

April 17, 2023

The Honorable Patty Murray  
Chair  
Senate Appropriations Committee  
S-128 Capitol Building  
Washington, District of Columbia 20510

The Honorable Susan Collins  
Vice Chair  
Senate Appropriations Committee  
S-128 Capitol Building  
Washington, District of Columbia 20510

The Honorable Kay Granger  
Chair  
House Appropriations Committee  
H-307, The Capitol  
Washington, DC 20515

The Honorable Rosa DeLauro  
Ranking Member  
House Appropriations Committee  
1036 Longworth House Office Building  
Washington, DC 20515

The Honorable Brian Schatz  
Chair  
Senate Appropriations Transportation-Housing  
and Urban Development Subcommittee  
125 Hart Senate Office Building  
Washington, District of Columbia 20510

The Honorable Cindy Hyde-Smith  
Ranking Member  
Senate Appropriations Transportation-Housing  
and Urban Development Subcommittee  
186 Dirksen Senate Office Building  
Washington, District of Columbia 20510

The Honorable Tom Cole  
Chair  
House Appropriations Transportation-Housing  
and Urban Development Subcommittee  
2358-A Rayburn House Office Building  
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The Honorable Mike Quigley  
Ranking Member  
House Appropriations Transportation-Housing  
and Urban Development Subcommittee  
1036 Longworth House Office Building  
Washington, DC 20515

Dear Chairwoman Murray, Vice Chairwoman Collins, Chairwoman Granger, Ranking Member DeLauro, Chairman Schatz, Ranking Member Hyde-Smith, Chairman Cole, and Ranking Member Quigley:

The Council of State Community Development Agencies (COSCAR) extends our sincere appreciation for your leadership and dedication to the federal appropriations process. As you begin this immense work ahead for the fiscal year (FY) 2024 funding legislation, we request your assistance to sustain resources to community development and housing programs under the U.S. Department of Housing and Urban Development (HUD). Further, COSCAR seeks both program updates and committee directives to improve use and outcomes of HUD resources.

COSCAR represents state administrators of HUD Community Planning and Development (HUD-CPD) programs. HUD-CPD programs dedicate critical funds to serve needs across community development, disaster

recovery, housing, and homelessness. As designated by respective programs, states primarily direct resources to small and rural communities; HUD funds are especially important to these jurisdictions which generally have fewer options to finance public projects and services than larger communities.

Regarding specific requests for funding as well as bill and report language, COSCDA previously detailed our asks in the FY23 appropriations cycle. Individual letters outlined justification for these asks, draft legislative language, and responses from state program administrators on these issues. We also engaged appropriations committees and individual offices directly to better share priority needs and how COSCDA's requested funding and policy changes would advance state and local program development.

Last month, COSCDA introduced its FY24 advocacy priorities to the appropriations committees.<sup>1</sup> The following is a list of these specific requests. Proposed bill and report language as well as a one-page summary are attached.

Across these requests is a need to restore sufficient administrative capacity. State and local administrators have experienced unprecedented turnover extending to HUD program management. In the wake of COVID-19, job losses amounted to several hundred thousand state and local employees either losing or leaving their jobs. As of September 2021, non-education job losses were 400,000 since before the pandemic.<sup>2</sup> This is in addition to employment losses at the state and local levels never fully recovering from the Great Recession. Ahead of the COVID-19 pandemic, state and local government employment was only 1% higher than July 2008 falling behind both national population and economic growth during this period.<sup>3</sup> Issues at the center of this dilemma include inadequate compensation, surging retirements, and job burnout.<sup>4</sup> Compensation has risen 5.5% over last year for private sector employees, for instance, while only 3.4% for state and local workers.<sup>5</sup> The situation has reverberated to state and local-administered HUD programs which are struggling to manage workloads and ensure federal assistance is directed in an effective manner. **COSCDA encourages increased caps in HUD-CPD programs to attract and retain qualified staff to lead critical activities across community development, housing, homelessness, and disaster recovery activities.**

## **HUD-CPD SALARIES & EXPENSES**

COSCDA's FY24 Request: \$164 million to sustain staffing levels responsive to program oversight & technical assistance to grantees

COSCDA requests at least \$164 million for HUD-CPD salaries and expenses (S&Es). The amount aligns with the FY23 enacted level.<sup>6</sup> According to March 2023 testimony provided by HUD's Office of Inspector General

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<sup>1</sup> COSCDA. FY24 Advocacy Priorities – Appropriations: House & Senate Appropriations Committees. March 6, 2023.

<https://coscda.org/wp-content/uploads/2023/04/COSCDA-FY2024-Advocacy-Priorities-Appropriations-FINALMar2023.pdf>.

<sup>2</sup> Rosewicz, Barb & Maciag, Mike. State and Local Job Growth Lags as Economy Recovers. Pew Charitable Trusts. September 2021.

