0.2%	0.8%	0.6%	1.0%	10.4%	5.6%	33.9%	68.7%	58.9%
	Total	20.7%	7.7%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Oklahoma	ELI HHds*	19.4%	4.7%	9.0%	89.6%	67.1%	79.8%	30.1%	11.4%	16.9%
	60% AMI HHds*	2.0%	1.6%	1.7%	9.4%	22.7%	15.2%	30.5%	19.9%	23.0%
	Upp Inc HHds*	0.2%	0.7%	0.6%	1.0%	10.2%	5.0%	39.5%	68.7%	60.1%
	Total	21.6%	7.0%	11.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Oregon	ELI HHds*	21.7%	4.8%	10.9%	89.8%	51.6%	74.3%	34.2%	11.1%	19.4%
	60% AMI HHds*	2.2%	3.0%	2.7%	9.3%	32.4%	18.7%	31.8%	19.8%	24.1%
	Upp Inc HHds*	0.2%	1.5%	1.0%	1.0%	16.0%	7.1%	34.0%	69.2%	56.5%
	Total	24.2%	9.3%	14.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Pennsylvania	ELI HHds*	18.0%	5.1%	8.6%	87.4%	61.9%	74.1%	33.1%	12.5%	18.1%
	60% AMI HHds*	2.3%	2.3%	2.3%	11.2%	28.1%	20.0%	30.3%	20.3%	23.0%
	Upp Inc HHds*	0.3%	0.8%	0.7%	1.5%	10.0%	5.9%	36.5%	67.2%	58.9%
	Total	20.6%	8.2%	11.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rhode Island	ELI HHds*	20.2%	4.9%	10.3%	89.0%	48.9%	71.2%	35.5%	9.1%	18.5%
	60% AMI HHds*	2.3%	3.8%	3.3%	10.2%	37.8%	22.4%	25.9%	15.9%	19.4%
	Upp Inc HHds*	0.2%	1.3%	0.9%	0.8%	13.3%	6.4%	38.6%	75.0%	62.1%
	Total	22.7%	10.0%	14.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
South Carolina	ELI HHds*	20.3%	5.2%	9.4%	91.7%	63.6%	77.7%	32.2%	12.1%	17.6%
	60% AMI HHds*	1.5%	2.3%	2.1%	6.8%	27.7%	17.2%	31.2%	20.2%	23.2%
	Upp Inc HHds*	0.3%	0.7%	0.6%	1.5%	8.7%	5.1%	36.5%	67.7%	59.2%
	Total	22.1%	8.2%	12.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
South Dakota	ELI HHds*	16.0%	3.2%	6.7%	89.6%	59.5%	76.3%	32.4%	9.1%	15.5%
	60% AMI HHds*	1.8%	1.4%	1.5%	9.9%	25.8%	17.0%	31.4%	17.2%	21.1%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Amon

NATIONAL LOW INCOME HOUSING COALITION

		Comparisons Within States								
		HHds with Severe Cost Burden by income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
State	Income Category	renter	owner	all	renter	owner	all	renter	owner	all
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.5%	14.6%	6.7%	36.2%	73.7%	63.5%
	Total	17.9%	5.3%	8.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Amon

State	Income Category	HHds with Severe Cost Burden by income category as a share of total HHds in state (by tenure)†			HHds with severe cost burden by income category as a share of all HHds with severe cost burden in state†			HHds by income category in state as a share of all HHds in state†		
		Comparisons Within States								
		renter	owner	all	renter	owner	all	renter	owner	all
Tennessee	ELI HHds*	19.3%	4.4%	8.7%	87.6%	56.7%	73.1%	32.5%	10.7%	17.0%
	60% AMI HHds*	2.6%	2.5%	2.6%	11.8%	32.4%	21.4%	27.8%	18.0%	20.8%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.6%	10.8%	5.4%	39.8%	71.3%	62.2%
	Total	22.0%	7.8%	11.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Texas	ELI HHds*	17.6%	4.7%	9.1%	84.4%	59.2%	73.6%	27.5%	11.3%	16.8%
	60% AMI HHds*	3.1%	2.2%	2.5%	14.9%	27.8%	20.4%	30.3%	17.4%	21.8%
	Upp Inc HHds*	0.2%	1.0%	0.7%	0.8%	13.0%	6.0%	42.3%	71.2%	61.4%
	Total	20.9%	8.0%	12.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Utah	ELI HHds*	19.3%	3.6%	7.7%	88.7%	49.9%	69.7%	28.9%	7.3%	12.9%
	60% AMI HHds*	2.4%	2.6%	2.5%	11.0%	35.7%	23.1%	34.5%	16.1%	20.8%
	Upp Inc HHds*	0.1%	1.0%	0.8%	0.2%	14.4%	7.2%	36.6%	76.6%	66.3%
	Total	21.8%	7.3%	11.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Vermont	ELI HHds*	19.7%	4.8%	8.9%	88.1%	55.6%	71.6%	36.0%	9.8%	16.9%
	60% AMI HHds*	2.6%	3.0%	2.9%	11.5%	35.1%	23.5%	28.9%	21.3%	23.4%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.4%	9.3%	4.9%	35.1%	68.9%	59.7%
	Total	22.4%	8.6%	12.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Virginia	ELI HHds*	16.2%	3.8%	7.4%	81.3%	54.9%	69.3%	27.9%	10.0%	15.2%
	60% AMI HHds*	3.4%	2.1%	2.5%	17.1%	30.5%	23.2%	29.1%	17.1%	20.6%
	Upp Inc HHds*	0.3%	1.0%	0.8%	1.7%	14.6%	7.5%	43.0%	72.9%	64.2%
	Total	20.0%	6.9%	10.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Washington	ELI HHds*	19.8%	4.1%	9.5%	86.1%	46.6%	69.3%	31.2%	9.3%	16.8%
	60% AMI HHds*	3.1%	3.1%	3.1%	13.5%	35.5%	22.8%	31.0%	17.1%	21.9%
	Upp Inc HHds*	0.1%	1.6%	1.1%	0.5%	17.9%	7.9%	37.8%	73.7%	61.3%
	Total	23.0%	8.8%	13.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
West Virginia	ELI HHds*	23.5%	3.8%	8.3%	95.7%	71.7%	85.6%	44.3%	14.5%	21.3%
	60% AMI HHds*	0.9%	1.3%	1.2%	3.6%	24.4%	12.3%	24.8%	20.8%	21.7%
	Upp Inc HHds*	0.2%	0.2%	0.2%	0.7%	3.9%	2.0%	31.0%	64.7%	57.0%
	Total	24.6%	5.3%	9.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wisconsin	ELI HHds*	17.8%	4.4%	8.3%	91.0%	54.3%	72.8%	33.8%	9.8%	16.9%
	60% AMI HHds*	1.6%	2.9%	2.5%	8.3%	35.7%	21.9%	31.7%	19.4%	23.0%
	Upp Inc HHds*	0.1%	0.8%	0.6%	0.7%	10.0%	5.3%	34.6%	70.8%	60.1%
	Total	19.5%	8.1%	11.4%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Wyoming	ELI HHds*	13.1%	3.4%	5.9%	91.1%	57.9%	73.0%	28.7%	10.7%	15.3%
	60% AMI HHds*	1.3%	1.9%	1.7%	8.9%	31.6%	21.4%	30.2%	19.0%	21.8%
	Upp Inc HHds*	0.0%	0.6%	0.5%	0.0%	10.4%	5.6%	41.1%	70.3%	62.8%
	Total	14.4%	6.0%	8.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Amon

National Low Income Housing Coalition

State	Income Category	Comparisons to National Totals: HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†			Comparisons to National Totals: HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
		renter	owner	all	renter	owner	all
Alabama	ELI HHds*	1.5%	2.1%	1.7%	1.5%	2.2%	1.8%
	60% AMI HHds*	0.5%	0.9%	0.8%	1.1%	1.8%	1.5%
	Upp Inc HHds*	0.6%	0.7%	0.7%	1.1%	1.6%	1.5%
	Total	1.3%	1.5%	1.4%	1.3%	1.7%	1.6%
Alaska	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	60% AMI HHds*	0.1%	0.2%	0.1%	0.3%	0.2%	0.2%
	Upp Inc HHds*	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
	Total	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
Arizona	ELI HHds*	1.8%	1.8%	1.8%	1.6%	1.7%	1.6%
	60% AMI HHds*	2.0%	2.2%	2.1%	1.9%	2.0%	2.0%
	Upp Inc HHds*	1.6%	2.0%	2.0%	1.8%	1.9%	1.9%
	Total	1.8%	1.9%	1.9%	1.8%	1.9%	1.9%
Arkansas	ELI HHds*	0.9%	0.9%	0.9%	0.9%	1.0%	0.9%
	60% AMI HHds*	0.6%	0.5%	0.5%	0.9%	1.0%	1.0%
	Upp Inc HHds*	0.4%	0.3%	0.3%	0.9%	1.0%	1.0%
	Total	0.9%	0.7%	0.8%	0.9%	1.0%	1.0%
California	ELI HHds*	13.9%	9.2%	12.2%	12.0%	8.1%	10.3%
	60% AMI HHds*	24.6%	15.5%	18.8%	13.7%	8.3%	10.6%
	Upp Inc HHds*	26.2%	24.8%	24.9%	16.2%	10.0%	11.3%
	Total	15.6%	13.6%	14.7%	14.2%	9.5%	11.0%
Colorado	ELI HHds*	1.6%	1.9%	1.7%	1.5%	1.7%	1.6%
	60% AMI HHds*	1.7%	2.0%	1.9%	1.7%	1.7%	1.7%
	Upp Inc HHds*	0.4%	1.7%	1.6%	1.4%	1.8%	1.7%
	Total	1.6%	1.9%	1.7%	1.5%	1.8%	1.7%
Connecticut	ELI HHds*	1.2%	1.3%	1.3%	1.4%	1.1%	1.3%
	60% AMI HHds*	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%
	Upp Inc HHds*	0.5%	1.4%	1.3%	1.0%	1.3%	1.2%
	Total	1.2%	1.3%	1.2%	1.2%	1.2%	1.2%
Delaware	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
	60% AMI HHds*	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
	Upp Inc HHds*	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%
	Total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
District of Columbia	ELI HHds*	0.4%	0.1%	0.3%	0.4%	0.1%	0.3%
	60% AMI HHds*	0.4%	0.1%	0.2%	0.3%	0.1%	0.2%
	Upp Inc HHds*	0.8%	0.2%	0.3%	0.5%	0.2%	0.2%
	Total	0.4%	0.2%	0.3%	0.4%	0.1%	0.2%
Florida	ELI HHds*	5.8%	7.6%	6.4%	5.1%	6.8%	5.8%
	60% AMI HHds*	8.2%	8.2%	8.2%	5.6%	6.9%	6.3%
	Upp Inc HHds*	9.8%	7.4%	7.6%	5.9%	6.2%	6.2%
	Total	6.2%	7.7%	6.9%	5.5%	6.4%	6.1%
Georgia	ELI HHds*	2.9%	3.0%	2.9%	2.7%	3.2%	2.9%
	60% AMI HHds*	2.3%	3.3%	2.9%	2.8%	3.0%	2.9%
	Upp Inc HHds*	0.8%	2.8%	2.6%	2.7%	2.9%	2.9%
	Total	2.7%	3.0%	2.9%	2.7%	3.0%	2.9%
Hawaii	ELI HHds*	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%
	60% AMI HHds*	0.7%	0.3%	0.4%	0.4%	0.3%	0.3%
	Upp Inc HHds*	1.4%	0.5%	0.6%	0.6%	0.4%	0.4%
	Total	0.5%	0.3%	0.4%	0.5%	0.3%	0.4%
Idaho	ELI HHds*	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%
	60% AMI HHds*	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%
	Upp Inc HHds*	0.7%	0.3%	0.3%	0.3%	0.5%	0.5%
	Total	0.3%	0.4%	0.3%	0.4%	0.5%	0.5%
Illinois	ELI HHds*	4.1%	4.6%	4.3%	4.2%	4.3%	4.2%
	60% AMI HHds*	3.7%	4.6%	4.3%	4.1%	4.2%	4.1%
	Upp Inc HHds*	2.6%	4.0%	3.9%	3.9%	4.5%	4.3%
	Total	4.0%	4.5%	4.2%	4.1%	4.4%	4.3%
Indiana	ELI HHds*	1.9%	1.9%	1.9%	1.9%	2.2%	2.1%
	60% AMI HHds*	1.2%	1.5%	1.4%	2.0%	2.6%	2.3%
	Upp Inc HHds*	0.2%	0.7%	0.7%	1.6%	2.3%	2.1%
	Total	1.8%	1.6%	1.7%	1.8%	2.3%	2.2%
Iowa	ELI HHds*	0.8%	0.9%	0.8%	1.0%	1.2%	1.1%
	60% AMI HHds*	0.4%	0.4%	0.4%	0.9%	1.4%	1.2%
	Upp Inc HHds*	0.2%	0.3%	0.3%	0.7%	1.1%	1.0%
	Total	0.7%	0.7%	0.7%	0.8%	1.2%	1.1%
Kansas	ELI HHds*	0.8%	0.7%	0.8%	1.0%	0.9%	0.9%
	60% AMI HHds*	0.8%	0.6%	0.7%	1.0%	1.1%	1.1%
	Upp Inc HHds*	0.5%	0.3%	0.3%	0.8%	1.0%	1.0%
	Total	0.8%	0.6%	0.7%	0.9%	1.0%	1.0%
Kentucky	ELI HHds*	1.2%	1.6%	1.3%	1.4%	2.1%	1.7%
	60% AMI HHds*	0.5%	0.9%	0.8%	1.1%	1.6%	1.4%
	Upp Inc HHds*	0.3%	0.7%	0.6%	1.1%	1.5%	1.4%
	Total	1.1%	1.3%	1.2%	1.2%	1.6%	1.4%
Louisiana	ELI HHds*	1.8%	1.8%	1.8%	1.7%	2.0%	1.8%
	60% AMI HHds*	1.0%	1.1%	1.1%	1.2%	1.6%	1.4%
	Upp Inc HHds*	0.3%	0.8%	0.8%	1.3%	1.5%	1.4%
	Total	1.6%	1.4%	1.5%	1.4%	1.5%	1.5%
Maine	ELI HHds*	0.3%	0.4%	0.3%	0.4%	0.5%	0.4%
	60% AMI HHds*	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%
	Upp Inc HHds*	0.3%	0.5%	0.5%	0.4%	0.5%	0.5%
	Total	0.3%	0.5%	0.4%	0.4%	0.5%	0.5%
Maryland	ELI HHds*	1.7%	1.8%	1.7%	1.8%	1.7%	1.7%
	60% AMI HHds*	1.3%	1.8%	1.6%	1.9%	1.9%	1.9%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American Cc
Severe Housing Cost Burden Amonc

