NCDA
WASHINGTON REPORT

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NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005 at the Wyndham Hotel

FEATURED ARTICLES

- ***Appropriations Update***
- ***NCDA Participates in Performance Measures Working Group***
- ***HUD News: HUD Set to Propose Regulatory and Statutory Changes to Streamline ConPlan; IDIS Improvements Possibly Delayed; HUD Celebrates National Homeownership Month***
- ***NCDA Notes:*** *NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005, at the Wyndham Hotel*
- ***Attachments: Membership Information Update; Job Announcements***

APPROPRIATIONS UPDATE: NO PROGRESS ON VA/HUD

GOP leaders in both the House and Senate are working quickly to move the FY05 Defense appropriations bill, with both chambers approving their respective versions of a Defense spending measure this week. Appropriators expect to conference the bill the week of July 5. The bill includes $25 billion in emergency funding for Iraq and Afghanistan. Besides quick movement of the Defense bill, GOP leaders are working to move the FY05 Homeland Security spending measure. There has been no significant action on the remaining spending bills, including VA-HUD.

With both of the political conventions scheduled for this summer and the Presidential election soon thereafter, politicians realize that little – if anything – will be accomplished after they return from their summer recess in early September. So both chambers are trying to pass as many of the appropriations measures as stand-alone bills prior to the summer recess, which begins on July 23. Any bills that have not been conferenced and approved by both chambers by this date will likely be rolled into a large omnibus measure that Congress will attempt to pass before they officially adjourn in early October. If they aren't successful in passing an omnibus before the session adjourns, then expect a Continuing Resolution that will keep those federal agencies without an approved FY05 appropriations bill operating at FY04 funding levels, until the omnibus is passed, which could occur after the Presidential election or wait until Congress returns in January 2005 [which has happened in the last two years].

What happened to the budget resolution?
Both the House and Senate managed to pass a budget resolution and conference their different versions; however, the Senate has been unable to pass the conference report on the FY05 budget resolution (S Con Res 95 – H Rept 108-498). What is the purpose of the budget resolution? It is essentially a blueprint for appropriators to follow in creating the spending bills and provides certain enforcement mechanisms for appropriators to abide by in creating their spending bills. Why are some Republicans trying so hard to have a FY05 budget resolution approved? The Senate has been unable to pass the budget resolution because Democrats and some of the more moderate Republicans (Snowe (R-ME), Collins (R-ME), Chafee (R-RI), and McCain (R-AZ)) are opposed to providing any further tax relief without offsetting the cost somewhere else in the tax code. This, of course, is not popular with Republicans who want to move the President's promised tax relief as quickly as possible.

This year's congressional budget resolution provides an $821 billion cap on FY05 appropriations. The one-year budget plan provides for the President's request for defense and homeland security spending, freezes most other discretionary programs, prevents tax increases by protecting $27.5 billion in tax relief in reconciliation, and keeps Congress on a glide path towards significant deficit reduction. The FY05 budget includes a traditional paygo rule requiring offsets for new mandatory spending proposals as well as tax cuts for one year, but exempts from this rule the extension of $27.5 billion in cuts for working families, including the $1,000 per child tax credit, marriage penalty relief, and expansion of the 10% income tax bracket. The budget also provides for $50 billion in supplemental appropriations for ongoing war operations in Iraq and Afghanistan. It also restricts advance appropriations and emergency spending designations. The resolution does recommend increases in some discretionary program areas, such as: $3 billion increase for education over 2004; $1.2 billion increase for veterans over President's budget; $560 million increase for NASA and science over 2004; and 9 percent increase for international affairs for 2004. All other programs remain level funded at FY04 levels. Remember, the budget resolution only provides a framework for appropriators.

They don't have to follow any of the recommendations, if they don't want to.

