

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT FUND  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$3,066,000	\$12,158,819	...	\$15,224,819	\$6,204,182	\$6,547,127
2016 Appropriation .....	3,359,000 <sup>a</sup>	9,021,195	...	12,380,195	8,531,000	7,178,000
2017 Request .....	<u>2,880,000<sup>b</sup></u>	<u>3,849,195</u>	<u>...</u>	<u>6,729,195<sup>c</sup></u>	<u>6,439,000</u>	<u>6,790,000</u>
Program Improvements/Offsets .....	-479,000	-5,172,000	...	-5,651,000	-2,092,000	-388,000

a/ This includes a \$300 million to support disaster recovery efforts in communities most impacted by Hurricane Joaquin, Hurricane Patricia, and other recent events. These funds are classified as disaster relief under section 251(b)(2)(D) of BBEDCA. There is also a transfer of \$1 million of these funds to CPD's Salaries and Expenses account.

b/ This includes an estimated transfer to the Policy Development and Research account of \$14.4 million of Budget Authority.

c/ This includes a transfer of \$2 million of disaster administration funds to CPD's Salaries and Expenses account under General Provision 258 (see section 5 below).

**1. What is this request?**

The Community Development Fund (CDF) request for fiscal year 2017 is \$2.880 billion, which includes:

- \$2.8 billion for the Community Development Block Grant (CDBG) program; and
- \$80 million for Community Development Block Grants for Indian tribes, of which \$20 million will be used for projects that directly support Native youth, such as community facilities, pre-school centers, and transitional housing, and to attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing. This competitive initiative will take a comprehensive, culturally appropriate approach to help improve the lives and opportunities for Native youth, and is described further in Section 2.

*Proposed Legislative Reforms and Changes*

During its 40-year history, the impact of the CDBG program has been strained by fluctuating appropriation levels and increasing numbers of qualifying entitlement grantees. For example, when adjusted for inflation, the fiscal year 2016 enacted level of \$3 billion represents approximately one fifth of the fiscal year 1975 funding level of \$2.473 billion. Meanwhile, the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2017.

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To address these challenges and to put the CDBG program on a sustainable path for the future, HUD has developed a series of proposals improving various aspects of the CDBG program, strengthening the program's structure and management while retaining its fundamental focus on benefitting low- and moderate-income persons. The program has not been reauthorized by Congress since 1992 and changes are needed to make the program more responsive to the needs of modern communities. The Administration anticipates continuing the effort to advance these changes with a legislative package of reforms to be submitted to Congress. These changes can be grouped in several categories including grantee eligibility, aligning program cycles, improving grantee accountability, and addressing issues in the State CDBG program, including increasing the set aside for colonias in states along the US-Mexico border from 10 percent to 15 percent of the State allocation.

Separately, to ensure a more orderly and efficient recovery in communities impacted by major disasters, in 2016, the Administration will work with agencies across the federal government, as well as public stakeholders to develop a standing authorization proposal for the provision of CDBG-DR funds. This proposed authorization would incorporate lessons learned from previous disasters, provide clarity and predictability over CDBG-DR funding and program guidelines, and improve the alignment of CDBG-DR funds with other federal disaster programs.

CDBG is also part of the proposed Upward Mobility Project, a new initiative to allow states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty.

More information on these changes is included in Sections 3 and 5 of this justification.

## **2. What is this program?**

### ***Community Development Block Grant***

Authorized by Title I of the Housing and Community Development (HCD) Act of 1974 (42 USC 5301 et. seq.), the CDBG program's primary objective is to develop viable urban and rural communities, by expanding economic opportunities and improving quality of life, principally for persons of low- and moderate-income. For purposes of CDBG, low income individuals have an income equal to or less than Very Low Income limit (50 percent of the area median income) and moderate income individuals have an income equal to or less than the Low Income limit (80 percent of the area median income).

CDBG provides grants to units of general local government and states for the purpose of supporting efforts to create locally driven solutions to community and economic development challenges. Instead of a top-down approach, where the federal government tells

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grantees how to use these funds, CDBG presents a broad framework which local governments can easily adapt to the particular needs they face.

Since 1974 the CDBG has invested \$149.4 billion in communities nationwide, assisting states and localities to achieve the kinds of infrastructure investment, job creation, and poverty elimination our communities so desperately need. In addition to job creation, CDBG is an important catalyst for economic growth – helping communities leverage funds for essential water and sewer improvement projects, address housing needs, forge innovative partnerships to meet increasing public service needs, and revitalize their economies.

