NCDA
WASHINGTON REPORT

FROM: CHANDRA WESTERN
VICKI WATSON
KAREN PARKER
JEFF FALCUSAN
TAMARA JACKSON

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- ***Attachments: New MSA and Entitlement Communities***

FY 2004 APPROPRIATIONS PROCESS GETS UNDERWAY

After weeks of closed door negotiations, the FY 2004 appropriations officially got underway last week with the release of the subcommittee allocations (known as the 302(b) allocations) in the House. The 302(b) allocations divide the $784.7 billion recommended in the budget resolution for discretionary spending among the 13 bills to give each bill a total dollar target. In releasing the allocations for the 13 subcommittees on June 11, Rep. C. W. "Bill" Young, Chairperson of the House Appropriations Committee, released a statement saying, "The allocations represent my best efforts to fairly distribute the limited resources provided by the Budget Resolution among the 13 subcommittees. This agreement limits the growth of discretionary spending to 3% and will facilitate the orderly consideration of individual bills in Committee and through the House. It is my hope to pass the 13 bills in the House before the August break." Most of the 13 House subcommittees received an increase in budget authority from last year, including VA-HUD-and Independent Agencies, which received a $2.96 billion increase in budget authority from last year's enacted FY03 appropriations level. The Department of Homeland Security received the largest increase of any of the House subcommittees with a $6.65 billion increase from its FY03 enacted appropriations level.

Other House subcommittees that received increases included Commerce-Justice-State [$1.623 billion increase], Defense [$4.328 billion increase], Energy and Water Development [$1.242 billion increase], Foreign Operations [$928 million increase], Legislative [$172 million increase], and Labor-HHS-Education [$3.679 billion increase].

As the House appropriations mark-ups get underway, there have been some tensions between Republicans and Democrats over the tight budget. The Democrats are unhappy with the amount of funding provided to non-Defense discretionary programs. Appropriations Committee Chairperson, Rep. Young, admitted that "there will be pain." He went on to say that "even with this additional money, this budget is very tight." However, the House Appropriations Committee has been successful in completing the appropriations bill for the Department of Homeland Security and the bill for Military Construction. Those bills now move to the House floor for a vote.

The Senate Committee on Appropriations is expected to release its 302(b) allocations this week. We have heard that the allocations should contain only a few changes from those proposed by the House.

OMB RECLASSIFIES METROPOLITAN AREAS – RELEASES NEW MSAs

On June 6, OMB released its new classification of metropolitan statistical areas. OMB's press release describes the process for the new classification and defines how federal and state governments use this data. NCDA has been tracking the release of the new MSAs definition since each relevant bit of data from the 2000 Census has been added to the CDBG and HOME formulas. The last data element relevant to these programs is the reclassification of MSAs. By law, the definition of a metropolitan is a "standard" definition for many programs in the federal government. The Census Bureau and OMB work together during each decennial Census to determine the need– based on population movement, distance of job commuting and other factors– to adjust the definition of MSA. This year it was determined that there was significant statistical evidence to redefine, or reclassify this definition.

There are 49 new MSAs which brings the total to 370 (362 in the US and 8 in Puerto Rico). There are also new area classifications, the Micropolitan Statistical Areas of which there are 565 with 560 in the US and 5 in Puerto Rico, and 116 Combined Statistical Areas. OMB clarifies that these classifications are intended to provide nationally consistent definitions for collecting, tabulating, and publishing federal statistics for a set of geographic areas. The metropolitan and micopolitan statistical area standards do not equate to an urban- rural classification as we have been used to. In fact, many counties included in metropolitan and micropolitan statistical areas, and many other counties contain both urban and rural territory and populations.

