



**DATE:** December 8, 2011

**NCDA Winter Conference  
Washington, DC – January 18-20, 2012**

***FEATURED ARTICLES***

- ✓ ***HR 2112 Enacted; FY12 HUD Funding Finalized***
- ✓ ***Federal Deficit Committee Falls Short***
- ✓ ***HUD NEWS – Emergency Solutions Grant Program Interim Rule Released; CPD Program Reporting; New CDBG Entitlement Communities Will Have Little Change on the FY12 CDBG Formula Allocation; OMB Finalizes Changes to Metropolitan Statistical Area Standards***
- ✓ ***NCDA NEWS – 2012 Winter Conference - Updated Conference Agenda***
- ✓ ***HUD Budget Chart***

**HR 2112 Enacted; FY12 HUD Funding Finalized**

Congress wrapped-up HR 2112 – the consolidated appropriations bill for the Departments of Agriculture, Commerce/Justice/Science, and Transportation/HUD – on November 17. The President signed the “mini-bus” appropriation bill on November 18. The package includes another Continuing Resolution to keep other federal departments and agencies operating through December 16, in hopes that Congress can pass an omnibus appropriation measure by that date. The Act includes cuts to most of HUD’s programs including a 12% cut to CDBG and a 38% cut to HOME. It also includes several new reforms to the HOME program. HUD has incorporated these changes into its HOME proposed rule, which is expected to be published in the *Federal Register* any day now. For the CPD programs – CDBG, HOME, ESG, and HOPWA – NCDA and other groups were successful in having language included in HR 2112 that requires HUD to provide formula allocations to grantees within 60 days of enactment of the legislation. This means that grantees will not have to wait months – like last year – to receive their funds.

***Community Development Fund***

The Act includes \$3.3 billion for the Community Development Fund. Of this amount, not less than \$2.948 billion is allocated to CDBG formula funding, up to \$300 million for disaster assistance to state and local governments, and \$60 million to CDBG grants to Indian tribes. The \$2.948 billion allocation represents a 12% reduction from FY11 and a 26% decrease from FY10.

We were successful in fighting back the challenge by the House of Representatives to reduce CDBG administrative and planning funding from 20% to 10%.; however, the Act includes language requiring the General Accountability Office (GAO) to conduct a report on how grantees use their administrative and planning funds.

#### *HOME Program*

The Act provides \$1 billion for the HOME program in FY12 – a reduction of 38% from FY11. The Act does away with the minimum threshold requirements (\$335,000 if the program funding is less than \$1.5 billion) for the program in FY12. It also prevents any new grantees from entering the program in FY12. The following statutory reforms were made to the program.

- HOME-funded projects must be completed within four years of the commitment date; HUD may extend this deadline for one year for just cause;
- For every HOME-funded project, participating jurisdictions must certify that an underwriting assessment, assessment of developer capacity and assessment of fiscal soundness has been conducted and an examination of the neighborhood market has taken place to ensure the project is warranted;
- Any HOME-funded homeownership units that cannot be sold within six months of completion, must be rented to eligible tenants; and
- HOME funds cannot be awarded to a CHDO for development activities unless the CHDO can demonstrate its staff capacity and development experience.

#### *Homeless Assistance Grants*

The Act provides \$1.9 billion for HUD's homeless assistance grant programs, including not less than \$250 million for the Emergency Solutions Grant and \$1.593 billion for the continuum of care program and the rural housing stability program. The Act provides \$7 million for the national homeless data analysis project.

#### *Other Important Provisions*

- HUD must provide quarterly reports to Congress on all uncommitted, unobligated, recaptured and excess funds in each program.
- The Comptroller General of the United States will carry out a study of the effectiveness of CPD's programs – CDBG, HOME, ESG, and HOPWA – including an examination of best practices utilized by program grantees and performance metrics utilized by HUD. The report must be submitted to Congress within 180 days.
- HUD must take actions necessary to improve data quality, data management, and grantee oversight and accountability with respect to activities and programs administered by CPD including addressing the problems identified by the Inspector General in audit reports since 2006. HUD must submit a report to Congress within 120 days on progress achieved in these areas.

*Follow-up Meetings with Congressional Staff*

NCDA and other members of the CDBG Coalition held follow-up meetings with House and Senate staff on the FY12 allocations for CDBG and HOME. According to staff, the decision to provide \$300 million in disaster funding from the CDBG account was made at the leadership level in the House and Senate and was pushed by congressional members representing states impacted by natural disasters in 2011. Normally, disaster funding is considered emergency spending and not calculated on budget as part of the appropriations numbers. This year, however, Congress reached its mandatory spending level on disaster funding, so congressional members had to look to individual programs for the offset and CDBG was a natural fit, according to staff, since it is viewed by many on the Hill as a fungible source of money. Apparently, they have difficulty understanding how CDBG-funded projects are tied to people, unlike Section 8 which is tied to a household. *Members, please invite your congressional members out to tour your CDBG-funded projects so that they can see how the program is tied to people locally.* NCDA and NACCED will take congressional staffers on a tour of CDBG- and HOME-funded projects in northern Virginia next month.