<https://www.pewtrusts.org/en/research-and-analysis/articles/2021/09/14/state-and-local-government-job-growth-lags-as-economy-recovers>.

<sup>3</sup> Hinkley, Sara. Public Sector Impacts of the Great Recession and COVID-19. Center for Labor Research and Education, University of California, Berkeley. October 2020. <https://laborcenter.berkeley.edu/public-sector-impacts-great-recession-and-covid-19/>.

<sup>4</sup> Brey, Jared. Government Worker Shortages Worsen Crisis Response. Governing. October 2022.

<https://www.governing.com/work/government-worker-shortages-worsen-crisis-response>.

<sup>5</sup> Kaori Gurley, Lauren. Government workers feel inflation's pinch as wages lag. The Washington Post. August 2022.

<https://www.washingtonpost.com/business/2022/08/01/public-sector-wages-inflation/>.

<sup>6</sup> Public Law 117-328. Enacted December 29, 2022.

(HUD OIG), agency staffing shortages have remained a top issue both internal to HUD and external stakeholders.<sup>7</sup> HUD's OIG states that agency employees and program participants often link program deficiencies to the agency being underfunded and understaffed while adding that HUD has 30 percent fewer employees than ten years prior. The Government Accountability Office (GAO) also notes that from 2008 to 2017 HUD lost 18.5% of its staff while government-wide staffing grew by eleven percent.<sup>8</sup>

Staff losses extend to HUD CPD programs and the consequences are stark. Delays and inefficiencies in program implementation are often cited by state and local administrators of CPD programs primarily due to limited HUD field staff. At headquarters, considerable wait times are commonplace for guidance and data availability.

**We encourage the committee to reverse these outcomes and continued loss of personnel by dedicating at least \$164 million for HUD-CPD S&Es in FY24.**

### **COMMUNITY DEVELOPMENT FUND**

COSCOA's FY24 Request for Community Development Block Grants: \$4.2B (Aligns w. last authorized level of \$4.168B in FY94)

The Community Development Block Grant (CDBG) directs flexible funding to accommodate local-led activities for low- and moderate-income populations. CDBG is commonly used by states and localities for infrastructure, housing, economic development, and public services among other key purposes. From 2005 to 2022, CDBG contributed to economic development supporting 521,432 jobs, facilitated public improvements benefiting 609 million people, advanced public services assisting 980 million people, and aided housing activities for 1.7 million households.<sup>9</sup> The program has a strong return-on-investment with every dollar of CDBG leveraging another \$2.81 from other public and private sources. Despite its demonstrated success, annual spending for the program has declined significantly both over the program's history and recent years. The program was cut by \$150 million (4%) from FY21 to FY22 while level funded in FY23. CDBG's FY2023 enacted level of \$3.3 billion is less than a quarter of the funding level received in 1975 when adjusted for inflation (\$2.7 billion in 1975 is nearly \$15 billion in 2023, indexed for inflation).<sup>10</sup> Since the program's inception, the number of grantees has also doubled from 657 in 1975 to 1,234 in 2022.<sup>11</sup> CDBG is a strong source of gap financing and declining funds in the annual program means fewer projects and services are supported. Recent labor and supply cost increases reduce the ability of recipients to effectively use funds for meaningful activities as well.

**COSCOA encourages Congress to restore funding to CDBG formula grants at no less than \$4.2 billion in FY24.** The requested amount aligns with the program's last authorized level of \$4.168 billion in FY1994. If accounting for inflation, the same buying power of this amount in February 2023 would be \$8.4 billion.<sup>12</sup>

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<sup>7</sup> HUD Office of Inspector General. Testimony Before the U.S. House of Representatives, Committee on Appropriations, Subcommittee on Transportation, and Housing and Urban Development, and Related Agencies. March 28, 2023. <https://www.hudoig.gov/sites/default/files/2023-03/Testimony%20-%20March%2028%202023.pdf>.

<sup>8</sup> Government Accountability Office. Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2019 and Beyond. October 15, 2018. <https://www.hudoig.gov/sites/default/files/2018-11/TMC%20-%20FY%202019.pdf>.

<sup>9</sup> HUD. Congressional Justification FY24 – Community Development Fund. March 2023. [https://www.hud.gov/sites/dfiles/CFO/documents/2024\\_CJ\\_Program\\_-\\_CDF.pdf](https://www.hud.gov/sites/dfiles/CFO/documents/2024_CJ_Program_-_CDF.pdf).

<sup>10</sup> U.S. Bureau of Labor Statistics. CPI Inflation Calculator. [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm).

<sup>11</sup> HUD. Congressional Justification FY24 – Community Development Fund. March 2023.

<sup>12</sup> U.S. Bureau of Labor Statistics. CPI Inflation Calculator. [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm).

