

COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
2005 Summary Statement and Initiatives  
(Dollars in Thousands)

COMMUNITY DEVELOPMENT BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2003 Appropriation .....	\$4,937,000	\$1,746,779	-\$32,089	\$6,651,690	\$5,540,154	\$5,568,777
2004 Appropriation/Request .....	4,963,600	1,104,378 <sup>a</sup>	-29,285	6,038,693	5,038,693	5,990,000
2005 Request .....	<u>4,618,094</u>	<u>1,000,000</u>	<u>...</u>	<u>5,618,094</u>	<u>4,638,094</u>	<u>5,586,000</u>
Program Improvements/Offsets .....	-345,506	-104,378	29,285	-420,599	-400,599	-404,000

a/ Excludes \$7.5 million of expired funds, but includes \$.3 million of actual recaptures.

**Section 108 Loan Guarantees**

Commitment levels

2003 Enacted loan level .....	\$275,000	\$297,621	...	\$572,621	\$333,683	n/a
2004 Enacted loan level .....	275,000	236,960 <sup>b</sup>	...	511,960	380,338	n/a
2005 Request .....	<u>...</u>	<u>130,000<sup>c</sup></u>	<u>...</u>	<u>130,000</u>	<u>130,000</u>	n/a
Program Improvements/Offsets .....	-275,000	-106,960	...	-381,960	-250,338	n/a

b/ Excludes \$1.8 million of commitment level due to the fiscal year 2003 across-the board rescission of .65 percent.

c/ Excludes \$1.6 million of commitment level due to the fiscal year 2004 across-the board rescission of .59 percent.

Credit Subsidy and Administrative Expenses

2003 Appropriation .....	\$7,325	\$6,845	-\$47	\$14,123	\$8,669	\$7,316
2004 Appropriation/Request d/.....	32,810	5,450 <sup>e</sup>	-43	38,217	35,227	36,000
2005 Request .....	<u>...</u>	<u>2,990</u>	<u>...</u>	<u>2,990</u>	<u>2,990</u>	<u>9,000</u>
Program Improvements/Offsets .....	-32,810	-2,460	43	-35,227	-32,237	-27,000

d/ The appropriation includes \$7.3 million in discretionary appropriations and \$25.5 million in a mandatory appropriation for an upward reestimate of credit subsidy.

e/ Excludes \$4 thousand of expired funds.

Section 108 Liquidating Account

2003 Appropriation .....	-\$3,000					-\$2,484
2004 Appropriation/Request .....	-2,000					-2,000
2005 Request .....	<u>...</u>					<u>...</u>
Program Improvements/Offsets .....	2,000					2,000

**Summary Statement**

Community Development Block Grants. The Budget proposes \$4.6 billion for the Community Development Block Grant (CDBG) account compared to \$4.9 billion enacted for fiscal year 2004. This amount includes the formula grant program plus the other programs funded within this account in fiscal year 2005. Funding includes \$4.3 billion for the CDBG Entitlement and State/Small Cities (Nonentitlement) formula grant program and \$287.2 million in set-asides. No set-aside funds are requested for Special Purpose Projects, for which Congress appropriated \$334 million in fiscal year 2004. This represents the entire reduction in total funding compared to 2004 enacted levels. Fiscal year 2005 formula funding includes \$7 million for Insular Areas, now authorized by the American Dream Downpayment Act of 2004, which had been formerly funded in Section 107.

The Department is currently analyzing the impact of 2000 Census data on the CDBG program and whether any changes to the existing formulas might be appropriate. HUD is finishing the second phase of the formula study, and will publish the results when it is finalized. HUD expects to receive comments from a variety of stakeholders. Any change to the CDBG formula requires a change in the statute.

The Administration plans to work with stakeholders to identify ways to increase local accountability, improve targeting of funds and demonstrate results.

A summary of the fiscal year 2005 request is as follows (a comparison chart for fiscal year's 2003-2005 is at the end of this section):

- \$4.3 billion for the CDBG Formula program, including \$3 billion for Entitlement cities and counties, \$1.3 billion for State/Small Cities (Nonentitlement);
- \$71.6 million for the Native American CDBG program;
- \$7.0 million for CDBG Insular Areas;
- \$35.3 million for Section 107 grants, including \$1.5 million for Technical Assistance and \$33.8 million for University/Community Partnership Grant Programs: \$10.4 million for Historically Black Colleges and Universities (HBCUs), \$3.0 million for Community Development Work Study (CDWS), \$7.0 million for Hispanic-Serving Institutions Assisting Communities (HSIAC), \$3.5 million for Alaska Native/Native Hawaiian Institutions Assisting Communities Program, \$3.0 million for Tribal Colleges & Universities, and \$7.0 million for Community Outreach Partnership Centers (COPC);
- \$64.6 million for Youthbuild;
- \$65 million for the Self-Help Homeownership Opportunity Program, including \$3 million for Technical Assistance;
- \$25 million for Capacity Building for the National Community Development Initiative (NCDI);
- \$4.5 million for Habitat For Humanity-Capacity Building;
- \$3.3 million for the Housing Assistance Council;
- \$2.5 million for the National American Indian Housing Council; and
- \$500 thousand for transfer to the Department's Working Capital Fund for IT development.

