NCDA
WASHINGTON REPORT

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Appropriations Update; House Completes FY 2007 Transportation-Treasury-HUD Spending Measure

The House has passed all but one of its FY 2007 spending bills, Labor-HHS-Education, while the full Senate has yet to pass a single FY 2007 spending measure. The House subcommittee completed its mark-up of the FY 2007 Transportation-Treasury-HUD (TTHUD) bill (HR 5576) on May 26, while the House Appropriations Committee completed its mark-up of the measure on June 6. The House passed the bill on June 14.

The numbers for CDBG and HOME did not change from what was approved by the House Appropriations Committee on June 6; approximately $3.9 billion in formula for CDBG and approximately $1.8 billion in formula funding for HOME. More importantly, language is included in the bill that directs HUD to allocate the FY 2007 CDBG funds under the existing formula, thereby, thwarting the Administration's attempts to change the formula in FY 2007. The language reads, "HUD is instructed to use the same methodology as used in fiscal year 2006 to distribute these [CDBG] funds."

Funding was also restored for Section 108 and the Brownfields Economic Development Initiative (BEDI) during House debate of the bill. Both the President and the House Appropriations Committee had zeroed out both programs. The House approved an amendment offered by Rep. Gary Miller (R-CA) to fund BEDI at $15 million in FY 2007, an increase of $5 million above last year's level of $10 million. The House also approved an amendment offered by Rep. Maxine Waters (D-CA) to provide approximately $3 million for Section 108, the same level as last year. In addition, several other amendments were approved to increase funding for the following HUD programs: Section 8 vouchers, $100 million increase; Public Housing Capital Fund, $30 million increase; and Lead-Based Paint Hazard Program, $35 million increase. A funding chart is provided at the end of the newsletter.

In addition, House appropriators added key elements of HUD's FHA Reform Bill to the FY 2007 HUD spending measure. Key provisions include increasing the FHA loan limits, allowing HUD to charge risk-based insurance premiums, and eliminating the current 3% down payment requirement.

We have heard the Senate Subcommittee on Transportation-Treasury-HUD and the Senate Appropriations Committee will mark-up the FY 2007 TTHUD bill the week of July 17.

Senate Subcommittee on Financial Management Holds Hearing on CDBG Reform; Cardell Cooper Testifies on Behalf of NCDA

The Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, and International Security held a hearing on "Community Development Block Grants: the Case for Reform" on June 29. Cardell Cooper testified on behalf of NCDA. In addition to Cardell, witnesses included Assistant Secretary for HUD's Office of Community Planning and Development, Pam Patenaude, Kenneth Donohue from HUD's Office of the Inspector General, and Eileen Norcross, Senior Research Fellow at The Mercatus Center at George Mason University.

In his opening remarks, Senator Tom Coburn (R-OK), Chairman of the Subcommittee, stressed his resounding theme throughout the hearing: lack of accountability in the program. "No one can tell us how CDBG programs have been used," he told the Subcommittee, criticizing the poor data collection effort of the program. He reiterated throughout the hearing that he did not want to see the program eliminated. He is simply interested in better program efficiency and accountability. Senator Coburn is one of the most conservative members of the Senate, often launching into long speeches on the Senate floor to curb "pork" spending.

In addition to Senator Coburn, Senator Carper (D-DE), ranking member of the Subcommittee, Senator Akaka (D-HI) and Senator Coleman (R-MN) attended the hearing. All three supported the program and were not in favor of changing it. No one was more adamant in support of the program than Senator Coleman, telling the Subcommittee that he is opposed to any change in the program. "Change something [another program] that is not working. CDBG works," he told the Subcommittee. As a former mayor, and now as Senator of Minnesota, he told the Subcommittee that he has seen the impact of the program in both urban and rural areas. It was obvious the program is very dear to his heart as was the time spent as mayor witnessing the first-hand results of the program.

