NCDA
WASHINGTON REPORT

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- ***Senate Appropriations Committee Finishes VA/HUD Spending Bill; CDBG and HOME Receive Increases; President Bush Requests Additional Disaster Funds for Florida***
- ***President Bush Proposes "Opportunity Zones"***
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- ***NCDA Notes:** NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005, at the Wyndham Hotel*

SENATE APPROPRIATIONS COMMITTEE FINISHES VA-HUD SPENDING BILL: CDBG AND HOME RECEIVE INCREASES; PRESIDENT BUSH REQUESTS ADDITIONAL DISASTER FUNDS FOR FLORIDA

The new federal fiscal year begins in a week and most federal agencies will be without FY05 funding. Only one appropriations measure, Defense, has been passed by Congress and signed by the President to date. The spending bills for the Department of Homeland Security, Legislative Branch, and Military Construction, are expected to be completed by Congress and signed by the President by October 1, the first day of the new federal fiscal year. The remaining nine spending measures, including VA-HUD-IA, will likely be forced to operate under a Continuing Resolution (CR) until after the November elections.

Congress is expected to pass two CRs, one that will keep the federal government operating through October 8 (the targeted adjournment for Congress) and a second that will extend from October 8 through November 25. After the November elections, Congress will return to town for a lame-duck session to complete the remaining spending measures that will likely be folded into one large omnibus measure. Rep. Bill Young (R-FL), Chairman of the House Appropriations Committee, and Senator Ted Stevens (R-AK), Chairman of the Senate Appropriations Committee are stepping down as chairmen after this congressional session, so they want to see the FY05 appropriations cycle completed under their watch and not risk having the bills changed under new leadership in the 109th congress.

Senate Appropriations Committee Completes VA-HUD-IA Bill

The Senate Appropriations Committee approved its FY05 VA-HUD-Independent Agencies spending measure on Tuesday, September 21. Unlike the House version, the Senate's bill provides increases in most of HUD's programs, including CDBG and HOME. In its committee report on the bill, the committee said, "this bill attempts to provide a fair and balanced approach to many competing programs and activities under the VA-HUD subcommittee's jurisdiction."

The committee provided $4.950 billion for the Community Development Fund, which provides funding for CDBG. This is an increase of $331.9 million above the President's FY 2005 request and $30 million above last year's funding level of $4.920 billion. Of this overall amount, the committee provides $4.547.7 million in formula funds. This is an increase of approximately $197 million from last year and $217 million above the President's FY 2005 request. Still, the House and Senate need to conference the bill and this figure will decrease due to the differences in the EDI set-asides. The EDI set-asides encompass the "pork projects" and they differ in both the House and Senate and neither side will relinquish these cherished projects that are targeted for their constituencies back home. Please feel free to contact us if you would like to see if your jurisdiction received an EDI set-aside. Since the House Appropriations Committee approved $136.5 million in EDI set-asides, the CDBG formula will likely decrease by this amount. Furthermore, the House Appropriations Committee recommended $4.305 billion in formula funding for CDBG in FY 2005, a decrease of $45 million from last year, so the two chambers need to reconcile their differences on the formula funding. We are hopeful that we will see a small increase in the formula this year and we ask you to continue to contact your congressional members to seek an increase in formula funding for the program in FY 2005. Thanks to those of you who have already contacted your members. We are convinced that this made a big difference with Senate appropriators. We have attached a chart which provides a comparison of the set-asides recommended by both the House and Senate for the Community Development Fund.

The committee recommended $6.325 million for program costs associated with the Section 108 Loan Guarantee program. The administration has zeroed out this program in the last two fiscal years, but NCDA and other groups have advocated for its continuation. We are grateful that both the House and Senate have provided funds for this important community development tool in FY 2005. Like the House, the Senate Appropriations Committee also recommended approximately $25 million in funding for the Brownfields program. Again, the administration recommended no funding for this program in the last two budget cycles.