CDBG recipients are able to fund 28 different eligible activities, with the major categories being public improvements, public services, economic development, acquisition/clearance, housing activities primarily focused on owner-occupied rehabilitation and homeownership assistance, as well as general administration and planning. With the exception of administration and planning activities, which are capped at 20 percent per authorities in annual appropriation acts, all CDBG-funded activities must meet one of three national objectives:

- 1) Providing benefit to low- and moderate-income persons;
- 2) Eliminating slums or blighting conditions; or
- 3) Addressing urgent needs to community health and safety.

The primary national objective for CDBG is to benefit low- and moderate-income persons: at least 70 percent of all CDBG funds expended during a period of up to 3 years must go toward activities that primarily benefit this population. Based on historical data, CDBG grantees annually expend 95 percent of their funds for activities that benefit low- and moderate income persons, making CDBG a highly successful program in achieving its primary statutory goal.

In fiscal years 2016 and 2017, the Department will work with CDBG grantees to promote the use of CDBG funds to address a range of Administration policy priorities. Consistent with the Administration's Build America initiative launched in 2014, HUD will continue efforts to promote the use of CDBG to support infrastructure pre-development and resilient infrastructure. In addition, HUD will work with select grantees to promote: 1) a more integrated approach to use of the consolidated plan process; 2) innovative strategies to help address the lack of affordable housing units; and 3) implementation of place-based strategies.

### ***Indian Community Development Block Grants***

In 1977, the Housing and Community Development Act of 1974 was amended to provide a special competitive funding set-aside within the Community Development Block Grants program for American Indian tribes. Indian CDBG funds are awarded competitively and used by federally recognized Indian tribes, Alaska Native villages, and tribal organizations for a wide variety of needs. These grants have been crucial to many Indian tribes, giving them a source of flexible funds used to serve their development priorities,

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improve neighborhoods, and meet urgent community development needs. Eligible uses of these funds include acquisition of property, rehabilitation of housing, installation of safe drinking water and waste water disposal systems, construction of Head Start and other childcare facilities and of health clinics, removal of lead-based paint and mold, and improvement of public services and facilities. Funds can also be used to address imminent threats to health and safety. All projects funded through these grants must primarily benefit low- and moderate-income persons, defined as 80 percent of the median income in the area. These funds are distributed through an annual competition to eligible federally recognized Indian tribes and Alaska Native villages. The Office of Native American Programs (ONAP) within the Office of Public and Indian Housing administers this program.

Of the \$80 million requested for ICDBG in the Budget, HUD is proposing that \$20 million be set aside to assist tribes in addressing the needs of Native American youth. With these additional resources, tribes will be able compete for funding for community projects that will help to improve outcomes for Native youth, such as construction or renovations of community centers, health clinics, transitional housing, pre-school/Head Start facilities and teacher housing. The goal of this set-aside is to further support the Administration's Native American Youth Priorities, including: improving education and life outcomes, reducing teen suicide, addressing the shortage of teachers on reservations, and improving access to the Internet.

### **3. Why is this program necessary and what will we get for the funds?**

#### ***Community Development Block Grant***

CDBG is the federal government's primary program to deliver community and economic development funding to counties, cities, towns, and villages across the country faced with these challenges. Additionally, CDBG is the Department's principal source of funds supporting HUD's Strategic Goal 4, 'Build Strong, Resilient, and Inclusive Communities' and the proposed fiscal year 2017 funding level will impact the ability of the Department to implement this strategic goal. The following graphic displays how CDBG grantees used their funds in fiscal year 2015.

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FY2015 Expenditures by Activity Category					
Entitlements			States		
6%		\$131,333,547	Acquisition	\$15,086,457	2%
17%		\$399,765,578	Administrative And Planning	\$93,761,699	11%
5%		\$114,228,024	Economic Development	\$96,025,359	11%
28%		\$666,074,740	Housing	\$145,189,050	17%
25%		\$590,233,287	Public Improvements	\$466,779,695	56%
14%		\$337,436,407	Public Services	\$16,851,861	2%
0%		\$8,584,280	Other	\$4,742,058	1%
4%		\$96,372,926	Section 108 Loan Repayments	\$1,461,906	0%
		\$2,344,028,788	<b>Total FY2015 Expenditures</b>	\$839,898,086	
			<b>\$3,183,926,873</b>		

*expenditures include program income*

The 2017 request is intended to support community development needs and enhance economic competitiveness in approximately 1,200 entitlement grantees, 49 states, Puerto Rico, 3 non-entitled communities in Hawaii, and 4 Insular Areas in fiscal year 2017.

