

April 25, 2023

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
Washington, DC 20515

The Honorable Mike Quigley
Ranking Member
House Appropriations Transportation-Housing
and Urban Development Subcommittee
1036 Longworth House Office Building
Washington, DC 20515

Dear Chairman Schatz, Ranking Member Hyde-Smith, Chairman Cole, and Ranking Member Quigley:

The Council of State Community Development Agencies (COSCD A) thanks you for your leadership in hosting Secretary Fudge to engage on the fiscal year (FY) 2024 budget request from the U.S. Department of Housing and Urban Development (HUD). The exchange offered a tremendous opportunity to explore the agency's funding and policy proposals for the coming fiscal year. As COSCD A works on behalf of state administrators of HUD Community Planning and Development programs (HUD-CPD), we are grateful to the Transportation-HUD Appropriations Subcommittees for their dedication to community development and housing. We remain committed to ensuring the appropriations process is responsive to state and local programs. The priorities below follow recently issued details on COSCD A's FY24 appropriations request and responses to HUD's proposed budget.

- Introduction to COSCD A's FY24 advocacy priorities¹
- COSCD A's FY24 appropriations request²
 - Proposed bill & report language³

¹ COSCD A. FY24 Advocacy Priorities – Appropriations. March 6, 2023. <https://coscda.org/wp-content/uploads/2023/04/COSCD A-FY2024-Advocacy-Priorities-Appropriations-FINALMar2023.pdf>.

² COSCD A. FY24 Appropriations Request. April 17, 2023. <https://coscda.org/wp-content/uploads/2023/04/COSCD A-FY24-Appropriations-Request-April2023-1.pdf>.

³ COSCD A. FY24 Appropriations Bill & Report Language Request. April 2023. <https://coscda.org/wp-content/uploads/2023/04/COSCD A-FY2024-Appropriations-Bill-Report-Language-Request-April2023-1.pdf>.

Establish adequate funding for enhanced community development

- HUD Office of Community Planning & Development Salaries & Expenses
 - COSCDA FY24 request: \$164,000,000
FY23 enacted: \$164,000,000
HUD FY24 budget: \$173,000,000
- CDBG formula grants
 - COSCDA FY24: \$4,200,000,000
FY23 enacted: \$3,300,000,000
HUD FY24 budget: \$3,400,000,000
- HOME
 - COSCDA FY24 request: \$2,500,000,000
FY23 enacted: \$1,500,000,000
HUD FY24 budget: \$1,800,000,000
- Homeless Assistance
 - COSCDA: robust resources with at least twenty percent to the ESG program
FY23 enacted: \$3,633,000,000
HUD FY24 budget: \$3,749,000,000

As HUD seeks to address continued needs in programs, staff, and information technology, COSCDA generally agrees with the agency's request of increased funds for these purposes. HUD-CPD programs are an important resource for local-led activities in housing and community development. However, funding over many years has proven insufficient to accommodate transformative projects and services in distressed communities nationwide. We ask consideration for annual spending to adequately support these critical and responsive programs as well as needed resources to HUD staffing and IT.

In response to HUD's request for HUD-CPD programs, the extent of community-based needs will require further resources than recommended by the agency. States report that proposals received in their respective programs consistently outweigh available funds. As infrastructure and housing needs remain unresolved in rural areas, CDBG, HOME, and Homeless Assistance Grants are few of the only available financing sources to these communities.

Advance resources for responsive program administration & technical assistance

- CDBG
Strengthen program administration & technical assistance - increase state cap from 3 to 6%, & state admin match threshold from \$100,000 to \$500,000
- CDBG-Disaster Recovery
Improve program accountability & oversight - direct up to 10% for administration

- HOME
Strengthen program administration & technical assistance - increase cap to 15%
- Homeless Assistance
Strengthen program administration and technical assistance - increase caps for both Continuum of Care & Emergency Solutions Grants to 10%

HUD-CPD program administration involves extensive time and effort across the full life cycle of grants. The list of responsibilities is considerable and includes annual and consolidated planning, sub-grantee and recipient training, cross-cutting compliance standards (labor, environment, relocation, procurement), activity and administrative oversight (2 CFR Part 200), sub-grantee and recipient monitoring, audits and much more. Administrative duties are continuing to expand as well with new policies coming online; most recently, the Buy America domestic procurement provision (BABA) and Violence Against Women Act's (VAWA) reporting standards for CDBG recipients. A pending rule on fair housing will likely add further responsibilities to HUD-CPD funding recipients as well. Further, states are reporting significant barriers to attracting and retaining quality staff due in large part to salary ranges being irresponsive to the job market.⁴ Without change, grantees will continue to experience these challenges to facilitate adequate program oversight. In response, COSCDA requests adjustments to the existing administrative caps for CDBG, HOME, Homeless Assistance Grants (CoC & ESG), and CDBG-DR. Additional resources for administration means state and local programs can enhance their ability to accommodate activities and ensure accountability of federal funds.

