NCDA WASHINGTON REPORT

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DATE: May 28, 2004

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SENATE BUDGET NEGOTIATIONS REACH IMPASSE; INTERNAL WHITE HOUSE MEMO FORESEES DEEP CUTS FOR DOMESTIC PROGRAMS

Senate Majority Leader Bill Frist (R-TN) and rebellious moderate Republicans engaged in an old-fashioned staring contest over the FY 2005 budget resolution last week—and Frist blinked. Meanwhile, an internal Office of Management and Budget (OMB) memo leaked to the Washington Post hints at deep spending cuts for nearly all domestic programs should Bush win a second term.

After the House narrowly adopted the a one-year budget resolution conference report on May 19, the Senate Republican leadership went to work courting moderate Senators on both sides of the aisle. After President Bush made a rare trip to Capitol Hill to encourage the resolution's passage, Frist had hoped to force a vote on the measure, essentially daring moderate Senate Republicans to deny the GOP a political victory. When it became clear that the moderates would call Frist's bluff, the Senate Leader delayed action until after the Memorial Day recess.

The major roadblock to final passage of the budget resolution has been the insistence of Senate moderates that the final conference report include pay-as-you-go language requiring offsets for any new tax cuts. The original Senate version of the budget resolution included pay-as-you-go language while the House version did not. Although both houses of Congress are controlled by the Republicans, the House is generally seen as a more hospitable environment for the President's tax-cutting agenda. The resolution remained bogged down in conference until the GOP leadership decided upon an unusual gambit: a budget resolution covering only a single fiscal year. This compromise resolution also significantly weakened the Senate-backed limits on tax cuts. The House approved it by a vote of 216 to 213.

If Frist is unable to shepherd the resolution through the bitterly partisan Senate, the FY 2005 appropriations process, already sure to be an acrimonious affair, will be muddled even further. Although appropriators would be able to start marking up FY 2005 spending bills without a finalized budget resolution, Republicans would have no points of order to block any Democratic amendments intended to raise spending levels beyond ceilings traditionally set in the resolution. It would be up to Senate Appropriations Chairman Ted Stevens (R-AK) and Ranking Member Robert Byrd (D-WV) to reach an informal agreement on spending levels, a prospect that seems more unlikely than in past years due to the well-documented deterioration of the Senators' working relationship since the beginning of U.S. military action in Iraq.

Another potential complication arises from a deal struck by the House leadership with House moderates and deficit-hawks over budget enforcement legislation. In order to pass the compromise resolution in the House, House leaders promised a vote on a bill (HR 3973) that would impose pay-as-you-go language on budget proceedings through 2009. If House leaders honor this promise, it could provide for yet another episode of hand-wringing over the wisdom of cutting taxes during an era of unprecedented federal budget deficits.

Since both the House and Senate budget resolutions contained sharp reductions for the function line that includes the CDBG Program, no news on the budget resolution front may turn out to be good news. In any case, with the political convention looming, the election season heating up, and adjournment scheduled for October 1, time is running short for Congress to set itself up for success in the appropriations process. Another budget cycle featuring a series of continuing resolutions looks more and more like a sure thing.

Meanwhile, an internal OMB memorandum leaked to the Washington Post paints a bleak picture for domestic discretionary programs should President Bush succeed in his reelection bid. According to the Post, the memo, which has created something of a firestorm in the nation's capital, "puts government agencies on notice…that if President Bush is reelected, his budget for 2006 may include spending cuts for virtually all agencies in charge of domestic programs, including education, homeland security and others that the President backed in this campaign year." Details on how individual HUD programs would be affected are not available, but the article does mention a homeownership program. The article states: "The $78 million funding increase that Bush has touted for a homeownership program in 2005 would be nearly reversed in 2006 with a $53 million cut."

The article does not identify the program, but a careful perusal of the President's FY 2005 budget proposal reveals that the program in question is the HOME Program. In his most recent budget, the President proposed a $78 million increase for the overall HOME Program, which includes the HOME formula program as well as several smaller initiatives, including the new American Dream Downpayment Initiative. As NCDA members know, characterizing HOME simply as a "homeownership program" is not particularly accurate.

