COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2014 Summary Statement and Initiatives
(Dollars in Thousands)

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<th>COMMUNITY DEVELOPMENT FUND</th>
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<th>Carryover</th>
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<th>Obligations</th>
<th>Outlays</th>
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a/ Differs from amount shown in President’s Budget Appendix due to rounding.
b/ Includes outlays from the CDBG funds provided in the Recovery Act and excludes outlays for the Neighborhood Stabilization Program.
c/ Pursuant to P.L. 113-2, out of this total, $10 million of this total was transferred to HUD’s Office of Inspector General and $10 million was transferred to Salaries and Expenses, for a total of $15.98 billion for CDF.
d/ This request includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or $15 million of Budget Authority, whichever is less.

1. What is this request?

In fiscal year 2014, HUD is requesting $3.143 billion for the Community Development Fund (CDF), which is a reduction of $265 million compared to the fiscal year 2012 appropriated level of $3.408 billion. The amount dedicated to the Community Development Block Grant (CDBG) formula allocation is $2.798 billion, which is a reduction of $150 million for formula allocation purposes in comparison to fiscal year 2012. However, doing more with less, the Budget proposes several reforms to improve targeting and the effectiveness of the program, including changes to the allocation process and the establishment of a $200 million set-aside within the CDF dedicated neighborhood stabilization activities in communities that continue to be negatively affected by abandoned and foreclosed housing. The CDBG program is a critical tool in creating job opportunities and catalyzing economic development activities in some of the country’s most distressed communities.

The CDF request for fiscal year 2014 also includes $75 million for Integrated Planning and Investment Grants (formerly known as sustainable communities grants).

Finally, the CDF request includes $70 million for the Indian Community Development Block Grant, an increase of $10 million over the fiscal year 2012 level to fund mold remediation activities in Indian housing.

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1 $300 million of the FY 2012 appropriation was dedicated to CDBG disaster recovery purposes, making the net amount available for formula purposes $2.948 billion.
In addition, HUD is proposing reforms to the CDBG program to better target funds to communities in need and ensure that communities receive grants large enough to be effective in furthering the goals of the program. The reforms include creating a minimum grant size and eliminating grandfathering. In addition, HUD will seek input from stakeholders over the coming months regarding further programmatic changes that would improve the targeting of formula funds and strengthen their accountability and performance in this program.

**Community Development Block Grants (CDBG)**

The CDBG program is the backbone for community and economic development program funding in cities, towns, villages, and counties across the nation and has been a successful partnership between the federal government and communities since it was conceived in 1974. The CDBG program supports local governments and states in designing and implementing programs that benefit low- and moderate-income persons, address urgent community needs, and prevent slums and blighting conditions in communities across the nation. At its core, CDBG allows communities, especially those in severe economic distress, to provide services and opportunities to the families that live there. These communities often lack necessary levels of private investment, and without CDBG, these neighborhoods would be unable to provide suitable living environments that enhance everyday life. Through the time-tested CDBG program, authorized for the primary objective of establishing and maintaining viable communities, this request will support community development needs and enhance economic competitiveness in approximately 1,137 entitlement grantees, 49 states, Puerto Rico, 3 non-entitled communities in Hawaii, and 4 Insular Areas in fiscal year 2014.

**Proposed Changes to CDBG Entitlement Qualification Criteria**

The Department is proposing legislation in fiscal year 2014 that would reduce the number of entitlement grantees under the CDBG program; these changes would not be fully implemented until fiscal year 2019. First, HUD proposes to establish a minimum grant threshold of in order for a jurisdiction to receive a direct CDBG entitlement allocation. Based on the requested funding level of $2.798 billion and jurisdictions that received fiscal year 2012 CDBG entitlement allocations, HUD estimates that 239 local governments would fall below the 0.0125 percent minimum grant threshold that is proposed ($348,875). The proposed language also establishes a minimum threshold of $500,000 for new or returning entitlement communities in fiscal year 2014 or thereafter. Second, HUD proposes to eliminate the “grandfathering” provision and halt entitlement grants to jurisdictions that cannot currently qualify as a CDBG entitlement community. The Department estimates that this would eliminate CDBG entitlement grants to an additional 57 local governments. This legislation is designed to transition affected grantees to non-entitlement status by providing full allocations until fiscal year 2018 with no grant in fiscal year 2019.

The requested funding level of $2.798 billion is similar to the funding level in fiscal year 1976 when the program had only 597 entitlement grantees. Operating the CDBG program at this funding level but with twice as many grantees – 1,179 entitlement communities in fiscal year 2012 – is impractical and inefficient since many communities will receive only very small grants. In general, small grants can only have small effect. With larger grants, communities should be able to increase effectiveness by fully
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funding projects that create jobs or provide adequate funding to pursue comprehensive neighborhood revitalization. Moreover, from an administration standpoint, small grants do not provide communities with sufficient resources needed to properly staff and manage all program requirements needed to run an effective program.

The Department acknowledges that communities are currently supporting multi-year community and economic development activities on the ground with current and anticipated CDBG funding, and to minimize disruption to these efforts, this proposal would be phased-in and would not be fully implemented until 2019. Even under this proposal, these local governments would not lose access to CDBG funding; it would be available through different avenues. First, many of the local governments affected by this legislation are in a position to join an urban county CDBG program, and HUD will assist these entities in securing participation in urban county programs through the transition period. Second, if an affected local government is not in an urban county, it may always participate in a state-administered CDBG program.

This $2.798 billion request for the formula will continue to enable CDBG grantees to leverage outside funds, making it possible to implement large-scale and long-term solutions to their most pressing community and economic development challenges. In addition, the CDBG request is a critical job creation and economic development tool that the country cannot afford to lose as it continues to recover from effects of the recent economic downturn.

CDBG does more than just provide grants to communities. CDBG provides a common structure that can be used by the federal government to quickly get money to local communities for a wide range of community development initiatives. Without CDBG, the government would have to start from scratch in providing funds to communities affected by disasters, dramatically compromise the ability of local governments to recover because of the loss of the important expertise and administrative structures that are currently kept up through CDBG. For example, both the Neighborhood Stabilization Program and CDBG Disaster Recovery programs are built on the statutory and regulatory foundation of the CDBG program.

Outcomes Associated with Fiscal Year 2014 CDBG funding:

1) Create jobs:
   - Over the last decade, CDBG economic development activities have directly created or retained more than 355,794 permanent jobs and sustained an additional 861,000 jobs. Jobs sustained by the program include construction workers responsible for the rehabilitation of public facilities, infrastructure, and housing, and the state and local agency and non-profit administrators responsible for carrying out local CDBG programs.
   - CDBG creates jobs on both direct and indirect basis and fiscal year 2014 CDBG formula resources are estimated to create and support 71,864 jobs.
   - Grantees provide financial assistance to businesses as loans and grants, and the recipients use the CDBG assistance to expand economic opportunities and create permanent jobs, primarily for low- and moderate-income Americans. Between fiscal years 2007 and 2012, CDBG helped more than 203,000 businesses expand economic opportunities for our country’s most vulnerable citizens.
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2) Provide public facilities and public services to areas that need them the most:
   • On an annual basis, CDBG grantees historically expend one-third of their funds on public improvements meaning that $1.3 billion (including program income funds) will be invested by grantees in physical infrastructure in neighborhoods as a result of the fiscal year 2014 Budget request.
   • CDBG has improved public facilities in areas that serve 219.6 million people between fiscal years 2001 and 2012. This includes providing suitable physical environment that includes sanitary water and sewer systems, safe streets and transit-ways, improved drainage systems, and other improvements that support our communities and help grow local economies.
   • Up to 15 percent of CDBG funds can also be used by local governments on important public services. These investments assist the most vulnerable populations in a community, including children, the homeless, and victims of domestic violence. For low- and moderate-income families, these are life-changing services.

3) Improve housing conditions for our neediest families:
   • Approximately 25 percent of CDBG funds are annually expended for housing activities, with the most significant activity being owner-occupied rehabilitation.
   • CDBG programs have rehabilitated more than 1.509 million homes for low- and moderate-income homeowners and renters in the past 11 years.
   • In fiscal year 2012, more than 89,000 households received housing assistance, ranging from minor emergency housing repairs enabling elderly and infirm residents to remain in their own homes, to weatherization improvements that result in more affordable energy bills.

**Neighborhood Stabilization Initiative (NSI)**

This budget provides $200 million in CDF funding for the purpose of establishing the Neighborhood Stabilization Initiative (NSI), a competitive program that would assist states and communities in continuing to address the negative effects of abandoned and foreclosed housing. NSI would bring lessons learned from the Neighborhood Stabilization Program (NSP) to the CDBG and Section 108 programs as they work together to leverage improvement in hardest hit, slow recovering areas with large numbers of vacant, foreclosed, abandoned, and blighted homes in greatest need of demolition, land-banking, and redevelopment. The proposed appropriations language would enable local governments, states and state housing finance agencies to apply for the funding. Applicants will be required to demonstrate need, capacity and the ability to leverage other funds. NSI would provide funding for state and local efforts to further reduce the negative effects of blighted properties by providing a source of funding for activities such as acquisition, demolition, clearance, and land banking.

CDBG rules would generally apply to NSI, as amended by the appropriations language. The Department would outline program criteria in a notice of funding availability to be issued subsequent to enactment.
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In addition to NSI, the Administration continues to support enactment of Project Rebuild, a $15 billion proposal included in the American Jobs Act, the Administration’s fiscal year 2013 budget and the President’s State of the Union address on February 12, 2013, that builds on the success of the Neighborhood Stabilization Program and is designed to assist those communities hit hardest in foreclosure crisis. In total, the 3 rounds of HUD’s Neighborhood Stabilization Program awarded $7 billion in funding to provide direct aid to state, local governments, and non-profit organizations to assist in addressing the negative effects of abandoned and foreclosed housing. This $7 billion will have supported an estimated 90,000 jobs, and will treat nearly 100,000 units (acquisition, rehab, demolition, etc.) by the time these funds are fully spent.

Despite these successes it is clear that great needs remain in America’s communities, and with those needs there is an opportunity to rebuild these blighted neighborhoods. If enacted by Congress at the $15 billion level, Project Rebuild will support nearly 200,000 jobs while renewing America’s neighborhoods and rebuilding our economy by improving property values and producing affordable housing. HUD has developed a strong system of accountability to go along with these funds, monitoring grantee performance, preventing fraud and abuse, and moving funds from underperforming grantees to those areas with greatest need.

Members of Congress introduced stand-alone versions of Project Rebuild in the House of Representatives (H.R. 3502) and Senate (S. 2162) during the 112th Congress, and the Department is prepared to implement this program if enacted.

Indian Community Development Block Grants

The fiscal year 2014 Budget proposes $70 million for Community Development Block Grants for Indian tribes, an increase of $10 million over the fiscal year 2012 appropriated level. Indian CDBG funds are awarded competitively and used by federally recognized Indian tribes and Alaska Native villages for a wide variety of needs, including improving housing stock, providing community facilities, improving infrastructure, and expanding job opportunities in Indian country. The additional $10 million in the fiscal year 2014 request will be set-aside for mold remediation needs in Indian Country housing. This set-aside will provide assistance to the thousands of Indian families living in mold-infested housing. A 2003 HUD study found a significant need for residential mold remediation in Indian Country. Unhealthy mold and poor indoor air quality is pervasive in affordable Indian housing, and is usually caused by inadequate exhaust, heating, and cooling systems, as well as overcrowding. Additional funds to remediate these conditions are desperately needed.

