DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

Community Development Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry ov er	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	4,841,409	3,750,891	4,994,500	13,586,800	5,336,153	7,515,084
2023 Appropriation	6,397,286	8,250,642	4,990,000	19,637,928	10,094,586	13,034,000
2024 President's Budget	3,415,000	9,543,342	-	12,958,342	7,405,751	15,592,000
Change from 2023	(2,982,286)	1,292,700	(4,990,000)	(6,679,586)	(2,688,835)	2,558,000

a/ 2022 Supplemental includes \$5 billion of disaster assistance funding enacted in the 2022 Continuing Resolution (P.L. 117-43), net a transfer of \$5.5 million to Salaries and Expenses (S&E).

PROGRAM PURPOSE

The Community Development Fund (CDF) is the broadest domestic community development assistance program in the U.S. Government portfolio. Its largest program, the Community Development Block Grant (CDBG) program, develops viable urban and rural communities by expanding economic opportunities and improving quality of life principally for low- and moderate-income persons. The program provides annual grants to more than 1,200 recipients, including cities, urban counties, States, Puerto Rico and the U.S. Territories. All cities and towns in the United States can potentially receive CDBG funding, either from HUD directly or through their respective State.

BUDGET OVERVIEW

The 2024 President's Budget requests \$3.4 billion for the Community Development Fund, which is \$3 billion less than the 2023 enacted level. The Budget for the CDF includes funding for the following sub-components:

- CDBG Entitlement Program (\$2.3 billion)
- CDBG Non-Entitlement Program (\$1 billion)
- CDBG Insular Program (\$7 million)
- Recovery Housing Program (\$30 million)
- Grants to Identify and Remove Barriers to Affordable Housing (\$85 million)

This program aligns with HUD 2022-2026 Strategic Objectives 1C: *Invest in the Success of Communities* and 4C: *Integrate Healthcare and Housing*.

b/ 2023 Supplemental includes \$2 billion of disaster assistance funding enacted in the 2023 Continuing Resolution (P.L. 117-180) and \$3 billion of disaster assistance funding enacted in the 2023 Consolidated Appropriations Act (P.L. 117-328), net a transfer of \$5 million to S&E and \$5 million to the Office of the Inspector General.

JUSTIFICATION

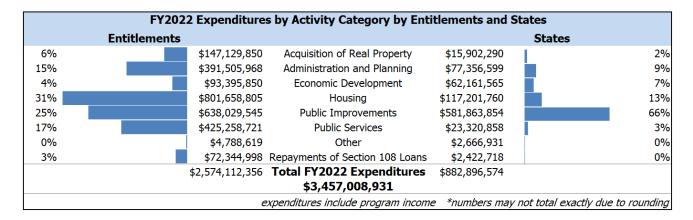
Community Development Block Grant Program

Communities use CDBG funds for projects initiated and developed at the local level based on local needs, priorities, and benefits. There are 26 statutory eligible activities that include public facilities, infrastructure, housing, economic development, and planning. Each activity must also meet a National Objective of either: (1) benefitting low- and moderate-income persons; (2) eliminating slums or blight; or (3) addressing urgent needs for community health and safety.

CDBG funding is often used in association with other HUD grants for projects that further the Administration's policy priorities of strengthening and broadening the Federal housing safety net for people in need, advancing equity by improving housing choices and greater economic opportunity, supporting underserved communities, and advancing sustainable communities by promoting climate resiliency and energy efficiency across the housing sector. In 2022, the program provided funding for:

- Housing-related activities that served more than 60,000 families, including direct homeownership assistance and rehabilitation of homes;
- More than 46,000 individuals to find permanent employment or to keep the full-time jobs they were at risk of losing through economic development activities;
- Improvements to homeless facilities that served more than 83,500 people; and,
- Senior services, operating costs of homeless and HIV/AIDS patient programs, food banks, services for the disabled, youth services, transportation services, and general health or mental health services that assisted more than 5.3 million people.

Communities predominantly expend CDBG funds for housing-related activities and public improvements. In addition to families served through the housing activities highlighted above, public improvements, such as streets, sidewalks, parks, and water and sewer systems, served more than 39 million people in 2022. Under the CDBG formula, 70 percent of funding goes to the urban entitlement program, and 30 percent goes to the State program. In the rural and suburban communities in the State CDBG program, the main expenditure is for public improvements. In addition to the State and Entitlement programs, pursuant to the Housing and Community Development Act of 1974, the CDF contains \$7 million for the Insular Areas.



