



# COSCDA Federal Advocacy Priorities for Fiscal Year 2010

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*The Council of State Community Development Agencies (COSCDA) represents state community development and housing agencies responsible for administering Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs. These programs meet critical housing and community development needs and transform neighborhoods in all fifty states.*

*Over the past year, we have witnessed profound changes—not only a new Administration, but housing, credit and economic crises that have developed into a worldwide recession with major repercussions for government at all levels. Low and moderate income households and neighborhoods are particularly impacted by these events. Unemployment, foreclosure of owner-occupied and rental housing, inadequate infrastructure and homelessness all disproportionately affect these communities.*

*Even before the current crisis, the gap between housing and community development needs and resources had grown considerably wider as the federal commitment had not kept pace with the needs. Now, as our economy suffers through a painful recession, the need for these resources is critical. There is no doubt that these well-established housing, community development and homeless programs can help alleviate the effects of the economic crisis—creating jobs, improving infrastructure, providing permanently affordable housing and assisting the homeless. Congress has recognized the vital role these programs play by allocating funding through the American Recovery and Reinvestment Act.*

*In addition to the immediate needs we face in these very difficult times however, we are challenged to ensure that community development, housing and homelessness programs are adequately funded to address the long-term needs of low and moderate income communities. These needs will not disappear when the crisis subsides. We urge the Congress to provide sufficient funding and to join with state agencies and their local partners to strengthen housing and community development programs to effectively serve our most vulnerable communities.*



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# COMMUNITY DEVELOPMENT PRIORITIES

## FUNDING LEVEL

COSCD A supports \$5 billion in funding for the Community Development Block Grant (CDBG) program. COSCD A opposes any mandated set-asides of CDBG funding.

## PROGRAM OVERVIEW

The Community Development Block Grant Program is the cornerstone of states' efforts to address the community development needs of small towns and rural areas. Without this assistance, communities that are home to many low and moderate income households will go without safe drinking water and sanitary sewer systems, and will suffer with inadequate infrastructure. These communities will thus be unable to support economic development and a suitable quality of life for their residents.

CDBG funds are spent on projects that provide or retain jobs, stimulate the economy and improve the quality of life for low and moderate income Americans. States spend slightly more than half their CDBG funding on building public infrastructure, including water and sewer projects in rural communities, improving roads, and public facilities.

State CDBG funds are also used to help low-income homeowners with much needed housing rehabilitation. Without this assistance, low-income homeowners who are unable to repair their homes would be forced to live in unsafe conditions or lose their homes altogether.

States use CDBG for economic development –often combining CDBG funds with other investments, both public and private, to help small businesses create or retain jobs.

In its' budget outline for FY 2010, the Administration has proposed to modernize the CDBG program through statutory reforms that include the development of "a more effective formula" for the program as well as appropriate incentives and accountability measures. For several years, COSCD A has acknowledged the need for reexamination of the CDBG formula program. COSCD A members look forward to actively participating in deliberations regarding the formula and to ensuring that states continue to be able to use CDBG in addressing community development needs in smaller communities and rural areas. The statutory reforms could also address COSCD A's advocacy priorities described below.

For more than two decades, states have used CDBG funds to address these needs, leveraging both public and private funds. Flexibility has been critical to CDBG's effectiveness, allowing states to decide which projects and programs will provide the greatest benefit to their low and moderate income residents. The Community Development Block Grant program is a successful model for federalism at its best.



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## ADVOCACY PRIORITIES

### ■ **Restore Adequate CDBG Funding**

Over the past five years, COSCDA has consistently called on Congress to halt cuts to CDBG funding. Nearly \$2 billion in funding has been lost since FY2004. In 2008, CDBG funding was at its lowest level since 1992, only \$3.59 billion. At least \$5 billion is urgently needed to meet the needs of low and moderate income communities, especially in the context of the current broader economic distress. COSCDA urges the Congress to work toward restoring CDBG funding to that level.

### ■ **Increase State Administrative Fees**

For more than 25 years, states have administered the CDBG program for their non-urban areas, however the funding available to cover the costs of running the program has never been adjusted. During this time, there has been a significant increase in the number of program requirements, as well as sharply increased costs for staffing, service delivery and monitoring, particularly due to the increased expenses associated with administering a program over a large geographic area.

In the past, state governments have frequently contributed to cover the costs of running the CDBG program. However, in the current economic and state fiscal climate, most states are unable to make such contributions. The HUD Inspector General recently acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations.