In a recent 3-year period (2009-2011), grantees reported the rehabilitation of 1,070 low-income housing units, the construction of 108 community buildings, and the creation of 92 jobs made possible by ICDBG. During that same 3-year period, ICDBG funded 59 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.
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Integrated Planning and Investment Grants

This request will provide $75 million for Integrated Planning and Investment Grants to support about 20 to 30 locally driven efforts to prepare strategic business plans that help metropolitan and rural communities compete on a global playing field and use public resources more efficiently. At this level of funding within 10 years, most metropolitan area and rural region could have a strategic blueprint in place to strengthen and diversify their economies by effectively deploying federal, state and local funding for development and infrastructure. The resulting communities would attract workers through jobs and affordable housing, as well as amenity rich neighborhoods. Other benefits include:

- significant cost savings and stronger economies;
- strengthened governance/decision making structures and engagement processes;
- modernized zoning and building codes to maximize performance outcomes; and
- increased capacity of local and regional entities to diversify their economies.

Integrated Planning and Investment Grants will support cities, towns, and regions as they create blueprints that strategically direct public and private investments in development and infrastructure. More specifically, the grants will assist communities to modernize zoning and building codes, design shovel-ready plans for transportation and other infrastructure projects, and develop locally appropriate affordable housing programs. The Integrated Planning and Investment Grants will incorporate many of the same features of the previously funded Regional Plans for Sustainable Communities and Community Challenge Planning grants, but, using lessons learned from those programs, will place a greater focus on setting and measuring performance, reducing redundancy in federally-funded planning activities, identifying implementation investments that are most likely to rebuild economies, and identifying how to better leverage federal formula funds. Another goal of this initiative is to encourage state, regional and local governments to use their formula funds to implement the plans funded by this request. Without integrated, performance-oriented plans in place, flexible formula funds are less likely to be used strategically to maximize economic competitiveness. And as with the previous efforts, priority will be placed on directing grants to areas that demonstrate significant economic need and are committed to building the partnerships necessary to tackle the tough decisions that in turn help make places economically competitive and reduce inefficiencies. A set-aside of grant funds would be reserved for small and rural communities and regions.

These investments are a critical part of a silo-breaking interagency partnership with the Environmental Protection Agency (EPA) and the Department of Transportation (DOT) that embodies the President’s commitment to being a new kind of federal partner to states, regions, and localities. Cumulatively, plans funded in fiscal year 2014 have the potential to generate approximately 24,000 jobs, and
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save an estimated $15 billion in unnecessary infrastructure costs over a 20-year period once implemented.\textsuperscript{2} HUD’s recent report *Helping Communities Realize a More Prosperous Future* illustrates the impact of these grants on communities.\textsuperscript{3}

To further the HUD-DOT partnership at the heart of this program, the General Provisions include a provision to allow the Secretaries of HUD and DOT to jointly issue NOFAs and administer and implement grants, provided that the underlying integrity of the appropriated funds is retained. This recommendation emerged from the experiences of fiscal year 2010, when DOT and HUD sought to jointly offer funding for two similar but complementary planning programs and experienced numerous regulatory barriers. This proposed language would help the two agencies serve grantees more efficiently and effectively and reduce the burden on local grant applicants.

**Transformation Initiative**

In fiscal year 2014, the Department renews its request for the Transformation Initiative (TI) Fund, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. This program may transfer up to 0.5 percent or $15 million, whichever is less, to the Transformation Initiative Fund. More details on TI and its projects are provided in the justification for the Transformation Initiative Fund account.

2. **What is this program?**

**Community Development Block Grants (CDBG)**

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. Authorized by Title I of the Housing and Community Development (HCD) Act of 1974 (42 USC 5301 et. seq.), 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. On average, grantees devote more than 94 percent of CDBG funds to activities that provide benefit to low- and moderate-income families.

CDBG is the only federal program of its kind, and since 1974 it has invested $138 billion in communities nationwide. The program has assisted 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 mayors around the country 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.

\textsuperscript{2} Summit Consulting, Interim Report to the Office of Sustainable Housing and Communities, October 2012.

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Every year, an estimated 7,250 local governments across the nation have access to CDBG funding for everything from municipal infrastructure projects in remote, rural areas to health clinics providing vaccinations and dental care to children. The CDBG program provides a critical stream of funding to establish the foundation for local development efforts – and enables communities to leverage Federal funds to stimulate private investment. In fiscal year 2012, 55 percent of CDBG funds allocated to states were devoted to essential infrastructure and public improvements projects in rural communities, strengthening both local and regional economies.

Eligibility

Eligible CDBG grant recipients include states, units of general local government (cities, counties, towns, townships, parishes, villages or other general purpose political subdivisions determined to be eligible for assistance by the Secretary), the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Marianas. While states receive CDBG funds, they must distribute the funds to local governments for activities to be carried out at the local level as states do not have authority to directly implement activities with CDBG funds. In fiscal year 2012, of the 1,251 grantees receiving a Community Development and Planning (CPD) formula allocation, which includes the HOME program, the Emergency Solutions Grant (ESG) program, and Housing Opportunities for Persons with AIDS (HOPWA) program, 47 percent of these grantees only received CDBG and no other formula grant.

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. New housing construction under the CDBG program is very limited and may only be carried out through Community-Based Development Organizations (CBDOs) or to construct “last resort” housing under the Uniform Relocation Act. 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, as identified under program guidance, is to benefit low- and moderate-income persons: at least 70 percent of all CDBG funds expended over a period of up to 3 years must go toward activities that primarily benefit this population.

How Funds are Allocated by the Existing Formula

After deducting $7 million by statute for the Insular Areas CDBG program, 70 percent of remaining CDBG formula funds are allocated to entitlement communities and 30 percent are allocated to states for distribution to non-entitlement communities.
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Entitlement Recipients

The HCD Act provides for the distribution of CDBG funds to eligible entitlement recipients for community development purposes utilizing the higher amount produced by one of two formulas, as shown:

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<th>Formula A</th>
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<td><strong>Factor</strong></td>
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<td>Poverty</td>
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<tr>
<td>Overcrowded Housing</td>
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Metropolitan cities are statutorily defined as principal cities of metropolitan statistical areas (MSAs), cities with populations of 50,000 or more, and cities that are grandfathered into metropolitan city status as a result of previously meeting the criteria as metropolitan cities. As noted earlier, HUD is proposing statutory language that would eliminate the grandfathering provision and establish a minimum grant threshold. These changes would have the effect of reducing the roster of eligible grantees but these communities will continue to have access to CDBG funds through other avenues. MSAs are entitled to funding on the basis of one of the formulas described above. For fiscal year 2012, 1,000 cities received CDBG allocations. Of these, 34 have currently elected to enter into joint grant agreements with their urban counties.

The statute also entitles urban counties with populations of 200,000 or more (excluding population within metropolitan cities) to formula grants. In fiscal year 2012, 183 urban counties received a CDBG formula allocation. These urban counties include over 3,000 cooperating local incorporated units of government receiving funding under the program. The urban county has to have authority to undertake essential community development and housing assistance activities in its participating incorporated communities either under state law or through cooperative agreements. These agreements have to express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary, and an urban county's qualification is valid for a 3-year period.

1) Non-entitlement Recipients

Non-entitlement funds are allocated among the states for the state administered CDBG program according to a dual formula, with the allocation being the higher of amounts determined under state formula A or state formula B. The state formulas are identical to the entitlement formulas with the exception that population is substituted for growth lag in formula B. Under the

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4 "Population growth lag" means the extent to which the current population of a metropolitan city or urban county is less than the population it would have been if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

5 "Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data.
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HCD Act, any state that elected to administer the state CDBG program in fiscal year 1985 or thereafter was considered to have assumed this responsibility permanently. The State of Hawaii is the only state that permanently elected not to administer the State CDBG program and HUD, therefore, administers CDBG grants for the three non-entitlement units of government in Hawaii.

As noted above, the Department is proposing legislation in fiscal year 2014 that would reduce the number of entitlement grantees under the CDBG program. First, HUD proposes to establish a minimum grant threshold of 0.0125 percent of the CDBG formula appropriation amount in order for a jurisdiction to receive a direct CDBG entitlement allocation. Based on the requested funding level of $2.798 billion and jurisdictions that received fiscal year 2012 CDBG entitlement allocations, HUD estimates that 239 local governments would fall below the 0.0125 percent minimum grant threshold ($348,875). Second, HUD proposes to eliminate the “grandfathering” provision and eventually halt entitlement grants to jurisdictions that cannot currently qualify as a CDBG entitlement community, which would eliminate CDBG entitlement grants to an additional 57 local governments. This legislation is designed to transition affected grantees by allowing for allocations through fiscal year 2018. This proposal will not be fully implemented until 2019 to give sufficient advance notice to allow implementation and completion of currently planned and underway activities.

Neighborhood Stabilization Program (NSP)

CDBG provides the underpinning for the Neighborhood Stabilization Program (NSP) initiatives and the proposed Project Rebuild. In response to the foreclosed and abandoned properties left in the wake of the mortgage crisis, Congress passed the Housing and Economic Recovery Act of 2008 (HERA), which appropriated $3.92 billion in CDBG-like funding for states and local governments to invest in locally designed strategies to address abandoned and foreclosed properties. Given the urgency of the situation, HERA directed HUD to establish a program, the NSP, and allocate the funding within 60 days. By the “rule of construction” under HERA, HUD was to treat NSP funds as if they were CDBG funds under the Housing and Community Development Act except as modified by HERA or by an alternative HUD requirement established to expedite the NSP investment. HUD allocated NSP 1 funding to 307 grantees comprised of local governments, states and the insular areas and, as of April 1, 2013, 116.86 percent of these funds were obligated and 106.6 percent have been expended by grantees on NSP eligible activities. NSP 1 grantees are approaching the end of the administratively imposed four year expenditure period and HUD expects to receive substantial performance data on NSP 1 as activities are completed and grants are closed out in fiscal year 2014.

Building on the original NSP investment, the American Recovery and Reinvestment Act of 2009 (Recovery Act) appropriated an additional $2 billion in discretionary funds for NSP activities. The Recovery Act directed HUD to allocate the NSP 2 funding by competition among units of local government, states, non-profit organizations, and consortia of non-profit organizations, any of which may partner with for-profit entities. This funding promotes the coordination of public, private, and philanthropic sectors to make transformative investments that simultaneously address immediate needs and lay the foundations for future prosperity. These funds were awarded in January 2010 to 56 recipients. NSP2 grantees had until February 11, 2013, to expend their funds. All but

6 Obligations over 100 percent result from the allocation of program income funds in excess of original grantee allocations.
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four grantees met the February deadline and HUD is imposing corrective actions and sanctions to resolve expenditure issues surrounding these grants. As of April 1 2013, grantees had obligated 109.2 percent of NSP 2 funding and expended 102.3 percent of those funds, including program income.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (signed into law July 21, 2010) provided an additional $1 billion in mandatory NSP funding to be allocated pursuant to the NSP 1 formula. HUD allocated NSP 3 funding to 270 grantees comprised of local governments, states and the insular areas. As of April1, 2013, 82.0 percent of these funds have been obligated and 50.5 percent have been expended by grantees. Virtually all NSP 3 grantees must expend 100 percent of their funds not later than March 2014 consistent with NSP 3 statutory requirements.

In total, the three rounds of HUD’s Neighborhood Stabilization Program have awarded $7 billion in funding to provide direct aid to state and local governments to assist them in addressing the negative effects of abandoned and foreclosed housing. This $7 billion will have supported an estimated 88,000 jobs, completed 50,000 units of affordable housing, and demolished 25,000 blighted properties by the time these funds are fully spent. Project Rebuild will build on the success of this program and further assist struggling state and local governments in dealing with foreclosure and blight by providing $15 billion for eligible uses. Two-thirds of the funds ($10 billion) will provide formula funding for all 50 states and hundreds of local governments. There will also be $5 billion in competitive funds for states, local governments, for-profit entities, and non-profit entities. Project Rebuild will create or sustain 200,000 jobs in the construction industry in the hardest hit communities.