Without a Budget Resolution in Place the House Tries to Move a Separate Budget Enforcement Bill, With No Luck

H.R. 4663, sponsored by House Budget Committee Chairman, Jim Nussle (R-IA) was intended to force Congress to stick to its budget or risk across-the-board-spending cuts. Like the budget resolution, it would have revived statutory "caps" on appropriations and a pay-as-you-go law that would require offsets in any legislation that would increase mandatory spending. Appropriations Chairman C.W. Bill Young (R-FL) led the charge against the bill, saying its attempt to write spending caps into law represented an "..encroachment on Congress' power of the purse." The House soundly defeated the bill, 146-268, as Republican appropriators joined virtually all Democrats in opposition of the measure. There are no hopes of reviving the measure.

FY05 VA-HUD-IA Appropriations Bill

The House would like to move the FY05 VA-HUD-IA spending bill as a stand alone bill prior to the summer recess. Unfortunately, the Senate has not indicated such quick movement of its companion bill. There is strong support for moving the bill quickly because of the increases in VA medical care that are needed to assist our nation's veterans.

Unfortunately, the CDBG and HOME programs fall under the auspices of the VA-HUD-Independent Agencies Subcommittee. Not only do these two programs have to compete with other HUD programs for funding, but also has to compete with Veterans' programs, NASA, FEMA, and the EPA, all of which have strong constituencies in Congress and abroad. Like last year, several factors will hinder increased funding for CDBG and HOME in FY05. First, the number one priority of the subcommittee is to fully fund the programs within the Department of Veterans that provides health care to the nation's discharged soldiers – our veterans. This figure continues to increase annually due to the number of veterans from past wars that are aging, and in need of medical care and due to the number of new veterans from the Afghanistan and Iraqi conflicts that need ongoing medical care. According to the VA, it has already treated over 10,000 service men and women who have been discharged from Iraq and Afghanistan.

In addition, according to a recent VA analysis, almost 16,000 service members who served in Operation Iraqi Freedom have separated from military duty, and among these service members, almost 2,000 had sought VA health care during 2003. Since 1996, the VA has seen a 54% growth, 2 million patients, in total users for the system. Further, the VA projects its enrollments will grow by another 2 million patients from the current level of 7 million to 9 million in 2009. In addition, the VA needs more funding for infrastructure improvements to existing VA medical care facilities as well as to construct new facilities. In the last five years, the VA-HUD Subcommittee has provided large increases for medical care: $1.7 billion in 2000; $1.3 billion in 2001; $1 billion in 2002; $2.4 billion in 2003; and $3 billion in 2004. According to House appropriations staff, these programs are short between one and two billion dollars from what the President requested in FY05 and will be funded first.

The second priority of the subcommittee is to ensure full funding of HUD's Section 8 Voucher Program. This program has increased, due to the increase in the utilization rate (the number of vouchers in use), even though no new incremental vouchers have been appropriated in recent years. The increase in the utilization rate is due to HUD's push to have PHAs fully utilize their vouchers – or risk losing them altogether. Now that the PHAs have fully utilized their vouchers, and in some cases exceeded their utilization rate, HUD is telling PHAs that they may not receive funding for all of the vouchers that are leased. Congress will not stand for that – and in the end the Section 8 program will be fully funded. The program needs between $1.6 billion and $2.2 billion over what the President requested in FY05. In addition, the program is short approximately $350 million from FY04, and Congress will likely include this figure into the FY05 VA-HUD spending bill. Funding for the Section 8 program is difficult to pin down because it is a market-based program; rents increase/decrease due to market conditions and family income fluctuates also based on the market; the availability of jobs and the wages that are paid. It is difficult to estimate from one year to the next how much funding will be needed to renew expiring vouchers because of these factors [utilization rate and market conditions]. In FY04, the program received a $1.3 billion increase (7% from the previous year) to fund expiring Section 8 vouchers, to discover later that PHAs need at least an additional $350 million to fully renew all of their vouchers on hand.

The following statement from Senator Bond, on the passage of the Senate FY04 VA-HUD-IA bill, provides some thoughts for this year's bill.

