

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2015 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2013 Appropriation	\$3,308,090	\$734,852 ^a	\$15,007,967 ^b	\$19,050,909	\$5,176,328	\$5,768,124 ^c
2014 Appropriation/Request	3,100,000	13,874,924	...	16,974,924	6,907,210	10,221,339
2015 Request	<u>2,870,000^d</u>	<u>10,067,714</u>	<u>...</u>	<u>12,937,714</u>	<u>7,204,272</u>	<u>8,383,410</u>
Program Improvements/offsets	-230,000	-3,807,210	...	-4,037,210	+297,062	-1,837,929

a/ Includes \$2.487 million in recaptures.

b/ Includes an across-the-board reduction and sequestration of the Community Development Fund, \$15.98 billion of disaster funding and the sequestration of those disasters.

c/ Includes outlays from the funds provided in the Recovery Act and excludes outlays for the first and third Neighborhood Stabilization Program.

d/ The 2015 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 2015, HUD is requesting \$2.87 billion for the Community Development Fund (CDF), which is a reduction of \$230 million compared to the fiscal year 2014 appropriation of \$3.1 billion. The amount dedicated to the Community Development Block Grant (CDBG) formula allocation is \$2.8 billion, which is a reduction of \$230 million or 7.6 percent for formula allocation purposes in comparison to fiscal year 2014. HUD plans to submit a legislative package of reforms to the CDBG program that will improve targeting, increase grantee cooperation, improve accountability and ensure that it effectively the low- and moderate-income citizens it is meant to help.

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. Approximately 40 percent the population, or 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 2013, 95.8 percent of CDBG funds were invested in activities that primarily benefit low- and moderate-income Americans. The Administration's goal of a growing the middle class is made a reality through the type of investments in these individuals that CDBG provides to thousands of communities each year.

In addition, the CDF request includes \$70 million for the Indian Community Development Block Grant, which is the same level appropriated for fiscal year 2014. This includes a \$10 million national set-aside for mold remediation, as was appropriated in 2014.

Community Development Fund

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.

Impact of the Requested Funding

Community Development Block Grant

The requested level of CDBG funding would enable communities to continue to fund CDBG activities that benefit low- and moderate-income families across the nation. This request will support community development needs and enhance economic competitiveness in approximately 1,200 entitlement communities, 49 states, Puerto Rico, 3 non-entitlement communities in Hawaii, and 4 Insular Areas in fiscal year 2015. Moreover, maintaining the CDBG program at a similar level to its fiscal year 2014 level, the requested funding level will ensure that CDBG grantees can continue to use CDBG to leverage outside funds, making it possible to implement large-scale and long-term solutions to their most pressing community and economic development challenges.

It is projected that \$2.8 billion for fiscal year 2015 will result in the following outcomes:

- More than 25,400 Jobs Created or Retained (this is approximately 2,500 fewer jobs than fiscal year 2013)
- More than 85,800 households assisted with a variety of activities (8,500+ fewer households than fiscal year 2013), such as more than 49,200 single family home rehabilitations (4,800+ fewer homes than fiscal year 2013)
- More than 8.9 million persons receiving much needed public services (888,100+ fewer persons than fiscal year 2013), such as services for:
 - More than 74,500 disabled persons (7,300+ fewer than fiscal year 2013)
 - More than 439,800 homeless and AIDS patients (43,600+ fewer than fiscal year 2013)
 - More than 117,800 battered spouses (11,600+ fewer than fiscal year 2013)
- More than 2.9 million persons would benefit from public improvements (296,200+ fewer than fiscal year 2013), such as:
 - More than 427,200 persons in Senior Centers (42,300+ fewer than fiscal year 2013)
 - More than 53,400 persons in homeless facilities (5,200+ fewer than fiscal year 2013 projections)

Additionally, under the requested funding level in the fiscal year 2015, the Community Development Loan Guarantees (Section 108) program would continue to fulfill its role as a highly valuable financing tool for the large-scale community and economic development activities. The Section 108 program offers guaranteed loans for the crucial, growth-driving activities being carried out by local governments that are vital to the improving the condition of their residents. For example, under the requested fiscal year 2015 funding level, this program is expected to create or retain 12,000 jobs and leverage approximately \$4.62 of additional funds for every \$1 of Section 108 funding. Please see the Community Development Loan Guarantees justification for more details.

Community Development Fund

Indian Community Development Block Grants

The \$70 million request for Indian Community Development Block Grants (ICDBG) will allow Indian tribes and Alaska Native villages to continue efforts to improve housing stock, provide community facilities, improve infrastructure, and expand job opportunities in Indian country. In a recent 3-year period (2011-2013), grantees reported the rehabilitation of 1,630 low-income housing units, the construction of 1,119 community buildings, and the creation of 749 jobs, made possible by ICDBG. From 2005-2013, ICDBG funded 161 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.

Program Proposals under Requested Funding Level

CDBG Program Reform

In anticipation of the CDBG program's 40th anniversary in August 2014, the Department undertook an outreach effort titled "Moving CDBG Forward," which consisted of series of approximately 20 listening sessions as well as on-line forums, from June through October 2013 to provide CDBG stakeholders the opportunity to assess the CDBG program, and to recommend improvements. The insights and recommendations gathered through this process, as well as HUD's experience in administering the program and research conducted by HUD's Office of Policy Development and Research, form the basis for the Department's legislative package that will be forwarded to Congress in 2014.

