



**FROM: CARDELL COOPER
VICKI WATSON
KAREN PARKER**

DATE: September 5, 2007

FEATURED ARTICLES

- T Appropriations Update*
- T Nussle Expected to Be the Next Director of OMB*
- T House Committee Approves Housing Trust Fund Bill; Bill Moves to House Floor*
- T House Financial Services Committee Urges the Senate to Raise the GSE Loan Limits*
- T Senate Banking Committee Tries to Catch up with the House on Legislation*
- T GAO Updates Interest Groups on CDBG Formula Study*
- T HUD NEWS – Sue Miller Retires from HUD; HUD Urges CDBG Grantees to Report Accomplishment Data in IDIS by October 1; HUD Issues Memo on Returning Excess Program Income in CDBG*
- T NCDA NEWS – Advanced CDBG Course Survey; 2008 NCDA Executive Committee Roster and 2008 NCDA Subcommittee Co-Chairs; CDBG Training Available through NCDA; NCDA Plans HOME Technical Assistance for Members; New Members Corner; Attachments; HUD Budget Chart*

Appropriations Update

Congress is returning to work this week with less than a month until the start of the new fiscal year and with none of the 12 spending bills sent to the White House. The House completed work on all of its 12 spending measures prior to leaving town for the August recess, but the Senate has only completed one spending measure – Homeland Security. The Senate is expected to focus on three bills in the coming weeks: Military Construction-VA, State-Foreign Operations, and Transportation-HUD. Bush is not expected to veto the Military Construction-VA bill even though the bill exceeds his budget request by more than \$4 billion. This additional funding will go to veterans programs, which Bush strongly supports. However, non-Defense discretionary programs will not fare as well. President Bush has threatened to veto seven non-Defense discretionary appropriations bills – including the Transportation-HUD bill – because together they would exceed his discretionary spending limit by more than \$20 billion. To avert this crisis, Democrats may roll all of the remaining spending bills into one large omnibus appropriations bill to avoid a veto threat by the President. “The obvious plan of the Democrats is to not do appropriations bills but put everything together into a giant omnibus appropriations bill in a kind of legislative blackmail with all of the policy and increased spending, to in effect threaten the president to either sign the bill or be

accused of shutting down the government,” Senator Jon Kyl (R-AZ) said. The omnibus may be attached to the Defense bill (a bill that Bush is expected to sign) in order to win passage of the other spending measures.

With so much work left to be done in the Senate on spending measures, there is no doubt Congress will pass a continuing resolution before the end of the month to keep the federal government operating after the October 1 start of the fiscal year.

Nussle Expected to Be the Next Director of OMB

Former Rep. Jim Nussle, an Iowa Republican who served in Congress from 1991-2007, is expected to be confirmed by the Senate this week as the next Director of the Office of Management Budget (OMB). Nominated by President Bush on June 19, Nussle will replace former Rep. Rob Portman as the agency's head. Nussle brings to the position a strong background in federal budget oversight, chairing the House Budget Committee from 2001 to 2006. As House Budget Committee chairman, he showed support for CDBG and other HUD programs by consistently supporting amendments to restore funding to the programs. As OMB Director, he will now advise the President on budget policy and negotiate spending measures – beginning with the FY 2008 spending bills. NCDHHS has scheduled a meeting with OMB staff on September 12 to discuss FY 2009 funding for CDBG and HOME.

House Committee Approves Housing Trust Fund Bill; Bill Moves to House Floor

On July 31, 2007, the House Financial Services Committee, chaired by Rep. Barney Frank (D-MA), resoundingly approved H.R. 2895 – The National Affordable Housing Trust Fund Act – on a final committee vote of 24-23. The bill now moves to the House floor for final action. Several amendments were offered – and approved – to the bill during the mark-up, including:

- 9 An amendment offered by Rep. Michael Castle (R-DE) to allow up to 25% of the funds to be targeted to households at up to 60% of area median income prior to the fund reaching the \$2 billion threshold. As introduced, the bill provides that all of the funds go to extremely low-income households until the \$2 billion threshold is reached which triggers up to 25% of the funds being targeting at 80% of area median income. The Castle amendment would increase the targeting under the \$2 billion threshold.
- 9 An amendment offered by Rep. Gary Miller (R-CA) to allow not less than 10% of the Fund to benefit households at or above 50% of area median income.
- 9 Rep. Carolyn McCarthy (D-NY) offered an amendment to establish an additional criterion for determining the funding formula by crediting communities for expanding their supply of affordable rental housing
- 9 Rep. Jeb Hensarling (R-TX) offered an amendment to give priority under the trust fund to families on the section 8 and public housing waiting lists.