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 Indian Tribes. Just like entitlement and small city CDBGs, these grants have been crucial to many Indian Tribes, giving them a source of flexible funds used to serve their development priorities, 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 Headstart 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. These grants cannot be used for construction or improvement of government facilities, government operations, income payments, or new housing construction, except in certain situations. 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.
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**Integrated Planning and Investment Grants**

The Office of Economic Resilience (OER), formerly the Office of Sustainable Housing and Communities (OSHC), is created to reduce federal barriers to local and regional strategies that align resources to create economically strong, resilient communities by connecting housing to jobs, fostering local innovation, and supporting energy efficient and healthy, affordable housing. OER also works with a wide range of federal partners to align federal investments in communities, ensuring they do not work at cross-purposes and minimizing red-tape for grantees. Working through interagency partnerships, OER works to reduce barriers that localities face in using federal funds, seek efficiency in their investments through economies of scale, and leverage each agency’s specific expertise.

For fiscal year 2014, HUD requests $75 million for Integrated Planning and Investment Grants that will provide communities and regions with the resources to create a roadmap to use existing financial resources more strategically to address regionally and locally defined economic development, infrastructure and housing needs. Through a relatively small investment, these grants provide incentives for regions and localities to engage in strategic, performance-based planning to create a coordinated economic development strategy, improve mobility, expand regional housing choices, plan for extreme weather events, and address watershed planning or other environmental and infrastructure needs. These incentives also help local jurisdictions, faced with severe budget cuts, to update policies, codes, and neighborhood plans, as well as invest in land acquisition for catalytic projects. One unique aspect of this program is the ability to support cross-jurisdictional, multi-state efforts, which other federal funding programs are not equipped to do.

For smaller communities experiencing a myriad of economic development, growth and infrastructure challenges, the Integrated Planning and Investment grant is the only source of public funding to support this “pre-development” work. In most instances investment decisions are made by the state and, as a consequence, many housing, economic development and transportation investments are not closely aligned with local priorities. Recognizing this important need, HUD will create a set-aside within this program for smaller regions (under 200,000 in population) and communities (under 35,000 in population) to ensure that these applicants can be competitive in the review process.

The Integrated Planning and Investment grant program will fund a wide array of eligible activities, driven by local needs and capacity gaps, including:

- Developing Geographic Information Systems and maps that knit together information from multiple jurisdictions to improve decision-making at a regional scale;
- Supporting community engagement tools and activities that allow local voices to inform significant policy and investment decision-making;
- Undertaking regional economic development business planning initiatives to identify key assets and strengths tied to market opportunities, local talent and unique geographic features;
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- Commissioning market and demographic studies to assess future development opportunities based on local conditions;
- Preparing and evaluating growth and re-investment scenarios to support transparent and fact-based policy-making;
- Aligning single-topic plans for water, transportation, schools and other infrastructure into a coordinated and integrated capital improvement plan for a region or a community;
- Establishing affordable housing land acquisition funds to ensure long-term affordability in neighborhoods that provide a variety of transportation choices and other community amenities;
- Planning transit station areas to support proposed and existing service, ensuring that neighborhood level plans contribute to transit ridership and other community-established goals;
- Identifying strategies for retrofitting main streets and commercial corridors to create greater economic opportunities for local businesses while also supporting increased housing and transportation choices for existing and future residents; and
- Preparing targeted implementation proposals that identify specific funding sources (federal, state, local and private-sector) and needs necessary to execute priority projects.

Communities across the country know that they need this type of thorough planning, but these kinds of activities are not free. An Integrated Planning and Investment Grant will allow them to bring the right stakeholders together, create a plan, and position themselves for the future.

Based on feedback from previous grantees of the Sustainable Communities Regional Planning Grants and Community Challenge Planning Grants, HUD proposes to combine the 2 grant programs into a single, streamlined application. HUD will also add a focus on aligning the local vision with statewide funding priorities to better ensure that once a local plan is adopted, the state is a strong and supportive implementation partner. For example, in the State of Michigan, Governor Snyder has reorganized his cabinet to mirror the integrated federal partnership between HUD, DOT and EPA. The state is now seeking ways to better align funding and coordinate policies to expedite implementation of priority recommendations of HUD-funded plans. HUD will also seek to incent reform in the use of HUD formula funding (including CDBG and HOME) by encouraging grantees to commit to aligning future funding allocations to the implementation of adopted regional and local plans. Our expectation is that these adjustments will reduce burdens on local governments, and result in a more useful strategic plan.

Salaries and Expenses (S&E) and Full-Time Equivalents (FTE) Request

For fiscal year 2014, the total S&E funding is $46.56 million for 354 FTE to support programs under the Community Development Fund. The realignment of the Office of Economic Resilience (formerly Sustainable Communities) under the Community Development Fund resulted in 18 FTEs being included in this total.
Community Development Fund

- Community Development Block Grant, NSP and related activities: For Personnel services, the Department requests $42.91 million, an increase of approximately $1.87 million to support 9 additional FTE allocation that will be used to increase grantee oversight and the rising cost of salary and fringe benefits. The Community Development Block Grant’s fiscal year 2014 non-personnel services budget request is $907 thousand, an increase of $51 thousand compared to fiscal year 2012 actual. The majority of the increase is for travel and relates to improving grantee oversight through monitoring and providing technical assistance to CPD’s grantees, including Neighborhood Stabilization Program (NSP) and CDBG disaster recovery grantees. Due to the decreased capacity of grantees as a result of state and local governments layoffs and furloughs and an increased NSP and CDBG disaster recovery workload, there will be increased demand on Headquarters and Field staff to travel and provide support and technical assistance to grantees.
- Integrated Planning and Investment Grants: The Department requests $2.49 million to maintain the 18 FTEs already-existing within the Office of Economic Resilience. The non-personnel expenses will be $237 thousand, which includes $155 thousand for Intergovernmental Personnel Agreements within OER.
- Indian CDBG: Indian CDBG FTE are not included in this total and are part of PIH’s Office of Native American Programs. Descriptions of this office are provided in the PIH Program Office Salaries and Expenses justification.

Workload by Function

Compared to fiscal year 2012, the Community Development Fund’s fiscal year 2014 FTE allocation has been increased by 9 FTE. The below workload by function distribution is an estimate as the majority of CPD employees work on several programs.

- 86 FTE are allocated to Formula Grant Management to support CDBG’s formula and NSP and CDBG disaster recovery recipients.
- 57 FTE are allocated to support the Consolidated Plan. The Consolidated Plan is an important tool for HUD and grantees to assess progress, results, and ensures that communities have been good stewards of taxpayer dollars.
- 46 FTE are allocated to Customer Service. CPD must provide customer service to its public and institutional entities about our varied programs. CPD programs involve several stakeholders beyond our grantees that have an invested interest in the community. Because CPD is at the forefront of community planning and economic development, addressing homelessness, and has one of the most flexible grant programs with CDBG, interest in CPD’s programs is high.
- 43 FTE are allocated to Compliance: Monitoring and Risk Assessment. The monitoring of grants that CPD administers is a fundamental function of CPD business. On an annual basis, CPD monitors hundreds of formula grantees.
- 104 FTE are allocated to other critical functions such as Program Administration: Technical Assistance and Training; Program Administration: Information Management; Audits; Compliance: Standards and Guidance; Environmental Review; Cross Program Collaboration; and Operations. Technical assistance consists of grants through the OneCPD program.
- 17.6 FTEs are allocated for the Office of Economic Resilience. These FTEs must oversee and manage grantees, administer grant competitions, manage contracts, respond to information requests, and formulate policies, procedures, and programs.
3. Why is this program necessary and what will we get for the funds?

Community Development Block Grant

What is the Problem We’re Trying to Solve?

Activities funded through CDBG help address critical unmet community and economic development needs. In a climate of continued fiscal distress at the state and local government level, it is essential that the programs and projects funded by CDBG, which primarily serve low- and moderate-income populations, continue to be funded. Many communities are plagued by budget shortfalls, along with inadequate public services, insufficient economic opportunities, and physically distressed infrastructure. Moreover, high unemployment rates; lack of safe, affordable housing; and a growing population of senior citizens are increasing the service needs among the nation’s low- and moderate-income population. As local governments face unprecedented budget shortfalls, critical community development and public service programs are at risk of falling by the wayside, allowing communities to slip further into financial distress and families that live in these communities to drift away from economic self-sufficiency.

For families across the country, the impacts of CDBG are very real. In 2012 alone:

- Nearly 21,800 Americans found new permanent jobs or were able to retain their jobs at businesses supported by CDBG economic development activities, and an estimated 76,600 additional jobs were supported for the year through CDBG funded construction and services;
- Over 83,700 housing units received some level of housing rehabilitation assistance;
- More than 7,250 local governments, including more than 2,500 rural communities, participated in CDBG through the entitlement, urban county, or state programs; and
- More than 11.2 million people live in areas which benefited from CDBG-funded public service activities and almost 3.4 million live in areas which benefited from CDBG-financed public improvements.

The communities 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. More than 120 million Americans exist on low or moderate incomes. Most are from hard working families struggling to make ends meet; some are homeless individuals or families who want to become productive members of society once again. In fiscal year 2012, 95.5 percent of CDBG funds were invested in activities that primarily benefit low- and moderate-income Americans.

How Does This Program Help Solve that Problem?

Underpinning CDBG is the fundamental philosophy that local decision makers are best positioned to identify and prioritize local needs and to effectively allocate funding to address those needs. Instead of a top-down approach, where the federal government tells grantees how to use these funds, CDBG presents a broad framework which local governments can easily adapt to the particular
Community Development Fund

needs they face. From the local perspective, CDBG is an invaluable source of finances, enabling communities to match local knowledge of needs with necessary resources. As the federal government’s most significant program focused on achieving a broad set of community development objectives, CDBG has invested $138 billion in community development through systematic and sustained action by the federal government to advance priorities at the local level since 1974.

In rural areas, CDBG funding can be a critical resource in supporting infrastructure investments and job growth. In fiscal year 2012, the State CDBG program provided rural areas with more than $600 million to support the creation of over 17,000 direct jobs through key local and regional economic development investments designed to help stabilize and reinvigorate communities.

CDBG is a crucial leveraging source for community and economic development projects at the local level. Facing local government budget shortfalls, CDBG funding remains a crucial source of funding that enables counties and municipalities to leverage funds for key infrastructure and economic development projects. The CDBG program helps these communities gain the financial leverage to address these critical economic development needs. 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) and intends to make such reporting mandatory in 2013.

Between fiscal year 2009 and August 1, 2011:
- More than 23,800 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- $4.076 billion of CDBG funding leveraged $14.458 billion in other resources; and
- On projects where leveraging was reported, grantees reported that every dollar of CDBG funds leveraged an additional $3.55 in other funding.

These data illustrate that CDBG funds often serve as the backbone of state and local development efforts, and increasingly the program provides one of the few resources available to support housing rehabilitation, public improvements, and economic development assistance. Without CDBG funding, these projects are in danger of being eliminated or delayed, as many local governments will have no choice but to remove them from their budgets.

The CDBG approach encourages the use of program funds to help address key national priorities, which have remained relatively consistent over the last decade. Grantees use CDBG funds include activities related to public improvements, public services, economic development, acquisition/clearance, and housing (owner-occupied and rental housing rehabilitation, homeownership assistance, and Community-Based Development Organization housing construction and rehabilitation associated with a neighborhood revitalization or economic development project). As shown in Figure 1, more than half of CDBG funds go towards public improvements and housing rehabilitation.