The committee provided $2.050 billion for the HOME program in FY 2005. This is an increase of $44.375 million from last year's level and approximately $34 million above the President's request. Of this amount, $113 million is provided to set-asides within the program including $18 million for HOME TA, $45 million for housing counseling, and $50 million for the American Dream Downpayment Fund. Technically, both housing counseling and the American Dream Downpayment Fund are separate from the HOME program. The committee provided $1.937 billion in formula funds for the HOME program. This is an increase of $79 million in formula funds from last year.

The committee provided $1.260 billion in funding for HUD's homeless assistance programs. This is a slight increase of $458,000 from last year and a decrease of $22.4 million from the President's FY05 request. Of the amount provided, the committee directs HUD to provide $186 million to fully fund the expiring Shelter Plus Care contracts. The committee provides $11.9 million for technical assistance and management information systems. The committee again includes authorizing language that requires HUD to provide a minimum of 30% of the appropriated funds to permanent housing. The committee also directs HUD to report on the progress of its homeless management information systems efforts by March 21, 2005. The committee also directs HUD to provide flexibility in defining what types of activities qualify in meeting the match requirement under the Supportive Housing Program (SHP). In its report, the committee notes, "The committee believes that the value of services provided to a grantee's resident or client by an entity other than the grantee may be used as a qualified match when documented by a Memorandum of Understanding between the grantee and the other entity. The cost value of these services should not be included to the extent Federal funds support these services." Finally, the committee rejected the administration's proposal to transfer the Emergency Food and Shelter Program from FEMA to HUD.

In terms of other program areas, the committee provided $175 million for lead-based paint hazard reduction and abatement activities in FY 2005. This is an increase of slightly more than $1 million from last year. Of this amount, the committee provides $50 million for HUD's lead hazard reduction demonstration program which was established in FY 2003 to focus on major urban areas where children are disproportionately at risk for lead poisoning. The administration had zeroed out this program, but NCDA and other groups advocated for its continuation. This program is strongly supported in the Senate. The committee provided $47.7 million to HUD's Office of Fair Housing and Equal Opportunity, the same level as last year. Of this amount, $27 million is provided to the Fair Housing Assistance Program and no more than $20.7 million is provided to the Fair Housing Initiatives Program.

The committee provided $20.7 billion for HUD's Housing Certificate Fund, which funds the Section 8 program, both project-based and tenant-based. The committee used $2.588 billion in unobligated funds left in the program from previous fiscal years to assist in funding the program. Of the overall $20.7 billion, the committee allocated $19.034 billion for the renewal for all expiring Section 8 contracts, both tenant-based and project-based; $100 million for a central fund to support contract amendments; $163 million for Section 8 preservation contracts; $48 million for family self-sufficiency contracts; $1.256 billion for Section 8 administrative costs; $102 million for Section 8 project-based administrative costs; and $4.9 million for HUD's working capital fund. In its committee report, the committee said, "...we are very concerned over HUD's failure to adequately implement the FY04 funding mechanism for Section 8 vouchers. Because both HUD and PHAs waited until more than six months in the fiscal year to address the rent requirements in the FY 2004 conference report, many low-income families were put a risk of losing vouchers and housing through no fault of their own. The committee expects HUD to develop timely guidance at the beginning of the fiscal year."

The committee's concern over the growing costs of the Section 8 program is evident in its report language. It's also evident in the report language that the committee is not supportive of HUD's proposal to block grant the funds. The committee notes in its report that, "...we are very concerned that the Section 8 program is growing at a cost that is undermining its financial stability as well as undermining the amount of funds that are available for other programs within this bill. The committee believes that program administration is flawed and more costly than it should be – in particular, the committee directs the Department to review the mechanisms used for determining Section 8 rents and the accountability requirements that ensure that these rents are reasonable and are no greater than the cost of comparable, unsubsidized units in the same market area. The committee does not agree with the administration's belief that the Section 8 program is so flawed that it cannot be corrected without a conversion of the program into a block grant to the States or to public housing agencies. Without a commitment of adequate funding, the block grant approach will result in a shrinking commitment to housing resources for those with the greatest needs."

