NCDA WASHINGTON REPORT

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

- ***President Bush, GOP Tighten Grip on Power***
- ***VA/HUD Appropriations Process Could Conclude Earlier than Expected***
- ***HUD News: HUD Continues to Use Risk Assessments Criteria to Set Monitoring Goals; No News on Release of CDBG Formula Study***
- ***NCDA Notes: NCDA 2005 Winter Legislative and Policy Meeting; January 18-20, 2005, at the Wyndham Hotel; NCDA Meets with Performance Measures Working Group to Finalize Reporting Structure; Farewell Message from Jeff Falcusan***
- ***Attachments: HOME Awards Application Packet; Revised Performance Measures Indicators list; Wint4er Legislative Meeting Agenda***

PRESIDENT BUSH, GOP TIGHTEN GRIP ON POWER

Casting one of the narrowest Electoral College victories in American history as a decisive triumph, President Bush boldly claimed a mandate for his second term. Meanwhile, the addition of several conservative iconoclasts to the Senate allowed the Republican Party to solidify its control over the legislative branch of the federal government. The focused pursuit of a conservative agenda, including the partial privatization of Social Security and the consideration of sweeping tax reform, promises to present serious challenges for advocates of all federal social programs, including housing and community development. In other words, it is becoming harder and harder for Congress to find money for programs that many consider to be emblems of 'big government."

Record budget deficits and escalating costs associated with military operations are but a few of the hard realities awaiting the victors. Congressional Republicans' commitment to making permanent the President's tax policies combined with a continued willingness to pump tens of billions into emergency military spending measures makes an old play on words more relevant, and perhaps less amusing than ever: discretionary federal spending is caught, as they say, between Iraq and a hard place. If promises of fiscal restraint are enforced more aggressively than in the past, the temptation among appropriators to find significant savings to offset foregone tax revenues and increased military and homeland security costs will be greater than ever. This could potentially reduce the budgeting and appropriations process to a game of musical chairs: even those domestic programs that beat the scramble and find a place to sit could still find their chair missing a leg. Advocates for housing and community development programs can succeed in protecting HUD programs, but only if they work harder than ever to shine a bright light on the critical importance of each of these programs.

Public interest and advocacy groups must now wait for the first budget proposal of the President's second term, scheduled for release sometime in February. With Mel Martinez set to become the junior Senator from the State of Florida, this will also be Alphonso Jackson's first budget as HUD Secretary. The proposed budget will be the first real indicator of how the Administration plans to approach housing and community development programs over the course of the next four years. Proposed funding levels will tell only half of the story. Rest assured that the interest groups will closely examine the budget and its supporting documentation for proposals aimed at restructuring, consolidating, or eliminating HUD programs. Possibilities include the resurrection of the so-called "wealthiest communities" proposal or something similar within CDBG, as well as yet another proposed overhaul of the Section 8 program.

Since all agencies' budget requests are filtered through the Office of Management and Budget, CDBG advocates remain concerned that OMB's negative PART assessment of the program could eventually be used as political cover for reductions in the CDBG formula over time. On the other hand, work being done by the performance measurement working group (members of which include NCDA and several other public interest groups) has started to pay dividends in terms of how OMB views the CDBG program. OMB officials have gone on the record expressing their belief that those who administer the CDBG program have made significant progress in developing a framework for collecting meaningful performance measurement data.

VA/HUD APPROPRIATIONS PROCESS COULD CONCLUDE EARLIER THAN EXPECTED

The endgame for the FY 2005 VA/HUD appropriations bill now seems to be in place, at least for the time being. NCDA and other interest groups have received word that committee staffers are currently working on

VA/HUD language to be included in a larger omnibus appropriations package. Congress appears poised to act quickly on this bill when it returns November 16 for a pre-Thanksgiving lame duck session scheduled to last through November 23. Congressional appropriators have hinted at a willingness to work around the clock until November 23 in an effort to avoid punting any bills to the incoming 109th Congress. And in another sign that the appropriations process may not drag on, a newly reelected President Bush has signaled his strong desire that the 108th Congress finish the spending bills before adjourning *sine die*.

Recall that several HUD programs would fare much better under the Senate Appropriations Committee's version of the spending bill than under the House-approved version. To finance increased costs associated with veterans-related health care programs and the Section 8 voucher program, House appropriators instituted across-the-board cuts of around 4% for most other programs included in the VA/HUD appropriation. Senate appropriators avoided these cuts by employing a number of budget maneuvers, including classifying spending in some areas as emergency spending. As a result, the Senate version of the bill includes an overall HUD line that is $4 billion higher than the House version. Wrangling over this difference will be a key point of contention during conference negotiations. Looking at the overall appropriations process as a whole, the House and Senate are somewhere around $8 billion apart on discretionary spending. As the two chambers move toward a mutually acceptable figure, it is incumbent upon supporters of housing and community development programs to push back against any maneuvers that result in dollars coming out of the hide of HUD's line.