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### Projected Outcomes with 2017 CDBG Funding

	Actual FY 2015	Projected FY 2017
Regular CDBG Program Allocation	\$ 3,000,000,000	\$ 2,800,000,000
Economic Development Jobs Created/Retained	16,328	15,239
Public Improvements - Persons benefitting	3,237,506	3,021,672
<i>examples</i>		
<i>Senior Centers</i>	257,342	240,186
<i>Homeless Facilities</i>	95,845	89,455
Assisted Households	67,341	62,852
<i>examples</i>		
<i>Single Family Rehab</i>	44,626	41,651
Public Services - Persons benefitting	7,961,258	7,430,507
<i>examples</i>		
<i>Services for Disabled</i>	86,779	80,994
<i>Homeless and AIDS Patient services</i>	322,641	301,132
<i>Food Banks</i>	1,433,433	1,337,871
<i>Battered and Abused Spouses services</i>	103,715	96,801

\*outcomes are based on fiscal year CDBG expenditures

CDBG funds are critical for communities across the country impacted by budget shortfalls, along with inadequate public services, insufficient economic opportunities, and physically distressed infrastructure. Moreover, lack of safe, affordable housing and a growing population of senior citizens are increasing the housing and service needs among the nation's low- and moderate-income population.

Grantees report annually on the impact that CDBG investments have in their communities. As shown in the table below, for the period from 2005 to 2015, CDBG funding resulted in significantly improved community and economic development outcomes across a broad range of activities. Further, CDBG-funded activities present significant value over this 11-year period when examined on a unit or service basis.

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<b>Outcomes Associated with CDBG Formula Funding, Fiscal Year 2005 through 2015</b>		
<b>Economic Development</b>		
Permanent Jobs directly Created or Retained	369,565	Jobs
CDBG cost per job created '05-'15		\$8,260 per job
<b>Public Improvements</b>		
Persons Benefitted by these Facilities	40,179,567	Persons
CDBG Cost per person benefitting from public improvements '05-'15		\$328 per person
<b>Public Services</b>		
Persons Benefitting from these services	122,280,682	Persons
CDBG cost per person benefitting from public services '05-'15		\$36.27 per person
<b>Housing</b>		
Households Assisted (excluding housing counseling)	1,295,796	Households
CDBG cost per household receiving housing assistance '05-'15		\$7,809 per household

CDBG serves as a critical tool in creating job opportunities and catalyzing economic development activities in the country's most distressed communities. The communities targeted by CDBG often lack adequate private investment and have a disproportionate share of poverty, and without CDBG, these neighborhoods would be unable to support the jobs and safe and equitable living environments their residents so desperately need. On average, grantees devote more than 94 percent of CDBG funds to activities that provide benefit to low- and moderate-income families.

CDBG funding is also an important vehicle for addressing a variety of Administration initiatives. For example, the Department is working to implement the President's Climate Action Plan and is incorporating resilience principles into program requirements and

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guidance. Within the collection of HUD programs, CDBG represents the best option for communities to fund local resilience activities. CDBG is often a local funding source for activities supporting existing Administration initiatives such as Strong Cities, Strong Communities (SC2); Promise Zones; Choice Neighborhoods; and funding of pre-development costs for infrastructure.

CDBG remains a critical part of the federal funding landscape for state and local government in carrying out a wide range of activities. The ability to use CDBG as local match funding for other federal programs or for partial funding of an activity enables CDBG to work well with programs administered by a host of other Federal agencies such as Transportation, Agriculture, HHS, Commerce/EDA, Labor, DHS/FEMA, EPA, and the Appalachian Regional Commission. Although grantees are not required to report on leveraging of CDBG funds, HUD requests that grantees self-report on leveraged funds in the Integrated Disbursement and Information System (IDIS). An analysis of activities reporting leverage for the period of fiscal years 2013 and 2014 indicated:

- More than 9,800 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- Of those projects, \$1.310 billion of CDBG funding leveraged \$4.789 billion in other resources; and
- A leverage ratio of \$3.65 to every \$1 of CDBG investment.

Additionally, under the requested funding level in the fiscal year 2017, the Community Development Loan Guarantees (Section 108) program would continue to fulfill its role as a highly valuable financing tool for the large-scale community and economic development activities. The Section 108 program offers guaranteed loans for the crucial, growth-driving activities being carried out by local governments that are vital to the improving the condition of their residents. Each grantee's Section 108 borrowing capacity is equal to five times its most current CDBG allocation. Please see the Section 108 justification for more information on the request for \$300 million in loan guarantee authority for this program.

