

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
<u>Program Level:</u>				
Community Development Block				
Grants (CDBG) .....	\$4,968,032	\$8,726,073	\$4,731,500	-\$3,994,573
<u>Appropriations:</u>				
Enacted or Proposed				
CDBG .....	\$5,602,245 <u>a/</u>	\$7,000,000 <u>b/</u>	\$4,731,500	-\$2,268,500
Rescission .....	-\$489,789	...	...	...
Transfer of Unobligated				
Balances .....	...	\$700,000 <u>c/</u>	...	-\$700,000
Subtotal .....	\$5,112,456	\$7,700,000	\$4,731,500	-\$2,968,500
<u>Budget Outlays (Gross):</u>				
CDBG .....	\$4,939,123	\$5,235,000	\$5,878,000	+\$643,000
<u>SECTION 108 LOAN GUARANTEES:</u>				
Guarantee Commitments (Private Financing) :				
Limitation .....	[\$1,258,096]	[\$608,696]	[\$275,000]	-\$333,696
Commitments made .....	\$263,589	\$608,696	\$275,000	-\$333,696
<u>Budget Authority</u>				
Credit Subsidy .....	\$6,063	\$14,000	\$6,325	-\$7,675
Aministrative Costs .....	\$998	\$1,000	\$1,000	...
Subtotal .....	\$7,061	\$15,000	\$7,325	-\$7,675
<u>Budget Outlays</u>				
Credit Subsidy .....	\$6,383	\$9,898	\$13,810	+\$3,912
Aministrative Costs .....	\$998	\$1,000	\$1,000	...
Subtotal .....	\$7,381	\$10,898	\$14,810	+\$3,912
FFB Direct Loans (Liquidating				
Account) .....	-\$14,522	-\$2,000	-\$2,000	...

a/ Includes \$66.128 million in additional EDI earmarks per P.L. 106-554.

b/ Includes \$2 billion appropriated in P.L. 107-117 for recovery from the terrorist attacks in New York.

c/ Funds appropriated in fiscal year 2001 were transferred into CDBG in fiscal year 2002 pursuant to P.L. 107-38 and P.L. 107-73 for recovery from the terrorist attacks in New York.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes \$4.7 billion for the overall Community Development Block Grant (CDBG) account which includes the formula grant program plus the other programs funded within CDBG in fiscal year 2003. Funding includes \$4.4 billion for the CDBG Entitlement and State/Small Cities (Nonentitlement) formula grant program and \$269 million in set-asides. The overall fiscal year 2003 funding is a \$206 million decrease exclusive of fiscal year 2002 supplemental funding related to the September 11<sup>th</sup> terrorist attack in New York City. The formula program increases by \$95 million including a transfer of \$7 million for Insular Areas that formerly was funded in Section 107. This increase is more than offset by the deletion of \$336 million for individual projects which was funded in fiscal year 2002 but have not been requested for fiscal year 2003. Additional differences include the transfer of the \$55 million Resident Opportunities and Supportive Services program to the Public Housing Capital Fund, separate funding for Hawaiian Homelands Homeownership and non-funding of several smaller grant categories.

A summary of the fiscal year 2003 request is as follows (a comparison chart for fiscal year's 2001-2003 is at the end of this section):

- \$4.4 billion for the CDBG Formula program, including \$3.1 billion for Entitlement cities and counties, \$1.3 billion for Nonentitled States and small cities, and \$7 million for Insular Areas;
- \$72.5 million for the Native American CDBG program, including \$1.5 million for an Economic Development Access Center;
- \$38.9 million for Section 107 grants, including \$3 million for Technical Assistance, \$4 million for Program Management and Analytical support, and \$31.9 million for University/Community Partnership Grant Programs: \$10 million for Historically Black Colleges and Universities (HBCU's), \$3 million for Community Development Work Study (CDWS), \$5.5 million for Hispanic-Serving Institutions Assisting Communities (HSIAC), \$2.4 million for Alaska Native/Native Hawaiian Institutions Assisting Communities Program, \$3 million for Tribal Colleges & Universities, and \$8 million for Community Outreach Partnership Centers (COPC) programs;
- \$65 million for Youthbuild;
- \$16 million for the Colonias Gateway Initiative;
- \$65 million for the Self-Help Homeownership Opportunity Program;
- \$25 million for Capacity Building for the National Community Development Initiative (NCDI);
- \$4.5 million for Habitat For Humanity-Capacity Building;
- \$3 million for the Housing Assistance Council;
- \$2.2 million for the National American Indian Housing Council; and
- \$3.4 million for Working Capital Fund transfers.

Community Development Block Grants. CDBG funds are provided to entitlement cities, urban counties and States based on the highest of two formulae. Funds may be used for a broad range of housing revitalization, community and economic development activities, thereby increasing State and local capacity for economic revitalization, job creation and retention, neighborhood revitalization, public services, community development and renewal of distressed communities, and for leveraging of non-Federal sources. The 2003 amounts reflect current (1990) census data and will change as 2000 census information becomes available. New population data have been included for 2002; housing and poverty data will be included in 2003. The Budget proposes to reduce by half the funding for current Entitlement communities that have a per capita income (PCI) equal to or more than 200 percent of the national average. These funds would be reallocated to ensure that CDBG funds go to communities that have lesser local resources for housing and community and economic development needs. The specific communities will be not know until new PCI data, reflecting the 2000 Census, becomes available later this year (Summer 2002). The savings achieved by this proposal assist in providing resources of \$16 million for a new legislative proposal, the Colonias Gateway Initiative, which will serve some of the poorest communities in the Nation. The Budget also proposes an authorizing and funding change for Insular areas, which would become effective in 2003.

## Community Development Block Grants

CDBG is the primary vehicle for the revitalization of our Nation's neighborhoods, providing opportunities for self-sufficiency to millions of lower income Americans. Since the program's inception in 1974, roughly \$100 billion has been allocated to grantees. There are currently 865 cities and 158 counties that are eligible to receive a CDBG entitlement grant directly from HUD. In addition, 49 States and the Commonwealth of Puerto Rico award more than 3,000 CDBG grants to other small cities and counties from CDBG funds allocated to the States by HUD each year. Funds for Nonentitlement grants are awarded by HUD to Hawaii's three nonentitlement counties on a formula basis.

CDBG is generally recognized as the flagship or mainstay for community development of cities, counties and rural areas. It strikes a great balance between local flexibility and national targeting to low- and moderate-income persons. It has developed this reputation over 27 years and is constantly used by local officials to take on new challenges in the areas of housing, neighborhood development, public facilities, economic development and provision of social services. However, the funds for the program continue to be stretched further and further.

One of the cornerstones of the CDBG program has been that it allows grantees to set their own priorities for the funding of activities. Grantees can use the funds for housing activities, economic development, public facilities (such as day care centers or health centers), public improvements (such as street improvements), public services (such as social programs for the elderly, youth, or abused), urban renewal, or planning and administration.