> "As always, VA-HUD is a challenging measure to produce, but this time it is particularly difficult because of the constraints in the budget. We have had to make some very hard decisions on how to fund almost every program in the bill. No one will be completely happy with this bill.....To be clear, our most pressing and important priority in the VA-HUD 2004 appropriations bill is funding for our Nation's veterans and, most importantly, funding to provide quality and accessible medical care.....We funded the section 8 certificate fund at $18.4 billion, consistent with the budget request. Many groups say this appropriation is inadequate and could result in the loss of housing. I share these concerns with several qualifications. First, in previous bills we restructured the account to provide funding to PHAs only for the families actually using the vouchers and then with the central reserve at HUD, to ensure additional funds would be available to fund vouchers for additional families up to the PHA that is, public housing authority authorized contract level. This is new. The data is incomplete. There is a risk that there are not enough funds in the appropriations to meet all the needs of all families. But we do not know what that number will be. In past years, HUD has found additional excess section 8 funding to meet all section 8 needs, and no doubt will next year and the year after until this new funding system is in place and data is reliable. Nevertheless, we made it clear in the report that we expect the administration to alert us to any shortfalls and that we expect any shortfalls to be fully funded in a supplemental appropriations request."

Like the rest of us, the appropriators are frustrated with the lack of funding available to them in the budget to properly fund the programs under VA-HUD-IA. The following statement from Senator Barbara Mikulski (D-MD) during a April 1, 2004 appropriations hearing on HUD's FY05 budget echoes this frustration.

> "When I look at the fiscal year 2005 budget request, I see an OMB budget, not a HUD budget. Overall, spending on HUD programs is cut by 3% from last year's levels. Cuts in HUD means less affordable housing, more run down public housing, more lead paint poisoned children, and

more blight and deterioration in our communities. I am disappointed that the Administration again proposes to eliminate HOPE VI. I created HOPE VI 11 years ago to address a crisis. Public housing was decrepit. Residents were living in poverty. Public housing had become a way of life, not a better life. I wanted to take the federal government out of the slumlord business and into the empowerment business. HOPE VI transforms neighborhoods and makes them stronger by building partnerships. Five billion dollars in investment in HOPE VI leveraged an additional $10.8 billion in private investment including supermarkets, day care, and employment. We still need HOPE VI. I also question the Administration's decision not to fund the lead paint demonstration program that Senators Bond, Reed and I created two years ago. One million children under the age of six suffer from lead poisoning. I am puzzled by the decision not to include funding for this program and I will fight to restore cuts. Equally puzzling is the lack of resources for creating affordable housing. Maryland is the fifth most expensive state for renters to live in. A family needs to earn $39,900 per year to afford rent on a modest two-bedroom apartment in Maryland. So I question the priorities of a budget that does not request large increases for HOME, CDBG, and Section 202 housing."

The following statement from Senator Kit Bond (R-MO), Chair of the Senate VA-HUD Appropriations Subcommittee, during the same hearing, echoes his frustration too as well as provides some parameters for where he may focus budget increases in the FY05 VA-HUD bill.