*Disaster Recovery.* The CDBG program also serves as one the federal government's vehicles for catastrophic long-term disaster recovery assistance to states and local governments following large-scale or catastrophic disasters since 1993. The CDBG-DR Program is essential to the Department's achievement of its Strategic Objective 4C: 'Support the recovery of communities from disasters by promoting community resilience, developing state and local capacity, and ensuring a coordinated federal response that reduces risk and produces a more resilient built environment.'

The most significant recent use of CDBG as a vehicle for delivering long-term disaster relief is the provision of \$15.18 billion in CDBG disaster recovery funding as part of Disaster Relief Appropriations Act, 2013 (Public Law 113-2, enacted January 29, 2013). This appropriation is intended to respond to the effects of Hurricane Sandy which impacted the Atlantic coastline in late October 2012 as well as other qualifying events that occurred in calendar years 2011, 2012 and 2013. As of January 2016, the Department had allocated \$14.2 billion of this amount and continues to actively monitor grantee performance and expenditures consistent with the directives of P.L. 113-2. As of early November 2015, \$7.85 billion had been obligated to grantees and more than \$4.230 billion had been expended with significant additional expenditures expected in calendar year 2016. The remaining \$1 billion dedicated to the



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National Disaster Resilience Competition (NDRC) were awarded on January 21, 2016 to support resilient housing and infrastructure projects across 8 states and 5 localities.

The Department received an allocation of \$300 million in CDBG-DR in the fiscal year 2016 appropriation to address the impacts of Hurricane Joaquin and related storm systems and Hurricane Patricia and other flooding events that impacted certain areas of the nation in 2015. Consistent with past allocations, the Department will allocate these funds in early 2016 using disaster impact data collected by other federal agencies and will issue implementing guidance in the Federal Register.

Other significant CDBG supplemental appropriations for disaster recovery purposes that HUD continues to manage include balances associated with:

- \$6.4 billion in 2008 in response to Hurricanes Ike and Gustav as well as major flooding that impacted upper Midwest states in the spring and summer of 2008;
- \$19.7 billion in supplemental disaster assistance to aid the comprehensive recovery of Alabama, Florida, Louisiana, Mississippi, and Texas following the devastation of Hurricanes Katrina, Rita, and Wilma in 2005; and
- \$3.5 billion for the long-term recovery of Lower Manhattan subsequent to the terrorist attacks of September 11, 2001.

Since 2000, over \$45 billion in CDBG Disaster Recovery (CDBG-DR) funding has been provided to communities impacted by major disasters, and CDBG-DR has played an increasingly significant role in long-term recovery. To ensure a more orderly and efficient recovery process, the Administration will convene a series of meetings and consultations in 2016 with HUD, FEMA, SBA, other agencies, and public stakeholders to develop a standing authorization proposal for the provision of CDBG-DR funds. This proposed authorization would incorporate lessons learned from previous disasters, ensure a more orderly and efficient recovery process in response to major events, and eliminate uncertainty as to the rules and processes for CDBG-DR funding made available as part of the Federal long-term recovery response.

### ***Indian Community Development Block Grant***

Housing and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop affordable housing in Indian Country has traditionally been difficult to obtain. Data published by the U.S. Census shows American Indians and Alaska Natives disproportionately suffer from poverty and severe housing needs.

According to the 2010 U.S. Census:

- 5,220,579 Americans identified themselves as American Indian or Alaska Native (Race Alone or in Combination with One or More Other Races). This was 1.7 percent of the total, national population of 308.7 million. (2.9 million reported AI/AN Alone, or "single-race.")

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- An 18 percent growth in the American Indian and Alaska Native alone population occurred between 2000 and 2010, from 2.5 to 2.9 million).

According to the U.S. Census, American Community Survey for 2006-2010:

- American Indian and Alaska Native people living in tribal areas had a poverty rate and an unemployment rate that were at least twice as high as non-Indians nationally.
- Nationally, 8.1 percent of American Indian and Alaska Native households were overcrowded, compared with 3.1 percent of all households.
- Compared with the national average, American Indian and Alaska Native households in large tribal areas were more than three times as likely to live in housing that was overcrowded and more than 11 times more likely to live in housing that did not have adequate plumbing facilities.
- In selected American Indian counties in Arizona-New Mexico, there was a 16 percent overcrowding rate; in that same area, almost 10 percent of Indian households had incomplete plumbing, and about 9 percent lacked complete kitchen facilities.
- In selected Alaska Native counties, there was a 22 percent overcrowding rate; in that same area, 18 percent lacked complete plumbing, and 15 percent lacked complete kitchens.