In perhaps the funniest quote of the hearing, he relayed the importance of his local service by telling the Subcommittee, "I have Senator in front of my name, but I have "mayor" stitched to my underwear." Coleman has been an ardent supporter of the program and has helped NCDA and other groups which represent the program tremendously in Congress in the last two years by standing up for the program time and time again. He was the pivotal force last year in ensuring the program was not eliminated and he has fought hard for funding for the program the last two years. We owe him a great deal of thanks. We were very appreciative of his appearance at the hearing.

Assistant Secretary Pam Patenaude gave a brief overview of the CDBG Reform Act of 2006, telling the Subcommittee that "we have proposed the reform because the program's intended impact to the nation's neediest communities has decreased over time." She told the Subcommittee that the reforms outlined in the legislation "are necessary to ensure the program's continued ability to improve the lives of low- and moderate-income Americans." Senator Coburn asked her why there was no consistent reporting in the program. She told them that there is, indeed, reporting in the program and the technology system to report the accomplishments – IDIS – is in the process of being revamped to incorporate the Performance Measurement System. She told him that this will result in better data collection under the program

Ken Donohue from HUD's Office of the Inspector General, told the Subcommittee that he continues to identify the same problems year after year in the CDBG program. The repeated problems fall into six categories, he told the Subcommittee: the improper use of funds, a lack of capacity (internal controls, accounting systems, processing deficiencies, etc.), program requirements not followed, lack of adequate management, goals or national objectives not met, and a lack of monitoring reviews. He cited two projects which reflected waste and abuse of the program funds. The first involved a CDBG subrecipient, East Meyer Community Association of Kansas City, Missouri, which the OIG says "squandered" almost $70,000 of its CDBG money on luncheons, company picnics, and Christmas tree lighting ceremonies. The second project, located in Utica, NY, involved the use of CDBG funds to construct a ski chalet and boat marina, neither of which met any of the three national objectives. He called attention to HUD's lack of sanctions against grantees that commit these abuses in the program. He believes this partly stems from the arduous hearing requirement that HUD must undertake prior to imposing sanctions. He recommended to the Subcommittee that 42 USC 5311 be amended to eliminate the requirement for a formal hearing before an Administrative Law Judge as a precondition of reducing or terminating grants as a sanction for past noncompliance.

In her testimony before the Subcommittee, Eileen Norcross, essentially rubber stamped HUD's reform proposal. She told the Subcommittee the formula grant has worsened in its ability to target grantees, criticizing the current formula for allowing "relatively low-need towns to receive relatively large per capita grants." She did agree, however, that in order to effectively evaluate the program's performance that better data collection was needed and encouraged HUD to continue to upgrade the IDIS system in order to allow better evaluation of the program in the future. She also applauded HUD and the Joint Grantee Working Group (of which NCDA was a part of) for the creation of the Performance Measurement System that HUD is now implementing to collect better program data. She also launched into heavy criticism of CDBG's job creation activities, citing Madison, Wisconsin's use of the funds. In 2005, Madison, WI, used a portion of its CDBG funds to assist several businesses, including two coffee houses, a bakery, a restaurant, and several biotechnology firms and information technology companies. The investment resulted in the creation of 99 jobs. She asked the Subcommittee, "Was CDBG created to generate coffee house jobs for college students in relatively wealthy communities? Did these local biotech firms create jobs for truly low- to moderate-income individuals as envisioned by the program's intent, or for graduate students? Were these jobs actually created because of CDBG, or would some of the jobs have been created anyway? Did taxpayers subsidize private businesses to do something they would have done without a subsidy? Is this effective an effective use of CDBG dollars? The truth of the matter is that Ms. Norcross admitted that she did not know, in fact, if the college students had been hired in any of the jobs. She told the Subcommittee that such a conclusion had been "inferred" since Madison is primarily a college town.

