NCDA Washington Report

March 6, 2018

Congress Still Working to Finalize FY 2018 Spending

Though attention has recently turned to upcoming fiscal year 2019 funding after the President's budget release last month, Congress still has not finalized spending for the current fiscal year. After two brief government shutdowns in February, Congress finally approved a two-year budget deal and a continuing resolution to keep the government open until March 23. The budget deal will allow Congress to wrap up work on FY 2018 and begin initial discussions on FY 2019 funding.

The budget deal package approved on February 8th includes:

- Continuing Resolution: extends government funding through Friday, March 23.
- New budget caps for FY 2018 and FY 2019: the two-year agreement raises spending caps by $300 billion over two years. The deal does not honor parity between defense and non-defense spending changes. Non-defense spending is raised by:
  - FY 2018- $63 billion
  - FY 2019- $68 billion
- Additional supplemental disaster relief funding: $89.3 billion for disaster relief for areas impacted by the hurricanes and wildfires of 2017, including $28 billion in CDBG-DR funds to repair homes, support local businesses, and rebuild infrastructure while mitigating future risk.
- Debt ceiling suspension: Lifts the debt ceiling until March 2019.

Though the budget deal includes an increase to non-defense spending, there is no guarantee that additional funding will be allocated to HUD or community development; however, NCDA has been working vigorously to make the case for increased CDBG and HOME funding. Thank you for participating in this effort by sending letters to your Congressional Members over the past couple of weeks. We will know by March 23 if our efforts have paid off.

Now that the spending cap for FY 2018 has been set, appropriators can get to work finalizing spending for the current fiscal year. At this point, the process basically starts over again. The chairs of the Appropriations Committee have re-allocated funding to all 12 appropriations bills, including the Transportation, Housing and Urban Development (THUD) bill. Appropriations staff is now working to re-draft spending bills and assemble an omnibus spending package. All this work needs to be completed in six weeks before the expiration of the current CR on March 23 to avoid the need for an additional CR. Unfortunately, this extended delay in finalizing federal spending has become common; the omnibus appropriations bill setting spending for FY 2017 wasn't approved until May, over seven months into the fiscal year. Communities are hurt by the inability of Congress to finalize spending on-time; funding for programs like the Community Development Block Grant program and the HOME Investment Partnerships program isn't allocated until a full-year bill is in place, keeping communities in budgetary limbo for months on end.

President Releases FY 2019 Budget Proposal

The President unveiled his FY 2019 budget proposal on February 12, eliminating programs that make up the core of federal investments in community development and housing, shifting the financial burden to state and local governments. The budget proposal cuts funding for the Community Development Block Grant program (CDBG), HOME Investment Partnerships Program (HOME), Section 108 Loan Guarantee, the Public Housing Capital Fund, Choice Neighborhoods, Section 4 Capacity Building, and the Self-Help Homeownership Opportunity Program (SHOP).

While the President's budget proposes a 10 percent overall increase in spending over FY 2017, the additional funding is largely allocated to defense and makes deep cuts to non-defense spending; the proposal calls for an 18 percent cut to the Department of Housing and Urban Development, though other agencies were cut as much as a third.

These draconian cuts are slightly tempered by the influx of additional budget authority provided by the budget agreement struck by Congress in February, but an addendum on the budget deal that accompanied the President's proposal does not provide full details of how he envisions Congress appropriating the funds.

Additionally, the Administration released its long-awaited infrastructure proposal immediately before its FY 2019 budget proposal announcement. Like the President's FY 2018 budget, the Administration claims spending for programs facing cuts or elimination in the budget proposal will be funded instead through an infrastructure package. However, the infrastructure proposal released this week does not include robust federal investments and shifts the burden of financing infrastructure priorities to state and local governments. It also does not include funding for HUD programs or appear to use CDBG as a mechanism to deliver infrastructure funding to communities.

