NCDA WASHINGTON REPORT

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FEATURED ARTICLES

STATUS OF FY 2003 APPROPRIATIONS BILLS

With only 10 days remaining in the fiscal year, **NONE** of the FY 2003 appropriations bills has been signed into law by the President. In fact, only five of the 13 Appropriations bills have been passed by the House and only three by the Senate. Even Einstein would be hard-pressed to come up with the math that would suggest that there is time enough to get all 13 bills passed and on the Presidents desk before the November elections.

So, what is the hold up? Obviously, one of the main reasons for this debacle was the terrorist attacks of September 11, 2001.

The need for a supplemental appropriations bill to help wage a war on terrorism and to provide aid to the victims and the affected cities of these attacks has taken up a lot of Congress' time. Also, there is that nasty recession to deal with. With the economic slowdown, there are less tax dollars coming into the federal coffers, and the disappearing budget surplus combined with the ever popular tax cut has made the job of lawmakers deciding discretionary spending even more difficult. This is particularly true when most Republicans want to support the President and hold the line on spending levels he set in his budget, as well as provide increases in military spending and provide aid to the victims of September 11. Then there were all those hearings on ENRON, Arthur Anderson and WORLDCOM to get through, and of course we can't forget that this is an election year. Election years have a way of causing even the most non-contentious Congressional processes to erupt into raging volcanos. Lets face it, this was just a very bad year to get any real appropriations work done, particularly when the expected surpluses of the last few years have disappeared. The budgetary "wiggle room" the Appropriators had gotten used to no longer exists.

The Democrat-controlled Senate set its discretionary spending level at $768 billion, nine billion over the President's limit of $759 billion. This $759 billion figure mirrors that of the Republican-controlled House of Representatives. A scenario such as this sets the stage for an appropriations process that brings to mind the twelve labors of Hercules, or in this case, the 13 labors of Congress.

The Likely Scenario

Ever since Congress returned from recess, all of us in Washington have been subjected to rampant speculation on how this year's appropriations process will resolve itself. First we heard that a continuing resolution (CR) would be passed to keep the government operational until after the elections, and then Congress would return in a "lame duck" session and finalize the unfinished bills. Others thought that Congress would pass a long-term CR and leave the FY 2003 appropriations bills to the new Congress. Senate Majority Leader Tom Daschle has said he does not support a long term CR and won't even consider that Congress cannot finish its work during this Congress. Washington pundits feel that Daschle's position is due to the fact that his fellow Senators would be even less cooperative in trying to wrap things up before they leave town for the mid-term elections if a long-term CR is passed. After all, the Senate passed all of its bills out of Committee before the August recess.

The odds suggest that a long-term CR will be passed using FY 2002 funding levels for all unfinished bills which will have to await the 108th Congress. The President has gone on record saying that he will not sign any long-term CR until the Defense bill is passed. New funding in that bill will be needed for the war on terrorism and the impending war with Iraq. Presently, House Speaker Hastert is trying to stop Republican in-fighting on the Labor-HHS bill (HR 5320). Appropriations Chairman Young has stated that this bill will have to be passed before any other bills are tackled in the House. At this writing, the bickering is still going on. Not much has changed since Congress returned from the recess. The only appropriations bill to be signed by the President is the Supplemental Bill; this occurred on August 2. Those bills that have passed out of the full appropriations committees are awaiting floor action and conferencing. The best guess on which bills will reach the President's desk first (before or after a CR) are Defense, Military Construction, Legislative Branch, and Treasury-Postal.

A CDBG Note

If the above scenario holds, the CDBG program will be funded at FY 2002 formula levels until Congress provides HUD with an FY 2003 allocation. It is a given that the HUD/VA bill will not be on the list of bills likely to pass before the CR goes into effect. Therefore, all the new entitlement communities that are scheduled to become part of the CDBG program will do so at last year's funding levels, and with the new Census data. This of course means that those communities who are expecting losses due to the new Census data may receive even bigger losses when the additional entitlement communities are added to the mix.