NCDA's own Cardell Cooper was the best witness (but then again we are biased) and the only witness who stood up for the program. He told the Subcommittee that he agreed wholeheartedly with accountability in the program, but that HUD already had tools at hand to sanction grantees that do not meet the program rules. He also said that it was unfair to blemish the reputation of the entire program by using the examples of two communities. Coburn asked him if he thought it was fair that wealthier communities receive CDBG funds over communities with less per capita income. Cardell reiterated that the program primarily benefits low- and moderate-income persons and that even wealthy communities contain such populations. They have the right to use CDBG funds to assist them, he told the Subcommittee. After Cardell's passionate testimony and with Senator Coleman's continued support of the program, Coburn seemed to give in to the fact that the program should not change. He told the Subcommittee, "I don't think this reform proposal will go anywhere in Congress. Maybe we don't need to reform it. Maybe we just need to effectively measure it." After the hearing, Senator Coburn came over to speak personally with Cardell, telling him he thought the CDBG Reform Act will go nowhere; however, he does support stronger accountability in the program. He suggested that NCDA and other stakeholders work with HUD to develop a stronger performance measurement system – over a two year period. He doesn't think the current performance measures system has "enough teeth" to enforce real accountability in the program. We told him outright that we did not support any change in the formula, and he agreed. He sees a stronger performance measurement system as a good compromise to any legislation to further change the program.

NCDA's written statement has been provided as an attachment.

House Passes Federal Flood Insurance Bill

The House easily passed HR 4973 on June 27 on a vote of 416-4. The bill would overhaul the federal flood insurance program, including ending insurance subsidies to some properties. Rep. Barney Frank (D-MA), ranking member of the House Financial Services Committee, worked closely with Rep. Richard Baker (R-LA) to craft the bill.

The National Flood Insurance Program (NFIP) was created as part of the National Flood Insurance Act of 1968 to enable the federal government to help cover the cost of flood damages. Prior to that time, insurance companies generally did not offer coverage for flood disasters because of the high risks involved. In recent years the program has had to borrow from the Treasury to pay over $23 billion in claims, primarily resulting from the unprecedented number of hurricanes last year. The program has been unable to pay these claims from its insurance premiums. Many congressional members fault a provision that allows approximately 25% of properties insured by the NFIP to have subsidized premiums, thereby robbing the program of much needed income to pay claims. HR 4973 would phase out these subsidies, allowing premiums on these currently subsidized properties to rise 15% per year until the full premium is reached. The subsidies apply to older structures, primarily second homes, vacation properties, and commercial properties, that were built before modern flood insurance rate maps.

The measure would increase the borrowing authority of the NFIP to $25 billion and also includes an amendment offered by Rep. Gene Taylor (D-MS) that launches an investigation in to the insurance industry's failure to pay claims on many properties hit by Hurricane Katrina.

The Senate passed a similar measure on May 25.

HUD NEWS

HUD Continues Outcome Performance Measurement Training for Grantees

The Office of CPD at HUD has expanded its training for grantees on the Outcome Performance Measurement System through August. The sessions provide hands-on information about the implementation of the system, including procedures for data collection and reporting. The sessions also provide direction on the outcome measurement requirements related to the Consolidated Plan and entry of the performance data into IDIS.

These training sessions are the culmination of two years of work on the part of HUD and the Performance Measures Working Group, a group of national associations, including NCDA, which assisted HUD and OMB in designing the system. Grantees will begin implementing the system on October 1, 2006. The data will be aggregated at the national level and reported to OMB and Congress, thereby, allowing HUD to show the accomplishments of CDBG and the other CPD programs. Most importantly, it will refute the "ineffective" rating granted to CDBG by OMB in its assessment of the program. We urge all CPD grantees to attend this important training. The brochure and registration information for the sessions can be obtained at HUD's CPD Performance Measurement website:

http://www.hud.gov/offices/cpd/about/performance.index.cfm or at ICF's website at http://www.icfhosting.com/icfhosting/hcdcdbg/Registration.nsf

Training Dates and Locations

July 11-12 Boston, MA	August 15-16 Dallas, TX
July 19-20 Columbus, OH	August 17-18 Chicago, IL
July 25-26 San Francisco, CA	August 23-24 Pittsburgh, PA
July 25-26 Elizabeth, NJ	August 30-31 Kansas City, MO
August 1-2 Los Angeles, CA	

August 7-8
Jacksonville, FL

HUD Issues Information to Participating Jurisdictions on Reimbursement of Certain HOME Costs to Assist Hurricane Victims

On May 12, 2006, Assistant Secretary for CPD, Pamela Patenaude, issued a memorandum to HUD Field Offices regarding the reimbursement of HOME funds used by participating jurisdictions to assist Hurricane Katrina and Rita victims. Many participating jurisdictions used their HOME funds for tenant based rental assistance for the evacuees.