National Low Income Housing Coalition

		Comparisons to National Totals					
		HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†			HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
State	Income Category	renter	owner	all	renter	owner	all
Maryland	Upp Inc HHds*	0.6%	1.2%	1.1%	1.7%	2.0%	2.0%
	Total	1.6%	1.7%	1.7%	1.8%	2.0%	1.9%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Among

NATIONAL LOW INCOME HOUSING COALITION

		Comparisons to National Totals					
		HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†			HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
State	Income Category	renter	owner	all	renter	owner	all
Massachusetts	ELI HHds*	2.5%	2.7%	2.6%	3.0%	2.4%	2.7%
	60% AMI HHds*	2.4%	2.8%	2.7%	2.2%	2.1%	2.1%
	Upp Inc HHds*	2.7%	2.7%	2.7%	2.2%	2.2%	2.2%
	Total	2.5%	2.7%	2.6%	2.5%	2.2%	2.3%
Michigan	ELI HHds*	2.9%	4.3%	3.4%	3.3%	4.6%	3.8%
	60% AMI HHds*	1.7%	3.2%	2.7%	2.9%	4.3%	3.7%
	Upp Inc HHds*	1.2%	2.8%	2.6%	2.4%	3.8%	3.5%
	Total	2.7%	3.7%	3.2%	2.8%	4.0%	3.6%
Minnesota	ELI HHds*	1.3%	1.7%	1.4%	1.5%	2.0%	1.8%
	60% AMI HHds*	1.0%	1.6%	1.4%	1.6%	2.1%	1.9%
	Upp Inc HHds*	0.6%	1.3%	1.2%	1.0%	2.2%	1.9%
	Total	1.2%	1.6%	1.4%	1.3%	2.1%	1.9%
Mississippi	ELI HHds*	0.8%	1.1%	0.9%	0.8%	1.2%	1.0%
	60% AMI HHds*	0.9%	0.9%	0.9%	0.7%	1.0%	0.9%
	Upp Inc HHds*	0.1%	0.6%	0.5%	0.9%	1.0%	1.0%
	Total	0.8%	1.0%	0.9%	0.8%	1.0%	1.0%
Missouri	ELI HHds*	1.8%	1.9%	1.8%	2.0%	2.3%	2.2%
	60% AMI HHds*	0.9%	1.4%	1.3%	1.8%	2.5%	2.2%
	Upp Inc HHds*	0.9%	0.7%	0.7%	1.8%	2.1%	2.1%
	Total	1.6%	1.6%	1.6%	1.9%	2.2%	2.1%
Montana	ELI HHds*	0.2%	0.3%	0.3%	0.3%	0.4%	0.3%
	60% AMI HHds*	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%
	Upp Inc HHds*	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
	Total	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
Nebraska	ELI HHds*	0.5%	0.5%	0.5%	0.6%	0.7%	0.7%
	60% AMI HHds*	0.2%	0.3%	0.3%	0.6%	0.6%	0.6%
	Upp Inc HHds*	0.3%	0.3%	0.3%	0.5%	0.6%	0.6%
	Total	0.5%	0.4%	0.5%	0.6%	0.6%	0.6%
Nevada	ELI HHds*	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%
	60% AMI HHds*	1.1%	1.0%	1.1%	1.0%	0.7%	0.8%
	Upp Inc HHds*	1.1%	0.8%	0.8%	1.1%	0.7%	0.8%
	Total	0.8%	0.8%	0.8%	0.9%	0.7%	0.8%
New Hampshire	ELI HHds*	0.4%	0.5%	0.4%	0.4%	0.5%	0.4%
	60% AMI HHds*	0.1%	0.4%	0.3%	0.4%	0.5%	0.4%
	Upp Inc HHds*	0.1%	0.4%	0.4%	0.3%	0.5%	0.5%
	Total	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%
New Jersey	ELI HHds*	2.9%	3.7%	3.2%	3.2%	2.8%	3.0%
	60% AMI HHds*	1.7%	3.9%	3.1%	3.0%	2.8%	2.9%
	Upp Inc HHds*	1.6%	4.2%	3.9%	2.8%	2.9%	2.9%
	Total	2.7%	3.8%	3.2%	3.0%	2.9%	2.9%
New Mexico	ELI HHds*	0.6%	0.8%	0.7%	0.6%	0.8%	0.7%
	60% AMI HHds*	0.6%	0.6%	0.6%	0.5%	0.7%	0.6%
	Upp Inc HHds*	1.0%	0.3%	0.3%	0.6%	0.7%	0.6%
	Total	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%
New York	ELI HHds*	9.8%	5.7%	8.3%	9.1%	4.5%	7.1%
	60% AMI HHds*	12.8%	7.1%	9.1%	8.2%	4.7%	6.2%
	Upp Inc HHds*	21.5%	11.8%	12.8%	10.2%	5.6%	6.5%
	Total	10.4%	7.1%	8.9%	9.3%	5.3%	6.6%
North Carolina	ELI HHds*	2.8%	3.0%	2.9%	2.8%	3.4%	3.1%
	60% AMI HHds*	1.7%	2.6%	2.3%	2.9%	3.3%	3.1%
	Upp Inc HHds*	1.6%	1.9%	1.8%	2.6%	3.0%	2.9%
	Total	2.7%	2.7%	2.7%	2.7%	3.1%	3.0%
North Dakota	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
	60% AMI HHds*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
	Upp Inc HHds*	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%
	Total	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%
Ohio	ELI HHds*	3.7%	4.2%	3.9%	4.3%	4.4%	4.4%
	60% AMI HHds*	2.0%	3.7%	3.1%	3.8%	4.7%	4.4%
	Upp Inc HHds*	2.4%	2.5%	2.5%	3.2%	4.2%	4.0%
	Total	3.4%	3.8%	3.6%	3.7%	4.3%	4.1%
Oklahoma	ELI HHds*	1.2%	1.2%	1.2%	1.1%	1.3%	1.2%
	60% AMI HHds*	0.7%	0.7%	0.7%	1.2%	1.4%	1.3%
	Upp Inc HHds*	0.7%	0.6%	0.6%	1.1%	1.2%	1.2%
	Total	1.1%	1.0%	1.0%	1.1%	1.3%	1.2%
Oregon	ELI HHds*	1.7%	1.2%	1.5%	1.6%	1.2%	1.5%
	60% AMI HHds*	1.0%	1.4%	1.2%	1.6%	1.3%	1.4%
	Upp Inc HHds*	1.1%	1.3%	1.3%	1.3%	1.2%	1.2%
	Total	1.6%	1.3%	1.5%	1.5%	1.2%	1.3%
Pennsylvania	ELI HHds*	3.6%	5.1%	4.1%	4.1%	5.4%	4.6%
	60% AMI HHds*	2.7%	4.0%	3.6%	3.9%	5.3%	4.7%
	Upp Inc HHds*	3.6%	2.8%	2.8%	3.5%	4.5%	4.3%
	Total	3.5%	4.4%	3.9%	3.8%	4.8%	4.5%
Rhode Island	ELI HHds*	0.5%	0.4%	0.4%	0.5%	0.3%	0.4%
	60% AMI HHds*	0.3%	0.5%	0.4%	0.4%	0.3%	0.3%
	Upp Inc HHds*	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%
	Total	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
South Carolina	ELI HHds*	1.3%	1.7%	1.4%	1.3%	1.7%	1.4%
	60% AMI HHds*	0.6%	1.3%	1.0%	1.3%	1.7%	1.5%
	Upp Inc HHds*	1.2%	0.8%	0.8%	1.1%	1.4%	1.4%
	Total	1.2%	1.4%	1.3%	1.2%	1.5%	1.4%
South Dakota	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	60% AMI HHds*	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

NLIHC Analysis of 2003 American Cc
Severe Housing Cost Burden Amonc

National Low Income Housing Coalition

		Comparisons to National Totals					
		HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†			HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
State	Income Category	renter	owner	all	renter	owner	all
[illegible]	Upp Inc HHds*	0.1%	0.2%	0.1%	0.2%	0.3%	0.3%
	Total	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

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NLIHC Analysis of 2003 American C
Severe Housing Cost Burden Amon

National Low Income Housing Coalition

		Comparisons to National Totals					
		HHds with severe cost burden by income category in state as a share of all HHds with severe cost burden by corresponding income and tenure categories in the U.S.†			HHds by income category in state as a share of all HHds by corresponding income and tenure categories in the U.S.†		
State	Income Category	renter	owner	all	renter	owner	all
Tennessee	ELI HHds*	2.0%	2.1%	2.0%	2.0%	2.1%	2.1%
	60% AMI HHds*	1.5%	2.0%	1.9%	1.8%	2.2%	2.0%
	Upp Inc HHds*	0.8%	1.3%	1.3%	1.9%	2.2%	2.2%
	Total	1.9%	1.9%	1.9%	1.9%	2.2%	2.1%
Texas	ELI HHds*	7.0%	6.8%	6.9%	6.7%	7.0%	6.8%
	60% AMI HHds*	7.2%	5.5%	6.1%	7.8%	6.5%	7.0%
	Upp Inc HHds*	3.8%	5.0%	4.9%	8.1%	6.8%	7.1%
	Total	7.0%	6.1%	6.6%	7.5%	6.8%	7.0%
Utah	ELI HHds*	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
	60% AMI HHds*	0.4%	0.7%	0.6%	0.7%	0.7%	0.7%
	Upp Inc HHds*	0.1%	0.6%	0.5%	0.5%	0.8%	0.8%
	Total	0.6%	0.6%	0.6%	0.6%	0.8%	0.7%
Vermont	ELI HHds*	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
	60% AMI HHds*	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%
	Upp Inc HHds*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
	Total	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Virginia	ELI HHds*	2.0%	2.1%	2.1%	2.1%	2.4%	2.3%
	60% AMI HHds*	2.5%	2.0%	2.2%	2.4%	2.5%	2.4%
	Upp Inc HHds*	2.5%	1.9%	1.9%	2.6%	2.8%	2.7%
	Total	2.1%	2.1%	2.1%	2.4%	2.7%	2.6%
Washington	ELI HHds*	2.5%	1.8%	2.3%	2.4%	1.8%	2.1%
	60% AMI HHds*	2.3%	2.4%	2.4%	2.5%	2.0%	2.2%
	Upp Inc HHds*	0.8%	2.4%	2.2%	2.3%	2.2%	2.2%
	Total	2.5%	2.1%	2.3%	2.4%	2.1%	2.2%
West Virginia	ELI HHds*	0.6%	0.6%	0.6%	0.7%	1.0%	0.8%
	60% AMI HHds*	0.1%	0.3%	0.3%	0.4%	0.8%	0.7%
	Upp Inc HHds*	0.3%	0.1%	0.1%	0.4%	0.7%	0.6%
	Total	0.5%	0.4%	0.5%	0.5%	0.7%	0.7%
Wisconsin	ELI HHds*	1.8%	1.9%	1.8%	2.0%	1.8%	1.9%
	60% AMI HHds*	0.9%	2.2%	1.7%	2.0%	2.2%	2.1%
	Upp Inc HHds*	0.6%	1.2%	1.1%	1.6%	2.1%	2.0%
	Total	1.6%	1.9%	1.7%	1.9%	2.1%	2.0%
Wyoming	ELI HHds*	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%
	60% AMI HHds*	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
	Upp Inc HHds*	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
	Total	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%

*ELI HHds have incomes under 30% of AMI.
60% AMI HHds have incomes of between 30% and 60% of AMI.
Upp Inc HHds have incomes above 60% AMI

†HHds with severe cost burden pay more than 50% of their income on housing.

