NCDA
WASHINGTON REPORT

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Senate Lags Behind House in Approving FY 2007 Spending Bills; End-of-Year Omnibus Possible

The Senate has made a valiant effort to push forward most of its spending bills through the Appropriations Committee prior to the August recess, but only one of the twelve spending bills – Homeland Security – has actually been approved by the full Senate, setting up the possibility for an omnibus bill later in the year for those spending bills that have not been approved by the Senate. In contrast, the House has passed all but one of its spending bills, Labor-Education-HHS, which has been stalled over the minimum wage debate.

The Senate got a very late start on its spending bills this year due to the time spent trying to pass the FY 2006 supplemental spending bill for Iraq, Afghanistan, and hurricane relief. The measure, which became law on June 15, also was the vehicle for a "deeming resolution," which contained the Senate subcommittee allocations for the FY 2007 spending bills.

House and Senate members have said they want to see the appropriations bills move forward individually and are committed to avoiding an omnibus. House Appropriations Committee spokesman John Scofield told the press that the House is committed to avoiding an omnibus, even if not all of the bills can be passed before the November 7 elections. "Avoiding an omnibus can happen in September, October, November. We avoided it last year in December. It's painful for some of us, but it makes for a better legislative process," Scofield said. "I think most members prefer the transparency that comes from doing each bill individually, and I think leadership shares that view."

Last year's achievement of passing all of the bills individually was an anomaly – it was the first year Congress had done so since the September 11 terrorist attacks. It is even harder to accomplish much legislatively during an election year because of the shortened calendar. The House plans to recess on September 29 to allow members a full five weeks to campaign in their re-election bids. Members will return to the House on November 13 to complete the appropriation bills. House Majority Leader, John Boehner (R-OH), has already indicated he expects the House to be in session in December. Even if Congress beats the odds and avoids an omnibus, it will need continuing resolutions to keep those federal agencies without approved spending bills running.

Senate Appropriations Committee Completes FY 2007 HUD Spending Bill

The Senate Appropriations Committee met on Thursday, July 20, to mark-up the FY 2007 Transportation-Treasury-HUD (T-T-HUD)spending measure. The Committee approved the measure easily by voice vote. The Senate Subcommittee marked-up the measure on July 18. Overall, HUD's programs did very well, given the tight budget climate. We achieved a victory with an increase in CDBG funding despite the President's attempts to sharply reduce the formula grants. Formula funding for both CDBG and HOME were increased above last year's levels.

In her statement on the bill before the Committee, Senator Patty Murry (D-WA), ranking member of the T-T-HUD Subcommittee, said, "Frankly, the best part about this bill is that it rejects the budget priorities of the Bush Administration. In nearly every case, this bill restores the punitive funding cuts that the President has requested." In regards to CDBG, she told the Committee, "Mr. Chairman, as you know, I have a special interest in the Community Development Block Grant program. I've seen the difference it can make for communities and individuals. Last year, the Bush Administration sought severe cuts to CDBG, and last year we restored some – but not all – of those cuts. I am proud to report that we have restored every penny the President sought to cut. That is great news for communities from coast to coast."

The Committee provided $4.215 billion for the Community Development Fund. Of this amount, $3.877 billion was allocated to CDBG formula grants, an increase of $167 million above the FY 2006 level of $3.710 billion and $1.1 billion above the President's request of $2.775 billion. The Administration had proposed a 25% cut to the formula in its budget, but the Committee rejected these cuts and increased funding for CDBG. In its report, the Committee noted, "The Committee recognizes that adequately funding the CDBG program is essential for HUD to meet its core mission in addressing State and local community needs for low and moderate income residents across the Nation." In terms of set-asides under the Community Development Fund, the Committee provided $250 million for Economic Development Initiatives, $30 million for HUD's Neighborhood Initiatives, and $58 million for Native American Block Grants. The Committee did not provide any funding for Youthbuild. Normally, this program is funded as a set-aside under CDBG. Congress has proposed to transfer this program to the Department of Labor. If authorizing legislation is not enacted in time to affect this transfer, then funding will likely be pulled out of the Community Development Fund during the conference of the HUD bill to fund this program in FY 2007.