On March 28, 2006, HUD received a letter from FEMA advising HUD that any HOME PJ which used their HOME funds to provide tenant-based rental assistance to the evacuees between August 29, 2005 for Hurricane Katrina and September 24, 2005 for Hurricane Rita and the date that FEMA's section 403 assistance ended on March 1, 2006, qualifies for FEMA reimbursement. According to HUD, jurisdictions must submit their reimbursement request to their Regional FEMA Office. HUD advises pjs to include a copy of the letter provided to HUD by FEMA on March 28.

For further information, go to http://www.hud.gov/offices/cpd/

NCDA NEWS

NCDA's 37th Annual Conference a Big Success; Next Year – San Francisco!

Approximately 250 participants attended NCDA's 37th Annual Conference in Hollywood, CA. The conference was a rousing success, with informative sessions, special events, and plenty of time for networking. The weather was wonderful as was the hotel accommodations at the Hard Rock Hotel. NCDA officially welcomed its new Executive Director, Cardell Cooper, to the fold and Cardell provided a passionate inaugural address to the membership. NCDA said goodbye to its outgoing President, Scott Stevenson (Los Angeles County, CA) who handed over the reigns to NCDA's new President, Nancy Haney (Lubbock, TX) during the annual business meeting on June 24. We appreciate Scott's service over the past year in helping to create, and implement, a strategic plan for the Association and for participating in the hiring process of NCDA's new executive director. NCDA would also like to thank Amintha Cinotti, Emory Counts, and Nancy Haney for their involvement in both endeavors.

NCDA's 2006/2007 Executive Committee consists of the following members:

Nancy Haney, Lubbock, TX, President

Emory Counts, Daytona Beach, FL, Vice-President

Stephen Gartrell, Newton, MA, Secretary/Treasurer

Scott Stevenson, Los Angeles County, CA, Immediate Past President

NCDA would also like to thank the City of Hollywood staff and volunteers for their hard work in making sure the conference proceeded smoothly. Special thanks goes to Jeannette Smith, Richard Whipple, and Tina Fausel.

NCDA's 38th Annual Conference will be held in the beautiful city of San Francisco. We hope to see all of you there.

University of California Announces Affordable Housing Award

The University of California at Berkeley has asked NCDA to provide information to its members on a newly established award, the Terner Prize, to recognize innovative affordable housing projects. The award is named in memory of Don Terner, an ardent supporter of affordable housing. Recognizing successful and innovative affordable housing projects and their leadership teams, the Terner Prize, is being inaugurated to commemorate Don Terner on the tenth anniversary of his death. One $25,000 prize will be awarded biennially to the affordable housing project and leadership team that best exemplifies the spirit of Don Terner's work, commitment to affordable housing, and practice principles. In addition, five finalist teams will be awarded leadership stipends of $5,000. **Applications are due by September 18, 2006**. For more information on the awards, please go to http://www.communityinnovation.berkeley.edu/ternerprize

JOB ANNOUNCEMENTS AND ATTACHMENTS

View the attachment below by going to NCDAonline (http://ncdaonline.org).

- Statement to the Subcommittee on Federal Financial Management, Government Information, and International Security on CDBG Reform