To administer the CDBG program properly, states need an administrative fee structure sufficient to meet the current requirements. The proportion of the annual allocation available for state administrative expenses should be increased from two percent to five percent, at the discretion of the state. In addition, the amount of administrative funding not subject to a match requirement should be increased from \$100,000 to \$500,000.

This change would not require additional appropriations, nor would it take money away from projects for local communities. It would simply allow an increased proportion of administrative funding to be made available to those states that need additional resources to operate the CDBG program most effectively.

### ■ **Change Federal Disaster Policy To Expedite Recovery Efforts**

Members of COSCDA are the state agencies that administer the emergency appropriations for disaster recovery funded through the Community Development Block Grant (CDBG) program. These state agencies have led recovery efforts following the Midwest Floods in 1993, Hurricanes Wilma, Rita, Katrina, Gus and Ike, and most recently the floods which devastated the Midwest in 2008.



Time and again, implementation of programs and real recovery efforts by these state agencies are delayed by a lack of comprehensive and consistent policies at the federal level. Most notably, when Congress appropriates emergency funds for disaster recovery, unnecessary federal requirements often automatically apply to the use of these funds. In cases of catastrophic disasters, recovery programs implemented by state agencies are frequently overseen by multiple federal agencies. As a result, states must often comply with conflicting or duplicative requirements before they can actually use emergency appropriations to provide assistance. While Congress does allow limited waivers of some requirements when it appropriates emergency funds, approval of these waivers can take several months. Alternatively, if waiver authority was specifically included in the statute, it could be self-implementing. Certain waivers are often urgently needed but never allowed, such as limited waivers of the National Environmental Protection Act (NEPA) or Davis Bacon Labor Standards. Common sense tells us that replacing a 20-year-old roof that blew off on a house is unlikely to have any environmental impact. Yet, a project such as this is delayed sometimes up to six months due to these requirements.

COSCDCA calls on Congress to change the way it provides emergency appropriations for disasters to enable states to spend the funds more expeditiously and get help to the people that so desperately need it. For example, for disasters resulting in damage of at least \$1 billion, COSCDCA recommends that Congress suspend, by statute, the Davis-Bacon labor standards and NEPA requirements for repair or restoration projects in the disaster area for a period of 12 months. In addition, where there are multiple federal agencies involved in the disaster recovery with different implementing regulations, the statutory and regulatory requirements of the CDBG program should prevail, as most of the recovery funds are appropriated through that program.

COSCDCA recommends Congress reform the sections of the Stafford Act that will help states better implement federally funded disaster recovery programs.



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## **HOUSING PRIORITIES**

### **FUNDING LEVEL**

COSCD A supports funding the HOME Investment Partnerships (HOME) Program at \$2.9 billion, with no set-asides for special initiatives or projects. Housing counseling and related activities should be funded separately.

### **PROGRAM OVERVIEW**

The HOME Investment Partnerships Program is the largest federal block grant to state and local governments designed exclusively to expand the supply of affordable housing for low- income households. Each year, it allocates approximately \$1.6 billion among the states and hundreds of localities nationwide for rental and single-family housing development and rehabilitation, homeownership opportunities, and tenant-based rental assistance. This very successful program has produced or rehabilitated almost 900,000 units of affordable housing.

The program provides considerable flexibility to states and localities in determining how HOME funds can be spent to meet communities' needs and priorities. For example, the HOME Program can be used in conjunction with other housing programs to provide housing counseling and other assistance to homeowners facing foreclosure.

### **ADVOCACY PRIORITIES**

- **Restore Adequate Funding to the HOME Program**

In the past five fiscal years, funding for the HOME Program formula grant has decreased 12 percent and the formula grant amount to states and localities is currently at its lowest level since FY2000. COSCDA strongly supports increased funding of the HOME Program to a level that reflects inflationary increases of the amount the HOME Program received when the program began. This increase will ensure its continued and well-documented success. COSCDA opposes mandated set-asides such as the American Dream Downpayment Initiative. Such set-asides impose federal priorities that reduce states' flexibility to address their housing needs. While adequate funding for the HOME Program continues to be COSCDA's top housing priority for FY2010, we also support the following proposals.

- **Fund the National Affordable Housing Trust Fund for Housing Production and Rehabilitation**

The recently-passed Housing and Economic Recovery Act included a National Affordable Housing Trust Fund, administered by states, which would provide for primarily rental housing production and rehabilitation. Given the current housing crisis, many homeowners



who have lost their homes due to foreclosure will now seek affordable rental housing, which the Trust Fund would help to provide. Moreover, a portion of the Fund would provide housing for the very low-income, who are finding it increasingly difficult to afford housing given the significant downturn in the economy.