The legislative package will focus on strengthening the CDBG program's foundation for years to come. These proposals will:

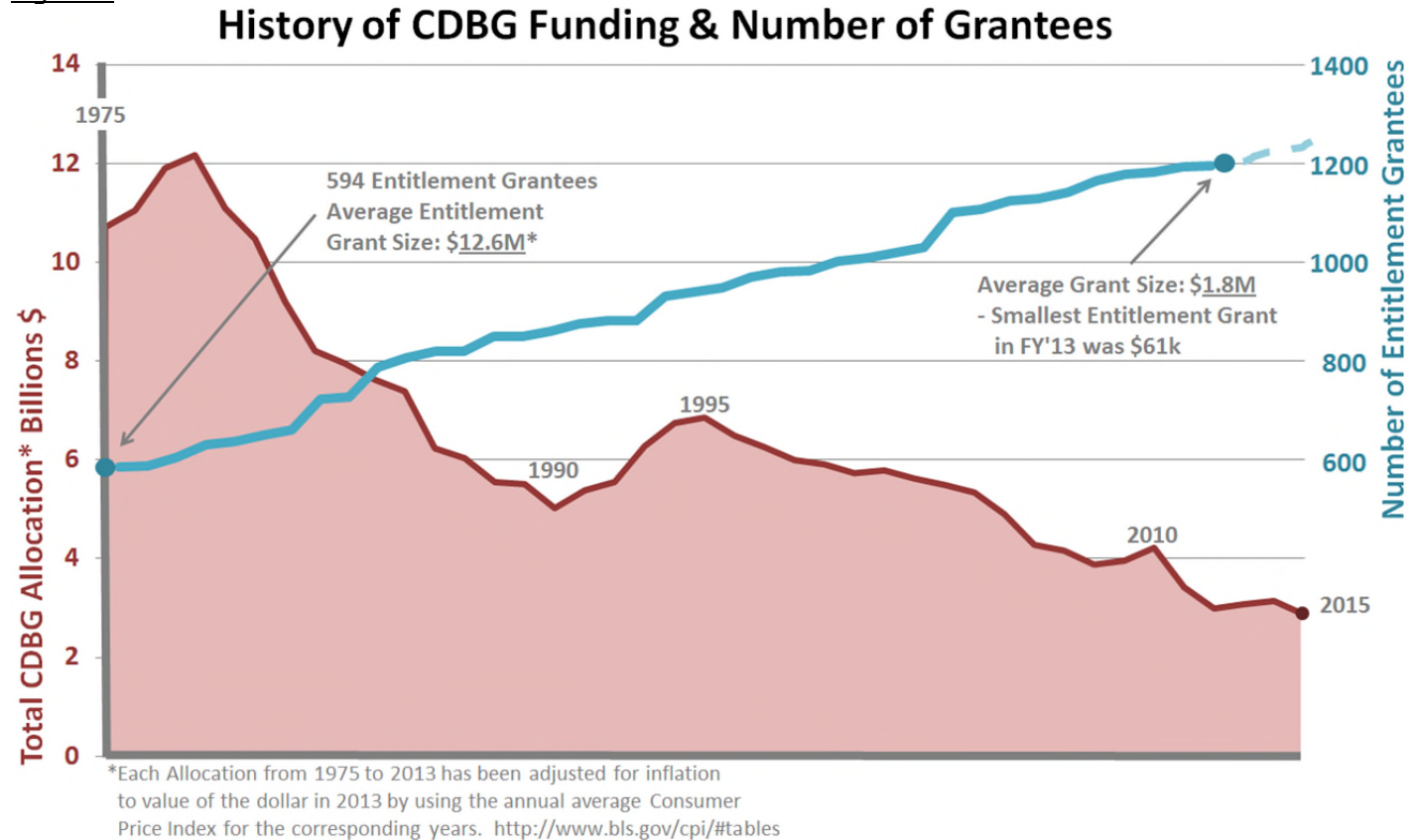
- Help grantees target funding resources to areas of greatest need.
- Enhance program accountability.
- Synchronize critical program cycles with the consolidated plan cycle.
- Reduce the number of small grantees while providing more options for regional coordination, administration and planning by allowing grantees to band together for administrative savings and/or overall investment decisions.
- Preserve the fundamental premise of CDBG, such as local decision making and the provision of benefit for low- and moderate-income communities.

During its 40-year history, the impact of the CDBG program has been strained by steadily decreasing appropriation levels and increasing numbers of qualifying entitlement grantees (See Figure 1). For example, the fiscal year 2015 formula program request of

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\$2.870 billion represents approximately one quarter of the program's formula funding level, adjusted for inflation, in 1975, when the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2015.¹ The legislative reforms will help address the challenges caused by this trend and long-term viability of this program.

Figure 1



Project Rebuild

¹ In fiscal year 1975 there were 594 entitlement CDBG grantees; the number of entitlement grantees in fiscal year 2014 was 1,163 (excluding non-entitlements).

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The Administration continues to support enactment of Project Rebuild - a \$15 billion mandatory proposal initially included in the American Jobs Act as well as the Administration's fiscal years 2013 and 2014 budgets. Project Rebuild 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. Building upon proven approaches, Project Rebuild will bring in expertise and capital from the private sector, increase eligibility of commercial properties, focus on property improvements, expand innovative solutions like land banks, and fund job training programs to strengthen local workforce capacity. Collectively, these programs will not only create construction and other jobs but will help reduce blight and crime, foster economic development, stabilize housing prices and neighborhoods, and help worst-affected communities turn the corner to recovery. Funds will be distributed via formula to State and local governments as well as competitively to governmental, non-profit and for-profit entities.

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

For fiscal year 2015, the total S&E funding is \$43.539 million for 325.6 FTE to support programs under the Community Development Fund.