The CDBG program emphasizes the Department's mission and vision of working through partnerships with State and local governments. Because of the significant flexibility in uses of CDBG funds, the CDBG program are used in conjunction with many other HUD programs in a systematic approach to assist communities and target specific populations. Notwithstanding the flexibility of the program, rehabilitating and producing housing is the largest single use (31 percent) of funds by Entitlement communities. Housing activities include rehabilitation of ownership and rental units, assisting new construction, transitional and temporary housing, as well as necessary site improvements and administrative assistance. The second largest use of funds is 25.6 percent for public facilities and improvement.

One criticism of CDBG has been the untimely expenditures of some grantees. But the Department continues to make improvements in reducing the number untimely and the dollars associated with those numbers. In the last 27 months, HUD has worked with grantees to bring the number untimely down from 309 to 145 or a decrease of roughly 53 percent, and that number continues to decline. HUD plans to aggressively pursue this issue and expects to make substantial progress in the coming year. The fact is 85 percent of grantees are now timely and that number is growing.

As a subset of this issue, the Department is proposing a legislative change that would also require State programs to be reviewed for timely expenditures. Currently, the HCDA of 1974 at section 104(e) requires HUD to review entitlement grantees to determine if they are carrying out their activities in a timely manner. The same provision requires HUD to review States to determine if they have distributed funds to local governments in a timely way and for States to review their local governments to determine if the local governments are carrying out their activities in a timely way. It does not however require HUD to review the State program to determine if they are *expending* funds in a timely way. This proposal would add a requirement that HUD review the State program to determine if they are managing the program in a way to ensure that funds are expended timely. This addition is needed to clearly give HUD the authority to take action when necessary to ensure that funds do not build up in unreasonable amounts.

In addition, as a complement to the CDBG program, a commitment level of \$275 million is requested for the Section 108 loan guarantee program in fiscal year 2003. The requested appropriation language for this program is separate from the CDBG appropriation language in the President's Budget. As required by the Credit Reform Act of 1990, credit subsidy budget authority of \$6.3 million is requested for the Section 108 loan guarantee program. In addition, administrative funds totaling \$1 million are requested. The Section 108 loan guarantee program is an effective tool for community and economic revitalization available to States and communities. The Section 108 program provides these entities with a means of leveraging up to five times their CDBG grants and the flexibility to obtain crucial financing for large community revitalization projects and to respond quickly to conditions created by economic distress.

Over the past 9 years, the Department has committed to 773 projects and completed the financing on 500 of those for a total of \$2.4 billion--projects such as mixed use commercial/housing developments, industrial parks, and other business ventures. When all 773 projects are completed, it is estimated that over 200,000 jobs will have been created or retained. The Section 108 program allows a locality to issue debt equal to up to five times its annual CDBG grant allotment. The CDBG grant is the main collateral for these loans. Although these loans have a full Federal guarantee, there has never been a default requiring a Federal payment.

Native American CDBG program. This Budget proposes \$72.5 million for Native American Housing and Economic Development Block Grant activities. Since 1974, the CDBG program has been the backbone of improvement efforts in many communities, providing a flexible source of grant funds for local governments nationwide. The program provides funds that they, with the participation of local citizens, can devote to a wide range of activities that best serve their development priorities, provided that these projects either: (1) benefit low- and moderate-income families; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs. In 1977, the Housing and Community Development Act of 1974 was amended to provide a special funding mechanism, the Indian Community Development Block Grant (ICDBG) program, for Native American communities. Since 1978, more than \$750 million has been provided for ICDBG funding.

ICDBG funds are distributed as annual competitive grants. Funds are allocated to each of the six Area Offices of Native American Programs (AONAP), so applicants compete for funding only with other tribes or eligible Indian entities within their area. Eligible Activities: ICDBG funds may be used to improve the housing stock, provide community facilities, improve infrastructure, and expand job opportunities by supporting the economic development of the communities, especially by non-profit tribal organizations or local development corporations. Tribes and Alaskan Native Villages are restricted from using block grants for construction or improvement of governmental facilities, government operations, income payments, or unless extraordinary determinations have been made-new housing construction.

The ICDBG program is authorized by section 106(a) of the Housing and Community Development Act of 1974, as amended (42USC 5301ff). Regulations are found at 24 CFR Part 1003. It is administered by the Office of Public and Indian Housing, and the Office of Native American Programs (ONAP). All Federally recognized Indian Tribes and Alaskan Native Villages are eligible to participate in the ICDBG program. Projects funded by ICDBG must primarily benefit low- and moderate-income persons (generally defined as members of low- and moderate-income families that earn no more than 80 percent of the median income in the area).

As a set-aside within the Native American CDBG program, this Budget also proposes \$1.5 million for the Economic Development Access Center initiative. Unemployment in Indian country is significantly higher than off-reservation communities and on some Indian reservations unemployment reaches as high as 75 percent. Lack of economic opportunity, high unemployment and poor housing conditions and lack of affordable housing are intertwined issues. In order to address these conditions, the HUD Office of Native American Programs has led a Federal interagency project on Native American Economic Development.

The purpose of the initiative is to facilitate sustainable economic development within American Indian and Alaska Native communities. This is accomplished through the provision of assistance to Native Americans, tribes, and tribal entities in their pursuit of self-sufficiency and self-determination. A major focus of this effort is the promotion of collaborative efforts between Federal agencies, lenders and foundations, and the private market to find innovative solutions to chronic economic development problems in Indian country.

Within the \$1.5 million for the Economic Development Access Center initiative, this Budget requests a set-aside of \$1,250,000 to be used for developing and maintaining information technology systems related to the Economic Development Access Center. Also included in the \$1.5 million is a set-aside of \$250,000 to support contract expertise and training and technical assistance to engage in the management and oversight of the Economic Development Access Center. The training and technical assistance set-aside includes up to \$30 thousand for related non-HUD employee travel.

Section 107 grants. A total of \$38.9 million is included in this Budget proposal for programs under Section 107 of the Housing and Community Development Act for the following programs:

- \$3 million for Technical Assistance;
- \$4 million for Program Management and Analytical Support;

University/Community Partnership Grant Programs:

- \$10 million for Historically Black Colleges & Universities (HBCUs);
- \$3 million for Community Development Work Study (CDWS);
- \$5.5 million for Hispanic Serving Institutions Assisting Communities (HSIAC);
- \$2.4 million for Alaska & Hawaiian Serving institutions;
- \$3 million for Tribal Colleges & Universities; and

## Community Development Block Grants

- \$8 million for Community Outreach Partnerships Centers (COPC).

Insular Areas. This Budget proposes approximately \$7 million for Insular Areas. A legislative change will be proposed to move the authorization for providing funding for Insular areas from Section 107 to Section 106 (formula funding) of the CDBG authorization. In addition, the proposal would establish funding at a percentage of the amount available for formula grantees. Section 107 Grants have been the source of funding for community development activities in the Insular areas. Funding Insular Areas in Section 106 would allow for the Insular areas to have statutory assurance of continued funding and would bring them in line with other CDBG grantees. In their present authorization status, Insular areas are the only class of CDBG grantees that do not have statutory assurance of continued funding. Insular areas that have been funded include the Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Marianas.