Income Targeting and Expenditures for Major Federal Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Public Housing	At least 40% of units are for households under 30% AMI, with remainder for households up to 80% AMI.	$5.2 billion (FY05 HUD appropriation)
Housing choice vouchers	At least 75% of vouchers are for households under 30% AMI, with remainder for households up to 80% AMI.	$14.8 billion (FY05 HUD appropriation)
Project-based assisted housing	At least 40% of units are for households under 30% of AMI, with remainder for households up to 80% AMI.	$5.3 billion (FY05 HUD appropriation)
Section 202 and Section 811	All units are for households under 50% of AMI.	$979 million (FY05 HUD appropriation)
HOME	At least 90% of units are for households under 60% of AMI, with remainder for households up to 80% AMI.	$1.9 billion (FY05 HUD appropriation)
Community Development Block Grant	Seventy percent of households served must have incomes at or below 80% AMI. The remaining funds can serve any income group.	$4.7 billion (FY05 HUD appropriation)
McKinney-Vento Homeless Assistance Grants	Participants must meet HUD's definition of homeless (those who lack a fixed, regular and adequate nighttime residence).	$1.4 billion (FY05 HUD appropriation)
Housing Opportunities for People with AIDS (HOPWA)	All housing is for households with incomes under 80% of AMI.	$268 million (FY05 HUD appropriation)
Low Income Housing Tax Credit	All units are for households with incomes less than 50% or 60% AMI (depending on how the development was financed).	$3.7 billion (FY04 tax expenditure)
Federal Home Loan Banks' Affordable Housing Program	AHP subsidized units must serve households with incomes less than 80% of AMI. Rental projects are required to insure that 20% of the total units are for households with incomes less than 50% of AMI.	$190 million (2003 amount)
Section 515, Rural Rental Housing	All housing is for households with incomes up to $5,500 above 80% of AMI. Within this eligibility, top priority is given to those in substandard housing and second priority to 50% and below of AMI.	$99 million (FY05 USDA appropriation)
Section 521, Rural Rental Assistance	In new projects, 95% of units are for households with incomes less than 50% of AMI. In existing projects, 75% of units are for households with incomes less than 50% of AMI.	$587 million (FY05 USDA appropriation)
Section 538, Guaranteed Rural Rental Housing Program	All housing is for households with incomes less than 115% of AMI.	$100 million (FY05 USDA appropriation)

AMI: area median income **Extremely low income:** income less than 30% of area median income **Very low income:** income less than 50% of area median income **Low income:** income less than 80% of area median income

NLIHC May 2005

Mr. TURNER. Again, I want to thank each of you for your testimony, for the preparation that you put into this, for your coming here today and participating, and for all of the staff input.

I want to begin my questions with something very general and broad, and go back to a question that I was asking Mr. Bernardi, about this whole process of measuring. Again, to reiterate, there is this philosophy of if you are not measuring it, you are not measuring it.

But then there has to be the question of why are you measuring it. Are you measuring it for compliance? And here, with CDBG, we hear that the compliance requirements are very broad, so it certainly we will find some people who will be out of compliance and be able to move them back in. But generally the criteria appear to be so broad that measuring for compliance is not going to result in much usefulness in the information.

Then there is measuring to prove effectiveness, and that is really can we prove in the measurement information that we have that this program is effective so that we can use that to justify the sustainability of the program. We can sustain the program by having measured it and improved its effectiveness, something that each of your testimonies identify as something that we are not quite yet able to achieve. And I appreciate all the work that you have done in trying to assist us in being able to prove the effectiveness through enhanced measuring.

The next category would be measuring to enhance effectiveness. Once we get all this data and information, actually using it as a management tool so that we can look at what does it tell us about what uses of CDBG funds return the greatest impact on low and moderate-income families, what things have communities done that have not proved to be effective.

And I am beginning this question, in part, from a comment at the end of Ms. Patt-McDaniel's testimony that says, "If Congress is interested in addressing the issue of effectiveness, it should direct HUD to find ways to train local governments on best practices on community planning and citizen involvement in that kind of planning." I was surprised, in the testimony that we had from Mr. Bernardi, that there is not a significant amount of effort in reviewing consolidated plans and reviewing the information submitted by communities to assist and enhance them in their process of expending CDBG funds.

So I am going to ask if each of you would comment on the issue of once we perfect this measurement, what should we be doing with the information.

Mr. Schmitt.

Mr. SCHMITT. Thank you, Mr. Chairman. I think that is a great question. I believe in 1996, when we started, the purpose for the outcomes and performance measures was an educational tool for our nonprofits. Normally, most nonprofits do not receive the same as the private sector in wages, so, therefore, there is a lot of training going on. And it was a process of beginning to help to show the nonprofits what they were out there doing, where were they measuring their impact in the community and being able to report back to the board.

I think that from that point it has evolved to another tool to exactly what you are talking about: what does it mean to the community; what is our overall in the community. I believe we are in the process of developing that right now, that the community can say, as in the case of the number of people in assisted living, in a population that is growing in age, it is a very critical item for us to continue focusing on, so it will become a tool of how effective we have been in the past in spending that money and where do we put more money as those percentages either slip or increase in that area.

I hope I answered that question to you in what you were looking for in the answer.

I do believe, in talk of best practices, that is the solution for this particular issue. In 1998 we won a best practices award for this program, and I don't believe that it has been marketed very well to the rest of the community. In my 5 years as an elected official, there is tremendous great talent out there in our local communities to be able to teach and educate providers and other local governments, and I think through some of the national coalitions of groups best practices can be a great form of being able to pass this information on. My recommendation to our city council and our community is that we are not spending enough money on education to be able to find out what best practices have worked across the country and promoting those within our organization.

Mr. TURNER. Mr. Downs.

Mr. DOWNS. Mr. Chairman, I think, as I said, there is a history at HUD of feeling that the Community Development Block Grant program is exempt from GPRA and PART, and I think in part it was a feeling on the part of the professional staff that the specific performance requirements would lead to micro-management of a program that was intended to be community decision-based. I think that is an error on the part of the staff, and I think they are gradually disabusing themselves of the assumption that they are exempt from performance accounting. They are not; the law is clear.

It is harder with Community Development Block Grant funds to develop performance measures, particularly outcome measures, not output measures. I think that the real argument for performance measurement with Community Development Block Grant funds is unless you can show the American public what the $4 billion a year buys, they don't support it.

And it is clear that this approach to it being a thousand flowers that we don't count leads to a vulnerability for the program. I think everybody agrees to the value itself of the program; it is the responsibility of HUD and the recipients to participate in a performance process.

Not sounding cynical, but I would say that best practices has to start at HUD. The inability of the IDIS to absorb performance data cannot be overstated. It is basically an accounting system that is used to show where the money goes, it doesn't necessarily have the structure to support performance recording. It has been that way since the beginning, and to have some of the HUD staff that for years data simply comes in, it is untouched by human hands, it is put on a giant tape and shipped off to Suitland, MD for the archives. It is basically untouched by any human mind for analysis. I hope that is changing.

This system is so fundamentally broken that the recipients know that they spend a lot of time and effort, including contractor time, to try to put together reporting requirements that go to HUD and go into a memory hold. That breeds cynicism, it breeds a lack of trust in the partnership between the national government and the local recipients. It has to be fixed. It has to be fixed for this program to actually have legitimate performance measures that are accepted both in the community and nationally.

So if I was urging any state-of-the-art fix, it would start at HUD.

Mr. TURNER. Ms. Patt-McDaniel.

Ms. PATT-MCDANIEL. Well, your initial question was are we measuring for compliance, are we measuring for effectiveness, are we measuring for enhancement of programs. I think that depends on the sophistication of the program. I would like to think that Ohio's State program is sophisticated enough that we are looking at the enhancement of what we are trying to do, because I believe that myself and my staff want to wake up every day knowing that we have spent the money in a way that has made a real difference in the constituents for the State.

Also, whether or not HUD would have been asking us to come up with performance measures, the Department of Development is already deep into that process as a whole, using the balance scorecard, which is a particular model. But even before that we have a pretty intense citizen participation process that starts the minute we get our grant agreement for the current fiscal year, we start again going through our citizen participation process.

I do believe that there is a need for technical assistance to local governments and States on how best to implement and look at performance measures and look at what the results are for their own management of the programs. Certainly, it is important to aggregate some key outcome factors so that you can assess whether we are meeting the statutory intent.

But for any good administrator, they want to look at the performance measures to see are they making a difference in what they are trying to achieve, as well being in compliance, which is step one; effectiveness, basic effectiveness, which is step two. But, as I said, most importantly is once you become effetcive, you want to always be looking at what you are doing and can you do it better.

So I guess I would say that it is important for us, whether we were being asked to do it or not, and I would have to agree that many of the States and the entitlements who are on the task force with me that COSCDA started, I would think that they all felt the same way, and that is why they were engaged in the task force.

Mr. TURNER. Ms. Crowley.

Ms. CROWLEY. Well, I think that the question of effectiveness has to come back to intent. And you can't say you are going to measure effectiveness if you haven't started from the beginning saying what it is that you want to do. And part of the problem, as everybody has said, with the CDBG program is that it has this huge array of things that folks can do, and can do little bits of all of that or can concentrate on one thing or another.

But is the amount of money that a jurisdiction gets from the CDBG program actually going to turn the tide on some specific problem that they have? First of all, it is questionable if there is enough money to do that, but the second thing is there has to be a conscious decision on behalf of the community to actually do that; and there is simply no requirement of that.

My sort of metaphor for these kind of programs is if you go on bus tours through low-income neighborhoods and you find here is a block that has been completely renovated, and then there is a sea of blight, and then there is another house that is sort of brightly colored. And that is the effect of this, is that you have these little pieces of improvement, but that you don't have an overall systemic change that is going on in the community. And that would require that there be some expectation that in the planning process that communities actually pay attention to the structural problems in their community and make a very concerted effort to address those.

Right now it is all over the place. Some folks have described it as Balkanized, that if you have a city council with nine members, and they all get a piece of the CDBG fund to spend in their jurisdiction, then there is no particular way to hold anybody accountable for what the outcome of that is.

Mr. TURNER. Thank you so much.

Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman. Thank you for holding this hearing, as well.

I want to thank both panels for being here today.

Let me start with Mr. Downs. How are you?

Mr. DOWNS. Fine. Good to see you again.

Mr. CLAY. You too. As you know, the fiscal year 2006 budget transfers CDBG to the Commerce Department and shifts the block grants focus away from community development toward economic development purposes. If Congress agreed to this proposal, wouldn't the types of performance measures being developed by HUD and stakeholders be useless under the new Department of Commerce administered block grants? Can you comment on that?

Mr. DOWNS. No. I don't know the framework that they are actually proposing for legislative purpose within Commerce. I think if the program itself has the same framework of an open trust between the national government, State and local governments for broad purposes, which is the framework for this, it is based on an assumption about federalism, that you have to allow local decisionmakers to make decisions about their own communities, and that as a partnership, you would have the same dilemmas about reporting requirements around that performance, whether it was at HUD or at Commerce.

It is unclear that you could use the current IDIS in any way, shape, fashion, or form in a broader arena, and it would probably mean rebuilding from the ground up a new information system at the national level.

Mr. CLAY. Thank you for that response.

Dr. Crowley, you mentioned in your testimony that one of the methods Congress ought to study is the useless restrictive thresholds for income targeting among communities. Could you explain in greater detail how this would improve program accountability? Wouldn't this negatively impact the number of low and moderate-income persons the program is trying to assist? And do you see entire communities benefiting from a lower threshold, as opposed to neighborhoods or specific areas?

Ms. CROWLEY. Well, I think if the intent is to improve the well-being of low-income communities and people in those communities, then the more deeply you can target the CDBG dollars, the better off you are. And at this point the targeting requirements, I think, are relatively broad, they are very high, much higher than any other of the programs that HUD administers, and I think they create the room for local elected officials to make decisions to spend CDBG dollars on things that some of us would consider questionable, you know, with this broad notion that somehow it is going to improve the overall community. I think the more targeted you can be, the more accountability you will get.

Mr. CLAY. So you are suggesting to target the funding, the block grants toward the lower income census tracks.

Ms. CROWLEY. No, I am saying that all the funds should benefit people who are at low income, at least. At this point is only 70 percent of them. And that if you could more deeply target who benefits from the funds, not necessarily individual census tracks, but who benefits from the funds, then you would be better off.

Mr. CLAY. OK. Thank you for that response.

Ms. McDaniel, a major concern with block grants like CDBG is that some communities are using Federal funds to supplant their local community development budgets, therefore not improving upon past development effort. Can you tell us what mechanisms, if any, have been included in the new outcome framework to ensure that CDBG funds do not supplant local program funding streams?

Ms. PATT-MCDANIEL. Well, Congressman Clay, let me clarify for you that I am in a State program, so most of our communities don't have community development staffs. But from my knowledge of the block grant program broadly, all the activities that can be undertaken with community development block grant have to be done by somebody. So a small portion of those funds in any activity are going to go to the labor of getting it accomplished, whether that is housing rehab, downtown revitalization, public service.

In the outcome framework, we were looking at actual benefits of what we did, and not what percentage of that particular activity would end up paying for staff time.

Mr. CLAY. Excuse me. What parts of the outcome do you really favor, I mean, does it create jobs, does it create beautification in the community? Which parts do you favor?

Ms. PATT-MCDANIEL. Do I favor?

Mr. CLAY. Yes. Or do you like to see accomplished, so to say.