- Community Development Block Grant, NSP and related activities: For personnel services, the Department requests \$42.678 million to support 25.6 additional FTEs and the rising cost of salary and fringe benefits. The additional FTEs are to support grantee oversight and monitoring, as well as, to support disaster response and recovery activities. The Community Development Block Grant's fiscal year 2015 non-personnel services budget request is \$861 thousand.
- Indian CDBG: Indian CDBG FTE is not included in this total and is part of PIH's Office of Native American Programs. Descriptions of this office are provided in the PIH Program Office S&E justification.

Despite the decrease in programmatic funding from the fiscal year 2014 request to 2015 request, the FTE requirement for the program will not decrease. Excluding supplemental CDBG-DR funds appropriated by Public Law (P.L.) 113-2, the CD Fund has approximately \$20 billion of unexpended funds outstanding that the CD Fund is responsible for managing. Contributing to the difficulty in maintaining an effective compliance regime, CPD grantees have experienced decreased capacity to manage HUD

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programs generally due to layoffs and furloughs over recent years. In this situation, some of the workload functions and risks associated with administering these programs are effectively transferred to CPD's staff. In the absence of a compensating increase in CPD involvement and technical support, these grantees are more likely to fall out of compliance with program regulations.

Furthermore, although CDF's funding is declining, CPD's supplemental appropriations funding is not. CPD received \$15 billion in fiscal year 2013 for Hurricane Sandy and other major disasters in 2011, 2012 and 2013. Although CPD does receive a limited amount of administrative funds for supplemental appropriations to hire term staff, CPD's core staff are still responsible for many activities including, but not limited to: planning, drafting, and implementing policies and procedures, issuing Front-End Risk Assessment's, budget execution, hiring term staff, training new term staff, and managing the program after term appointments expire. Disaster recovery responsibilities represent a significant and growing part of the CDF workload.

More details on the S&E request are provided in S&E justification for the Office of Community Planning and Development.

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 \$144 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.

CDBG grantees are reporting an impressive leverage ratio of \$4.07 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.

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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.

Moreover, the CDBG program provides a common structure at the local level for a wide range of community development initiatives, enhancing the ability of local governments to recover from natural or man-made disasters. For example, CDBG serves as one of the federal government's vehicles for delivering long-term 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 \$15.18 billion in CDBG disaster recovery funding as part of Disaster Relief Appropriations Act, 2013 (P.L. 113-2, enacted January 29, 2013). This appropriation is aiding in the response 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.

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 recent years, of the more than 1,200 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, approximately half of these grantees only received CDBG and no other formula grant.²

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.

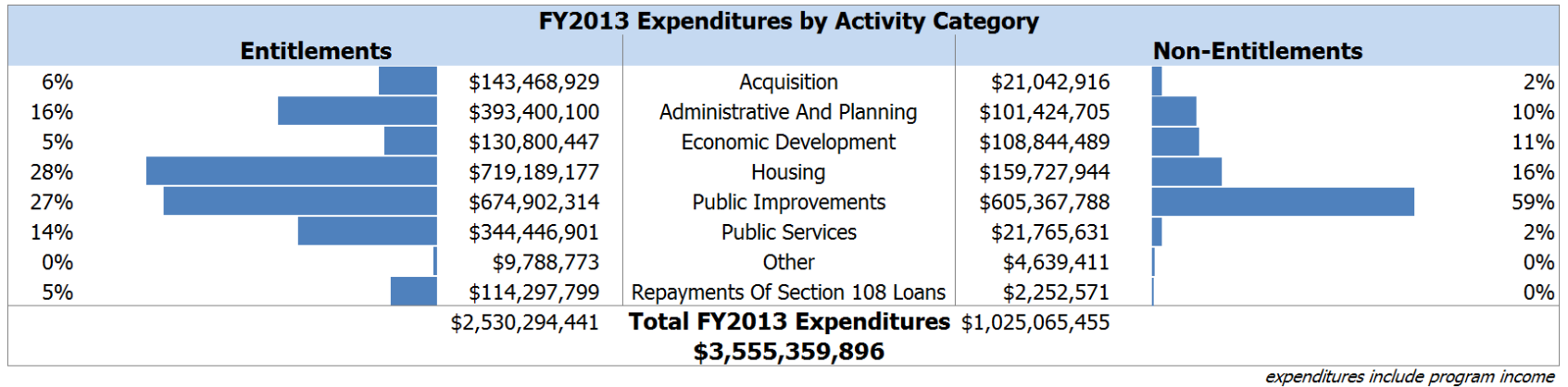
² In 2012, there were 1,251 CPD formula grantees (CDBG, HOME, HOPWA, and/or ESG); of those, 47% were solely CDBG grantees.

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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 during a period of up to 3 years must go toward activities that primarily benefit this population.

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 2013, 59 percent of CDBG funds allocated to states were devoted to essential infrastructure and public improvements projects in mostly rural communities, strengthening both local and regional economies (See Figure 2).

Figure 2



How Funds are Allocated by the 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.

1) 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:

Community Development Fund

Formula A		Formula B	
Factor	Percentage	Factor	Percentage
Poverty	50	Poverty	30
Population	25	Population Growth Lag (1960 – 2010) ³	20
Overcrowded Housing	25	Age of Housing Stock ⁴	50

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. MSAs are entitled to funding on the basis of one of the formulas described above. For fiscal year 2014, 1197 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 2014, 185 urban counties received a CDBG formula allocation. These urban counties include more than 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.

2) 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 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.

³ "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 during the same period.