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7 Leveraged amount is based on self-reported data extracted from IDIS.
Figure 1

CDBG has an enviable record of providing extensive benefit to the public and, most specifically, to low- and moderate-income individuals across the nation. Over the past several years, the program has helped state and local governments establish and maintain viable communities by providing decent housing and suitable living environments conducive to the expansion of economic opportunities. Key CDBG beneficiary data for fiscal years 2008-2012 is presented below in two formats.
CDBG Job Creation/Retention Activities 2009-2012

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Job Creation/Retention Expenditures (Millions)</td>
<td>$729</td>
<td>$657</td>
<td>$665</td>
<td>$658</td>
</tr>
<tr>
<td>Public Facilities and Improvements</td>
<td>1,026</td>
<td>2,050</td>
<td>1,811</td>
<td>3,886</td>
</tr>
<tr>
<td>Commercial/Industrial Infrastructure Development</td>
<td>5,317</td>
<td>4,602</td>
<td>5,737</td>
<td>4,168</td>
</tr>
<tr>
<td>Economic Development Loans to Businesses</td>
<td>10,653</td>
<td>8,239</td>
<td>10,021</td>
<td>9,854</td>
</tr>
<tr>
<td>Economic Development Technical Assistance</td>
<td>2,308</td>
<td>2,499</td>
<td>1,619</td>
<td>1,427</td>
</tr>
<tr>
<td>Micro-Enterprise Assistance</td>
<td>1,074</td>
<td>1,166</td>
<td>1,475</td>
<td>897</td>
</tr>
<tr>
<td>Other Direct Job Creation/Retention Activities</td>
<td>1,585</td>
<td>737</td>
<td>819</td>
<td>1,562</td>
</tr>
<tr>
<td><strong>Total Jobs:</strong></td>
<td><strong>21,963</strong></td>
<td><strong>19,293</strong></td>
<td><strong>21,482</strong></td>
<td><strong>21,794</strong></td>
</tr>
</tbody>
</table>
### CDBG Public Improvement Activities, 2009-2012

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Public Improvement Activity Expenditures (Millions)</td>
<td>$1,253</td>
<td>$1,141</td>
<td>$1,214</td>
<td>$1,223</td>
</tr>
</tbody>
</table>

#### Number of Persons Benefitting

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>Persons Benefiting (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Facilities and Improvements (General)</td>
<td>2,625,755</td>
</tr>
<tr>
<td>Senior Centers</td>
<td>494,604</td>
</tr>
<tr>
<td>Homeless Facilities (not operating costs)</td>
<td>85,919</td>
</tr>
<tr>
<td>Neighborhood Facilities</td>
<td>693,286</td>
</tr>
<tr>
<td>Parks, Recreational Facilities</td>
<td>345,643</td>
</tr>
<tr>
<td>Street Improvements</td>
<td>61,444</td>
</tr>
<tr>
<td>Sidewalks</td>
<td>477,423</td>
</tr>
<tr>
<td>Health Facilities</td>
<td>154,701</td>
</tr>
<tr>
<td>Other Public Improvement Activities</td>
<td>259,223</td>
</tr>
<tr>
<td><strong>Total Persons:</strong></td>
<td><strong>5,197,998</strong></td>
</tr>
</tbody>
</table>

![CDBG Public Improvement Activities Chart](chart.png)
Community Development Fund

### CDBG Public Service Activities, 2009-2012

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Public Service Activity Expenditures (Millions)</strong></td>
<td>$428</td>
<td>$440</td>
<td>$433</td>
<td>$445</td>
</tr>
<tr>
<td>Operating Costs of Homeless/AIDS Patients Programs</td>
<td>503,465</td>
<td>534,792</td>
<td>411,222</td>
<td>474,969</td>
</tr>
<tr>
<td>Public Services (General)</td>
<td>6,493,630</td>
<td>6,544,687</td>
<td>5,490,419</td>
<td>5,908,896</td>
</tr>
<tr>
<td>Senior Services</td>
<td>992,622</td>
<td>704,485</td>
<td>914,111</td>
<td>1,079,185</td>
</tr>
<tr>
<td>Services for the Disabled</td>
<td>145,854</td>
<td>115,498</td>
<td>148,827</td>
<td>141,560</td>
</tr>
<tr>
<td>Youth Services</td>
<td>844,426</td>
<td>774,784</td>
<td>970,843</td>
<td>882,816</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>116,882</td>
<td>141,122</td>
<td>130,801</td>
<td>98,482</td>
</tr>
<tr>
<td>Battered and Abused Spouses</td>
<td>163,355</td>
<td>130,829</td>
<td>142,941</td>
<td>142,367</td>
</tr>
<tr>
<td>Employment Training</td>
<td>164,513</td>
<td>161,023</td>
<td>307,316</td>
<td>68,018</td>
</tr>
<tr>
<td>Crime Awareness/Prevention</td>
<td>126,666</td>
<td>145,311</td>
<td>64,939</td>
<td>78,092</td>
</tr>
<tr>
<td>Health Services</td>
<td>660,969</td>
<td>723,618</td>
<td>577,798</td>
<td>728,384</td>
</tr>
<tr>
<td>Other Public Service Activities</td>
<td>396,973</td>
<td>391,417</td>
<td>940,128</td>
<td>1,615,329</td>
</tr>
<tr>
<td><strong>Total Persons:</strong></td>
<td><strong>10,609,355</strong></td>
<td><strong>10,367,566</strong></td>
<td><strong>10,099,345</strong></td>
<td><strong>11,218,098</strong></td>
</tr>
</tbody>
</table>
### CDBG Housing Activities, 2009-2012

<table>
<thead>
<tr>
<th>Eligible Activity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housing Activity Expenditures (Millions)</td>
<td>$861</td>
<td>$843</td>
<td>$807</td>
<td>$767</td>
</tr>
<tr>
<td>Construction of Housing</td>
<td>1,878</td>
<td>1,122</td>
<td>1,698</td>
<td>2,365</td>
</tr>
<tr>
<td>Direct Homeownership Assistance</td>
<td>2,340</td>
<td>4,683</td>
<td>2,328</td>
<td>2,510</td>
</tr>
<tr>
<td>Rehabilitation: Single-Unit Residential</td>
<td>76,477</td>
<td>66,162</td>
<td>64,551</td>
<td>53,316</td>
</tr>
<tr>
<td>Rehabilitation: Multi-Unit Residential</td>
<td>10,925</td>
<td>11,483</td>
<td>10,914</td>
<td>10,950</td>
</tr>
<tr>
<td>Public Housing Modernization</td>
<td>2,937</td>
<td>7,728</td>
<td>4,712</td>
<td>3,434</td>
</tr>
<tr>
<td>Energy Efficiency Improvements</td>
<td>1,153</td>
<td>2,391</td>
<td>2,653</td>
<td>3,172</td>
</tr>
<tr>
<td>Acquisition for Rehabilitation</td>
<td>838</td>
<td>2,739</td>
<td>273</td>
<td>589</td>
</tr>
<tr>
<td>Rehabilitation Administration</td>
<td>5,454</td>
<td>7,948</td>
<td>6,126</td>
<td>7,131</td>
</tr>
<tr>
<td>Lead-based Paint/Lead Hazard Test/Abatement</td>
<td>2,222</td>
<td>3,656</td>
<td>1,531</td>
<td>1,911</td>
</tr>
<tr>
<td>Other Housing Activities</td>
<td>1,156</td>
<td>1,135</td>
<td>1,829</td>
<td>3,634</td>
</tr>
<tr>
<td><strong>Total Households:</strong></td>
<td><strong>105,380</strong></td>
<td><strong>109,047</strong></td>
<td><strong>96,615</strong></td>
<td><strong>89,012</strong></td>
</tr>
</tbody>
</table>

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Community Development Fund

*HUD Oversight and Enforcement*

HUD takes its role as steward of taxpayers’ money seriously, and therefore has a robust set of controls for the CDBG program funds. While the CDBG program allows local governments to determine the use of program funds based on local priorities, CDBG staff oversees all state, entitlement, and insular programs through both on-site program monitoring and through IDIS.

The CDBG program is an established and stable program with well-known requirements, so grantees are familiar with the program. Throughout the country, both in communities and in HUD offices, there are CDBG experts, familiar with the program after years of experience, who track and monitor funds, ensuring they are being used in compliance with all statutory and regulatory requirements. As a result, grantees have the appropriate capacity and knowledge to implement and monitor their CDBG grant allocations in a manner that minimizes the potential for fraud, waste, and abuse. HUD staff also has a thorough understanding of program requirements to the extent that they can provide appropriate and proactive technical assistance to grantees that may have had staff turnover, as well as grant monitoring and program oversight in order to prevent the misuse of funds.

*Risk Assessment and Monitoring by Field Offices*

HUD is taking steps to improve its on-site and remote monitoring ability and, consequently, its oversight of CDBG grantees. These steps, which were accelerated as the result of the HUD Office of Inspector General internal audit described in more detail below, include a stricter risk management assessment, improved comprehensive monitoring exhibits and clear procedures for field offices to provide oversight of CPD’s programs.

Each year, HUD field offices conduct a risk assessment of all formula and competitive grantees based on several factors, including size of formula grant, complexity of activities undertaken, management capacity, and length of time since last monitoring visit. Based on the risk assessment results, field offices target staff resources to monitor grantees that pose the greatest risk of fraud, waste, abuse, and mismanagement. This monitoring includes a grantee review to assess policies and procedures governing sub-recipient management, financial management, eligible activities, allowable costs, written agreements, match requirements, and reporting beneficiary data. It also includes a review of specific project files and on-site inspection of selected sample project(s).

In the last 3 fiscal years (2009-2011), Field Offices conducted 871 monitoring reviews of CDBG grantees nationally and identified 1,109 findings and 1,362 concerns related to compliance and/or performance. CPD field staff is responsible for monitoring all CPD programs and must balance competing demands for monitoring efforts.

Additionally, the field offices conduct an annual risk assessment of the supplemental Neighborhood Stabilization Program and CDBG Disaster Recovery program based on similar risk factors. In the CDBG Disaster Recovery program, grantees identified as high risk are managed and monitored directly by HUD Headquarters staff.
Reporting

HUD requires reliable, comprehensive information regarding program performance in order to comply with various federal reporting requirements. In order to track and monitor the use of grant funds and program income and collect data on program performance, the CDBG program uses IDIS. In use since 1995, IDIS is the management information system used for all four CPD formula programs. The system is accessed through the HUD website and is secured by HUD-issued IDs and passwords. IDIS enables grantees to draw down CDBG funds, and the system is a data collection and reporting tool that grantees use to record the results of CDBG-funded activities. IDIS is where all the data that is collected on CDBG activities is reported to HUD, including the CPD Performance Measurement data elements.

HUD is implementing enhancements to its CDBG reporting system to enable improved, real-time reporting on the progress of grantee projects. Further, the enhancements, described in more detail below, will target data collection in IDIS for the elements that maximize utility to improve the value of CDBG data while limiting the data burden on grantees.

Unobligated Balances

The CDBG program has minimal unobligated carryover each year in the formula program and is virtually eliminated in the first quarter of each fiscal year. This carryover results from approximately 15 percent of CDBG grantees electing to receive their allocation on October 1 in concert with the beginning of the local fiscal year, rather than with the Federal fiscal year. Thus, these grantees receive their fiscal year annual allocations on the October 1 following the end of the Federal program fiscal year. Therefore, depending on the timeline of HUD’s approval process for the grantees’ Action and Consolidated Plans, funds may not be obligated until late October. Additionally, a minimum amount of carryover is also associated with a handful of grantees facing litigation relating to serious compliance issues that prohibit HUD from providing a CDBG grant agreement to the grantee. Current examples involve fair housing litigation and settlement issues in jurisdictions such as Westchester County, NY and Joliet, IL.

