NCDA
WASHINGTON REPORT

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NCDA WINTER MEETING JANUARY 23-26, METRO CENTER MARRIOTT
NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7
NCDA 2002 ANNUAL CONFERENCE: JUNE 12-15, PROVIDENCE, RI

FEATURE ARTICLES

FY 2002 CPD ALLOCATIONS

President Bush signed HUD's bill on Monday, November 26. Nothing in the bill changed from the conference report that was passed by both the House and the Senate on November 6. Attached is the complete list of HUD/CPD Allocations for the four formula programs, CDBG, HOME, ESG, and HOPWA.

WHAT THE CUT TO THE CDBG PROGRAM REALLY MEANS

As we all know by now, the CDBG program was cut by approximately $58 million for FY 2002. But what, you might ask, does this really mean, except for the obvious– less money for grantees?

The answer is this; not only will some communities realize the 1.34% across the program cut, but for some communities, the cut will be much more, because of the 2000 Census and the number of new entitlement communities and urban counties (11) competing for less overall dollars. Some states have lost in excess of seven percent of their CDBG allocation largely due to new urban counties coming online and the change in the state-wide population. Our friends at HUD have analyzed the cut to the CDBG program on all levels, so that grantees will understand, and to help advocates in using this knowledge to make informed decisions during the upcoming budget battles for FY 2003. We have also attached a printout of each community's and state's gain or loss from FY 2001 to FY 2002. These CDBG allocation numbers represent only the direct Congressional allocation, which does not include any recaptured funding.

The following is an explanation of how and why your community may realize a cut in CDBG funding.

CDBG Formula Allocation Changes

The amounts authorized for formula allocation under the CDBG formula decreased by 1.34% for FY 2002 from $4, 399,300,000 to $ 4,341,000,000. The actual change in allocation for an individual entitlement community or state differs from the average based on two influencing factors:

- Changes to the population and growth lag formula variables with use of population from the 2000 census instead of 1999 population estimates and

- Changes to all the formula variables that are caused by revisions to the geography of metropolitan cities and urban counties.

Overall Funding by Category

The following table describes the changes to formula funding and eligible areas by category.

	FY 2001 Allocation ($000)	FY 2002 Allocation ($000)	Percent change in Allocation	FY2001 Count of Eligible Areas	FY2002 Count of Eligible Areas
Overall	$4,399,300	$4,341,000	-1.34%		
Entitlement communities	3,079,510	3,038,700	-1.34%	1,013	1,024
Central cities	2,103,233	2,064,618	-1.87%	539	539
Other Metro cities	360,664	355,436	-1.47%	321	326
Urban Counties	615,613	618,626	0.49%	153	159
State Non-entitlement	1,319,790	1,302,300	-1.34%	51	51

Geographic area changes

For FY 2002 that are a relatively small number of metropolitan cities and urban counties that had changes to their geographic area or classification. These cities and urban counties are shown below:

Metropolitan Cities	Status Changes
Lakewood Township NJ	New Metro city based on population
Franklin Township NJ	New Metro city based on population

Coon Rapids MN	New Metro city in "joint grant agreement" with Anoka MN
McKinney TX	New Metro city based on population
Flower Mound Town TX	New Metro city based on population

Urban Counties

Mobile County AL	New Urban County
Stanislaus CO CA	New Urban County
Manatee County FL	New Urban County
Marion County FL	New Urban County
Dauphin County PA	New Urban County
Richland County SC	New Urban County

There were a number of relatively small changes in the formula factors to the urban counties that had changes to participation of their included places. In addition, the states that have metropolitan cities or urban counties with eligibility changes, especially those states with the new urban counties, will have reduced formula factors.

Impact of Population Change

The 2000 Census population changes were greater than would be expected for the nine-month period from July 1999 to April 2000. In general, an increase in population greater than that experienced in all metropolitan areas helps communities that benefit from formula A and hurt communities with formula B. On the other hand a decrease in population has the opposite effect.

Under the CDBG dual formula, allocations are based on formula A or formula B, whichever provides the higher grant. For entitlement communities, formula A has factors for population, poverty and overcrowded housing, while formula B has factors for population growth lag, poverty and pre-1940 housing. Population growth lag is the shortfall in population that a community has when comparing its population to the population it would have had if it grew like all metro cities from 1960 to the 2000. (States use population instead of growth lag in formula B.)