## **Modernize program investments**

### Improve CDBG use for housing construction

The nation continues to face a significant shortage of housing estimated to be 6.5 million units.<sup>13</sup> CDBG can currently be used for new construction of housing however per statute may only be accommodated through 1) a community-based development organization (CBDO) and 2) as a part of a neighborhood revitalization plan, energy project, or economic development plan.<sup>14</sup> Unfortunately, CBDOs vary by location to direct funds to this activity and few housing development opportunities align with these specific plan and project designs. Ultimately, the requirements are too burdensome for states and localities to apply CDBG to housing construction.

As COSCDA seeks the creation of a new CDBG-eligible activity for housing construction, **we urge Congress to include a provision in the annual appropriations legislation suspending CDBO and plan/project directives.** The update allows greater flexibility for CDBG to support new housing for LMI households.

### Strengthen program administration & technical assistance

HUD-CPD administrators face critical gaps in program oversight and management. Staffing turnovers and retirements as well as the lack of qualified staff have strained operations for housing and community development practitioners. For CDBG, states remain especially limited to maintain and enhance administrative support due to a statutory directive restricting use of funds for administrative expenses. Annual appropriations have made available up to 20% of grant funds for administrative and technical expenses. Meanwhile, states may only access up to 3% for these activities per statute.<sup>15</sup>

The state program differs extensively from the local-based entitlement program, and in many ways, proves more difficult to administer. Non-entitlement CDBG administrators must ensure funding is made available to eligible sub-grantees which can be a few dozen to hundreds of individual localities depending on the state. Further, states are responsible for primary duties including development of action and consolidated plans, implementation of compliance standards (labor, environment, fair housing, lead safe housing, & relocation), and instruction to sub-grantees and recipients.

Per a May 2022 survey conducted by COSCDA, 21 of 23 state respondents stated the need for more administrative resources.<sup>16</sup> Respondents shared that additional funding for administration would accommodate more staff to oversee program management and training to sub-grantees (sub-grantees are small and typically rural communities with limited capacity and technical experience to access federal funds like CDBG). A January 2023 follow-up survey on CDBG program salaries found many states facing difficulties in attracting and retaining talent due to lack of resources to pay competitive salaries.

Based on the layers of grant management responsibilities and constraints to staff capacity, **we urge Congress to provide states with the ability to access up to 6% of grant funds for administration and technical assistance.** HUD agrees with this assessment including the 6% state administrative cap update in the agency's

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<sup>13</sup> CNN. The U.S. housing market is short 6.5 million homes. March 8, 2023. <https://www.cnn.com/2023/03/08/homes/housing-shortage/index.html>.

<sup>14</sup> 42 U.S.C. 5305(a)(15)

<sup>15</sup> 42 U.S.C. 5306(d)(3)(A)

<sup>16</sup> COSCDA. FY23 Appropriations Request – State Responses. June 2022. <https://coscda.org/wp-content/uploads/2022/06/StateResponses-COSCDAY2023-Approps-Recommendations-June2022FINAL.pdf>.

last two budget requests.<sup>17</sup> In comparison, entitlement grantees may access the entire 20% of administrative expenses afforded per annual appropriations directive.

Along with the administrative cap update, COSCDA requests altering the administrative match requirement as well. Currently, states must match every dollar beyond the first \$100,000 in CDBG funds used for administrative purposes.<sup>18</sup> Funding variances in annual state budget cycles are often unpredictable. Smaller states and their related CDBG-administrating agencies are particularly susceptible to smaller budgets which prove difficult to accommodate this match requirement. **Therefore, COSCDA requests that the administrative match threshold be increased from \$100,000 to \$500,000.** The updated level allows grantees additional budgetary flexibility in their respective states. In contrast to entitlement grantees, states must match administrative expenses while entitlement grantees have no administrative match requirement.

### Update CDBG for public services

CDBG's eligible activities serve a host of community-based needs including public services. Senior and youth services, workforce training, homeless outreach, public safety, community health, and other activities fall within this category. States and localities recognize the extent of importance public services have to health, safety, and well-being of residents. CDBG grantees have also learned in recent years how to apply CDBG to certain public services responsive to local needs. Under COVID-19's emergency declaration, HUD lifted restrictions on use of FY19 and FY20 CDBG funds for public service activities. Further, in the CARES Act, Congress allowed full use of CDBG supplemental funds (\$5 billion) for public services. As ongoing economic and social needs remain in flux, federal assistance will prove critical to serving vulnerable populations. Further flexibility in CDBG for public services would better equip communities to address specific gaps in public needs. **We therefore urge an increase to the public services cap from 15 to 20%.**