In recent years, HUD and Congress have responded to this need. As included in its waivers and flexibilities on CARES Act funding, the agency provided increased administrative cap for state CDBG recipients (seven percent).⁵ Further, in the CARES Act, Congress directed recipients up to ten percent of funds for administration.⁶ HUD also extended grantees the ability to draw up to 15% of funds for administration for HOME American Rescue Plan Act (HOME-ARP) resources.⁷ HUD also requested in both its FY23 and 24 budgets to allow state CDBG recipients up to six percent of grant funds for administration and technical assistance.⁸⁹

⁴ COSCDA. State Responses to COSCDA's FY23 Appropriations Request. June 2022. <https://coscda.org/wp-content/uploads/2022/06/State-Responses-COSCDAY2023-Approps-Recommendations-June2022FINAL.pdf>.

⁵ Federal Register. U.S. Department of Housing and Urban Development. Docket No. FR-6218-N-01. Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs. August 20, 2020. https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-CV_Notify_Federal_Register_Publication_2002-08.pdf.

⁶ P.L. 116-136. Enacted March 27, 2020. <https://www.govinfo.gov/content/pkg/PLAW-116publ136/pdf/PLAW-116publ136.pdf>.

⁷ U.S. Department of Housing and Urban Development. CPD-21-10. Requirements for the Use of Funds in the HOME-American Rescue Plan Program. September 13, 2021. <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-10cpdn.pdf>.

⁸ HUD. Congressional Justification FY23 – Community Development Fund. March 2022.

https://www.hud.gov/sites/dfiles/CFO/documents/2023_CJ_Program_-_Community_Development_Fund_updated.pdf.

⁹ HUD. Congressional Justification FY24 – Community Development Fund. March 2023.

https://www.hud.gov/sites/dfiles/CFO/documents/2024_CJ_Program_-_CDF.pdf.

Direct key flexibilities for enhanced program outcomes

- Housing
 - CDBG
 - Improve CDBG use for housing construction (remove requirements on Community-Based Development Organizations & plans/projects)
 - HOME
 - Suspend commitment deadline (included in recent annual appropriations)
 - Allow jurisdictions to retain Community Housing Development Organizations set-aside funds (included in recent annual appropriations)
 - Improve ability for HOME to support non-profit housing orgs (increase operating assistance cap to 10%)
- Update CDBG for public services (increase public services cap to 20%, & exempt fair housing)
- Remove the 1-year, 30% expenditure deadline on Recovery Housing Program (RHP) funds
- Maximize & streamline resources by extending pandemic-era waivers for ESG

HUD-CPD administrators appreciate a certain level of parameters needed to ensure programs operate as intended by Congress and HUD. However, certain restrictions pose barriers for communities and beneficiaries to access funds for their respective needs. COSCDA recommends specific updates which would better respond to on-the-ground conditions and advance flexibilities needed to streamline aid to projects and services.

Housing

We recommend updates for HOME to ensure funds can be targeted in a meaningful way: 1) suspension of the two-year commitment deadline and 2) removal of the recapture provision on set-aside funds for Community Housing Development Organizations (CHDOs). Both flexibilities have been accommodated in recent appropriations laws. Further, based on their essential role in facilitating HOME investments, COSCDA urges an increase in operating expenses allowed for non-profits (from five to ten percent).

For CDBG, we request removal of certain requirements for housing construction: 1) suspension of the requirement to facilitate housing construction through Community-Based Development Organizations (CBDOs) and 2) removal of the directive for developments to be a part of a neighborhood revitalization plan or economic development project. Current requirements pose considerable barriers to using program funds for housing construction. As a result, only a very small level of CDBG is used for housing construction.

Public Services & Fair Housing

COSCDA also requests changes to respective caps on public services and fair housing. As grantees seek additional means to fund workforce training, senior services, homeless outreach, and related public services, CDBG is an appropriate and accessible tool to support these crucial activities. A recommended update to the existing cap would provide recipients with greater ability to use CDBG for activities under this category (update

the public services cap to 20%). Communities also view fair housing activities as necessary for improved housing access and opportunity. CDBG is available to support these actions, however, can only be accommodated as either an administrative or public services activity both of which include respective caps. HUD's recent publication of its Affirmatively Furthering Fair Housing (AFFH) rule directs new requirements and emphasizes enhanced engagement from HUD funding recipients on fair housing.¹⁰ To promote additional flexibility to use CDBG for fair housing activities and meet HUD's updated standards, we urge removal of the public services cap for fair housing.