Ms. PATT-MCDANIEL. Well, the beauty of the Community Development Block Grant program is its incredible flexibility. But everything that is done under the program comes down to the three overarching objectives, which is: creating a suitable living environment, creating decent affordable housing, or creating economic opportunity.

And I would put forth that community development requires all three of those things to be successful, and programs in—and this is my own opinion—in programs that spend their block grant in only one of the three areas, unless they have resources to address the other two areas, you are not going to be able to turn the corner, as was said, in getting an area to prosper.

And I can't say that I favor one over the other; I think all three are important and have to be addressed, whether it is addressed with Community Development Block Grant, whether you are using HOME or State funds. It has to be a comprehensive effort.

Mr. CLAY. Thank you for that response.

Thank you, Mr. Chairman.

Mr. TURNER. Mr. Dent.

Mr. DENT. Thank you, Mr. Chairman.

Good afternoon. In your written testimony, Ms. Crowley, you state, in reference to the consolidated plan, "If Congress wants HUD to assure that jurisdictions spend their Federal block grant dollars appropriately, HUD needs enough of the right staff who have the right authority to be able to do so." Is it your opinion that HUD does have enough staff to undertaken this particular task?

Ms. CROWLEY. Well, I haven't done any careful study of the HUD manpower stuff, but I can tell you that it did see a rapid downsizing of HUD in the 1990's with no change in what it is that HUD was supposed to do. So something has to give someplace. And I think that it would be time and money well spent to actually look at what it is that Congress requires HUD to do, expects HUD to do, and what the staffing patterns are that need to be in place in order to carry that out. And it seems self-evident that there is a mismatch on that at this point.

The other thing is that in terms of the use of the funds, HUD staff are very limited in what they can do to effect consequences on jurisdictions that don't use the funds effectively or appropriately. There is very little that HUD can actually do with that. They probably could do more than they do, but actually they have very little authority to carry that out.

Mr. DENT. So you are saying the compliance staff lacks authority?

Ms. CROWLEY. The basis upon which you can disapprove a consolidated plan, there is a broad thing about how it not being consistent with the intent of the statute, but that is huge. So it would be very hard to do that. And then the other way you can disapprove is that it is substantially incomplete, which is that you haven't filled out every form and you haven't gone through every step that is required, and you haven't signed every certification, and those kinds of things.

But that is sort of like can you complete the package, as opposed to is what you are proposing to do in the packet does it mean anything. So I think that there are some limitations on what it is that HUD can do.

Having said that, there is a lot more that HUD could do. I think that we have utterly forgotten the fair housing requirements that jurisdictions have, and HUD's responsibility to assure the affirmatively furthering of fair housing. Many of the issues that need to be resolved in terms of housing in community development have fair housing implications, and if we had those programs better integrated, those processes better integrated, HUD may in fact be able to exercise more authority.

But nobody really wants HUD to exercise much authority. We want them to hold people accountable, but we also don't want them to rock the boat. So I think HUD staff are sort of in a really precarious position under any administration.

Mr. DENT. You have also suggested that there should be consequences for failure. Failure by whom, HUD for not monitoring closely enough, for the grantees, or for both?

Ms. CROWLEY. Well, I think that consequences for failure mean that you somehow or another don't use your funds for what you are supposed to do and you can't in any way demonstrate that you are going to, that the funds are going to what it is that they are supposed to go to. That is simply a matter of monitoring and being able to determine precisely what happens with that.

Part of the problem is that we give money to jurisdictions and then jurisdictions subcontract with other folks to be able to do that. There are levels and layers of accountability that need to be in place. But the reality is that the grants go out year after year without anybody really checking on that.

I am not saying that should be used as a reason not to have the grants. I am saying what we should do is have a system in place so that there is a way for us to be assured that the money is being used as effectively as possible.

Mr. DENT. What consequences would you suggest that Congress enact?

Ms. CROWLEY. Well, I think a basic thing that Congress could do that would be essential is to tie the expectation that you actually spend your dollars on what it is that you identify are the biggest problems in your community. And that would be a consulting process with everybody in your community, that you actually engage in a genuine, serious citizen participation process; that there be actual consultation with a wide range of folks; and that you come to some agreement about what it is you want to tackle this year and then the next 5 years, and how your dollars can best be spent.

There is no reason why Congress can't do that. That interferes with the notion of local autonomy making decisions, but you are actually not taking away autonomy, you are simply asking people to use their autonomy in a more effective and targeted way.

Mr. DENT. Thank you.

No further questions.

Mr. TURNER. Mr. Schmitt, in your testimony you talked about the successes of your community and the processes that you put in place for approving CDBG funds. You talked about previous inequities. I would love to hear some anecdotal statements about some of those inequities that you saw.

And then I would like you to go into, if you would, the issue of have there been requests for funding that this process has resulted in rejecting? And whether or not this process has resulted in identifying some activities or uses that are currently eligible under the act that your community is not likely to fund.

And I am going to broaden the question as it goes to the rest of the panel and I am going to tell you what that is so you can understand the other point that I am interested in here, and that is one of the things we tout with CDBG is local control and the issue of flexibility. When we talk about effectiveness, Mr. Downs, as you had said, to prove that these $4 billion plus funds are being used in a way that is beneficial for taxpayers, we inevitably come to the conclusion that there is some difficulty in measuring something that is so broad.

So my question goes to in balancing flexibility and then the reality of knowing that we have to have accountability, is the program too broad? And if it is too broad, do you have some thoughts in areas where the fact that the scope is so broad might be able to be improved?

So, Mr. Schmitt, the inequities, any applications that are rejected, and the issue of activities or uses that are not likely to be seen favorably with your community.

Mr. SCHMITT. Thank you, Mr. Chair. The issue of inequities, each community—the three entities: Reno, Sparks, and Washoe County—would have as many as 50 to 60 service providers that would be submitting applications all roughly the same time period of the year for funding. If you were the last entity—and usually the city of Sparks would be the last entity to do their funding—the applicants would come forward and say, well, the city of Reno and Washoe County gave us funding, so if you want to see your citizens' of Sparks services taken care of, you need to fund us also.

In many cases we only had $100,000 in the city of Sparks, and we would have as many as 50 applications for those moneys. So it would become that in order to make sure that the residents of our community in the coalition got funded, the CDBG money was funded, we would have to give them a little bit of money, which meant that 50 agencies were getting $100,000, which meant that probably most of that money was going to staff members filing the quarterly reports and trying to take care of the reporting process.

Also, agencies would come forward and say we didn't get funding from Reno or Washoe County, and if you don't give us funding, we are going to have to close our doors, which then put the burden on one community. It kind of created a circuit ride, if you will, of people going around to the agencies. With each office being no more than 5 miles apart from one another, it made it very inequitable. And some organizations that had good lobbying firms would be able to get the higher percentage of the funds from each of the communities, and some agencies who were really struggling and didn't have the professional staff to do that would not receive any money.

And by all the three entities coming together and turning it to a citizens group, a focus group to be able to take care of that, a lot of those issues got worked on out.

The issue of getting rejected, in the 9-years this process has been going forward, there have been several agencies that have been rejected for their funding, and it is because we now have in place what is called a scoring system. Throughout the process, each application is scored. If they don't receive a passing score, then their application is most likely to get rejected. It could still be in the pile for help improvement, if we felt that there was some motivation of the management there in the agency to be improved, then they could get some funding on it.

After 9 years of this process, we see very little applications coming forward to the staff because the process is known throughout the nonprofit community that they don't apply for these funds if they are not eligible for the funds. So I believe that probably everything under the CDBG program is eligible, but we don't have all the applications come forward; they won't come forward because it is so well known throughout the community of what that process is and what those moneys are eligible for.

I believe very strongly in the issue of local control, of being able to control the funds that are there. In many communities I think it is used very, very wisely. The citizens can come forward and talk about those, the elected officials can come forward and talk about it. It does become a political situation at times that you have certain things in the community, but I think most elected officials understand the good of the whole and will work for the common good and distribute from those funds.

Accountability, we have had that throughout the very beginning. We ask our service providers to be accountable and we are also asking our councils and our elected officials to be accountable to the community for those funds, and we think we have built in some safeguards to be able to have that accountability.

Mr. TURNER. Mr. Downs.

Mr. DOWNS. Part of the genius of the program is its breadth of decisionmaking that allows State and local jurisdictions to solve problems that are unique within their community. And we have discovered long ago that there is a fundamental difference been Minot, ND and Miami. That is built into the program.

What is not built into the program, and what is causing it grief now, is an easy way for communities to articulate their program and their plan in an information system that is easily accessible for those recipients at HUD and that the reporting for performance and outcomes is pretty easy and transparent for those jurisdictions.

It is not unusual, apparently, for some communities to have four or five people who do nothing but data management, manipulation, and entry. That is dead loss overhead for the program. The lack of that information system at HUD doesn't allow best practices to rise to the top so that HUD can push it back out and say look at what Minot did in this area; this is something that you ought to think about about how you use your own funds.

If this communication process between the recipients and the national government stays as broken as it is, you cannot get realistic, timely, painless performance outcomes. You can't hold the communities accountable for what they are producing because you don't know what the information is.

And you can't help them understand what is new and creative that people are using around the rest of the country. That system is so critical, and it ought to be ease of access, it ought to be transparent, it ought to be programmable so that you fill in a screen, it has categories not unlike this on a screen, you hit enter, it goes to HUD. They can then pull this data back and begin to give feedback back about you are not living up to your plan. It says here you are supposed to do X and Y. You are only doing X. Why is that? That system doesn't exist at the national level.

The information won't set all of us free of these criticisms, but facts actually help in the decisionmaking process here.

Ms. PATT-MCDANIEL. OK, well, why the statutory purposes of this program haven't changed. As community problems have changed and new community problems have come up, Congress has added new eligible activities over time like brownfields, energy efficiency, economic opportunity. These get added to the program and make more eligible activities.

But certainly not every community eligible for block grants needs assistance with all those issues and chooses to do all those activities. But this approach recognizes that a broad menu of activities must be available in order for communities to address their community development needs.

So, with that, I think Congress got that part right. I think you will find that—and I need to clarify that I am in a State program. The State, the way we run our program, is so much different from the way the city of Dayton would run its program. But, in general, I would surmise that most grantees, whether they are States or whether they are cities or counties, are doing a menu of a few of those activities where they are trying to get accomplishments. So in that effect it is not too broad. They are picking out of that broad menu a group of activities that they need for their community.

In the State of Ohio we have 10 programs across the four funding sources that are our primary things that we are trying to achieve. And this is a problem with performance measurement. There are some key factors that we can roll up nationally that might be able to tell you about those programs, but really the performance measures in my mind that are going to matter the most are the ones that a local community, a county, or a State put on themselves based on the narrow group of activities they have chosen to do out of the program. And then those outcome measurements is what will provide the accountability to how that money was spent and what we are trying to achieve.

So I don't think that the Community Development Block Grant is too broad. I think it is broad in that it gives you several opportunities to address your community's needs. And every community is different. You know that what was important in the city of Dayton is not necessarily what was important in the city of Columbus or in the city of Cleveland, or in some of the smaller communities.

So I think local communities need to have that flexibility to figure out what is unique about their community, what do they need to achieve. And then they should have measurements on what they need to achieve, and that is how you should look to see how effective the program is.

As I said, there are some key outcomes that can be rolled up to the national level that may be able to tell you about the effectiveness of the program, but even more so it is those local performance measures that are going to tell you locally whether that particular program is being effective in what it is trying to achieve.

Ms. CROWLEY. In terms of the number or the breadth of activities, I think the other panelists are right that it has to be decisions that are made at the local level. However, I think you could probably fine tune it a bit to make sure that you do not allow things that are standard municipal functions anyway. So if you can afford to do sewers and sidewalks in rich neighborhoods, you shouldn't be spending your CDBG dollars to do sewers and sidewalks in poor neighborhoods. You should be spending your general fund dollars to do that.

So I think that where you can differentiate on what are the things that the jurisdiction would do anyway, and how does CDBG add to some things that the jurisdiction couldn't normally do, wouldn't normally do for all of its citizens to be able to benefit, to improve the well-being of low-income folks.

I do think, as I said, that there is too much flexibility in the income targeting and that you could help a lot if you reduce that. The thing that I think will ultimately make a difference, though, is if there is a much better process for the local decisionmaking to occur.

And we struggle with all sorts of different ways to do that because there is 1,100 different jurisdictions and there is a wide range of talent and skill and capacity at the local level, on staff and of local elected officials. Some people can do this very well and other people botch it completely. The folks from Nevada sound like it is just wonderful, and I wish you could replicate that all over the place.

And, of course, then everybody says, well, if they don't do it right, then we want HUD to make them to do it right. Well, HUD can't make them do it right; it doesn't have the power, the authority, or the manpower to do that, or doesn't have the ability to track everything that is going on.

One thought that folks have raised and that we have talked about—that seems a little pie-in-the-sky, but now that we are talking about it, I will raise it—is the idea of creating some sort of alternative force at the local level that was funded by HUD so that there would be money going directly to some community entity whose job it was to basically monitor what happened with Federal funds in that jurisdiction.

Do you spend your public housing dollars right? Do you spend your vouchers right? Do you actually do what it is that the Federal Government intends you to do with these? And to actually have a monitoring and collaborative process that, first of all, folks would know that there is somebody watching and, second of all, there is somebody to elevate attention to that from HUD officials if in fact that is warranted.