Further updates to the public services cap would also better accommodate fair housing. HUD recently issued its renewed Affirmatively Furthering Fair Housing rule (AFFH).<sup>19</sup> As proposed, the rule poses new activities for HUD funding recipients – including CDBG – to substantially engage in promoting fair housing. The rule specifies equity plans must be established by each individual state and locality which receives HUD funds. Resources provided by HUD-CPD programs including CDBG remain very limited to support fair housing activities; activities are restricted and can only be supported by public services or administrative funds both of which have caps of 15% and 20%, respectively. To maintain compliance with fair housing policies and minimize disruption to other CDBG-funded activities, **we ask that fair housing activities be exempted from the public services cap.**

### Revise the Recovery Housing Program expenditure deadline

The CDBG Recovery Housing Program (RHP) directs funding to housing access for individuals in recovery from substance abuse. Established under the SUPPORT Act, Congress has appropriated \$25 million for this initiative annually between 2019 and 2022; \$30 million was provided in FY2023. Resources facilitate housing opportunities in over 25 states and the District of Columbia. However, activities remain hindered due to

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<sup>17</sup> HUD. Congressional Justification FY24 – Community Development Fund. March 2023.

[https://www.hud.gov/sites/dfiles/CFO/documents/2024\\_CJ\\_Program\\_-\\_CDF.pdf](https://www.hud.gov/sites/dfiles/CFO/documents/2024_CJ_Program_-_CDF.pdf).

<sup>18</sup> 42 U.S.C. 5306(d)(3)(A)

<sup>19</sup> HUD. Affirmatively Furthering Fair Housing – Proposed Rule. Published in the Federal Register February 9, 2023.

<https://www.federalregister.gov/documents/2023/02/09/2023-00625/affirmatively-furthering-fair-housing>.



competing work in pandemic response, multi-level capacity limitations of grantees and sub-recipients, and limited availability of contractors and materials.

The SUPPORT Act directs grantees to expend 30% of funds within one year of recipient.<sup>20</sup> Unfortunately, grantees continue to face difficulty in meeting this benchmark. The pre-pandemic legislation did not account for the serious of recent challenges experienced by HUD administrators; states would be in a much-different position if not for the fallout from the pandemic. **We therefore request removal of the expenditure deadline allowing grantees to advance RHP initiatives without disruptions expected due to missing this mark.**

Position HUD and stakeholders to adequately administer congressionally-directed spending, and apply funding to key local priorities

The reemergence of congressionally-directed spending (CDS) in the appropriations process ensures members of Congress can request and secure federal assistance for individual projects. Resources facilitate an array of important investments for infrastructure, housing, public services, and related purposes.

Recognizing significant time and effort goes into determining which projects receive funds, it is prudent for Congress to ensure HUD and grantees are positioned to carry out project development and oversight. Challenges exist for both to meet program guidelines and federal compliance. For funding recipients, smaller jurisdictions and non-profits are particularly vulnerable to follow these requirements due to limited experience with federal grants and lacking capacity. As a result, CDS grantees have requested assistance from HUD and HUD-CPD grantees. Environmental reviews for instance can only be performed by HUD or corresponding government entities; many recipients of the HUD CDS funds are non-profits and unable to accommodate this process. **COSDA recommends Congress continue resources for HUD to monitor and accommodate compliance reviews.**

Further, to drive CDS investment to the greatest needs and support projects with sustained impact, **we suggest incorporating community, regional, and state support as a benchmark in selecting projects for CDS awards.** State and local grantees of HUD-CPD funding conduct frequent plans identifying both local needs and activities targeted for investment. Additionally, jurisdictions support individual planning initiatives responsive to specific causes across economic and social issues. Opportunities exist in aligning CDS with community-based needs and projects documented through these planning activities.

## **COMMUNITY DEVELOPMENT FUND – DISASTER RECOVERY**

Improve CDBG-DR and ensure adequate program administration

The CDBG Disaster Recovery Program (CDBG-DR) commits targeted funds to help residents, business, and communities rebuild from disasters and mitigate against future events. The program ensures unmet needs of low-and-moderate income populations are addressed by playing a pivotal role in federal disaster assistance. Though housing, infrastructure, and local economies are consistently served by this important resource, CDBG-DR is significantly hindered due to HUD's inability to establish consistent regulations. Inefficiencies exist as a result and delays are frequent. HUD cannot put into place standard rules without program authorization and remains limited to direct improvements for expedient and effective delivery of aid.

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<sup>20</sup> P.L. 115-271. Enacted October 24, 2018. Sec. 8071(c)(1). <https://www.congress.gov/115/plaws/publ271/PLAW-115publ271.pdf>.