House Financial Services Committee Urges the Senate to Raise the GSE Loan Limits

In a press statement, Rep. Barney Frank (D-MA), Chairman of the House Financial Services Committee, urged the Senate Banking Committee to raise the GSE loan limits when it takes up legislation later this month. “It is now clear we underestimated in the House bill how far we should raise the conforming loan limit, and the current crises in the mortgage market demonstrate we should raise it to a higher level,” said Frank. “I urge the Senate to make this a priority as part of GSE reform, because we now have the opportunity to help homeowners get access to needed credit by allowing Fannie Mae and Freddie Mac to play a larger role.”

The House passed H.R. 1427 – The Federal Housing Finance Reform Act of 2007 – in May. The legislation would reform the regulatory oversight of the Government-Sponsored Enterprises (GSEs) – Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The legislation also calls for raising the conforming loan limits. The Senate is expected to act on GSE reform legislation this Fall.

Senate Banking Committee Tries to Catch up with House on Legislation

Senator Christopher J. Dodd (D-CT) has been criticized by beltway pundits recently for concentrating too much on his presidential aspirations and not enough on his duties as Chairman of the Senate Committee on Banking, Housing, and Urban Affairs – the Committee which oversees HUD’s programs. While his counterpart in the House, Rep. Barney Frank (D-MA), has done a good job of shepherding legislation through the House Financial Services Committee this session, including FHA reform, the National Affordable Housing Trust Fund bill, GSE-reform legislation, Flood Insurance Reauthorization, and many other important measures, Senator Dodd has been lost on the campaign trail. To avert this criticism, Dodd vows to fill his Committee’s slate with similar legislation when Congress returns from recess in September. Dodd was criticized when the Banking Committee pulled two measures from its agenda on August 1: an FHA overhaul bill and a bill to reauthorize the McKinney-Veto Homeless Assistance Programs. Dodd yanked the bills due to concern by Senator Richard Shelby (R-AL), ranking member of the committee. Dodd cited his quest for bipartisan consensus for his lack of action, noting that such consensus “increases dramatically” the possibility of enacting anything into law. “So you spend a few extra days to work out the details,” he said, adding that waiting is “the price you pay when you’re trying to achieve that unanimity.” The Senate Banking Committee is expected to take-up FHA reform legislation, GSE reform legislation, and McKinney-Vento reauthorization legislation this Fall.

GAO Updates Interest Groups on CDBG Formula Study

The U.S. Government Accountability Office (GAO) met with stakeholders on August 13 to provide an update of their ongoing CDBG Formula study. The GAO first started its analysis over a year ago at the request of the previous Congress – Rep. Bob Ney (R-OH) and Rep. Mike Turner (R-OH). Rep. Ney

was indicted last year for corruption charges and is currently serving a prison sentence. Rep. Turner is still in Congress, but is in the minority now that the Democrats have seized control of Congress. In other words, the congressional impetus for this study has been muted.

GAO is in the process of reviewing the formula allocation factors and indices within the CDBG program for need, while also exploring other formula alternatives. The GAO final report will feature three alternative formulas. The first formula option would get rid of the current Formula A and Formula B used in the CDBG program and recommend one needs-based formula. Currently, the CDBG program uses two needs-based formulas to determine grantee allocations: Formula A and Formula B. Formula A variables include population, poverty, and housing overcrowding. Formula B variables include population growth lag, poverty, and age of housing.

The GAO identified a long list of need indicators, and using statistical analysis, identified three possible variables for a new formula based on need:

- 9 Poverty rate, adjusted by a cost of living index based on the Fair Market Rents in each county. Single individuals ages 15 to 24 would not be included in the rate in an effort to filter out college students. [weighted at 50 percent]
- 9 The number of older housing units (pre-1970) that are rented by poverty-level households. [weighted at 20 percent]
- 9 The population lacking a high school diploma. [weighted at 30 percent]

The second formula option would attach a cost of services adjustment to the needs formula that takes into consideration the cost of land and construction labor costs in each jurisdiction. The third formula option is a combination of options 1 and 2 with a weighted variable that tracks the fiscal capacity of each jurisdiction [this variable would possibly be weighted at 20 percent, according to GAO]. This was met with stiff opposition from local government groups.