⁴ "Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data.

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In fiscal year 2014, HUD is allocating amounts for 1,254 places and anticipates executing grant agreements with 1,220 grantees (57 non-entitlements and 1,163 entitlements).

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 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 February 3, 2014, 119.1⁵ percent of these funds were obligated and 112.8 percent have been expended by grantees on NSP activities. 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 four grantees met the February deadline and HUD has imposed corrective actions and sanctions to resolve expenditure issues surrounding those grants that did not meet the deadline. As of February 3, 2014, grantees had obligated 115.2 percent of NSP 2 funding and expended 110.5 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 NSP3 funding to 270 grantees comprised of local governments, states and the insular areas. As of February 3, 2014, 100.8 percent of these funds have been obligated and 81.7 percent have been expended by grantees. Virtually all NSP3 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 75,000 units of affordable housing, and demolished 25,000 blighted

⁵ Obligations over 100 percent result from the allocation of program income funds in excess of original grantee allocations.

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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 Head Start and other childcare facilities and of health clinics, removal of lead-based paint and mold, and improvement of public services and facilities. Funds can also be used to address imminent threats to health and safety. 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 within the Office of Public and Indian Housing administers this program.

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

Community Development Block Grant

a. 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 that depend on CDBG dollars, 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.

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Many of the communities targeted by CDBG often lack adequate private investment and have a disproportionate share of poverty, and without CDBG, these neighborhoods would be unable to support the jobs and safe and equitable living environments their residents so desperately need. Approximately 40 percent the population or 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 2013, 95.8 percent of CDBG funds were invested in activities that primarily benefit low- and moderate-income Americans.

b. 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 the needs of their community 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 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.

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).

Between fiscal years 2010 and 2012:

- More than 20,300 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- \$2.556 billion of CDBG funding leveraged \$10.397 billion in other resources; and
- On projects where leveraging was reported, grantees reported that every dollar of CDBG funds leveraged an additional \$4.07 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. With reduced 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.

Community Development Fund

Outcomes Associated With CDBG Funding

CDBG funding directly affects the number of people that benefit from services provided by local communities. The following figures demonstrate the necessity of maintaining funding and the effects that CDBG dollars have on persons benefiting from services provided by local communities.

Figure 3

HOUSING - # of Households Assisted				
Eligible Activity	FY2011	FY2012	FY2013	FY2013 Accomplishment Distribution
Construction of Housing	1,698	2,365	4,027	2%
Direct Homeownership Assistance	2,328	2,510	2,540	1%
Rehabilitation: Single-Unit Residential	64,551	53,316	54,140	29%
Rehabilitation: Multi-Unit Residential	10,914	10,950	15,031	8%
Energy Efficiency Improvements	2,653	3,172	3,264	2%
Rehabilitation Administration	6,126	7,131	6,214	3%
Lead-based Paint/lead Hazard Test/Abatement	1,531	1,911	2,151	1%
Other Housing Activities, including housing counseling*	51,243	68,518	101,895	54%
Total Households Assisted*:	141,044	149,873	189,262	

* includes public service activities related to housing where the beneficiaries are households

The number of total households assisted with CDBG funds during fiscal year 2013 increased significantly from previous years, indicating the rising need for improvements in housing conditions.

Figure 4

ECONOMIC DEVELOPMENT - # of Jobs Created or Retained				
Eligible Activity	FY2011	FY2012	FY2013	FY2013 Accomplishment Distribution
Public Facilities and Improvements	1,811	3,886	1,937	7%
Commercial/Industrial Infrastructure Development	5,737	4,168	5,479	20%
Commercial/Industrial Building Acquisition, Construction, Rehabilitation	358	239	1,073	4%
ED Direct: Financial Assistance to For-Profit Businesses	10,021	9,854	12,863	46%
ED Direct: Technical Assistance	1,619	1,427	3,542	13%
Micro-Enterprise Assistance	1,475	897	1,513	5%
Other ED Activities	460	1,323	1,517	5%
Total Jobs Created/Retained:	21,482	21,794	27,924	

Direct financial assistance to for-profit businesses remains the most common activity for local communities when using CDBG funding for economic development

Community Development Fund

Figure 5

PUBLIC SERVICES - # of Persons Benefitting				
Eligible Activity	FY2011	FY2012	FY2013	FY2013 Accomplishment Distribution
Public Services (General)	5,490,419	5,908,896	4,634,438	47%
Homeless/Aids Patients Programs (operating costs)	411,222	474,969	483,439	5%
Senior Services	914,113	1,079,185	1,028,066	10%
Services for The Disabled	148,827	141,560	81,900	1%
Legal Services	35,785	30,384	41,481	0%
Youth Services	970,843	882,816	940,051	10%
Transportation Services	130,801	98,482	330,569	3%
Battered and Abused Spouses	142,941	142,367	129,587	1%
Employment Training	307,316	68,018	71,047	1%
Crime Awareness/Prevention	64,939	78,092	40,047	0%
Fair Housing Activities	109,674	40,504	93,072	1%
Child Care Services	48,498	68,013	59,324	1%
Health Services	577,798	728,384	511,277	5%
Abused and Neglected Children	46,654	46,591	51,652	1%
Mental Health Services	54,979	49,038	80,114	1%
Subsistence Payments	35,333	33,600	32,236	0%
Food Banks	511,382	1,272,081	1,166,542	12%
Other Public Service Activities	97,821	75,118	71,636	1%
Total Persons:	10,099,345	11,218,098	9,846,478	

Declining funding for the CDBG program has reduced the number of low- and moderate-income persons receiving the needed public services provided with CDBG funds.