"The President's Budget request for HUD for FY05 proposes some $35.7 billion, a "technical" increase of $331.8 million over the FY04 funding level of $35.4 billion. Unfortunately, the FY05 funding level does not tell the true story about the Administration's request which is distorted because of how rescission funding and FHA receipts are treated for purposes of the FY05 budget. Instead, the HUD proposed budget for FY05 is actually some $1.4 billion below the amounts we appropriated for the programs in FY04. This is a substantial reduction which is even more troubling in light of other Administration budget shortfalls in the jurisdiction of the VA/HUD Appropriations Subcommittee for FY05. These include a shortfall of some $1.2 billion in VA Medical Care and a reduction of some $500 million in the EPA Clean Water State Revolving Fund. Nevertheless, this Subcommittee is facing huge challenges in balancing funding decisions for the entire VA/HUD Appropriations bill in a very tight funding year and HUD represents one of the largest challenges. In particular, section 8 housing assistance will be funded at some $18.466 billion in FY05, a decrease of some $791 million from the FY04 funding level of $19.26 billion. This is not enough funding to meet the needs of the section 8 program as anticipated for FY05. CBO, in its most recent budget re-estimate, determined that section 8 will require funding of some $19.284 billion which means that HUD has a funding shortfall of some $2.2 billion for section 8 renewals and tenant protection for FY05. This is to sustain the program, not add incremental vouchers. This also does not address other important issues such as proposed changes and shortfalls in the section 8 administrative fees. While I understand the Administration's frustration with the section 8 tenant-based voucher program with its annual rescissions and poor cost projections – we share this frustration – this proposal is a poor substitute for the flaws in the program. We have spent years working with HUD in making reforms to the program, and the last 2 years in making specific reforms through changes to the Section 8 account. And while we continue to have problems with excess section 8 rescissions every year, the program has become successful with higher utilization rates. Unfortunately, the HUD section 8 proposal punishes a program for its success with the result that less families will get vouchers and extremely low-income families – those with the greatest housing needs – will likely get almost no assistance at all. I agree the section 8 program may cost too much and that we should reduce administrative burden where appropriate, but I think we should use a scalpel instead of a meat cleaver. I also have problems with other HUD proposals such as the elimination of the Rural

> Housing and Economic Development Program, the Lead Abatement Grant Program, and the HOPE VI Program."

Which appropriations bills will be the first approved?; What is the schedule for completing the appropriations bills this year? Defense and Homeland Security, of course. The House and Senate Appropriations committees have marked-up and approved their FY05 Defense measure. Passing the bill has increased importance this year because it includes $25 billion in funding for military operations in Iraq and Afghanistan. While appropriated funds are normally not available until October 1, the beginning of the new fiscal year, the $25 billion could be used as soon as the bill is signed into law.

The Senate hopes to complete its FY05 Homeland Security measure this week too. While the House is trying to pass as many stand-alone bills as possible, the Senate may settle for only passing the Defense and the Homeland Security spending measure as stand-alone measures and rolling the remaining bills into a large omnibus measure. Budget Committee Chairman Don Nickles (R-OK), has said that he would like to see all of the 13 spending measures combined into a package. That would allow him to invoke the $814 billion FY05 discretionary spending limit set by the FY04 budget resolution to fight off amendments that would add money to the omnibus.

What you can do:
We have posted a sample letter at NCDA's website at www.ncdaonline.org that you can use to send to your congressional members, supporting increased funding for CDBG and HOME in FY04. We urge all of you to send this letter to your congressional leader immediately (preferably by fax). We also urge you to follow up your letter with a phone call to your congressional members. Finally, we urge you to arrange a meeting with your congressional members during the summer recess to seek higher funding for CDBG and HOME. If they don't hear support for the program from their constituents, they will not increase funding for the program – or even level fund the program in FY05, if other constituencies are making their voices heard louder.

NCDA PARTICIPATES IN PERFORMANCE MEASURES WORKING GROUP

Representatives from NCDA, along with the Council of State Community Development Agencies (COSCDA), the U.S. Conference of Mayors (USCM) the National Association for County Community Economic Development (NACCED), the National Association of Counties (NACo), the National Association of Housing and Redevelopment Officials (NAHRO), HUD and OMB comprise a working group whose charge is to assist HUD in designing a performance measures system that would be suitable for all the grantees covered by the consolidated plan.

Background

The Board of Directors of the Council of State Community Development Agencies (COSCDA) felt very strongly that if HUD were to develop a performance measurement system to comply with the terms of GPRA, it would not meet and or recognize the needs of state community development agencies. Their fear was that any system would be designed from an entitlement community perspective, in the same fashion as the consolidated plan. COSCDA's members wanted a system that all grantees would be required to use and would be suitable for ***ALL*** the grantees and programs covered by the consolidated plan. They oppose any system that would have to be manipulated to match the unique issues associated with state programs.