<u>HUD</u>

The budget marks a significant shift in the mission of HUD in two ways; the elimination of its community development programs and a massive disinvestment in the nation's public housing stock. Most significantly, the proposal once again eliminates CDBG, claiming the program is "duplicative" and has "failed to demonstrate [its] effectiveness." The President also recommends the elimination of HOME and the Choice Neighborhood Initiative. Like the FY 2018 budget proposal, the Administration claims that community development programs are better handled by state and local governments. Despite the President's attempt to eliminate CDBG, HOME, and Choice Neighborhoods last year, Congress chose to continue funding these important programs in both the proposed House and Senate THUD bills. The President's budget proposes level funding for HUD's Homeless Assistance Grants.

The President's budget proposal also eliminates the Public Housing Capital Fund, the pot of money available to Public Housing Authorities to rehabilitate and modernize its public housing stock. This could have a devastating impact on communities with aging public housing inventory; in 2010 a HUD study estimated that the backlog of deferred maintenance of public housing exceeded $26 billion and accrues at a rate of $3.4 billion per year. In FY 2017, Congress only provided $1.9 billion for the Capital Fund. A complete elimination of this funding leaves PHAs with the option of either participating in the Rental Assistance Demonstration program or turning to their state and local governments to finance the rehabilitation of public housing. If neither option is viable, communities face a dramatic increase in blighted public housing and a loss of critical affordable housing stock in the throes of a nationwide affordable housing crisis.

The Administration's budget proposal recommends reductions to HOPWA and Section 811 Housing for Persons with Disabilities and elimination of the National Housing Trust Fund.

<u>Treasury</u>

The Administration also proposes eliminating funding for the CDFI Program and the Capital Magnet Fund, both at Treasury.

Critical Budget Decisions Being Made During National Community Development Week

National Community Development Week, April 2 through 6, is happening at a critical time for FY 2019 appropriations decisions; speak out during this important week to ensure your members of Congress know the impact of federal community development programs in their state and district. National Community Development Week will occur as the conversation on FY 2019 spending is hitting its peak. Your participation in National CD Week this year is critical; members of Congress are listening to their constituents, so make sure the message of National CD Week is heard loudly by your legislators.

Last Minute Planning Tips for National Community Development Week

National Community Development Week is only four weeks away- it's not too late to plan an activity. These are a few ideas for high impact events that require minimal advance work:

- **Capitalize on local media to get the word out on the impact of community development programs in your area.** Write a letter to the editor of your local newspaper about National Community Development Week and the impact of CDBG and HOME in the community -- and mention your Senators and Representative in your letter. Many Congressional offices track local media mentions and your letter is likely to be noticed by the office.

- **Utilize social media to take your followers on a virtual tour of your community development project.** Prior to National CD Week, take photos and videos of your project, highlighting its impact on your community. Throughout the week, post your tour on Twitter and Facebook, explaining the project and its funding sources in a series of posts. Tag your members of Congress to ensure the offices will see federal community development dollars at work in their community.

- **Write a letter to your members of Congress about National Community Development Week, detailing how you've used community development funding in their state and district.** Include photos and videos. Rather than sending the letter through the legislator's webform, contact the office to get the email contact information for their housing and appropriations staff. This will ensure the right policy staff receive your email in a timely manner.

- **To make an additional impact with your letter to your members of Congress, also ask them to make a statement on the floor in support of National Community Development Week.** Congress is in recess during National Community Development Week, but you can help continue the conversation when they return to Washington. Floor statements are a great way to get the word out about the importance of community development programs and engage your legislators on the issue. Call the offices of your members of Congress and ask for the contact information for their housing staff and work with that staffer to help them craft a message of support that includes local information about your projects.

NCDA has put together a trove of National Community Development Week resources for its members. Please go to the following link to tap into those resources:

http://ncdaonline.org/2018-national-community-development-week/

Please contact Vicki Watson with any questions at vwatson@ncdaonline.org

Order Your National Community Development Week Posters by March 22

The CDBG Coalition has issued a poster in celebration of National Community Development Week. The poster and order form are attached. Please use the poster in your CD Week activities and to hand out to elected officials and local program partners during National CD Week.