Conference negotiators are currently working to reconcile disparate House and Senate funding levels, and the results of their efforts will have meaningful consequences for entitlement communities. As a reminder, the House version would fund the CDBG formula at $4.305 billion, whereas the Senate version puts that figure at $4.547 billion. Similarly, the House version funds the HOME formula at $1.776 billion, while the Senate version has $1.937 billion. As you know, when the two houses of Congress approve different levels of spending for the same program, the final figure often ends up falling more or less in the middle. This year, however, the lower House figures might be seen as more compatible with the President's repeated insistence that funding bills hew closely to his proposed budget. In his recent post-election press conference, President Bush urged "members [of Congress] to pass the appropriations bill that remain, showing spending discipline while focusing on our nation's priorities." (Please see attached chart for a detailed comparison of the House and Senate figures.)

Another complication arises from the fact that each chamber's bill includes only the Economic Development Initiative (EDI) special projects authored by that chamber's members. The EDI line in the House bill is set at $136.5 million, while the Senate's version includes $126 million. The final appropriations bill is likely to have an EDI line that equals the sum of those two figures, creating even more pressure on the other line items in the bill. NCDA members should continue to reach out to their Congressional delegation and push for a final appropriations bill with funding levels for CDBG and HOME that resemble the figures found in the Senate version.

Yet another potential complication stems from the House bill's treatment of NASA, one of the handful of independent agencies included in the VA/HUD measure. House Majority Leader Tom DeLay (R-TX), one of the two or three most powerful members of Congress, has in the past threatened to derail the spending bill if more funding is not found for the space agency. DeLay's constituency includes thousands of employees of NASA and the space industry. If the Majority Leader succeeds in boosting NASA funding while at the same time the Republican leadership succeeds in crafting a final spending bill that is closer to the House version, the pressure on HUD programs could grow even greater.

This is your last opportunity to influence the FY 2005 appropriations process; don't let it go to waste. Please reach out to members of your Congressional delegation one last time, especially if they sit on the Appropriations committee. If members of your delegation are not appropriators, ask them to contact the Appropriations chairmen and members of the leadership in order to advocate for sufficient funding for important HUD programs. ***In all likelihood, the VA/HUD bill will be signed, sealed, and delivered by November 23. Take the time to make a few calls and send a few faxes; it will make an important difference.***

HUD NEWS

HUD CONTINUES TO USE RISK ASSESSMENT CRITERIA TO SET MONITORING GOALS

As has been the practice in the recent past, HUD will implement a risk assessment analysis of its formula and competitive programs to set on-site monitoring goals. In order for the Department to use its travel funds more effectively and efficiently, HUD has sought to aggressively monitor those programs, both formula and competitive, with the greatest vulnerability to fraud, waste and mismanagement. There have been some internal changes to the past risk analysis, such as standardization of assessment criteria. The rating factors are financial, physical, management, satisfaction and services. The CDBG program has all the same rating factors except the physical criterion.. The rating system is based on a 100 point scale with anything above 51 points considered high risk. Any program with a rating of 51 or higher must be reviewed and considered for on-site monitoring. This rating system does not preclude the possibility for on-site monitoring or technical assistance visits of grantees that don't fall into the high risk category.

RELEASE DATE FOR CDBG FORMULA STUDY STILL NOT SET

According to HUD officials, the release date of the long-awaited CDBG Formula Study has still not been set. Since the inception of the CDBG program, it has been standard practice to undertake a reassessment of the formula to coincide with each decennial census. This is largely done to determine if the current formula really is doing its job of directing CDBG dollars to those areas where, based on the demographics derived from the census, there is the greatest need. "Need" is determined by numbers and percentages of persons in poverty, communities that have experienced economic growth lag, communities high concentration of over-crowed housing, as well as a community's percentage of pre-1940 housing stock.. One might think that it would be a simple matter to do a scientific analysis of the data at hand, and make adjustments to the formula to fit the new demographic information derived from the most .recent census. However, nothing in Washington is as simple as it may seem.

If there ever was a political program, it is CDBG. Every member of Congress has a direct stake in these funds. To change the formula in any way will impact every member of Congress in a positive or negative manner, since the allocation that goes to their districts, communities, or state would almost certainly change. The last thing a Congressperson wants to see is his or her district receiving less funding from any program, unless every other district receives proportionately less, especially in an election year.

Now that the election is over, many of us in the CDBG community expected an immediate release of the CDBG Formula Study. This will not be the case. HUD is not giving us any indication when or even if the study will be released. We do not know why it has not been released, but speculation suggests that HUD is waiting until the President releases his FY 2006 budget to Congress. Still further speculation suggests that OMB and the White House have reviewed the study and are seriously considering one or more recommendations from the study to include as legislative options in the new Congress.

For those folks that favor revisiting the CDBG formula, this could be the perfect time to do it. The new Congress will contain more Republican seats than it has in a decade. Given the GOP's relentless commitment to party discipline, if the President and OMB have a strong yen to change the formula to direct more funding to what they believe are the neediest communities they could garner enough votes to get it done. Even with only 55 votes in the Senate, there is still the possibility of using this issue as a compromise during a conference committee vote, on any number of issues, such as a supplemental appropriations bill.

