



January 14, 2022

The Honorable Joseph R. Biden  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear President Biden,

The National Community Development Association (NCDA) and Council of State Community Development Agencies (COSCOA) extend our gratitude for your leadership on federal response to the COVID-19 pandemic. As we continue to grapple with the consequences of this worldwide crisis, states and localities have implemented meaningful programs attending to critical needs especially on housing and homelessness. Much of this work has expanded from existing local initiatives supported by U.S. Department of Housing and Urban Development (HUD) resources. Programs including the HUD Community Development Block Grant (CDBG) invest in key local-led activities integral to public health, well-being, and quality of life. As states and localities pivot CDBG funds to post-pandemic needs, we encourage the Administration's engagement on updating this program to help communities meet tomorrow's challenges.

Since the creation of CDBG through the Housing and Community Development Act of 1974, the program has continually facilitated projects and services critical to community success. The program received renewed authorization in years following which improved CDBG's reach including expanding the program to small and rural jurisdictions. CDBG was last reauthorized in 1992 for fiscal years 1993 and 94. In addition to annual funding, in 2020, resources were directed through CDBG for coronavirus response under the CARES Act. Most recently, CDBG is also included in the Build Back Better Act.

Although CDBG remains an important and widely-used resource, longstanding issues limit the program's ability to adequately support communities. First, funding has declined over many years with a 25% or more reduction annually since 2005. The program's most recent funding level was \$3.47 billion in FY22 compared to its highest mark of \$4.5 billion in FY1995. The decline in funding is especially profound when coupled with the consistent addition of grantees in the program. Approximately six new grantees enter the program each year and as a result, individual allocations are reduced as funds are distributed to more awardees. Additionally, CDBG's initial amount has never been adjusted for inflation; the program's inaugural level of \$2.4 billion (1975) is the equivalent of \$12 billion in 2022. Over the last decade, the program has been funded on average at \$3 billion annually.

Further, CDBG remains limited in supporting housing access and development as well as public services. Though fair housing activities provide important assistance to disadvantaged households, CDBG funds are restricted to aid in these services. The program also cannot fund new construction of housing without the involvement of special community and housing-based groups. While public service activities including workforce training, senior and youth services, and food bank operations are eligible for funding under CDBG, these activities are capped at 15% of the grantee's total annual award.

Additionally, limitations exist on the amount of funds states are allowed to use for administrative expenses. The program's cap on administrative expenses poses problems for state oversight and management of CDBG funds. With this limitation, states have less ability to use CDBG to help rural communities with planning and capacity-building needs. At the same time, states must match a majority of their administrative costs. State CDBG administrators face irregular funding levels each fiscal cycle and this requirement reduces their ability to properly facilitate their overall administrative costs. The situation is especially burdensome for small states with fewer resources than their larger counterparts.

At this time, legislative action is needed responsive to the aforementioned challenges.

- Increased funding for CDBG is critical so communities can be better supported in development activities; a reauthorization of CDBG which includes a higher authorization level should be prioritized. NCDA and COSCDA propose a reauthorization of CDBG at no less than \$12 billion annually.
- CDBG can be a greater tool for local efforts on housing. Specifically, fair housing and new construction of housing should be added as separate categories for investment under CDBG. The inclusion of these activities in statute allows communities greater ability to apply program funds to housing needs.
- As communities seek opportunities to strengthen assistance to vulnerable populations, localities can apply CDBG for public services although the amount of funds are currently limited to 15% of a grantee's allocation. Additional funding should be available at the grantee's discretion to better support this important public benefit. NCDA and COSCDA recommend an increase of the cap on public service activities to 20%.
- States are permitted to only use 3% of grant funds on administrative expenses. The administrative cap fails to sufficiently invest in state oversight of funds in addition to critical technical assistance for small localities. Additionally, states are responsible for matching the vast majority of funds used on administrative costs. This proves burdensome for state CDBG administering departments which face inconsistent budget levels each fiscal cycle. In response, an update is recommended increasing the state administrative cap to 5%. Further, an increase is suggested to raise the matching threshold on states' administrative costs to expenses over the first \$500,000.

CDBG has proven successful in fostering community-led initiatives and investing in activities benefitting low- and moderate-income populations. To enhance the program's impact and expand use of funds for local needs, legislative renewal is needed at this time. NCDA and COSCDA have partnered with Rep. Emanuel Cleaver, chair of the House Financial Services

Subcommittee on Housing to address key issues in CDBG administration and program performance. Chairman Cleaver is expected to introduce reauthorization legislation in 2022. We urge the administration's support for this effort so CDBG can continue to be a meaningful resource for community-based improvements.

Thank you for your consideration. We look forward to further engagement on advancing this critical program.

Sincerely,



Vicki Watson  
Executive Director  
National Community Development Association



Dianne E. Taylor  
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Council of State Community Development Agencies