The Definitions

Metropolitan Statistical Areas (MSAs) have at least on urbanized area of 50,000 or more populations, Micropolitan Statistical Areas (McSAs) have at least on urban cluster of at least 10,000 but less than 50,000 population. These areas also include adjacent counties that have a minimum 25 percent of the population commuting to the central counties. MSAs and McSA.s are defined in terms of whole counties or equivalent entities such as parishes. If the specified criteria are met, an MSA containing a single core with a population of 2.5 million or more may also be subdivided to form small groupings of counties referred to as Metropolitan Divisions. One or more principal cities are identified within each MSA or McSA. These cities and the population and employment centers are used in classifying these areas.

MSAs and McSAs represent approximately 93 percent of the nation's population with 83 percent being in an MSA. This is up approximately 3 percent from the 1990 Census. Of the 3,142 counties in the US, 1090 will be in the 362 MSAs, 674 will be in McSAs, and the remaining 1,378 will remain outside the classification.

With this reclassification, there has been special consideration given to the New England region of the country. The 2000 Census and the reclassification standards provide a set of geographic areas defined using cities and towns in the six New England states. The New England City and Town Areas are defined using the same criteria as with MSAs and McSAs. This was never done before.

As before, in all of its discussions on this data and its uses, OMB restates that these definitions were not intended for any non-statistical uses or assumptions and the agency will not modify any definitions to suit specific purposes or programs.

So, what does this all mean to community development practitioners? Plenty. Based on HUD's determination, there will be at least 73 new entitlement communities within the CDBG program and approximately 20 new HOME PJs. We must also consider that in addition to the Census Bureau's 2002 population estimates coming on line this year, there could be as many as six newly eligible counties and six newly eligible cities as well, which could bring the total number up to 91, if each city or county took advantage of their new status.

The President's budget proposed a $1 million dollar increase to the CDBG program formula allocation over his FY 2003 level which was $4.229 billion. Congress appropriated $4.368 billion, but after the across-the-board cut, we received $4.339 which was about $2 million less than in FY 2002. With the new population figures, and with potentially 90 new entitlement communities added to the CDBG formula allocation, every existing CDBG entity would almost certainly take a cut if Congress provides level funding. And those entitlement communities that are grandfather in, have lost population, and therefore will lose funding, if not their entitlement status. The only winners would be the new entitlement communities. The best-case scenario, obviously, is one in which Congress appropriates more money for CDBG.

This article takes excerpts from OMB's press release, dated June 6, 2003. For the entire document please visit: www.whitehouse.gov/OMB.

Attached are four lists of the new MSAs, New Metro Cities, the New Urban Counties and those current Metro Cities that are grandfathered.

HOUSE SUBCOMMITTEE CONTINUES SERIES OF HEARINGS ON HANF PROPOSAL

The House Financial Services Committee's Subcommittee on Housing and Community Opportunity recently held the second and third hearings on the Bush administration's proposal to block grant the Section 8 housing voucher program. (On May 22, HUD's Michael Liu, Assistant Secretary for Public and Indian Housing, appeared before the subcommittee. See the June 2 *Washington Report* for details.) Over the course of these hearings, the subcommittee heard from over twenty witnesses, nearly all of whom voiced strong opposition to the so-called Housing Assistance for Needy Families proposal. The hearings were held on June 10 and June 17, respectively.

Subcommittee Chairman Robert Ney (R-OH) opened both hearings by reminding those present that he is neutral on the HANF proposal and had introduced authorizing legislation (HR 1841) only because the administration had asked him to do so. Both hearings were characterized by strong opposition to the proposal on the part of Democrats and a noticeable lack of enthusiasm for the proposal from the subcommittee's Republican members. Indeed, the bill's total lack of cosponsors could be quite telling. On June 10, Rep. David Scott (D-GA) perhaps put it best when he said, "This is just a terrible, terrible idea." (Contrast the HANF bill with the American Dream Downpayment Act, another administration priority, which has ninety-two cosponsors in the House and six in the Senate. The Senate HANF bill [S 947] also has no cosponsors.)