CDBG investments in community development are frequently combined with other funding. CDBG is often used for gap financing to add the final necessary funds for a project to be successful. HUD requests that grantees report on leveraged funds, as well as public-private partnerships, to demonstrate local investment. CDBG investments reported leveraging an average of \$2.80 for every

\$1.00 of grant funding during 2021, amplifying the CDBG program's return on investment with \$2.4 billion in other resources.

To encourage local leverage of CDBG funds, pending proposed rulemaking will enhance grantees' ability to use CDBG funds, particularly for economic development. The proposed rule would establish mandatory financial underwriting requirements for economic development and housing loan activities, expand the regulatory definition of slum and blight to allow grantees greater flexibility in undertaking economic development projects, incorporate several eligibility changes not currently codified in HUD's CDBG regulations, and modernize various provisions regarding grantee public citizen participation requirements. The rule also proposes to allow funds to be used for targeting emerging markets, revise the criteria for national objectives in mixed-used developments, and modernize and simplify the public benefit standards for economic development activities. The updated regulations seek to strengthen timeliness measures while finding ways to incentivize high performing and entrepreneurial grantees. Lastly, the proposed rule would update definitions and streamline reporting requirements.

The impact of CDBG funding is evident in the accomplishments of the program. The table below demonstrates those accomplishments from 2005 through 2022. The relative cost of activities and the impacts of funding changes are expressed by the number of beneficiaries served for every \$100 million of CDBG investment in each category.

Outco	omes Asso	ciated wit	th CDBG	Funding,	Fiscal Yea	rs 2005 throu	gh 2022
Economic	Developn	ient					
	Permanent Jobs directly Created or Retained					521,432	Jobs
	Annual Funding Change Impact:						
		For every	\$100 milli	on of CDB	G funding	11,017	Jobs
Public Improvements							
	Persons Benefitted by these Facilities					609,447,979	Persons
	Annual Funding Change Impact:						
		For every \$100 million of CDBG funding					Persons
Public Services							
Persons Benefitting fr			om these services			980,516,452	Persons
	Annual Funding Change Impact:						
		For every \$100 million of CDBG funding				12,870,126	Persons
Housing							
	Households Assisted (excluding housing counseling					1,757,737	Households
	Annual Fu	Funding Change Impact:					
		For every \$100 million of CDBG funding				10,380	Households

Recovery Housing Program

The Pilot Program to Help Individuals In Recovery From a Substance Use Disorder Become Stably Housed (Recovery Housing Program), was authorized under Section 8071 of the Support for Patients and Communities (SUPPORT) Act. The Recovery Housing Program (RHP) allows States and the District of Columbia to provide stable, transitional housing for individuals in recovery from a substance-use disorder. The funding covers a period of not more than two years or until the individual secures permanent housing, whichever is earlier. Congress has appropriated a total of \$105 million in RHP funding; \$25 million in each fiscal year of 2020-2022 and \$30 million in 2023. The program has allocated funds to 28 unique grantees whose age-adjusted rate of drug overdose

deaths was above the national rate in 2016 (2020 grantees), 2018 (2021 grantees) or 2019 (2022 grantees). The 28 grantees, some of which have received three allocations, include 27 States and the District of Columbia.

Grants to Identify and Remove Barriers to Affordable Housing

The Consolidated Appropriations Act, 2023 (P.L.117-328) provided \$85 million to award grants on a competitive basis to State and local governments, metropolitan planning organizations, and multijurisdictional entities for the identification and removal of barriers to affordable housing productions and preservation. Eligible uses of such grants include activities that further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate housing production and preservation. The 2024 President's Budget seeks to further this goal with an additional \$85 million of grants in 2024. HUD will prioritize applicants that demonstrate: (1) progress and a commitment to overcoming local barriers to facilitate the increase in affordable housing production and preservation; and (2) an acute demand for housing affordable to households with incomes below 100 percent of the area median income. The grants will reward applicants that have made progress in updating zoning codes, land use policies, permitting processes, as well as constructing necessary housing-related infrastructure, that will ultimately increase the supply of affordable housing.