The GAO study is focusing on entitlement communities and not States, due to a lack of consistent data at the “balance of state” level. No date has been set for the final release of the GAO report. There has been no indication that Congress is interested in seeking changes to the program formula.

HUD NEWS

Sue Miller Retires from HUD

Sue Miller, the Former Director of the Entitlement Communities Division at HUD, retired last week after 39 years of Federal service. Sue received the Department of Housing and Urban Development’s Distinguished Service Award shortly before departing. Sue spent much of her career at the Field Office level – serving in both the Columbus, OH and Chicago, IL HUD field offices. She joined the Entitlement

Communities Division at HUD Headquarters in 1990. Sue served as Director of the Entitlement Communities Division from 2000 to 2004. The Division is responsible for policy direction and management of the CDBG program, serving over 1,100 of the nation's cities and counties. "The stability and leadership Sue brought to the Division as the director at that time were critical. She leveraged her field experience with the policy function in Headquarters to advance the management of CDBG," said Dick Kennedy, Director of the Office of Block Grant Assistance at HUD. Sue has been responsible for drafting regulations, assisting in forming policy, helping new entitlement staff learn and understand the CDBG program requirements, and conducting training for grantees and HUD field staff on numerous occasions. She worked on IDIS from its inception and, most recently, focused on the Department's efforts to implement the Performance Measurement framework in IDIS. Her knowledge and experience will be missed by us all. We wish her the best.

HUD Urges CDBG Grantees to Report Accomplishment Data in IDIS by October 1

HUD is urging CDBG grantees across the country to report their CDBG program accomplishments for the period of October 1, 2006 through September 30, 2007 in IDIS by October 1, 2007. At the end of the Federal fiscal year, HUD sends an Annual Performance Report to Congress on the accomplishments achieved using CDBG funds. The data obtained from IDIS is used to complete this report, so the more accomplishment data that is entered into the system, the more information can be reported to Congress on the effectiveness of the program. NCDA and other interest groups also use this data in their advocacy efforts on behalf of the program.

HUD Issues Memo on Returning Excess Program Income – CDBG

On August 3, HUD's Office of Community Planning and Development issued a memo to the field offices on instructions for CDBG grantees on how to return excess program income to their account and on how to make drawdown requests when they expend these funds. The memo points out that the CDBG regulations at 24 CFR 570.504(b)(iii) provide that at the end of each program year, grantees may not have program income in an amount that exceeds 1/12 of their most recent grant amount. Any excess funds must be remitted back to Treasury, but can continue to be drawn down by the grantees. Essentially, CDBG grantees cannot keep the funds in their local account, but can continue to draw down the returned funds through HUD. The attached memorandum describes the procedures for returning the excess program income back to HUD and how grantees can draw down the funds through HUD. Grantees must draw down the excess program income prior to making any draws from their line-of-credit. The use of the excess program income is to be reported in IDIS in the same manner as regular program income; the only difference between the two is the location of the accounts in which the money is held.

NCDA News

Advanced CDBG Course Survey

At its June 19, 2007 meeting, NCDA's Planning and Professional Development Subcommittee agreed to move forward on a survey to NCDA's members on the development of an Advanced CDBG Course. The course would be the second in a series of training courses – with the first being the CDBG Basic Course – for CDBG grantees. The attached survey seeks input on interest from CDBG members on the course, the costs associated with attending the course, whether or not the course would provide a

program benefit to CDBG grantees, and the topics that should be covered in the course. You can also complete the survey online at <http://www.ncdaonline.org> The deadline to complete the survey is October 26, 2007. The subcommittee will report the survey findings to NCDA's Board of Directors in January.