The committee does impose standards for PHAs to follow in the coming year regarding the Section 8 program. For those PHAs that have exceeded their authorized contract level, the committee directs these agencies to be within their authorized contract level by November 30, 2004. In its report language, the committee caps the cost of vouchers for PHAs "based on the cost of vouchers in use as of October 1, 2004, with rent adjustments based on an annual adjustment factor determined by HUD which can be appealed by a landlord based on the cost of comparable, unsubsidized units in the same census tract or a larger market area, if appropriate."

The committee provides $150 million for the HOPE VI program in FY 2005. Senator Barbara Mikulski (D-MD), ranking member of the Senate Appropriations Committee, helped create the program and is an ardent supporter of its continuation. In its report language the committee "urges the Department to reconsider the elimination of the HOPE VI program, especially since the program was reauthorized through 2006. This is an important program that have revitalized many distressed properties as well as being the anchor for the revitalization fo many communities in which these properties are located.

The committee is disappointed that the administration has eliminated HOPE VI without a complete review and without providing adequate alternative authority and funding to address the needs of the remaining PHAs with obsolete units and those with rehabilitation needs."

Emergency Funding

Congress is working on a second emergency spending measure to assist those declared emergency disaster areas damaged by both hurricanes Frances and Ivan. President Bush is requesting $3.1 billion in disaster aide for

Status of FY05 Appropriations

Agency	House Action	Senate Action	Signed by the President
Agriculture	Passed the House on 7/13	Full committee mark-up completed on 9/14	No
Commerce, Justice, State	Passed the House on 7/8	Full committee mark-up completed on 9/15	No
Defense	Adopted on 7/22	Adopted on 7/22	Yes
District of Columbia	Passed the House on 7/20	Passed the Senate on 9/22	No
Energy & Water	Passed the House on 6/25	None	No
Foreign Operations	Passed the House on 7/15	Passed the Senate on 9/23	No
Homeland Security	Passed the House on 6/18	Passed the Senate on 9/14	No
Interior	Passed the House on 6/17	Full committee mark-up completed on 9/14	No
Labor-HHS-Education	Passed the House on 9/9	Full committee mark-up completed on 9/15	No
Legislative Branch	Passed the House on 7/12	Passed the Senate on 9/21	No
Military Construction	Passed the House on 7/22	Passed the Senate on 9/21	No
Transportation-Treasury	Floor consideration underway	Full committee mark-up on 9/14	No
VA-HUD-IA	Full committee mark-up completed on 7/22	Full committee mark-up on 9/21	No
Emergency Supplemental for Florida Hurricane Relief	Passed the House on 9/7	Passed the Senate on 9/7	Yes

these areas. Congress cleared and the President signed into law a $2 billion Hurricane Charley assistance package on September 7, the same day the White House requested the funds. We have heard that this emergency spending package will include a minimum of $150 million in CDBG funds for these areas. President Bush has urged Congress to "limit this emergency request to those items directly related to the recovery efforts from the impact of these recent major disasters." GOP leaders had initially planned to add the $3.1 billion supplemental request to the Homeland Security measure. But Majority Leader Bill Frist (R-TN) and Senate Appropriations Committee Chairman Ted Stevens (R-AK) decided to wait to address the new request as stand-alone legislation when lawmakers threatened a host of spending amendments. The emergency spending measure is expected to be approved by Congress next week and signed quickly by the President. GOP leaders are wary of expected attempts by Democrats and some Republicans to add funds for drought relief and other causes to the supplemental, and one Senate GOP aide hinted that if Republicans cannot reach an agreement with Democratic leaders to limit amendments, they might consider adding the supplemental to the Homeland Security bill in conference as a last resort, taking away Democrats' ability to amend it on the floor.

PRESIDENT BUSH PROPOSES OPPORTUNITY ZONES

The White House recently unveiled a new proposal aimed at expanding federal funding opportunities for areas that have lost a significant portion of their economic base as a result of what the President refers to as "our changing economy." According to the administration, Opportunity Zones would go further than Empowerment Zones, Enterprise Communities, and Renewal Communities by focusing on a broader range of issues, including education, job training, and affordable housing.