There are 993 entitlement communities with no changes to HUD geography as described above. Over a third of these communities had population changes over the nine month period that were greater than +/- 5%. However, since the population factor does not account for most of the funding in an allocation and since many of the allocations for these communities were relatively small, the impact on allocation change is generally less than $100,000 and the percentage change in allocation is less than 5%. Even with the decrease in funding, only 31 of these 993 communities had a change in allocation is more than $100,000 and a percent change in grant more than +/- 5%.

The following chart shows how the funding formula affects the 31 entitlement communities with a change in allocation of more than $100,000 and greater than +/- 5% and that had no change in the HUD geography. The chart shows the count of these communities by percentage change in population and shows whether they had an increase or decrease in funding under formula A or B.

FY 2002 entitlement grantees with allocations increases or decreases greater than $100,000 and +/- 5% of the allocation.

POPULATION CHANGE	A – Increase in Allocation	A – Decrease in Allocation	B – Increase in Allocation	B – Decrease in Allocation
Loss > 5%	0	2	5	0
Loss 0-5%	0	0	2	0
Gain 0-5%	0	0	0	0
Gain > 5%	0	0	0	22

Reasons for Population Change

There are three main reasons for a larger than expected population change for any given entitlement community or state:

- **Error with the estimate.** Previous estimates of population may be understated for counties and large communities and states with significant immigrant populations. The Census Bureau reviewed of the process for producing national estimate as part of its work in determining whether to adjust the 2000 population counts for redistricting or other uses. The Bureau found the process for estimating immigrant population at a national level did result in undercounts. Similar processes are used in developing population estimates at the state and county level. Local estimates are shares of the county estimates based on housing estimates and so are indirectly affected by the immigrant estimate undercount.

- **Reduction in the undercount.** Previous estimates may be understated for communities with significant minority populations. The census 2000 did a much better job than the prior decennial census in reducing minority undercounts. Since population estimates are based on adjustments to the decennial census, entitlement areas with minority population that are more frequently uncounted would likely have had continued undercounts with the estimates.

- **Change in the geographic area.** While the Census Bureau did not revise geographic boundaries for HUD's entitlement areas. The HUD changes to geography, as described above in the section on geographic changes, affect all the formula factors for urban counties and states.

The Census Bureau's web site provides detail their analysis of the reduction of the undercount and problems with estimates using immigrant populations. In particular, see the second report to the Executive Steering Committee on the Accuracy and Coverage Evaluation Policy. This report can be found at http://www.census.gov/dmd/www/EscapRep2.html. The Census Bureau also has a site describing their methodology for population estimates.
http://www.census.gov/population/www/methodep.html

OMB AND HUD WORK ON FY 2003 BUDGET

The FY 2003 budget process officially started in August of this year, with HUD providing its budget request to the Office of Management and Budget (OMB). Each of the two agencies will negotiate until agreement is reached in late December. Based on information fromcongressional staff, OMB is looking at a bleak budget for most federal agencies, suggesting a 5 percent across-the-board cut to all federal agencies (we doubt that this includes the Department of Defense). This cut is still a rumor, but we have been told by all parties concerned to expect program cuts this year.

HUD's budget will need to increase by $1.86 billion in FY 2003 to meet the continued demand for expiring Section 8 contract renewals. If Congress chooses to increase HUD's budget for this purpose, we would venture to guess that other program areas within HUD will be cut even deeper. Needless to say, this does not bode well for our programs, CDBG and HOME. Even though these are both stellar programs, the CDBG program was cut this year by approximately $58 million, and HOME's formula was not increased at all. It is also important to note that the $58 million cut to the CDBG program came from the formula, amount to grantees, with set-asides continuing to expand.

This means that we will all have to work harder in the coming year to ensure that these two programs are recognized for their excellence with an increase in appropriations in FY 2003. We will need your help in meeting with your congressional members, whether here in Washington, D.C., or at your congressional district offices, to impart to them how effective these two programs have worked in their districts. We encourage all of you who plan to attend our Winter Meeting in January to schedule a visit with your congressional members. There will need to be continued follow-up on your part to keep the message ringing loud and clear in their minds throughout the year. We encourage you to get your sub-recipients involved and the citizens who have benefitted directly from these programs in working with you to "tell your story" to congressional members.

NCDA and other local government interest groups will continue to do our part by meeting with HUD and congressional staff, testifying before committees and subcommittees, and working together to sponsor events to heighten attention and knowledge of the good works of both of these programs.

