NCDA
WASHINGTON REPORT

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NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005 at the Wyndham Hotel
NCDA Annual Conference; May 16-21, 2005 at the Hyatt Regency Hotel in Austin, Texas

FEATURED ARTICLES

- *Appropriations Update: Senate Makes 302(b) Allocations; Additional CDBG Funds Available to Florida Grantees Hit by Hurricanes Charley and Frances*
- *FDIC Proposes to Raise CRA Small Bank Limit*
- *Public Interest Groups Debate Section 8's Role in Decreased HUD Appropriations*
- *US Conference of Mayors Announces "Metro Agenda" at Leadership Meeting*
- *NCDA Notes: NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005, at the Wyndham Hotel; Winter Legislative and Policy Meeting Agenda and 15th Anniversary of the HOME Program Celebration; NCDA's Comments on HUD's Slum and Blight Proposed Rule*
- *Attachments*

APPROPRIATIONS UPDATE

SENATE MAKES 302(B) ALLOCATIONS; ADDITIONAL CDBG FUNDS AVAILABLE TO FLORIDA GRANTEES HIT BY HURRICANES CHARLEY AND FRANCES

Congress returned from their six week summer recess on September 7th with a long to-do list and a short number of legislative days to accomplish their tasks. Only one FY05 appropriations bill (Defense) has been enacted. With only four weeks remaining until Congress officially adjourns on October 8, and with 12 remaining appropriations bill to complete, as well as other higher priority bills, Senate Majority Leader Bill Frist (R-TN) publicly acknowledged that "there will be discussions about a lame duck session." With a lame duck session, Congress will return after the November elections to complete any unfinished business. Again, this depends on who is elected President in November.

If President Bush is re-elected, then the Republican majority may attempt to return after the election to complete the unfinished bills (remember, in the last two years, Congress did not complete the appropriations process until January or even as late as February of the following year). If Kerry is elected President, then expect no action on the bills until the next Congressional session (since the Republicans still control both chambers of Congress). Regardless of the outcome of the election, it seems likely that any lame duck session would be dominated by consideration of recommendations made by the September 11 commission, leaving little time to complete all the spending bills.

In addition to the 12 unfinished appropriations measures, the Senate's wish list of items includes completion of the FY05 Homeland Security appropriations bill, completion of an Energy bill, reauthorization of the surface transportation law (which expires this month), and enactment of some of the reforms recommended by the September 11 commission. Topping the agenda this week for both chambers of Congress is pushing through an emergency spending bill for aid to Florida, which has been devastated by two hurricanes in the last three weeks. Congress quickly approved a $2 billion emergency spending bill (HR 5005) earlier this week and the President quickly signed the measure. The President is expected to ask for additional funds for the state once he has visited the ravaged areas. This second installment of funds will likely be attached to the FY05 Homeland Security appropriations bill.

Besides completion of the FY05 Homeland Security spending measure, Congress will likely complete the FY05 Legislative Branch spending bill and the FY05 Military Construction spending measure. The remaining FY05 spending measures, including VA-HUD-IA are no where close to being completed, especially in the Senate. After a lengthy delay, the Senate Appropriations Committee finally adopted 302(b) allocations on September 8. These allocations set general spending levels for subcommittees and provide a procedural defense against efforts to add money to bills through floor amendments. A total of $92.93 billion in budget authority was allocated to the Senate VA/HUD Appropriations Subcommittee. This figure is identical to the corresponding House figure.

The Senate is trying to complete its FY05 Homeland Security Appropriations bill this week so that it can conference the measure with the House next week and have a final bill on the President's desk before it adjourns. This bill is important because it will likely authorize some of the recommendations of the September 11 commission report. This may also be the vehicle to carry additional emergency funding for FEMA to provide aid to parts of Florida damaged by Hurricane Frances. We may likely see completion of the FY05 Legislative Branch and the FY05 Military Construction spending bills before adjournment. Both chambers are close to finishing the Agriculture spending measure too. Again, all other spending measures, include VA-HUD, are nowhere near completion.