Under the proposal, communities interested in seeking Opportunity Zone designation would be required to make a commitment to partner with the federal government as well as demonstrate "capacity to reduce local barriers to development." If a community succeeds in being named an Opportunity Zone, it would be moved to the front of the line for certain federal assistance programs. According to the White House, the community as well as individuals and organizations within the community would receive priority designation when applying for assistance under certain federal programs.

The White House has identified several federal programs that would give preference to communities that have been designated Opportunity Zones. Some of the programs named make sense, since they are competitive in nature. For example, the New Markets Tax Credit program is on the list. Other programs included on the list, however, seem like curious choices. CDBG and HOME are both mentioned as programs in which communities designated as Opportunity Zones could "receive priority designation when applying" for federal funds.

As we all know, entitlement communities do not compete for funds within these programs, since CDBG and HOME dollars are distributed according to formulas. Although smaller communities do compete for CDBG and HOME dollars, these competitions are managed by state agencies, not the federal government. In order for Opportunity Zones to be given priority for

CDBG and HOME dollars, some new funding mechanism or mechanisms would be required. New set-asides under the Community Development Fund and overall HOME Program lines would seem to be the most likely ways in which CDBG and HOME dollars could be funneled to Opportunity Zones. This would be a troubling development.

Any new set-asides under these programs, no matter how well-intentioned, would reduce the amounts available for formula funding and therefore almost certainly reduce allocations to any CDBG grantee and HOME PJ not located within a designated Opportunity Zone. At least in terms of its potential impact on CDBG and HOME entitlements, the Opportunity Zone proposal seems as if it might have more than a little in common with the infamous so-called “wealthiest communities” proposal that first appeared in the President’s FY 2003 budget. Hopefully this is not the case. NCDA will continue to monitor the proposal is it moves forward.

In addition to funding priority under certain federal programs, the White House has proposed several additional benefits to accompany Opportunity Zone designation, including:

Lower Marginal Rates: Small businesses located within Opportunity Zones would see significantly lower effective tax rates on their business income.

Investment Incentives: Small businesses located within Opportunity Zones would qualify for an extra $100,000 in expensing for purchases of tools and other equipment used within the Zone.

Incentives to Hire New Workers: Businesses within an Opportunity Zone would be encouraged to hire Zone residents and welfare recipients through a unified wage tax credit combining elements of the Work Opportunity and the Welfare to Work tax credits.

Regulatory Relief: The Office of Management and Budget would review federal regulatory and paperwork burdens imposed on these communities.

According to the White House’s proposal, a community can qualify to be an Opportunity Zones by fitting within one of two categories:

Rural or Urban "Communities in Transition": The White House describes these as areas “that have suffered from a significant decline in the economic base, including a decline in manufacturing and retail establishments, within their community over the past decade and would benefit from targeted assistance in transitioning to a more diverse, 21st century economy.”

Existing Empowerment Zones, Enterprise Communities, or Renewal Communities: The White House’s proposal seems to indicate that these communities would have to forego their previous status in order to become an Opportunity Zone.

Eligible applicants would compete to become one of 40 new Opportunity Zone--28 urban zones and 12 rural zones. The competition process would involve the preparation of a "Community Transition Plan” in which the community would set “concrete, measurable goals for reducing local regulatory and tax barriers to construction, residential development and business creation.” Communities that have already worked to address these issues would receive credit for recent improvements. Not surprisingly, approved communities would be required to report regularly "on the concrete results they are achieving."

HUD UNVEILS UPGRADED CONSOLIDATED PLAN MANAGEMENT PROCESS TOOL

The Consolidated Plan Management Process Tool has been updated and is now available through HUD's website. NCDA provided an earlier version of the CPMP Tool through NCDAonline. Please disregard this version as it is no longer up to date. You can read about the new tool and download it by visiting http://www.hud.gov/cpmp.