The Committee provided $3 million for Section 108, the same level as last year. This $3 million in credit subsidy costs will guarantee $137.5 million in section 108 loan commitments in FY 2007. The Administration proposed elimination of this program in FY 2007.

The Committee did not provide any funding for the Brownfields Economic Development Initiative (BEDI); however, the House approved $15 million for the program in FY 2007 and the program will likely be funded at this level when both chambers conference the HUD spending bill.

The Committee approved $1.917 billion for the overall HOME Investment Partnerships (HOME) Program. Of this amount, the Committee provided $25 million to the American Dream Downpayment Fund, $9 million to technical assistance for participating jurisdictions and CHDOs, and $42 million to housing counseling. The Committee funded HOME formula grants at $1.866 billion in FY 2007, an increase of $186 million above the FY 2006 level of $1.68 billion. NCDA worked with the Committee to ensure that at least 70% of the technical assistance funds are directed at participating jurisdictions. Last year, the Committee directed the majority of the TA funds to CHDOs, even though CHDO funding encompasses only 15 percent of overall HOME program funding.

In its report, the Committee noted its concern with the American Dream Downpayment Fund, "The Committee supports expanding homeownership opportunities, but is concerned that this program may be helping families with excessive credit risk and who may not be the best candidates for homeownership. The Committee requests that HUD report to the House and Senate Committees on Appropriations on the rate of default by those in the program as well as the numbers of participants who have missed their mortgage payments by 30 days, by 60 days and by 90 days and/or have received some kind of relief to keep their mortgages current. This report is due no later than July 31, 2006."

The Committee approved $1.511 billion for HUD's homeless assistance programs. Of this amount, $285 million will be used to fully fund all expiring Shelter Plus Care housing contracts. Another $10.4 million will be allocated to technical assistance and approximately $2.5 million will be transferred to HUD's Working Capital Fund, leaving $1.213 billion to fund the ESG Program and HUD's competitive "continuum of care" grants. This is an increase of $154 million above last year's funding level of $1.059 billion.

The Committee ignored the President's proposal to cut both the Section 202 Program for the Elderly and the Section 811 Program for the

Disabled. Instead, the Committee approved small increases to both programs. The Committee funded the Section 202 Program at $750 million, an increase of $16 million above the FY 2006 level of $734 million. The President had requested $545 million for the program in FY 2007. The Committee funded the Section 811 Program at $240 million, an increase of $4 million above the FY 2006 level of $236 million. The President had proposed a 50% cut to this program in FY 2007. Both programs serve the most vulnerable in our society – extremely low-income elderly and disabled persons.

The Committee approved $100 million for the HOPE VI Program which had, once again, been zeroed out in the Administration's budget. In its report, the Committee noted, "This is an important program that has revitalized many distressed properties and has anchored revitalization activities for the many communities in which these properties are located. The Committee acknowledges that many of the funds appropriated for this program have yet to be expended as projects are delayed and remain in the pipeline due to the complexities related to the funding of these types of properties. Nevertheless, the program has proven to be very successful in transforming the lives of the assisted families and in rebuilding often distressed communities."

The Committee provided $152 million for the Office of Lead Hazard Reduction. Of this amount, $48 million is provided for the 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.

Finally, the Committee broadened the base for determining the funding for section 8 vouchers for each PHA by eliminating the 3-month, May through June, snapshot of voucher costs and replacing it with the most recent 12 months as a method for providing accurate and timely data.

The Committee inserted language in the bill extending HUD's Market-to-Market Program until 2011. After approval of the bill by the Committee, staff made some technical corrections which included adding language prohibiting the use of federal funds for eminent-domain related activities that benefits a private entity, unless the taking is for a public use. Initially, the language had been left out.

House Passes Legislation to Strengthen FHA

On Tuesday, July 25, the House easily passed HR 5121 – Expanding American Homeownership Act of 2006 – a bill granting FHA more flexibility in its loan products, thereby increasing its competitiveness in the mortgage market. FHA's market share has decreased in recent years primarily because its loan limits and products have not been able to compete in the market. Mortgage products such as zero downpayment loans, interest only loans, and other products have shifted buyers away from FHA, which requires a 3% downpayment and limits the amount of mortgage funding that can be borrowed.

