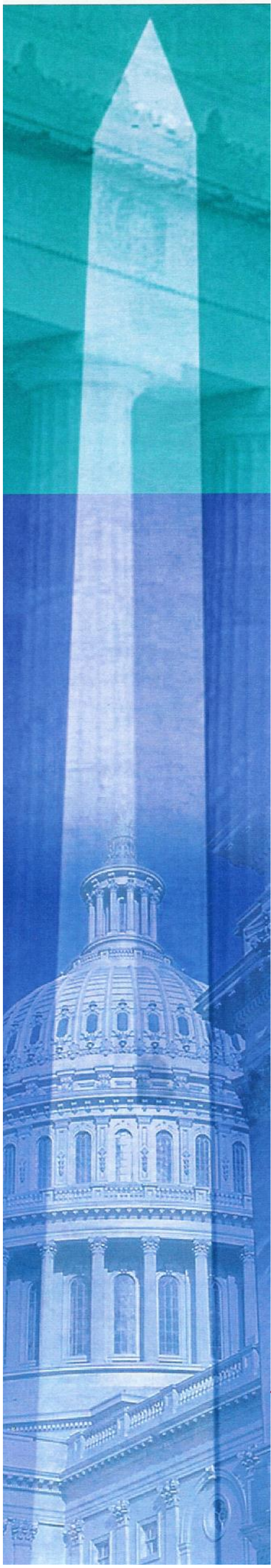

COSCDA Federal Advocacy Priorities for Fiscal Year 2013

States Lead The Way In Reviving Local Economies

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.

Across the nation, states serve as an economic development catalyst; spurring development in communities amidst a sluggish economy, high unemployment, under employment, an increase in the federal deficits to record levels and state budget shortfalls for several years in a row as revenue has decreased and federal funding has shrunk. States have responded to this convergence of factors by spending cuts, employee furloughs and reorganizations of state departments.

2011 was dominated by an unprecedented Congressional focus on cutting federal spending and decreasing the national debt. Throughout the year, stories of failed negotiations between those lawmakers that were assigned the task of fixing the nations fiscal problems lead the news. To begin to address long-term fiscal issues, Congress voted to drastically cut federal spending for FY2012.

COSCDA
Council Of State Community Development Agencies

1825 K Street, N.W., Suite 515
Washington, D.C. 20006
www.coscda.org

To combat the decrease in revenue at the national level and to reduce the national debt, Congress cut funding for the CDBG program by nearly 12%, while slashing the HOME program by 38%. Since FY2010, the CDBG program has been cut by 25% and the HOME program has been cut by 48%; further reductions in these two programs will seriously weaken their ability to help people maintain affordable housing, provide shelter for the homeless to include assisting homeless veterans, provide infrastructure and water lines in rural areas, provide the seeds for job creation through economic development assistance to small businesses.

While COSCDA members acknowledge that it is necessary to take effective measures to reduce the federal deficit, it cannot be done by diluting domestic discretionary programs such as CDBG and HOME. Funding reductions to these successful programs are an impediment to economic recovery. The primary focus for COSCDA this year is to sustain funding for HUD's core community development and affordable housing programs. In fact, more must be done, not less and priority must be given to fund these block grant programs that have a proven track record of serving low-and moderate-income persons.

COSCDA spearheaded efforts to ensure that community development, housing and homelessness programs are funded at sufficient levels to address the long-term needs of low-and moderate-income communities. While there are signs that the economy is headed out of this worst of the recession, these needs will not disappear when the crisis subsides. Congress is urged to commit appropriate funding for these key programs and to join with state agencies and their local partners to strengthen housing and community development programs.

Despite the lagging economy at all levels of government, there remains a strong need for affordable housing; the shortage of units that are needed to meet this demand is being filled by states – a direct impact of the work COSCDA members are supporting as they work to revive the housing market, partnering to leverage resources to finance the construction of housing units in rural communities. The withdrawal of federal community development and housing funds devastates the economy by limiting investment dollars that make strong communities where businesses want to locate and people want to live – solid communities of the future.

Additionally COSCDA encourages both Congress and HUD to focus on maintaining the funding and programmatic integrity of its core community development and housing programs rather than create new programs which will lessen the impact of already limited funding and reduce the investment in communities across the nation and forces them to address issues that are not specifically their priorities. In an era of growing political discontent, Americans in every state want viable communities. Congress can support the development of such communities by appropriating resources which allow states and their partners to continue building such communities.

COMMUNITY DEVELOPMENT PRIORITIES

PROGRAM OVERVIEW

The Community Development Block Grant is the cornerstone of states' efforts to address the economic and community development needs of towns and rural areas. CDBG is the only flexible source of federal assistance available to address a wide array of rural community development needs that stabilize and grow communities. For three decades, states have used CDBG funds to address these needs, leveraging both public and private funds. This flexibility has been critical to CDBG's effectiveness, allowing communities to decide which projects and programs will provide the greatest benefit to their low-and moderate-income residents. Created under a Republican Administration, the CDBG program continues to be a successful model for federalism at its best.

