STATEMENT BY

THE HONORABLE SEAN T. CONNAUGHTON
CHAIRMAN, BOARD OF SUPERVISORS
PRINCE WILLIAM COUNTY, VA

CONCERNING FY2004 APPROPRIATIONS FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

ON BEHALF OF THE
NATIONAL ASSOCIATION OF COUNTIES
U.S. CONFERENCE OF MAYORS
NATIONAL LEAGUE OF CITIES
NATIONAL ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES
NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION

BEFORE THE

VA, HUD AND INDEPENDENT AGENCIES
APPROPRIATIONS SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES

APRIL 9, 2003

Mr. Chairman and Members of the Subcommittee:

My name is Sean Connaughton, Chairman of the Board of Supervisors, Prince William County, VA. I am testifying today on behalf of the National Association of Counties, the U.S. Conference of Mayors, the National League of Cities, the National Community Development Association, and the National Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on FY2004 appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs for local governments B the Community Development Block Grants (CDBG) and the Home Investment Partnerships program (HOME).

We thank you, Mr. Chairman and Members of the Subcommittee for your continuing support for these priority local government programs. We were especially pleased by the $111 million increase in HOME *formula* funding included in the FY 2003 omnibus appropriations bill.

Mr. Chairman, local government officials urge you to increase CDBG *formula* funding in FY2004 to $5 billion and HOME *formula* funding to $2.25 billion. These programs work, they make a real difference in people=s lives, and it is our sincere hope that they will be funded at levels that reflect the very real community development and affordable housing needs that exist across our country.

WHY CDBG IS EFFECTIVE AND CRITICALLY NEEDED
Now in its 29th year, CDBG is arguably the Federal government=s most successful domestic program. CDBG helps communities tackle some of their most serious community development challenges. The CDBG program's success stems from its utility, i.e., providing cities and counties with an annual, predictable level of funding, which can be used with maximum flexibility to address unique neighborhood revitalization needs. Based on the FY 2002 CDBG grantee data from the IDIS system, CDBG provided funding to 187,380 housing units. In addition to providing funding to housing units, the program created or retained over 90,000 jobs principally for low and moderate income persons.

The great success of the CDBG program has come through dedicated practitioners working very hard to ensure good program performance and timely expenditure of funds. As cities face greater demands on staff to monitor subrecipients, undertake good effective program planning, the resources are just not there to get and keep staff properly trained. There have been no CDBG funding available for technical assistance and training at the national level or at the local field office level. Therefore, we ask the Subcommittee to include in this appropriations bill statutory language for a guaranteed source of funding for HUD and interested groups to provide technical assistance and training in much the same way as does the HOME program.

Throughout its history, CDBG has garnered tremendous support from virtually all sectors, public and private. States and local governments have seen modest increases in formula funding which has been well received, however with the completion of the 2000 Census, the subsequent redistribution of funds, and with the new definition of MSA that will be incorporated into the CDBG program in FY 2004, there will likely be an additional 80 to100 new entitlement cities added to the program If funding for the CDBG formula program remains at its current level, all existing cities in the program will receive cuts. Many cities received substantial cuts resulting in their FY 2003 allocation, resulting from the 2000 Census data. Should formula funding levels main stagnant, with approximately 80-100 new communities to share a shrinking pot, many community development programs will not receive enough funding to continue to operate. Therefore, we the locally elected officials, urge the Subcommittee to provide at least $5 billion in *formula* grants for CDBG in FY 2004.

SECTION 108 AND BROWNFIELDS

We have serious concerns about the Administration=s decision to zero out several important economic development tools in the FY 2004 budget proposal, including the Section 108 loan guarantee program and the Brownfields Economic Development Initiative (BEDI) program. These programs fund much-needed investment in our communities, helping to create jobs and reclaim contaminated sites that can be made productive again. The Section 108 program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. BEDI annually provides $25 million in grants to communities for brownfields projects focused on economic redevelopment. In its FY 2004 budget, the Administration has proposed to shift all responsibility for the redevelopment of brownfields to the EPA. The EPA focuses on assessment and remediation of contaminated sites, not the redevelopment of the site, which is where HUD=s expertise lies. We request that the BEDI program remain at HUD and that you follow the Administration=s original proposal and fund BEDI at $50 million for FY 2004. We ask you to fund Section 108 at its FY 2003 level.

HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

The HOME Investment Partnerships (HOME) Program is also an effective block grant program; providing affordable, decent, and safe housing to thousands of families across the country. According to cumulative HUD data, since 1992 HOME has helped to develop or rehabilitate over 718,000 affordable homes for low- and very-low income families. Ninety percent of the HOME funds used for rental housing must be targeted to families with incomes at or below 60 percent of the area median. The balance may assist those with incomes up to 80 percent of the median income. The majority of HOME funds have been committed to housing that will be occupied by very low-income people and a substantial amount will assist families with incomes no greater than 30 percent of median. As of the end of February 2003, more than 84 percent of HOME assisted rental housing was benefitting families at or below 50 percent of area median income. Forty nine percent of all home-assisted rental housing (including tenant-based rental assistance) was helping families with incomes at or below 30 percent of area median income.

HOME funds also help low- and very-low income families realize the dream of homeownership by providing for construction and rehabilitation of housing as well as providing the down

payment and or closing cost assistance in the form of second mortgages necessary to bridge the gap. Since 1992, HOME funds have been committed to 140,170 homeowner units, with an additional 270,258 household receiving homebuyer assistance.
HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $2.92 of private and other funds has been leveraged since the program=s inception. This clearly illustrates the effective and judicious use of HOME funds by participating jurisdictions.

We are concerned that there is an increasing use of set-asides within HOME. We note that the Bush Administration has proposed a new $25 million innovative lead hazard demonstration program within HOME. We prefer the new lead hazard grant program that was funded in the FY 2003 omnibus appropriations bill, aimed at communities with the highest lead hazard abatement needs, to the Administration=s HOME set-aside. We support the Administration=s proposal to fund housing counseling as a separate program, instead of as a set-aside under the program. We hope that this trend continues with other set-asides under HOME.

We greatly appreciate the increase of $111 million in formula funding for the program in FY 2003. However, with the 2000 Census data, approximately 20 new participating jurisdictions will become eligible to receive HOME funds in FY 2004, thereby eroding this increase in formula funding. We, therefore, urge you to fund the HOME program in FY2004 at a level of at least $2.25 billion in *formula* grants.

RENEWAL OF EXPIRING SECTION-8 RENT SUBSIDY CONTRACTS AND BLOCK-GRANTING OF SECTION-8

Mr. Chairman, we commend the Subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts in FY 2003 as in previous years. We urge you to do the same this year. The need for affordable housing continues to grow as housing prices increase faster than wages for low-income Americans.

We note, too, that the Administration has proposed converting the Section-8 program into a block grant and turning program administration over to the states. We are strongly opposed to this proposal. The Section-8 voucher program is a highly cost-effective, market driven program. Though voucher utilization has become more difficult in recent years, a recent survey by leading public housing and private landlord groups shows that local Section-8 voucher administrators have adapted and utilization rates have gone up 6% in the last year. Moreover Section-8 is not only a successful means of providing decent, safe and affordable housing in its own right, but it is also an important lynchpin in supporting a wide variety of other housing programs such as homeless grants, HOPE VI and homeownership. We are also concerned that block granting will result in a reduction in the number of families for which the federal government will provide assistance.

Prince William County became a public housing agency in July 2002 to manage the approximately 1,800 units of Section-8 within the County. We did this because the program was too large for the Virginia Housing Development Authority to manage. State budget cuts in

Virginia have adversely affected the State=s ability to manage other block grant programs such as the Emergency Shelter Grants program, currently administered by the Virginia Department of Housing and Community Development. Our County=s experience has been one of frequent staff turnover at the state level, a lack of understanding of the program, and a general unresponsiveness by overwhelmed state staff in program administration. The decision to move the program to local authority has improved customer relations, expedited payments to landlords and enabled the program to respond to the local assessment of priorities in support of those in need. We do not believe that building a larger state bureaucracy is the most effective means of moving Housing Choice Voucher funds to the citizens who need them. We urge the Congress to reject this proposal.

HOMELESS HOUSING FUNDING

Mr. Chairman, we support a funding level of $1.32 billion for homeless housing programs as proposed by the Bush Administration. We have been working with the authorizing committees to craft legislation converting the McKinney Act=s homeless housing programs into a pure, formula-driven block grant program**,** like the CDBG and HOME block grant programs. In order for such a program to give sufficient funds to communities to carry out meaningful projects at the local level, it needs an appropriation of at least $1.3 billion. We support the existing Continuum of Care planning process and would recommend that this process be codified as part of the block grant. We also urge full funding of Shelter Plus Care contract renewals. We also support the Administration=s proposed $50 million Samaritan Initiative. This initiative is intended to address the most pressing homeless issue B chronic homelessness B to be joined with $10 million from the Department of Health and Human Services and the Veteran=s Administration to fund services, such drug abuse treatment and primary health care for this population.