Non-Community Development Funds Roles of the Office of Block Grant Assistance

CDBG also provides a statutory and regulatory structure that can be used by the Federal Government to quickly allocate funds to local communities for a wide range of community development initiatives. For example, the Congress has frequently used the existing CDBG structure to respond to long-term disaster recovery needs. Community Planning and Development (CPD) administers the following programs that use the existing CDBG framework:

- CDBG-CV funds (\$5 billion) to prevent, prepare for, and respond to coronavirus, made available through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act);
- Supplemental appropriations of CDBG-Disaster Recovery (CDBG-DR) funds (\$42.1 billion during the past five years) for long term recovery to affected communities of major natural disasters that occur within the United States; and
- Emergency assistance of approximately \$7 billion to stabilize communities with high rates of abandoned and foreclosed homes due to the 2008 financial crisis, through the Neighborhood Stabilization Program (NSP).

Equity

The Budget will advance the Administration's equity goal by providing communities CDBG funds to increase the breadth and depth of neighborhood-level activities according to their needs, such as rehabilitating affordable housing units, providing homeownership assistance, and providing fair housing services to low- and moderate-income persons. CDBG funds support affirmatively furthering fair housing planning and implementation in many communities. Furthermore, communities will be able to continue to fund economic development activities that support small and micro-businesses in CDBG-eligible areas, which typically take longer than other businesses to fully recover from recessions.

Funding Impact

2024 will mark the 50th anniversary of the CDBG program (enacted by Title I of the Housing and Community Development Act of 1974). The program enjoys wide bipartisan support of all levels of government due to its flexibility to meet local needs. The 50th anniversary will likely come at a time

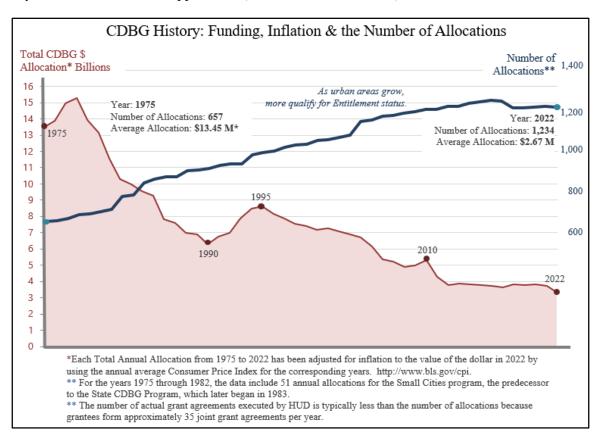
when communities continue to feel serious economic pressures, the need to retool their workforce to meet changing circumstances, and access to funding to become resilient in the face of our changing climate. The Budget highlights the importance of CDBG's role in developing stronger and more resilient communities.

Based on 2022 accomplishments, the 2024 requested amount for CDBG funds would result in the following over time:

- 60,000 families provided with funding for direct homeownership assistance and home rehabilitation; and
- 46,000 individuals helped in gaining permanent employment or keeping their full-time
 jobs that were at risk of being lost; and 5.3 million people provided senior services,
 services through homeless and AIDS patients programs, food banks, services for the
 disabled, youth services, transportation services, and general health or mental health
 services.

Key Assumptions

During its 48-year history of allocations, increasing numbers of qualifying entitlement grantees and the declining value of CDBG appropriations in real dollars have limited the impact of CDBG funding. For example, the 2022 enacted level of \$3.3 billion represents approximately one quarter of the funding level in 1975 when adjusted for inflation, while the number of grantees has doubled. Factoring the increase in grantees during that time (from 657 to 1234), the average inflationadjusted allocation has dropped from \$13.5 million in 1975 to \$2.7 million in 2022.



Outcomes, Performance Indicators, and Other Evidence

Since HUD allocates CDBG funding to States, local governments, and insular areas, every additional dollar appropriated for CDBG goes directly to grantees to create more jobs, rehabilitate more affordable housing units, build more infrastructure, and provide more services to their communities.

CDBG investments reported leveraging an average of \$2.80 for every \$1.00 of grant funding during 2021, amplifying the CDBG program's return on investment with \$2.4 billion in other resources. The following outcomes were associated with CDBG funding in 2005 through 2022.

