



OMB Reorganization Plan Threatens CDBG

Overview

In its newly released reform plan, “Delivering Government Solutions in the 21st Century,” the Office of Management and Budget (OMB) proposes moving CDBG from the Department of Housing and Urban Development (HUD) to the Department of Commerce under a new Bureau of Economic Growth. Under the proposal, CDBG’s economic development activities would be moved to the Department of Commerce and combined with EDA’s Economic Development Assistance Program, USDA’s rural business and community facility grants, Delta Regional Authority, Denali Commission, and Northern Border Regional Commission. The combined programs would focus solely on economic development.

Background

This proposal closely mirrors the “Strengthening America’s Communities Initiative” (SACI) proposal put forward during the Bush Administration which called for the elimination of 18 federal economic and community development programs (including CDBG) and consolidating their activities into one program at the Department of Commerce. Due to strong bi-partisan support for CDBG in Congress and for keeping CDBG at HUD, SACI was never implemented.

OMB Director, Mick Mulvaney and other conservatives dislike CDBG because it is a large federal block grant that goes against their core principles of fiscal conservatism and a small federal government. Mulvaney, the architect of this plan, and a founding member of the conservative House Freedom Caucus, has spent years trying to downsize the federal government through stark cuts to non-defense programs, including CDBG. The Heritage Foundation, House Freedom Caucus and House Republican Study Committee have all called for the elimination of CDBG over the years.

- Given the proposal’s emphasis on economic development, it would most likely eliminate all CDBG eligible activities that are not focused on economic development. By stripping CDBG of most of its eligible activities and moving and combining its economic development activities with other programs at the Department of Commerce, presumably under a new program name, this proposal kills CDBG as we know it. We must band together to fight this proposal.
- CDBG is a diverse program that should not be lumped together with federal programs that focus solely on economic assistance. CDBG is much more than economic development. Less than 10% of CDBG funding is allocated to economic development activities. The *majority* of CDBG funding is allocated to affordable housing, public services and public improvements/infrastructure. The 1,268 CDBG grantees representing every Congressional district would be deprived of these critical resources if this proposal moves forward.

CDBG Primary Activities

• <u>Decent, Affordable Housing</u> • Construction of housing • Direct Homeownership Assistance • Single-family rehab • Multifamily rehab • Public housing modernization • Lead-based paint testing and abatement • Residential historic preservation • <i>Over 1.435 million households assisted with CDBG-funded housing assistance since FY05.</i>	• <u>Public Services</u> • Operating costs of homeless programs • Senior services • Services for the disabled • Youth services • Transportation services • Substance abuse services • Services for battered and abused spouses • Employment training • Crime prevention • Tenant/landlord counseling • Fair housing activities • Child care services • Health care services • Mental health services • Food banks • Housing counseling • Services for abused and neglected children • Screening for lead based paint • <i>Over 138 million persons have directly benefitted from CDBG-funded public services since FY05.</i>	• <u>Public Improvements</u> • Senior centers • Homeless facilities • Youth centers/facilities • Parks, recreational facilities • Solid waste disposal facilities • Flood and drainage systems • Water/sewer improvements • Street improvements • Child care centers • Fire stations/equipment • Health facilities • Asbestos removal • Facilities for AIDs patients • Facilities for abused and neglected children • <i>Over 45 million persons have directly benefitted from CDBG-funded public improvements since FY05.</i>
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- The CDBG program was built on the conservative principles of federalism and a preference for local control. The program was proposed by the Nixon Administration to consolidate seven competitive grant programs. Signed into law by President Ford in 1974, the program was founded on the principles of flexibility and local control. This proposal would eliminate these principles.
- OMB proposes to create a Bureau of Economic Growth within the Department of Commerce. There is no evidence that EDA would be a more effective manager of the

CDBG program than HUD. HUD has decades of effective administration and oversight of CDBG that includes long-term relationships with grantees and experienced staff that manage the program. HUD must continue to administer CDBG.

- A similar proposal, Strengthening America's Communities Initiative (SACI), was overwhelmingly rejected in 2005 by both Republican and Democratic governors, three quarters of the United States Senate, and a majority of Congressional Members. We must ensure this current proposal is rejected, too.
- CDBG has a 43-year track record of leveraging significant investment in distressed communities. Every \$1.00 of CDBG invested in communities leverages another \$4.11 in private and public investment from local/regional entities. CDBG is critical to attracting investment in distressed communities and plays an important role in providing gap funding for projects.
- Since 1993, Congress has appropriated billions of dollars in long-term disaster recovery funding through the CDBG disaster recovery program known as CDBG-DR. Congress continually appropriates funding through the CDBG-DR using the CDBG program platform because it is the most flexible and efficient vehicle for long-term disaster recovery efforts. Notable examples include \$3.5 billion to assist post 9/11 New York City Recovery efforts; \$19.6 billion to assist victims of Hurricanes Katrina, Rita, and Wilma, and most recently, \$35.4 billion to assist recovery efforts from natural disaster in 2017 including Hurricanes Harvey, Irma, and Maria.
- CDBG is an impactful program; creating strong, sustainable, inclusive communities and quality affordable homes for all. Grantees report annually to HUD on program performance, accomplishments and expenditure of funds. These reports track program compliance, performance, and outcomes.
 - *CDBG Accomplishment Reports* – These annual reports provide grantee accomplishments on housing, economic development, public improvements and public services activities. HUD uses this data to provide a national report on CDBG accomplishments.
 - *CDBG Performance Profiles* – These annual reports assist grantees in measuring their contributions towards meeting the housing and community development needs of low- and moderate-income persons in their communities in analyzing the effectiveness and efficiency of their program. Data include expenditures by activity, program income, beneficiary demographic and income information, and a summary of accomplishment.
 - *CDBG Expenditure Reports* – These annual reports show how grantees expended CDBG funds during the most recently completed program year by activity type.