Grantees in Areas Damaged by the Hurricanes Will Receive Additional CDBG Funds

We have heard that part of the $2 billion aid package that has already been approved by Congress and signed by the President will include approximately $200 million in additional CDBG funds for Florida grantees in areas damaged by hurricanes Charley and Frances. CDBG grantees in these areas would have to apply directly to HUD headquarters for the funds. Grantees will have to follow all of the CDBG program regulations; however, HUD has the discretion under Section 122 of the Housing and Community Development Act of 1974 to suspend any regulations it deems necessary, except for those "related to public notice of availability of funding, nondiscrimination, fair housing, labor standards, environmental standards, and requirements that benefit persons of low- and moderate-income."

What Can You Do?

GET IN TOUCH WITH YOUR CONGRESSIONAL MEMBERS NOW! Let them know that the cuts to CDBG and HOME are unacceptable, despite the growth to Section 8. NCDA is working in partnership with other national associations to try to restore the cuts to the programs, *but without your participation in this process, the cuts will not be restored.*

Please act today by sending a letter (see the draft letter posts to NCDA's website at www.ncdaonline.org) by mail, fax, or e-mail to your congressional members. Please also call them or meet with them directly to discuss your concerns with these cuts and ask that they be restored. We also encourage you to have your subrecipients contact them as well. Without direct participation on your part, the programs will be targeted for cuts, now, and in the future.

We ask that you send us a copy of your letters to your congressional members, so that we will have an idea of which communities have contacted their congressional representatives. So far, we have only received TWO letters from members who have contacted their congressional members on the issue of cuts to CDBG and HOME. We understand that you are busy with many other issues, but we ask that you make this issue a priority and contact your congressional members immediately!!! Please e-mail or fax your letters to any of the following NCDA staff: Chandra Western at chandra@ncdaonline.org, Vicki Watson at vicki@ncdaonline.org, or Jeff Falcusan at jeff@ncdaonline.org

Status of FY05 Appropriations

Agency	House Action	Senate Action	Signed by the President
Agriculture	Passed the House on 7/13	Subcommittee mark-up completed on 9/8	No
Commerce, Justice, State	Passed the House on 7/8	None	No
Defense	Adopted on 7/22	Adopted on 7/22	Yes
District of Columbia	Passed the House on 7/20	None	No
Energy & Water	Passed the House on 6/25	None	No
Foreign Operations	Passed the House on 7/15	None	No
Homeland Security	Passed the House on 6/18	Full committee mark-up completed on 6/17; Floor consideration underway	No
Interior	Passed the House on 6/17	Subcommittee mark-up completed on 6/23	No
Labor-HHS-Education	Full committee mark-up completed on 7/14	None	No
Legislative Branch	Passed the House on 7/12	Full committee mark-up completed on 7/15	No
Military Construction	Passed the House on 7/22	Full committee mark-up completed on 7/15	No
Transportation-Treasury	Full committee mark-up completed on 7/22	Subcommittee mark-up completed on 9/9	No
VA-HUD-IA	Full committee mark-up completed on 7/22	None	No
Emergency Supplemental for Florida Hurricane Relief	Passed the House on 9/7	Passed the Senate on 9/7	Yes

FDIC PROPOSES TO RAISE CRA SMALL BANK LIMIT

Following the path of the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) released a proposed regulation on August 20 to increase the Community Reinvestment Act (CRA) asset threshold for small banks. The OTS and FDIC see these changes as necessary in order to reduce regulatory burden, such as data collection, on banks. Currently, the OTS and the FDIC categorize small banks as those with assets of $250 million or less. The FDIC's proposed regulation would increase this asset limit to $1 billion, thereby eliminating hundreds of small banks from having to undergo full CRA examination. These banks will now be subject to a streamlined CRA examination. These banks would no longer by subject to the investment and service test of the CRA and a would now be subject to a more weakened lending test. A description of each of these tests is provided below. The proposed regulation would replace the existing investment and service test with a new community development criterion [see details below]. The changes will mean less rigorous CRA reviews which translates into reduced access to credit and banking services for low- and moderate-income households and businesses. This change will mean that an additional 900 banks with assets of approximately $400 billion will be exempt from full CRA review. In all, with this new proposal, 96% of the FDIC's banks will be exempt from full CRA review with only 223 of the 5,291 banks supervised by the FDIC receiving a full CRA review.. More shocking is the fact that eight states (Alaska, Arizona, Idaho, Minnesota, Montana, New Mexico, West Virginia, and Wyoming) would have no banks that would have to undergo full CRA review. In addition, another 36 states would have five or fewer banks facing full CRA scrutiny.