Community Development Fund

Figure 6

PUBLIC FACILITIES - # of Persons Benefitting				
Eligible Activity	FY2011	FY2012	FY2013	FY2013 Accomplishment Distribution
Public Facilities and Improvements (General)	2,650,459	1,583,941	1,674,493	51%
Senior Centers	173,871	360,243	469,601	14%
Centers for the Disabled/Handicapped	36,106	28,548	50,209	2%
Homeless Facilities (not operating costs)	76,906	178,616	58,731	2%
Youth Centers/Facilities	6,034	43,796	74,155	2%
Neighborhood Facilities	596,029	351,126	282,863	9%
Parks, Recreational Facilities	167,852	233,721	201,402	6%
Water/Sewer Improvements	1,094	8,337	4,681	0%
Street Improvements	5,076	40,938	22,563	1%
Sidewalks	206,985	249,096	252,747	8%
Child Care Centers/Facilities for Children	9,810	26,742	23,278	1%
Health Facilities	130,564	255,437	138,469	4%
Abused and Neglected Children Facilities	776	4,836	12,087	0%
Other Public Facilities Activities	9,769	13,130	19,224	1%
Total Persons:	4,071,331	3,378,507	3,284,503	

The number of abused and neglected children reported as benefiting from CDBG-funded public facilities has increased dramatically during the last 3 fiscal years, demonstrating the need for maintaining funding that benefits the most vulnerable in the U.S. population.

Historic Outcomes Associated with CDBG Funding:

1) Job creation:

- From fiscal year 2004 to fiscal year 2013, CDBG economic development activities have directly created or retained more than 421,183 permanent 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.
- 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 2013, CDBG helped more than 232,000 businesses expand economic opportunities for our country's most vulnerable citizens.

2) Provision of public facilities and public services to areas that need them the most:

- CDBG grantees historically expend one-third of their funds annually on public improvements, meaning that approximately \$933 million (including program income funds) will be invested by grantees in physical infrastructure in neighborhoods as a result of the fiscal year 2015 Budget request.

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- CDBG has improved public facilities that benefitted more than 33.7 million people between fiscal years 2005 and 2013. These improvements assist in providing the critical elements for suitable physical environments including 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) Improvement of 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 1.3 million homes for low- and moderate-income homeowners and renters from fiscal year 2004 to fiscal year 2013.
 - In fiscal year 2013, more than 94,000 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.

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

With the exception of certain CDBG disaster recovery grants, CPD field staff is responsible for monitoring all CPD programs and must balance competing demands for monitoring efforts. 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

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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).

During fiscal year 2013, Field Offices conducted 369 monitoring reviews of CDBG grantees nationally and identified 652 findings and 338 concerns related to compliance and/or performance. CPD has well-established protocols for conducting monitoring reviews and on disposition of findings and concerns identified by those reviews. CPD works closely with grantees by providing technical assistance and guidance to ensure that programmatic concerns are addressed in an effective manner before they escalate to the level of a finding. When CPD issues monitoring findings that identify violations of statutory or regulatory requirements, CPD cites the condition, criteria, cause, effect and corrective action of the violation to ensure that grantees understand the problem and understand how to properly address it. CPD's range of corrective actions can range from instructing grantees to improve their policies and procedures to prevent recurrences to having grantees repay their CDBG line of credit from non-Federal funds.

Additionally, the field offices conduct an annual risk assessment of the 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.

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Unobligated Balances

The budget also includes \$9.3 billion of unobligated funds carried forward into fiscal year 2014 from the Disaster Relief Appropriations Act, 2013 (P.L. 113-2). Approximately \$4 billion of the unobligated funds have not yet been allocated to address remaining, unmet recovery needs for communities impacted by Hurricane Sandy and other qualifying disasters in 2011, 2012 and 2013. HUD intends to announce plans for the remaining, unallocated disaster funds in spring 2014. Pursuant to P.L. 113-2, the Department must obligate all of these funds no later than September 30, 2017.

Indian Community Development Block Grant

What is the Problem We're Trying to Solve?

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

According to the 2010 U.S. Census:

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

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There is a great demand for Indian CDBG program dollars in Indian Country. In recent years, HUD has received two or three times as many ICDBG applications as can be funded. Housing, community development, and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop communities in Indian Country has traditionally been difficult to obtain.

How Does This Program Help Solve that Problem?

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:

- The Fond du Lac Band of Lake Superior Chippewa Indians in Minnesota will use its 2013 ICDBG grant for an infrastructure waterline construction project. The 7,150 feet of 8-inch ductile iron pipe and 280 feet of 6-inch ductile iron pipe will create redundancy to the existing insufficient water distribution system and increase fire safety and support economic development.
- The Native Village of Shungnak in Alaska will use its grant of \$600,000 for the purposes of providing general rehabilitation and weatherization assistance to 25 existing homes in the community, and constructing up to 7 two-bedroom additions. The projects will be targeted toward an underserved population, which are low-income tribal members, and will improve suitability of living conditions and reduce the prevailing problem of overcrowding.
- The Chickasaw Nation in Oklahoma will use its 2013 ICDBG grant to construct a new 26,000-square-foot Children's Development Center. The child care center will have spacious classrooms, innovative technology, qualified teaching staff, nutritious meals and curriculum to challenge and stimulate the development of each child.