- Printing Productions in Sterling, VA is handling the poster orders and shipment. Please send the order form directly to them.
- The deadline for placing orders is 5:00 pm ET, March 22. No orders will be accepted after this date/time.
- Orders cannot be shipped to P.O. boxes.
- The order increments listed on the order form cannot be changed.
- Payment must be made directly to Printing Productions by credit card or check (please see order form).

NCDA, NACo, and USCM Send AFH Comments to HUD

NCDA along with the National Association of Counties and the U.S. Conference of Mayors sent a letter to HUD seeking regulatory relief from the Assessment of Fair Housing (AFH). The letter includes the following recommendations:

- Require local government Con Plan participants to focus only on an analysis of housing issues
- Incorporate the AFH Local Government Tool into the Con Plan
- Eliminate Section B iii – Access to Opportunity – from the AFH Tool
- Improve the AFH review and approval process through the development of a checklist that is used by both HUD and grantees
- Provide ongoing TA to grantees on the legal requirements to affirmatively further fair housing
- Exempt small CDBG and HOME grantees from developing the AFH Tool – those that receive $2 million or less in CDBG or HOME dollars. Instead, allow these grantees to develop an Analysis of Impediments (AI) to fair housing choice.
- Correct data issues and improve the user interface (see recommendations in the attached letter)

NCDA would like to thank the following communities for participating in a working group with staff to develop the recommendations: Boston, MA; Los Angeles County, CA; Davenport, IA; Nashville, TN; McKinney, TX; and St. Louis, MO.

HUD e-Con Planning Suite Webinar

HUD will hold a webinar on March 7, 2018, from 1-2 pm ET on *Best Practices for Consolidated Plan and Action Plan Set-Up in the e-Con Planning Suite*. This training will offer tips and best practices for using the e-Con Planning Suite and how to structure your plan to reduce CAPER issues. Registration is required and available here.

HUD Guidance on Submitting FY18 Con Plans and Annual Action Plans

Federal agencies are operating under a Continuing Resolution through March 23; awaiting final FY18 spending levels for programs. Grantees should be advised to continue to follow the attached guidance provided in CPD Notice 18-01 – Guidance on Submitting Consolidated Plans and Annual Action Plans for FY18. The notice also provides guidance on incurring pre-award costs prior to the FY18 grant award.

HUD Guidance on the CDBG Expenditure Test

According to FAQ's developed by HUD on the CDBG expenditure test, the grant-based accounting interim rule implements two distinct compliance tests under 570.200(g) for planning and administration funds: the existing obligation test and a new origin year expenditure test. Grantees must pass both tests to meet compliance for all 2015 and subsequent CDBG grants.

***Program year obligation test: (570.200(g)(2))**.* This test has always occurred and continues to be in Part V of the PR26 CDBG Financial Summary Report. The amount of CDBG funds obligated during each program year for planning plus administrative costs, as defined in 570.205 and 570.206, respectively, must be limited to no greater than 20 percent of the grants made for that program year plus the program income received by the grantee and its subrecipients during the program year.

Origin year grant expenditure test: (570.200(g)(1)). This is a new test that is required for 2015 CDBG origin year grants and subsequent year grants. No more than 20 percent of any origin year grant shall be expended for planning and program administrative costs, as defined in 570.205 and 570.206, respectively. *Program income expenditures for planning and program administrative costs are excluded from this calculation.* Funds from a grant of any origin year may be used to pay planning and administrative costs associated with any grant of the any origin year.

According to HUD, compliance with the origin year expenditure test is not determined until a grantee has expended 100% of that given year's origin year grant funds. HUD has developed an IDIS report, "PR26 – Activity Summary by Selected Grant," to determine compliance for the origin year expenditure test. This test applies to 2015 CDBG origin year grants and subsequent grants. HUD grantees should use this report at the end of each program year (during the CAPER process) to determine if they have expended no more than 20 percent of any origin year grant for planning and program administration costs. HUD encourages grantees to use this report periodically throughout the year to track the 20% cap for each origin year grant to assure the 20% cap is not exceeded.