2008 NCDA Executive Committee; 2008 NCDA Subcommittee Co-Chairs

NCDA is pleased to announce its slate of officers for 2007/2008:

Emory Counts, Daytona Beach, FL, President
Steve Gartrell, Newton, MA, Vice-President
Rita Pribyl, Davenport, IA, Secretary/Treasurer
Nancy Haney, Lubbock, TX, Immediate Past President

In addition, the following persons will serve as co-chairs of NCDA's subcommittees:

Community Development Program and Policy Subcommittee

Co-Chairs: Emily Nottingham (Tucson, AZ) and Jeannette Smith (Hollywood, FL)

Housing Program and Policy Subcommittee

Co-Chairs: Amintha Cinotti (Providence, RI) and Lelia Allen (Orlando, FL)

Economic Development Program and Policy Subcommittee

Co-Chairs: Patrick Sullivan (New Bedford, MA) and Willie Day (Anderson, SC)

Membership Subcommittee

Co-Chairs: Mara Register (Valdosta, GA) and Piedad Martinez (McAllen, TX)

Planning and Professional Development Subcommittee

Co-Chairs: Barbara Ross (Denton, TX) and Tom Tiffin (Birmingham, AL)

Technology Subcommittee

Co-Chairs: Aggie Tauke (Dubuque, IA) and Todd Steelman (Amarillo, TX)

NCDA thanks the executive committee and the subcommittee co-chairs for their service to the organization.

CDBG Training Available through NCDA

The following CDBG Program workshops are available through NCDA:

CDBG Basics Course

Three-day workshop

Burlington, VT

September 19-21, 2007

Cost: \$250 for members/\$350 for non-members

Registration and hotel information: online at <http://www.ncdaonline.org>, go to Training Available Through NCDA and click on CDBG

CDBG Basics Course

Three-day workshop

Fayetteville, AR

October 29-31, 2007

Cost: \$250 for members/\$350 for non-members

Registration and hotel information: online at <http://www.ncdaonline.org>, go to Training Available Through NCDA and click on CDBG

CDBG Basics Course

Three-day workshop

Valdosta, GA

November 12-14, 2007

Cost: \$250 for members/\$350 for non-members

Registration and hotel information: online at <http://www.ncdaonline.org>, go to Training Available Through NCDA and click on CDBG

In addition, NCDA will hold a CDBG Subrecipient Management Course in Lake Mary, FL on November 8 and 9. More information on this course will be available at NCDA's website in the next week.

NCDA Plans HOME Technical Assistance for Members

NCDA is working on a technical assistance delivery plan to HUD to deliver several training workshops on the HOME program over the next year. The delivery plan is based on a HOME TA Assessment NCDA sent to its members in July 2007. The results of the assessment indicated the need for HOME technical assistance in four areas: CHDOs, underwriting, monitoring, and basic HOME training. Several workshops will be offered in each of these areas across the country over the next year or more. NCDA will post the registration and workshop information to its website once the technical assistance delivery plan has been approved by HUD.

New Members Corner

NCDA would like to welcome the following new members to the association.

Town of Berlin, CT
Longmont, CO
North Las Vegas, NV

ATTACHMENTS

Please go to NCDAonline (<http://ncdaonline.org>) to access the documents below.

THUD Memo on Returning Excess Program in CDBG
TSurvey on Advanced CDBG Course

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

Program	FY07 Enacted Level	FY08 President's Request	FY08 House Approved Level	FY08 Senate Committee Approved Level
Community Development Fund	\$3.77 billion	\$3.0 billion	\$4.18 billion	\$4.06 billion
<i>Set-Asides:</i>				
Native American Hsg.	[\$60 million]	[\$57 million]	[\$62 million]	[\$62 million]
Insular Areas	[\$7 million]	[\$7 million]	[\$7.1 million]	[\$7 million]
EDI Special Purpose Grants	\$0	\$0	[\$160 million]	[\$248 million]
Technical Assistance	\$0	[\$3 million]	\$0	[\$3 million]
Neighborhood Initiatives	\$0	\$0	[\$20 million]	[\$40 million]
Working Capital Fund	[\$1.6 million]	[\$2 million]	[\$1.58 million]	[\$1.6 million]
Total Set-Asides	<i>\$68.6 million</i>	<i>\$2.931 billion</i>	<i>\$250.68 million</i>	<i>\$361.60 million</i>
Formula Grants	\$3.71 billion	\$2.931 billion	\$3.929 billion	\$3.71 billion
Sect. 108 Loan Guarantees	\$137.5 million	\$0	\$137.5 million	\$275 million
Brownfields	\$9.9 million	\$0	\$15 million	\$10 million
HOME Program	\$1.757 billion	\$1.967 billion	\$1.92 billion	\$1.97 billion
<i>Set-Asides:</i>				
Housing Counseling	[\$41.6 million]	funded separately	[\$41.6 million]	[\$150 million]
Technical Assistance	[\$9.9 million]	[\$10 million]	[\$9.9 million]	[\$15 million]
Working Capital Fund	[\$990 thousand]	[\$3 million]	[\$990 thousand]	[\$3.6 million]
ADDI	[\$24.7 million]	[\$50 million]	\$0	\$0
Total Set-Asides	<i>\$77 million</i>	<i>\$63 million</i>	<i>\$52.49 million</i>	<i>\$168.6 million</i>
Formula Grants	\$1.68billion	\$1.904 billion	\$1.867 billion	1.801 billion
Section 202	\$735 million	\$575 million	\$735 million	\$735 million
Section 811	\$236 million	\$125 million	\$236 million	\$237 million
HOPWA	\$286 million	\$300 million	\$300 million	\$300 million
Lead Hazard Control	\$151 million	\$116 million	\$130 million	\$151 million