These Community Development Block Grants in Indian Country provide a vital source of revenue for tribes, allowing them to undertake necessary development, housing, and infrastructure projects. There is a great demand for Indian CDBG program dollars in Indian Country. In recent years, HUD has received two or three times as many ICDBG applications as can be funded. Housing, community development, and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop communities in Indian Country has traditionally been difficult to obtain. ICDBG funds allow grantees to make essential repairs to low-income housing. Other grantees use ICDBG for innovative projects that benefit the entire community.

In fiscal years 2014 and 2015, HUD received a total of \$16 million in appropriations for the remediation of mold in Indian country. In 2014, \$3.6 million in funding was distributed to nine tribes for mold remediation efforts. A second round of funding (\$12.4 million), using the remaining 2014 and all of the 2015 appropriations, was awarded in September 2015 to 18 tribal communities in 13 states to remove and prevent dangerous mold in more than 1,000 homes. HUD continues to work with and monitor all mold remediation grantees to ensure the funds are used effectively and will continue to update Congress on the results of these grants.

#### **4. How do we know this program works?**

##### ***Community Development Block Grant***

In addition to the performance measures reported by grantees on an annual basis, research-based evidence also exists to document the effectiveness of the CDBG program, and also the need for program improvements.

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### *Urban Institute*

In December 2014, the Urban Institute conducted a day-long roundtable discussion focused on the CDBG program at age 40 and options to adjust and improve the program for continued success in the future. The Department expects that a summary of the discussion and possible recommendations will be released by the Urban Institute in early 2016.

### *Housing Policy Debate*

The journal *Housing Policy Debate* devoted its January 2014 volume to an examination of the CDBG program 40 years after enactment. (See *Housing Policy Debate* 24:1, published online January 28, 2014)<sup>1</sup> This volume represents the most significant collection of analyses of CDBG in at least 20 years and in general, the articles present a positive view of the CDBG program over time but strongly recommend a series of improvements to sustain it into the future.

- In an article by Raphael Bostic, former HUD Assistant Secretary for Policy Development and Research, he indicates that over the past 40 years, the “CDBG model for grant making has become pre-eminent. Even most competitive grant models today allow for local design of programs within a broad-based federal framework that identifies program goals.”
- An article by Xavier de Souza Briggs, former OMB Associate Director for General Government Programs, notes flaws in the program’s existing structure and suggests that the program should be expanded in conjunction with efforts to more progressively target funding to people and places of greatest need. Briggs further recognizes the need for a debate on CDBG’s purpose and the need to determine a politically sustainable deal that refocuses CDBG as a “reasonably coherent and effective program.”
- One article recognizes the role of CDBG in rural America, noting that the majority of areas served with State CDBG funding are rural in nature and that most State CDBG funds go to small and rural communities.
- Another article provided an analysis of the use of CDBG funds to revitalize neighborhoods in Philadelphia and revealed that census tracts receiving above-median amounts of CDBG and or Section 108 loan guarantee funds saw property values increase above census tracts receiving little or no CDBG investment.
- One other article focused on processes and methods of allocating funds in Los Angeles and Chicago and demonstrated that local decision-making processes can have substantial effects upon the degree to which CDBG funds are directed to neighborhoods having the greatest need for the funds.
- Another article recommends restoring annual CDBG funding to that 1978 peak, and targeting activities in areas with high concentrations of poverty by adjusting the allocation formula with a greater weight toward high-poverty census tracts, which would require Congressional action.
- Finally, the articles generally urge HUD to continue updating and improving its performance assessment systems in order to be able to properly measure and evaluate CDBG spending outcomes.

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<sup>1</sup> Available at: [http://www.tandfonline.com/toc/rhpd20/24/1#.VK\\_r7dJzRSI](http://www.tandfonline.com/toc/rhpd20/24/1#.VK_r7dJzRSI). Some articles require subscription access.

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### *Government Accountability Office Reviews*

The Government Accountability Office (GAO) has undertaken a range of reviews of over the past several years that have touched upon various aspects of the CDBG program, although a 2012 GAO study acknowledged the difficulties associated with assessing the effectiveness of federal block grant programs at a national level, while concluding that a positive correlation exists between the CDBG program and assisted communities. Among the study's conclusions were the following points:

- Few comprehensive studies on the effectiveness of the CDBG program exist, but GAO determined that a number of studies focusing on specific activities have generally found CDBG has made positive contributions.
- HUD has established performance measures for the CDBG program. CPD developed a performance measurement system in 2006 that allows grantees to report on objectives, intended outcomes, and outputs for all activities undertaken. The system has provided the Department with data capable of being aggregated at the national level, but the GAO report acknowledges the inherent challenges related to developing performance measures for block grant programs.