LEAD HAZARD REDUCTION

According to HUD, approximately 25 million housing units have lead hazards. Of this number, 5.6 million house children under the age of six. At least 1.6 million of these units house low-income families with children under the age of six, the population most at-risk of elevated blood lead levels. This is a serious health problem that must be remedied.

Programs such as CDBG and HOME assist this population with their rehabilitation needs, but these funds can only go so far. We want to thank Congress for providing $50 million for a new lead hazard reduction program that will begin in FY 2004. This program is the first step to providing funding to eradicate lead-based paint from the nation=s housing; however, because of the cost of abatement of lead hazards, much more funding is needed. We urge Congress to provide $75 million for this program in FY 2004, the same level as proposed initially by the Senate in FY 2003. We also ask that Congress re-shape the program into a formula-allocated block grant to those areas that are most in need of the funds. A competition is too time-consuming for both grantees and HUD. It also doesn=t provide the money to localities in a quick fashion.

PUBLIC HOUSING

We note that the President=s budget proposes to zero out the HOPE VI demolition and replacement of severely distressed public housing program. We oppose this recommendation. The HOPE VI program eliminates distressed public housing and replaces it with mixed-income developments. It harnesses the private sector, working in partnership with public housing agencies. Since 1993, the $3.9 billion appropriates for this program has resulted in the demolition of some 54,000 units and another 45,000 are planned for demolition.

The FY 2004 budget also proposes to fund the public housing operating program at $3.57 billion, down from the $3.6 billion appropriated in FY 2003. However, the FY 2003 appropriation had to make up for a $250 million shortfall from FY 2002. This left a shortfall in FY 2003 that will. have to be made up in FY 2004. We urge the Subcommittee to provide sufficient additional funding in FY 2004 to solve the shortfall going forward. In addition, with the continued shortfall, there is no opportunity to use operating funds to fund the drug elimination efforts envisioned when that program was terminated two years ago.

ADMINISTRATION=S TAX FREE DIVIDEND PROPOSAL

Though the issue is not before this Subcommittee, we want to advise you of our deep concern over the unintended adverse impact of the Administration=s tax-free dividend proposal on two key affordable housing resources B the Low-Income Housing Tax Credit and tax-exempt housing bonds. According to an analysis of the proposal by Ernst & Young, the dividend proposal, if enacted, would result in a loss of 40,000 units annually or 35% of the 115,000 currently produced. It would also add 25 to 50 basis points in additional borrowing costs to issuers of tax-exempt bonds, including housing bonds. This is a serious loss of critical housing units at a time of growing needs of households with worst-case housing needs B paying more than 50% of their income for rent or living in substandard housing. We are working with the tax-writing committees to protect the tax credit and bonds from the unintended impact of the proposal as it works its way through the legislative process. We urge the Subcommittee to join us in that effort.

FAITH BASED PROPOSED RULE

The HUD programs administered by local governments have enjoyed a long and wonderful partnership with faith-based entities across the nation. Without the support of these and other non-profit groups, the meals on wheels programs, community center activities, day care and other much needed services would not be part of the daily lives of many of our citizens. HUD=s proposed faith-based rule implies that these great partnerships between cities and their faith-based community B that have come to be common place B need federal intervention to ensure greater success. The locally elected officials and the community development and housing practitioners that administer HUD programs want you to know that we greatly support faith-based groups working with us in our communities and that there is no additional incentive required to strengthen the powerful relationships that currently exit.

CONCLUSION

Mr. Chairman, local government officials believe that a strong Federal role in housing and community development programs must continue. Since the Housing Act of 1937, Congress has enunciated, and repeated in subsequent housing acts, that, as a matter of national policy, the Federal government has an obligation to assist states and local governments in providing decent, safe and sanitary housing for lower income households. Perhaps, Congress said it best in a ADeclaration of National Housing Policy@ included in Section 2 of the Housing Act of 1949:

The Congress hereby declares that the general welfare and security of the nation, and the health and living standards of its people, require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and suitable living environment for every American family.

We submit to you that, while progress has been made toward this goal, it has not been fully achieved. The Federal government must continue its commitment to this National Housing Policy, backed by the necessary resources with which to continue the battle against neighborhood deterioration and a decaying housing stock. Mr. Chairman, we look forward to working with you and the Subcommittee in adequately funding HUD=s Housing and Community Development Programs for FY 2004.
Thank you.