Technical Assistance. This Budget requests \$3 million for Technical Assistance. Technical Assistance is a vital component to the CDBG program. Technical assistance projects have assisted States, communities, and Native American tribes in planning, developing and administering Title I assistance. In 2003, some of these funds will be used to reform the Consolidated Plan to make it more results-oriented and useful to communities in assessing their own progress. A review of the planning process is currently underway. The Technical Assistance program enables the Department to provide assistance both directly and through contractors in the following areas:

- increasing grantee effectiveness to plan and implement Title I assistance; this effort will emphasize improving the timely obligation and expenditure of funds and will contribute to reducing the number of jurisdictions with over balances;
- improving the economic development potential of governmental units and increasing the participation of the private sector in community and economic development assisted under Title I;
- leveraging non-Title I funding sources in the use of Title I assistance; and
- assisting in special areas, such as:
  - Homeownership;
  - Faith-Based initiatives;
  - Colonias and other especially distressed populations;
  - Energy conservation in housing;
  - Lead safe housing;
  - Section 108 grantee document preparation; and
  - Local performance measurement.

The CDBG program has not received any funding for Technical Assistance in the past 3 years and there is increasing pressure for this funding from CDBG grantees because of considerable staff turnover at the local level translating into a pent up need for CDBG training. This request will provide for community development and job creation training for localities and capacity building (including operating and project costs) of neighborhood based and community development organizations and nonprofits that wish to participate in local community development.

Program Management and Analytical Support. This Budget requests \$4 million for Program Management and Analytical Support for identifying and analyzing local and national needs, program performance as well as providing localities and other community members with the necessary guidance to plan and track performance.

These funds will specifically assist metropolitan cities, urban counties, consortia, and States in preparing information to be submitted to the Department's information systems; and will be used for the analysis and evaluation of that data in managing and operating their CPD programs. The funds will be used for operational support work including:

- developing and maintaining a web site containing programmatic guidance and system information for grantees to ensure that grantees are meeting statutory and regulatory requirements of CPD programs;
- extracting information from IDIS and other sources and analyzing that information to measure and analyze costs; to assess program performance, services delivered, and

beneficiaries; and to identify, delineate, describe and assess issues on community development programs and policies. CPD contractors will identify, collect, and analyze quantitative and qualitative information and prepare written assessments. Development of our data efforts will expand our performance monitoring and reporting capability for Government Performance and Results Act purposes. Improving the economic development potential of governmental units and increasing the participation of the private sector in community and economic development assisted under Title I; and

- conducting system data purification campaigns necessary to advance data collection related to performance measurement.

University/Community Partnership Grant Programs. This Budget requests \$31.9 million for University programs/Community Partnership Grant Programs. HUD currently provides grants to universities under six programs: Historically Black Colleges and Universities (HBCU), Community Development Work Study (CDWS), Hispanic-serving Institutions Assisting Communities (HSIAC), Alaska & Hawaiian Serving institutions, Tribal Colleges & Universities, and the Community Outreach Partnership Centers (COPC) programs. Funds are used for a work study program and to assist institutions of higher education in forming partnerships with the communities in which they are located to undertake a range of activities that foster and achieve neighborhood revitalization.

Below is a brief description of each program:

- Historically Black Colleges & Universities (HBCUs). For fiscal year 2003, a total of \$10 million is being requested for funding under this program. The HBCU program has provided funding to HBCUs since 1980, to assist HBCUs in expanding their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development, principally for persons of low- and moderate-income.
- Community Development Work Study (CDWS). This Budget proposes \$3 million for the CDWS program. The CDWS is designed to attract more minority and disadvantaged students to academic programs in community planning and development. Colleges and universities throughout the country use this program to offer financial aid and work experience to students enrolled in a full time graduate program in community development or a closely related field.
- Hispanic Serving Institutions Assisting Communities (HSIAC). The Budget proposes \$5.5 million for the HSIAC program. This program is designed to help Hispanic-serving colleges and universities expand their role and effectiveness in addressing community development needs--neighborhood revitalization, housing, and economic development--in their localities.
- Alaska & Hawaiian Serving Institutions. This Budget proposes \$2.4 million for the Alaska Native/Native Hawaiian Institutions Assisting Communities (AN/NHIAC) program. This program is designed to assist Alaska Native/Native Hawaiian institutions of higher education expand their role and effectiveness in addressing community development needs in their localities. AN/NHIAC grantees carry out projects designed primarily to benefit low- and moderate-income residents, help prevent or eliminate slums or blight, or meet an urgent community development need in the community where the Alaska Native/Native Hawaiian institution is located.
- Tribal Colleges & Universities. This Budget includes \$3 million in competitive grants to tribal Colleges and Universities (TCU) to assist them in building, renovating, expanding, and providing equipment for their own facilities, including those that serve these communities.
- Community Outreach Partnerships Centers (COPC). A total of \$8 million is being requested in this Budget proposal for the COPC program. The COPC program provides grants to encourage institutions of higher education to join in partnership with their communities. COPC grantees are expected to play an active and visible role in revitalizing their communities including applying research to real urban problems, coordinating outreach efforts with neighborhood groups and residents, acting as a local information exchange, galvanizing support for neighborhood revitalization, developing public service projects and integrating community outreach into the college or university's basic teaching, research, and service mission.

Youthbuild. The fiscal year 2003 Budget requests \$65 million for the Youthbuild program. This program is authorized by Section 164 of the Housing and Community Development Act of 1992 (P.L. 102-550), which amended Title IV of the Cranston-Gonzalez National Affordable Housing Act by adding subtitle D, "HOPE for Youth: Youthbuild."

Youthbuild is a key tool to making welfare reform work by enabling low-income youth to make a successful transition from dependency to work. The Youthbuild program, which is targeted to 16- to 24-year old high school dropouts, provides disadvantaged young adults with education and employment skills through rehabilitating and constructing housing for low-income and homeless people. The Youthbuild program has been successful in encouraging at-risk youth to engage in remedial education, including leadership and skills training. The program also furthers opportunities for placement in apprenticeship programs and gainful employment.

Approximately 2,947 youth will have been trained and 1,344 units of housing will be developed under the fiscal year 2001 program. However, HUD received 360 Youthbuild applications and only 115 of these were funded. The fiscal year 2003 request for \$65 million will provide more than 3,774 young people with skills they need to obtain jobs. This demand for resources reflects an unmet need in communities that are trying to provide greater opportunities for at-risk young adults. Therefore, HUD is targeting the available funding to the most distressed communities. HUD is also focusing on the Youthbuild program as a way to foster the development of nonprofit organizations which over time can provide the services mentioned above to disadvantaged youth and which at the same time rely less on HUD's financial support to carryout these activities.