SENATE BANKING COMMITTEE HOLDS HEARING ON HOUSING AND COMMUNITY DEVELOPMENT NEEDS IN FY 2003

On Thursday, November 29, the Senate Banking, Housing, and Urban Affairs Committee held a hearing on HUD's Housing and Community Development Needs in FY 2003. Witnesses included Kurt Creager, President of the National Association of Housing and Redevelopment Officials, Bart Harvey, CEO of the Enterprise Foundation, and Raymond Skinner, Director of the Maryland Department of Housing and Community Development, among others.

Most of the witnesses testified about their dissatisfaction with HUD's FY 2002 budget and urged Congress to increase HUD's budget in FY 2003. Many witnesses also testified about the increasing demand for the production of more affordable housing, whether through a whole new program or within existing HUD programs. Both CDBG and HOME were lauded throughout the testimony of several of the witnesses.

In his remarks, Mr. Creager, President of NAHRO, told the Committee of his disappointment in the cut to the formula allocation for CDBG in FY 2002, despite the programs effects in creating jobs, developing affordable housing, and providing other necessary services and programs to communities across the country. He also told the Committee that NAHRO did not support the $50 million set-aside within the HOME program for down payment assistance and asked that this set-aside be eliminated and HOME funded at $2 billion in FY 2003.

Bart Harvey, CEO of the Enterprise Foundation, told the Committee that the Foundation's recommendations to the administration for HUD's budget in FY 2003 include: (1) increase housing production, especially for extremely low-income households; (2) expand the capacity of community-based groups to deliver housing help; and (3) encourage and empower the private sector to do more to help meet housing needs. In terms of housing production, Mr. Harvey told the Committee that, "...the federal government has largely withdrawn from housing production over the past 20 years. HUD's budget in real terms is less than half of what it was in 1980 and only about one-quarter of the Department's shrunken funding today goes to new production and rehabilitation." Harvey told the Committee that, "HOME is an especially important tool for community-based groups, which have received almost half of all HOME funds. He told the Committee that the Enterprise Foundation recommends a funding level of $2.9 billion for HOME in FY 2003. "This amount would roughly equal an inflation adjustment to HOME's initial 1993 authorization level of $2 billion, says Harvey."

Raymond Skinner, representing the National Council of State Housing Agencies, testified to the importance of both the HOME and CDBG programs, but also suggested targeting more resources to states. "One sure way to deliver federal housing resources more efficiently and target them more effectively is to devolve greater responsibility for their administration to the states, " Skinner in his testimony. He also continued his push for a state-administered housing production programs. "One of NCSHA's highest legislative priorities and a priority of the National Governors' Association is the creation of a new, state administered rental production program, targeted, in significant part, to extremely low income families. States are in the best position to combine new, flexible funding with Bonds, Housing Credits, and other resources and to target limited funds to our most critical needs." This proposal stands in complete opposition to NCDA's and other local government interest groups who have advocated for increased funding for a production element with HOME.

NCDA, the National Association for County Community Economic Development (NACCED), and the National Association of Local Housing Finance Agencies (NALHFA) provided joint written testimony to the Committee. In our testimony, we urged the Committee to increase funding for CDBG and HOME in FY 2003 by providing $2.25 billion for HOME, along with an additional $2 billion for a housing production element, and at least $5 billion formula funding for the CDBG program. In terms of housing production, we wrote in our testimony that, "... in an effort to avoid a situation where a new production program would compete with HOME....we propose that a housing production element be incorporated within HOME, since the infrastructure is already in place within HOME to implement such a program."

In terms of CDBG and HOME, we asked that set-asides in both programs be scaled back or eliminated altogether. We also sought technical assistance funding for both HOME and CDBG and requested ongoing funding for IDIS until the new Departmental Grants Management System (DGMS) is in place.

REID HOLDS HEARING ON CHILDHOOD LEAD POISONING

Senator Jack Reed (D-RI), Chairman of the Subcommittee on Housing and Transportation, held a hearing on "Lead-Based Paint Poisoning: State and Local Responses" on Thursday, November 18. Witnesses included the Honorable Sheldon Whitehouse, Attorney General, State of Rhode Island; Richard Fatur, Environmental Protection Specialist, Colorado Department of Public Health and the Environment; Sue Heller, Project Administrator, Manchester (Connecticut) Lead Abatement Project; and Nick Farr, Executive Director, National Center for Lead-Safe Housing.