That is a pretty loose idea at this point, but it may be a way of getting at the kind of dilemma that you have articulated with local flexibility and then how do you make folks accountable.

Mr. TURNER. I just want to acknowledge that I think you have made a very important point when you mentioned the infrastructure expenditures. If there is a government function that the government is going to do anyway, but yet they sequester or shell game, if you will, the use of CDBG funds for a function that doesn't really advance the low and moderate-income community, you are going to diminish the effectiveness of the program.

If there is something that you are going to pay for in areas of your community that you don't have poverty, but you use CDBG funds to do that in the area where you have poverty, you are supplanting your own government functions with Federal dollars that are intended to advance your impoverished areas; to eliminate blight, to actually improve the conditions and not just be a budgetary line item where you go to a pot of money to let the Federal

Government take responsibility for where you are taking responsibility for the whole rest of the city.

Ms. CROWLEY. Right.

Mr. TURNER. And I think that is a very important point. I don't know exactly how to get to that, but I know that there is a sense that does occur in some communities, and you have to acknowledge that there are people who do have that concern about CDBG moneys.

Ms. CROWLEY. I think a rule of thumb would be if you can afford to put a tennis court in this neighborhood, you can afford to put a tennis court in this neighborhood. I think you look at where it is that has happened. Now, you know, what are the unintended consequences of those kinds of rules? We would have to think those through.

Mr. TURNER. Right. I think it is very difficult to capture from a policy perspective how you would address that. But that is a criticism that you do hear of CDBG.

Does anyone else want to comment on this?

Ms. PATT-MCDANIEL. Congressman Turner, I would like to respond to that, because I am also married to somebody who is in local government, and I don't know very many local governments right now who are operating at huge, huge surpluses, or even slight surpluses.

And I am guessing that if you have a city—and I am trying to think of one in Ohio—which might be considered to have some nicer areas and some poorer areas, my guess is that a local government has a menu of infrastructure or parks, a whole menu of activities that they want to do, and they have resources. They have their own GRF, they have CDBG, they may have some State resources, but they have a variety of resources. But the total of those resources doesn't add up to all the infrastructure needs of that community.

So it only makes good management sense to match the appropriate resource to the appropriate neighborhood so that if you have CDBG, you are in desperate need of replacing the sewer, which typically could be across the whole community, you are going to use the CDBG funds where you could benefit the low to moderate-income people and use the GRF in the areas where they may not make the low to moderate-income standards.

And you may have some examples. I don't know of any communities in Ohio who are just spending their GRF in the richer areas of their community and using the CDBG because they have GRF that is sitting there in a surplus and using the CDBG to replace their infrastructure. And I am certainly not questioning that could be the case, but if that was the case, it was in the early 1990's, and certainly not now.

So I don't know that is a key problem with the expenditure of CDBG funds, and I just wanted to comment on that.

Mr. TURNER. Ms. Patt-McDaniel, you have done an excellent job in responding to the complexity of the issue. I think it was important that Ms. Crowley make that statement because it is a concern that we do hear in communities where there is citizen participation. And there is in every community citizen participation with CDBG fund expenditure.

But during that process you do hear what Ms. Crowley said in that process, that some people are concerned as to how those funds are utilized with respect to general operating funds. And you very well articulated that there is not a great surplus of those sitting around, so a community is trying to balance all its needs and resources.

But I do think the point-counterpoint, if you will, of the issues that you two have just described was very important for us to discuss, because it is something that you do hear in community activist discussions about CDBG and its effectiveness.

Mr. Schmitt or Mr. Downs, do you have anything you would like to comment on that?

Mr. SCHMITT. I would be more than happy to, Mr. Chairman.

In the State of Nevada, city of Sparks, we only have basically two sources of revenues for local government: property taxes and sales taxes. And I've given an example of where taxes are generated and taxes are consumed. I have just approved a new police beat, in fact, the first police beat for a residential neighborhood of approximately 5,000 homes that started in 1994, and we now have our first cop that is in that area, because the need wasn't there, but it is homes of $300,000 or $400,000.

And the majority of our funds are consumed in our lower-income neighborhoods, both in street repair, sewer repairs, police protection, fire protection, medical aid. So we already are funding to a great extent a lot of our funds are going to low-income and medium-income neighborhoods. So these funds are only being used to help supplement those costs, when we are already transferring revenues to those neighborhoods.

Thank you, Mr. Chair.

Mr. TURNER. Mr. Downs.

Mr. DOWNS. It is possible to establish with better data scorecards about how communities are actually spending their funds by category and by type, over time, which is impossible with the system right now. I am not sure that you need to control them, but you can make their decisions and outcomes more visible to the citzens of the communities, and even their State, about how individual jurisdictions are handling it.

But the system has to be better than it is now, because you can't even get to a scorecard about how communities are defective or not about their expenditures. You could rank communities by percent of administrative cost. You could rank communities by how much of it they are putting into water and sewer or roads. You could rank them by how much they are putting into housing. You could do it by State, you could do it by region. None of that is available now in this system.

Mr. TURNER. I do not have any more questions, so I am going to ask if any of you have any other additional comments that you would like to place in the record as a result of the questions or comments that you have heard.

Mr. SCHMITT. Thank you very much, Mr. Chairman, and the entire panel for their time and dedication to this issue. It is a very important issue to our community and communities all over the Nation. I thank you for it.

Mr. DOWNS. Thank you, Mr. Chairman.

Ms. PATT-MCDANIEL. Thank you. And I think an outcomes framework will solve some of these problems and should be pushed.

Ms. CROWLEY. Thank you for the invitation today.

Mr. TURNER. Well, I want to thank you all. I know that you have spent a tremendous amount of effort in preparing and time out of your daily lives to be here. I want to thank also the HUD for its participation in the earlier hearing.

As we know, CDBG has been a key component in making our Nation's cities more viable. It has led to many triumphs cities have had over poverty and community development need. We can all agree the program provides vital funds to address urban critical needs. I appreciate the additional information that you have provided us as we look to the issue of the effectiveness and preserving CDBG. I want to thank you.

And with that, we will be adjourned.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050

June 30, 2005

The Honorable Michael R. Turner
Chairman, Subcommittee on
Federalism and the Census
Committee on Government Reform
U.S. House of Representatives
Washington, DC 20515-6143

Dear Mr. Chairman:

This is in response to your letter of May 26, 2005, concerning questions as a follow-up to the Subcommittee's May 24, 2005 hearing on the Community Development Block Grant (CDBG) program. The Department appreciates the opportunity to respond to your concerns and the following material addresses each item in the order presented in your letter.

QUESTION 1 - Please provide to the Subcommittee documents authored by HUD staff for use in consultations with the Department of Commerce regarding the Strengthening America's Community Initiative (SACI). Specifically, the Subcommittee requests that HUD provide any documents it has sent to the Department of Commerce regarding CDBG eligible communities, formula recommendations, eligible activities, and performance measures.

RESPONSE – HUD appreciates the opportunity provided by the Subcommittee to express its views and offer comments on the Strengthening America's Communities Initiative (SACI) legislation, drafted by the Department of Commerce. As we have previously advised, however, HUD's views and comments on this legislation are part of the Administration's deliberative process in developing legislation. Every legislative product that may be transmitted to Congress by a single agency in the Executive Branch reflects the position of the Administration and not any one single agency. Agencies work on legislation together, collaboratively, to produce a single legislative document that represents the views and proposals of the entire Administration. Agencies' comments and views as legislation is being developed have always been protected from disclosure because they are part of the deliberative process of the Executive Branch, a critical process. To disclose the individual views and comments of a single agency would inhibit the free exchange of ideas, suggestions, and edits that are critical to successful development of legislation. We once again decline to disclose HUD's comments on the SACI legislation.

QUESTION 2 - For the top 100 entitlement communities in terms of population, the Subcommittee requests that HUD furnish it with the "Consolidated Annual Performance Evaluation Reports" for these grantees. This information should also indicate what percentage of overall CDBG funds are utilized by these grantees' for their own staff function expenditures. It should also take into account staff function expenditures of any nature across any eligible use categories.

RESPONSE - Enclosed is a spreadsheet containing administrative expense information for the 100 largest CDBG entitlement grantees on the basis of population. The spreadsheet presents data for 2003 program year, the most recent program year for which all grantees have completed their reporting, and provides the actual amount disbursed for the activity as well as the percentage of all disbursements represented by that activity. Please note that grantees may have a program year that starts on the first of any month from January through October; therefore, 2003 data is used as grantees that began their 2004 program year on October 1, 2004, will not complete their 2004 program year until September 30, 2005. The spreadsheet presents expenditure information collected from HUD's Integrated Information and Disbursement System (IDIS) and is available to the public in the form of grantee profiles on HUD's external web site, www.hud.gov. This data is used in this response because it is the most readily available data

We have extracted data for Administrative and Planning Activities which, depending on the grantee, may include funds under the following eligible activities (identified by IDIS matrix codes in parentheses):

- Planning (20)
- General program administration (21A)
- Indirect costs (21B)
- Public information (21C)
- Fair housing activities (21D)
- Submissions/applications for federal programs (21E) and
- HOME administrative/planning costs of participating jurisdictions (21H).

The percentages shown in the profiles are percentages of the total disbursements for program year 2003. Therefore, percentages for planning and administration costs do not reflect either compliance or noncompliance with the twenty percent limitation for those activities. The more accurate picture is presented by the planning and administrative cost calculation presented in the grantees' individual CAPERs. The planning and administrative cost calculation carried out as part of the CAPER review is based on the obligation of CDBG grant funds plus program income amounts, not as a percentage of total disbursements from the CDBG funds. The IDIS data used to create these reports is based on disbursements and does not capture the full amount of CDBG-related funds utilized by the grantee as the basis for determining compliance with the twenty percent cap.

Of the 100 grantees included in this analysis, nineteen disbursed in excess of twenty percent of funds for administrative and planning costs. CPD's investigation of these results indicates the primary factor contributing to this level of performance is the impact of unliquidated obligations from the prior program year. In order to provide a more accurate picture of the planning and administrative costs for these 100 grantees, CPD will collect and forward to the Committee additional information based upon the data used to calculate compliance with the twenty percent cap on planning and administrative expenses.

We have also included data for two other eligible activities – housing rehabilitation administration (14H) and code enforcement (15). These are the only two IDIS expenditure categories that relate solely to staff expenditures that can be isolated outside of the basic administrative and planning activities identified above. For each of the eligible activities identified above, we have included the actual dollar amount disbursed by each grantee in its 2003 program year, as well as the percentage of all program year 2003 disbursements represented by that category. The decision of a grantee to utilize CDBG funds for these activities is permissible under Title I of the Housing and Community Development Act of 1974, as amended (the Act), and the related implementing regulations of 24 CFR 570, Subpart C.

Housing rehabilitation administration encompasses services such as rehabilitation counseling, preparation of work specifications, loan processing, work inspections and other related services as described in 24 CFR 570.202(b)(9). This provision authorizes the use of CDBG funds for this purpose either singly or in combination with other eligible rehabilitation activities. Of the 100 grantees in this analysis, only fifteen grantees disbursed more than ten percent of program year 2003 funds for housing rehabilitation administration purposes and only four of those grantees exceed fifteen percent. There were: Columbus, OH; Fort Worth, TX; Prince George's County, MD; and Virginia Beach, VA.

Code enforcement activities are authorized under section 105(a)(3) of the Act and are implemented in the CDBG regulations at 24 CFR 570.202(c). The costs eligible under code enforcement are specifically limited to the costs for inspections for code violations and related expenses for enforcement in deteriorating or deteriorated areas when such actions, together with public or private improvements, may be expected to arrest the decline of the area. Of the 100 grantees in the analysis, only seven exceeded ten percent of disbursements for code enforcement and of those seven grantees, only Fresno, CA, and Virginia Beach, VA, exceeded twenty percent.

In addition, direct project delivery costs may include the costs of staff carrying out that activity as well as other costs such as architectural and engineering services for construction activities or rent and utilities related to an eligible public service, but such specificity cannot be isolated within the data available to HUD. 24 CFR 570.206 authorizes grantees to pay reasonable administrative costs and charges related to the planning and execution of activities assisted with CDBG funds. This provision clearly states that staff and overhead costs directly related to carrying out activities eligible under the CDBG program are eligible as part of those activities.

Your letter of May 26, 2005, asks HUD to furnish the Subcommittee with a copy of the Consolidated Annual Performance Evaluation Report (CAPER) for each of the 100 grantees. The logistical considerations of this request prevent HUD from providing the material immediately because HUD does not receive copies of the CAPER in the Washington headquarters office. Hard copies of grantee-prepared CAPERs are available through both the grantee and the appropriate HUD field office. Also, please keep in mind that the CAPER is not limited to the CDBG program: it includes information on the use of funds received under three other Community Planning and Development (CPD) formula programs - HOME, Emergency Shelter Grant (ESG) and Housing Assistance for People with AIDS (HOPWA). Further, an average CAPER for a large grantee may consist of 250 to 300 pages of narrative and supporting material. To illustrate the size of these documents, a copy of the City of New York's complete CAPER for the most recent program year is enclosed and may also be viewed on-line at: http://www.nyc.gov/html/dcp/pdf/resource/2004_proposed_apr.pdf. Many CDBG grantees provide similar on-line access to their CAPER, but are not required to do so by HUD. If the Subcommittee desires, HUD could provide links to other local government web sites through which individual CAPERs may be accessed.