Community Development Block Grants

**Initiatives**

There are 2 initiatives within the CDBG account.

Development Challenge pilot. The Department is proposing a new \$10 million pilot to test better ways to coordinate, target, and leverage existing Federal community and economic development programs. An inter-agency group will establish standards for award of \$10 million in competitive capital grants to a few communities prepared to set and meet a limited number of clear, measurable community development goals. In addition, the group will work together to develop a common framework of performance measures and accountability for Federal community and economic Development investments.

CDBG Faith-based pilot. The Department is proposing a new \$5 million 5-city pilot program aimed at increasing the participation of faith-based and community organizations in the cities' community development strategies. Participating cities will submit plans that demonstrate: (1) a strategy for involving faith-based and community organizations in the community development efforts of the city and (2) a plan for making small sub-grants to faith-based and community groups to facilitate their partnership with their respective city.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Summary of Resources by Program  
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Entitlement/ Nonentitlement .....	\$4,339,538	\$525,023	\$4,864,561	\$4,330,243	\$4,330,846	\$534,375	\$4,865,221	\$4,323,887
Insular Area CDBG Program .....	...	...	...	...	...	...	...	6,959
Indian Tribes .....	70,539	53,483	124,022	43,747	71,575	80,028	151,603	71,575
Section 107 Grants ....	48,781	47,251	96,032	42,450	51,694	53,488	105,182	35,290
Youthbuild .....	59,610	67,915	127,525	60,698	64,617	64,912	129,529	64,617
CDBG Development Challenge pilot .....	...	...	...	...	...	...	...	10,000
CDBG Faith-based pilot Self-Help Homeownership Initiative .....	25,086	22,000	47,086	22,000	26,841	25,086	51,927	65,000
Capacity Building for Community Development and Affordable Housing Housing Assistance Council .....	32,288	29,000	61,288	33,222	34,545	28,066	62,611	29,500
National American Indian Housing Council	3,279	...	3,279	3,279	3,281	...	3,281	3,281
Working Capital Fund .. Economic Development Initiative Grants ....	2,384	...	2,384	2,384	2,485	...	2,485	2,485
Neighborhood Initiative Demonstration .....	3,378	...	3,378	3,378	4,871	...	4,871	500
National Housing Development Corporation .....	259,304	184,434	443,738	170,290	289,880	268,573	558,453	...
	41,846	33,736	75,582	45,445	43,740	29,987	73,727	...
	4,968	...	4,968	...	4,970	4,968	9,938	...

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
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 Summary of Resources by Program  
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
National Council of La Raza .....	4,968	...	4,968	...	4,970	4,968	9,938	...
Wellstone Center for Community Building ...	8,942	...	8,942	...	...	8,942	8,942	...
Disaster Assistance ...	...	783,547	783,547	783,000	...	547	547	...
Resident Opportunity & Supportive Services ..	...	349	349	...	...	414	414	...
Section 805 Economic Development training .	<u>...</u>	<u>41</u>	<u>41</u>	<u>18</u>	<u>...</u>	<u>24</u>	<u>24</u>	<u>...</u>
Total Community Development Block Grants .....	4,904,911	1,746,779	6,651,690	5,540,154	4,934,315	1,104,378	6,038,693	4,618,094
FTE								
Headquarters .....			123				99	95
Field .....			<u>448</u>				<u>408</u>	<u>396</u>
Total .....			571				507	491

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Entitlement/ Nonentitlement</b>	<b><u>Amount</u></b>
2003 Appropriation .....	\$4,339,538
2004 Appropriation/Request .....	4,330,846
2005 Request .....	<u>4,323,887</u>
Program Improvements/Offsets .....	-6,959

<b><u>Budget Activity</u></b>	<b>2003 Budget <u>Authority</u></b>	<b>2002 Carryover <u>Into 2003</u></b>	<b>2003 Total <u>Resources</u></b>	<b>2003 <u>Obligations</u></b>	<b>2004 Budget Authority/ <u>Request</u></b>	<b>2003 Carryover <u>Into 2004</u></b>	<b>2004 Total <u>Resources</u></b>	<b>2005 <u>Request</u></b>
Entitlement/ Nonentitlement .....	\$4,339,538	\$525,023	\$4,864,561	\$4,330,243	\$4,330,846	\$534,375	\$4,865,221	\$4,323,887

**Proposed Actions**

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 and 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. Formula allocations have been adjusted to reflect 2000 census information.