The request includes \$10 million to assist with mold remediation needs in Indian Country housing. In FY 2014, the program received a \$10 million increase in appropriations for a mold set-aside. HUD is currently developing a competitive NOFA for these funds that will provide additional funding to tribes to remediate mold based on level of need and capacity. This initiative, to be administered with the assistance of HUD's Office of Healthy Homes and Lead Hazard Control, will allow HUD and its tribal partners to jointly focus on this serious and growing problem. 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. Given the extent of the issue, continuing funds to remediate these conditions are desperately needed. 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.

4. How do we know this program works?

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 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.⁶ 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 made "positive contributions to the capacity of cities" and "played a vital role in neighborhood stabilization and revitalization in a number of U.S. 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

⁶ "GAO-12-575R- Effectiveness of Block Grants." Government Accountability Office, 15 May 2012.

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referenced the Consolidated Plan enhancements that provide better data allowing grantees to prioritize and target limited resources.

Housing Policy Debate Report

A special issue of Housing Policy Debate, entitled "CDBG at 40: Its Record and Potential" issued January 28, 2014, examined the historical impact of the CDBG program and analyzed six areas for potential reform. Noting that CDBG allocations measure less than one-fourth of its adjusted-inflated peak level of 1978, the issue's guest editors recommend continued investment in the program and targeting activities in areas with high concentrations of poverty. One article by Karen Beck Pooley focused on specific effects on neighborhoods in Philadelphia concludes the following:

Overall, my results support widely held beliefs that Community Development Block Grants and similar public subsidies can play a key role not only in improving individual housing units or meeting the housing needs of individual households but also in revitalizing weaker neighborhoods. If deployed at the right scale (to be sufficiently visible to the market) in a select number of locations, program dollars can have a domino effect for nearby properties as neighboring owners start to feel sufficiently confident in subsidized areas and their futures to make investments of their own.

Further efforts to provide funding to the neediest persons could be made through targeting for poorer districts within delineated jurisdictions. Finally, the report urges HUD to continue updating and improving its performance assessment systems in order to be able to properly measure and evaluate CDBG spending outcomes. HUD appreciates the contributions of the authors and is currently reviewing them as it prepares a legislative package of CDBG reforms.

IHS Global Insight Report⁷

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 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.

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

⁷ (2011). *Community Development Block Grants: Impacts on Metro Economies*. Lexington, MA: IHS Global Insight. Retrieved 25 August 2011, from www.nlc.org

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to know what that level of need is nationwide. However, many 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 51 percent per grantee during the past 4 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 (See Figure 7).

Figure 7

State CDBG Public Facilities, Funding Requested vs. Awarded by Program Year								
Sampled Grantees	2010		2011		2012		2013	
	Funded	Requested	Funded	Requested	Funded	Requested	Funded	Requested
Alabama	\$20,870,687	\$49,517,524	\$16,738,030	\$30,188,680	\$19,310,109	\$34,471,643	\$18,148,473	\$39,603,218
Iowa	\$13,941,530	\$31,259,452	\$17,990,720	\$25,264,638	\$10,466,117	\$26,429,897	\$14,826,995	\$28,867,896
Maine	\$3,996,000	\$9,153,765	\$3,645,000	\$7,657,882	\$3,811,887	\$7,310,387	\$3,406,500	\$6,584,263
Massachusetts	\$11,851,000	\$20,887,000	\$14,551,000	\$25,597,000	\$11,968,143	\$20,628,467	\$11,111,303	\$15,905,893
Ohio	\$27,809,044	\$78,598,845	\$25,688,789	\$70,141,804	\$26,130,852	\$34,817,427	\$26,444,700	\$41,898,888
Virginia	\$11,290,104	\$14,161,136	\$8,414,714	\$11,980,514	\$4,350,830	\$8,378,782	\$4,798,206	\$9,991,206
Washington	\$14,143,930	\$36,062,528	\$12,573,095	\$33,498,613	\$11,105,487	\$29,841,564	\$8,208,987*	\$23,788,597*
TOTALS	\$116,600,653	\$270,158,267	\$118,364,455	\$235,984,408	\$87,143,425	\$161,878,167	\$78,736,177	\$142,851,364
% Funded Overall	48%		54%		54%		55%	

*further rounds of competitive funding were still pending

CDBG Success Stories

Economic Development – Orange County, FL

This Lighthouse Job Development and Placement program provides comprehensive job readiness services tailored to the unique needs of Orange County's visually impaired individuals. CDBG funding is critical in providing a service that would otherwise not be available. The success of the program is centered on its collaborative networks. Lighthouse has a solid record of local partnerships and is actively engaged in working collaborations with the Florida Division of Blind Services, University of Central Florida, Seminole State College, Valencia Community College and local employers. These collaborations enable clients to participate in a wide range of training opportunities and advance placement opportunities with local employers. The program is one of only two community rehabilitation providers in the State of Florida that provides comprehensive vocational rehabilitation for blind and visually impaired adults. Since the inception of the program in 2010, 77 percent of the program participants have successfully sustained gainful employment.

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Public Facility – City of Mountainburg, Arkansas

This project consisted of a water extension to the existing City of Mountainburg water distribution system as well as a pump station and water storage reservoir. This water extension provided water service to the rural areas of Chester and Mountainburg, more specifically the rural areas west of the City of Mountainburg. The population served was 167 families of which 130 were low and moderate income families. Before this project, many of these people had to haul water along treacherous roads down the mountain to a fill station in Mountainburg where they would fill tanks in the back of their trucks using a fire-hose. Many of these individuals were elderly residents on fixed income. In addition to the water distributions system, some of the funds were used to pay for the installation of back-up emergency equipment that could be used in the event of inclement weather which they are currently experiencing. This back-up equipment will allow Mountainburg to continue to provide water service even if the main power is disrupted due to snow or ice. Funding in the amount of \$1,739,500 came from the CDBG small communities program through the Arkansas Economic Development Commission and the Arkansas Natural Resources Commission. Other funding came from USDA in the amount of \$428,000 and the City for \$12,000.