QUESTION 3 - City Journal columnist Steven Malanga recently authored an article entitled *America's Worst Urban Program* (see enclosure). Mr. Malanga's article is extremely critical of the CDBG program and makes some assertions that, if true, are very disturbing. For example, Mr. Malanga claims that "nearly 25 percent of block-grant loans wind up in default" and that Section 108 loans have "a staggering 59 percent default rate." Please provide the Subcommittee with a response to the assertions made in Mr. Malanga's article.

RESPONSE - Mr. Malanga's article uses, on a selective basis, data contained in the Urban Institute's study, entitled "Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD-Supported Local Economic Development Lending Activities." Such selective use of the data distorts the findings of the study (copy enclosed). The article is also misleading with respect to the extent to which CDBG funds (including Section 108 guaranteed loan funds) are used for business lending.

The impact of defaults cannot be measured accurately by focusing on the number of loans that are non-performing, as the article attempts to do. The impact of defaults is more appropriately gauged by the percentage of the original loan amount currently outstanding that is non-performing (i.e, the amount of loans that are in default or severely delinquent). The Urban Institute's report indicates that the non-performing rate is 13 percent for the block-grant funded loans. The Section 108 data are skewed by the results in one-community with an above average proportion of Section 108 funds and below average performance. When that community is removed from the sample, the non-performing rate for Section 108 funded loans is reduced from 23 percent to 13 percent. In other words, the percentage of principal outstanding in non-performing loans for both block-grant and Section 108 funding (reduced sample) is the same – 13 percent. The actual losses on the loans will be significantly less because most of the third party loans are collaterally secured (e.g., by real estate). Although HUD believes performance in this area can be improved, the non-performing rates based on dollar volume are not out of line with the types of higher risk loans that communities have made.

No matter how the data in the Urban Institute report are interpreted, it is highly misleading to draw any inferences about the CDBG program as a whole from business lending activities. As noted in the report, third party loan funding over the 1990-1999 period constituted only 3 percent of funding for all CDBG activities and 18 percent of funding for all Section 108 activities.

The article also contained a number of other assertions, most of which are advocatory and have little, if any, empirical support. Obviously, however, performance deficiencies exist in some communities, making it more difficult for those communities to address their community and economic development needs. For example, a grantee with an excessive default rate on third party loans will jeopardize its ability to create jobs in sufficient numbers to meet revitalization goals in its distressed neighborhoods. To assist such grantees in improving their performance, a joint working group (composed of grantee members of the major national community development organizations, Office of Management and Budget, and HUD) developed a framework of outcome indicators for CPD formula grant programs. The framework was published in the enclosed notice from the Federal Register on June 10, 2005. Grantees that utilize CDBG funds for third party loans will be able to use the outcome indicators (e.g., number of jobs created) to measure their performance in meeting goals. When a grantee's performance is deficient in meeting goals with respect to activities that involve third party lending, it can implement corrective action (e.g., improving its loan underwriting).

I hope that this material is responsive to the Subcommittee's needs and interests. To the extent you have further inquiries, Secretary Jackson and I would be pleased to respond. Thank you for the opportunity to have appeared before the Committee on May 24 and to present this information regarding the Community Development Block Grant program.

Thank you for your interest in the Department's programs.

Sincerely,

Roy A. Bernardi

Roy A. Bernardi

Enclosures

Administrative Cost Data for 100 Largest CDBG Grantees
Ranked by Population

GRANTEE NAME	STATE	POPULATION (2003 EST.)	FY 2005 CDBG GRANT	PROGRAM YEAR 2003					
				Administrative and Planning		Housing Rehabilitation Administration		Code Enforcement	
				$ Disbursed	% Disbursed	$ Disbursed	% Disbursed	$ Disbursed	% Disbursed
NEW YORK	NY	8,085,742	$207,193,963	$34,140,012	13.85%	$0	0.00%	$26,308,312	10.67%
LOS ANGELES	CA	3,819,951	$82,129,264	$32,269,594	27.77%	$0	0.00%	$3,844,707	3.31%
CHICAGO	IL	2,869,121	$95,489,820	$23,778,893	20.22%	$7,690,442	6.54%	$344,985	0.29%
LOS ANGELES COUNTY	CA	2,300,746	$34,343,465	$7,527,571	14.70%	$0	0.00%	$3,220,618	6.29%
HOUSTON	TX	2,009,690	$34,243,067	$7,357,550	18.30%	$1,254,469	3.12%	$863,532	2.15%
COOK COUNTY	IL	1,669,556	$11,970,108	$2,322,445	15.76%	$179,917	1.22%	$0	0.00%
MIAMI-DADE COUNTY	FL	1,547,239	$22,409,025	$4,875,861	18.58%	$88,512	0.34%	$770,338	2.94%
PHILADELPHIA	PA	1,479,339	$59,720,856	$16,480,020	19.79%	$8,635,471	10.37%	$0	0.00%
PHOENIX	AZ	1,388,416	$19,257,051	$2,882,592	15.82%	$8,385	0.05%	$512,848	2.81%
HARRIS COUNTY	TX	1,364,460	$12,130,506	$2,979,852	26.84%	$3,901	0.04%	$0	0.00%
SAN DIEGO	CA	1,266,753	$17,281,982	$2,632,123	13.21%	$0	0.00%	$1,088,076	5.46%
NASSAU COUNTY	NY	1,232,064	$17,567,621	$3,524,572	20.39%	$110,046	0.64%	$259,731	1.50%
SAN ANTONIO	TX	1,214,725	$16,483,127	$3,737,283	14.45%	$254,616	0.98%	$0	0.00%
DALLAS	TX	1,208,318	$20,025,196	$3,951,321	13.12%	$2,582,724	8.58%	$771,057	2.56%
FAIRFAX COUNTY	VA	1,022,436	$6,905,321	$868,619	13.99%	$0	0.00%	$0	0.00%
RIVERSIDE COUNTY	CA	988,230	$11,525,760	$2,504,200	28.47%	$0	0.00%	$0	0.00%
ST LOUIS COUNTY	MO	919,618	$6,099,465	$1,143,500	17.93%	$440,922	6.92%	$11,000	0.17%
DETROIT	MI	911,402	$43,321,807	$10,937,144	20.22%	$5,651,046	10.45%	$0	0.00%
PALM BEACH COUNTY	FL	909,124	$7,868,623	$1,813,048	23.49%	$601,387	7.79%	$0	0.00%
HONOLULU	HI	902,704	$11,224,510	$2,134,976	9.25%	$0	0.00%	$0	0.00%
SAN JOSE	CA	898,349	$11,475,479	$2,623,976	16.33%	$0	0.00%	$2,591,974	16.13%
BERGEN COUNTY	NJ	897,569	$11,961,908	$1,692,909	13.03%	$0	0.00%	$0	0.00%
ALLEGHENY COUNTY	PA	864,387	$18,356,147	$4,281,055	20.48%	$0	0.00%	$47,129	0.23%
MONTGOMERY COUNTY	MD	848,222	$5,891,237	$918,994	14.76%	$64,976	1.04%	$0	0.00%
JACKSONVILLE-DUVAL COUNT	FL	815,864	$7,743,767	$1,517,599	20.11%	$312,607	4.14%	$0	0.00%
OAKLAND COUNTY	MI	803,643	$4,356,395	$1,282,325	14.05%	$991,592	10.86%	$465,463	5.10%
INDIANAPOLIS	IN	793,430	$10,770,100	$2,144,402	13.73%	$111,807	0.72%	$0	0.00%
PRINCE GEORGES COUNTY	MD	784,382	$7,043,379	$1,323,806	22.61%	$1,050,000	17.93%	$477,221	8.15%
BALTIMORE COUNTY	MD	777,184	$4,824,337	$1,304,049	17.36%	$217,193	2.89%	$0	0.00%

Prepared by HUD, Office of Community Planning and Development

Administrative Cost Data for 100 Largest CDBG Grantees
Ranked by Population

GRANTEE NAME	STATE	POPULATION (2003 EST.)	FY 2005 CDBG GRANT	PROGRAM YEAR 2003: Administrative and Planning		Housing Rehabilitation Administration		Code Enforcement	
				$ Disbursed	% Disbursed	$ Disbursed	% Disbursed	$ Disbursed	% Disbursed
HILLSBOROUGH COUNTY	FL	755,760	$6,726,087	$1,116,116	14.77%	$724,418	9.59%	$286,071	3.79%
SAN FRANCISCO	CA	751,682	$24,136,382	$7,255,412	22.72%	$2,641,710	8.27%	$0	0.00%
KING COUNTY	WA	736,281	$5,037,471	$1,204,899	10.91%	$199,984	1.81%	$0	0.00%
COLUMBUS	OH	728,432	$7,397,066	$24,815,956	18.19%	$2,295,577	16.83%	$237,212	1.74%
ORANGE COUNTY	FL	723,061	$6,954,105	$891,805	11.75%	$203,918	2.69%	$0	0.00%
SACRAMENTO COUNTY	CA	714,362	$7,553,631	$1,121,900	12.10%	$279,795	3.02%	$458,221	4.94%
SUFFOLK COUNTY	NY	711,113	$4,241,020	$894,331	18.02%	$46,235	0.93%	$157,288	3.17%
CLARK COUNTY	NV	699,895	$7,056,508	$601,523	9.90%	$27,561	0.45%	$76,578	1.26%
GWINNETT COUNTY	GA	687,325	$4,615,969	$293,830	7.34%	$63,165	1.58%	$0	0.00%
DU PAGE COUNTY	IL	682,607	$4,060,653	$669,642	12.53%	$45,111	0.84%	$0	0.00%
AUSTIN	TX	672,011	$8,476,947	$1,116,065	11.93%	$0	0.00%	$0	0.00%
MEMPHIS	TN	645,978	$9,202,561	$2,600,877	16.82%	$0	0.00%	$0	0.00%
DE KALB COUNTY	GA	643,300	$6,504,796	$870,218	15.08%	$641,756	11.12%	$0	0.00%
BALTIMORE	MD	628,670	$27,003,139	$3,985,128	15.45%	$918,508	3.56%	$4,188,722	16.24%
SAN BERNARDINO COUNTY	CA	604,856	$8,426,157	$2,268,833	18.06%	$0	0.00%	$98,617	0.78%
MONTGOMERY COUNTY	PA	600,933	$4,209,531	$651,279	14.48%	$173,272	3.85%	$0	0.00%
HENNEPIN COUNTY	MN	600,865	$3,314,879	$342,565	9.30%	$120,055	3.26%	$0	0.00%
SAN DIEGO COUNTY	CA	593,897	$5,408,793	$1,513,519	15.94%	$0	0.00%	$0	0.00%
CUYAHOGA COUNTY	OH	590,058	$3,779,047	$706,428	14.17%	$589,121	11.82%	$0	0.00%
COBB COUNTY	GA	589,893	$3,700,103	$754,173	17.33%	$157,762	3.63%	$0	0.00%
MILWAUKEE	WI	586,941	$19,616,242	$4,244,567	17.80%	$367,228	1.54%	$1,241,235	5.20%
FORT WORTH	TX	585,122	$7,515,650	$1,296,584	19.51%	$1,406,554	21.17%	$0	0.00%
CHARLOTTE	NC	584,658	$5,299,260	$1,223,554	21.94%	$0	0.00%	$0	0.00%
EL PASO	TX	584,113	$9,698,358	$2,148,883	22.07%	$0	0.00%	$0	0.00%
BOSTON	MA	581,616	$23,061,500	$4,345,972	16.44%	$25	0.00%	$0	0.00%
NASHVILLE-DAVIDSON	TN	569,842	$5,622,641	$874,635	14.17%	$917,546	14.87%	$0	0.00%
SEATTLE	WA	569,101	$14,037,888	$2,878,700	16.10%	$13,500	0.08%	$0	0.00%
DISTRICT OF COLUMBIA	DC	563,384	$21,317,203	$8,267,305	21.36%	$694,576	1.79%	$0	0.00%
DENVER	CO	557,478	$10,510,835	$2,226,837	14.77%	$6,216	0.04%	$0	0.00%