CDBG is used for economic development activities that stimulate the economy through the creation and retention of jobs that ultimately improve the quality of life for low- and moderate-income persons. Over the past seven years, the CDBG Program created or retained almost 280,000 jobs for low- and moderate-income persons through a variety of economic development activities. CDBG is often combined with other investments, both public and private, to help small businesses create or retain jobs. It is the "glue" that holds communities together. Without CDBG assistance at a sufficient level, communities that are home to many low-and moderate-income households will be further neglected with lost opportunities for economic growth, potable water and sanitary sewer systems. These communities will thus be unable to support economic development and a suitable quality of life for their residents.

States spend slightly more than half their CDBG funds on public infrastructure, projects that repair and replace public water and sewer systems, repair and upgrade roads, and provide public facilities that supply vital services in neglected communities across the nation. State CDBG funds provide safe habitable environments for low- and moderate-income homeowners and tenants of properties in dire need of rehabilitation. Without this assistance, low-income persons are unable to repair their homes and are forced to live in unsafe conditions. CDBG assisted 962,000 households through single-family and multifamily residential rehabilitation, homeownership assistance, energy-efficient improvements and lead-based paint abatement.

CDBG funds have also benefitted millions of low-and moderate-income households through public improvements such as senior centers and making buildings accessible for persons with physical disabilities, and through public services such as employment and training, fair housing and mental health services. When disaster strikes, Congress invariably turns to the CDBG program to provide relief to states, counties, and cities in times of hurricanes, floods, wild fires, and in the aftermath of the disaster on September 11.

FUNDING LEVEL

COSCDA supports $3.5 billion in funding for the Community Development Block Grant program. COSCDA opposes any mandated set-asides of CDBG funding.

ADVOCACY PRIORITIES

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

  COSCDA urges Congress to increase funding for the CDBG program to $3.5 billion. CDBG is arguably the Federal Government's most successful domestic program. For 30 years, states have successfully used CDBG funds to meet locally prioritized needs. However, almost $6 billion in funding has been lost since FY2004. Any further reduction in CDBG funding would severely slow down or eliminate thousands of local and state projects and programs that are directly contributing to local and regional recovery. COSCDA urges Congress to increase CDBG funding to $3.5 billion to create jobs and help meet the needs of low-and moderate-income communities, especially in the context of the nation's continuing economic distress.

  Because of the massive cut to the program in FY2012- a 26% reduction since FY2010 - local and state agencies and their non-profit partners will have to lay-off staff; services will be reduced or eliminated; infrastructure projects will stop in their tracks; job-creating economic development projects will be cancelled; and affordable housing will be curtailed, but most importantly, the low- and moderate-income families served by the program will see huge reductions in program benefits at the community level. Some families take advantage of CDBG for down payment assistance, funds to rehabilitate their homes, start-up funds for small businesses, to name a few. Other families utilize the program for food assistance through local food banks, utility assistance, day care assistance, and even health care assistance through locally-funded health clinics. These are the faces of America struggling in this economy.

  There continues to be a huge need for the types of projects that are funded by CDBG, in fact the needs which CDBG funds address have not lessened, but have grown more acute over time. With the down turn in the economy, CDBG is needed more than ever to help our communities. We urge you to support at least $3.5 billion for the program in the FY2013 budget.

- **Grant Flexibility for State Administrative Fees**

  To administer the CDBG program properly, states need a flexible administrative fee structure sufficient to meet the current program requirements. The proportion of the annual allocation available to states for administrative expenses should be adjusted 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 adjusted from $100,000 to $500,000. It should be noted that this action will not increase the current administrative limits, since the overall administrative cap for states would remain the same.

  Since the inception of the state program 27 years ago, 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 CDBG program requirements, as well as sharply increased costs associated with doing business such as staffing, service delivery and monitoring, particularly due to increased expenses associated with administering a program over a large geographic area. Additionally administrative dollars have decreased at the same rate as the decrease in CDBG funding as personnel costs have increased and states are being asked to do "more with less" in a austere fiscal environment.

  It should be noted that state governments do contribute state resources to cover the costs of administering the CDBG program. In the current economic and state fiscal climate, a majority of states are having difficulty covering the required match. In fact, the HUD Inspector General acknowledged that states have limited resources to complete the monitoring of expenditures required by federal laws and regulations. Allowing this flexibility would not require additional appropriations, nor would it take money away from projects for local communities, since the overall administrative cap would not be affected. It would simply allow an increased proportion of administrative funding to be available to those states that need additional resources to operate the state CDBG program most effectively.