HOUSE SUBCOMMITTEE HOLDS HEARING ON TECHNICAL ASSISTANCE

On September 17, the House Financial Services Committee's Subcommittee on Housing and Community Opportunity held a hearing on "Technical Assistance and Capacity Building Programs to Promote Housing and Economic Development." The hearing was, at least in part, the likely result of a deal struck by Rep. Stephanie Tubbs Jones (D-OH) with Financial Services Chairman Michael Oxley (R-OH). During a previous committee markup of subcommittee Chairwoman Marge Roukema's omnibus housing bill (HR 3995), Rep. Tubbs Jones had offered an amendment on technical assistance; she withdrew that amendment after being promised an opportunity to present the legislation at a separate hearing. The September 17 hearing also coincided with the release of a preliminary General Accounting Office (GAO) report, requested by Chairwoman Roukema, reviewing technical assistance and capacity building programs at the Department of Housing and Urban Development.

Chairwoman Roukema was unable to attend the hearing, so Rep. Sue Kelly (R-NY) wielded the gavel in her place. Rep. Kelly told those in attendance that she views technical assistance and capacity building as crucial tools for addressing needs of low-income persons. Although technical assistance is provided to a variety of organizations and governmental entities, Rep. Kelly stated that the hearing would focus on Community-based Development Corporations (CDCs).

Tubbs Jones' bill, HR 3974, was introduced on March 14 with Rep. J.C. Watts, Jr. (R-OK). The bill would authorize $75 million in grants for fiscal years 2003, 2004, and 2005. Individual grants would range between $250,000 and $1,000,000, and there would be no matching requirements. According to the text of the legislation, "$10,000,000 [would] be available only for technical assistance and training activities, to be conducted by a national organization having extensive nationwide partnerships and experience in working with community-based economic development organizations." No less than $4,000,000 of each year's $10,000,000 set-aside would in turn be reserved for use with development organizations located in rural areas.

In her testimony Rep. Tubbs Jones stated that the average CDC has an annual budget of $200,000 to $399,000 and a median staff size of six. Ms. Tubbs Jones argued that most CDCs are "run on a shoestring." "At what level might they operate," she pondered, "with a full set of shoe laces?" There is nothing in the legislation hinting at the possibility that a $250,000 grant might be overkill for some smaller CDCs. And with the minimum grant amount set at $250,000, it is not difficult to imagine a scenario in which far too few grants, in amounts that might exceed actual needs, are awarded to CDCs located in communities of all sizes.

There are over 3600 CDCs operating in the United States. Unless CDCs receiving grants redistribute funds to non-recipients (which the bill would allow), only a small fraction of CDCs would be helped by this act. One possible solution, of course, would be to distribute technical assistance grants to units of local governments, then allow these local governments to make reasonable-sized grants to deserving organizations. Local governments are better positioned than HUD HQ to make nuanced assessments of the needs of the CDCs operating within their respective boundaries.

HR 3974 would create several new responsibilities for HUD HQ, including "a study to assess the capability needs of community-based economic development organizations," new annual reports to Congress, and the creation of a "Secretary's Advisory Council on Community Economic Development" charged with "making recommendations for actions or measures to further involve community-based economic development organizations in the strategic operations of Federal agencies in support of community economic development." In his testimony, Thomas McCool, Managing Director of Financial Markets and Community Investment for the GAO, testified that HUD currently "does not offer any central guidance on, or require its program offices to directly measure, the impact or outcomes" of the TA programs it already administers. For example, GAO's research revealed that HUD's Office of Community Planning and Development (CPD) "is collecting the data needed to measure program impact but does not have the capacity to do anything with the information." The GAO has recommended that HUD develop a plan for measuring the impact and/or outcomes of its existing TA programs, and Rep. Kelly seemed to imply that creating even more responsibilities for HUD HQ before such a plan is developed might be somewhat premature. GAO plans to issue its own recommendations in a report next month. We are not aware of any plans to bring the bill before the subcommittee for a markup.