The budget projects that $50 million of CDBG Disaster Recovery funds for the Louisiana Road Home program will carry over into fiscal year 2014. These funds are available to the state of Louisiana as the state submits plans to HUD, pursuant to P.L. 110-116. An undetermined amount of funds from the Disaster Relief Appropriations Act, 2013 (P.L. 113-2) will be carried forward into fiscal year 2014 as additional allocations in response to Hurricane Sandy may not occur in time to be obligated in fiscal year 2013. Further, P.L. 113-2 directs HUD to make funds available for qualifying major disasters that may occur in calendar year 2013, meaning that HUD will not make final allocations under P.L. 113-2 until sometime in the second or third quarter of fiscal year 2014.

Without This Level of Funding

The requested level of $2.798 billion in funding for the CDBG program in fiscal year 2014 demonstrates a continued commitment to the Federal government’s most important community and economic development program. The Administration’s proposal to fund the CDBG program at 95 percent of at the fiscal year 2012 enacted level reaffirms the importance of the CDBG program during this
difficult economic period, but to operate an effective program at this funding level reforms are necessary to better target the program.

Since 1976 when the program was last funded at this level, the CDBG program has almost 600 new grantees, many of whom concentrate their shrinking CDBG resources on a smaller quantity of critical activities. Furthermore, smaller grants inherently provide less leveraging power, and fewer opportunities for the large-scale economic development investments these communities desperately need.

Reductions to CDBG allocations also have the effect of reducing the ability of CDBG grantees to borrow through the Section 108 loan guarantee program. Since a grantee’s Section 108 borrowing capacity is equal to five times its most current CDBG allocation, any reduction to CDBG allocations will have a corresponding downward effect upon Section 108 borrowing capacity. Numerous grantees, including Cleveland, OH, are unable to finance additional economic development activities through Section 108 as they are now at their cap.

The fiscal year 2014 request will enable grantees to continue implementing CDBG programs designed to address the most pressing issues confronting local communities today. As noted earlier, the Department is proposing legislation in fiscal year 2014 that would reduce the number of entitlement grantees under the CDBG program.

CDBG does more than just provide grants to communities. CDBG provides a common structure at the local level for a wide range of community development initiatives, meaning that termination of CDBG would dramatically compromise the ability of local governments to recovery from natural or man-made disasters because of the loss of the important expertise and administrative structures that are currently kept up through CDBG. For example, both the NSP and CDBG Disaster Recovery programs are built on the statutory and regulatory foundation of the CDBG program.

Size of Grant Allocations

The median CDBG grant size for entitlement communities in fiscal year 2012 was just under $800,000. However, almost 15 percent of CDBG entitlement grantees received an allocation of less than $300,000 in 2012. Given the very limited amount of money they can use for planning and administrative costs ($60,000 for a $300,000 grant); HUD is concerned about the ability of grantees to effectively sustain small-dollar-amount programs. Although grantees have historically expended less than 15 percent of their grants on administrative and planning activities, there is an expectation that the amount budgeted for these activities would increase as the number of small grants increases. During a time of severe budget constraints, local governments are challenged by limited administrative resources. The growth of small-dollar grants and the problems they lead in administering the CDBG program contributed to HUD’s decision to pursue limitations on the number of CDBG entitlement grantees.
Implications of Administrative and Planning Cap Authorizing Changes

For more than three decades, annual appropriation legislation has included a 20 percent cap on the portion of CDBG formula funding that Entitlement grantees can use for planning, management, and administration activities. HUD stresses the importance of maintaining the administrative and planning allowance at the historic 20 percent level and notes that any reduction to the cap will reduce local government’s staff capacity and have substantial negative impacts on grantees’ abilities to strategically and efficiently use CDBG funding. Grantees have come to rely upon CDBG administrative funds to support planning and monitoring of other CPD formula allocation programs and local community and economic development activities. A cut will inhibit the abilities of many CDBG entitlement, Insular, and Hawaiian county grantees to create Consolidated Plans, to monitor CPD programs, and to support the administrative functions of HUD’s HOME program and homelessness programs.

Limiting administrative and planning expenditures below the current cap will shrink the unique staffing resources required by the diverse array of programs – planning, housing, infrastructure, economic development, public services – funded through CDBG. The network of experts that CDBG supports will be quickly lost, meaning CDBG funds are more likely to be spent in a less effective manner. Further, a reduction will diminish staff support for other grant programs, decreasing the ability of local governments to assist families experiencing homelessness, invest in infrastructure projects, and fund job-creation and economic development initiatives in struggling communities throughout the country. Another area that will be impacted would be fair housing. Jurisdictions receiving CDBG funds must certify that they will affirmatively further fair housing and rely on their CDBG administrative funds to implement the reforms that ensure their compliance with this statutory requirement. Without these funds, the ability of HUD to implement its statutory responsibilities on fair housing will be significantly impaired.

At a time when the CDBG appropriation level has decreased by 26 percent since fiscal year 2010, grantees are finding it increasingly necessary to use the full amount available under the administrative and planning cap. In fact, to operate under lower allocation levels, some of the largest CDBG grantees, including Los Angeles County and the city of Miami, have cut their CDBG administrative staff by 20 percent in the past 2 years. Los Angeles County also eliminated the 10 percent administrative allowance it provided to participating cities in an effort to address budget shortfalls, and the lower allocations are causing management changes impacting procurement, staff billing procedures, and decreases in the number of on-site monitoring reviews conducted annually.

Smaller CDBG formula allocations are already placing increasing pressure on the planning and administration cap. If a lower planning cap is enacted, a CDBG Entitlement grantee receiving a small grant will experience great difficulty in employing the staff capable of managing a grant in accordance with program regulations and statutory requirements.

It is important to highlight the types of activities for which Entitlement grantees are incurring administrative and planning costs.

- **HUD Requirements:** First, each Entitlement grantee must go through the Consolidated Plan/Action Plan process on an annual basis. Second, Entitlement grantees must periodically prepare an Analysis of Impediments to Fair Housing (AI). This can be an extensive study of housing conditions and often times may include the retention of outside consultants to assist in
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the preparation of the AI. Third, each Entitlement grantee must prepare and submit a Consolidated Annual Performance and Evaluation Report (CAPER) covering the various CPD formula grants that it receives. All of these submissions fulfill statutory requirements, so HUD has a very limited ability to waive this requirement. However, to streamline the process and support meaningful planning document, HUD has provided new tools to support grantees’ planning efforts, such as the eCon Planning Suite.

- **Other laws:** From an operational standpoint, each Entitlement community must retain staff or consultants to carry out environmental reviews under the National Environmental Protection Act (NEPA). Grantees frequently carry out multi-year projects in urban areas triggering complex environmental reviews. Concurrently, many local governments employ labor relations specialists to ensure compliance with prevailing wage laws (Davis-Bacon) and may have other specialists to address a variety of requirements under the Uniform Relocation Act, Lead-Based Paint Hazard Control Act, and other federal statutes.

- **Data Reporting:** Entitlement grantees interact directly with CPD’s data and financial system, IDIS. Thus, they are responsible for all data entry and for making draws on the line of credit. Although the Department is developing enhancements to reduce grantees’ data reporting burdens, timely and accurate data reporting is a mandatory part of the administrative process and is often a labor-intensive activity.

- **Program Monitoring:** Program design may also play a role in the level of administrative costs experienced by entitlement grantees. A significant number of large Entitlement grantees expend CDBG funds at or near the 15 percent cap on public services. Awarding, monitoring, and closing out these activities tends to be time and resource intensive, requiring adequate staff to properly manage various aspects of public service activities frequently administered by subrecipients. Similarly, Entitlements usually have many partners and will provide funds for other activities (such as housing rehabilitation or assisting new housing) to neighborhood-based nonprofit organizations; these organizations are likely to need greater oversight and capacity-building support.

- **Personnel Costs:** Finally, grantees use the administrative funds for the cost of doing business encompassing salaries, benefits, rent, expenses and other related costs. At a time when local resources are challenged and CDBG allocations are at historically low levels, reducing the administrative and planning cap will severely inhibit grantees’ abilities to responsibly administer CDBG grants.

**Strategic Plan Performance**

CDBG contributes to each of HUD’s strategic plan goals in substantive ways through activities such as public services, code enforcement, economic development, and single and multifamily housing rehabilitation. The value of CDBG can be seen in CDBG-funded investments that encourage economic growth and support existing communities.
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More specifically, CDBG serves as the central program in accomplishing HUD’s goal of catalyzing economic development and job creation, while also serving to enhance and preserve community assets. The CDBG program is unique among HUD’s programs in its capacity to support local investments in infrastructure activities that incentivize job-creating economic development projects. CDBG also serves as a key mechanism for filling gaps in essential public services, helping to expand economic opportunities and promote a higher quality of life for low-income populations. Moreover, the CDBG program serves as the framework for HUD’s facilitation of disaster recovery and resiliency through its Disaster Recovery division.

Neighborhood Stabilization Initiative and Project Rebuild

This budget provides $200 million in CDF funding for the purpose of establishing the Neighborhood Stabilization Initiative (NSI), a competitive program that would assist states and communities in continuing to address the negative effects of abandoned and foreclosed housing. NSI would bring lessons learned from the Neighborhood Stabilization Program (NSP) to the CDBG and Section 108 programs as they work together to leverage improvement in hardest hit, slow recovering areas with large numbers of vacant, foreclosed, abandoned, and blighted homes in greatest need of demolition, land-banking, and redevelopment. The proposed appropriations language would enable local governments, states and state housing finance agencies to apply for the funding. Applicants will be required to demonstrate need, capacity and the ability to leverage other funds. NSI would provide funding for state and local efforts to further reduce the negative effects of blighted properties by providing a source of funding for activities such as acquisition, demolition, clearance, and land banking.

While CDBG funds are crucial for local governments in dealing with the fallout of the foreclosure crisis, in most communities the size of the problems far outstrips the resources available. The Budget continues to propose $15 billion in mandatory funding for Project Rebuild, to enable local communities to leverage private and public capital to take on the collapse of their neighborhoods. With these funds, communities can buy and rehabilitate abandoned properties, encourage entrepreneurship, stop the collapse of home prices, and encourage people to live in these neighborhoods. Project Rebuild will create or sustain an estimated 200,000 jobs in the construction industry in the hardest hit communities.

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.
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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.”)
- 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 2005-2009:

- 25.9 percent of American Indians and Alaska Natives live below the poverty level, compared to 10.8 percent of Whites and 13.4 percent of the national population.
- 8 percent of American Indian/Alaska Native households are overcrowded; 1.1 percent of White households are overcrowded; 3 percent of national households are overcrowded.
- The average per capita income for American Indians/Alaska Natives was $16,716; $31,599 for Whites; $27,041 for the national population.
- The median household income for American Indians/Alaska Natives was $36,520; $54,535 for Whites; and $51,425 for the national population.

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.

In 2014, HUD seeks to work toward the eradication of mold in Indian Housing. A 2003 Office of Native American Programs (ONAP) study found a significant need for residential mold remediation in Indian Country. Mold conditions were found in 15 percent of the 45,532 housing units surveyed at that time. Poor air quality due to improper ventilation is a significant issue in Indian Country, often leading to moldy conditions. In its regular consultations with tribal leaders, HUD has grown concerned that this problem is growing and presenting a real threat to the health of the residents of Indian Country. To help solve this problem, HUD is requesting an additional $10 million set-aside within the Indian CDBG for a competitive grant program that will encourage tribes to remove mold from affordable housing and prevent its recurrence. This initiative, to be administered with the assistance of HUD’s Office of Healthy Homes, will allow HUD and its tribal partners to jointly focus on this serious and growing problem.