Introduced by Rep. Bob Ney (R-OH), the measure would give FHA a niche in the reverse mortgage market by making it the largest insurer of reverse mortgages. Reverse mortgages allow seniors 62 and over to withdraw equity from their homes by taking out a new mortgage that doesn't have to be paid off until the owner dies or the home is sold. Meanwhile, the owner receives payments from the bank holding the mortgage. Currently, FHA is capped at insuring no more than 250,000 reverse mortgages. Ney's bill would eliminate the cap and also expand reverse mortgages to allow seniors to purchase a new home with the loan proceeds, something that is forbidden now.

The legislation would also increase FHA loan limits, get rid of the 3% dowpayment requirement, and allow FHA to vary its mortgage insurance (MIP) based on the credit risk of the borrower. The changes are intended to allow FHA-backed loans to keep up with rising home prices and increase FHA's share of the mortgage insurance business. FHA says its share of the market has fallen from about 8 percent in 1999 to 2 percent in 2005, largely because of limits on the types of loans FHA can guarantee and its flat-fee structure.

The House also approved a second bill on Tuesday, HR 4804 – FHA Manufactured Housing Loan Modernization Act of 2006 – aimed at increasing financing options for purchasers of mobile homes. Introduced by Rep. Pat Tiberi (R-OH), the bill would increase the size of loans for mobile homes that FHA could insure and direct FHA to insure up to 90 percent of each loan.

In addition, the House passed HR 5503 – FHA Multifamily Loan Limit Adjustment Act of 2006 – on Wednesday, July 26. Introduced by Rep. Gary Miller (R-CA) and Rep. Barney Frank (D-MA), the bill would increase the size of mortgages the FHA can insure for apartment buildings in high-cost areas by up to 170 percent. It would allow HUD to raise the limit by up to 215 percent on a project-by-project basis.

FHA was created in 1934 to serve as an innovator in the mortgage market and to meet the needs of citizens otherwise underserved by the private sector. FHA has 4.8 million insured single-family home mortgages and 13,000 insured multifamily properties in its portfolio.

Senate Grants More Autonomy to FEMA

The Senate adopted language as part of the Department of Homeland Security appropriation bill to give more autonomy to the Federal Emergency Management Agency (FEMA). The amendment, offered by Senator Susan Collins (R-ME), was adopted by an 87-11 vote. The amendment would restore preparedness functions to FEMA and rename it the U.S. Emergency Management Authority. The new agency would have independent, autonomous status within the Department of Homeland Security (DHS), similar to the way the Coast Guard is structured. The amendment is similar to a House Homeland Security Committee bill (HR 5351) that would also strengthen FEMA within DHS. Senator Trent Lott (R-MS) who had called for removing FEMA from DHS recently endorsed Collins' approach and spoke on behalf of her amendment. "Because of the limited time, the leadership can't give time to a freestanding FEMA reform bill because there's division on how to do it," Lott said. "We're running out of time. We needed a vehicle. Who knows whether there will be a disaster tonight, or next month?" The FEMA overhaul is expected to be resolved through the appropriations process.

HUD NEWS

HUD Concerned with Lack of ADDI Completions, Excess ADDI Balances in Some Pjs

To date, over $127 million - or 54% – in American Dream Downpayment Initiative (ADDI) funds have been expended of the $235 million allocated, according to HUD. According to HUD, 17,165 units have been completed at an average assistance amount of $7,424. Minority homebuyers account for 50.4 percent of all ADDI beneficiaries.

Although most of the ADDI funding is being disbursed in a timely manner, HUD is concerned that 61 participating jurisdictions which receive ADDI funding have no expenditures or completions. Of the 61 participating jurisdictions, 39 have received ADDI allocations since the program's inception (2003-2006). These 39 participating jurisdictions need to begin expending ADDI funds or risk facing de-obligation of the funds for failure to meet the regulatory five-year expenditure requirement. In addition, 21 participating jurisdictions have completed ADDI units, but still have unexpended balanced of ADDI funds in excess of $1 million. HUD has developed instructions for crediting homebuyer activities to ADDI in IDIS. The instruction sheet is enclosed.