Youthbuild effectively reaches one of the most difficult to serve populations: undereducated, and/or adjudicated, unemployed young adults. According to data compiled by YouthBuild USA in 2000 approximately 82 percent of students enter the program without a high school diploma or GED and nearly 31 percent are on public assistance. Slightly over 40 percent of students have been adjudicated and an estimated 12 percent have been convicted of a felony. The issues that the young people are facing--poverty, broken homes, alcoholism and drug addiction, welfare and crime--are common across racial lines and among both men and women. The Youthbuild strategy effectively addresses these issues, in both rural and urban areas across the United States, by providing an alternative. An estimated 63 percent of participants enrolled in the Youthbuild program graduate, and over 86 percent of graduates attain placement in jobs or in school.

The amendments to the Minimum Wage law enacted in 1996 encourage the hiring of at-risk youth by making the Work Opportunities Tax Credit available to employers who hire these young people. Youthbuild programs market this tax credit to encourage employers to hire Youthbuild graduates in their businesses, thereby helping to break the cycle of poverty and enabling at-risk youth to become contributing members of society.

Colonias Gateway Initiative (CGI). This Budget includes \$16 million for the Colonias Gateway Initiative (CGI) as a legislative proposal. The CGI would be a regional initiative, focusing on the 1,500 mile stretch of Southwest border where the more than 12 million individuals live. The Colonias are characterized by substandard housing, lack of availability of basic infrastructure services and public facilities, little socioeconomic data, weak implementation capacity of intermediaries working on housing and economic development initiatives, and little focus on cost recovery and financial sustainability.

The \$16 million funding request centers upon providing CGI with the required **start-up seed capital** to: (1) develop the necessary baseline of information, and in particular the socioeconomic data and a Geographic Information System for the border region, (2) undertake the required business planning to establish and roll-out the CGI and (3) equip, staff, develop the management tools and begin the outreach process of informing local stakeholders of the mission and modus operandi of the CGI, (4) identify and structure new projects and training initiatives, and (5) fund training, business advice and provision of matching funds required to develop and implement sustainable housing and economic development projects that once proven could be taken forward by the private sector.

The CGI will be established with the mission of improving the coordination of public, private and community-based resources in the Colonias. Its main activities will center upon: (1) identifying, prioritizing, and promoting market-based housing, infrastructure and economic development undertakings in the Colonias, (2) promoting private sector funding and management expertise in support of such development, (3) supporting capacity building activities of constituents working on such activities, (4) tracking/assessing the impact and sustainability of such investments, (5) collecting and disseminating socio-economic data and best practices/lessons learned, and (6) to capitalize and pilot commercially viable business and financial service models. The Department would provide \$16 million in fiscal year 2003 to fund business planning and start-up technical assistance and information dissemination activities of the CGI.

Self-Help Homeownership Opportunity Program. The fiscal year 2003 Budget proposes \$65 million for the Self-Help Homeownership Opportunity Program (SHOP) for land acquisition, infrastructure improvements, and administrative costs. This request reflects the President's announcement to triple this popular and successful homeownership program in his May 20<sup>th</sup> speech at Notre Dame University. The request also reflects the growing capacity of self-help housing

organizations to expand upon recent successes in making homeownership a viable option to low-income families who otherwise would not be able to acquire a house and the efficiency and success of the model for increasing homeownership. This request further reflects Congressional decisions to support these activities and to provide other funding to expand the capacity of self-help housing organizations.

The SHOP program embodies HUD's focus on nurturing partnerships with non-profit organizations by providing competitive grants to national and regional non-profit housing organizations and consortia that specialize in self-help homeownership. Funds have been appropriated for SHOP as a set-aside in the CDBG Program appropriation. Annual appropriations of \$20 million were made available in fiscal years 1999 and 2000. There was a decrease in funding to \$19.956 million for fiscal year 2001 and a \$2 million increase to \$22 million in fiscal year 2002. Funding for eligible SHOP activities from these four grant years will produce approximately 8,000 new housing units for low- and very low-income homebuyers. Grantees have completed 917 units and 2,213 units are under development from funding in fiscal years 1999 and 2000. Fiscal year 2001 funds were awarded last fall and the availability of the fiscal year 2002 funds will be announced in the fiscal year 2002 SuperNOFA. Current SHOP grantees are Habitat for Humanity International, Housing Assistance Council, Northwest Regional Facilitators, and ACORN Housing Corporation.

In addition, \$56.7 million in SHOP grants were awarded in fiscal years 1996 and 1998 as a direct allocation to Habitat for Humanity International and to other providers through expressions of interest. A minimum of 6,605 new homes will be produced from these two grant years, of which 5,411 units are completed, and 1,194 units are under construction. Grantees have completed construction on 6,329 housing units from all funding years.

The SHOP program has assisted homebuyers with an average income range of between 50 to 65 percent of area median income, with some grantees assisting homebuyers at 30 percent of area median income. The SHOP program has assisted new homebuyers with incomes as low as \$15,000 per year. The homebuyer's sweat equity contribution reduces the cost of construction, and has resulted in purchase prices as low as \$31,000. The requested appropriation would assist approximately 5,200 low-income families to become new homeowners.

SHOP has been successful because it provides funding for the acquisition and preparation of land to assist the efforts of national and regional organizations and consortia, which have already demonstrated a strong ability to obtain materials and mobilize volunteer labor to develop high quality affordable housing. Land costs and infrastructure expenses most often are responsible for driving the cost of homeownership beyond the reach of low-income families. SHOP funds serve as the "seed money" which provides momentum for greatly expanded levels of construction investment.

The presence of Federal funds increases the ability of non-profit organizations to leverage funds from other sources, providing a substantial return on a Federal investment that does not exceed an average of \$10,000 per unit. SHOP provides a tremendous boost to building efforts across the country. Grantees indicate that the use of SHOP funds cover about one-quarter of the cost of producing a unit. Thus, SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at improving housing opportunities for low-income families across the country.

Capacity Building for Community Development and Affordable Housing. This program is authorized by Section 4 of the HUD Demonstration Act of 1993, which established HUD's participation in the privately organized and initiated National Community Development Initiative (NCDI). This Budget proposes \$25 million for NCDI, in which HUD has been actively involved across three phases of the Initiative's work since 1994. A fourth phase of this highly successful, public/private partnership will emphasize the capacity building of community-based development organizations, including community development corporations (CDCs), in the economic development arena and related development and community revitalization activities through the work of the intermediaries, Local Initiative Support Corporation (LISC) and Enterprise Foundation.

An independent evaluation by the Urban Institute in 2001 indicated that NCDI has had a major impact on the organizational growth and capacity development of CDCs in 23 of the Nation's poorest communities. As a result of \$150 million invested since 1991, which has leveraged several times that amount from other sources, the number of capable CDCs in those localities has nearly doubled, the top tier has grown by approximately 45 percent, and operating budgets have grown by almost two-thirds (63 percent), translating into greater effectiveness at empowering communities and their residents.