COSCSA continues to pursue authorization of CDBG-DR. The bi-partisan sponsored *Reforming Disaster Recovery Act* (117<sup>th</sup> Congress - S. 2471, H.R 3707) would codify CDBG-DR and install changes to improve program outcomes.<sup>21</sup> As supplemental funding continues to be provided for disaster response, strengthening this program is critical to ensuring targeted populations are effectively assisted. **The legislation is expected to be re-introduced in the coming weeks and COSCSA supports its passage in the 118<sup>th</sup> Congress.**

Annual funding through CDBG-DR would expedite delivery of funds to disaster-impacted communities. The increased frequency of major events means federal aid is becoming more important than ever to help disaster survivors recover and rebuild their lives. Resources provided on a continued basis would accommodate these activities sooner than current. At present, Congress dedicates supplemental funds in response to prior events and funding is made available to HUD oftentimes months or over a year following the corresponding disasters. The process poses significant delays for affected households and communities in need of federal assistance. Notably, Congress continues to approve funds to CDBG-DR with supplemental appropriations directed in each of the last several appropriations cycles.<sup>22</sup> **To expedite federal aid moving forward, we encourage Congress to include funding annually to CDBG-DR.**

As program management and oversight remains critical to facilitating effective recovery activities, **we also urge no less than 10% of CDBG-DR funds for state and local program administration.** CDBG-DR's performance over three decades has shown the need for adequate capacity to oversee program duties. The program maintains key flexibility for disaster response, however, proves incredibly challenging considering both its extensive rules and significant effort involved in connecting program funds to activities. Areas of compliance take considerable time and staff to ensure federal standards are met. Additionally, different from other HUD programs, CDBG-DR resources are dedicated to specific impacted areas in contrast to the formula CDBG program which applies funds throughout a given jurisdiction. Therefore, states and localities must identify and support qualifying projects to meet the needs of low- and moderate-income residents in targeted areas. Difficulties especially exist for funding recipients which have limited or no experience with CDBG-DR. Depending on the scope of the disaster and amount of funds directed, smaller grantees are particularly disadvantaged to manage program funds. Overall, grant recipients – state and local governments - are inadequately equipped through the maximum allowed for administrative costs which has regularly been only 5% of grant funds. In comparison, annual appropriations laws have directed up to 20% of funds for administration of the annual formula CDBG program.

## **HOME INVESTMENT PARTNERSHIPS**

COSCSA FY24 Request: \$2.5B (+\$1B from FY23 level)

The HOME Investment Partnerships program (HOME) promotes affordable housing opportunities for low-income households. Since 1992, the program has supported 1.362 million units (Rental: 545,363; Homebuyer: 556,538; Homeowner: 260,942).<sup>23</sup> HOME provides critical gap financing for affordable housing projects alongside sources such as Low-Income Housing Tax Credits (LIHTC), Housing Trust Fund (HTF), State and

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<sup>21</sup> 117<sup>th</sup> Congress (Sens. Schatz, Collins, Young, Leahy, Cassidy, & Wyden). S.2471. Reforming Disaster Recovery Act. Introduced July 26, 2021. <https://www.congress.gov/bill/117th-congress/senate-bill/2471>.

<sup>22</sup> U.S. Department of Housing and Urban Development. CDBG-DR Grant History. January 1, 2023. <https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-DR/CDBG-DR-Grant-History-2023-01.pdf>.

<sup>23</sup> U.S. Department of Housing and Urban Development. HOME National Production Report. April 3, 2023. [https://files.hudexchange.info/reports/published/HOME\\_Prod\\_Natl\\_20230331.pdf](https://files.hudexchange.info/reports/published/HOME_Prod_Natl_20230331.pdf).

Local Fiscal Recovery Funds (SLFRF), and private funds. Every dollar of HOME leverages another \$4.72 from other public and private sources.<sup>24</sup>

Like CDBG, annual funding has declined over the program's existence. HOME received \$1.5 billion in the last two appropriations cycles, far from both its high-mark of \$2 billion in FY04<sup>25</sup> and last authorized level of \$2.173 billion in FY94.<sup>26</sup> Recent increases in the annual program as well as supplemental funds through the American Rescue Plan Act (HOME-ARP) have directed more investment to address the nation's affordable housing shortage which stands at 6.5 million units.<sup>27</sup> However, amid accelerating costs to labor and materials, level or even modest increases will fail to sustain HOME's support to housing development.

**COSCOA asks Congress to renew funding for HOME and direct \$2.5 billion to the program in FY24.** The requested level raises federal investment to help address the nation's affordable housing shortage.

### **Modernize program investments**

Suspend HOME's commitment deadline

The HOME statute directs PJs to obligate funds to projects within two years of funding receipt.<sup>28</sup> The rule prohibits PJs from revising their initial investments. Also, funds obligated by grantees to cancelled projects must be recaptured by HUD. While well-intended to encourage PJs to dedicate funding to projects in a timely manner, the directive is too restrictive to PJs to apply funding and ultimately not responsive to housing development.

**COSCOA requests continued suspension of the commitment deadline in FY24; the directive has been waived over several annual appropriations cycles.** Without this restriction, PJs can maintain progress on their respective program activities and target funds to quality projects which takes considerable time and effort. PJs must still act in a manner consistent with program goals and meet HUD's four-year completion deadline.