- 521,432 permanent jobs directly created or retained for low- and moderate-income persons.
- 609,447,979 low- and moderate-income persons benefitted from public facility improvements.
- 980,516,452 low- and moderate-income persons benefitted from public services.
- 1,757,737 low- and moderate-income households received housing assistance.

The Department will continue to measure success by its analysis of outcomes (e.g., number of households assisted) associated with CDBG funding by periodically reviewing the program's impact within permanent jobs created/retained, public improvements, public services, and housing. Resident stakeholders frequently participate in the CDBG process and, in many communities, consider outcomes. Grantees set and report on local goals in their Consolidated Plans and annual reports, including publication of the plans and reports for comment and public hearings on needs and performance.

Stakeholders

The CDBG program has historically been a catalyst for collaboration amongst Federal, State, local, and private-sector partners. Grant funding provides opportunities for partners to develop collaborative working environments such as a multisector task force as well as regional/local working groups to address challenges within interagency program requirements and intergovernmental communication. Collaboration has enhanced the Department's intersectional approach for resolving public improvement and facility funding gaps, housing equity, and employment loss. From 2005 to 2022, CDBG funding helped create or retain more than 521,000 jobs with CDBG funding and benefitted nearly 1.76 million households from the program's housing-related services. The goal of the CDBG program is to continue to enable flexibility for local priorities within a broad national framework emphasizing benefit to low- and moderate-income persons. HUD provides policy, guidance, and technical assistance for grantees and their partners while allowing them to address the needs in low- to moderate-income communities.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget	2021 Carry ov er	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry ov er	2023 Total Resources	2024 President's
= 44	Authority	Into 2022		J	''' '	Into 2023		Budget
Entitlement / Non-		221212						
Entitlement	3,293,000	604,349	3,897,349	2,629,423	3,293,000	1,267,645	4,560,645	3,293,000
Insular Areas	7,000	8,982	15,982	5,965	7,000	10,016	17,016	7,000
Recovery Housing								
(SUPPORT)	25,000	41,908	66,908	36,835	30,000	30,073	60,073	30,000
Land Use Reform Grants (Grants to								
Identify and								
Remove Barriers to								
Affordable Housing)	-	-	-	-	85,000	-	85,000	85,000
Disaster Assistance	4,994,500	3,050,083	8,044,583	2,618,897	4,990,000	5,425,734	10,415,734	-
Congressionally								
Directed Spending:								
Economic								
Dev elopment								
Initiativ es	1,516,409	379	1,516,788	-	2,982,286	1,516,788	4,499,074	-
Special Purpose								
Grants (Section								
107)	-	41	41	-	-	42	42	-
Economic Dev elopment								
Training (Section								
805)	-	349	349	7	-	344	344	-
Entitlement / Non-								
Entitlement Grants								
(CARES Act)		44,800	44,800	45,026	-	-	<u> </u>	<u> </u>
Total	9,835,909	3,750,891	13,586,800	5,336,153	11,387,286	8,250,642	19,637,928	3,415,000

a/ Disaster Assistance also includes recaptured formula funds that will be awarded to communities affected by Stafford Act declared disasters, pursuant to 42 USC 5306(c)(4). Carryover and recaptures for Disaster Assistance include, but are not limited to, appropriations provided by the following: P.L. 115-123, approved February 9, 2018, appropriated \$28 billion for Hurricanes Harvey and Irma; P.L. 116-20, approved June 6, 2019, appropriated \$2.4 billion for disasters that occurred in 2018 and 2019; P.L. 117-43 approved September 30, 2021, provided \$5 billion for disasters that occurred in 2020 and 2021. Of this amount from P.L. 117-43, \$5.5 million was transferred to the CPD S&E account.

b/ Carryover includes \$379 thousand of recaptures for projects funded under the previous iteration of EDI that are unavailable.

c/ Carryover funds are recaptures from a program that no longer operates.

d/ 2022 Obligations include \$226 thousand of recaptures that were reapportioned and obligated during the fiscal year.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriation Language Changes

The 2024 President's Budget includes the following:

Added Flexibility While Determining Grant Eligibility: For the Recovery Housing Program, the Budget proposes flexibility for the Department to use the best available data to determine grant eligibility for jurisdictions where such age-adjusted rate data is unavailable. Since the current CDC data does not include Puerto Rico, this proposed change is necessary to allow HUD to use data to determine eligibility for all potentially eligible grantees.