The June 10 hearing featured testimony from Ms. Terri Ceaser, Tenant, Hopewell, VA; Ms. Telissa Dowling, President, Resident Advisory Board, New Jersey Department of Community Affairs, Guttenberg, NJ; Mr. Craig A. Garrelts, Executive Director, Hocking Metropolitan Housing Authority, Logan, OH, appearing on behalf of the National Leased Housing Association; Mr. Andrew Showe, Vice President, Vice President of Showe Management Corporation, Columbus OH, appearing on behalf of the National Multi Housing Council, National Apartment Association, and Columbus, Ohio Apartment Association; Ms. Barbara Thompson, Executive Director, National Council of State Housing Agencies; Mr. R.E. "Tuck" Duncan, Chairman, Topeka Housing Authority, Topeka, KS; Ms. Sandra Henriquez, Administrator, Boston Housing Authority, Boston, MA appearing on behalf of the Council of Large Public Housing Authorities (CLHPA); Mr. Tino Hernandez, Chairman, New York City Housing Authority, New York, NY; Mr. James M. Inglis, Executive Director, Livonia Housing Commission, Livonia, MI and Senior Vice President, National Association of Housing and Redevelopment Officials, Washington, DC; Mr. Kevin Marchman, Executive Director, National Organization of African-Americans in Housing, Washington, DC; and Mr. Neil Molloy, Executive Director, St. Louis County Housing Authority, St. Louis, MO, appearing on behalf of the Public Housing Authorities Directors Association (PHADA).

The June 17 hearing featured testimony from Conrad Egan, President and CEO, National Housing Conference, Washington, DC; Howard Husock, Alfred Taubman Center for State and Local Government, John F. Kennedy School of Government, Harvard University, Cambridge, MA; Bruce J. Katz, Director, Center on Urban and Metropolitan Policy, The Brookings Institution, Washington, DC; Jill Khadduri, Principal Associate, Abt Associates Inc., Bethesda, MD; Dr. Ed Olsen, Professor of Economics, University of Virginia, Charlottesville, VA; Dr. Margery Austin Turner, Director, Metropolitan Housing and Communities Center, The Urban Institute, Washington, DC; Sheila Crowley, President, National Low Income Housing Coalition, Washington, DC; Henry Marraffa, Jr., Councilmember, Gaithersburg, MD, appearing on behalf of the National League of Cities; Ann O'Hara, Associate Director, Technical Assistance Collaborative, Boston, MA on behalf of the Consortium for Citizens with Disabilities Housing Task Force; and Dr. John Sidor, Principal, The Helix Group, Harpers Ferry, WV.

While it is difficult to distill the testimony of over twenty individuals into a single article, it is certainly not challenging to choose excerpts from their testimony that demonstrate the breadth and depth of suspicion swirling around the HANF proposal. Some highlights of the June 10th hearing:

- "The point of the Section 8 housing voucher program is to make sure that low income families can afford to live in decent housing. If you approve this proposal, Section 8 voucher tenants could end up with their current homes becoming unaffordable and having to move to poorer quality housing in unsafe neighborhoods, causing disruptions in jobs and schooling."-Terri Ceaser

- "The difference that having a voucher has made in my life and the lives of other voucher tenants I know make me sure that the proposal to change the voucher program into a block grant to the states is a bad idea…I hope that you will consider improvements to the program that are not as radical and risky as a block grant."-Telissa Dowling

- "Section 8 has been the most successful housing assistance program of any housing program at any time. The major problem with it is that there isn't enough of it… HANF is a radical proposal with the potential for serious harm. It is unnecessary and unwise to destroy the Section 8 voucher program in order to improve it."-Craig Garrelts

- "Although it is well intentioned, we think [HR 1841] will not reduce the administrative costs to participating property owners and will not maximize program benefits for residents by conforming the program to conventional market practices. Instead, the proposed legislation could create new obstacles to apartment owner participation without alleviating existing burdens. The net result could be fewer available apartments for voucher residents."-Andrew Showe