Allow jurisdictions to retain CHDO set-aside funds

Per HOME statute as well, 15% is reserved for each PJ to direct to specific types of non-profit organizations involved in housing development – Community Housing Development Organizations (CHDOs).<sup>29</sup> For any funds remaining undirected by PJs for CHDOs within a two-year period, funding is recaptured by HUD and unavailable for future use. The provision puts PJs in an unfair position with circumstances outside of their control largely dictating their ability to drive HOME funds to CHDOs. The biggest challenge is the availability of CHDOs in a PJ's service area which varies depending on location; for rural areas, few of these organizations exist. Standards involved in becoming a CHDO also pose significant obstacles for non-profits interested in attaining this designation. CHDO attainment also does not necessarily indicate a certain level of success in

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<sup>24</sup> Ibid.

<sup>25</sup> Congressional Research Service. An Overview of the HOME Investment Partnerships Program. Updated January 4, 2021. <https://sgp.fas.org/crs/misc/R40118.pdf>.

<sup>26</sup> P.L. 102-550. Housing and Community Development Act of 1992. Enacted October 28, 1992. <https://www.congress.gov/102/statute/STATUTE-106/STATUTE-106-Pg3672.pdf>.

<sup>27</sup> CNN. The U.S. housing market is short 6.5 million homes. March 8, 2023. <https://www.cnn.com/2023/03/08/homes/housing-shortage/index.html>.

<sup>28</sup> 42 U.S.C. 12748(g).

<sup>29</sup> Ibid.



affordable housing; instead, depending on location and circumstances, a PJ may consider non-CHDOs as better capable to carry out affordable housing development.

Due to the constraints involved with the CHDO set-aside policy, **COSCD A asks for suspension of this directive in the FY24 appropriations measure; the suspension has been included in recent annual appropriations laws.** As a result, PJs will be able to recapture and use any unspent CHDO set-aside funds following the two-year period.

#### Strengthen program administration & technical assistance

HOME as with other federal programs rely on necessary administrative support critical to program management and oversight. Additionally, technical assistance provides sub-recipients with guidance and resources required to meet program rules and project development goals. The HOME statute limits PJs to 10% of funds for these purposes.<sup>30</sup>

Capacity issues have greatly challenged administrators across program responsibilities. The process to identify and review qualified projects as well as recipients of funds takes significant time and effort by PJs. Additional duties involve meeting federal compliance standards, completing annual and consolidated planning, and coordinating HOME funds with other financing. Per COSCDA's May 2022 survey of state HOME PJs, 18 of 22 respondents indicated the need for and use of additional administrative funds if the cap was increased beyond the current threshold.<sup>31</sup>

To improve HOME program administration, **COSCD A asks for an increase to the administrative cap from 10% to 15%.** The ability to apply additional funds at the PJs discretion can better facilitate program management. An increase to this level also better aligns HOME with CDBG, which involves similar administrative duties and oversight. For CDBG, annual appropriations have directed up to 20% of program funds for administrative costs.

#### Enhance HOME availability to support non-profit housing organizations

The affordable housing network relies extensively on non-profit organizations to promote safe, quality housing opportunities. Capacity challenges have extended greatly to these entities making it more difficult to carry out housing activities. The situation inhibits deployment of HOME resources to accommodate affordable housing. While HOME PJs may use funds for operational assistance to housing non-profits, a statutory limitation only allows up to 5% of funds to be used for this purpose.<sup>32</sup>

**COSCD A urges an increase to the non-profit operational assistance cap from 5 to 10%.** The ability to provide additional aid allows PJs to better support affordable housing partners and enhance their position to direct HOME to housing activities.

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<sup>30</sup> 42 U.S.C. 12742(c)

<sup>31</sup> COSCDA. FY23 Appropriations Request – State Responses. June 2022. <https://coscda.org/wp-content/uploads/2022/06/StateResponses-COSCD A-FY2023-Approps-Recommendations-June2022FINAL.pdf>.

<sup>32</sup> 42 U.S.C. 12742(g)

## **Homeless Assistance Grants - Emergency Solutions Grants (ESG)**

COSCDAs' FY24 Request: Robust resources to Homeless Assistance Grants (HAGs), at least 20% of HAGs for ESG

The Emergency Solutions Grants program (ESG) provides federal support to address key gaps in homelessness. The block grant program offers flexible resources available to accommodate an array of activities such as rapid re-housing, street outreach, and support to emergency shelters. ESG many times aligns with other financing while working individually as well to address unmet needs.

As the homelessness crisis has intensified across the country, the importance of federal assistance cannot be understated to solve this issue. States and localities continue to struggle in connecting populations to safe, secure housing while also helping clients to access supportive services. Along with the rise in homeless populations, costs associated with housing and services have accelerated as well. It is imperative resources meet this demand for communities to facilitate their respective homeless response.