The Community Reinvestment Act

In 1977, Congress enacted the Community Reinvestment Act (CRA) to encourage insured banks and thrifts to help meet the credit needs of their entire communities, including low- and moderate-income communities. In enacting the CRA, Congress provided that they serve serve the convenience and needs of the communities in which they are chartered to do business, and that the convenience and needs of the communities include the need for credit as well as deposit services.

In reviewing a large bank, the CRA requires that the FDIC and the OTS look at three criteria: lending, investment, and service. Large banks have more stringent requirements in each of these areas, as described below.

*Lending Test: A*ccording to the CRA, the lending test consists of the number and amount of loans originated or purchased by the institution in its assessment area; the geographic distribution of its lending; characteristics, such as income level of its borrowers; its community development lending; and its use of innovative or flexible lending practices to address the credit needs of low- or moderate-income individuals or geographies in a safe and sound manner. Large banks and thrifts must collect and report data on small business loans, small farm loans, and community development loans, and may, on an optional basis, collect data on consumer loans.

Investment Test: Under the investment test, the large bank and thrift examination consists of the dollar amount of qualified investments, their innovativeness or complexity, their responsiveness to credit and community development needs, and the degree to which they are not routinely provided by private investors.

Service Test: Under the service test, the large institutions examination consists of the branch distribution among different geographies of income levels; its record of opening and closing branches, particularly in low- and moderate-income geographies; the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals; and the range of services provided in geographies of different income levels, as well as the extent to which those services are tailored to meet the needs of those geographies.

In contrast, the performance of a small bank – an institution currently with assets under $250 million and not part of a holding company with bank and thrift assets over $1 billion – is evaluated under a streamlined test that focuses primarily on lending. The test considers the institution's loan-to-deposit ratio; the percentage of loans in its assessment areas; its record of lending to borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of its loans; and its record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area.

In its proposed rule change, the FDIC proposes to add a mandatory community development criterion for banks with assets greater than $250 million and up to $1 billion as an additional component of the streamlined small bank standards. As mentioned previously, this new criterion would replace the existing investment and service tests for small banks. Under this new community development criterion, the FDIC will assess a bank's record of helping to meet the needs of its assessment areas through a combination of its community development lending, qualified investments, or community development services. Such banks will be required to engage in activities that meet credit needs in their assessment areas, but may balance their community development lending, investing and service activities based on the opportunities in the market and the banks' own strategic strengths. This new criterion would focus on the entire community and not have any special reporting for low- and moderate-income households or businesses. If there is no special reporting requirement for low- and moderate-income households, how are these banks meeting their CRA requirements? Essentially, both the OTS and the FDIC are changing the policy of the CRA through regulation, while the current Administration turns a blind eye to these actions.

Comments on the regulation are due to the FDIC by September 20. NCDA and several other organizations are developing a joint letter to the FDIC opposing this increase in the asset limit for small banks. We ask that you also send a letter to the FDIC on this important issue. The more letters they receive, the more they will know that communities do not want to see these changes implemented. Please go directly to the FDIC's website at www.fdic.gov to review this proposed regulation. NCDA will post a letter on this issue to its website next week, so you can also use this a guide for your comments. If you have any further questions, please contact Vicki Watson, NCDA Legislative Director, at 202-887-5532.

PUBLIC INTEREST GROUPS DEBATE SECTION 8'S ROLE IN DECREASED HUD APPROPRIATIONS

There is a growing concern among many public interest groups that a ballooning Section budget may be endangering the fiscal future of other important HUD programs including CDBG and HOME. On August 9 NCDA staff met with representatives from the U.S. Conference of Mayors (USCM) and the National Association for County, Community, and Economic Development (NACCED) to discuss the situation and plot possible advocacy strategies. This meeting led to an August 17th meeting with representatives from USCM, NACCED, COSCDA, NAHRO, and other groups.