Housing Rehabilitation – Pulaski, Virginia

In the wake of two tornados that struck Pulaski, Virginia in April of 2011, Pulaski County and Town have been jointly awarded \$1.4 million in State CDBG funds. These funds and the generous donations of private citizens are slated to repair or rebuild 26 homes affected by the tornados. The project is an impressive collaboration as it helps to complete the work started by an entirely volunteer workforce. Conservatively, more than 100,000 volunteer hours have been logged in the efforts surrounding the tornado relief efforts.

Public Services – Franklin County, OH

Franklin County Commissioners recognized the rising problem of lack of access to healthy, nutritious foods experienced by many people living in poorer neighborhoods. To address the program, the County Economic Development and Planning Department (EDP) strategically invested CDBG dollars in collaboration with other entities with the expertise and capacity to meet the need. Ninety-five thousand dollars in CDBG funds were invested in several initiatives including those which assisted adults and children of disadvantaged families by benefiting from access to fresh foods harvested from community gardens, and assisting persons living with HIV/AIDS to improve their health status through the delivery of fresh and prepared foods to their homes. In 2011, no less than 2,182 persons directly benefitted from nutritious meals and fresh produce, including 3,788 pounds of fruits and vegetables harvested for consumption, 22,488 home-delivered meals, and 10,600 bags of groceries.

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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 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 helps 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 estimates that 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

Moving CDBG Forward: Technical Assistance and Program Outreach Listening Sessions

HUD sought input on the obstacles encountered in the CDBG program and possible policy changes to address these obstacles. To engage grantees and stakeholders in this effort, during fiscal year 2013, HUD initiated a series of Moving CDBG Forward: Technical Assistance and Program Outreach listening sessions, which featured ten interactive webinars, conference presentations, and in-person discussions. HUD identified nine topic areas to elicit ideas for possible policy reforms, and to identify where there may be

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structural program issues that could be addressed to strengthen the program's effectiveness and accountability. The nine topics were: OneCPD; grantee participation thresholds; synchronizing plans and cycles; eligible activities; economic development; non-financial performance incentives; incentive fund/performance set-aside; performance and compliance sanctions; and green building standards.

The sessions were completed in October 2013, and the information gathered are being used by HUD in the development of statutory and regulatory proposals that will be submitted to Congress as a legislative package following the 2015 budget. The goal of these proposals will be to help grantees target funding resources to areas of greatest need, enhance program accountability, synchronize critical program cycles with the consolidated plan cycle, and provide more options for regional coordination, administration and planning.

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 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. As a result of CPD's efforts, as of January 28, 2014, more than 99 percent of the activities identified by the OIG have now been successfully resolved through improved grantee reporting and other corrective actions. For those activities that cannot be resolved, CPD will be requiring grantees to either reimburse their program accounts with non-federal funds or undertake a future grant reduction. CPD expects these corrective measures to be completed no later than spring 2014.

In addition, HUD continues to work to better target its Technical Assistance. HUD provides TA to CDBG grantees through written products, training, and workshops. 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.

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HUD's Information Technology Portfolio Improvements

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. Since 2010 TI investments have funded multiple releases for the four key CPD systems (IDIS, eSNAPS, DRGR and CPD-Maps). These releases were on time and on budget and resulted in key system enhancements, such as:

- Automated a multitude of manual processes and program reporting requirements, saving more than 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 more than 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. Recent system releases have enabled HUD to:

- Increase its 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; and
- Generate multiple new reports that strengthen HUD staff's ability to oversee grantee transactions, identify potential activity problems, and track open activities.

Furthermore, CDBG staff has developed updated IDIS reporting guidance and have consolidated 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 non-compliance.

These initiatives will continue to will enhance grants management systems such as IDIS, Disaster Recovery Grant Reporting (DRGR) system, and CPD Maps to meet various statutory and regulatory 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.

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HUD will also deploy its HEROS automated environmental review process for CPD grant programs in fiscal year 2014; 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 IT 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 2013, 493 affordable units were rehabilitated, 278 jobs were created, and 54 community buildings were built using ICDBG funds.

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

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

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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.

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 \$15.18 billion in CDBG disaster recovery funding as part of Disaster Relief Appropriations Act, 2013 (P.L 113-2, enacted January 29, 2013). This appropriation is intended to respond to the effects of Hurricane Sandy which impacted the Atlantic coastline in late October 2012 as well as other qualifying events that occurred in calendar years 2011, 2012 and 2013. As of February 2014, the Department had allocated \$11.15 billion of this amount. The Department anticipates additional allocations of this funding throughout fiscal year 2014 to address various unmet needs. This is the most significant use of CDBG for disaster recovery purposes since Congress appropriated \$19.7 billion in supplemental disaster assistance to aid the comprehensive recovery of Alabama, Florida, Louisiana, Mississippi, and Texas following the devastation of Hurricanes Katrina, Rita, and Wilma in 2005.

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.

6. Formula Allocation Tables by State

The following table shows CDBG non-disaster allocations by State for fiscal year 2013 actual authority and an estimate for fiscal year 2014 appropriated and the 2015 request (excludes a \$14.35 million transfer to the Transformation Initiative).