Some Democrats criticized the memo as proof of the President's plans to "pay for oversized tax cuts" by proposing "spending cuts in key government services." Not surprisingly, Republicans defended the memo, with a policy analyst for the conservative Heritage Foundation saying, "I think the public is ready for spending cuts. Not only does the public understand that there's a lot of waste in the federal budget, but the public is ready to make sacrifices during the war on terror." If the memorandums' authors and defenders are prepared to argue that the HOME Program is somehow wasteful, we will of course be prepared to refute that assertion strongly.

COMMITTEE MEMBERS DECRY HUD SECRETARY'S COMMENTS ON THE POOR

With House members focused on upcoming elections and on the question of whether their Senate colleagues would adopt the budget resolution conference report, one would think that the final work day before the Memorial Day recess would be relatively uneventful. Not so. Leave it to the HUD Secretary Alphonso Jackson to create a firestorm among Democratic members of the House Financial Services Committee, the HUD House authorizing committee in a tizzy with a nine- word phrase.

During a May 20 appearance before the House Financial Services Committee to discuss HUD's FY 2005 Budget request, Representative Barney Frank (D-MA), Ranking Member of the House Financial Services Committee, and committee members Representatives. Barbara Lee (D-CA) and Michael Capuano (D-MA) expressed their dismay at remarks made by Secretary Jackson concerning housing for the nation's poor. When responding to a question from one of the committee members on that subject, Mr. Jackson stated that he does not talk about housing the poor because "being poor is a state of mind, not a condition."

During later questioning, Rep. Barbara Lee (D-CA) asked Mr. Jackson to clarify his remarks and Mr. Jackson reiterated his statement. "It's obvious then," Lee replied, "why you're cutting Hope VI, Shelter Plus, and all the other homeless programs."

After a break in the proceedings, Mr. Jackson attempted to recast his remarks indicating that his father had taught his family that they were not poor and that anyone that has hope can succeed in America.

After the hearing, Representative Frank responded to this statement in a press release by saying, “Given the assault HUD has been waging on programs that help people in need, his cavalier assertion that being poor is simply a state of mind could serve as a dictionary illustration of adding insult to injury to poor people in America."

Representative Capuano subsequently expressed his distress at the Secretary's remarks. "Secretary Jackson's comments are offensive to the thousands of unemployed Americans who have been looking for work during the Bush recession.” Capuano continued, "There are real economic disparities in this country, and these kinds of comments will do nothing to help us bridge the growing gap between the rich and the poor."

Further outrage was found in a statement released by the Financial Services Committee later the same day. “The members feel that it is inappropriate for a cabinet secretary heading an agency that assists the housing needs of more than four million of this nation's poorest individuals to suggest they are to live on hope. The [Secretary’s] statement betrays his belief that poor people are responsible for their own plight. In light of recent proposed budget cuts to the Section 8 housing voucher program such a statement is particularly cruel.”

"The Secretary's statement was really unconscionable and insensitive,"Rep. Lee added. "I defy the Secretary to tell all those people looking for jobs in this horrible economy; all those people who spend night after night in the cold; and all those working poor and their families who must live in transitional shelters because the cost of housing is so high that 'poor is a state of mind.’ "

Representative Rubén Hinojosa (D-TX) responded with, “ I have never heard a more offensive and ludicrous statement in all my years in Congress. I welcome the Secretary to come to the 15th Congressional District, spend a night in a border colonia and then re-evaluate his statement. I challenge him to experience life in a home with dirt floors, no running water, power, ore sewage and then say poverty is a state of mind.

“When a child goes hungry in our country are their stomach pains a state of mind? When a teenager develops rickets from malnutrition is this a simple case of an overactive imagination? When a senior citizen dies from cholera because of exposure to unsanitary water resources, will the Secretary console their family with these famous words?”

“But through the outrage, the greatest disappointment from today’s hearing is to learn that the Administration has charged such an insensitive individual with the goal of providing decent and safe housing to the 32.9 million Americans who currently live in poverty.”

2010 CENSUS PROCESS AT RISK EVEN AS BUREAU PLANS TO EXPAND ACS DATA PRODUCT OFFERINGS

As promised in the last edition of the Washington Report, NCDA has been monitoring developments with the 2010 Census and the American Community Survey. Recall that the United States Conference of Mayors (USCM) has been leading an effort to push the Census Bureau to work more closely with local governments as it makes preparations for the 2010 decennial Census. Local public interest groups are concerned that the Bureau is not doing enough to avoid the replication of mistakes during the 2000 Census in which six million individuals went uncounted and six to nine million persons were counted twice, resulting in an error rate somewhere between five to ten percent.