U.S. Department of Housing and Urban Development
Budget Chart

Program	FY06 Enacted Level (includes 1% across-the-board cut)	FY07 President's Request	FY07 House Approved Level
Community Development Fund	$4.178 billion	$3.032 billion	$4.2 billion
Set-Asides:			
Bonus Grants	$0	$200 million	$0
EDI Special Purpose Grants	$306.9 million	$0	$250 million
Neighborhood Initiatives	$49.5 million	$0	$20 million
Youthbuild	$49.5 million	$0	$0
Native American Block Grant	$59.4 million	$57 million	$57 million
Working Capital Fund	$1.58 million	$0	$0
Total Set-Asides	*$466.8 million*	*$257 million*	*$327 million*
Formula Grants	**$3.710 billion**	**$2.775 billion**	**$3.873 billion**
Brownfields	$9.9 million	$0	$15 million
Section 108	$2.97 million	$0	$2.97 million
HOME Program	$1.757 billion	$1.917 billion	$1.917 billion
Set-Asides:			
ADDI	$24.7 million	$100 million	$25 million
Housing Counseling	$41.6 million	funded separately	$50 million
HOME/CHDO TA	$9.9 million	$10 million	$9.9 million
Working Capital Fund	$990 thousand	$3 million	$0
Total Set-Asides	*$77 million*	*$113 million*	*$84.9 million*
Formula Grants	**$1.68 billion**	**$1.804 billion**	**$1.832 billion**

Program	FY06 Enacted Level (includes 1% across-the-board cut)	FY07 President's Request	FY07 House Approved Level
Self-Help/Assisted Homeown. Opportunity Program	$60.39 million	$40 million	$60.39 million
SHOP	$19.8 million	$40 million	$22 million
NCDI	$29.7 million	$0	$31.91 million
(LISC/Enterprise/Habitat)	$2.97 million	$0	$3.5 million
Housing Assistance Council	$3.96 million	$0	$0
La Raza	$1.98 million	$0	$1.98 million
National Housing Dev. Corp.	$990 thousand	$0	$0
Native Am. Ind. Hsg. Council	$990 thousand	$0	$0
Special Olympics	$0	$0	$1 million
TA			
Housing Counseling	$41.58 million	$45 million	Funded under HOME
Section 202	$734 million	$545 million	$746 million
Section 811	$236 million	$118 million	$239 million
Tenant-Based Rental Assistance	$15.808 billion	$15.920 billion	$15.876 billion
Project-Based Rental Assistance	$5.04 billion	$5.67 billion	$5.48 billion
Public Housing Capital Fund	$2.43 billion	$2.178 billion	$2.208 billion
Public Housing Operating Fund	$3.56 billion	$3.56 billion	$3.56 billion
HOPE VI	$99 million	$0	$0

Program	FY06 Enacted Level (includes 1% across-the-board cut)	FY07 President's Request	FY07 House Approved Level
Homeless Programs	$1.340 billion	$1.536 billion	$1.536 billion
Set-Asides			
Shelter Plus Care Renewals	$255 million	$285 million	$285 million
Samaritan Initiative	$0	$200 million	$0
Prisoner Re-entry	$0	$25 million	$0
TA/HMIS	$12 million	$10 million	$10.4 million
Working Capital	$1 million	$2 million	$2.5 million
Total Set-Asides	*$1.059 billion*	*$522 billion*	*$297.9 million*
Homeless Assistance Grants	$1.059 billion	$1.014 billion	$1.238 billion
Native American Housing Block Grant	$623 million	$626 million	$626 million
Native Hawaiian Housing Block Grant	$8.71 million	$6 million	$8.8 million
Indian Housing Loan Guarantee	$3.96 million	$6 million	$3.96 million
Native Hawaiian Loan Guarantee	$891 thousand	$1 million	$1 million
HOPWA	$286 million	$300 million	$300 million
Rural Housing & Economic Development	$16.83 million	$0	$0
Fair Housing	$45.5 million	$45 million	$44.5 million
Lead Hazard Control	$150 million	$115 million	$150 million

Program	**FY06 Enacted Level** (includes 1% across-the-board cut)	**FY07 President's Request**	**FY07 House Approved Level**
University Programs	$21 million	$29 million	$21 million
Alaska Native/Native	$3 million	$3 million	$3 million
Hawaiian	$3 million	$3 million	$3 million
Tribal Colleges/Universities	$9 million	$9 million	$9 million
HBCUs	$6 million	$6 million	$6 million
Hispanic Serving Institutions	$0	$6 million	$0
Comm.. Outreach	$0	$2 million	$0
Parnterships			
Community Dev. Work Study			