Recovery Housing Program

Administrators of CDBG's Recovery Housing Program (RHP) have experienced challenges to meet expenditure deadlines as directed by the program's authorizing language. Established under the SUPPORT Act, the program directs resources for supportive housing to individuals recovering from substance use and addiction.¹¹ The statute requires grant recipients to expend 30% of their respective grant within one year. Due to circumstances ongoing in establishing and sustaining this new program, grantees have been significantly burdened to address this directive. We recognize the timeline was installed prior to a global pandemic and circumstance thereafter and encourage suspension of this directive until adjustments can be made for states to accommodate this accordingly.

ESG Waivers

Additionally, COSCDA urges extending recent waivers provided by HUD to ESG recipients. In response to COVID-19, HUD offered specific flexibilities to streamline ESG for homelessness response.¹² This development proved immensely beneficial to state and local recipients in delivering both existing and CARES Act resources. Many of the conditions suspended by HUD were time-limited and expired with the end of the emergency declaration. ESG administrators view continuance of these flexibilities as an important means to increase efficiency and effectiveness of program resources.¹³ We urge Congress to extend these waivers and streamline federal aid to homelessness.

¹⁰ Federal Register. HUD. Affirmatively Furthering Fair Housing. Docket No. FR-6250-P-01. February 9, 2023. <https://www.federalregister.gov/documents/2023/02/09/2023-00625/affirmatively-furthering-fair-housing>.

¹¹ P.L. 115-271. Enacted October 24, 2018. Section 8071. Pilot Program to Help Individuals in Recovery From a Substance Use Disorder Become Stably Housed. Page 203. <https://www.congress.gov/115/plaws/publ271/PLAW-115publ271.pdf>.

¹² HUD. Homeless System Response: Summary of ESG Program Waivers and Alternative Requirements. Effective as of April 19, 2022. <https://files.hudexchange.info/resources/documents/COVID-19-Homeless-System-Response-Summary-of-ESG-Program-Waivers-and-Alternative-Requirements.pdf>.

¹³ COSCDA. ESG Requests. October 2021. <https://coscda.org/wp-content/uploads/2022/10/COSCDA-ESG-Requests-Oct2021.pdf>.

Modernize HUD

- Target resources to improve HUD-CPD Information Technology
- Assess & determine impact of Davis Bacon, Sec. 3 on project development
- Adopt aligned compliance standards between federal funding entities

Data reporting maintains critical importance to HUD-CPD program management. Primary technology platforms used by both HUD and grantees are the Integrated Disbursement and Data System (IDIS), Disaster Recovery Grant Reporting System (DRGR), and Homeless Management Information Systems (HMIS). Certain system deficiencies exist however which results in inefficiencies and an overall poor user experience. While COSCDA is currently coordinating with HUD on improving these vital reporting tools, we understand a certain level of resources will be necessary to secure these updates. We encourage targeted resources for meaningful changes to HUD-CPD technology systems.

COSCD A also urges HUD's review of current Davis Bacon and Section 3 policies on programs and projects. Davis Bacon labor standards require considerable administrative response from grantees and corresponding contractors and sub-grantees/recipients. In serving primarily small and rural areas, state CDBG and HOME administrators often receive few or no bids on projects; reluctance stems in large part to the extensive work required by contractors to report prevailing wages. Section 3 outlines steps for HUD funding recipients to encourage employment opportunities for beneficiaries of HUD-supported projects. While well-intended, the policy requires reporting activities which adds time and costs to project development. We believe renewed assessment on impacts and outcomes of these policies is reasonable considering the extent of effort and resources dedicated by stakeholders to meet these requirements.

We also encourage HUD to align cross-cutting compliance standards with other federal programs. Considering frequent use of HUD-CPD programs alongside other federal investments, coordination of program requirements should be prioritized. The ability of a HUD funding recipient to apply compliance processes and reviews of other federal funding partners would result in more efficient program administration. COSCDA asks Congress to direct HUD study on this issue and corresponding actions to afford grantees the ability to adopt other agencies reviews on environment, labor, relocation, and procurement.

Again, thank you for your incredible dedication to the federal appropriations process. We look forward to our continued partnership to advance mutual goals in HUD program delivery. If we can provide further response, please feel free to reach out.

Sincerely,



Dianne E. Taylor
Executive Director

CC:

The Honorable Patty Murray
The Honorable Susan Collins
The Honorable Kay Granger
The Honorable Rosa DeLauro
The Honorable John Boozman
The Honorable Shelley Moore Capito
The Honorable Susan Collins
The Honorable Chris Coons
The Honorable Dick Durbin
The Honorable Dianne Feinstein
The Honorable Lindsey Graham
The Honorable John Hoeven
The Honorable John Kennedy
The Honorable Joe Manchin
The Honorable Jerry Moran
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The Honorable Jennifer Wexton
The Honorable Steve Womack
The Honorable Ryan Zinke