Although the CPMP Tool is available through HUD's official website, it is an optional tool. The tool is comprised of 16 files; all of these documents must be downloaded as one .zip file. Questions and comments pertaining to the new version of the CPMP Tool can be directed to cpmp@hud.gov.

If you have any questions after visiting HUD's CPMP Tool website, please feel free to contact Jeff Falcusan at (202) 887-5526 or via email at jeff@ncdaonline.org.

NCDA NOTES

NCDA's Winter Legislative and Policy Meeting will be held on January 18-20, 2005 at the Wyndham Hotel.

U.S. Department of Housing and Urban Development

Program	FY04 Enacted	FY05 President's Request	FY05 House Appropriation	FY05 Senate Appropriation
Community Development Fund	$4.921 billion	$4.618 billion	$4.711 billion	**$4.950 billion**
Set-Asides:	$72 million	$72 million	$69 million	**$72 million**
Native American CD Grants	$35 million	$30 million	$33.5 million	**$35 million**
NCDI	$52 million	$35 million	$36.7 million	**$51 million**
Section 107	$3.3 million	$3 million	$3.2 million	**$3.3 million**
Housing Assistance Council	$2.5 million	$2 million	$2.4 million	**$2.5 million**
Native Am. Indian Council	$5 million	$0	$4.8 million	**$0**
NHDC	$5 million	$0	$4.8 million	**$0**
National Council of La Raza	$27 million	$65 million	$26 million	**$25 million**
SHOP	$65 million	$65 million	$62 million	**$65 million**
Youthbuild	$0	$0	$2 million	**$0**
Special Olympics	$278 million	$0	$136.5 million	**$126 million**
EDI Special Purpose Grants	$21 million	$0	$20.5 million	**$22 million**
Neighborhood Initiatives	$4.9 million	$1 million	$4.7 million	**$500 thousand**
Working Capital Fund	$0	$10 million	$0	**$0**
Development Challenge	$0	$5 million	$0	**$0**
Grants	***$570.7 million***	***$288 million***	*$406.1 million*	***$402.3 million***
Faith Based Pilot	$4.350 billion	$4.330 billion	$4.305 billion	**$4.547.7 billion**
Total Set-Asides				
Formula Grants				
HOME	$2.006 billion	$2.084 billion	$1.920 billion	$2.050 billion
Set-Asides:				
ADDI	$87.5 million	$200 million	$85 million	$50 million
Housing Counseling	$40 million	$0	$38 million	$45 million
Technical Assistance	$18 million	$18 million	$17.4 million	$18 million
Working Capital Fund	$2.1 million	$2 million	$2 million	$0
Total Set-Asides	***$147.6 million***	***$220 million***	***$142.4 million***	*$113 million*
Formula Grants	$1.858 billion	$1.864 billion	$1.776 billion	$1.937 billion
HOPWA	$295 million	$295 million	$282 million	$295 million
Rural Housing & Econ.Dev.	$25 million	$0	$24 million	$25 million
Round II EZ/ECs	$14.9 million	$0	$14.250 million	$0
Section 108	$7.282 million	$0	$7 million	$6.325 million
Brownfields	$24.8 million	$0	$24 million	$25 million
HOPE VI	$149 million	$0	$148 million	$150 million
Public Housing Operating Fund	$3.579 billion	$3.573 billion	$3.425 billion	$2.610 billion
Public Housing Capital Fund	$2.696 billion	$2.674 billion	$2.580 billion	$2.7 billion
Indian Housing Block Grant	$650 million	$647 million	$622 million	$650 million
Section 202	$774 million	$773 million	$741million	$773.8 million
Section 811	$249 million	$249 million	$238 million	$250 million
Homeless Programs	$1.260 billion	$1.282 billion	$1.206 billion	$1.260 billion

Fair Housing	$47.7 million	$47.7 million	$46 million	$47.7 million
Lead Hazard Control	$174 million	$139 million	$167 million	$175 million
Housing Certificate Fund	$19.257 billion	$18.466 billion	$20 billion	$20.7 billion
Samaritan Initiative	$0	$50 million	$0	$0