NCDI has thus far emphasized housing development—the core business product for most CDCs nationwide—along with some investments in economic development, workforce development, child care, and community safety. Without abandoning these important areas, each of which is a critical foundation and complement to economic development, this Budget proposes to accelerate



and expand NCDI's potential in the arena of economic development and related areas. CDCs are important anchor institutions in communities across America, but many CDCs have limited expertise at pre-development, joint venturing, finance layering, commercial asset management, or the other activities that would make these organizations more effective partners with private investors in the effort to trigger untapped markets, increasing employment and creating jobs. As the Nation's leading partnership of public and private funders and intermediaries, NCDI is well-positioned to help dramatically expand the economic and community development capacity of CDCs and other community-based and nonprofit organizations, as well as joint ventures involving these organizations.

Since revitalized housing and safer communities lead to stronger retail demand and otherwise stimulate neighborhood economies, and since becoming effective at housing development is often the first step for CDCs in mastering the distinct challenges of economic development, this fourth phase represents the logical evolution of NCDI's successful investments to date.

Habitat for Humanity - Capacity Building. The fiscal year 2003 Budget requests \$4.5 million for Habitat for Humanity's capacity building efforts related to its "sweat equity" homeownership program. Through capacity building efforts, additional staff are trained and made available to local affiliates which then possess the expanded ability to assist families reach their homeownership goals. For example, projections of local Habitat for Humanity affiliates using capacity building funds appropriated in the fiscal year 1997 supplemental budget indicated a potential increase in houses built of 169 percent over a 3-year period. The scale of Habitat for Humanity's efforts are likely to produce demonstrable results across the Nation's communities and provide homeownership opportunities for low and moderate income families who have no other workable options to become homeowners.

Housing Assistance Council. This Budget proposes \$3 million for a cooperative agreement with the Housing Assistance Council (HAC). Building housing for low-income rural Americans has been HAC's work for 31 years. In 2003, HAC will use HUD funds to continue to work towards this goal in many ways. HAC will continue to build homes by making loans and grants to local groups. HAC will continue to build organizations by providing technical assistance to develop local capacity in rural areas nationwide, focusing attention and funding on areas traditionally underserved. HAC will continue to build knowledge by conducting research, and publishing and distributing the "HAC News" and "Rural Voices."

As in the past, HAC expects to approve at least 90 loans from its various loan funds for the development of both owner and rental housing in rural areas. To date, HAC has made approximately 1,500 loans totaling over \$118 million representing 38,500 units and 13,425 water and wastewater corrections. For fiscal year 2003, HAC expects, to deliver at least 3,000 hours per month of technical assistance and training. Also, HAC will undertake at least 8 new research projects, and publish 24 issues of the "HAC News" and four issues of its quarterly rural housing magazine "Rural Voices."

National American Indian Housing Council. This Budget proposes a \$2.2 million cooperative agreement with the National American Indian Housing Council (NAIHC). Established in 1974, NAIHC delivers technical assistance and training to Tribally Designated Housing Entities (TDHEs) and undertakes research and provides information on Native American Housing issues.

In fiscal year 2003, NAIHC will continue to deliver technical assistance and training to the many tribal housing entities, including Indian Housing Authorities (IHAs), tribal housing agencies and regional housing associations. In fiscal year 2003, NAIHC will continue to provide direct support to regional housing associations, IHAs, and tribal housing groups in areas such as Low-Income Housing Tax Credits, homebuyer counseling, the HUD Section 184 Loan Program, the leveraging of funds, and in meeting the monitoring and other requirements outlined in the Native American Housing Assistance and Self Determination Act (NAHASDA). NAIHC's training efforts will continue to be directed at assisting IHAs/TDHEs in understanding and utilizing NAHASDA. NAIHC will also undertake at least two research projects in areas concerning housing and community development in tribal areas, and will develop and collect materials for the Native American Housing Resource Center.

Working Capital Fund transfers. This budget proposes a \$3.4 million to the Working Capital Fund (WCF) to allow for systems development and enhancements for CPD programs.

Community Development Block Grants

The following table summarizes the distribution of the 2001 and 2002 appropriations, and the 2003 Budget request:

<u>DISTRIBUTION OF APPROPRIATIONS</u>			
	<u>ACTUAL</u> <u>2001</u>	<u>ACTUAL</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>
	(Dollars in Thousands)		
Entitlement Cities and Counties.....	\$3,079,510	\$3,038,700	\$3,100,300
Nonentitlement (States and Small Cities).....	1,319,790	1,302,300	1,328,700
Insular Areas .....	---	---	7,000
Subtotal .....	4,399,300	4,341,000	4,436,000
Native Americans.....	70,844	70,000	72,500
Economic Development Access Center .....	...	[1,000]	[1,500]
Section 107 Grants .....	45,400	42,500	38,900
Working Capital Fund (WCF) Transfer .....	14,967	13,800	3,400
Economic Development Earmarks.....	357,340 a/	294,200	...
Youthbuild .....	59,868	65,000	65,000
Resident Opportunity & Supportive Services.....	54,879	55,000	[55,000] g/
Housing Assistance Council .....	2,993	3,300	3,000
National American Indian Housing Council.....	2,594	2,600	2,200
Neighborhood Initiatives Demonstration.....	43,903 b/	42,000	...
Self-Help Homeownership Opportunity Program ...	19,956	22,000	65,000
Habitat for Humanity Capacity Building .....	3,442	4,000	4,500
Capacity Building (NCDI) .....	24,945	25,000	25,000
2002 Winter Olympics/Utah Housing Finance Agency	1,996	...	...
National Housing Development Corp .....	9,978	5,000	...
Tribal Colleges and Universities .....	[2,993] c/	[3,000] c/	[3,000] c/
Alaska & Hawaiian Serving Institutions.....	[2,993] c/	[4,000] c/	[2,400] c/
Nat'l Council of LaRaza for Hope Fund .....	...	5,000	...
Hawaiian Homelands Homeownership .....	...	9,600	...
Colonias Gateway Initiative .....	...	...	16,000
Subtotal .....	5,112,406 d/	5,000,000	4,731,500
Recovery from terrorist attacks in New York			
Transfer of Unobligated balances .....	...	700,000 e/	...
New Budget Authority .....	...	2,000,000 f/	...
Total - CDBG .....	\$5,112,406 d/	\$7,700,000	\$4,731,500

- a/ Includes amounts appropriated under P.L. 106-377 and P.L. 106-554. The total amount was earmarked for specific projects.
- b/ Amounts appropriated are earmarked for specific projects.
- c/ Funded as a set-aside under Section 107.
- d/ All amounts appropriated in fiscal year 2001 include an across the board rescission of .22 percent.
- e/ \$700 million was transferred into the CDBG program pursuant to the fiscal year Emergency Supplemental Appropriations Act (P.L. 107-38) and Section 434 of the fiscal year 2002 Appropriations Act (P.L. 107-73), to be used in response to the terrorist attacks in New York.
- f/ \$2 billion was appropriated in P.L. 107-117 for recovery from the terrorist attacks in New York.
- g/ The fiscal year 2003 request for the Resident Opportunity & Supportive Services (ROSS) program is reflected within the Public Housing Capital Fund.