A decade-old law mandates that the Census Bureau make its Master Address File available to local governments. USCM and its allies believe that local governments should obtain local address information from the Bureau as soon as possible in addition to pushing for inclusion in the development of the List of Updated Census Addresses (LUCA). Taking these steps is perhaps the best defense against an inaccurate 2010 head count, since the city must foot the bill for any investigation into the count once the Census has already been conducted.

Thus far the Decennial Census Advisory Committee's response to USCM has not been encouraging. Instead of immediately seeking to involve local governments in the development of the LUCA, the committee has promised only to formulate a plan for local involvement sometime before the end of this calendar year. Three recently released reports suggest that the Census Bureau must do much more to involve local decision-makers in the 2010 Census planning process. Indeed, the reports conclude that the escalating cost associated with conducting the Census and the lack of any serious effort to involve local governments in the planning process have put the entire 2010 Census at risk.

In its recent analysis of issues facing the 2010 Census, the General Accounting Office (GAO), expressed concern about the increasing cost of the census. The real dollar cost per household for the census went from $13 in 1970 to $56 in 2000, and is projected to rise to $72 for 2010. Even his $72 estimate could turn out to be overly optimistic. At this point in the cycle for 2000, the Census Bureau was projecting a $34 per household cost for the 2000 census, which eventually cost $56 per household. A similar rate of error in the 2010 cost would send the real dollar cost per household to approximately $117.

The GAO reported that the Census Bureau lacks a comprehensive project plan, with milestones and measurable performance goals for the 2010 census. Without these milestones and performance goals, it is impossible to assess the progress, or lack thereof, towards a successful census. In addition, the GAO reports that the Census Bureau does not have data from key operations in the 2000, like productivity of field workers, to guide the planning and implementation of the 2010 census.

The National Academies of Science report *Census 2000: Counting under Adversity* commends the Census Bureau for stemming the decline in mail response that was witnessed between the 1980 and 1990 censuses. This success was in part achieved by a vigorous partnership with local governments and non-governmental organizations to promote cooperation with the census. Extensive media exposure also may have led to improved cooperation; however, that cannot be determined because the Census Bureau did nothing to measure the effectiveness of the advertising campaign. The Academy report also noted that most operations for the 2000 census were done well and completed on or ahead of schedule.

According to the 2000 Academy report, the two main failures of the 2000 census were the "error-plagued" development of the address list, and the poorly managed enumeration of group quarters. Recommendations for 2010 included: improved address list procedures; better enumeration of group quarters; a targeted second mailing of the census questionnaire; and a large post-enumeration survey for coverage measurement, on the scale of that conducted for the 2000 census. Unfortunately, the current director of the Census Bureau has stated that nothing will be done to change the Census methodology for 2010, since the Bureau believes that any changes (such as embracing some form of statistical sampling) could create more problems than they solve. (It is widely believed that the Administration's resistance to embracing sampling is a matter of partisanship. Most experts tend to agree that those populations that are chronically undercounted are from underrepresented groups that tend to support the Democratic Party.)

Interestingly enough, in assessing the completeness of the 2000 census, the Academy report noted that the apparent reduction in the differential net undercount from 1990 to 2000 was indeed achieved through statistical manipulation, primarily through the use if imputations and the inclusion of a large number of duplicates in the Census. In other words, the reported "net overcount" in the 2000 census is the result of substituting people counted twice for those missed and filling millions of housing units where no one was interviewed by statistical means. Thus, the total number of errors in the 2000 census is almost as high as 1990. Without implementing meaningful reforms, there is no reason to believe that the 2010 Census will be any less error-plagued.

The National Academy Report entitled *2010 Reengineering: A Process at Risk* cites several reasons for concern about the planning for the 2010 census. A fundamental risk in the 2010 planning is the address list development. The report states, "The panel believes that the process by which the Master Address File is updated and improved is severely at risk." It goes on to recommend that the Census Bureau "develop a complete plan for its partnerships with local and tribal governments, with particular regard to address list updating." You can be sure that USCM and the other local public interest groups will continue to make that point to the Census Bureau in the months ahead.