- **Change Federal Disaster Policy To Expedite Recovery Efforts**

  Many COSCDA members administer the emergency appropriations for disaster recovery funded through the CDBG program. These state agencies have led recovery efforts following the Midwest Floods in 1994, Hurricanes Wilma, Rita and Katrina in 2005; along with Gus and Ike in 2008, and most recently the floods which devastated the Midwest in the spring of 2008. In 2011, these resources provided valuable tools to recover from the spring tornados in the Southeast, flooding in North Dakota, fires in Texas, as well as hurricanes and tropical storms in the Northeast.

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 supplemental appropriations are passed by Congress, too often Federal requirements automatically apply to these funds that clearly should not. In cases of catastrophic disasters, recovery programs implemented by state agencies are frequently overseen by multiple federal agencies. Consequently, there are multiple layers of often conflicting or duplicative spending and reporting requirements that state agencies must adhere to before they can proceed with actually spending these 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 such 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 a house is unlikely to have an environmental impact. Yet, a project such as this is delayed sometimes up to six months due to these requirements.

COSCDA calls on Congress to relax the regulations governing the 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, COSCDA 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, in that most of the recovery funds are appropriated through that program.

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

HOUSING PRIORITIES

PROGRAM OVERVIEW

The HOME Investment Partnership 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.

Since 1992, **HOME produced or rehabilitated over one million units** of affordable housing and assisted more than 240,000 low-income families with rental assistance. The program provides much flexibility to states and localities in determining how HOME funds can be spent to meet communities' needs and priorities, allowing them to serve the whole spectrum of need, from homeless to ownership to disaster recovery, from urban to rural areas, and all low-income populations, including families with children, the elderly, and persons with special needs.

HOME funds often provide essential gap financing that permits projects, particularly Low-Income Housing Tax Credit properties, to go forward when they otherwise would not due to lack of funding resources. Further, every HOME dollar leverages four additional dollars of other public and private funding, with more than $80 billion leveraged over two decades.

The HOME program is the only HUD program that funds low-income housing on a flexible basis. Unlike CDBG which can only do housing rehabilitation, or Low-Income Housing Tax Credits which can only produce rental housing, HOME can undertake homeownership, housing rehabilitation, rental housing, and tenant based rental assistance activities.

FUNDING LEVEL

COSCDA strongly supports an increase in the funding level of this successful program to $1.6 billion, the amount that the program received in FY2011. COSCDA also opposes legislatively mandated set-asides for special initiatives or projects.

ADVOCACY PRIORITIES

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

  In FY2012, the HOME program received the largest decrease ($600 million) in funding since the beginning of the program. This funding represents a 38% decrease from FY2011, and a 45% cut from FY2010. This decrease in funding can be partly attributed to a series of articles in the Washington Post on the HOME program. These articles focused on a very small percentage of uncompleted HOME projects and failed to recognize the strong track record of success in creating more than one million housing units and in assisting more than 240,000 low-income families with rental assistance. COSCDA denounces any misuse of HOME program funds, but urges Congress to view the program in the context of its strong record of success. Congress has addressed programmatic deficiencies legislatively and HUD has, in addition, attempted to address these issues by issuing new regulations to improve its oversight of the program, accountability of grantees and efficiency.

According to housing experts, there continues to be a need for the production and rehabilitation of affordable rental housing units, particularly for extremely low-income persons. In 2009, only 32 adequate units of affordable housing were available for every 100 extremely low-income renters. Rising demand for rentals among higher income households is contributing to the scarcity of affordable units. COSCDA calls on Congress to provide adequate funding for this critical program. HOME program funds can be used to meet the desperate needs of rental housing for the increasing number of families that have lost homes in this stagnate economy.

HOMELESS PRIORITIES

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. These programs were reauthorized and revised under the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009, including the Emergency Solutions 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 homeless individuals and families, prevent homelessness, and provide permanent housing options to end it.

FUNDING LEVEL

COSCDA supports an appropriation of $2.4 billion for these homeless assistance programs. COSCDA calls on Congress to appropriate sufficient funds to fully implement the HEARTH Act, which would fully fund renewals of expiring rental housing projects (Shelter Plus Care and Supportive Housing) as well as provide states and communities with funding for new projects in FY 2013. This funding level should allow HUD to award new projects competitively and to support ESG.

Although $2.4 billion would be an increase in funding, it is a direct response to the ongoing weak jobs market. As employment continues to be sluggish, states and communities need resources to address citizens that have not found alternative ways of sustaining themselves. The HEARTH Act, especially the homelessness prevention component of the ESG program, provides the critical resources needed to meet this need.