EXPLANATION OF INCREASES AND DECREASES

The Budget proposes \$4.7 billion for CDBG in fiscal year 2003. Obligations are expected to decrease reflecting the assumption that all available funds in 2002 will be obligated in 2002, and that there will be no carryover of unobligated balances into fiscal year 2003. Outlays are expected to increase by \$643 million from fiscal year 2002 to fiscal year 2003, reflecting spendout of balances and recent program funding increases, including \$2.7 billion for recovery from the terrorist attacks in New York.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. CDBG is authorized by Title I of the Housing and Community Development Act of 1974, as amended. Two legislative proposals related to the CDBG program are being developed.

2. Program Area Organization. The Community Development Block Grant (CDBG) program provides flexible funding for communities across the Nation to develop and implement community and economic development strategies that primarily benefit low- and moderate-income individuals. Community Development Block Grants are provided to units of local government and States for the funding of local community development programs which address housing and economic development needs, primarily for low- and moderate-income persons.

Grantees access their CDBG funding through the Consolidated Plan process, under which States and localities establish their local priorities and specify how they will measure their performance. A locality's Consolidated Plan serves as the planning, application and reporting mechanism for CDBG funds. The Consolidated Plan is the vehicle by which communities identify community and neighborhood development needs, actions to address those needs (including specific activities on which CDBG dollars will be spent), and the measures against which their performance will be judged. The Consolidated Plan also provides a means for identifying key low-income neighborhoods for targeted multiyear investment strategies. Communities establish performance measurement systems to evaluate progress toward meeting locally established priorities and objectives. HUD works closely with States and localities to facilitate comparison of performance among jurisdictions, and publicizes "best practices" so that communities can learn from one another.

a. Program Purpose. Title I of the Housing and Community Development (HCD) Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's primary objective is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income. This objective is achieved by limiting activities to those which carry out one of the following broad national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums and blight; or (3) meet other particularly urgent community development needs. At least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low- and moderate-income over a period of up to 3 years. Historically, communities have used more than 90 percent of their CDBG funds for such activities.

The underlying principle of the CDBG program is that recipients have the knowledge and responsibility for selecting eligible activities most appropriate to their local circumstances. In addition, instead of competing for categorical project dollars each year, the entitlement communities and States have a basic grant allocation so they know in advance the approximate amount of Federal funds they will receive annually.

b. Eligible Recipients and Activities.

Eligible Recipients. Eligible CDBG grant recipients include States, units of general local government (city, county, town, township, parish, village or other general purpose political subdivision determined to be eligible for assistance by the Secretary), the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Marianas, and recognized Native American tribes and Alaskan Native villages.

Eligible Activities. Section 105 of the HCD Act of 1974, as amended, permits a broad range of activities to be undertaken by communities assisted under the program, ranging from the provision of public facilities or services to economic development or residential rehabilitation and, in some cases, substantial reconstruction of housing.

Fund Distribution. CDBG funds are allocated to States and localities based on the formulae described below. After deducting designated amounts for set-asides, 70 percent of funds go to entitlement communities and 30 percent go to States for nonentitlement communities (small cities).

c. Explanation of Funds Allocated by Recipient Category.

1. Formula Entitlement. The HCD Act of 1974, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community purposes utilizing the higher of two formulas, as shown:

<u>ORIGINAL FORMULA</u>	<u>SECOND FORMULA</u>
Poverty - 50 percent	Poverty - 30 percent
Population - 25 percent	Population growth lag (1960-2000) - 20 percent
Overcrowded housing - 25 percent	Age of housing stock - 50 percent

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

Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and central cities of MSAs are entitled to funding on the basis of one of the formulas. For fiscal year 2002, 865 metropolitan cities are eligible to receive grants. Of these, 23 have elected to enter into joint grant agreements with their urban counties.

Urban Counties. The statute also entitles urban counties to formula grants. In fiscal year 2002, 159 counties met the required population threshold and were eligible for formula funding. These urban counties include over 4,000 cooperating local incorporated units receiving funding under the program. A test for designation as an urban county requires that the county be authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government.

The urban county must have authority to perform such functions in its participating incorporated communities either under State law or through cooperative agreements. These agreements must 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. An urban county's qualification is valid for a 3-year period.

2. Nonentitlement (States and Small Cities Program). Nonentitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the original formula or a second formula which is identical to that used for entitlement communities except that population is substituted for growth lag.

Under the HCD Act of 1974, as amended, any State that elects to administer the Small Cities program in fiscal year 1985 or thereafter shall be considered to have assumed this responsibility permanently and, if it fails to provide an annual submission, funds will be reallocated among all other States in the succeeding year since 1982. States have had the option of assuming responsibility for administering the program and awarding grants to nonentitled units of government. Where the State does not so elect, HUD distributes the funds. HUD currently administers the State CDBG program only for Hawaii.

Legislative change to treat Hawaii's Nonentitlement program as entitled. Since the New York State programs were transferred to State control in 2001, Hawaii remains as the only State that has not taken the program. Hawaii has only 3 eligible applicants, 3 counties. HUD currently, by regulation, distributes funds to the counties by the CDBG formula. While this works fairly well, it still causes each program policy to be rethought and published separately for Hawaii. The Department is proposing a statutory change that would allow HUD to treat the three counties as entitlements and continue distributing the funds as we have been. The program currently provides about \$5.1 million to the 3 counties. However, HUD will develop a means to take the funds from the 30 percent nonentitlement component and not further reduce the 70 percent entitlement component. This change would allow HUD to administer one less program with all those implications, which would be helpful to staff in Headquarters and the field. It would also solidify the counties' status as direct entitlements.

3. Section 107 Grants. The Housing and Community Development Act of 1992 (P.L. 102-550) expanded Section 107 authorization to include Community Outreach Partnership Act funding, Community Adjustment Planning, assistance to joint State/local government/university programs, and Regulatory Barrier Removal Act funding. Section 107 grants have also included five program categories providing assistance for Insular Areas; Historically Black Colleges and Universities; Community Development Work Study; funding to States and units of general local government to correct any miscalculation of their share of funds under section 106; and technical assistance in planning, developing and administering programs under Title I.

As mentioned earlier in this justification, the Department is also proposing a legislative change to move the authorization for funding for the Insular areas out of Section 107 and into Section 106.