According to congressional staff, the decision to cut the HOME program was based largely on past Inspector General reports which cited problems in the program and the *Washington Post* articles. HUD's action to contact grantees after the *Washington Post* ran the negative articles on the program only heightened congressional members' concerns over HUD's grasp and management of the program.

The House will, once again, take a look at the CDBG administrative cap next year. House staffers are concerned on two points: (1) how much are grantees actually spending on administrative and planning costs; and (2) how much are grantees spending on program delivery costs. The Survey and Investigations arm of the House Appropriations Committee will look at these issues in the coming year. We will continue to fight back against any challenge to reduce administrative and planning funding.

NCDA and other members of the CDBG Coalition sent a letter to the conferees of H.R. 2112 to voice our disappointment with the final numbers for CDBG and HOME; noting that the loss of funding will result in reduction of services and activities for low- and moderate-income households at a time when families need the assistance. We also voiced our opposition to the inclusion of disaster funding in the Community Development Fund and urged Congress to look elsewhere for future offsets. Finally, we criticized the Senate for proposing such a low number, \$2.85 billion, for CDBG in FY12. This action lowered the bar on a final number for the program. A copy of the letter is attached.

The CDBG Coalition also sent a letter to Assistant Secretary Marquez on November 29, asking HUD to give consideration to increasing the FY12 CDBG formula allocation by decreasing the disaster funding. The FY12 consolidated appropriations act which funded HUD's programs, allowed for "not less than \$2.48 billion for the CDBG program," while Section 239 of the Act allows "up to \$300 million of the Community Development Fund appropriation to be awarded

directly to states and units of general local government activities for activities related to disaster relief.” In short, the language gives HUD the discretion to increase CDBG formula funding. While HUD is not likely to honor our request, we wanted to be on record voicing our support for an increase in the formula allocation. A copy of the letter is attached.

### **Federal Deficit Committee Falls Short**

On August 2, 2011, the Budget Control Act was enacted to raise the federal debt limit through early 2013. It also required \$2.3 trillion in budget cuts; with \$1.2 trillion in cuts being decided by a Joint Select Committee on Deficit Reduction – also known as the Super Committee. The Super Committee, however, failed to reach agreement on budget cuts by the November 21 deadline. Their inaction causes the implementation of “sequestration” or automatic across-the-board cuts to federal spending – both defense and non-defense discretionary programs – beginning in January 2013 and continuing through 2021. Some mandatory programs (Medicare) would also be cut. Discretionary spending (as opposed to mandatory spending) is decided annually through the congressional appropriations process and includes HUD’s programs.

The Congressional Budget Office (CBO) estimates that the sequestration will result in an estimated 10% annual cut to defense discretionary programs and an estimated 9% cut to non-defense discretionary programs (e.g., HUD and other federal programs). The Department of Veterans’ Affairs is exempt from the cuts. Medicare (mandatory spending) is expected to be cut by 2% annually while farm subsidies (mandatory spending) will also see cuts. Some mandatory programs which affect low-income people are exempt from sequestration including Social Security, Medicaid, Supplemental Security Income (SSI), Food Stamp Program, Children’s Health Insurance Program, veterans compensation, and federal retirement.

In addition to the charge of the Super Committee to find \$1.2 trillion in cuts, the Budget Control Act caps discretionary spending over ten years, for another \$841 billion in savings. Congress could act at some point to change some or all of the parameters of the Budget Control Act.

### **HUD NEWS**

#### **Emergency Solutions Grant Program Interim Rule Released**

HUD released an interim rule for effect and comment for the Emergency Solutions Grant (ESG) Program on December 5. The Emergency Solutions Grant Program was authorized under the Homeless Emergency Assistance and Rapid Transition Act of 2009 (HEARTH Act). It replaces the Emergency Shelter Grants Program. The Emergency Solutions Grant Program builds on the existing Emergency Shelter Grants Program by placing greater emphasis on the prevention of homelessness and rapidly providing permanent housing to those persons experiencing homelessness. This interim rule becomes effective on January 4, 2012 and comments are due to HUD by February 3, 2012. The Continuum of Care interim rule is expected to be released by the end of the year. HUD published a separate rule on the definition of “homeless” and the record keeping requirements related to that definition on December 5, 2012.