HUD Releases Eminent Domain Notice

On July 17, 2006, HUD's Office of General Counsel released a notice on the prohibition of FY 2006 HUD funds for eminent-domain related activities. The notice stems from language added to the FY 2006 Transportation-Treasury-HUD appropriation bill which prohibits the use of funds approved in the bill for eminent-domain activities that benefit a private entity. Similar language is included in the FY 2007 Transportation-Treasury-HUD spending bill. The prohibition only applies to the departments of transportation, treasury, HUD, and other executive agencies for which funds are appropriated through the bill.

Senator Bond (R-MO), Chairman of the Subcommittee on Transportation-Treasury-HUD, added the language because of mounting pressure following the Supreme Court decision on *Kelo v. City of New London*. The case involved the use of eminent domain by the local government to redevelop a residential area consisting of privately owned single family homes. Kelo challenged the city, saying the redevelopment did not constitute a "public use." The Supreme Court sided with the city in its assessment that the redevelopment would contribute to the overall economy of the city, thereby, constituting a wide ranging public use.

Shortly after the decision, scared citizens rallied against the decision, putting enormous pressure on Congress to "do something." Language (section 726) was added to the FY 2006 Transportation, Treasury, HUD bill to calm the public outcry. The full text of section 726 is outlined in the attached notice.

Highlights of the Notice

Due to the focus on economic development activities, this language primarily affects the CDBG program within HUD, not other HUD programs.

- CDBG grantees will need to exercise caution when using FY 2006 funds for eminent domain activities involving economic development to make sure Section 726 is not violated.

- Housing development does not constitute economic development within the meaning of section 726, so the use of CDBG funds could be used to support low- and moderate-income housing in an eminent domain situation. However, mixed-income developments involving commercial development should be evaluated carefully and may violate section 726.

- Section 726 allows CDBG funds to be used for two economic development purposes:
  (1) projects for the removal of an immediate

threat to public health and safety; and (2) projects intended to remove brownfields, as defined in the Small Business Liability Relief and Brownfields Act. This Act defines brownfields as *"real property, the expansion, redevelopment or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant or contaminant."*

- CDBG program income generated from FY 2006 appropriations are not affected by section 726.

NCDA NEWS

CDBG Training Available
Back by popular demand, NCDA has scheduled a CDBG Basics Course in McAllen, TX on September 11-13. The cost for the CDBG Basics Course is $250 for NCDA members and $350 for non-members. Register early, only 50 slots are available. Another CDBG Basics Course will be offered in Hartford, CT on November 13-15. We are still finalizing the hotel arrangements for the Hartford training.

In addition, NCDA will deliver a 1-1/2 day Subrecipient Management Training at the NCDA Region VI Conference in Beaumont, Texas on October 17-18. This course is free. It is also limited to 50 people.

The course information and registration for these workshops is attached to the newsletter. The courses are taught by CDBG practitioners. In addition, you can register for both courses online at http://www.ncdaonline.org

JOB ANNOUNCEMENTS AND ATTACHMENTS
To access the attachments below please go to NCDAonline (http://ncdaonline.org).

- HUD Notice on Eminent Domain
- Instructions for Crediting Homebuyer Activities to ADDI in IDIS
- Agenda and Registration Form for CDBG Basics Training Course in McAllen, TX
- Agenda and Registration Form for CDBG Subrecipient Management Training Course in Beaumont, TX