Meanwhile, the Census Bureau has proposed revising and expanding the data products it creates using the American Community Survey. The Bureau is seeking comments from current and future users of ACS data products as it begins to redesign these products. Preliminary versions of new and updated products could appear as early as mid-year 2005. Data users would then have an additional opportunity to provide feeback before new product versions are finalized. The Census Bureau included this solicitation for comments in the May 14 Federal Register. The comment due date is July 14.

HUD NEWS

HUD RELEASES $2.3 BILLION SUPERNOFA

On May 14th HUD published in the Federal Register its fiscal 2004 SuperNOFA, making approximately $2.3 billion available in 50 funding categories. The major programs covered by the SuperNOFA include $1 billion in homeless assistance grants with application deadline of July 27; 495.2 million for Section 202 elderly housing with application deadline of July 7; and $117.7 million available for Section 811 housing also due on July 7.

For HOME and CDBG programs, the amounts are:

$3.5 million in HOME TA
$1.6 million in CHDO TA
$1.5 million in CDBG TA

NCDA will submit an application for HOME and possibly CHDO technical assistance with our National Affordable Training Institute (NAHTI) partners. In a separate submission NCDA may request fund for CHDO and CDBG technical assistance. The deadline for all of these applications is July 8. We will keep members apprised as we move through the application process.

For those of you interested in the minutiae of the CDBG program, the National Community Development Initiative– Capacity Building grants (a set-aside within the CDBG program) was set at $34.275 million. Out of this amount, LISC and the Enterprise Foundation will receive $14.075 million each, which they will have to match at a 3 to 1 ratio. Habitat for Humanity International will receive $4.2 million and Youthbuild USA will receive just under $2 million.

HUD'S ANTI-PIRATING RULE TO BE RELEASED SOON

According to HUD officials, the long awaited anti-pirating rule will soon be released. Members might recall that back in the 1990's several members of Congress became concerned that federal dollars were being used to provide incentives to encourage the relocation of businesses and their corresponding jobs from one state to another, causing severe economic crises in the communities from which the businesses and jobs departed. CDBG funds were seen as a primary funding source for these relocation activities. Members of Congress decided that this was not a good thing, especially those members whose districts were adversely affected by the departure of businesses. After many failed attempts, the CDBG statute was changed to specifically prohibit the use of CDBG funds for directly assisting with the relocation of businesses and their jobs from one state to another.

HUD was required to publish a rule for the implementation of this change to the statute. They did. A proposed rule was published, NCDA and its members responded with comments which opposed the rule, and HUD has been reviewing these comments for approximately 3 years. Sometimes the rule making process can be long and arduous, and as the anti-pirating case demonstrates. In other cases, however, the process runs its course with surprising alacrity. Look no further than the two recent faith-based rules for an example of an expedited process.

NCDA NOTES

NCDA'S 2004/2005 EXECUTIVE COMMITTEE

One of the highlights of the Annual Conference held in Portland was the election of Officers for the Board of Directors, which was the final bit of business before the close of the conference. Based on the slate of officers put forward by the Nominations and Elections Committee chaired by Greg Hoover of Grand Forks, North Dakota, and approved by a unanimous vote of those members present, the 2004/2005 Officers of the Board of Directors are:

President: Amintha Cinotti, Providence, RI
Vice President: Scott Stevenson, Los Angeles County, CA
Secretary/Treasurer: Nancy Haney, Lubbock, TX
Immediate Past President: Roslyn Phillips, Jacksonville, FL

Congratulations!

NCDA HOUSEKEEPING ITEMS: MEMBER INFORMATION UPDATES

NCDA staff is back in the office and working full throttle after a very successful Annual Conference in Portland, Oregon. The city of Portland and NCDA member Will White and his staff did an outstanding job helping us put on this great meeting.

We want to let Will know how much we appreciate his efforts. NCDA staff would also like to collectively thank all of our members who were speakers and moderators for a great job. This meeting would not have been as successful without your participation.

With that said, we are in the process of updating all of our membership information. We want to make sure that members are receiving NCDA Alerts and emails as they should. Good information is vital to your work and we want you to have whatever we can provide you. Therefore email addresses, street addresses, and telephone and fax numbers are vitally important. We have included as an attachment to this newsletter a member information update form that will allow you to communicate to us any changes in your contact information. We will also use this information as we update the membership directory. ***PLEASE*** return the form to ***Karen Parker*** so that our databases will be as current as possible. ***To fax Karen: 202-887-5546. To e-mail Karen:*** karen@ncdaonline.org Thank you.