- "If ultimately the states are going to contract with local housing agencies to administer the program, can we not find a better solution that effectively creating 60 mini-HUD's between Washington and Topeka? I think we can."- Robert E. Duncan, II

- "NCSHA neither supports nor opposes this legislation. Though we support a Section 8 voucher block grant in concept, we have taken a neutral stance on the Administration's plan because of our serious concerns about the adequacy of the program funding and administrative flexibility it proposes."-Barbara Thompson

- "Block granting the Section 8 rental voucher program to the states would also make it more likely that fewer families would be served, and highly likely that fewer needy families will be served."-Sandra Henriquez

- "We have come to the conclusion that the HANF proposal would not improve the delivery of tenant-based assistance but rather would have a negative impact on the Section 8 program in New York City. The HANF proposal…has serious intrinsic flaws."-Tino Hernandez

- "The Administration proposed H.R. 1841 with the assumption that programmatic reform and greater efficiency could only occur if the states administered the program. This is not true. The HCV program currently ensures that families use at least 90 percent of the vouchers for each agency. HUD projects an average national voucher lease up rate in FY 2004 of 96 percent. In education terms, the voucher program is performing at the same rate as an honors student in our local school."-James M. Inglis

- "And if one goal of H.R. 1841 is to make the program more localized, I question how that can be any better accomplished by the state than by the local housing authority. As a former HUD assistant secretary who oversaw this program just five years ago, and as a former public housing executive director of several housing agencies, both large and small, I speak from experience when I say that we can better ensure that our national goals are achieved if the program is administered by HUD."-Kevin Marchman

- "This deconstruction of one of the best examples of successful housing assistance delivery in HUD's inventory of programs is at best ill advised and at worst a cynical attempt to withdraw from the historic federal commitment to encourage housing quality and support housing affordability…HUD's proposal would disrupt current program operations in favor of an alternative that adds little value to the HCV program and raises the specter of chaotic pointless change."-Neil Molloy

Highlights from the June 17th hearing:

- "The Administration's proposal to block grant vouchers to the states does not address the shortcomings of the voucher program in a responsible way. The proposal would complicate rather than streamline voucher administration given the absence of an adequate delivery system in most states. In addition, the effort to model voucher administration after welfare reform is misguided and fails to understand the profound differences between these two programs."-Bruce Katz

- "We already have a housing block grant. It is called the HOME program. Permitting states to attach vouchers to housing developments would make a voucher block grant no different from HOME and would threaten the budgets for both programs."-Jill Khadduri

- "In my judgment, if the legislation that converts the Voucher Program to a block grant does not specify explicitly that the money allocated to each state must be used exclusively for choice-based assistance, it will not be in the interest of taxpayers (except the few who are directly involved in provision of project-based housing assistance) and it will be extremely harmful to many of the poorest members of our society."-Ed Olsen

- "Converting vouchers to a block grant does not address any of the program's current limitations—and in fact, could well exacerbate existing problems…Because funding for the voucher program would no longer be tied to a formula that reflects actual program costs and rents, the gap between housing needs and resources would almost certainly widen over time, undermining states' ability to operate the program effectively."-Margery Austin Turner

- "There are numerous reasons to reject this proposal, not the least of which is that two million low income households currently have a stable place to live as a result of this program. Under the best of circumstances (a thoughtfully laid out plan and the ability to carry it out), disruption and displacement will occur, however unintended. It is one thing to structure a new program to reflect a preferred approach to administration. It is quite another to experiment when the well-being of two million households is at stake."-Sheila Crowley

- "NLC believes a radical change in the nation's largest low-income housing program will substantially damage a program that is effective in providing housing assistance to low-income families, the elderly, and disabled individuals. H. R. 1841, the Housing Assistance for Needy Families legislation poses significant threats to the success of the Section 8 program."-Henry F. Marraffa Jr.