There is a great demand for all Indian CDBG program dollars in Indian Country. In recent years, HUD has received two or three times as many ICBG 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. This has led many tribes to push mold remediation down their list of priorities.
ICDBG funds allow grantees to make essential repairs to low-income housing. Other grantees use ICDBG for innovative projects that benefit the entire community. Some examples of projects include:

- Icy weather last year in rural Oklahoma caused significant power outages, which caused delays in emergency response and an interruption to the water treatment facility owned and operated by the Seneca-Cayuga Tribe. The tribe received a $538,957 ICDBG and used it to provide backup generators to the Public Works and Fire Departments. These propane generators ensure that during power outages, 911 emergency calls are received, and water and sewer systems continue to operate. This relatively small grant made the small town of Grove, Oklahoma a better, safer place to live, and benefitted all its citizens, Indian and non-Indian alike.

- The Ho-Chunk Nation in Wisconsin will devote its $600,000 2012 grant to install solar photovoltaic panels on low-income single family home and apartment rental units to decrease resident energy cost by 24 percent.

- The Chemehuevi Indian Tribe of California will use its $604,998 grant to upgrade the reservation’s existing infrastructure by replacing segments of old sewer lines serving tribal members. The original installations date back to the 1950s.

### Integrated Planning and Investment Grants

In 1900, food and clothing consumed an average of 60 percent of the average American family’s budget. Now, thanks to advances in efficiency, they use 17 percent. Today, American households are spending, on average, 52 cents of every dollar on housing and transportation expenses alone. With smart investments and proper planning, this number, too, can be driven downward. These costs not only present a burden for working families, but limit additional local spending and savings, which could improve the stability of the Nation’s economy. Further, as municipalities emerge from the economic recession, local budgets are stressed, leading to often drastic cuts in services and maintenance of existing infrastructure, as well as reduced staff capacity to reposition local investment strategies. These stresses are emerging at a time when businesses increasingly realize that labor markets are highly mobile and attracting talent depends, in part, on locating in communities that deliver good schools, strong local economies, and access to cultural and recreational amenities. In a time when businesses are often following talent, the importance of building affordable and livable communities has never been more important. However, at a time where local governments are struggling to keep the lights on, establishing this kind of economic development strategy linked to infrastructure plans can be a problem.

HUD anticipates the fiscal year 2014 Budget request for Integrated Planning and Investment Grants will support approximately 20 to 30 efforts by cities, counties, metropolitan regions and states to identify ways in which infrastructure and housing investments can reduce the cost of living for households, while strengthening local economies. HUD’s investment will produce locally created plans that better align public and private investments in housing and infrastructure, resulting in smarter investments that generate

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9 HUD and DOT-sponsored research on the cost of transportation and housing.
significant cost savings to states and localities, and increasing the efficiency of federal dollars invested in transportation, housing and infrastructure. Each plan reflects the unique situation of that locality, including its geography, history, and specific needs.

The demand for grants of this type is real. In fiscal years 2010 and 2011, HUD awarded 152 grants in 48 states, totaling $240 million. This investment has in turn leveraged close to $253 million in direct private investment and commitments from local partners and at least an additional $150 million in aligned philanthropic investments. The sources of leverage include local Chambers of Commerce, Business Roundtables, civic organizations, and preservation groups who all see that the plans will help ensure economic development that benefits an entire community or region. The communities that have received these grants vary from rural and tribal communities in West Virginia, South Dakota, and Washington to larger cities such as Chicago, Seattle, and Kansas City. HUD received over 1,500 applications from every state in the Nation and over 400 Congressional letters of support.

Given available funding, only 11 percent of applications received a grant. And of the grants awarded in fiscal years 2010 and 2011, roughly 30 percent went to regions under 200,000 in population. In recognition of this unmet demand, and the quality of innovative approaches being developed, HUD has reached out to an additional 20 regions and communities that did not receive a grant but had compelling applications. These communities received technical skill training, access to our peer-to-peer Learning Network, and bonus points on other HUD discretionary grant applications to assist them in implementing their plans without a grant. The 2014 request is designed to respond to feedback received on the initial pilot program.

Mayors, business leaders and governors realize the urgency of aligning public investments to support the place-making that attracts private investment. In Indianapolis, Mayor Greg Ballard has devoted a portion of his annual CDBG funds and economic development budget to rehabbing neighborhood schools, building bike lanes, and creating attractive affordable housing as part of his comprehensive strategy to attract knowledge-sector businesses to the community. He has not only been successful in attracting a new advanced manufacturing facility that provides over 2,000 jobs, but has gone on to adopt a new plan for Downtown Indianapolis, that will accommodate a mix of cultural facilities, housing and businesses estimated to bring over $500 million annually to the local economy. HUD’s investment was $1.2 million for the downtown plan. Regional leaders are adopting similar strategies as well. In Austin, Texas, with a $3.7 million grant from HUD as the catalyst, the region is linking its long-term regional transportation plan and local public works capital plans to 37 mixed-use centers. These offices, light manufacturing, residential and commercial hubs along the region’s transit system, are expected to generate over 7,000 new permanent jobs in the next 10 years, in addition to supporting thousands of construction jobs as the projects are built.

Additionally, as the housing market changes and America’s economic base has shifted to a larger focus on service sector, IT, and light manufacturing jobs, many communities’ zoning and building codes need to be updated to reflect 21st century business needs and housing markets. For example, in 2010 HUD provided a grant to Montgomery, Alabama, to revise its local zoning and update the city’s comprehensive plan for the first time in over 50 years. Through the federal grant, the city was able to hire staff to lead a local planning effort, ensuring the city’s 21st century vision for community redevelopment was comprehensive, with input from businesses, community groups, and private citizens.
4. **How do we know this program works?**

**Unique Role and Long-Term Success of the CDBG Program**

CDBG represents the Federal government’s primary community development program and the true successes of the program are observed at the local level on a daily basis. More than 35 years ago, the CDBG program was developed on the premise that local communities understand their needs better than the Federal government and that the federal government must support and respect the local decision making process. CDBG continues to accomplish the original intent of the program by serving as the backbone and primary catalyst to community and economic development activities in communities across America.

Since program inception, CDBG has invested more than $138 billion in the nation’s communities, with the primary goal of benefitting low- and moderate-income persons. These funds were expended on strategic investments that support housing rehabilitation, public services, economic development, public facilities, and infrastructural improvements in communities across the country. Although CDBG accomplishment data has historically been difficult to aggregate from the local level, recent information technology improvements have greatly improved CPD’s ability to collect data and provide a comprehensive snapshot of the program’s achievements. In fiscal year 2012 alone, program funding directly created and retained 21,794 jobs, assisted 83,784 households maintain or gain access to safe, decent, and affordable housing, assisted 11.2 million people through public service activities, and benefitted approximately 3.4 million persons through public improvements.

As noted earlier, CDBG grantees are reporting an impressive leverage ratio of $3.55 of other funding to every dollar of CDBG funding. CDBG funding is used to leverage resources from private, non-profit, state and local government sources. Moreover, CDBG is unique in its ability to serve as local matching funds to other federal programs. Further, grantees use CDBG to support numerous other initiatives by providing funds for operating costs of homeless service and AIDS response programs, funding housing rehabilitation administrative costs, and contributing to various administrative and operating costs associated with the HOME program and other local community and economic development efforts. CDBG funds are one of the few federal grant programs that allow funds to be used as matching funds for other state or federal grant programs. For severely cash-strapped localities, this has allowed them to continue important partnerships with the federal or state governments. While important, very few CDBG dollars go towards matching—overall, CDBG grantees report expending approximately 4 percent of funds annually as required matching funds, with a significantly larger amount used in conjunction with other funding sources.

**Evaluation and Research**

**GAO Study**

In response to a Congressional directive issued in Section 231 of the Consolidated and Further Continuing Appropriations Act of 2012, GAO conducted a study to analyze “… (1) what is known about the effectiveness (or impact) of the CDBG and HOME programs, (2) the performance measures HUD has in place for the CDBG and HOME programs and any challenges HUD faced in...
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developing these measures, and (3) promising practices HUD and other have identified for the CDBG and HOME programs.” Subsequently, GAO released a report on May 15, 2012, acknowledging 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.  

The study found:

1. 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. The findings from a 1995 Urban Institute study suggest that CDBG played a role in neighborhood stabilization and revitalization in a number of cities included in the study. A second Urban Institute study published in 2002 found that certain CDBG investments were linked to improvements in neighborhood quality in the 17 cities evaluated. Next, two additional studies determined that CDBG Disaster’s $19 billion in funding played a significant role in the long-term recovery efforts in Louisiana and Mississippi following Hurricanes Katrina and Rita, particularly with regard to housing recovery. Finally, a 2003 Urban Institute study reviewed economic development efforts between 1996 and 1999. The study found that 80 percent of sampled businesses receiving CDBG loans were still in business in 2002, and 64 percent of the CDBG businesses achieved or exceeded their job retention and creation goals.

2. 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. To address these difficulties, the Department plans to consult national organizations representing grantees and other interest groups to determine how to improve CDBG’s data collection efforts.

3. HUD and others have identified several promising practices for the CDBG program related to program management and use of funds. The promising practices included the development of local performance measurement systems, internal operating procedures, and the identification of a number of innovative projects that effectively used CDBG funds. The report also referenced the Consolidated Plan enhancements that provide better data allowing grantees to prioritize and target limited resources.

IHS Global Insight Report

A report issued March 16, 2011 by IHS Global Insight for the US Conference of Mayors assessed the economic impact of CDBG expenditures in ten communities throughout the country. The report, which analyzed annual expenditure and performance data provided by the communities between 2003 and 2008, calculated total average annual CDBG expenditures at $300 million for the ten

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grantees. According to the grantee-provided data, CDBG leveraged other sources of public and private funding in excess of $353 million annually, which generated a total annual increase in gross metropolitan product of $811 million in the municipalities studied. The study estimates the direct and indirect results of CDBG funding in these communities produced an estimated 9,080 jobs annually. Without the infusion of CDBG in these communities, the local governments would have been unable to fund these important job-creating projects. On top of the job losses, a lack of CDBG resources would cause delays in critical projects that repair physically distressed infrastructure, restore homes to safe habitable living conditions, provide basic public services, and increase economic opportunities for low- and moderate-income people throughout the country.

Demand for CDBG

Local governments’ need for community and economic development funds greatly exceeds available CDBG program resources. The shortfalls are particularly evident in public facility and public service programs. Because CDBG is a formula program, it is impossible to know what that level of need is nationwide. However, state CDBG recipients allocate funding through competitions, so HUD was able to use data provided by a sampling of states to measure the level of demand for CDBG funds that went unmet. The Department determined that the demand for public facilities projects exceeded available funding by an average of 50 percent per grantee over the past 3 program years; illustrating that local governments throughout the country have a much greater demand for CDBG eligible projects beyond what the current funding level supports, as shown:

| State CDBG Public Facilities, Funding Requested vs. Awarded by Program Year |
|-----------------------------|---|---|---|---|---|---|---|
| Program Year | 2009 Funded | 2009 Requests | 2010 Funded | 2010 Requests | 2011 Funded | 2011 Requests |
| Grantee      |       |              |       |              |       |              |
| Alabama      | $19,849,442 | $49,542,347 | $20,870,687 | $49,517,524 | $16,738,030 | $30,188,680 |
| Iowa         | 12,163,531  | 29,036,619  | 13,941,530  | 31,259,452  | 17,990,720  | 25,264,638  |
| Illinois     | 13,601,538  | 25,445,239  | 12,698,358  | 30,518,017  | 18,763,107  | 31,655,277  |
| Maine        | 3,633,904   | 7,589,324   | 3,996,000   | 9,153,765   | 3,645,000   | 7,657,882   |
| Massachusetts| 10,902,000  | 18,481,000  | 11,851,000  | 20,887,000  | 14,551,000  | 25,597,000  |
| Ohio         | 24,644,588  | 74,569,694  | 27,809,044  | 78,598,845  | 25,688,789  | 70,141,804  |
| Virginia     | 6,419,809   | 9,393,699   | 11,290,104  | 14,161,136  | 8,414,714   | 11,980,514  |
| Washington   | 11,517,436  | 23,835,443  | 14,143,930  | 36,062,528  | 12,573,095  | 33,498,613  |
| TOTAL        | 102,732,248 | 237,893,365 | 116,600,653 | 270,158,267 | 118,364,455 | 235,984,408 |
| Average % Funded |    |              |       |              |       |              |
|               | 49%  |              | 48%  |              | 54%  |              |
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In some localities, grantees are making substantial changes to their public service programs, which tend to have high and inelastic transaction and administrative costs. For example, Los Angeles County reports that the minimum public service grant awards were recently increased from $10,000 to $20,000. While this program change allows Los Angeles County to fund an increased number of larger projects, the impacts are substantial for many small non-profit organizations that rely on CDBG grants to help finance their expenses and address unmet needs.

