



November 15, 2022

The Honorable Emmanuel Cleaver
Chair
House Financial Services Committee
Subcommittee on Housing, Community
Development, and Insurance
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable French Hill
Ranking Member
House Financial Services Committee
Subcommittee on Housing, Community
Development, and Insurance
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Cleaver and Ranking Member Hill:

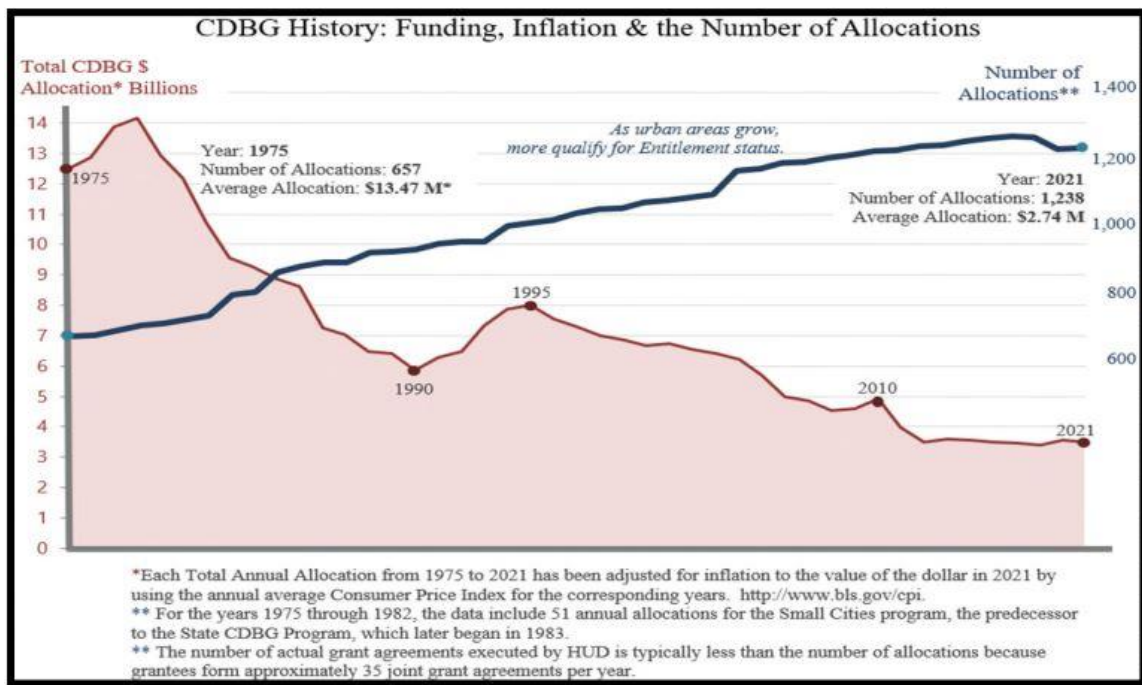
Thank you for hosting today's hearing, "Persistent Poverty in America: Addressing Chronic Disinvestment in Colonias, the Southern Black Belt, and the U.S. Territories." The event's focus on traditionally underserved communities offers an opportunity to explore obstacles faced by these communities to improve social and economic standing. Since federal assistance plays a pivotal role in community advancement, the hearing's inclusion of several legislative proposals is meaningful to this discussion. Among these, reauthorization of the Community Development Block Grant (CDBG) will enhance federal support to disadvantaged communities especially for those highlighted by this event. The National Community Development Association (NCDCA) and Council of State Community Development Agencies (COSCDA) applaud efforts to modernize CDBG updating both resources and policies aligned with local development in the 21st Century.

As reported in the hearing memorandum, the underlined regions and territories often lack community assets essential to health, safety, and welfare of residents. Utilities are outdated and in poor condition; with populations largely spread out across small and rural communities, costs prove too expensive and prohibitive to adequately maintain these systems. Housing shortages - while accelerating nationally over the last couple of years - have consistently challenged residential growth here as well. Healthcare access and support also remains critically limited leading to worse wellness outcomes compared to the nation as a whole. Additionally, other foundations of community well-being including public safety, economic development, and supportive services remain inadequate or completely unavailable in these regions.