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

- NCDA Member Information Update Form

FY 2004 HUD BUDGET

Program	FY 2003 Enacted	FY 2004 Enacted	FY 2005 President's Request
Community Dev Fund (CDBG)	$4.9049 billion	$4.934 billion	$4.618 billion
*Section 108 Credit Limit	$273.2 million	*$275 million	$0
Section 108 Operating	{$6.283 million}	{$7.325 million}	$0
Insular Areas	0	0	$7 million
Set-asides:			$72 million
Indian Block Grant	$70.5385 million	$72 million	$3 million
Housing Asst. Council	$3.2785 million	$3.3 million	$2 million
Nat. Am. Indian Council	$2.3844 million	$2.5 million	$3 million
Tribal Colleges/Univ.	$0	$0	$0
Wellstone Comm. Center	$8.9485 million	$0	$30 million
Capacity Building-NCDI	$32.287 million	$34.750 million	$35 million
Section 107	$48.780 million	$52 million	$2 million
Technical Assistance	$0	[$1.5 million]	$0
EDI Spec. Purpose Grts.	$259.303 million	$290 million	$0
Youthbuild	$59.610 million	$65 million	$65 million
Neighborhood Init. .	$41.826 million	$21 million	$0
Self Help Housing	$25.233 million	$27 million	$65 million
Habit for Humanity	[$4.222 million]	$4.750 million	[$5 million]
National Hous. Dev.	$4.967 million	$5	$0
National La Raza.	$4.967 million	$5	$0
Hawaiian Block Grant	$0	[$9.5 million]	$0
Working Capital Fund	$3.3379 million	$4.9 million	$1 million
Dev. Challenge Pilot	$0	$0	$10 million
Faith Based Pilot	$0	$0	$5 million
Total Set-asides	$565.371 million	$593 million	$299 million
Net Formula Allocation	**$4.339 billion**	**$4.331 billion**	**$4.319 billion**
HOME	$1.9124 billion	$2.0171 billion	$2.084 billion
Set-asides:			
Downpayment Assist.	$74.512 million	$87.5 million^	$200 million
Housing Counseling	$39.740 million	$40 million	[$0 million]
Information Systems	$1.0928 million	$2.1 million	$2 million
TA/TA Partnerships	$11.922 million	$18 million	$18 million
Lead Hazard Demo.	$0	$0	$0 million
Working Capital	--	--	$200,000
Total Set-asides	$127.267 million	$60.100 million	$ 218.2 million
Net Formula Allocation	**$1.7851 billion**	**$1.870 billion**	**$1.864 billion**

Program	FY 2003 Enacted	FY 2004 Enacted	FY 2005 President's Request
Downpayment Assistance	$74.512 million#	$87.5 million	$200 million
Homeless grants Set-asides **Total Homeless Grants**	$1.217 billion $ 219.6 million **$997.374 million**	$1.267 billion $ 208.580 million **$1.06 billion**	$1.257 billion $ 228 million **$1.485 million**
Housing Certificate Fund	$17.111 billion	$19.371481 billion	$16.909 billion
Housing Counseling Assist.	[$40 million]	[$40 million]	$45 million
Brownfields	$24.837 million	$25 million	$0
HOPWA	$290.102 million	$296.5 million	$295 million
Rural Housing and Economic Dev.	$24.837 million	$25 million	$0
Public Housing Capital Fund	$2.7122 billion	$2.641 billion	$2.674 billion
Public Housing Operating Fund	$3.577 billion	$3.6 billion	$3.573 billion
HOPE VI	$570.269 million	$150 million	$0
Section 202 Elderly	$777.910 million	$783.286 million	$773 million
Section 811 Disabled	$248.375 million	$250.515 million	$249 million
Lead Hazard Control	$174.856 million	$175 million	$139 million
EZ/EC	$29.805 million	$15 million	$0 million

[ ] included in Section 107 TA account
{}Part of the CDBG Formula, not a set-aside
* Not classified as a set-aside, Section 108 Loan Authority
^Funded from HOME, but as a separate program
#Set-aside within HOME

PLEASE NOTE: The chart does not include the 0.59% across-the-board cut approved by the House