**CDBG Success Stories**

Public Infrastructure – West Union, IA

The city of West Union illustrates the power of the State CDBG program to have an impact on rural communities. The town of less than 3,000 inhabitants used a $1,000,000 CDBG grant to fund a comprehensive project that replaced aging infrastructure and established an innovative downtown geothermal heating and cooling system. The city leveraged $554,000 in local resources to complete the project. The city-owned geothermal system allows businesses in a six block section of downtown to shift most of the heating and cooling energy needs to a renewable, non-polluting source of energy. In the system’s first year of operation, the city expects the geothermal system to reduce the amount of energy consumed resulting in less emissions and a savings of $90,000 in energy costs. In addition, West Union used the CDBG grant to finance additional infrastructure improvements including the reconstruction of streets and sidewalks using porous pavement, rainwater harvesting and reuse, and rain gardens and bio-swales for storm water retention.

Housing Rehabilitation – Charlotte, NC

The city of Charlotte partnered with Habitat for Humanity of Charlotte, Inc. to finance costs necessary to complete rehabilitation work for housing units occupied by very low-income families. Through a partnership that married $497,000 in CDBG resources with $113,000 of Habitat’s volunteer and in-kind contributions and $79,000 in grant funds from HUD’s Office of Healthy Homes and Lead Based Paint, the city brought 18 housing units into compliance with local housing standards. In accordance with program guidelines, Habitat required each of the assisted families to perform community service in exchange for the work. The homeowners also entered into a repayment plan with Habitat to pay for all or a portion of the materials costs. All funds recovered through repayments were retained by Habitat and used for urgent, major, structural home repairs of additional units. This partnership improved the aesthetics of the city’s neighborhoods while keeping costs affordable for rehabilitation for very low-income homeowners.

Eliminating Health Hazards – Des Moines, IA

In partnership with the Polk County Health Department, the city of Des Moines prioritized funding under its CDBG homeowner rehabilitation program to conduct lead repair work in 35 housing units occupied by low-income families. The Polk County Health Department referred families with small children that exhibited elevated levels of lead in their blood to the city’s Lead Hazard Reduction Program. After families completed the application process, the Health Department provided lead inspections of the homes.
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and relocated eligible families, while certified contractors remediated the lead hazards in compliance with local, state, and federal requirements. Over the course of 3 years, $689,000 in CDBG funding leveraged more than $1,042,000 in non-CDBG funds to mitigate the harmful effects of lead-based paint in 35 homes occupied by families with a total of 125 children.

Public Service – San Antonio, TX

The San Antonio AIDS Foundation Congregate Hot Meal Dining for People with HIV/AIDS received a $100,268 grant from the city of San Antonio’s CDBG allocation. The organization leveraged nearly $1.24 in non-federal funds for every dollar of CDBG invested to provide breakfast, lunch, and dinner 365 days a year to persons infected with HIV/AIDS. In 2011 alone, more than 51,000 free, nutritious meals were served. On top of providing hot meals, the program offered access to skilled nurses, allowed clients to escape harsh weather conditions, and provided a stable setting where HIV status was not stigmatized. The city reports the program attracted a number of clients who were otherwise out of medical care back into the San Antonio’s HIV/AIDS Continuum of Care.

Public Facility – Glendale, AZ

The city of Glendale leveraged $875,000 in CDBG funding with $3,425,000 in resources from the state, local school district, corporations, and private sources to construct a new 24,000 square foot facility for the Boys and Girls Club of Metropolitan Phoenix (BGCMP). The facility and outdoor play structures provide children in the densely populated and economically disadvantaged Orchard Glen community with a safe location to participate in afterschool and summer programs. This facility and BGCMP provide area residents with access to programs designed to promote academic success, good character and citizenship, a healthy lifestyle, and fun with a purpose. The facility offers afterschool programs from 2:30 – 8PM and summer programs from 7AM – 8PM Monday through Friday.

Planning and Performance Evaluation

In order for grantees to participate in the CDBG program, they are required to submit a Consolidated Plan to HUD every 3-5 years, describing their strategic community development and affordable housing goals for the term of the Plan. They must also submit Annual Action Plans describing how each year’s grant allocations will be spent according to the strategy laid out in the Consolidated Plan. Performance and program outcomes are reported to HUD annually. The Consolidated Plan meets the statutory and regulatory planning and submission requirements for the Community Development Block Grants (CDBG), HOME Investment Partnerships, Emergency Solutions Grant and Housing Opportunities for Persons with AIDS (HOPWA) formula block grants.

In developing previous plans, cities often lacked access to important data they needed to make specific decisions. However, during fiscal year 2012, HUD developed and launched a number of new tools to transform the Consolidated Plan into a tool for priority-setting and targeted investment planning for housing and community development. The enhancements increase the effectiveness of CPD’s four formula block grant programs by providing grantees with expanded data and a web-based mapping tool and planning template to improve up-front production and back-end performance reporting. These updates provide grantees with the resources
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necessary to support need-driven, place-based decisions allowing them to leverage resources and maximize program outcomes, and, for some communities, lessen the need to rely on contractors to assemble the Consolidated Plan.

Specifically, availability of data describing economic conditions will help communities make efficient use of the CDBG and Section 108 programs. Currently, data available through the planning suite includes data on jobs and workers in key sectors, unemployment characteristics, income data, and housing cost burden. HUD is working to improve the data output, collaborating with other Federal agencies to provide planning and activity data that will help state and rural grantees understand infrastructure needs, such as FEMA flood plain maps to assist with planning for disaster resiliency.

Through the automation of the paper Consolidated Plan, Annual Action Plan, and performance reporting forms, HUD expects a reduction in duplicative grantee data entry and manual processing to be reduced by at least 65,000 grantee hours, based on estimated paperwork burden hours associated with the current forms. The efficiencies resulting from the automation of these reporting requirements will free up funding for other administrative and planning activities that improve program design and implementation.

**Plans to Improve this Program**

**OneCPD Technical Assistance**

OneCPD has fundamentally improved the way HUD does business by providing our partners with the support and assistance necessary to build their capacity to deliver programs that address their community and development needs. Launched in 2010, OneCPD established a new cross-program, assessment-based approach to the delivery of technical and capacity building assistance to grantees. By providing needs assessments, direct TA and training, tool and product development, and self-directed and group learning sessions, OneCPD helps grantees assess their local market conditions; design housing, community, and economic development programs best suited to meet local market demands; leverage resources; and improve their understanding of and compliance with statutory and regulatory requirements. Funded through the Transformation Initiative, OneCPD technical assistance helps grantees to achieve the highest level of performance and results from grant allocations.

- OneCPD allocates technical assistance investments based on situation assessments that allow the Department to work with grantees on underlying issues not symptoms.
- For intensive TA engagements, a Memorandum of Agreement detailing the responsibilities and specific outcomes of all participants (grantee, HUD, TA provider) is signed to ensure accountability.
- OneCPD is centrally managed at HUD Headquarters, but with the focus on place-based approaches to problem-solving, a single point of contact at each field office is assigned to coordinate assistance across all CPD programs.
- CPD selects OneCPD technical assistance providers through a competitive process.
- CPD targets TA to the communities whose programs benefit most from the support and who are willing to work with the Department to improve outcomes of their community development and housing programs.
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Through OneCPD, CDBG grantees are assisted through written products, training, workshops, and conferences. In addition to training on program-specific issues, grantees are offered ongoing training opportunities on broader topics such as financial management, revolving loan funds, and economic development.

Consolidated Plan

The Consolidated Plan implements the statutory and regulatory planning and annual submission requirements for the Community Development Block Grant, HOME Investment Partnerships (HOME), Emergency Solutions Grant and Housing Opportunities for Persons with AIDS formula block grants. Grantees submit a Consolidated Plan to HUD every 3-5 years, describing their strategic community development and affordable housing goals for the term of the Plan. They must also submit Annual Action Plans describing how each year’s grant allocations will be spent according to the strategy laid out in the Consolidated Plan. Performance and program outcomes are reported to HUD annually.

HUD designed improvements to the Consolidated Plan to enhance the effectiveness of these four formula block grants by providing our grantees with expanded data and a web-based mapping tool and planning template to improve up-front production and back-end performance reporting. These updates provide grantees with better tools for decision-making and assist them to make strategic investments, leverage resources and maximize program outcomes.

The enhanced Consolidated Plan (eCon Planning Suite) helps CDBG grantees to structure their community development priorities in response to their unique market conditions by providing enhanced market data. In addition, HUD has made the data more useful by providing it in the format required for the Consolidated Plan, and has made it available through an online mapping tool.

By automating the paper Consolidated Plan, Annual Action Plan and performance reporting forms, duplicative grantee data entry and manual processing will be reduced by at least 65,000 grantee hours, based on estimated paperwork burden hours associated with the past forms.

Consolidated Plan enhancements were implemented May 2012. These enhancements included a planning template incorporated into the Integrated Disbursement and Information System (IDIS), the grants management and reporting system for Consolidated Plan grants. The mapping tool and expanded planning database was also completed. As of November 2012, grantees are required to submit their multi-year consolidated plans through this system.

Efforts to Improve Data Quality, Data Management, and Grantee Oversight and Accountability

In response to problems identified in a HUD Office of Inspector General (OIG) internal audit, issued October 31, 2011, Section 232 of the HUD General Provisions in the Consolidated and Further Continuing Appropriations Act of 2012 directed HUD to submit a report on the progress it has achieved in improving data quality, data management, and grantee oversight with respect to CPD programs and activities. HUD submitted a report to Congress March 16, 2012 providing an overview of the actions CPD has undertaken and planned to implement to respond to the problems identified in the October 31, 2011 OIG audit. The report also described ongoing
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steps CPD is taking to maintain and improve the integrity and utility of its grant data and data management systems. Since the issuance of the audit, HUD has undertaken a broad array of efforts to substantially reduce the concerns identified by the audit.

In its efforts to improve data integrity, monitoring, and oversight, CPD has focused on completing several technological enhancements; improving guidance, training and technical assistance to grantees; and building improved oversight mechanisms into the data systems to better monitor risk and augment grantee accountability. In carrying out these efforts, CPD considers the OIG a critical partner. The internal audit highlighted some items in need of improvement and CPD is committed to implementing the system enhancements and developing guidance to improve grant administration and program performance.