Communities in the highlighted regions and across the nation rely on federal investment to address these immediate and priority issues; among these resources, CDBG stands out in its response and availability to meet activities aligned with local needs. The program is eligible for extensive use on projects and services for low- and moderate-income populations. Housing, infrastructure, economic development, and public services are the most frequently invested types of activities. Between 2005 and 2021, CDBG aided 1.6 million households via housing development and assistance; supported public services for 934

million beneficiaries; assisted 574 million persons through infrastructure developments; and contributed to 475,269 created or retained jobs. The program also has a strong return on investment proving to be a great use of taxpayer funds. On average, every dollar of CDBG leverages another \$3.65.¹ Additionally, the program is widely accessible as every state and congressional district receives CDBG funding; 1,250 state and local grantees were awarded funds in fiscal year 2022.²

Despite its impact and success, several issues continue to erode CDBG’s ability to uplift people and communities. Program funding has fallen considerably in annual appropriations. Though the program received \$2.4 billion in its first year (1975) (indexed for inflation, over \$13 billion today) and slight increases in the few years following, annual funding has steadily declined since the early 1980s. CDBG formula grants were funded at \$4.5 billion in FY1995 which represents its highest ever allocation. Since 2001, funding to the program has significantly decreased and the program has received level or near-level funding in recent years. Further, the number of direct recipients has doubled since inception from 657 grantees in 1975 to 1,250 grantees in 2022. The following chart represents the program’s funding history compared with inflationary figures and number of grantees.³ Less funding in the program means fewer households and communities are supported through assisted projects and services.



Ongoing capacity issues also diminish program performance. Regulatory response relies on sufficient staff and resources to comply with cross-cutting requirements, including environmental and labor standards. New rules applied to CDBG such as HUD’s reissuance of fair housing policies and Buy America’s domestic procurement preference will require additional administrative support as well. , The

¹ U.S. Department of Housing and Urban Development. FY2023 Budget. Congressional Justification – Community Development Fund. March 28, 2022.

² Housing and Urban Development. Community Development and Planning Formula Program Allocations for FY2022. Content as of September 20, 2022.

³ Ibid. FY23 Budget. Congressional Justification – Community Development Fund.

program has also been challenged by staff retention and attainment issues due to tightening labor markets, declining program funds, and increasing retirements. On its own, CDBG is a complex program requiring multiple levels of oversight between grantees, sub-grantees, sub-recipients, and related stakeholders; added compliance makes it more challenging to administer.

Changing social and economic needs also determine the extent of CDBG's use and effectiveness. A multitude of issues have affected households and communities over the last year. The sudden increased costs to food, clothing, and other goods continues to affect consumer spending. Central to this dilemma are housing costs which remains one of the primary factors driving inflation.⁴ Nationally, these costs have accelerated due to the limited supply of housing units. While CDBG can be used for housing development, there are restrictions. In order to support housing construction, specific organizations and planning must facilitate projects. Additionally, as the pandemic showed, immense vulnerabilities exist in supportive services including food banks, homeless outreach, and senior care. CDBG is likewise eligible for these activities however only 15% of formula grant funds may be used for public services annually.

NCDA and COSCDA welcome the proposed CDBG reauthorization draft attached to today's hearing. The program was last reauthorized in 1992 and the near thirty-year gap has impacted its funding status. While the lapse in authorization did not eliminate funding, annual appropriations for CDBG have fallen significantly and considerably less than the last authorized level of \$4.168 billion in FY94. A renewed authorization level as proposed would elevate the program's standing to secure more resources for transformative community activities.

Additionally, reforms outlined in the discussion draft respond to modern community development needs. Updates to the state administrative cap and match requirement allows additional resources for capacity-building and technical assistance to rural communities. A new eligible activity for housing construction streamlines use of CDBG for this purpose. An additional eligible activity for fair housing promotes increased flexibility to support this activity as well. Further, an increase to the public services cap offers greater access of CDBG for services assisting vulnerable populations.

More can be done to enhance federal assistance for regions at the center of today's hearing and similarly distressed communities across the country; CDBG provides this conduit to enact meaningful change responsive to on-the-ground needs. Reauthorization of this critical resource will strengthen support to local-led initiatives across housing, economic development, infrastructure, and other place-based activities. Additionally, related reforms enhances CDBG for activities and capacity-building crucial to community advancement. NCDA and COSCDA strongly urge Congress to approve the proposed legislation.

If we can provide further information on CDBG, please feel free to reach out. Thank you for your leadership and engagement on this important federal initiative.

⁴ Public Broadcasting Service. Costs of housing and services accelerated U.S. inflation in September. October 13, 2022.

Sincerely,

Vicki Watson

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National Community Development Association

Dianne E. Taylor

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