ADVOCACY PRIORITIES

- **Amend The Income Limit For ESG Homelessness Prevention To 50% Of Median Income**

  The statutory limit to provide homelessness prevention assistance, under the Emergency Solutions Grant of the HEARTH Act, currently at 30% of area median income (AMI), should be increased to 50% of AMI as allowed under the Homelessness Prevention and Rapid Re-housing Program (HPRP) authorized under the American Recovery and Reinvestment Act of 2009. COSCDA is concerned that families facing economic hardships are at risk of homelessness at this slightly higher income level (50%). There are many households still at great risk because one of the two wage earners is unemployed or people are forced to settle for part-time employment and have incomes above 30% AMI but below 50%. Allowing assistance to this income level could dramatically improve the outcomes of households receiving ESG homelessness prevention assistance due to more potential for stability thus increasing the effectiveness of these funds to prevent homelessness. COSCDA calls on Congress to amend the income limit for ESG homelessness prevention to 50% of area median income.

- **Amend The Statutory Cap On ESG Funds To 10% For Administrative Purposes**

  While the ESG administration cap was increased to 7.5%, there are simply not enough funds to cover the items that fall within the administrative activity for both state-level and local agencies implementing the program. Many states have administrative structures with one grantee per region, often a city or county government. This grantee will then pass funds through to a variety of partner agencies or existing homelessness program providers. Each level of programming (state, grantee at the region level, and providers at the implementation level) has its own administrative costs. In addition, since the grantee has the responsibility of assuring compliance with its partner agencies, these "compliance activities" (such as monitoring, report review, etc.), as well as costs associated with disbursing funds, adds to the cost of administration. COSCDA calls on Congress to amend the statutory cap on ESG funds to 10 percent.

- **Provide Flexibility to States in the HEARTH Act Regulations**

  COSCDA is requesting that HUD maintain flexibility in state administration of the McKinney-Vento (HEARTH Act) programs in developing regulations. For example:

  - HUD should recognize the complexity that state ESG recipients face in providing homeless assistance over large, mostly rural areas, and should allow flexibility and provide guidance for simplified procedures and approaches to: regional intake/assessment procedures, documentation of eligibility, prohibiting family separation policies, and participation of homeless persons in the operation of ESG-funded programs. If these requirements prove too difficult for small and rural shelters to comply with, they may shut down or pare back service levels.

- HUD should maintain flexibility regarding the state's role in the Continuum of Care process, allowing states to determine whether they will serve as either a Unified Funding Agency or Collaborative Applicant in that competition.

- Maintain and enhance the IDIS payment system for homeless programs. HUD should allow state subrecipients for ESG funding to directly access IDIS (with proper controls) to implement expedited payment requirements to local governments and nonprofits that were specified in the proposed ESG regulation. Additionally, funding provided to a Unified Funding Agency under the Continuum of Care should be made available through the IDIS system to both the state and subrecipients as well.

CROSS-CUTTING PRIORITIES

- **Clarify States' Role in Affirmatively Furthering Fair Housing**

  State housing and community development agencies appreciate the importance of fair housing for the overall development of communities and the well-being of its citizens. Given HUD's increased emphasis on the Analysis of Impediments as a tool to promote fair housing, COSCDA asks HUD to provide reasonable regulations for states as well as clear written instruction on the contents of the state Analysis of Impediments and appropriate state actions regarding its subgrantees' fair housing efforts. Proposed regulations revising HUD's rules regarding the Analysis of Impediments should reflect states' different responsibilities and powers.

- **Implement Flexible Section 3 Requirements**

  COSCDA calls on HUD to revise the current Section 3 requirements to provide more flexibility and deference to states in administering Section 3. The current Section 3 requirements are not effective in rural and small city settings. Many states with sparsely populated rural areas have difficulty in meeting the requirements since funding for many CPD programs is provided to local governments that may only receive a one-time grant and are far from the state offices. Therefore, long-term Section 3 monitoring can be problematic. HUD needs to strike the appropriate balance between the limitations of state and local agencies' administrative and financial resources and Section 3 program goals.

- **Implement States' Role in Sustainable Communities Initiative**

  COSCDA asks Congress and HUD to recognize states as having a vital interest in the Sustainable Communities Initiative and in overall regional housing and transportation planning. States can in fact enhance the coordination of transportation and housing investments. Given the role that states play in transportation, housing and state planning in general, states should be eligible applicants and partners with regional and local entities for the planning and implementation grants of this Initiative, which are intended to result in more regional and local sustainable development patterns. COSCDA calls on Congress and HUD to allow states to directly apply for funding for this Initiative. Additionally, HUD should allow states to develop a program structure or method of selection that will determine the local government participants after HUD approves funding, rather than require detailed information about the local government participants at the HUD application stage.

1825 K Street, N.W., Suite 515
Washington, D.C. 20006
www.coscda.org