HUD’s Information Technology Portfolio Improvements

Transformation Initiative (TI)

The Department’s investment in CPD information technology systems has transformed grants management at HUD and has been critical in the effective implementation of the Hearth Act of 2009. 2010 and 2011 TI investments have resulted in the deployment of 13 releases for the four key CPD systems (IDIS, eSNAPS, DRGR and CPD-Maps) on time and on budget. Specifically, these releases:

- Automated a multitude of manual processes and program reporting requirements saving over 100,000 hours in reporting burden to grantees and HUD staff.
- Allowed for the timely implementation of the Hearth Act in fiscal year 2012.
- Created the capacity to collect lead-based paint information to insure compliance with statute and improve the health of low-income families.
- Launched CPD Maps, providing new functionality for grantees and the public to view grant information and economic needs data using real time maps to assist in the preparation of the consolidated plan.
- Fully automated the consolidated and annual plan process for 1,200 grantees.
- Expanded the use of business intelligence in the preparation of dashboards and reports for HUD staff and grantees.
- Expanded electronic funds control capabilities to new Hearth Act programs.

HUD is well on its way to addressing the HUD Inspector General’s internal audit recommending that HUD strengthen its oversight over grantee reporting in IDIS but work still remains. Upcoming system releases will:

- Increase HUD’s ability to track activity progress and promote timely completion of activities;
- Alert CPD Field Offices when a grantee has activities that remain open beyond a specified time period to prevent longstanding open activities;
- Require approval for the cancellation of projects that have expended funds;
- Generate multiple new reports that strengthen HUD staff’s ability to oversee grantee transactions, identify potential activity problems, and track open activities; and
Community Development Fund

- Restructure the CDBG performance measurement reporting requirements by eliminating those elements that have not generated useful data and reducing grantee reporting burden.

Furthermore, CDBG staff is developing updated IDIS reporting guidance and consolidating IDIS resources on one website. Headquarters staff is also developing guidance for field offices on how to use IDIS data in their monitoring reviews and guidance on appropriate corrective actions or sanctions in cases of program noncompliance. HUD placed revised program guidance pieces in service in November 2012 and anticipates additional system enhancements to become operational by the summer of 2013, pending contractor availability.

These initiatives will continue to will enhance grants management systems such as IDIS, Disaster Recovery Grant Reporting (DRGR) system, and CPD Maps to meet HEARTH Act goals. These investments will automate, centralize, and standardize business processes on modern, web-based, enterprise architecture-compliant, best-of-breed platforms, and add significant business capabilities while reducing operational costs.

HUD will also automate paper-based environmental review process for CPD grant programs; more than 5,000 environmental reviews are conducted every year to assess a project’s potential environmental impacts and determine whether they meet federal, state, and local environmental standards. These investments create and enhance customer-facing systems for carrying out HUD’s mission, enable grantees to draw down funds and report performance results and program outcomes, streamline administrative processes for both customers and HUD, and speed time to award for our competitive grants. Future TI projects will further enhance system and business capabilities, automate additional grant programs and processes throughout HUD, modernize legacy systems, and aspire to consolidate multiple grant systems to a centralized, integrated solution of two or three enterprise systems.

**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 fiscal year 2012, 728 affordable units were rehabilitated, 471 jobs were created, and 35 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
Community Development Fund

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.

**Integrated Planning and Investment Grants**

Over the past 3 years, HUD’s small investments in planning have leveraged significant public and private investments to create economic benefits, resulting in cost-savings from avoided infrastructure and services required to serve unplanned growth and attract jobs. Without waiting for completion of the first cycle of grants, we are already seeing that these relatively small investments have generated substantial returns. In Fresno, California, for example, a $5 million grant to 12 cities in the San Joaquin Valley to undertake scenario planning and performance evaluations, has resulted in adoption of a long-range growth plan that will cut $350 million from Fresno's annual public works maintenance budgets and cut emergency room visits for asthma-related incidents by 15 percent.

An evaluation of the fiscal year 2010 grantees has found that not only have grantees leveraged federal investments by 1:1, but as they pivot to implementation of the proposed plans, they are better prepared to seek and attract further public and private investment. In Memphis, TN, a $1.1 million grant has not only put in place a plan for the Aerotropolis that has attracted and retained over 3,000 private sector jobs, but as a direct result of the community having an integrated plan in place it successfully competed to receive $15 million in DOT TIGER IV funds for a bridge to link Memphis with adjoining communities in Arkansas.

Aligned investments save taxpayer money and create more efficient government, as demonstrated by the billions of dollars in avoided infrastructure costs realized in regions that have adopted more integrated regional plans to guide future growth, such as Salt Lake City, Utah ($4.6 billion in savings\(^\text{12}\)), and Sacramento, California ($9 billion in estimated savings\(^\text{13}\)). Federal investment in planning to make limited resources go further is especially important as local and state governments face unprecedented financial constraints, which limit their ability to undertake this type of effort alone.

Research shows that, as working families move further away from job centers to find affordable housing, their costs for transportation increase substantially. According to a study by The Center for Housing Policy, for every dollar a working family saved on housing, they spend 77 cents more on transportation. Fifteen of the 20 most rapidly growing counties across the country are at least 30 miles away from central business districts.\(^\text{14}\) These trends reinforce the need for communities to develop long-term plans for managing growth. Recently, transit investments in regions, cities, and counties, many approved through ballot measures, show the public demand and support for increased connectivity between housing and jobs.\(^\text{15}\)

\(^{12}\) Envision Utah, http://www.envisionutah.org/eu_about_eu_qualitygrowthstrategy_main.html

\(^{13}\) Sacramento Council of Governments (SACOG).

\(^{14}\) Center for Housing Policy, “A Heavy Load: The Combined Housing and Transportation Burdens of Working Families.” 2006. [http://www.cnt.org/repository/heavy_load_10_06.pdf](http://www.cnt.org/repository/heavy_load_10_06.pdf)

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Most of the nation’s metropolitan jobs are located near public transit options. According to the Brookings Institution, more than 75 percent of all jobs in the largest 100 metropolitan regions of the U.S. are located in areas served by transit. However, those transit options aren’t particularly good for most workers. Only 27 percent of all workers can access these jobs on transit within 90 minutes. Few of the other 73 percent are going to be willing to spend more than an hour and a half on bus rides and transfers required to get to work every day. Places like Denver and Salt Lake City that link populations and jobs tend to benefit from regional strategies and metropolitan-wide transportation planning efforts. Adie Tomer, a senior research associate at Brookings and author of the report says these efforts play a big role in making jobs more accessible to people. "Lack of communication and collaboration really is one of the biggest problems we’re seeing across the country." The efforts HUD proposes in this budget are in direct response to these identified challenges.

5. Notes to Justification

Congress has chosen on multiple occasions to use the CDBG program as a conduit to deliver extensive funding to states and local governments in response to special situations and conditions. The two primary examples are the use of CDBG to deliver long-term disaster recovery assistance to communities and jurisdictions hard hit by natural and human-caused disasters and the use of CDBG as the framework to expedite the establishment of the Neighborhood Stabilization Program (NSP), a response to the growing problem of housing foreclosure and abandonment in the wake of the recent economic slowdown. In both instances, Congress provided extensive funding and a directive to use the well-established and broadly familiar CDBG program framework as the vehicle to ensure the rapid allocation and use of federal funds to these specific problems. Project Rebuild, $15 billion initiative, is an extension of the NSP and President Obama initially proposed it as part of the American Jobs Act in September 2011, included it as part of the fiscal year 2013 budget, and promoted it again in his State of the Union address of February 12, 2013.

CDBG 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 most recent example of the use of CDBG as a vehicle for delivering long-term disaster relief is the provision of $16 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, prospectively, 2013. The Department allocated $5.4 billion of this amount on February 6, 2013, consistent with the provision of P.L 113-2 that required the allocation of at least one-third of the funding within 60 days of enactment. The Department anticipates several more allocations of this funding throughout fiscal year 2013 to address various unmet needs. This is the most significant use of CDBG for disaster recovery purposes since Congress appropriated $19.7 billion in

16 http://www.brookings.edu/research/papers/2012/07/11-transit-jobs-tomer

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.

Furthermore, during fiscal year 2008, Congress appropriated $300 million in supplemental CDBG disaster recovery funding to address a range of Presidentially declared major disasters occurring in the late spring of 2008 and an additional $6.5 billion in supplemental CDBG disaster recovery funding as part of the fiscal year 2009 continuing resolution to promote recovery from Presidentially declared major disasters that occurred during calendar year 2008, most notably the widespread flooding in the Midwest and Hurricanes Gustav and Ike. A supplemental appropriation of $100 million was enacted in July 2010 to address disasters that occurred in the spring and summer of 2010 and through the fiscal year 2012 HUD appropriation, $400 million was included for recovery from disaster occurring in 2011. The Department announced allocations for the 2011 grantees in January 2012 and obligated all funds by September 30, 2012.

In addition to the emergency appropriations following catastrophic disasters, HUD allows communities to amend their Consolidated Plans to reallocate CDBG funding to address new community needs resulting from the impacts of disasters that do not receive additional Congressional appropriations. The CDBG program allows local communities to use their existing formula allocations in a manner that helps them respond to their own needs as they see fit--whether it's rebuilding affordable housing stock damaged by natural disasters or pumping resources into community facilities that can serve as anchors for revitalization.
## Community Planning and Development Fund

### Community Development Fund

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

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**NOTE 1:** The Neighborhood Stabilization Program in fiscal year 2011 was funded through a mandatory appropriation (P.L. 111-293).
Below is the italicized appropriations language for the Community Development Fund account:

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, $3,143,100,000, to remain available until September 30, 2016, unless otherwise specified: Provided, That of the total amount provided, $2,798,100,000 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 $70,000,000 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 $3,960,000 may be used for emergencies that constitute imminent threats to health and safety, and up to $10,000,000 may be used for mold remediation and prevention.

Of the amounts made available under this heading, $200,000,000 shall be for the redevelopment of abandoned and foreclosed property as authorized under division B, title III of the Housing and Economic Recovery Act of 2008 (42 U.S.C. 5301 note): Provided, That the Act shall govern the use of such assistance except as otherwise provided in this paragraph: Provided further, That the Secretary shall competitively award such assistance to States and units of general local government: Provided further, That for the purposes of such assistance, including the previous proviso, the term "State" at section 102(a) of the Act shall be construed as including State housing finance agencies: Provided further, That the Secretary shall by notice published in the Federal Register establish criteria for awarding such assistance, including the extent of need, the demonstrated capacity of the applicant to execute projects, concentration of investment, the ability to leverage other resources (which may include loans guaranteed under section 108 of the Act [42 U.S.C. 5308]), and such other factors as the Secretary determines to be appropriate: Provided further, That the Secretary shall establish a minimum grant size for awards: Provided further, That loans guaranteed under section 108 of the Act [42 U.S.C. 5308] and used in conjunction with such assistance shall not be subject to subsection 108(b): Provided further, That the Secretary may use a portion of such assistance for grants under subsection 108(q): Provided further, That the Secretary shall make establishment and operation of land banks, demolition, and new housing construction eligible for assistance under this paragraph: Provided further, That grantees receiving such assistance under this paragraph may also use funds provided under Title I of the Act for the purposes specified in the previous proviso, upon approval of the Secretary.

Of the amounts made available under this heading, $75,000,000 shall be made available for Integrated Planning and Investment Grants to support local and regional public investment plans and implementation efforts that align public and private investments in development and infrastructure to better attract businesses and improve quality of life, modernize zoning and building codes, reduce barriers to achieve affordable and economically vital communities, attract private capital to community revitalization efforts, and
Community Development Block Grants

sponsor community engagement efforts: Provided, That the Secretary will consult with the Secretary of Transportation and the heads of other relevant agencies in evaluating grant proposals awarded under this paragraph.

Note.--A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.