As NCDA members know, the House Appropriations Committee used growing Section 8 costs to justify across-the-board cuts to most other HUD programs in its version of the FY 2005 funding bill. According to the committee's July 22 press release:

> *"The Department of Housing and Urban Development (HUD) is funded at $37.7 billion, $108 million below last year's level and $1 billion above the President's Request. Total funding for HUD has increased $4.7 billion or 14% over the last four years. Despite this generous growth, funding for most HUD programs has remained flat or been reduced due to the rapid growth in the Section 8 program which now consumes more than half of HUD's budget, up from 41% four years ago. Authorization legislation proposed in the President's budget to change and reduce costs in the Section 8 voucher program is not included in the bill. Absent these authorization changes and faced with a tight allocation the subcommittee had to decrease most HUD programs by 4% in order to fund the continued rapid growth in the Section 8 program."*

In its last two proposed budgets, the Bush Administrations has advanced two separate reform proposals for the Section 8 program. Both proposals have engendered strong opposition from public interest groups. This opposition notwithstanding, there is a general feeling among many interest groups that some kind of reform will be necessary, and sooner rather than later. During the August 17, representatives from organizations representing administrators of the Section 8 program were asked what progress they had made on creating reform proposals for the voucher program.

Bernard Fulton, a legislative consultant who works with the Council of Large Public Housing Authorities, argued that the need to reign in Section 8 costs is not as dire as some people think. Bernard claimed that some of the factors driving recent cost increases are about to level off. For example, Bernard said that lease-up rates have increased from around 85% to almost 100% in recent years. "You can't go up much more" than that, Bernard pointed out. Bernard also argued that the House Appropriations Committee staff may have been less then truthful in their recent statements about the Section 8 program. Bernard described claims of a 14% increase in Section 8 costs from FY04 to FY05 as "bogus." The actual increase is "more like 4%," he said.

John Bohm from NAHRO supported Bernard's contentions, stating that Section 8 has been scapegoated by House committee staff and administration officials. John argued that now is not the time to pursue radical reform for Section 8, and he asked the other groups to wait to see how the Senate's appropriations bill treats HUD programs. Throughout the meeting, Bernard and John pushed the message that other public interest groups should not buy in to the House committee's "robbing Peter to pay Paul" line of reasoning. They indicated that some interest groups have begun to examine possible long-term fixes for Section 8, but fleshed-out reform proposals look to be a ways off at this point. When it became clear that the meeting would not produce much in the way of a comprehensive strategy for restraining future Section 8 costs, all present began to focus on the immediate task at hand: the FY 2005 appropriations process.

It was agreed that all public interest groups should maintain a united front through the FY 2005 appropriations process. The message is a simple one: all HUD programs are being treated unfairly. Congressman Barney Frank (D-MA) has been working with staff from the National Alliance to End Homelessness on an outreach effort emphasizing adequate funding levels for all HUD programs. NCDA has cooperated in this effort.

US CONFERENCE OF MAYORS ANNOUNCES "METRO AGENDA" AT LEADERSHIP MEETING

During an August 11 leadership meeting in Chicago, U.S. Conference of Mayors President and Akron Mayor Donald L. Plusquellic announced the Conference's policy agenda for the 2004 election season. The agenda, entitled "Keeping America Strong: Mayors '04 Metro Agenda for America's Cities," focuses on four broad policy areas: job creation and public-private partnerships, smart infrastructure investment, public safety and homeland security, and unfunded mandates.

The agenda has been described as a response to a perceived failure by both the Bush and Kerry presidential campaigns to focus adequate attention on the plight of America's metro areas. In a speech announcing the agenda, Mayor Plusquellic called America's cities and suburbs "the engines that drive our nation's great economy." According to the Mayor, metro areas have generated 87% of the nation's economic growth over the past decade. These metro areas represent 48 of the world's 100 largest economies, but several challenges persist.

A recent report by economic forecasting firm Global Insight revealed that "new jobs created in the top 20 job-creation sectors of the economy will have a 15% lower wage compared to the ten sectors that lost the most jobs during the recent recession and jobless recovery," and all new jobs created between 2004-2006 will have an average wage of 12% less than jobs lost between 2000 and 2003. Among those individuals receiving these new jobs, 14.5% fewer will have health care coverage compared to those who lost jobs between 2000 and 2003. In addition to these labor market woes, the nation's key infrastructure (roads, bridges, water systems, airports, schools, etc.) continue to deteriorate. Too many families cannot find affordable housing, and too many brownfields are not being cleaned up and redeveloped.