Community Development Block Grants

A total of \$38.9 million is requested for Section 107 grants in fiscal year 2003. These amounts and other set-asides are subtracted from the total appropriation prior to allocating funds that are provided directly to States and units of local government. The proposed distribution of Section 107 grants follows:

DISTRIBUTION OF SECTION 107

	<u>ACTUAL</u> <u>2001</u>	<u>ACTUAL</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>
		(Dollars in Thousands)	
Insular Areas .....	6,985	7,000	[7,000] a/
Technical Assistance .....	...	...	3,000
Program Management and Analytical Support.....	4,989	...	4,000
Historically Black Colleges and Universities...	9,978	10,500	10,000
Community Development Work Study.....	2,993	3,000	3,000
Hispanic-Serving Institutions			
Assisting Communities .....	6,486	7,500	5,500
Alaska Native & Native Hawaiian Institutions			
Assisting Communities .....	2,993	4,000	2,400
Tribal Colleges & Universities.....	2,993	3,000	3,000
Community Outreach Partnership Centers.....	<u>7,982</u>	<u>7,500</u>	<u>8,000</u>
Total Section 107.....	<u>\$45,400</u>	<u>\$42,500</u>	<u>\$38,900</u>

a/ Funded as part of Section 106 formula grants.

d. Reallocation of Entitlement Funds. CDBG amounts allocated to a metropolitan city or urban county in a fiscal year which become available for reallocation as a result of an eligible community not applying for its allocation are first reallocated in the succeeding fiscal year to other metropolitan cities and urban counties in the same Metropolitan Statistical Area (MSA). These communities must follow a simple certification process to qualify for receipt of these funds.

e. Reallocation of Nonentitlement Funds. Existing law requires that amounts allocated for use in a State in a fiscal year which become available for reallocation must be reallocated according to the following criteria:

- in the case of actions against small cities, amounts that become available for reallocation are to be added to amounts available for distribution in the State in the fiscal year in which the amounts become available; and
- in the case of actions against a State, these amounts will be allocated among all States in the succeeding fiscal year.

f. Section 108 Loan Guarantees. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private market loans used by entitlement and nonentitlement communities (the latter beginning in 1991 pursuant to the Cranston-Gonzalez National Affordable Housing Act) to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities.

A 1994 amendment makes the acquisition, construction or reconstruction of public facilities an eligible use of these loan funds. The 1994 amendments also authorized the "Economic Revitalization Grants" program to assist the financing of economic development projects in conjunction with loans under the Section 108 program. Since 1994, more than \$575 million has been awarded for Economic Development Initiative (EDI) and Brownfields Economic Development grants under this authority. In the past, EDI and BEDI grants must be used in conjunction with Section 108 loan guarantees to leverage private investment in urban economic development projects. This Budget also proposes a legislative change that would eliminate the requirement that a Section 108 loan guarantee accompany the application for Brownfields funding.

Beginning in 1996, budget authority for credit subsidy and administrative costs were requested to comply with the Federal Credit Reform Act of 1990. For fiscal year 2003, \$6.3 million is requested for credit subsidy budget authority and \$1 million is requested for administrative costs of operating the Section 108 loan guarantee program to support a commitment level of \$275 million. These amounts are required to be scored, in accordance with the Federal Credit Reform Act of 1990, to measure more accurately the cost of this loan guarantee program to the Federal Government. Administrative costs are used for staff and related requirements, as well as to contract out for certain credit extension functions.

This Section 108 loan guarantee program uses a credit subsidy rate of 2.3 percent, which takes many factors into account, including the fact that the borrowers are considered units of general local government, and that the Federal Government has never had to cover defaulted loans.

g. Consolidated Plan Requirement. In order to receive CDBG entitlement funds, a grantee must develop and submit to HUD its Consolidated Plan and Annual Action Plans, which is a jurisdiction's comprehensive planning documents and application for funding under the following Community Planning and Development formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS (HOPWA), and Emergency Shelter Grants (ESG). In its Consolidated Plan, the jurisdiction must identify its goals for these community planning and development programs, as well as for housing programs. In addition, the Consolidated Plan must include the jurisdiction's projected use of funds and required certifications. These certifications include that the grantee is following a current HUD-approved Consolidated Plan, that not less than 70 percent of the CDBG funds received over a 1-, 2- or 3-year period specified by the grantee, will be used for activities that benefit persons of low- and moderate-income, and that the grantee is following other applicable laws, regulations, OMB circulars, and is affirmatively furthering fair housing. A Consolidated Plan submission will be approved by HUD unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or it is substantially incomplete. The Department is working with stakeholders to streamline the Consolidated Plan process to reduce the burden on grantees while making the plan more useful to communities in assessing their own progress.

States participating in the State CDBG program must also develop and submit to HUD a Consolidated Plan similar to those required of entitlement communities. However, in place of a listing of proposed funded activities, each State must merely describe its funding priorities and must describe the method it intends to use to distribute funds among communities in nonentitlement areas. Each participating State must submit certifications that it will:

(1) follow the Act's citizen participation requirements and require assisted local governments to follow citizen participation; (2) conduct its program in accordance with the Civil Rights Act of 1964 and the Fair Housing Act of 1988 and affirmatively further fair housing; (3) set forth and follow a method of distribution that ensures that each of the funded activities will meet one or more of the three broad national objectives of the program; (4) consult with affected local governments in determining the method of distribution and identifying community development needs; (5) and comply with Title I of the HCD Act and all other applicable laws. It must also certify that each housing activity funded will be consistent with the State's Consolidated Plan.

h. Performance Review. CDBG grantees (entitlement communities and states) that have approved Consolidated Plans must annually review and report to HUD on its progress in carrying out its strategic and action plans for community development. This includes a description of CDBG, HOME, ESG and HOPWA funds made available to the grantee, the activities funded, the geographic distribution and location of the activities and the types of families or persons assisted (beneficiaries), and a report of the actions taken to affirmatively further fair housing. The report is an assessment by the grantee of the relationship of its use of funds to the specific objectives identified in the Consolidated Plan.

HUD is required to review or audit a grantees' performance, at least annually, to determine whether activities have been carried out in a timely manner, whether activities and certifications have been carried out in accordance with all applicable laws, and whether the grantee has continuing capacity to carry out the program. In the case of States, HUD performs reviews to determine if the state has distributed funds in a timely manner, consistent with its method of distribution, is in compliance with CDBG requirements and other applicable laws and whether appropriate reviews of grants awarded to local governments have been conducted by the State. HUD is authorized to terminate, reduce or limit the availability of the funds of a grantee according to review findings following the opportunity for a consultation or in some cases following a hearing before an administrative law judge. For nonentitlement grants made by HUD to small cities, HUD may adjust, reduce, or withdraw such funds, or take other action as appropriate according to review findings.