COSCDA's members took it upon themselves to design a system that would be the basis for reporting on grantee performance and accomplishments. It would take into consideration the current data gathering requirements, how grantees get data , and the ways in which such data fit within the statutory and regulatory data rquirements of the four formula programs, CDBG, HOME, ESG and HOPWA. While the system did not have to be program specific, it was perceived that HUD would have "codes" in place to identify which programs did what, because each has specific reporting requirements.

COSCDA also recognized that any system that was designed would have to support the current IDIS structure (hopefully with new enhancements to accept performance data), satisfy both HUD and OMB, and not be perceived as imposing unreasonable new reporting requirements on grantees..

Progress

COSCDA formed a working group of its members to come up with a process for discussing and determining what a performance measurement system should look like, who the clients would be and most importantly, show HUD, OMB, Congress and local citizens the great work that is being done within these programs. They also decided that for the system to work, it had to have "buy in" and acceptance from all of the players including the practitioners and their interest group representatives, HUD, and OMB.

Once the preliminary work on a performance measurement system was finalized, the next step was to "roll it out" for review and comment by the participants of the what was to become the Performance Measures Working Group (PMWG).

Where Are We Now?

As with all things in Washington, a meeting was held to evaluate progress to date. COSCDA invited the executive staffs from all the local and state community development and housing public interest groups and at least one member from the representative's Association. NCDA President Amintha Cinotti of Providence, Rhode Island was in attendance.

COSCDA held the summit to lay out its proposal and secure assurances from all the players that they would participate in the PMWG and that they would agree to support the system that came out of working group. All participants agreed that they would accept the COSCDA instrument of data collection for use by grantees in inputting the existing data requirements and any new expanded data requirements. The representatives agreed that for any new system created, its required use would depend on HUD's ability to have the necessary IDIS improvements in place. In other words, if HUD requires that new data collected, IDIS must be read to accept that data as well as generate data products that make full use of the new data. Lastly, working groups participants also agreed that if they could not come to consensus on a system then no recommendations would be made. Grantees would continue with the status quo and allow HUD, et. al. to come up with a system on its own.

COSCDA, being the lead agency, wanted to insure that all participants felt that they had an equal say and stake in the performance measures system and in the refinement of that system, so that all grantees would be comfortable working within a structure that met their data gathering needs. It was not to be a ***State System*** that would be "fixed" for cities and counties. Everyone agreed. The interest group representatives worked to design a schedule of meetings so that PMWG representatives could "hammer out" a system to be used by all the grantees within six months.

Moving Forward

At the NCDA Annual Conference in Portland, Oregon in May, the Board of Directors voted to appoint the Association's Executive Committee as its representatives on the PMWG. The Executive Committee members realized that all four would most likely not be able to make all the meetings, and it was agreed that all the materials would be passed along to members who were not present and through a series of e-mails and conference calls would ensure that all the information was disseminated to all the members on PMWG.

The first meeting was held last week on June 14-15 and NCDA's President Amintha Cinotti and NCDA Secretary/Treasurer Nancy Haney from Lubbock, Texas were in attendance. The COSCDA folks did an excellent job of reviewing their process and detailed the arduous task of getting everyone on the same page. They knew that this would be a similarly difficult task for the entire group, but they had already done the hard work for us. Over the two-day facilitated meeting, the PMWG determined to move forward with the basic COSCDA model, with a few refinements on some definitions. It was agreed that everyone could live with the thought process that determined the model presented and that the challenge for the group would be to come up with not more that five measures that could be "rolled-up nationally" that could provide interested parties with information on the productivity, effectiveness and efficiencies of dollars spent on these four formula programs. It was also agreed that there would be much more data put into the system for grantee or HUD use than would be aggregated at the national level. Any required system would not take away from local program control and flexibility.

It was also agreed that the new performance measurement system would be web-based, user friendly, and would not require any useless data gathering on the part of the grantees and their subrecipients.