*Eligible Activities*

- Street outreach. Provides essential services to unsheltered homeless persons. Services include outreach, case management, emergency health and mental health services, transportation, and staff salaries to carry-out the outreach. Street activities and emergency shelter activities are collectively capped at 60 percent of the grantee's allocation or the amount committed by the grantees for these activities in FY10, whichever is greater. The interim rule prohibits local governments from using ESG funds to replace funds the local government provided for street outreach services during the preceding 12-month period.
- Emergency shelter. Serves people staying in emergency shelters. Essential services include case management, child care, education, employment, life skills, legal services, health, mental health, and substance abuse services, and transportation, and staff costs related to carrying out the activities. Shelter activities include renovation (including major rehabilitation or conversion) and operations (maintenance, utilities, furniture, etc.). The interim rule removes the limit on staff costs, adds supplies as an eligible expense, and allows the cost of a hotel or motel stay under certain conditions. The interim rule prohibits local governments from using ESG funds to replace funds the local government provided for emergency shelter services during the preceding 12-month period.
- Homelessness prevention. Available to persons who are (1) below 30% of AMI and (2) homeless or at risk of becoming homeless. Eligible activities include housing relocation and stabilization services and up to three months of short-term rental assistance and up to 24 months of medium-term rental assistance. Staff salaries related to carrying out homelessness prevention activities are also eligible.
- Rapid re-housing. Available to persons who are homeless. Can be used to help a homeless person or family move into permanent housing and achieve housing stability. Eligible activities include housing relocation and stabilization services and up to three months of short-term rental assistance and up to 24 months of medium-term rental assistance. Staff salaries related to carrying out rapid re-housing activities are also eligible.
- HMIS. The HEARTH Act makes HMIS participation a statutory requirement for ESG recipients and subrecipients; however, victim services providers and legal services organizations may choose to opt out of HMIS, but are required to use a comparable database to provide reports. Eligible costs for recipients that are HMIS lead agencies include hosting and maintaining software or data, backing up, recovering, or repairing software or data, upgrading, and enhancing the HMIS, and integrating and warehousing data, administering the HMIS, reporting, and conducting training on the HMIS. Eligible costs for both ESG recipients and subrecipients include computer hardware, software, and software licenses, office space, utilities, and equipment, technical support, salaries for HMIS support, staff travel (training and program participant intake), and participation

fees charged by the HMIS lead agency. HUD will establish in 24 CFR part 580, the regulations that will govern HMIS through an upcoming rule.

- Administration. Grantees can use up to 7.5 percent of their grant on administrative activities. *This does not include staff and overhead costs directly related to carrying out street outreach, emergency shelter, homelessness prevention, and rapid re-housing activities, as those costs are eligible as part of those activities.* State recipients must share a reasonable amount of funds for administrative costs with subrecipients that are units of local government. In addition, ESG funds may be used to pay indirect program costs in accordance with OMB Circular A-87 and A-122. Administrative activities have been expanded to include most eligible activities covered in the CDBG program, including program management, oversight, and coordination, monitoring and evaluating performance, training on ESG requirements, preparing the ESG and homelessness-related portions of the Consolidated Plan, and carrying out the environmental review responsibilities.

#### *Matching Requirement*

The program requires a dollar-for-dollar match requirement (cash or in-kind). The interim rule specifies that program income is to be used as a match, rather than being treated as an addition to the ESG grant, because of the sizable matching requirement in ESG.

#### *Obligation, expenditure, payment requirements*

Grantees must draw down funds quarterly; subrecipients must be paid within 30 days of a payment request; and grantees must expend their funds within 24 months of signing the grant agreement with HUD.

#### *Coordination*

ESG grantees must consult with Continuum of Care grantees in allocating funds, developing performance standards, and administering HMIS. ESG recipients and subrecipients must use a centralized or coordinated system to assess the eligibility and needs of each individual or family who seeks assistance. The system would be developed by the Continuum of Care in accordance with minimum requirements developed by HUD (those minimum requirements will be included in the Continuum of Care interim rule).

#### *Funding Allocations*

The FY11 appropriation directed that HUD fund the Emergency Solutions Grant program for at least \$225 million. HUD had not completed the program regulations in time for the FY11 allocation, so allocations were based on the Emergency Shelter Grants Program, and grantees received a total of \$160 million. HUD subsequently provided a second allocation of \$90 million under the Emergency Solutions Grant Program.

#### *Emergency Solutions Grant Webinars*

HUD has held the following webinars on the ESG Program:

- IDIS for ESG
- Changes to the Consolidated Plan Regulations
- Introduction to the Emergency Solutions Grant Program
- Preparing for HMIS Participation

A recorded version of these webinars is available at HUD's Homelessness Resource Exchange (HRE) at <http://hudhre.info>.

HUD will hold the following webinar on December 13, 2011:

- Determining Homeless and At-Risk Status, Income and Disability

To access this webinar, go to <http://hudhre.info>.

