

March 15, 2004

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

The undersigned national organizations representing local and state elected officials and practitioners want to express our concern for, and exception to, the Office of Management and Budget's characterization of the Community Development Block Grant (CDBG) program as "ineffective", as stated in your FY 2005 budget request. We take strong exception to this characterization. OMB reached this conclusion through application of the Performance Assessment Rating Tool (PART). In the PART review of the CDBG program, it appears that OMB chooses to interpret the statute and facts in order to support a dogmatic agenda and avoids acknowledgment of any positive achievements from the more than \$105 billion in CDBG funds spent by cities, counties and states since 1975 on their most pressing affordable housing, community and economic development needs.

We ask that you direct OMB to reconsider the rating of "ineffective" for the CDBG program and provide a revised, objective rating of the program immediately.

The PART may be an acceptable tool for evaluating narrowly focused categorical grant programs; however, it is not appropriate for evaluating broad, flexible block grant programs such as CDBG. For instance, OMB states that the CDBG program "...does not have a clear and unambiguous mission." To the contrary, the statute is very clear as to the purpose of this program. The statute states that "The primary objective of this Title is the development of viable (urban) communities, by providing decent housing, and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income..." The statute then lists nine specific objectives to further define what is meant by the primary objective. The statute also very clearly lists 25 eligible activities any or all of which contribute to the primary objective. This specificity of purpose and eligible activities has directed the program for the past 30 years, and has led to significant accomplishments in the program, some of which are described below.

OMB asks the question of whether CDBG duplicates other federal programs for fostering community and economic development, and concludes that it does. But this conclusion assumes that any one of the federal community and economic development programs can on its own fully address concentrated community and development problems. This conclusion is flawed in two ways. First, the resources for any one of these programs are not sufficient to fully fund all of the needed projects. Second, if a community needs \$10 million to address neighborhood deterioration or the lack of jobs, if there is more than one federal program involved, CDBG contributes \$5 million and EDA contributes \$5

million, more often than not the two programs complement each other rather than duplicate each other. Why? When the CDBG program is combined with other federal programs, it is used to address the needs of low and moderate income citizens in the community, and the other programs usually do not fully address those needs. Therefore, without the CDBG funding, the project would not, for example, make the housing affordable or potable drinking water available to low and moderate income households.

The PART is also inconsistent on this issue. In question 1.3 of the PART OMB asserts that CDBG is poorly designed and redundant with other federal, state, local or private programs. However, in question 3.5, the PART states that it does collaborate and coordinate effectively with related programs, saying "... because of CDBG's broad flexibility, localities often use CDBG to fill programmatic gaps not covered by other federal, state or local programs. For example, homeless programs may provide funds for operation, but CDBG can provide funds for the facility." Therefore, combining CDBG with other programs is recognized as a benefit on the one hand and then criticized on the other. Which is it?

The PART asks whether the program "...addresses a specific and existing problem, interest or need, and [says] the need to revitalize distressed urban communities clearly exists. However, CDBG is not well designed to achieve its stated purpose." CDBG is certainly a tool to revitalize distressed communities, which indeed it does. However, this activity is not the program's only purpose, evidenced by such eligible activities as removing architectural barriers to improve elderly and handicapped accessibility, activities necessary to the development of energy use strategies, assistance to non-profit and for-profit business for economic development purposes, and lead-based paint hazard evaluation and reduction.

OMB further asserts that "...concentrating CDBG dollars in specific areas represents a more effective use of these resources compared with communities that spread funds more thinly... The CDBG formula does not effectively target funds to the most needy communities and insufficient information exists regarding leveraging of private fund or cost effectiveness of the program's activities." OMB's assertion that concentrating funds in geographic areas is "more effective" is a point of view which fails to account for the fact that not every CDBG grantee has concentrated community development needs and problems. In suburban and rural areas lower income persons are often spread out rather than concentrated. CDBG has the inherent flexibility to disburse funds in the manner most appropriate to a community's unique needs. As to the targeting of CDBG funds to the most needy, according to HUD data, in FY 2003, 94.8% of the CDBG funds allocated to entitlement communities went to activities principally benefiting low- and moderate-income persons and 96.7% of the CDBG funds allocated to States went to activities principally benefiting low- and moderate-income persons. These figures far exceed the statutory requirement that 70 percent of the funds principally benefit low- and moderate income persons.

The programs accomplishments and benefits to low and moderate income households are quite notable. In FY2003 alone, a total of 184,611 households were assisted through the

program. Contrary to OMB's assertion described above that data is not available regarding leveraging, HUD data shows that for every one dollar of CDBG funding another \$2.79 in private funding and \$0.77 in public funding was leveraged in FY 2003. The program also has a good track record in business retention, with over 80% of the businesses assisted through the program still in operation after three years.

In 2003, the program created or retained an astounding 108,700 jobs. Moreover, according to a report from the National Association of Housing and Redevelopment Officials (NAHRO) over the life of the program over 2 million jobs have been created based on estimates developed based on Department of Commerce regional job multipliers.

OMB points to a lack of performance measurement outcomes for the CDBG program as one of the major reasons why the program is ineffective. Despite OMB's desire for additional performance measures for the program, we do not agree that this can be the basis for its rating of the program. HUD has consistently reported the information on the outcomes of the program previously requested by OMB, and the PART acknowledges that HUD is working with grantees to identify several additional outcome measures to complement the output measures that HUD regularly reports. Until HUD, in cooperation with grantees, determines what the most reasonable and effective performance measures for the CDBG program are, and how this data is to be collected and utilized, OMB should not adversely rate the CDBG program on its lack of performance measures.

In summary, the undersigned organizations believe that the significant benefits of the CDBG program for low-and moderate-income people in communities across the country are evident. Sufficient data and documentation exist to support these achievements. We ask that OMB review its PART process to ensure that it is impartial and appropriate for block grant programs. We again ask that you direct OMB to reconsider the rating of "ineffective" for the CDBG program and provide a revised, objective rating of the program immediately.

Thank you for your favorable consideration of our views.

Sincerely,

United States Conference of Mayors
National Association of Counties
National Association for County Community and Economic Development
National Association of Local Housing Finance Agencies
Council of State Community Development Agencies
National Community Development Association
National Association of Housing and Redevelopment Officials