General Provisions

The 2024 President's Budget re-proposes the following general provisions that were enacted in the 2023 appropriations law:

- <u>Prevention of Entitlement Community Status</u>: This provision would prevent the use of funds to the termination a metropolitan city's entitlement community status. (Sec. 218)
- <u>Formula Grant Allocation Revisions</u>: This provision allows the Department to correct any past formula allocation errors as part of the next applicable formula allocation cycle. (Sec. 227)

Legislative Proposals

The 2024 Budget supports the following legislative proposals and will seek changes through the authorization process:

- <u>Permanent Authorization of CDBG-DR</u>: HUD supports a permanent, reliable framework for disaster recovery through authorizing CDBG-DR. Please see the CDBG-DR Congressional Justification for more details.
- Enhance State CDBG Compliance Authority: HUD proposes to require a State to create compliance standards for its review and audits of recipient units of general local government to ensure that the local government is spending funds in accordance with the State's community development plan, has satisfied its performance criteria, and is carrying out activities in a timely manner. This proposal would also remove a superseded requirement for a unit of general local government to comply with a housing assistance plan.
- Provide Interim Support for Low-Capacity Grantees: HUD proposes to amend section 104 of the Housing and Community Development Act of 1974 (HCD Act) so that if a metropolitan city or urban county does not have capacity to administer its grant, HUD may permit the State to administer the grant on behalf of the metropolitan city or urban county. This tool would provide an option for a low-capacity entitlement that is not within an urban county to remain in the entitlement program while working to increase its capacity.
- Increase State Administration Cap: Paired with the proposal on State compliance authority, HUD proposes to amend section 106 to raise the State grantee administration fee cap from 3 percent to 6 percent to provide resources to support greater accountability and technical assistance for non-entitled local governments. This section retains the State matching requirement for the administration of funds. The purpose of this proposed amendment is to support States with maintaining capacity to operate the program and to track local revolving funds and other program income over time. This is an identified area of weakness in the CDBG program, evidenced by major monitoring findings with multimillion-dollar resolutions in several States.

APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

For assistance to States and units of general local government, and other entities, for economic and community development activities, and other purposes, [\$6,397,285,641] \$3,415,000,000, to remain available until September 30, [2026] 2027: Provided, That of the sums appropriated under this heading—

- (1) \$3,300,000,000 shall be available for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et seq.) (in this heading "the Act"): *Provided*, That not to exceed 20 percent of any grant made with funds made available under this paragraph shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or insular area that directly or indirectly receives funds under this paragraph may not sell, trade, or otherwise transfer all or any portion of such funds to another such entity in exchange for any other funds, credits, or non-Federal considerations, but shall use such funds for activities eligible under title I of the Act: *Provided further*, That notwithstanding section 105(e)(1) of the Act, no funds made available under this paragraph may be provided to a forprofit entity for an economic development project under section 105(a)(17) unless such project has been evaluated and selected in accordance with guidelines required under subsection (e)(2) of section 105;
- (2) \$85,000,000 shall be available for the Secretary to award grants on a competitive basis to State and local governments, metropolitan planning organizations, and multijurisdictional entities for additional activities under title I of the Act for the identification and removal of barriers to affordable housing production and preservation: Provided, That eligible uses of such grants include activities to further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate affordable housing production and preservation: Provided further, That the Secretary shall prioritize applicants that are able to (A) demonstrate progress and a commitment to overcoming local barriers to facilitate the increase in affordable housing production and preservation; and (B) demonstrate an acute demand for housing affordable to households with incomes below 100 percent of the area median income: Provided further, That funds allocated for such grants shall not adversely affect the amount of any formula assistance received by a jurisdiction under paragraph (1) of this heading: Provided further, That in administering such amounts the Secretary may waive or specify alternative requirements for any provision of such title I except for requirements related to fair housing, nondiscrimination, labor standards, the environment, and requirements that activities benefit persons of low- and moderate-income, upon a finding that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts: and
- (3) \$30,000,000 shall be available for activities authorized under section 8071 of the SUPPORT for Patients and Communities Act (Public Law 115–271): Provided, That funds allocated pursuant to this paragraph shall not adversely affect the amount of any formula assistance received by a State under paragraph (1) of this heading: Provided further, That the Secretary shall allocate the funds for such activities based on the notice establishing the funding formula published in 84 FR 16027 (April 17, 2019) [except that the formula shall use age-adjusted rates of drug overdose deaths for 2020 based on data from the Centers for Disease Control and Prevention] (unless such age-adjusted rate is unavailable for a jurisdiction, in which case the Secretary shall use the best available data to determine eligibility and to allocate to such jurisdiction)[; and]
- [(4) \$2,982,285,641 shall be available for grants for the Economic Development Initiative (EDI) for the purposes, and in amounts, specified for Community Project Funding/Congressionally Directed Spending in the table entitled "Community Project Funding/Congressionally Directed Spending" included in the explanatory statement described in section 4 (in the matter preceding division A of this consolidated Act): Provided, That eligible expenses of such grants may include administrative, planning, operations and maintenance, and other costs: Provided further, That such