### **CPD Program Reporting**

It is imperative that grantees undertake timely and accurate reporting of their data into IDIS. NCDA and NACCED have asked HUD to form a working group with our organizations to take a look at IDIS reporting. We have asked that three of our members serve with us on this task force, so that we can look at the issue from a grantee perspective. We hope to begin meeting with HUD in January. NCDA will also hold a session on CDBG and HOME data clean-up at the upcoming 2012 Winter Conference.

With the Administration and Congress focused on reducing the federal budget, our programs will continue to be sharply scrutinized and programs which cannot show accurate or timely data input will be on the chopping block. HOME was cut by 38% this year because of past OIG audit reports on long-standing open activities and cancelled activities with draws. CDBG faces this same scrutiny. To protect our programs, you must clean up your activities' status and accurately report on accomplishments.

### **New CDBG Entitlement Communities Will Have Little Change on the FY12 CDBG**

#### **Formula Allocation**

Four communities will join the CDBG program for the first time and one will drop out. This will have little affect on the overall FY12 CDBG formula allocation. The new communities include: Palm Coast, FL, Hendersonville, TN, Henry County, GA, and Tinley Park, IL. Richardson, TX will drop out of the program.

### **OMB Finalizes Changes to Metropolitan Statistical Area Standards**

The Office of Management and Budget (OMB) is responsible for designating metropolitan areas and principal cities. This information is used by HUD to determine the eligibility of new entitlement cities and counties for the CDBG program. In its finalized standards, OMB decided not to designate any new metropolitan areas and principal cities until 2013 and thereafter will make designations every five years, instead of annually. This means that for the next 1-2 years (FY13 and likely FY14, depending on when OMB releases the 2013 standards), the only way a local government will become a new CDBG entitlement community is by the 50,000 population

threshold (for cities) and 200,000 population threshold (for counties).

## **NCDA NEWS**

### **NCDA 2012 Winter Conference; Audrey Nelson Awards**

NCDA will hold its 2012 Winter Conference in Washington, DC on January 18-20, 2012. The conference will feature program and policy updates from HUD staff, time for participants to meet with congressional members, educational sessions, and best of all, time to network with your fellow community development practitioners. The conference will feature sessions on CDBG and HOME data clean-up, the effect of the 2010 Census and the American Community Survey on formula allocations, training on social networking tools, promoting CDBG and HOME, best practices presentations from the Audrey Nelson Award winners, and many other topics. A revised agenda has been attached to this newsletter. To register for the conference go to <http://www.ncdaonline.org> Please make your hotel reservations before **December 26, 2011** in order to receive the special room rate of \$179 per night plus tax.

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

<b>Program</b>	<b>FY11 Enacted Level</b>	<b>FY12 President's Request</b>	<b>FY12 Enacted Level</b>
Community Development Fund	\$3.5 billion	\$3.804 billion	\$3.308 billion
<i>Set-Asides:</i>			
Disaster Assistance	0	0	[\$300 million]
Native American Block Grant	[\$65 million]	[\$65 million]	[\$60 million]
Sustainable Communities	[\$100 million]	0	0
University Community Fund	0	[\$23 million]	0
EDI Grants	0	0	0
Neighborhood Initiatives	0	0	0
Rural Innovation Fund	0	[\$25 million]	0
Formula Grants	\$3.335 billion	\$3.684 billion	\$2.948 billion
Section 108 Loan Guarantees	\$275 million	\$500 million	\$275 million
Brownfields	\$0	\$0	\$0
HOME Program	\$1.606 billion	\$1.650 billion	\$1.0 billion
Homeless Programs	\$1.9 billion	\$2.372 billion	\$1.9 billion
Housing Counseling	\$0	\$88 million	\$45 million
Lead Hazard Control	\$120 million	\$140 million	\$120 million
HOPWA	\$335 million	\$335 million	\$332 million
Section 202 for the Elderly	\$400 million	\$757 million	\$375 million
Section 811 for the Disabled	\$150 million	\$196 million	\$165 million
Fair Housing	\$72 million	\$72 million	\$71 million
Section 8 TBRA	\$16.6 billion	\$16.3 billion	\$17.2 billion
Section 8 Project-Based Assistance	\$9.3 billion	\$9.4 billion	\$8.94 billion
Public Housing Capital	\$2.04 billion	\$2.04 billion	\$1.875 billion
Public Housing Operating	\$4.616 billion	\$4.829 billion	\$3.962 billion
HOPE VI	\$35 million	\$0	\$0
Choice Neighborhoods	\$65 million	\$250 million	\$120 million
Native American Housing Block Grant	\$649 million	\$700 million	\$648 million

Native Hawaiian Housing Block Grant	\$13 million	\$10 million	\$13 million
Indian Housing Loan Guarantees	\$9 million	\$7 million	\$6 million
Native Hawaiian Loan Guarantees	\$1 million	\$10 million	\$386 thousand