How does the ConPlan Streamlining and IDIS Improvements Initiative fit in with the PMWG?

As mentioned above, the local public interest groups received assurances from HUD that it would have the computer system capability to accept the new data before requiring grantees to comply with a performance measurement system. However, it appears that the IDIS Improvement Initiative has been delayed again. It is unclear when any new contracting will occur for the necessary work to be done on IDIS that will prepare the system performance measurement data. However, HUD is ready to propose statutory and regulatory changes to the ConPlan as a result of the ConPlan Streamlining effort that began two years ago. In a meeting with Nelson Bregón and his staff held on June 23rd, we were told that there will be two statutory changes and seven regulatory changes proposed to help streamline the administrative burden in preparing the Consolidate Plan. Unfortunately, since rule making and statutory change can be interminable processes, HUD is unwilling to allow grantees extensions to their current five-year plans. HUD estimates at least 18 months, perhaps two years for ConPlan changes to go into effect.

Next Steps

The next PMWG meeting is scheduled for July 21-22. NCDA will be sending out meeting summaries when they become available. HUD is putting in place an electronic mechanism for collecting comments on the process as a whole and for making sure that all grantees, not just the members of the representative associations, have input into the process.

HUD CELEBRATES NATIONAL HOMEOWNERSHIP MONTH WITH RAFFLE

June is National Homeownership Month, and the Department of Housing and Urban Development is celebrating with a program program that will provide new homes for ten lucky families. Apparently adopting a "slow and steady wins the race" approach to expanding homeownership for the nation's neediest, HUD Secretary Alphonso Jackson lauded the new pilot program, designed to encourage housing counseling nationwide, as a complement to President Bush's goal of "creating 5.5 million new minority homeowners by the end of the decade."

Under the guidelines of the HomeWise Program, HUD will select ten families in St. Louis, Miami, Philadelphia, Seattle, Chicago, Atlanta, Detroit, Minneapolis, Columbus, Ohio and Kansas City, MO to become eligible to purchase renovated HUD homes at a 50 percent discount. According to HUD:

> *"Eligible buyers must be first-time homebuyers who have completed an approved housing counseling course and earn 80 percent or less of their area's median income. Buyers will be required to sign a 15-year, at or below market rate mortgages on the property, with payments to be based on one-half of the home's appraised value. They will also be required to sign a lien representing the balance of the appraised value, which will be forgiven if the buyer remains in the home and makes timely payments for five years."*

The application period has opened and will continue through July. Applications are available on HUD's website. HUD will submit the names of pre-screened applicants to local officials, who will then select the winning families through a random drawing. Secretary Jackson, who recently landed himself in some political hot water by asserting that "being poor is a state of mind, not a condition," described the pilot program as "certainly one of the highlights of National Homeownership month." Jackson continued, "While the nation's homeownership rate is at an all-time high, just below 70 percent, minority homeownership rates fall well short of that. Creative efforts like HomeWise will help reduce that margin." Jackson predicted that every HomeWise program applicant "will come out a winner, because families will discover through their homeownership counseling that buying a home isn't as difficult as they thought it was."

Of course, buying a home will be even easier for the ten lucky families who win the drawings and are able to purchase homes at a fifty percent discount. Nonetheless, the obvious goal of the program is to steer hopeful families into housing counseling so that they will be better prepared to make good decisions regardless of whether their names are drawn. As long as most of the families are not simply attending in order to get their "raffle ticket" stamped, some good will probably come from the contest. (For it definitely is a contest; HUD has posted "Official Rules" on its website.) However, while HUD is to be applauded for any and all efforts designed to assist families in fulfilling their dreams of homeownership, we can only hope that the next federal budget proposal (whoever submits it) will include additional resources for the many other HUD programs that can make a real difference in the lives of more low- and moderate-income Americans than can be counted on just two hands.

ATTACHMENTS

Please go to NCDAonline (http://ncdaonline.org) To access the files below.

- ***Membership Update Information***
- ***Job Announcement***