- "HR 1841 would: Reduce the federal resources available for subsidized housing for the lowest income people, including people with disabilities; undermine the substantial progress that has been made during the past six years to expand access to vouchers for people with disabilities; eliminate many important protections now provided in the program which benefit people with disabilities; and jeopardize over 50,000 Section 8 vouchers now set-aside for people with disabilities, including the Section 8 Mainstream vouchers funded by the Section 811 Supportive Housing for Persons with Disabilities program."-Ann O'Hara

And then there was the testimony of Howard Husock, who had previously gained a certain measure of notoriety for his comments before the subcommittee during an earlier hearing on the HOPE VI program. The question-and-answer period of the June 17 was dominated by exchanges between Democrats and Husock, with Ranking Member Maxine Waters (D-CA) flatly accusing Husock of racism. These charges stemmed from a particularly controversial section of Husock's testimony in which he described interviews he had conducted with minority homeowners in the Chicago suburbs:

As I have written in the Manhattan Institute publication City Journal, "in south suburban Chicago, with one of the highest concentrations of voucher holders in the country, middle-class African-American residents complain that they thought they'd left the ghetto behind—only to find that the federal government is subsidizing it to follow them. Vikkey Perez of Richton Park, Illinois, owner of Nubian Beauty Supply, fears that the small signs of disorder that have come with voucher tenants—the unmown lawns and shopping carts left in the street—could undermine the neighborhood. "Their life-style," she says, "doesn't blend with our suburban life-style." Kevin Moore, a hospital administrator and homeowner in nearby Hazelcrest, complains that children in voucher homes go unsupervised. Boom boxes play late at night. "I felt like I was back on the West Side," he says, referring to the Chicago ghetto where he grew up. "You have to remember how to act tough."

Waters asked Husock if he had conducted any research "on whites and the size of their boomboxes." Husock insisted that he was not attempting to make a race-based argument, pointing out that the comments characterized as inflammatory by Waters were made by minority homeowners. Rep. Scott suggested that Husock might be guilty of cherry-picking quotes and other pieces of evidence that substantiate his agenda. Husock denied that assertion, but as the only witness to offer unqualified support of the HANF proposal since Michael Liu appeared before the subcommittee in May, Husock's testimony was certainly not warmly received.

Rep. William Lacy Clay has in recent weeks become a more visible presence on the subcommittee, and he offered a clever line of questioning to Ed Olsen. Olsen offered qualified support for the concept of turning over voucher administration to the states, but, in response to Clay's questions, had this to say about the administration's proposal: "In the best case scenario, maybe it improves the program a little bit." No one mistook this statement for a ringing endorsement of HANF. The best sound byte from the June 17 hearing came from Bruce Katz, who called the HANF proposal "an OMB Special." Instead of offering meaningful reform, Katz argued, the administration has proposed a program designed to cut the budget over time.

NCDA NOTES

NCDA's 2003 Executive Symposium will be held September 24-27 at the Marriott at Hilton Head, in Hilton Head, South Carolina. A CDBG Basics: Training for Practitioners course will precede the Symposium on September 22-24 at the same site. Look for flyers on the Symposium and the Basics Training on NCDA*online* by the end of this week.

NCDA REQUESTS THAT MEMBERS SEND IN CONFERENCE AND TRAINING FEES ASAP

The end of NCDA's fiscal year is fast approaching - June 30, 2003! Therefore, we request that all payments for outstanding membership dues, training and conference fees, as well as payments for National Community Development Week promotional items be received by NCDA not later than June 27, 2003 so that all monies can be attributed toward the current fiscal year. Thank you. If you have any questions or need additional information, please contact Karen Parker via e-mail (karen@ncdaonline.org) or at (202) 293-7587.

ATTACHMENTS

To view the attachments please go to NCDAonline (http://ncdaonline.org).

- **New MSAs and Entitlement Communities**