Other witnesses providing testimony at the hearing included F. Barton Harvey III, Chairman and CEO, The Enterprise Foundation; Reese Fayde, CEO, Living Cities; Abdul Rasheed, President and CEO, North Carolina Community Development

Initiative on behalf of The National Congress for Community Economic Development; Michael Swack, Director, School of Community Economic Development, Southern New Hampshire College; and Greta Harris, Senior Program Director, Local Initiatives Support Corporation. For copies of all written testimony, please visit the Financial Services Committee website at http://financialservices.house.gov.

HUD SEEKS $13 MILLION FOR CDBG TECHNICAL ASSISTANCE

During a recent Chicago briefing to grantees, consultants and technical assistance service providers, HUD officials indicated that CDBG technical assistance is a top priority for FY 2003. The FY 2003 HUD Budget anticipates a 3% set-aside for CDBG TA that would be roughly $13 million dollars nation-wide, which is part of the President's request. This is great news for CDBG grantees, who haven't seen any new funding, at the field office level or nationally for more than five years. Perhaps there is a renewed push from CPD to provide a similar level of technical assistance for CDBG that the HOME program has enjoyed, statutorily, since its inception. It could also be that, due to the work of NCDA and its members along with communities of other associations on issues such as timeliness (only 6% of CDBG entitlement grantees are untimely) and program administration, the continued push for TA funds has finally done the trick. The only question now is whether Congress will support HUD in this request.

Other news from the briefing suggests an increase in funding for lead-based paint programs to $126 million is imminent. NCDA has reported on a proposed program that would target funding to those communities with the greatest need– those with the highest concentration of units containing lead paint. The intent of the program is to streamline the process for these communities to receive funding without having to spend the unnecessary time to prepare applications through the existing competitive process.

Another item that received good support during the briefing was HUD's Conplan Streamlining Initiative which if implemented as envisioned, would reduce the Conplan from 61 documents to 12 (this is a direct request from OMB). The goal is to move to a Conplan that can be submitted electronically, which in most cases is still not being done. (See a more detailed article on this project in the "HUD News" section of this newsletter.)

Follow-up plans include improvements to IDIS which would make producing the CAPER easier. A footnote to IDIS improvements include incorporating Section 108 Loan Guarantee activities within the reporting functions of IDIS. HUD continues to work hard to remind all grantees that Section 108 can be used for any CDBG-eligible activities, including housing. HUD is also pushing job-creation projects. Currently, the Section 108 variable rate is 2% and the fixed rate for 20 years is 4.7%. HUD will be contracting out Section 108 servicing to a central servicer in the next year. We don't know who the loan servicing entity or entities will be, but they will most likely be one of the accounting firms such as Price Waterhouse or other firms that HUD has used to help them develop the security requirement for the 108 program.

On the HOME front and as reported in the President's budget, HUD is hoping for a $117 million increase in FY 2003 funding, after set-asides. The HOME staff is undertaking two initiatives: A Final HOME Fix-it rule and a series of technical corrections, including some related to administrative dollars for states and sub-grantees. Other HOME areas that will be addressed include:

- Greater Citizen/Grantee Input
- Strengthening of HUD HOME Website
- HOME-funded loan guarantees
- CHDO Conflicts of Interest
- Manufactured Housing (currently 1/4 of all HOME units)
- Subsidy Layering for Single Family projects

The HOME staff is also working on ten "How to"guides for the web site, and have scheduled 150 training deliveries from now till July 2003. The "How to" guides will include:

- Cross-cutting regulations
- Lead-based Paint
- Underwriting SF and MF
- Rental Housing
- Low Income Housing Tax Credits

Other HOME-related initiatives include: six interactive training courses that would be accessed through the HOME web site; better IDIS reporting, data clean-up, PJ ranking reports, and production reports.