Prepared by HUD, Office of Community Planning and Development

Administrative Cost Data for 100 Largest CDBG Grantees
Ranked by Population

				PROGRAM YEAR 2003					
GRANTEE NAME	STATE	POPULATION (2003 EST.)	FY 2005 CDBG GRANT	Administrative and Planning		Housing Rehabilitation Administration		Code Enforcement	
				$ Disbursed	% Disbursed	$ Disbursed	% Disbursed	$ Disbursed	% Disbursed
LAKE COUNTY	IL	556,766	$2,910,496	$496,893	16.92%	$126,810	4.32%	$0	0.00%
CONTRA COSTA COUNTY	CA	546,553	$3,932,306	$694,382	9.57%	$0	0.00%	$0	0.00%
WAYNE COUNTY	MI	539,335	$6,225,637	$1,234,886	16.72%	$146,859	1.99%	$13,000	0.18%
PORTLAND	OR	538,544	$11,487,646	$2,410,538	15.81%	$2,058,071	13.50%	$94,318	0.62%
SNOHOMISH COUNTY	WA	526,097	$3,485,180	$827,691	16.57%	$173,558	3.48%	$0	0.00%
OKLAHOMA CITY	OK	523,303	$6,017,558	$1,304,141	17.55%	$1,005,788	13.54%	$0	0.00%
WESTCHESTER COUNTY	NY	519,478	$6,520,720	$1,065,735	15.75%	$0	0.00%	$10,000	0.15%
LAS VEGAS	NV	517,017	$5,807,332	$748,618	19.14%	$147,977	3.78%	$0	0.00%
ORANGE COUNTY	CA	515,383	$4,390,334	$1,288,300	18.90%	$0	0.00%	$0	0.00%
MONMOUTH COUNTY	NJ	511,578	$3,580,097	$482,509	15.60%	$220,098	7.12%	$0	0.00%
TUCSON	AZ	507,658	$7,061,282	$1,517,461	19.43%	$0	0.00%	$41,248	0.53%
TARRANT COUNTY	TX	502,456	$3,604,397	$628,316	15.04%	$72,032	1.72%	$0	0.00%
BUCKS COUNTY	PA	499,317	$2,712,354	$665,216	25.71%	$0	0.00%	$0	0.00%
PINELLAS COUNTY	FL	499,022	$3,493,162	$970,773	20.70%	$0	0.00%	$0	0.00%
PIERCE COUNTY	WA	482,824	$3,376,774	$800,069	19.44%	$0	0.00%	$0	0.00%
LONG BEACH	CA	475,460	$9,961,929	$1,537,021	15.59%	$59,388	0.60%	$1,568,869	15.92%
ALBUQUERQUE	NM	471,856	$4,981,454	$797,280	15.36%	$658,804	12.69%	$0	0.00%
BROWARD COUNTY	FL	471,681	$5,249,359	$1,082,275	18.77%	$0	0.00%	$0	0.00%
ANNE ARUNDEL COUNTY	MD	470,335	$2,438,423	$577,989	24.38%	$301,310	12.71%	$0	0.00%
NEW ORLEANS	LA	469,032	$17,125,719	$4,826,383	28.59%	$529	0.00%	$3,164,048	18.74%
CLEVELAND	OH	461,324	$27,428,753	$4,663,385	15.02%	$681,100	2.19%	$1,051,981	3.39%
CHESTER COUNTY	PA	457,393	$3,143,079	$657,336	23.78%	$0	0.00%	$0	0.00%
FRESNO	CA	451,455	$8,705,367	$891,492	11.00%	$0	0.00%	$3,081,114	38.03%
JEFFERSON COUNTY	KY	450,255	$2,848,208	$623,963	17.58%	$275,849	7.77%	$0	0.00%
SACRAMENTO	CA	445,335	$6,620,562	$968,366	11.67%	$348,190	4.20%	$250,000	3.01%
NEW CASTLE COUNTY	DE	443,021	$2,732,600	$623,335	13.82%	$450,255	9.98%	$0	0.00%
KANSAS CITY	MO	442,768	$10,163,260	$2,609,596	9.85%	$3,060,212	11.55%	$32,809	0.12%
VIRGINIA BEACH	VA	439,467	$2,856,155	$698,571	19.87%	$799,947	22.76%	$854,137	24.30%
SAN JUAN MUNICIPIO	PR	433,733	$11,883,579	$2,498,284	12.85%	$0	0.00%	$499,524	2.57%

Prepared by HUD, Office of Community Planning and Development

Administrative Cost Data for 100 Largest CDBG Grantees
Ranked by Population

				PROGRAM YEAR 2003					
GRANTEE NAME	STATE	POPULATION (2003 EST.)	FY 2005 CDBG GRANT	Administrative and Planning		Housing Rehabilitation Administration		Code Enforcement	
				$ Disbursed	% Disbursed	$ Disbursed	% Disbursed	$ Disbursed	% Disbursed
MESA	AZ	432,376	$3,904,823	$361,977	6.95%	$348,990	6.70%	$229,894	4.42%
LANCASTER COUNTY	PA	427,424	$3,841,662	$686,030	13.33%	$203,459	3.95%	$0	0.00%
MARICOPA COUNTY	AZ	423,107	$3,213,555	$553,292	14.62%	$0	0.00%	$0	0.00%
ATLANTA	GA	423,019	$10,680,626	$1,602,253	13.88%	$288,440	2.50%	$0	0.00%
MORRIS COUNTY	NJ	413,531	$2,587,903	$414,952	12.42%	$0	0.00%	$0	0.00%
OMAHA	NE	404,267	$5,728,714	$946,186	14.50%	$0	0.00%	$0	0.00%
SALT LAKE COUNTY	UT	400,589	$2,746,645	$527,710	18.21%	$0	0.00%	$23,744	0.82%
HAMILTON COUNTY	OH	399,057	$3,119,388	$598,987	16.47%	$0	0.00%	$0	0.00%
OAKLAND	CA	398,844	$9,510,930	$1,814,652	14.19%	$0	0.00%	$0	0.00%
DAKOTA COUNTY	MN	388,554	$1,951,003	$320,849	12.05%	$24,762	0.93%	$0	0.00%
FRANKLIN COUNTY	OH	388,048	$2,094,477	$392,522	19.43%	$156,044	7.72%	$0	0.00%
TULSA	OK	387,807	$4,253,318	$695,576	15.49%	$178,296	3.97%	$0	0.00%
DELAWARE COUNTY	PA	387,705	$4,684,000	$954,306	15.03%	$0	0.00%	$0	0.00%

Prepared by HUD, Office of Community Planning and Development

Federal Register

Friday,
June 10, 2005

Part IV

Department of Housing and Urban Development

Notice of Draft Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs; Request for Comments; Notice

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4970–N–01; HUD–2005–0011]

Notice of Draft Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs; Request for Comments

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice.

SUMMARY: On September 3, 2003, HUD's Office of Community Planning and Development (CPD) issued CPD Notice 03–09 entitled, "Development of State and Local Performance Measurements Systems for Community Planning and Development Formula Grant Programs." The notice encouraged CPD formula grantees that receive Community Development Block Grant (CDBG) Program, HOME Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG), or the Housing Opportunities for Persons with AIDS Program (HOPWA) assistance to develop and use performance measurement systems. In March 2004, the Council of State Community Development Agencies (COSCDA) convened a meeting with representatives from the National Community Development Association (NCDA), the National Association for County Community Economic Development (NACCED), the National Association of Housing and Redevelopment Officials (NAHRO), the National Council of State Housing Agencies (NCSHA), CPD, HUD's Office of Policy Development and Research (PD&R), and the Office of Management and Budget (OMB) to discuss the development of a performance measurement system that would be used by CPD formula grantees to gather information and determine the effectiveness of their programs. That meeting resulted in the formation of a working group composed of representatives from those agencies and associations. The working group met at various times from June until November 2004 and developed the appendix entitled, "Proposed Outcome Performance Measurement System" which is attached to this notice. This notice solicits comments from the public and particularly from formula program grantees on the proposed performance measurement system.

DATES: *Comments Due Date:* September 8, 2005.

ADDRESSES: Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410–0500. Electronic comments may be submitted through either:

- The Federal Rulemaking Portal at *http://www.regulations.gov;* or
- The HUD electronic Web site at *http://www.epa.gov/feddocket.* Follow the link entitled, "View Open HUD Dockets." Commenters should follow the instructions provided on that site to submit comments electronically.

Facsimile (FAX) comments are not acceptable. In all cases, communications must refer to the docket number and title. All comments and communications submitted will be available, without revision, for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708–3055 (this is not a toll-free number). Copies of the public comments are also available for inspection and downloading at *http://www.epa.gov/feddocket.*

FOR FURTHER INFORMATION CONTACT: Margy Coccodrilli, CPD Specialist, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 7282, Washington, DC 20410–7000, telephone, (202) 708–1577, extension 4507 (this is not a toll-free number). Hearing- or speech-impaired individuals may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Background

CPD Notice 03–09, "Development of State and Local Performance Measurements Systems for Community Planning and Development Formula Grant Programs," encouraged grantees to develop state and local performance measurement systems. In addition, it described the need for HUD to begin to show the results of the federal dollars spent on the activities funded by the CDBG, HOME, ESG, and HOPWA programs.

Many CPD grantees have been frustrated by the inability to "tell their story" to their citizens and other stakeholders about the outcomes of the investments they have made in their communities using federal, state, and local resources. The inability to clearly demonstrate program results at the national level, which is the standard required by OMB's program assessment process, can have serious consequences on program budgets. The proposed outcome performance measurement system will enable HUD to collect information on the outcomes of activities funded with CPD formula grant assistance, and to aggregate that information at the national, state, and local level. The proposed outcome performance measurement system described by this notice is not intended to replace existing local performance measurement systems that are used to inform local planning and management decisions and increase public accountability. Grantees that had a local performance measurement system in place and those who are developing such a system should continue those efforts and are encouraged to make it compatible with this framework.

II. Performance Measurement Objectives

The proposed outcome performance measurement system has three overarching objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, will produce nine possible "outcome/objective statements" within which to categorize formula grant activities. Grantees will complete an outcome/objective statement in HUD's Integrated Disbursement and Information System (IDIS) by entering data in the form of an output indicator, seventeen of which have been specified and are described in the appendix to this notice.

Many of these output indicators already exist in IDIS for one or more formula programs, and this will be familiar to most grantees. However, HUD recognizes the need for terminology to be defined so that grantees, across programs, report data consistently. Some examples of terms that may require definition include numbers of persons served by public facilities or public services, area served, subsidized housing units, first-time homebuyers, and households served.

HUD requests that commenters pay special attention to the output indicators that are intended to represent most of the eligible activities carried out by grantees, and to offer definitions for terms that may be subject to interpretation.

The list of indicators in the appendix does not attempt to describe the data collection process as it would appear in IDIS, but rather attempts to outline the fundamental IDIS data requirements across the four formula program areas and for each of the various eligible activities. In this document, the data output indicators are, by necessity, described in a narrative format that is repetitive. However, the performance measurement system will be incorporated into the redesign of IDIS, or any successor system, allowing for simplified data collection, including drop-lists and yielding performance data that can be aggregated and reported by HUD Headquarters, field offices, or grantees.

HUD acknowledges that there are some outcomes that the Department would like to be able to demonstrate that require more information than could be provided through the data described in this Notice. An example is determining whether a household that was assisted was able to maintain its homeownership. To minimize the burden on grantees, HUD will endeavor to undertake research and evaluation efforts to address such issues.

It is hoped that a fully redesigned IDIS would significantly reduce the overall administrative burden on grantees by folding the Consolidated Plan, Annual Action Plan, and Consolidated Annual Performance and Evaluation Report (CAPER) into a single performance measurement system, thereby eliminating duplicative data entries. In the interim, elements of the performance measurement system will be incorporated into the Consolidated Plan Management Process (CPMP) Tool so that local objectives and outcomes can be entered at the beginning of the Consolidated Plan or Annual Action Plan development process, and accomplishments under those objectives and outcomes can be reported in CAPER. Grantees should continue to encourage citizens and local organizations to participate in the development of their outcome-oriented performance measurement plans and reports and make drafts available for public comment via the Internet, where possible.

The first phase of the IDIS changes, which will be operational by late 2006 or early 2007, will include many elements of the proposed outcome performance measurement system. Consequently, the new performance measurement system is planned to be in place in time for reporting Fiscal Year (FY) 2007 program year activities. HUD intends to provide training in the first half of Calendar Year 2006 so that grantees can include the system's national objectives and outcome statements as part of their FY2007 Consolidated Plan or Annual Action Plan submission.

III. Additional Opportunities for Public Participation

HUD is actively soliciting comments from grantees to improve and fine-tune the design and actual use of this framework. CPD is also planning five facilitation sessions and one satellite broadcast to explain the importance of measuring performance and the use of the proposed outcome performance measurement system to capture those results. Dates and locations of the facilitation sessions are listed below. Additional information regarding the sessions can be obtained by accessing the following Web site: *http://www.icfhosting.com/hud/cdbg/registration.nsf* or by telephone, at (703) 934–3392.

Satellite Broadcast, June 30, 2005.

San Francisco, CA, July 18, 2005.

Philadelphia, PA, July 20, 2005.

Detroit, MI, July 26, 2005.

Atlanta, GA, July 28, 2005.

Austin, TX, August 2, 2005.

Persons wishing to comment, particularly program grantees, may use these sessions to do so, or may send comments directly to HUD using the contact information provided in the ADDRESSES section of this notice.

HUD intends to analyze the comments received and make any appropriate revisions prior to issuing final guidance. This will provide opportunity for grantees to include outcome measurements in their FY2007 Annual Action Plans.

Dated: June 7, 2005.

Pamela H. Patenaude,

Assistant Secretary for Community Planning and Development.

BILLING CODE 4210–29–P

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APPENDIX

Proposed Outcome Performance Measurement System

A Working Group, established by and composed of representatives from national housing and community development associations, as well as HUD and the Office of Management and Budget (OMB), began holding monthly meetings in June 2004 for the purpose of developing an outcome performance measurement system for key HUD housing and community development programs. The working group was made up of grantee representatives from the Council of State Community Development Agencies, the National Community Development Association, the National Association for County Community Economic Development, the National Association of Housing and Redevelopment Officials, the National Council of State Housing Agencies, HUD's Offices of Community Planning and Development and Policy Development and Research and OMB.