Based on the unfolding homeless crisis and rising costs associated with serving populations in need, **we urge Congress to sustain funding to Homeless Assistance Grants (HAGs); of total to HAGs, we recommend the statutory amount be provided to ESGs (20% of HAGs).**<sup>33</sup> ESG has remained level-funded (\$290m) over the last decade despite increases to other programs in the HAGs account. Due to rising operation costs, homelessness providers are concerned the same funding amounts will be unable to continue a similar level of response. This also comes as ESG supplemental funds through CARES Act will expire in September 2023.

### **Modernize program investments**

Strengthen program administration and technical assistance

As with CDBG and HOME, capacity needs remain at a critical level in homelessness programs. ESG grantees and sub-recipients are restricted to 7.5% of program funds for administration and technical assistance.<sup>34</sup> Additionally, Continuum of Care (CoC) recipients may only use 3% of funds for certain administrative activities.<sup>35</sup> Accountable and responsive program performance relies on adequate administrative support. The present caps do not allow states and localities as well as sub-recipients the ability to comprehensively engage in activities. Regulatory compliance, network-building with stakeholders, and coordinating funds across various sources takes significant time and effort. State and local staff shortages or increased reliance on contractors fail to properly react to these activities.

In a May 2022 survey of state ESG administrators, 17 of 19 respondents stated the need for and use of additional administrative resources if provided in the program.<sup>36</sup>

**COSCDA requests a revision to the administrative cap from 7.5% to 10% for both CoC & ESG to strengthen program management and oversight.**

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<sup>33</sup> P.L. 111-22. Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009. 42 USC 11372a. Sec. 413. <https://www.congress.gov/111/plaws/publ22/PLAW-111publ22.pdf>.

<sup>34</sup> Ibid. Sec. 1204.

<sup>35</sup> Ibid. Sec. 423.

<sup>36</sup> COSCDA. FY23 Appropriations Request – State Responses. June 2022. <https://coscda.org/wp-content/uploads/2022/06/StateResponses-COSCDAs-FY2023-Approps-Recommendations-June2022FINAL.pdf>.

## Maximize & streamline resources by extending pandemic-era waivers

Aiding pandemic response in 2020, HUD provided a series of waivers to streamline ESG processes and advance deployment of assistance to target populations. Flexibilities allowed by the agency greatly improved grantee engagement with beneficiaries and overall program implementation. States took advantage of multiple waivers including landlord incentives, housing assistance beyond fair market rent (FMR), and the ability for states to carry out activities directly. In turn, grantees could maximize use of funds in a shorter timeframe than usual.

Among the 19 respondents to the abovementioned survey on ESG, every state indicated use of these waivers for CARES and annual ESG funds.

The waivers expire following removal of the national emergency declaration. Of these, only the FMR waiver can be extended by HUD moving forward. **COSCD A recognizes the value of these flexibilities and asks for an extension to these waivers as a part of the annual appropriations legislation.** COSCDA previously shared with HUD the full list of waivers and justification for their continued use.<sup>37</sup>

## **Modernize HUD & Improve Effectiveness of Federal Resources**

### Enhance IT for HUD-CPD programs (IDIS, DRGR, & HMIS)

HUD supports data collection and reporting through information technology platforms: Integrated Disbursement & Information System (IDIS), Disaster Recovery Grant Reporting System (DRGR), and Homeless Management Information System (HMIS). The systems serve both the agency and grantees facilitating CPD program management from planning activities and information submission on individual program activities. While necessary to monitor and report programs, the systems are unfortunately outdated and prove inefficient. Grantees consistently share multiple concerns on user access and challenges with inserting information. Further, while each system has specific functions which allow HUD and grantees to access the same information, HUD and grantees have different systems communicating with one another. The misalignment impacts how grantees collect and share data while proving to be an extra cost for HUD and grantees to maintain their respective systems.

**COSCD A requests additional resources through HUD-CPD for its IT Development and Enhancement Fund.** COSCDA and HUD are underway in identifying needs and corresponding improvements to each system. While uncertain of the level of resources necessary to update these platforms, it is understood that targeted funding will be needed to facilitate system changes.

### Assess regulations & determine impact on program outcomes

Regulatory compliance involves substantial administrative staff and time. Full-time positions are accounted for in many state and local programs due to the extensive level of environmental, labor, relocation, and other federal standards. Recognizing the importance of meeting these standards, administrators dedicate significant effort and resources for this purpose. Many regulations continue to be mismatched with project development.

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<sup>37</sup> COSCDA. ESG Requests. October 2021. <https://coscda.org/wp-content/uploads/2022/10/COSCD A-ESG-Requests-Oct2021.pdf>.

Additionally, as federal financing often overlaps on the same project, separate reviews occur for each agency's labor and environmental compliance proving duplicative and inefficient.