CDBG is a 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, over \$100 billion has been awarded to grantees. For fiscal year 2003, there are 875 cities and 159 counties that are eligible to receive a CDBG entitlement grant directly from HUD. These figures will increase by 69 entitlement cities and 6 more urban counties for fiscal year 2004. These new entitlements result primarily from new metropolitan area designation by OMB. In addition, 49 States and the Commonwealth of Puerto Rico award more than 3,000 CDBG grants to small cities and counties from CDBG funds allocated to the States by HUD each year. 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 targeted community development of cities, counties and rural areas to principally benefit low- and moderate-income persons. In a March 2002 report to the Appropriations Committee, the Department reported that 78 percent of all CDBG expenditures directly or indirectly benefited low- and moderate-income persons. For activities designed to benefit low- and moderate-income persons, 84 percent of the funds expended directly or indirectly benefited low- and moderate-income persons. CDBG strikes an appropriate balance between local flexibility and national targeting to low- and moderate-income persons. It has developed this reputation over 30 years. Local officials constantly use CDBG funds to take on new challenges in the areas of housing, neighborhood development, public facilities, economic development and provision of social services.

A cornerstone of the CDBG program has been that it allows grantees to set their own priorities for the funding of activities. Grantees may 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.

## Community Development Block Grants

The Department expects to examine, during fiscal year 2004, how funds could be used more effectively and yet retain appropriate local flexibility in addressing locally determined priorities. Performance measurement and local accountability must increase in importance. The Department is also exploring ways to further encourage localities to concentrate CDBG resources in a few locally defined strategy areas, to increase their effectiveness and focus on results.

The CDBG program emphasizes the Department's mission and vision of working through partnerships with State and local governments and the private sector. Because of the significant flexibility in uses of CDBG funds, the CDBG program is 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 (less substantial share) is the largest single use (approximately 28 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 approximately 25.6 percent for public facilities and improvement.

Timely Expenditures. One management concern for CDBG has been the untimely expenditure of funds by some grantees. The Department has made enormous improvements in reducing the number of grantees that are untimely (defined as having undrawn funds exceeding 1.5 times the most recent grant) and the dollars associated with those grantees. HUD has aggressively pursued this issue and has made significant progress. The number of untimely grantees has been reduced from a high of 309 to fewer than 50. This has resulted in a reduction in the amount over the 1.5 standard from \$364 million in September 1999 to \$17 million in June 2003. With all fiscal year 2004 entitlement grantees, the only untimely grantees will be those that become so during that year. HUD's aggressive policy requires every untimely grantee to become timely during the year before its next review or risk losing the amount of unspent funds by which it exceeds the 1.5 standard.

As part of this effort, the Department's fiscal year 2004 Budget proposed a legislative change that would also require the State programs to be reviewed for timely expenditures. If this proposal is not enacted in fiscal year 2004, it will be resubmitted for fiscal year 2005. 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 States 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 to unreasonable amounts. This statutory authority will complement and backstop HUD's efforts to get States to voluntarily improve their rates of expenditure. HUD has been working with states and their interest group for several years to identify and encourage ways in which states can speed the implementation of State CDBG-funded projects. These efforts were exemplified in an April 2003 HUD-sponsored Timeliness Workshop for states, which highlighted not only the challenges of improving timely distribution and expenditure of funds but also innovative steps states have taken to address these challenges. States have been generally responsive to these efforts, and data on states' expenditure rates are beginning to show the results.

Make Program Data More Transparent. HUD staff have taken an initial step by posting on the Internet each grantee's CDBG expenditure data for over 90 different categories. The public can evaluate any grantee's use of funds expenditures at <http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/index.cfm>. Some grantee accomplishment data is also available at <http://hud.gov/offices/cpd/communitydevelopment/library/accomplishments/index.cfm>. HUD plans to contract the development of individual grantee performance summaries that will allow manipulation of program and performance data by the public. Results are expected during fiscal year 2004.