Community Development Block Grants

STATUS OF FUNDS

Balances Available

a. Unobligated balances. The following table compares program obligations with funds available for distribution by year:

	<u>ACTUAL</u> <u>2001</u>	<u>ESTIMATE</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>
	(Dollars in Thousands)		
Unobligated balance, start of year.....	\$883,177	\$1,026,073	...
Appropriation.....	5,602,245	7,000,000	\$4,731,500
Rescissions .....	-489,789	...	...
Writeoffs .....	-3,139	...	...
Transfer of Unoblig. Balances .....	...	700,000	...
Prior Year Recoveries.....	4,201	...	...
Total Available.....	<u>5,996,695</u>	<u>8,726,073</u>	<u>4,731,500</u>
Obligations, gross (excluding reimbursements).....	-4,968,032	-8,726,073	-4,731,500
Unobligated balance expiring.....	<u>-2,590</u>	<u>...</u>	<u>...</u>
Unobligated balance, end of year.....	1,026,073	...	...

b. Obligated Balances. The status of obligated balances is as follows:

	<u>ACTUAL</u> <u>2001</u>	<u>ESTIMATE</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>
	(Dollars in Thousands)		
Obligated balance, start of year.....	\$9,074,089	\$9,090,950	\$12,582,023
Obligations, gross.....	4,968,032	8,726,073	4,731,500
Subtotal.....	14,042,121	17,817,023	17,313,523
Outlays (Gross).....	-4,939,123	-5,235,000	-5,878,000
Adjustment in expired accounts.....	-7,847	...	...
Adjustment in unexpired accounts.....	<u>-4,201</u>	<u>...</u>	<u>...</u>
Obligated balance, end of year.....	9,090,950	12,582,023	11,435,523

NOTE: Actual outlays are governed by the rate at which communities expend funds which have been made available to them.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

See attached Performance measurement table.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
<b>Strategic Goal 2: Help families move from rental housing to homeownership.</b>			
Discretionary BA (Dollars in Thousands)	\$1,584,861	\$2,170,000	\$1,466,765
FTE			
Headquarters	33	34	34
Field	114	118	118
Subtotal	147	152	152
<b>Strategic Objective 2.1: Expand national homeownership opportunities.</b>			
Indicator: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized	1,400 anticipated	1,400	1,800
<b>Strategic Objective 2.3: Increase the availability of affordable rental housing.</b>			

Community Development Block Grants

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NHHBG and IHBG increases.	CDBG - 172,445	CDBG - 178,391	CDBG - 180,260
<b>Strategic Goal 6: Embrace high standards of ethics, management and accountability.</b>			
Discretionary BA (Dollars in Thousands)	\$383,434	\$525,000	\$354,863
FTE			
Headquarters	8	8	8
Field	28	28	29
Subtotal	36	36	37
<b>Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.</b>			
Indicator: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.	42%	35%	37%
Indicator: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 123, and the number that carry balances above 2 times their most recent grant decreases by 15 percent.	1.5 x = 152; 2.0 x = 44	1.5 x = 137; 2.0 x = 37	1.5 x = 123; 2.0 x = 32
Streamline Consolidated Plan	NA	NA	NA
<b>Strategic Goal 8: Support community and economic development efforts.</b>			
Discretionary BA (Dollars in Thousands)	\$3,144,161	\$4,305,000	\$2,909,872
FTE			
Headquarters	101	66	67
Field	192	234	233
Subtotal	293	300	300
<b>Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.</b>			
Indicator: The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHBG increases.	172,445	178,391	180,260
Indicator: A total of 122,897 jobs will be created or retained through CDBG and 15,000 through Section 108.	CDBG 116,777 Section 108 26,629	CDBG 121,662 Section 108 25,000	CDBG 122,897 Section 108 15,000
Indicator: A total of 3,774 at-risk youths are trained in construction trades through Youthbuild.	2,947	3,774	3,774
Indicator: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.	96.4%	98%	98%
Indicator: COPC grantees will receive an extra 20 percent in non-Federal funds above the match	20% anticipated	20%	20%



Community Development Block Grants

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
amount originally claimed in their application between the times they start and complete their projects.			
Indicator: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.	94.9%	92%	92%
Indicator: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.	94.9	92	92
<b>FTE Total</b>	<b>476</b>	<b>488</b>	<b>489</b>

NA = Not Applicable

Community Development Block Grants

DISTRIBUTIONS OF FUNDS BY STATE			
The following table shows combined entitlement and nonentitlement allocations, by State, for 2001, 2002 and 2003 appropriations. The 2003 amounts represent preliminary estimates which are subject to change.			
	ACTUAL	ACTUAL	ESTIMATE
	2001	2002	2003
	Dollars In Thousands		
STATE OR TERRITORY			
Alabama	\$61,911	\$62,370	\$63,634
Alaska	5,672	5,560	5,673
Arizona	54,730	54,454	55,558
Arkansas	33,788	33,751	34,435
California	538,300	528,549	539,264
Colorado	43,278	42,223	43,079
Connecticut	50,049	49,715	50,723
Delaware	8,147	8,075	8,239
District of Columbia	24,333	23,206	23,676
Florida.	182,185	180,892	184,559
Georgia.	90,285	89,990	91,814
Hawaii .	18,584	18,308	18,679
Idaho.	12,384	12,350	12,600
Illinois .	218,564	215,228	219,591
Indiana.	84,596	83,059	84,743
Iowa	48,895	48,398	49,379
Kansas	34,893	34,561	35,262
Kentucky	58,644	58,237	59,418
Louisiana.	84,942	83,824	85,523
Maine.	23,026	22,896	23,360
Maryland	66,861	65,842	67,177
Massachusetts	131,937	129,996	132,631
Michigan	166,671	167,294	170,685
Minnesota	72,723	70,828	72,264
Mississippi	46,607	46,415	47,356
Missouri	85,705	84,752	86,470
Montana	10,860	10,775	10,993
Nebraska	23,960	23,940	24,425
Nevada	16,949	17,079	17,425
New Hampshire	15,078	15,068	15,373
New Jersey	124,735	121,685	124,152
New Mexico	23,784	23,660	24,140
New York	427,382	415,894	424,325
North Carolina	75,682	75,577	77,109
North Dakota	8,377	8,280	8,448
Ohio	198,398	197,634	201,640
Oklahoma	38,208	37,593	38,355
Oregon	39,958	39,396	40,195
Pennsylvania	274,979	271,142	276,639
Rhode Island	20,949	20,236	20,646
South Carolina	46,839	46,840	47,790

Community Development Block Grants

South Dakota	10,154		10,054		10,258
Tennessee	61,396		60,874		62,108
Texas	305,515		302,217		308,343
Utah	24,343		23,889		24,373
Vermont	10,009		9,956		10,158
Virginia	71,243		70,369		71,796
Washington	68,191		66,682		68,034
West Virginia	30,895		30,768		31,392
Wisconsin	82,180		81,141		82,786
Wyoming	4,728		4,763		4,860
Puerto Rico	136,798		134,715		137,446
Insular Areas		a/		a/	7,000
Subtotal Entitlement & Non-Entitlement	4,399,300		4,341,000		4,436,000
Other activities	713,106		659,000		295,500
TOTAL CDBG	5,112,406		5,000,000		4,731,500

a/ Insular Areas are included under other activities in fiscal years 2001 and 2002. There is a legislative proposal in fiscal year 2003 to move authorization for funding Insular Areas out of Section 107 and into Section 106.