SENATE HOUSING AND URBAN AFFAIRS SUBCOMMITTEE MARKS UP S 2239

At a hearing on September 12, the Housing and Urban Affairs Subcommittee of the Senate Banking Committee unanimously approved S 2239, a bill aimed at simplifying down payment requirements for FHA mortgage insurance for buyers of single family homes. Passage of this bill also included an amendment that would repeal a scheduled increase in the fees charged by the Government National Mortgage Association (Ginnie Mae) for the guarantee of mortgage-backed securities. Two other amendments offered and, with some coercion from the leadership of both parties, then withdrawn are likely to resurface when and if the bill reaches the Senate floor. One amendment, offered by Jon Corzine, D-NJ, would increase the FHA multi-family housing loan limit and index future increases to the Commerce Department's annual construction cost index. The other, sponsored by Wayne Allard, R-CO would authorize $200 million to be used for downpayment assistance and closing costs for low-income, first-time home buyers. This program is currently proposed in the President's budget as a set-aside within the HOME program. NCDA has provided testimony opposing this set-aside, as this program is already an eligible activity under HOME.

Other issues taken up during the hearing dealt with deleting language that would have authorized the Office of Hawaiian Affairs and deleting the necessary appropriations for a study of black mold infestations in Indian housing. Both of these provisions are included in HR 3995 sponsored by Ms. Roukema, now awaiting floor action in the House.

The final, or in this case, the first action of the hearing dealt with the unanimous confirmation of Wayne Abernathy to the post of Assistant Secretary of the Treasury.

HUD NEWS

CON PLAN IMPROVEMENT INITIATIVE CONTINUES TO MOVE FORWARD

HUD's Consolidated Plan Improvement Initiative (CPII) is proceeding apace. After a summer of conference calls, HUD and its consultants have begun work on a draft final report that will lay out several recommendations for streamlining the Con Plan. The CPII steering committee, of which NCDA is a member, met on September 10 to review the progress made by participating working groups and to discuss next steps. The steering committee also reviewed several proposed pilot programs that have grown out of working group discussions.

During the September 10 conference call, members of the steering committee provided feedback on a list of ten pilots suggested by CPII working groups. These pilots, if approved, could run in 2003 in selected grantee communities, depending upon volunteer availability and, in certain cases, the need to develop new technologies. Potential pilots discussed include the following:

- Cross-reference existing plans and certifications in Con Plans rather than create new Con Plan components. For example, State-mandated Comprehensive Plans or the Continuum of Care.
- Remove Non-Housing Community Development Strategy from the Con Plan.
- Permit States to develop their own formats for Con Plan and reporting.
- Institute electronic submission of Con Plan.
- Permit States to conduct online "cyber-hearings" or online submission of public comments in lieu of in-person public hearings.
- Develop matrix encompassing needs, goals, and achievements for the Con Plan, Action Plan, and CAPER.
- For dual agencies that submit both Con Plan and PHA Plan-establish same due dates for Con Plan and PHA Plan and develop Con Plan template modeled on existing PHA template.
- For CDBG Only grantees: Develop Con Plan template modeled on PHA template.
- Streamline certifications by requiring only one signature for all certifications.
- Offer an automated tool to grantees for submitting Con Plan and performance reports and for review by Field Office staff. Tool would enable grantees to carry forward data from Con Plan to subsequent Annual Action Plans and performance reports

The steering committee also turned its attention to a "Questions and Answers" document HUD is developing. This document would be a primer on the Con Plan, written in non-technical language and targeted toward practitioners and laypersons alike. Steering committee members had received a draft of this document about five days ahead of the call and were asked to provide their personal opinions about the draft. The document attempts to provide answers to questions such as "What is the Consolidated Plan? Is it a plan or is it an application?," "What is the origin of the Consolidated Plan?," "Where can I find comprehensive guidance on completing a Consolidated Plan?," and "What is the level of detail expected in a Consolidated Plan?"