Still, Congress loves the CDBG program. To do anything that could potentially harm the program is not in their best interest. They would sooner leave it alone than risk damaging it and losing the overwhelmingly bipartisan support the program has enjoyed over it 30 year history. In the end, the President may make recommendations on a formula change in his 2006 Budget to Congress, but it is the Congress that will have to decide how or if to address proposed changes. It is up to the us to ensure that we keep the electorate and our elected officials very well educated on the ramifications of formula changes within the CDBG program.

NCDA NOTES

PERFORMANCE MEASURES WORKING GROUP MEETS TO FINALIZE THE "LIST" OF INDICATORS

On November 17-18, the Performance Measures Working Group (PMWG) will meet to discuss and finalize the list of performance indicators that will be the baseline of data collection for grantees to use. The group has worked very hard to keep the list as streamlined as possible and at the same time allow for the flexibility in funding activities that is characteristic of the CDBG program.

Other issues for the PMWG will address sometime in the future are ConPlan streamlining efforts, the regulatory changes that will have to occur before these efforts are put into place and lead time grantees will need to start the data collection requirements that will be generated from these two efforts. Lastly, and perhaps most importantly, will be the necessary IDIS "refit"to enable grantees to enter and store this new method of data collection that HUD, OMB, and the Congress want to see. Please find attached to this newsletter the latest document on the outcome indicators for the four formula programs from the Performance Measures Working Group.

2005 NCDA WINTER LEGISLATIVE AND POLICY MEETING AND 15TH ANNIVERSARY CELEBRATION OF THE HOME PROGRAM

On January 18-20, 2005 NCDA will hold its annual Winter Legislative and Policy Meeting. However, this year's meeting promises to be especially exciting in that NCDA will recognize the achievements of the HOME program with a new award, the **Terrence R. Duvernay "Terry" HOME Program Awards of Excellence.** This award will bring special recognition to those member communities that have outstanding HOME programs. We chose to honor Terry Duvernay because of his lifelong commitment as a housing advocate as well as Past President of NCDA. This year Freddie Mac will sponsor the awards, which will be distributed by Mr. Dwight Robinson, Senior Vice President of Corporate Relations, at an awards breakfast held on Wednesday from 8-10 a.m. at the Hart Senate Office Building in room 902. ***Please get your applications in to NCDA by December 3.***

More great news: NCDA and HUD have partnered to celebrate 15 years of the HOME program with a day-long lineup of plenary and breakout sessions showcasing outstanding examples of creativity in using HOME funds. This celebration will take place on Tuesday, January 18, 2004 directly preceding the NCDA Winter Legislative and Policy Meeting. The fee for the HOME celebration is $50.00 per person. NCDA will collect this fee with your NCDA Winter Meeting registration fee. This fee is to cover the cost of the HOME celebration reception on Tuesday evening. Please note that this fee is in addition to NCDA's Winter Meeting fee.

NCDA's Pre-Inaugural Reception

It is customary for NCDA to hold its Winter Legislative and Policy Meeting in conjunction with the US Conference of Mayors Winter Meeting. The same holds true this year, however many of our members have a desire to attend inaugural events on Thursday, January 20th. This is an excellent opportunity to go along with your Mayor or other elected officials to speak with Congressional staff and members of Congress attending these events. Therefore, in order to accommodate everyone, we decided to hold our inaugural event the day before the actual inauguration on Wednesday, January 19, 2005. Look for your invitation to NCDA's Pre-Inaugural Reception in the mail.

FAREWELL MESSAGE FROM JEFF FALCUSAN

NCDA Members,

Although this newsletter has not traditionally included bylines, two of the articles in this edition represent my final contribution to the *Washington Report*. I have resigned my position with NCDA, and today (November 12) is my final day on the job. On November 15 I will become the Housing and Community Development Policy Analyst for the National Association of Housing Redevelopment Officials (NAHRO).

The decision to leave NCDA was a difficult one, but I felt the time had come to seek out new challenges and opportunities as I move forward in my career. During the past three years I have had the good fortune to get to know many of you personally, and it has been a pleasure and a privilege to represent your interests in our nation's capital. Although I am leaving NCDA, you can be sure that I will continue to fight the good fight for the important federal programs you administer.

Thank you for the opportunity to work on your behalf, and thank you for your friendship. I hope to be able to visit with those of you who will be in Washington this January for NCDA's winter meeting. To all of NCDA's members, I wish you continued success in everything that you do.

Sincerely,
Jeff Falcusan

ATTACHMENTS AND JOB ANNOUNCEMENTS

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

- ***The Terrence Duvernay HOME Awards of Excellence Application***
- ***PMWG Paper***
- ***NCDA Winter Legislative and Policy Meeting Agenda and Registration Form***
- ***HUD's 15th Anniversary Celebration of the HOME Program Agenda***

U.S. Department of Housing and Urban Development

Program	FY04 Enacted	FY05 President's Request	FY05 House Appropriation	FY05 Senate Appropriation
Community Development	$4.921 billion	$4.618 billion	$4.711 billion	**$4.950 billion**
Fund				
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