President's Management Agenda-Consolidated Plan Improvement Initiative. In March 2002, HUD convened a meeting of state and local government grantees, interest groups and advocates to commence an effort to both streamline the Consolidated Plan and make it more

## Community Development Block Grants

results-oriented. Communities use the Consolidated Plan to identify community and neighborhood development needs, the actions that will address those needs, and the measures to gauge their performance.

Following the initial meeting, working groups met through the summer to develop suggestions—for improvement. Accomplishments to date include:

- A report containing the group's ideas of both statutory and regulatory changes was completed;
- HUD issued simplified policy guidance for completing Consolidated Plans and Annual Action Plans; and
- HUD has begun modernizing the Integrated Disbursement and Information System to make it more user-friendly and enhance reporting capabilities.
- HUD published a Notice--Development of State and Local Performance Measurement Systems for CPD Formula Grant Programs--that included guidance for describing performance measurement systems in Consolidated Plans and/or Performance Reports.

Actions planned for the immediate future include:

- During fiscal year 2004, HUD will complete testing and evaluating several pilots suggested by the working groups;
- During fiscal year 2004, HUD will propose statutory and/or regulatory changes to streamline the Consolidated Plan process;
- By the end of fiscal year 2004, all grantees will report to HUD on whether they have a local performance measurement system or, for those that don't, what steps they will take to implement a system. HUD will use Section 107 technical assistance funds to assist grantees in developing, implementing, and improving their local performance measurement systems.

### 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 and application mechanism for CDBG funds. Grantees report their performance through the Consolidated Annual Performance and Evaluation Report.



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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. Housing rehabilitation and other housing activities, public facilities activities and economic development activities accounted for 86.3 percent of the approximately \$4.8 billion in CDBG formula funds and program income expended during fiscal year 2003.

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.

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Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and principal cities of MSAs are entitled to funding on the basis of one of the formulas. For fiscal year 2003, 930 metropolitan cities are eligible to receive grants. Of these, 23 have elected to enter into joint grant agreements with their urban counties. On December 12, 2003, HUD published a regulation which defined the new term "principle" city to be treated as having the same meaning as central city.

Urban Counties. The statute also entitles urban counties to formula grants. In fiscal year 2003, 165 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 (State/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.

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. Funds recaptured as a result of financial sanctions under Section 104(d) or Section 111 of the Housing and Community Development Act of 1974, as amended, are set aside to provide assistance to metropolitan areas which are the subject of a Presidentially declared disaster.

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.

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f. Consolidated Plan Requirement. 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. The President's Management Agenda has tasked CPD with Streamlining the Consolidated Plan, and making it more results oriented and useful to communities in assessing their progress in addressing the needs of low-income areas.

In order to receive CDBG entitlement funds, a grantee must develop and submit to HUD its Consolidated Plan and Annual Action Plans, which are a jurisdiction's plan 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.

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 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; and (5) 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.

g. 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 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 includes 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 PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Section 108 Loan Guarantees</b>	<u>Amount</u>
2003 Appropriation .....	\$7,278
2004 Appropriation/Request .....	32,767
2005 Request .....	...
Program Improvements/Offsets .....	-32,767

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Section 108 Loan Guarantees.....	\$7,278	\$6,845	\$14,123	\$8,669	\$32,767	\$5,450	\$38,217	...

  

<u>Budget Activity</u>	<u>2002 Appropriation</u>	<u>2002 Obligation</u>	<u>2003 Appropriation</u>	<u>2003 Obligation</u>	<u>2004 Appropriation</u>	<u>2004 Obligation</u>	<u>2005 Appropriation</u>	<u>2005 Obligation</u>
Credit Subsidy	\$14,000	\$7,152	\$6,284	\$7,675	\$6,288	\$8,747	...	\$2,990
Loan Level	608,696	310,974	275,000	333,683	275,000	380,338	...	130,000

**Proposed Actions**

Section 108 Loan Guarantee Program. No funding is requested for the Section 108 Loan Guarantee program in fiscal year 2005. The Administration believes that other Federal programs may address the objectives of the Section 108 program. The program has been under utilized compared to authorized levels in recent years; however, in fiscal year 2003, the amount of commitments issues during the fiscal year (which included carryover funding from fiscal year 2002) exceeded the approved level.

**Loan Performance**

No Section 108 loan is in default or delinquent on a payment. HUD has never paid a claim from a holder of a guaranteed obligation as a result of a default. HUD has never incurred a loss on a Section 108 loan as a result of a default. This record is due to the availability of pledged CDBG funds if another payment source is insufficient to repay the Section 108 loan. Since 1998 communities have been required to differentiate their use of CDBG funds for Section 108 debt service with respect to whether such use was planned or unplanned. Planned use of CDBG funds to repay a Section 108 loan typically is associated with projects (e.g., public facilities) that generate little or no program income and are too large to finance from an annual grant allocation. Communities are expected to record an unplanned use when a shortfall in the intended repayment source occurs and CDBG funds must be used to cover that shortfall. The following chart contains actual planned/unplanned use for fiscal year 2001-fiscal year 2003 and the estimates for fiscal year 2004.