### ***Indian Community Development Block Grant***

The primary indicators of performance that HUD has traditionally recognized for ICDBG grantees are the number of affordable housing units rehabilitated each year and the number of community buildings built. These development activities tend to be long-term and require confidence in a steady stream of funding—otherwise, recipients tend to use scarce funds to maintain existing inventory.

In a recent 3-year period (2012-2014), grantees reported the rehabilitation of 2,372 low-income housing units, the construction of 123 community buildings, and the creation of 835 jobs made possible by ICDBG. From 2005-2014, ICDBG funded 168 public facilities infrastructure projects, such as wastewater collection systems, powerline extensions, substation upgrades, roads construction, water system expansion and distribution systems, and construction of a natural gas pipeline, all of which have improved the physical environment where low- and moderate-income Indian families live. In fiscal year 2014, 1,151 affordable units were rehabilitated, 86 jobs were created, and 34 community buildings were built using ICDBG funds.

In 2006, independent evaluators (Econometrica, Inc.) found that, "with few exceptions, ICDBG-funded structures supported the delivery of services that were either previously unavailable or inadequate. ICDBG investment in social viability established a platform from which economic development could take off, perhaps with other sources of direct investment. Grantees contended that the ICDBG program mitigates the lack of access to private capital because it serves as seed money that can attract private investment, thereby reducing the risk perceived by potential funding partners." Significant amounts of grant funds were used for basic infrastructure projects to enhance the livability of housing and the operation of public facilities. The evaluators also found that the use of ICDBG funds had a direct and positive impact on employment, especially in jobs related to the provision of health and social services.

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### *Information Technology Investments Benefitting CDBG*

Grants System Consolidation - Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

## **5. Proposals in the Budget**

### *Consolidation of Disaster Administrative Appropriations*

In certain instances<sup>2</sup>, Congress has provided HUD with an administrative allowance to ensure appropriate oversight and management of CDBG-DR funds. These allowances have been critical to CPD's effort to ensure accountability and effective use of the related CDBG-DR appropriations, as existing CPD internal management structures and protocols are designed, staffed and funded to address needs associated with *annually* funded programs. These internal structures have little capacity to expand for the unpredictable scope of a CDBG-DR supplemental appropriation that may be a multiple of the annual CPD-wide budget. CPD proposes to consolidate remaining balances from these administrative allowances into a single account that can be used to support all CDBG-DR appropriations. This approach will enhance the usefulness of remaining administrative funds, and will ensure that CPD has the ability to hire term staff, perform on-site monitoring and provide training focused exclusively on the CDBG-DR portfolio. Moreover, the administrative funds provided under P.L. 113-2 will expire on September 30, 2017, but significant program management requirements will continue well past that date; extending the period of availability of the consolidated funds will allow HUD to address this major concern. Language to achieve the consolidation was included in the fiscal year 2016 THUD bill reported by the Senate Appropriations Committee but was not included in the fiscal year 2016 omnibus due to potential scoring concerns. HUD is proposing this language as a general provision in its fiscal year 2017 budget and will work with Congressional appropriations committee staff, OMB and the Congressional Budget Office to ensure the provision is correctly scored. (Sec. 258)

<sup>2</sup> \$5 million under PL 109-234 (2<sup>nd</sup> Katrina appropriation), \$6 million under PL 110-329 (Hurricanes Ike and Gustav, 2008), \$9.5 million under PL 113-2 (Hurricane Sandy and other events 2011-2013), and \$1 million under P.L. 114-113 (Hurricane Joaquin and Patricia, 2015).

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### *Proposal to Increase Set-aside for Colonias*

The 2017 Budget also includes a proposed General Provision to increase the colonias set aside from 10 percent to 15 percent. This change would allow for more funding to be directed to these rural border communities, many of which lack adequate water, sewer systems, decent housing, or a combination of the three. This change would affect the state CDBG programs of Texas, New Mexico, Arizona, and California. (Sec. 250)

### *Proposal to Use CDBG to Improve Upward Mobility*

The CDBG program is also part of the Administration's Upward Mobility Project proposal, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty. In exchange for more accountability for results, state and localities would be able to use the funds beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children's outcomes, and the ability of communities to expand opportunity.

The Upward Mobility Project would be jointly administered by HUD and HHS. In addition, participating communities would be eligible to receive up to \$300 million per year (\$1.5 billion over 5 years) through the HHS Social Services Block Grant to support implementation of the pilot projects. Like Promise Zones and Performance Partnerships, this proposal reflects the Administration's efforts to break down silos, provide flexibility for localities to tailor federal funds to meet their unique needs, and direct resources where evidence suggests they will be most effective. Additional information on the Upward Mobility Project can be found in the HHS budget justifications.