STATE OR TERRITORY (DOLLARS IN THOUSANDS)	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
ALABAMA	\$41,442	\$40,985	\$37,674
ALASKA	4,213	4,112	3,781
ARIZONA	47,795	47,490	43,653
ARKANSAS	24,213	23,796	21,873
CALIFORNIA	367,325	359,906	330,835
COLORADO	34,637	34,057	31,306

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STATE OR TERRITORY (DOLLARS IN THOUSANDS)	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
CONNECTICUT	\$36,596	\$35,959	\$33,054
DELAWARE	6,640	6,524	5,997
DISTRICT OF COLUMBIA	14,345	13,969	12,840
FLORIDA	130,096	128,915	118,502
GEORGIA	76,045	76,017	69,876
HAWAII	12,769	12,564	11,549
IDAHO	11,239	11,379	10,460
ILLINOIS	151,935	150,372	138,227
INDIANA	61,982	61,219	56,275
IOWA	33,941	33,450	30,747
KANSAS	24,338	23,998	22,060
KENTUCKY	40,068	39,590	36,392
LOUISIANA	46,349	45,245	41,591
MAINE	17,062	16,737	15,385
MARYLAND	44,793	44,594	40,992
MASSACHUSETTS	93,926	92,495	85,023
MICHIGAN	115,123	113,291	104,141
MINNESOTA	49,510	48,823	44,879
MISSISSIPPI	28,054	26,997	24,816
MISSOURI	58,787	57,859	53,186
MONTANA	7,860	7,687	7,065
NEBRASKA	16,935	16,721	15,370
NEVADA	18,938	19,174	17,625
NEW HAMPSHIRE	11,460	11,332	10,416
NEW JERSEY	81,686	80,405	73,912
NEW MEXICO	14,969	15,028	13,814
NEW YORK	294,550	289,681	266,282
NORTH CAROLINA	70,032	69,930	64,282
NORTH DAKOTA	5,122	5,004	4,599
OHIO	140,902	138,854	127,638

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STATE OR TERRITORY (DOLLARS IN THOUSANDS)	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 ESTIMATE
OKLAHOMA	\$25,908	\$25,143	\$23,112
OREGON	31,724	31,376	28,841
PENNSYLVANIA	174,904	171,667	157,801
RHODE ISLAND	15,801	15,562	14,305
SOUTH CAROLINA	35,142	34,941	32,118
SOUTH DAKOTA	6,702	6,535	6,007
TENNESSEE	46,810	45,860	42,156
TEXAS	222,908	218,497	200,849
UTAH	19,288	19,141	17,596
VERMONT	7,261	7,191	6,610
VIRGINIA	51,180	50,781	46,680
WASHINGTON	51,642	50,880	46,770
WEST VIRGINIA	19,528	19,083	17,541
WISCONSIN	57,717	57,174	52,555
WYOMING	3,396	3,389	3,115
AMERICAN SAMOA	1,035	1,032	1,007
GUAM	3,013	3,026	2,952
NORTHERN MARIANA ISLANDS	968	965	941
PUERTO RICO	65,608	61,625	56,648
VIRGIN ISLANDS	1,983	1,976	1,928
INDIAN TRIBES	56,862	70,000	70,000
TOTAL	3,135,057	3,100,000	2,855,650

Community Development Fund

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

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 Obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Entitlement/Non-Entitlement	\$3,071,195	\$480,647	\$3,551,842	\$2,907,010	\$3,023,000	\$644,832	\$3,667,832	\$2,793,000
Insular Area CDBG Program	7,000	5,841	12,841	5,841	7,000	7,000	14,000	7,000
Indian Tribes	56,862	3,743	60,605	58,001	70,000	2,604	72,604	70,000
University Community Fund .....	...	199	199	...	...	199	199	...
Section 107 Grants ....	...	383	383	...	...	383	383	...
Administration, Operations, and Management .....	...	2,058	2,058	-237	...	2,295	2,295	...
Economic Development Initiative Grants ....	...	324	324	...	...	324	324	...
Disaster Assistance ...	15,181,000	241,323	15,422,323	2,205,304	...	13,217,014	13,217,014	...
Section 805 Economic Development training .	...	334	334	61	...	273	273	...
Transformation Initiative (transfer) .....	...	...	...	...	...	...	...	[14,350]
Total	18,316,057	734,852	19,050,909	5,175,980	3,100,000	13,874,924	16,974,924	2,870,000

Community Development Block Grants

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

The fiscal year 2015 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, [~~\$3,100,000,000~~]\$2,870,000,000, to remain available until September 30, [~~2016~~]2017, unless otherwise specified: *Provided*, That of the total amount provided, [~~\$3,030,000,000~~]\$2,800,000,000 is for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended (the "Act" herein) (42 U.S.C. 5301 et seq.): *Provided further*, That unless explicitly provided for under this heading, not to exceed 20 percent of any grant made with funds appropriated under this heading shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or Indian tribe, or insular area that directly or indirectly receives funds under this heading may not sell, trade, or otherwise transfer all or any portion of such funds to another such entity in exchange for any other funds, credits or non-Federal considerations, but must use such funds for activities eligible under title I of the Act: [*Provided further*, That none of the funds made available under this heading may be used for grants for the Economic Development Initiative ("EDI") or Neighborhood Initiatives activities, Rural Innovation Fund, or for grants pursuant to section 107 of the Housing and Community Development Act of 1974 (42 U.S.C. 5307): *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act:] *Provided further*, That \$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: *Provided further*, That of the amounts made available under the previous proviso, \$10,000,000 shall be for grants for mold remediation and prevention that shall be awarded through one national competition to Native American tribes with the greatest need. (*Department of Housing and Urban Development Appropriations Act, 2014.*)