Renewed regulatory review of federal standards (labor, environment, relocation, fair housing, and lead based paint) would provide key information needed to determine how standards impact programs and project development. As a result, HUD and related stakeholders can identify and address processes misaligned with program and project implementation. **COSCD A urges Congress to direct HUD to conduct this level of review with emphasis on streamlining compliance standards.**

Improve interagency coordination between HUD & federal partners

The Government Accountability Office (GAO) released a report in 2021 assessing the current state of agency programs in economic development.<sup>38</sup> Between HUD, U.S. Department of Agriculture (USDA), and the Economic Development Administration (EDA), a focus of this analysis was improving coordination to promote economic development outcomes. GAO provided several recommendations to facilitate cooperation for better outcomes.

COSCD A welcomes improved interagency collaboration between HUD and federal partners dedicated to community development. Beyond economic development, enhanced coordination should also be pursued for housing and infrastructure programs. Agencies apply separate program rules despite their overlap in use and purpose. As a result, increased time and resources are needed by project stakeholders to meet compliance for each set of directives.

To streamline assistance and improve access to federal resources, **we urge a review of CPD programs against similar federal initiatives.** The review would allow agencies to identify and pursue processes which can be better aligned accommodating stakeholder use of federal resources. COSCD A recommends inclusion of a directive in the final appropriations measure supporting this activity.

We welcome further engagement to provide additional details and perspective on these priorities. Thank you for your consideration and COSCD A looks forward to our continued partnership.

Sincerely,



Dianne E. Taylor  
Executive Director

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<sup>38</sup> Government Accountability Office. Economic Development: Opportunities Exist for Further Collaboration among EDA, HUD, and USDA. July 2021. <https://www.gao.gov/products/gao-21-579>.

Attachments:

COSCSA FY24 Appropriations Request Summary

COSCSA FY24 Appropriations Bill & Report Language Request

Cc:

The Honorable Charles Schumer  
The Honorable Mitch McConnell  
The Honorable Kevin McCarthy  
The Honorable Hakeem Jeffries  
The Honorable Tammy Baldwin  
The Honorable John Boozman  
The Honorable Katie Britt  
The Honorable Shelley Moore Capito  
The Honorable Chris Coons  
The Honorable Dick Durbin  
The Honorable Dianne Feinstein  
The Honorable Deb Fischer  
The Honorable Lindsey Graham  
The Honorable Bill Hagerty  
The Honorable Martin Heinrich  
The Honorable John Hoeven  
The Honorable John Kennedy  
The Honorable Joe Manchin  
The Honorable Jeff Merkley  
The Honorable Jerry Moran  
The Honorable Lisa Murkowski  
The Honorable Chris Murphy  
The Honorable Gary Peters  
The Honorable Jack Reed  
The Honorable Marco Rubio  
The Honorable Jeanne Shaheen  
The Honorable Jon Tester  
The Honorable Chris Van Hollen  
The Honorable Robert Aderholt  
The Honorable Pete Aguilar  
The Honorable Mark Amodei  
The Honorable Stephanie Bice  
The Honorable Sanford Bishop  
The Honorable Ken Calvert  
The Honorable Jerry Carl  
The Honorable John Carter  
The Honorable Matt Cartwright  
The Honorable Ed Case  
The Honorable Juan Ciscomani  
The Honorable Ben Cline  
The Honorable Michael Cloud  
The Honorable Andrew Clyde  
The Honorable Henry Cuellar

The Honorable Mario Diaz-Balart  
The Honorable Jake Ellzey  
The Honorable Adriano Espaillat  
The Honorable Chuck Fleischmann  
The Honorable Lois Frankel  
The Honorable Scott Franklin  
The Honorable Mike Garcia  
The Honorable Tony Gonzales  
The Honorable Michael Guest  
The Honorable Josh Harder  
The Honorable Andy Harris  
The Honorable Ashley Hinson  
The Honorable Steny Hoyer  
The Honorable Dave Joyce  
The Honorable Marcy Kaptur  
The Honorable Derek Kilmer  
The Honorable Jake LaTurner  
The Honorable Barbara Lee  
The Honorable Susie Lee  
The Honorable Julia Letlow  
The Honorable Betty McCollum  
The Honorable Grace Meng  
The Honorable John Moolenaar  
The Honorable Joe Morelle  
The Honorable Dan Newhouse  
The Honorable Chellie Pingree  
The Honorable Mark Pocan  
The Honorable Guy Reschenthaler  
The Honorable Hal Rogers  
The Honorable Dutch Ruppersberger  
The Honorable John Rutherford  
The Honorable Mike Simpson  
The Honorable Chris Stewart  
The Honorable Norma Torres  
The Honorable David Trone  
The Honorable Lauren Underwood  
The Honorable David Valadao  
The Honorable Debbie Wasserman Schultz  
The Honorable Bonnie Watson Coleman  
The Honorable Jennifer Wexton  
The Honorable Steve Womack  
The Honorable Ryan Zinke