In the area of "Smart Investment: New Infrastructure for a New Economy," the agenda includes two items that dovetail with NCDA's advocacy efforts. The agenda calls for a "comprehensive agenda to promote homeownership and the construction of affordable rental housing." The agenda also express USCM's commitment to full funding for CDBG and other housing programs, full funding for every Section 8 voucher currently in use, and full funding for Section 8 vouchers currently allocated. The rest of the agenda can be accessed through the Conference's website at http://usmayors.org.

NCDA NOTES

NCDA's Winter Legislative and Policy Meeting will be held on January 18-20, 2005 at the Wyndham Hotel. On January 18, HUD will host a one-day celebration of 15 years of the HOME program, also at the Wyndham. Please be sure to make your reservations for both events.

ATTACHMENTS

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

- ***Winter Legislative and Policy Meeting Agenda***
- ***HUD's 15th Anniversary Celebration of the HOME Program***
- ***NCDA's Comments on HUD's Slum and Blight Proposed Rules***

U.S. Department of Housing and Urban Development

Program	FY04 Enacted	FY05 President's Request	FY05 House Appropriations	No Senate Action
Community Development Fund	$4.921 billion	$4.618 billion	$4.711 billion	
Set-Asides:	$72 million	$72 million	$69 million	
Native American CD Grants	$35 million	$30 million	$33.5 million	
NCDI	$52 million	$35 million	$36.7 million	
Section 107	$3.3 million	$3 million	$3.2 million	
Housing Assistance Council	$2.5 million	$2 million	$2.4 million	
Native Am. Indian Council	$5 million	$0	$4.8 million	
NHDC	$5 million	$0	$4.8 million	
National Council of La Raza	$27 million	$65 million	$26 million	
SHOP	$65 million	$65 million	$62 million	
Youthbuild	$0	$0	$2 million	
Special Olympics	$278 million	$0	$136.5 million	
EDI Special Purpose Grants	$21 million	$0	$20.5 million	
Neighborhood Initiatives	$4.9 million	$1 million	$4.7 million	
Working Capital Fund	$0	$10 million	$0	
Development Challenge	$0	$5 million	$0	
Grants	***$570.7 million***	***$288 million***	***$406.1 million***	
Faith Based Pilot	$4.350 billion	$4.330 billion	$4.305 billion	
Total Set-Asides				
Formula Grants				
HOME	$2.006 billion	$2.084 billion	$1.920 billion	
Set-Asides:				
ADDI	$87.5 million	$200 million	$85 million	
Housing Counseling	$40 million	$0	$38 million	
Technical Assistance	$18 million	$18 million	$17.4 million	
Working Capital Fund	$2.1 million	$2 million	$2 million	
Total Set-Asides	***$147.6 million***	***$220 million***	***$142.4 million***	
Formula Grants	$1.858 billion	$1.864 billion	$1.776 billion	
HOPWA	$295 million	$295 million	$282 million	
Rural Housing & Econ.Dev.	$25 million	$0	$24 million	
Round II EZ/ECs	$14.9 million	$0	$14.250 million	
Section 108	$7.282 million	$0	$7 million	
Brownfields	$24.8 million	$0	$24 million	
HOPE VI	$149 million	$0	$148 million	
Public Housing Operating Fund	$3.579 billion	$3.573 billion	$3.425 billion	
Public Housing Capital Fund	$2.696 billion	$2.674 billion	$2.580 billion	
Indian Housing Block Grant	$650 million	$647 million	$622 million	
Section 202	$774 million	$773 million	$741million	
Section 811	$249 million	$249 million	$238 million	

Homeless Programs	$1.260 billion	$1.282 billion	$1.206 billion	
Fair Housing	$47.7 million	$47.7 million	$46 million	
Lead Hazard Control	$174 million	$139 million	$167 million	
Housing Certificate Fund	$19.257 billion	$18.466 billion	$20 billion	
Samaritan Initiative	$0	$50 million	$0	