COSCDCA asks Congress to provide a dedicated and sustainable source of funding for the Trust Fund to enable states and localities to meet the ongoing housing needs of the very low-income. The Trust Fund legislation should be amended to allow state agencies to use a portion of the funds for maintenance, operating costs and rent subsidies to fully cover the costs of managing the units or projects, and funds should be distributed through a grantee's Consolidated Plan rather than a separate qualified allocation plan.

- **Support the Production and Rehabilitation of Affordable Housing Through MRBs and LIHTCs**

COSCDCA supports several tax-related provisions that will result in additional affordable housing. Low-Income Housing Tax Credits (LIHTCs) have been highly effective in creating and preserving rental housing for lower-income people. Due to the economic downturn, lower profits and reduced access to capital, private sector investments in LIHTCs have been dramatically reduced. As a result, many LIHTC developments have not been able to proceed, at a time when the number of homeless families is rising and the already extensive need for affordable rental housing is likely to grow. Congress should provide permanent increases in LIHTC authority and should enlarge the housing credit cap to meet the growing need for affordable rental housing.

COSCDCA also calls on Congress to provide permanent increases to the caps on tax-exempt Mortgage Revenue Bonds (MRBs) that could be used to refinance troubled single-family mortgages until 2010. In addition, the Government-Sponsored Enterprises (GSEs) have traditionally been major buyers of housing credits and bonds, but because of the economic downturn, these investments have decreased sharply. Congress should instruct the GSEs to support states by providing liquidity and capital through the purchase of MRBs and LIHTCs.

- **Increase the Public Housing Capital Fund**

Public Housing provides affordable housing to nearly 1.2 million families in this country. Yet, there is a \$30 billion backlog of capital needs and repair to infrastructure, such as aging buildings and plumbing systems, which threaten the viability of this affordable housing source. COSCDCA urges Congress to provide adequate funding to help meet critical public housing needs.



# HOMELESS AND RENTAL ASSISTANCE PRIORITIES

## FUNDING LEVEL

COSCD A supports an appropriation of \$2.5 billion for the McKinney-Vento Homeless Assistance programs, with funding for renewals of expiring Shelter Plus Care and Supportive Housing program projects through an account separate from the Homeless Assistance grants account.

## PROGRAM OVERVIEW

The McKinney-Vento Homeless Assistance programs were established more than twenty years ago to help provide shelter and services to homeless families and individuals. The programs include the Emergency Shelter Grant (ESG), which is distributed by formula and the Continuum of Care programs (Supportive Housing, Shelter Plus Care and Section 8 SRO) which are distributed competitively. Together, these programs support a wide range of community efforts to assist the homeless and provide permanent housing.

## ADVOCACY PRIORITIES

### ■ Consolidate the McKinney-Vento Homeless Assistance Programs

The McKinney-Vento programs have not been reauthorized in more than a decade. However, in the 110<sup>th</sup> Congress, reauthorization legislation was passed in the House and a similar proposal received committee approval in the Senate. Both of these legislative proposals called for consolidation of the Continuum of Care programs. COSCDA strongly supports reauthorization and consolidation of the McKinney-Vento programs. A consolidated program would provide state and local agencies and their nonprofit partners with much-needed flexibility and control in efficiently structuring their efforts to serve the homeless. A consolidated program should incorporate a more flexible, expanded, definition of homelessness and provide for a streamlined, flexible process allowing state agencies and their local partners to use their resources more efficiently and make significant progress toward eliminating homelessness. Adequate funding must be provided to cover the real cost of administering these programs by state and local agencies.

### ■ Provide Flexible Funding

In addition to program consolidation, COSCDA recommends that all four programs be funded through a formula allocation directly to states and local governments, consistent with the current allocation method for the Emergency Shelter Grant program. The current funding competition is the largest in the federal government and requires valuable time and resources on the local, state and federal levels that could be more effectively used to assist the



homeless. A formula based funding system would also support consistent and sustained efforts by state and local governments, based on their Continuum of Care process. The allocation of funds in any consolidated program should provide maximum flexibility to state and local grantees and avoid burdensome documentation that hinders their ability to provide service.

- **Provide Designated Funding to Support HMIS**

Over the past several years, all McKinney Vento program grantees have been mandated to establish and participate in Homelessness Management Information Systems (HMIS). This requirement is in addition to required reporting on formula-funded activities through the Integrated Disbursement and Information System (IDIS) and has added considerably to the administrative costs of the program. However, there has been no designated funding to support the establishment and maintenance of HMIS by state or local grantees. These mandates must be reflected in the provision of funding to sustain these systems without a match by grantees.



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