NCDA Training

Advanced CDBG: Managing an Effective Program/CDBG/HOME Underwriting/Subsidy Layering (3 days)
April 16-18, 2018
Rock Island, IL

CDBG Subrecipient Management
May 1-2, 2018
Austin, TX

CDBG Basics: Training for Practitioners
May 15-17, 2018
Saint Paul, MN

CDBG Basics: Training for Practitioners
May 23-25, 2018
Lewisville, TX

HOME Basics Course
June 25-27, 2018
Killeen, TX

Please go to the following link to register and download the course brochures.

http://ncdaonline.org/training/

Please contact Steve Gartrell at sgartrell@ncdaonline.org with any questions.

NCDA Annual Conference – Long Beach, CA

The 49th Annual Conference will be held in Long Beach, CA on June 13-16, 2018 with a full day of pre-conference training on June 12th that will include the following free courses. The draft conference agenda is attached.

- CDBG Primer
- CDBG Subrecipient Management Primer
- Disaster Recovery with CDBG and CDBG-DR

The early registration fee is $450 for members and $550 for non-members through April 1. The fee will increase to $550 for members and $650 for non-members after this date. To register for the conference, please go to the following link:

https://ncdaonline.regfox.com/ncda-annual-meeting-2018

The conference will be held at the Renaissance Long Beach Hotel, 111 E. Ocean Blvd., Long Beach, CA. NCDA has reserved a block of rooms at the rate of $189 per night plus tax through May 21. Please call 1-877-622-3056 and ask for the NCDA rate. Please contact Steve Gartrell at sgartrell@ncdaonline.org with any questions.

The following link provides a welcome video of Long Beach, CA.

https://www.youtube.com/watch?v=XpzvlPIx86M

Department of Housing and Urban Development Budget Chart

Program	*FY17 Funding*	*President's FY18 Budget Proposal*	*FY18 House Approved Level*	*FY18 Senate Appropriations Committee Recommendation*	*President's FY19 Budget Proposal*
CDBG Formula Grants	$3.0 billion	$0	$3.01 billion	$3.0 billion	$0
HOME Formula Grants	$950 million	$0	$850 million	$950 million	$0
Homeless Assistance Grants	$2.383 billion	$2.25 billion	$2.383 billion	$2.456 billion	$2.383 billion
Section 108	$300 million	$0	$0	$300 million	$0
Choice Neighborhoods	$138 million	$0	$20 million	$50 million	$0
HOPWA	$356 million	$330 million	$375 million	$330 million	$330 million
Lead Based Paint Hazard Reduction	$145 million	$130 million	$130 million	$160 million	$145 million
Elderly Housing (Section 202)	$502 million	$510 million	$575.5 million	$573 million	$563 million
Housing for Persons with Disabilities (811)	$146 million	$121 million	$147 million	$147 million	$132 million
Housing Counseling	$55 million	$47 million	$50 million	$47 million	$45 million
Housing Choice Vouchers	$20.292 billion	$19.318 billion	$20.486 billion*	$21.365 billion**	$20.093 billion
Project-Based Section 8	$10.816 billion	$10.351 billion	$11.082 billion	$11.507 billion	$10.952 billion
Public Housing Operating Fund	$4.4 billion	$3.9 billion	$4.4 billion	$4.5 billion	$2.975 billion

Public Housing Capital Fund	$1.941 billion	$628 million	$1.852 billion	$1.945 billion	$0
Rental Assistance Demonstration (RAD)	$0	$0	$0	$4 million***	$100 million

*Includes $18.709 billion for contract renewals, $60 million for tenant protection vouchers, $1.550 billion for administrative fees, $7 million for Tribal Vouchers, $150 million for Section 811 mainstream vouchers, and $10 million for PHA modernization of information technology systems.

**Includes $19.370 for contract renewals, $75 million for PHA allocation adjustments, $40 million for VASH vouchers, $1.725 billion for administrative fees, $5 million for Tribal Vouchers, $130 million for Section 811 mainstream vouchers, and $20 million for Family Unification Program vouchers.

***The funding is limited to providing additional rental subsidy for Section 202 PRAC properties converting to Section 8 contracts that will not be able to successfully convert at the current subsidy amounts.