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**	**FY07 Senate Appropriations Committee Approved Level**
Community Development Fund	$4.178 billion	$3.032 billion	$4.2 billion	$4.215 billion
Set-Asides:				
Bonus Grants	$0	$200 million	$0	$0
EDI Special Purpose	$306.9 million	$0	$250 million	$250 million
Grants	$49.5 million	$0	$20 million	$30 million
Neighborhood Initiatives	$49.5 million	$0	$0	$0
Youthbuild	$59.4 million	$57 million	$57 million	$58 million
Native Am. Block Grant	$1.58 million	$0	$0	$0
Working Capital Fund	*$466.8 million*	*$257 million*	*$327 million*	*$338 million*
Total Set-Asides				
	$3.710 billion	**$2.775 billion**	**$3.873 billion**	**$3.877 billion**
Formula Grants				
Brownfields	$9.9 million	$0	$15 million	$0
Section 108	$2.97 million	$0	$2.97 million	$3 million
HOME Program	$1.757 billion	$1.917 billion	$1.917 billion	$1.942 billion
Set-Asides:				
ADDI	$24.7 million	$100 million	$25 million	$25 million
Housing Counseling	$41.6 million	funded separately	$50 million	$42 million
HOME/CHDO TA	$9.9 million	$10 million	$9.9 million	$9 million
Working Capital Fund	$990 thousand	$3 million	$0	$0
Total Set-Asides	*$77 million*	*$113 million*	*$84.9 million*	*$76 million*
Formula Grants	**$1.68 billion**	**$1.804 billion**	**$1.832 billion**	**$1.866 billion**

Program	**FY06 Enacted Level** (includes 1% across-the-board cut)	**FY07 President's Request**	**FY07 House Approved Level**	**FY07 Senate Appropriations Committee Approved Level**
Self-Help/Assisted Homeownership Opportunity Program	$60.39 million	$40 million	$60.39 million	$66 million
SHOP	$19.8 million	$40 million	$22 million	$25 million
NCDI	$29.7 million	$0	$31.91 million	$31 million
Housing Assistance	$2.97 million	$0	$3.5 million	$3.5 million
Council	$3.96 million	$0	$0	$2.5 million
La Raza	$1.98 million	$0	$1.98 million	$0
Nat. Housing Dev. Corp.	$990 thousand	$0	$0	$0
Native Am. Ind. Hsg.	$990 thousand	$0	$0	$0
Special Olympics	$0	$0	$1 million	$0
TA	$0	$0	$0	$4 million
Habitat for Humanity				
Housing Counseling	$41.58 million	$45 million	Funded under HOME	Funded under HOME
Section 202	$734 million	$545 million	$746 million	$750 million
Section 811	$236 million	$118 million	$239 million	$240 million
Tenant-Based Rental Assistance	$15.808 billion	$15.920 billion	$15.876 billion	$15.920 billion
Project-Based Rental Assistance	$5.04 billion	$5.67 billion	$5.48 billion	$5.67 billion
Public Housing Capital Fund	$2.43 billion	$2.178 billion	$2.208 billion	$2.46 billion
Public Housing Operating Fund	$3.56 billion	$3.56 billion	$3.56 billion	$3.66 billion
HOPE VI	$99 million	$0	$0	$100 million

Program	**FY06 Enacted Level** (includes 1% across-the-board cut)	**FY07 President's Request**	**FY07 House Approved Level**	**FY07 Senate Appropriations Committee Approved Level**
Homeless Programs	$1.340 billion	$1.536 billion	$1.536 billion	$1.511 billion
Set-Asides				
Shelter Plus Care	$255 million	$285 million	$285 million	$285 million
Renewals	$0	$200 million	$0	$0
Samaritan Initiative	$0	$25 million	$0	$0
Prisoner Re-entry	$12 million	$10 million	$10.4 million	$10.4 million
TA/HMIS	$1 million	$2 million	$2.5 million	$2.5 million
Working Capital	*$1.059 billion*	*$522 billion*	*$297.9 million*	*$297.9 million*
Total Set-Asides				
Homeless Assistance Grants	$1.059 billion	$1.014 billion	$1.238 billion	$1.213 billion
Native American Housing Block Grant	$623 million	$626 million	$626 million	$626 million
Native Hawaiian Housing Block Grant	$8.71 million	$6 million	$8.8 million	$8.8 million
Indian Housing Loan Guarantee	$3.96 million	$6 million	$3.96 million	$6 million
Native Hawaiian Loan Guarantee	$891 thousand	$1 million	$1 million	$1 million
HOPWA	$286 million	$300 million	$300 million	$295 million
Rural Housing & Economic Development	$16.83 million	$0	$0	$20 million
Fair Housing	$45.5 million	$45 million	$44.5 million	$44.5 million
Lead Hazard Control	$150 million	$115 million	$150 million	$152 million

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