### *Future Legislative Proposals to Reform CDBG*

In the Housing and Community Development Act of 1974, the Congress found that "the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities," a statement that the Department believes is still true today. The CDBG program faces increasing pressures as it tries to fulfill these purposes for which it was authorized 40 years ago. The needs of low- and moderate-income individuals in communities all over the country are serious and that in order to meet those needs, the CDBG program must be re-focused in light of decreasing appropriations. As previously mentioned, recent funding levels represent only approximately one fifth of the fiscal year 1975 funding level. Over that same period, the number of grantees receiving funds under the program has roughly doubled. In addition, an

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increasing number of metropolitan city allocations are low enough that the Department is concerned about their ability run an effective CDBG program: under the projected 2017 allocations, 139 entitlement communities will have allocations of under \$250,000.

As a prelude to the CDBG program's 40th anniversary in August 2014, the Department undertook an outreach effort titled "Moving CDBG Forward," which consisted of series of approximately 20 listening sessions as well as on-line forums with its grantees and other stakeholders to better understand their views on potential reforms for the CDBG program. These sessions led to CPD developing a comprehensive CDBG reform proposal as the program has not been reauthorized by Congress since 1992. The proposals will:

- Allow grantees, including states, to form regional combinations to achieve savings in administering their CDBG grants and pool resources for strategic investment decisions.
- Reduce the growing number of small grantees to support local CDBG programs that are adequately staffed and support meaningful community investments. These changes include removing the "grandfathering" of CDBG grantees and setting a minimum grant threshold.
- Reduce undue administrative burden on grantees by aligning the cycles for the submission of plans and reports as well as the cycles to qualify for the CDBG program.
- Allowing for a more equitable treatment of states and entitlement communities and counties by
  - allowing states to also receive reallocated funds for disasters from the sanctions fund;
  - giving the Department the authority to sanction a state in a similar fashion to other CDBG grantees; and
  - increasing states' administrative cap and removing the matching requirement.
- Authorize an increase in the colonias set aside from 10 percent to 15 percent of State CDBG allocations in the states of Texas, New Mexico, Arizona and California (also discussed above).

HUD stands ready to work with Congress on this legislative proposal to amend the authorization for this program crucial to so many communities. The Department will also evaluate potential regulatory updates to the CDBG program, as significant portions of the CDBG regulations have not been updated in more than 20 years.

Community Development Fund

**CDBG State-by-State Projected Allocations**

<b>State-by-State Projected Allocations for CDBG (Dollars in Thousands)</b>			
<b>State</b>	<b>2015 Actual</b>	<b>2016 Estimate</b>	<b>2017 Estimate</b>
Alaska	\$4,122	\$4,164	\$3,868
Alabama	39,991	39,926	37,079
Arkansas	23,116	23,264	21,609
America Samoa	1,028	1,022	1,022
Arizona	48,910	49,438	45,898
California	358,244	358,015	332,232
Colorado	33,752	33,688	31,278
Connecticut	35,597	35,470	32,930
District Of Columbia	13,734	13,778	12,789
Delaware	6,394	6,390	5,933
Florida	129,871	131,427	122,009
Georgia	75,859	76,521	71,060
Guam	3,036	3,043	3,045
Hawaii	\$12,166	\$12,139	11,273
Iowa	32,969	32,944	30,588
Idaho	11,343	11,499	10,681
Illinois	149,291	149,276	138,566
Indiana	60,360	60,465	56,138
Kansas	23,704	23,731	22,033
Kentucky	38,985	38,910	36,137
Louisiana	43,930	43,709	40,589
Massachusetts	91,227	91,203	84,667
Maryland	44,304	44,958	41,732
Maine	16,483	16,354	15,185
Michigan	111,834	111,587	103,585