On November 17 and 18, 2004, the members of this working group finalized their work and reached agreement on an outcome performance measurement system to propose for the CDBG, HOME, ESG, and HOPWA block grant programs. The proposed system includes objectives, outcome measures, and outcomes. The objectives are: Creating Suitable Living Environments, Providing Decent Affordable Housing, and Creating Economic Opportunities. The outcome categories are: Accessibility/Availability, Affordability and Sustainability. There is a specified list of output indicators that grantees would report on as appropriate for their chosen objectives and outcomes. Not all activities and funds are to be reported under this system, but the Working Group is confident that the list is broad enough so that results will be reported for a significant amount of activities for each program. Most of the output indicators required by the system do not require additional data collection or reporting.

As proposed, grantees would use this system in their five-year Consolidated Plans and Annual Action Plans, but are free to add objectives, outcomes, and indicators specific to their state or local initiatives or priorities. Modifications to existing HUD reporting requirements and mechanisms, such as IDIS, and CAPER or PER, will be made to include these outcomes, indicators, and appropriate data variables.

The system has been designed to enable grantees and HUD to inform Congress, OMB, and the public of many of the outcomes of the covered programs. The goal is to begin focusing on more outcome-oriented information and be able to aggregate results across the broad spectrum of programs at the city, county, and state level funded by these block grants.

HOW WILL IT WORK?

Based on their intent when funding an objective, grantees would determine under which of three objectives to report the outcomes of their projects and activities. Once the objective is chosen, the grantee would choose which of the three outcome categories best reflects what they are seeking to achieve (the results) in funding a particular activity. Next, grantees would choose from a list of indicators (also known as outputs) to report on, and supply the data for those indicators to HUD.

The system maintains the flexibility of the block grants programs as the objectives are determined by the grantees based on the intent of the project and activity. While program flexibility is maintained, the system offers a specific menu of objectives, outcomes, and indicators so that reporting can be standardized, and the achievements of these programs can be aggregated to the national, state, and local level.

OBJECTIVES

Suitable Living Environment. In general, this objective relates to activities that are designed to benefit communities, families, or individuals by addressing issues in their living environment.

Decent Affordable Housing. The activities that typically would be found under this objective are designed to cover the wide range of housing possible under HOME, CDBG, HOPWA, or ESG. This objective focuses on housing programs where the purpose of the program is to meet individual family or community needs and not programs where housing is an element of a larger effort (such as would be captured above under Suitable Living Environment).

Creating Economic Opportunities. This objective applies to the types of activities related to economic development, commercial revitalization, or job creation.

OUTCOMES

Availability/Accessibility. This outcome category applies to activities that make services, infrastructure, housing, or shelter available or accessible to low- and moderate-income people, including persons with disabilities. In this category, accessibility does not refer only to physical barriers, but also to making the affordable basics of daily living available and accessible to low- and moderate- income people.

Affordability. This outcome category applies to activities that provide affordability in a variety of ways in the lives of low- and moderate-income people. It can include the creation or maintenance of affordable housing, basic infrastructure hook-ups, or services such as transportation or day care.

Sustainability: Promoting Livable or Viable Communities. This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low- and moderate-income people or by removing or eliminating slums or blighted areas, through multiple activities or services that sustain communities or neighborhoods.

OUTPUT INDICATORS

Although implementation of the system has not yet been designed, the belief of the Working Group is that most of the input of data on output indicators will be accomplished by a menu-driven "pick list." While there are some data or outputs that will be required for each activity, for the most part grantees will be required to report only on the indicators that apply to the activity funded and source of funds (CDBG, HOME, HOPWA or ESG). If there is an indicator that is not applicable to the activity or an existing program requirement (statutory or regulatory), then reporting is not required for that indicator. However, if such information is available, grantees are encouraged to report that information so that the most accurate numbers can be aggregated.

For each activity, grantees would report on:

- Amount of money leveraged (from other federal, state, local, and private sources) per activity;
- Number of persons, households, units assisted (pick the one most appropriate to project or activity, one only);
- Income levels of persons or households by 30%, 50%, 60%, or 80% of area median income, per applicable program requirements (area benefit activities will show the total number of persons served and the percentage of low- and moderate- income persons served). However, this requirement is not applicable for economic development projects awarding funding on a "made available basis;"
- Number of communities/neighborhoods assisted; and
- Race, ethnicity, and disability (current categories for beneficiary reporting still apply).

Specific Indicators (for CDBG, HOME, ESG, and HOPWA, if applicable)

1) If Activity is _______(select from the list of infrastructure and public service activities)

Number of households assisted:
- with new access to service or benefit
- with improved access to service or benefit
- where activity was used to meet a quality standard or measurably improved quality, report number of households that no longer have access to substandard service only

2) Activities are part of a geographically targeted revitalization effort (Y/N)?

If Yes (check one)

a) Comprehensive
b) Commercial
c) Housing
d) Other

Choose all the indicators that apply, or at least 3 indicators if the effort is (a) Comprehensive.
- Number of new businesses assisted
- Number of businesses retained
- Number of jobs created or retained in target area
- Amount of money leveraged (from other public or private sources)

- Number of LMI persons served
- Slum/blight demolition
- Number of LMI households assisted
- Number of acres of remediated brownfields
- Number of households with new or improved access to public facilities/services
- Number of commercial façade treatment/business building rehabilitations
- Other – can include: crime numbers, property value change, housing code violations, business occupancy rates, employment rates, homeownership rates (optional)

3) Does activity address slum and blight spot basis (Y/N)?

4) Number of commercial façade treatment/business building rehabilitations (site, not target area based)

5) Number acres of brownfields redeveloped (site, not target area-based)

6) Number of rental units constructed (new) per project or activity

Total number of units:
Of total:
Number affordable
Number Section 504 accessible

Of affordable:
Number subsidized by program (federal, state, or local, with pick list to specify which federal program)
Number of years of affordability guaranteed
Number of housing units (supported through development and operations or rental assistance) for persons with HIV/AIDS:
Of those, number of units for the chronically homeless
Of those, the number made Section 504-accessible
Number of units of permanent housing for homeless persons and families (supported through development and operations):
Of those, number of units for the chronically homeless
Of those, the number made Section 504-accessible

7) Number of rental units rehabilitated

Total Number of units
Of total:
Number Affordable
Number Section 504-accessible
Number brought from substandard to standard condition (HQS or local code)
Number meeting International Building Code (IBC) Energy standards
Of those, number meeting Energy Star standards
Number brought into compliance with lead safe housing rule (24 CFR part 35)

Of Affordable:
Number subsidized by federal, state, or local program (with pick list to specify which federal program)
Number subsidized by program
Number of years of affordability guaranteed
Number of housing units (supported through development and operations) for persons with HIV/AIDS
Of those, the number of units for the chronically homeless
Of those, the number made Section 504-accessible
Number of units of permanent housing for homeless persons and families (that are supported through development and operations)
Of those, number of units for the chronically homeless
Of those, the number made Section 504-accessible

8) Number of owner occupied units rehabilitated or improved

Number of units brought from substandard to standard condition (HQS or local code)
Number of units brought to International Building Code Energy standards
Of those, number brought to Energy Star standards
Number of units brought into compliance with lead safe housing rule (24 CFR part 35)
Number of units subsidized by federal, state or local program (pick list to specify which federal program)

Note: Owner-occupied units are not subject to Section 504 compliance

9) Direct Financial Assistance to homebuyers (Choose all that apply)

First-time homebuyers: Y/N
Subsidized tenants: Y/N
Minority household: Y/N
Downpayment Assistance: Y/N
Closing Costs: Y/N
Mortgage buy-down/Reduction: Y/N
Interest Reduction: Y/N
Second Mortgage: Y/N

10) Number of jobs created

Employer-sponsored health care benefits: Y/N
Type of jobs created (use existing Economic Development Administration (EDA) classification)
Employment status before taking job created:
Number of unemployed _________(N/A for projects awarding funding on a "made available to" basis.)

11) Number of jobs retained, saved, or maintained

Employer-sponsored health care benefits: Y/N
Type of job created (use existing EDA classification)
Prior employment status before taking job created:
Number of unemployed ________(N/A for projects awarding funding on a "made available to" basis)

12) Number of businesses assisted:

- New
- Expansions
- Relocations

DUNS number(s) of those businesses
Two-digit NAIC industry classification (if needed w/ DUNS)

13) Number of new businesses that remain operational 3 years after assistance.
(no reporting necessary, HUD to determine through DUNS report)

14) Does assisted business provide a good or service to meet needs of service area/neighborhood/community (to be determined by community)? Y/N

15) Number of Homeownership Units Constructed, Acquired, and/or Acquired with Rehabilitation (per project or activity)

Total Number of Units

Of those:
Number of affordable units
Number of years affordability guaranteed
Number meeting International Building Code Energy standards
Of those, the number using Energy Star standards
Of those, the number made Section 504-accessible

Of affordable:
Number subsidized by state/local programs
Number subsidized by federal programs
Number specifically for persons with HIV/AIDS
Number specifically for homeless
Of those, number specifically for chronically homeless
Of those, the number made Section 504 accessible

16) Number of renter units assisted with ongoing (monthly) subsidies (Tenant-based Rental Assistance)

Total Number of Units

Of those:
Number subsidized by state/local programs
Number subsidized by federal programs
Number assisting persons with HIV/AIDS
Number assisting homeless
Of those, number assisting chronically homeless
Of those, the number made Section 504-accessible

17) Number of homeless persons stabilized due to access to overnight shelter or other emergency housing support

Examples

Each outcome category can be connected to each of the overarching objectives, resulting in a total of nine groups of outcome/objective statements under which grantees would report the activity or project data to document the results of their activities or projects. They are activities or projects that provide:

- Accessibility for the purpose of creating suitable living environments
- Accessibility for the purpose of providing decent affordable housing
- Accessibility for the purpose of creating economic opportunities
- Affordability for the purpose of creating suitable living environments
- Affordability for the purpose of providing decent affordable housing
- Affordability for the purpose of creating economic opportunities
- Sustainability for the purpose of creating suitable living environments
- Sustainability for the purpose of providing decent affordable housing
- Sustainability for the purpose of creating economic opportunity

Each output should relate to the intended outcome/objective of the program activities and community objectives. A complete statement has these components: Output (quantified) + Outcome (from categories above) + Activity (description) + Objective. Combining these elements into a single sentence summarizes the community's activities, results, intended outcomes, and purpose in a way that can be related to resource inputs. Sometimes an adjective such as new, improved, or corrective may be appropriate to refine the outcome statement.

- 2000 homeless persons have new access to a shelter for the purpose of creating decent affordable housing
- 7 households have new access to homeownership for the purpose of creating decent affordable housing
- 24 households have sustained affordable housing by emergency repair for the purpose of providing decent affordable housing
- 52 households have new access to public sewer for the purpose of creating a suitable living environment
- 52 households have affordable public sewer for the purpose of creating a suitable living environment
- 50 persons have access to new jobs through extension of a water line to a business for the purpose of creating economic opportunity
- 50 households have affordable housing through a down payment assistance program for the purpose of creating decent affordable housing
- 75 very low-income persons living with HIV/AIDS were assisted with on-going (monthly) housing subsidies for the purpose of providing decent affordable housing

These would be the type of outcome statements grantees would report to HUD and include in their Consolidated Plans and Annual Action Plans. See diagram.

PERFORMANCE OUTCOME MEASUREMENT SYSTEM

Step 1: Assess Needs and Select Goals

Step 2: Select Objectives with Outcomes

Availability/Accessibility	Affordability	Sustainability
Enhance Suitable Living Environment Through New/Improved Accessibility	Enhance Suitable Living Environment Through New/Improved Affordability	Enhance Suitable Living Environment Through New/Improved Sustainability
Create Decent Housing with New/Improved Availability	Create Decent Housing with New/Improved Affordability	Create Decent Housing with New/Improved Sustainability
Promote Economic Opportunity Through New/Improved Sustainability	Provide Economic Opportunity Through New/Improved Affordability	Provide Economic Opportunity Through New/Improved Sustainability

Step 3: Design Programs and Choose Activities

Housing Rehabilitation	HIV/AIDS Housing	Housing Counseling
Rental Housing Production	Tenant-based Rental Assistance	Public Services
Community Facilities	Economic Development	Code Enforcement
Public Safety	Housing for Homeless	Water/Sewer
Infrastructure	Special Needs Housing	Utilities
Lead-based Paint Activities	Homeownership Assistance	Transportation

Step 4: Complete the Consolidated Plan/Action Plan

Step 5: Develop the Outcome Statement

Output (quantified) + Outcome + Activity (description) + Objective

Choose indicators based on activity and outcome: (examples)

Number of households assisted	Number of persons stabilized
Number of new businesses assisted	Acres of brownfields remediated
Number of jobs created/retained	Amount of money leveraged
Number of units made 504-accessible	Number of affordable units
Number of years of affordability guaranteed	Number of housing units for HIV/AIDS
Number of jobs with health care benefits	Number of units for chronically homeless
Number of units meeting Energy Star standards	Number of units made lead safe

Step 6: Report (IDIS, CAPER, PER)

For all projects report <u>program</u> requirements plus:

Income levels of persons, or households (30%, 50%, 60%, or 80% of area median income)

Leverage	Number of persons, households, units
Number of communities/neighborhoods assisted	Current racial/ethnic and disability categories

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