Among the issues the hearing examined were the continuing affects of lead poisoning on children; the strengths and weaknesses of programs to permanently eliminate lead poisoning; and state and local government efforts to recover the costs of abatement and treatment programs linked to lead paint. Witnesses testified about the continued prevalence of lead problems in older housing, the ignorance of lead safety nationwide, insufficient screening in many states and an overall shortage of resources to respond to the problem. In discussing the affects of lead poisoning on children, several witnesses testified as to the damage lead paint can cause to the physical and mental ability of children. "Childhood lead poisoning is still the number one environmental disease of children. Once the lead has affected the brain and central nervous system, the damage is permanent and irreversible," said Nick Farr of the National Center for Lead-Safe Housing. According to Farr, the greatest risk of lead poisoning occurs in older housing units that contain lead hazards and that either will be or are currently occupied by low-income families with children under six. While only 1.6 million homes with lead-based paint hazards are presently occupied by low-income families with a child under six, most low-income families move frequently, particularly those living in rental housing units, that are most likely to be in poor condition due to lack of maintenance. Nick estimates that the number of hazardous housing units in which low-income families with young children now live or are likely to live in the near future could well exceed 3 million.

Sheldon Whitehouse spoke about Rhode Island's efforts at both the local level and state level to combat lead poisoning. Mr. Whitehouse told the White House that Providence has been active in attacking lead paint. The city allocates local funds to help homeowners make their properties safe. The city's primary focus is on providing lead safe, healthy housing, and public education to its residents. Through an experienced lead abatement team, $5 million in HUD and National Safe Houses Corporation grants, close enforcement coordination with my office and the Department of Health, and aggressive public outreach to children, parents, schools, and even Realtors, elevated blood lead levels in Providence's children have dropped from 38% of those entering Providence kindergartens in 1998 to 25% today. The State of Rhode Island is also embroiled in a law suit with the lead pigment industry to force them to help pay for the problem.

All of the witnesses testified to the need for more funding to deal with lead-based paint, including funding for continued training of grantees and personnel in implementing Title X of the Housing and Community Development Act of 1992. Nick Farr asked told the Subcommittee that Congress needs to appropriate at least $400 million for HUD's Lead Hazard Control Grant Program to start to meet the demand for more funding to eliminate lead-based paint from housing built before 1978. Currently, the program receives less than $100 million.

CDBG TIMELINESS LETTER SENT TO GRANTEES ON NOVEMBER 19

By now, most communities have received at least one of the letters from Assistant Secretary Roy Bernardi detailing exactly how HUD will address untimely communities. We have attached a copy of the first letter that was sent out on November 19. A second letter to untimely communities will be or has been forwarded, and luckily for everyone, there are only 140 communities receiving those letters. Congratulations to everyone for helping get the number of untimely communities down to the lowest level in recent history!!! We will keep you posted on new developments in the ongoing timeliness saga.

NCDA NOTES

NCDA WINTER MEETING

Attached to this newsletter is a flyer and raft agenda for the NCDA 2002 Winter Meeting, being held in Washington at the Marriottat Metro Center Hotel. Given the events of September 11, and the difficulty of many members are having in securing permission to travel, especially to Washington, NCDA staff has reduced the normal number of sleeping rooms in our room block. Therefore, we encourage you to make your reservations as soon as possible. We believe that there will be adequate space available, however, NCDA does not want to be in a position to be forced to pay meeting room rental if we don't have to. **MAKE YOUR RESERVATIONS EARLY!!!**

NCDA EXECUTIVE SYMPOSIUM SURVEY

During the past two years, the NCDA\CDTI Annual Executive Symposium has been held in Tucson, AZ. It has been suggested that we move the Symposium to a different location for 2002. The intent is to maintain the "resort-like" atmosphere and do more sessions that showcase members programs and projects. It has also been suggested to incorporate facilitated sessions to define the legislative agenda for the upcoming Congressional year. To that end, NCDA staff is asking members to complete the attached survey to help us determine the site for 2002. Thank you.

JOB ANNOUNCEMENTS AND ATTACHMENTS

Please go to NCDAonline (http://ncdaonline.org) to access the files below.

- FY 2002 HUD/CPD Allocations
- FY 2002 Cuts to the CDBG Program
- CDBG Timeliness Letter from Assistant Secretary Bernardi
- Board of Directors Meeting Minutes
- Executive Symposium Survey