grants for the EDI shall be available for reimbursement of otherwise eligible expenses incurred on or after the date of enactment of this Act and prior to the date of grant execution: Provided further, That none of the amounts made available under this paragraph for grants for the EDI shall be used for reimbursement of expenses incurred prior to the date of enactment of this Act: Provided further, That grants for the EDI authorized under this heading in the Department of Housing and Urban Development Appropriations Act, 2022 (Public Law 117–103) shall also be available for reimbursement of otherwise eligible expenses (including those eligible expenses identified in the first proviso of this paragraph) incurred on or after the date of enactment of such Act and prior to the date of grant execution, and shall not be subject to the second proviso under such heading in such Act:]

[Provided further, That for amounts made available under paragraphs (1) and (3), the Secretary shall notify grantees of their formula allocation within 60 days of enactment of this Act]. (Department of Housing and Urban Development Appropriations Act, 2023)

(INCLUDING TRANSFERS OF FUNDS)

[For an additional amount for "Community Development Fund", \$3,000,000,000, to remain available until expended, for the same purposes and under the same terms and conditions as funds appropriated under such heading in title VIII of the Disaster Relief Supplemental Appropriations Act, 2022 (division B of Public Law 117-43), except that such amounts shall be for major disasters that occurred in 2022 or later until such funds are fully allocated and the fourth, twentieth, and twenty-first provisos under such heading in such Act shall not apply: Provided, That amounts made available under this heading in this Act and under such heading in such Act may be used by a grantee to assist utilities as part of a disaster-related eligible activity under section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)): Provided further, That of the amounts made available under this heading in this Act, up to \$10,000,000 shall be made available for capacity building and technical assistance, including assistance on contracting and procurement processes, to support States, units of general local government, or Indian tribes (and their subrecipients) that receive allocations related to major disasters under this heading in this, prior, or future Acts: Provided further, That of the amounts made available under this heading in this Act, up to \$5,000,000 shall be transferred to "Department of Housing and Urban Development—Program Office Salaries and Expenses—Community Planning and Development" for necessary costs, including information technology costs, of administering and overseeing the obligation and expenditure of amounts made available under this heading in this Act or any prior or future Act that makes amounts available for purposes related to major disasters under such heading: Provided further, That the amount specified in the preceding proviso shall be combined with funds appropriated under this same heading for this same purpose in any prior Acts and the aggregate of such amounts shall be available for the costs of administering and overseeing any funds appropriated to the Department related to major disasters in this, prior, or future Acts, notwithstanding the purposes for which such funds were appropriated: Provided further, That of the amounts made available under this heading in this Act, up to \$5,000,000 shall be transferred to "Department of Housing and Urban Development—Office of the Inspector General" for necessary costs of overseeing and auditing amounts made available under this heading in this Act or any prior or future Act that makes amounts available for purposes related to major disasters under such heading: Provided further, That amounts repurposed under this heading that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 or a concurrent resolution on the budget are designated by the Congress as an emergency requirement pursuant to section 4001(a)(1) of S. Con. Res. 14 (117th Congress), the concurrent resolution on the budget for fiscal year 2022, and section 1(e) of H. Res. 1151 (117th Congress), as engrossed in the House of Representatives on June 8, 2022.] (Disaster Relief Supplemental Appropriations Act, 2023.)