Program	FY07 Enacted Level	FY08 President's Request	FY08 House Approved Level	FY08 Senate Committee Approved Level
Self-Help/Asst. Homeowner Opportunity Program	\$49 million	\$70 million	\$59.7 million	\$70 million
SHOP	\$20 million	\$39 million	\$27.7 million	\$26.5 million
NCDI	\$28 million	\$30 million	\$31 million	\$33.5 million
Housing Assistance Council	\$0	\$0	\$0	\$3 million
La Raza	\$0	\$0	\$0	\$3 million
Housing Partnership Network	\$0	\$0	\$0	\$2 million
Native Am. Ind. Hsg. TA	\$1 million	\$1 million	\$1 million	\$2 million
Habitat for Humanity	\$0	\$0	\$0	\$0
Tenant-Based Rental Assist.	\$15.920 billion	\$16 billion	\$16.3 billion	\$16.58 billion
Project-Based Rental Assist.	\$5.976 billion	\$5.813 billion	\$6.479 billion	\$5.813 billion
PH Capital Fund	\$2.44 billion	\$2.024 billion	\$2.438 billion	\$2.5 billion
PH Operating Fund	\$3.864billion	\$4.0 billion	\$4.2 billion	\$4.2 billion
HOPE VI	\$99 million	\$0	\$120 million	\$100 million
Homeless Programs	\$1.472 billion	\$1.586 billion	\$1.561 billion	\$1.586 billion
<i>Set-Asides</i>				
Shelter Plus Care Renewals	[\$285 million]	[\$285 million]	[\$320 million]	[\$320 million]
Samaritan Initiative	\$0	\$0	\$0	\$0
Prisoner Re-entry	\$0	[\$25 million]	\$0	\$0
TA/HMIS	[\$10.4 million]	[\$8 million]	[\$10.4 million]	[\$8 million]
Working Capital	[\$2.5 million]	[\$2 million]	[\$2.5 million]	[\$2.475 million]
Rapid Re-Housing Demo.	\$0	\$0	\$0	[\$25 million]
<i>Total Set-Asides</i>	<i>\$297.9 million</i>	<i>\$355 billion</i>	<i>\$332.9 million</i>	<i>\$355.5 million</i>
Homeless Assistance Grants	\$1.174 billion	\$1.231 billion	\$1.228 billion	\$1.23 billion
Native American Housing Block Grant	\$624 million	\$627 million	\$627 million	\$630 million

Program	FY07 Enacted Level	FY08 President's Request	FY08 House Approved Level	FY08 Senate Committee Approved Level
Native Hawaiian Housing Block Grant	\$8.7 million	\$6 million	\$8.7 million	\$9 million
Indian Housing Loan Guarantee (credit subsidy)	\$6 million	\$7.45 million	\$7.45 million	\$7.450 million
Native Hawaiian Loan Guarantee	\$891 thousand	\$1 million	\$1 million	\$1 million
Rural Housing & Economic Development	\$16.83 million	\$0	\$16.8 million	\$17 million
Fair Housing	\$45.5 million	\$45 million	\$45.5 million	\$52 million
University Programs*	\$21 million	\$29 million	\$22 million	\$20.6 million

*grants to institutions of higher education funded under Section 107 including HBCUs, Alaska Native Serving Institutions, Native Hawaiian Serving Institutions, tribal colleges and universities, and Hispanic Servicing Institutions.