The answer to this last question led to an interesting conversation between HUD staff and steering committee members. The two-sentence answer provided in the draft stated that "the Consolidated Plan does not need to be an extensive document" and that the CHAS should be "concise, useful, action-oriented management tools for States and local governments." Some members of the steering committee suggested that many communities might disagree with the premise that the Con Plan does not have to be an extensive document. A few HUD staff members argued that, in some cases, communities include extraneous information in their Con Plan submissions, making the document longer and more detailed than it needs to be. Participants agreed that varying requirements enacted by different HUD field offices might be to blame for this problem.

It was suggested that one of the CPII pilot programs could involve aggressively re-educating grantees about what to include and what not to include in their Con Plan submissions, as well as making standards more uniform from field office to field office. This could serve to streamline the Con Plan and reduce administrative burdens without making any substantial changes to the process. HUD staff members indicated that any such effort would be complicated; HUD would have to consult with its lawyers to make sure it was not accidentally telling grantees to leave out information required by statute and regulations.

The steering committee will meet again on October 2 to review a draft of the final report detailing recommendations arising from the working group process. Also, Jim Barnes and Laura Marin from HUD will be at the NCDA Executive Symposium to discuss the Con Plan with NCDA members. In the meantime, if you would like additional information on CPII, please visit HUD's CPII website at http://www.hud.gov:80/offices/cpd/about/conplanimprovement/index.cfm.

NCDA NOTES

CDBG TRAINING

- NCDA will hold a *CDBG Basics: Training for Practitioners* in Hyannis, Massachusetts on October 7-9, 2002 at the Sheraton Hyannis in Hyannis, Massachusetts. Registration is required. Please contact Chandra Western for more information at 202-887-5521.

- NCDA ***MAY*** hold a *CDBG Basics: Training for Practitioners* in Daytona Beach, FL on December 4-6, 2002, ***IF*** there is sufficient interest. We must receive 35 registrants by November 1, 2002, to do the training. Please contact Emory Counts for more information at: 386-671-8051.

HOME TRAINING

- NCDA will hold a one day *Advanced HOME Training* at the Region I Conference in Hyannis, MA on October 7, from 9:00 a.m. to 4:00 p.m. and a *HOME CHDO Training for Local Participating Jurisdictions* on October 8, from 9:00 a.m. to 4:00 p.m. No registration is required. The training is free. Please contact Vicki Watson at 202-887-5532 for more information.

- NCDA will hold a one day *Advanced HOME Training* at the Region VI Conference in Santa Fe, NM at the La Fonda Hotel on the Plaza on November14, from 9:00 a.m. to 4:00 p.m, and *HOME CHDO Training for Local Participating Jurisdictions* on Friday November 15 from 1:30 - 4:00 p.m. No registration is required. The training is free. Please contact Vicki Watson at 202-887-5532 for more information.

NCDA REGIONAL MEETINGS

Region I October 10-13, 2002
Sheraton Hyannis
Hyannis, MA

Region VI November 14-16, 2002
La Fonda Hotel on the Plaza
Santa, NM

FEDERAL REGISTER NOTICES

September 18, 2002; EPA Notice of Funds Available for Lead-based Paint Grants.
This notice announces EPA's intent to enter into cooperative agreements with states, territories, Indian Tribes, Intertribal Consortia, and the District of Columbia to provide financial assistance for purposes of carrying out EPA-authorized lead-based paint programs. These programs and this financial assistance are authorized by section 404 of the Toxic Substances Control Act (TSCA). EPA has authorized 12.5 million dollars to those entities that can qualify for EPA state programs. Once approved, local governments must request funding through the state agency designated for administration of these funds.

ATTACHMENTS

To access the attachment below, please go to NCDAonline (http://ncdaonline.org).

- 2003 Audrey Nelson Application