Community Development Fund

<b>State-by-State Projected Allocations for CDBG (Dollars in Thousands)</b>			
<b>State</b>	<b>2015 Actual</b>	<b>2016 Estimate</b>	<b>2017 Estimate</b>
Minnesota	47,966	47,721	44,301
Missouri	57,157	56,990	52,917
Northern Mariana Islands	971	984	985
Mississippi	26,503	26,482	24,602
Montana	7,483	7,534	6,996
North Carolina	70,206	71,037	65,977
North Dakota	4,910	4,919	4,568
Nebraska	16,364	16,396	15,223
New Hampshire	11,268	11,287	10,481
New Jersey	79,506	78,967	73,300
New Mexico	16,135	16,356	15,192
Nevada	19,897	19,956	18,525
New York	286,634	285,703	265,208
Ohio	137,172	136,929	127,113
Oklahoma	24,385	24,443	22,700
Oregon	31,320	31,512	29,261
Pennsylvania	169,529	169,096	156,966
Puerto Rico	57,533	55,078	51,144
Rhode Island	15,316	15,118	14,036
South Carolina	34,287	34,418	31,964
South Dakota	6,380	6,378	5,923
Tennessee	45,092	45,225	42,000
Texas	215,578	215,787	200,349
Utah	19,291	19,436	18,045
Virginia	50,480	50,627	47,006
Virgin Islands	1,964	1,948	1,949
Vermont	7,069	7,060	6,556

Community Development Fund

<b>State-by-State Projected Allocations for CDBG (Dollars in Thousands)</b>			
<b>State</b>	<b>2015 Actual</b>	<b>2016 Estimate</b>	<b>2017 Estimate</b>
Washington	50,747	51,279	47,608
Wisconsin	56,483	56,418	52,378
West Virginia	18,663	18,523	17,200
Wyoming	3,461	3,445	3,201
<b>Total Grants</b>	<b>\$3,030,000</b>	<b>\$3,000,000</b>	<b>\$2,785,600</b>
Transfer to PD&R	-	-	14,400
<b>Total</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$2,800,000</b>

Community Development Fund

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT FUND  
SUMMARY OF RESOURCES BY PROGRAM  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Entitlement/Non-Entitlement .....	\$2,993,000	\$519,176	\$3,512,176	\$2,655,066	\$2,993,000	\$857,035	\$3,850,035	\$2,793,000
Insular Area CDBG Program .....	7,000	5,968	12,968	6,996	7,000	5,972	12,972	7,000
Indian Tribes .....	66,000	10,092	76,092	13,276	60,000	63,416	123,416	80,000
Special Purpose (Section 107) Grants .	...	336	336	...	...	336	336	...
Administration, Operations, and Management for Disasters .....	...	2,285	2,285	46	...	2,244	2,244	...
Economic Development Initiative Grants ....	...	150	150	...	...	150	150	...
Economic Resilience ...	...	15	15	...	...	15	15	...
Disaster Assistance ...	...	11,620,409	11,620,409	3,529,237	299,000	8,091,796	8,390,796	...
Section 805 Economic Development training .	...	388	388	156	...	231	231	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	[14,400]
<b>Total .....</b>	<b>3,066,000</b>	<b>12,158,819</b>	<b>15,224,819</b>	<b>6,204,777</b>	<b>3,359,000</b>	<b>9,021,195</b>	<b>12,380,195</b>	<b>2,880,000</b>

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT FUND  
Appropriations Language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, [~~\$3,060,000,000~~ *\$2,880,000,000*, to remain available until September 30, [2018] *2019*, unless otherwise specified: *Provided*, That of the total amount provided, [~~\$3,000,000,000~~ *\$2,800,000,000* is for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended ("the Act" herein) (42 U.S.C. 5301 et seq.): *Provided further*, That unless explicitly provided for under this heading, not to exceed 20 percent of any grant made with funds appropriated under this heading shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or Indian tribe, or insular area that directly or indirectly receives funds under this heading 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 must 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 provided under this heading may be provided to a for-profit 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 subparagraph (e)(2): [*Provided further*, That none of the funds made available under this heading may be used for grants for the Economic Development Initiative ("EDI") or Neighborhood Initiatives activities, Rural Innovation Fund, or for grants pursuant to section 107 of the Housing and Community Development Act of 1974 (42 U.S.C. 5307): *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act:] *Provided further*, That of the total amount provided under this heading [~~\$60,000,000~~ *\$80,000,000* shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act, of which, notwithstanding any other provision of law (including section 204 of this Act), up to \$4,000,000 may be used for emergencies that constitute imminent threats to health and safety: *Provided further, that of the total amounts made available under the previous proviso, up to \$20,000,000 shall be for grants to Indian tribes, tribal organizations, and tribally-designated housing entities for projects that support Native American youth, including the rehabilitation, acquisition, or new construction of community facilities, pre-school centers, health clinics, transitional housing, and housing for primary and secondary school teachers living on or near a reservation or other Indian areas regardless of teacher income or tribal membership: Provided further, That any amounts made available under the previous proviso may be used for new housing construction notwithstanding any provision in the Housing and Community Development Act of 1974. (Department of Housing and Urban Development Appropriations Act, 2016.)*