Community Development Block Grants

<u>Category</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 Estimate</u>
End of Year Balance	\$1,968,064	\$2,086,660	\$2,229,328	\$2,372,691
Loans Outstanding	625	673	683	743
Planned CDBG Use	\$110,637	\$148,047	\$131,780	\$142,599
Percent of Balance	5.62%	7.09%	5.91%	6.01%
Unplanned CDBG Use	\$2,562	\$1,553	\$2,303	\$2,345
Percent of Balance	0.13%	0.07%	0.10%	0.10%

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Insular Area CDBG Program</b>	<u><b>Amount</b></u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>6,959</u>
Program Improvements/Offsets .....	6,959

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Insular Area CDBG Program .....	...	...	...	...	...	...	...	\$6,959

NOTE: In previous years, this program was funded in Section 107 and is now funded in the formula portion (section 106) of CDBG as a result of the enactment of the American Dream Downpayment Act.

**Proposed Actions**

Insular Area CDBG program. The Housing and Community Development Act of 1974 was amended to provide a Section 106 (formula) CDBG funding mechanism for insular areas on December 16, 2003 by the enactment of Title V of the American Dream Downpayment Act (S.811). Between 1982 and 2003, more than \$117 million was provided to insular areas by annual discretionary appropriations under Section 107. The fiscal year 2005 budget request of \$6.9 million for the insular CDBG program reflects the level specified by Congress in its 2004 statutory revision, and is consistent with the historical funding pattern under Section 107. Since 1982, insular areas, with the participation of local citizens, have utilized program flexibility to set funding priorities and design their programs to meet local needs. The program has been the backbone of improvement efforts in these insular areas, supporting a wide range of activities that best serve 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.

The statutory revision to fund the insular program under Section 106 requires the Department to issue implementing regulations within 90 days of enactment. Except for a few areas, for example the processes for insular area application and reporting and HUD grant approval, the program will largely continue to follow requirements previously established. As in earlier years, Insular CDBG funds will be distributed based on population, although the Department intends to consider whether another formula based on improved availability of insular area Census data should be developed. Insular areas will now become subject to timeliness standards, and appropriate standards for this type of grantee will also have to be developed. Formula revisions and timeliness standards will be contained in a subsequent rule. Eligible Activities: Insular CDBG 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 areas, especially by non-profit organizations or local development corporations. The insular areas are restricted from using block grants for construction or improvement of governmental facilities or government operations. New housing construction and income payments to individuals are eligible only under very limited circumstances.

## Community Development Block Grants

Beginning with fiscal year 2004, the Insular CDBG program is authorized by section 106(a) rather than 107(a) of the Housing and Community Development Act of 1974, as amended (42USC 5301ff). The Office of Community Planning and Development administers the program, and regulations are found at 24 CFR Part 570. The insular areas of Guam, the Virgin Islands, American Samoa, and the Northern Mariana islands are eligible to participate in the Insular CDBG program. Projects funded 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).

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Indian Tribes</b>	<u>Amount</u>
2003 Appropriation .....	\$70,539
2004 Appropriation/Request .....	71,575
2005 Request .....	<u>71,575</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Indian Tribes .....	\$70,539	\$53,483	\$124,022	\$43,747	\$71,575	\$80,028	\$151,603	\$71,575

<u>Budget Activity Allocation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Homeownership/Rehabilitation.	\$11,635	\$11,000	\$11,000
Construction/Land Acquisition	2,250	2,000	2,000
Public Facilities.....	38,660	39,575	39,575
Infrastructure.....	19,058	15,000	15,000
Employment.....	<u>3,938</u>	<u>4,000</u>	<u>4,000</u>
Total.....	75,541	71,575	71,575

NOTE: The Budget Activity Allocation table includes uncommitted carryover in fiscal year 2003.

**Proposed Actions**

Indian CDBG program. 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. This Budget proposes \$71.6 million for Native American Housing and Economic Development Block Grant activities. Since 1974, the program has been the backbone of improvement efforts in many communities, providing a flexible source of grants 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.



## Community Development Block Grants

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 for 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. The Office of Public and Indian Housing, and the Office of Native American Programs (ONAP) administer it. 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).

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Section 107 Grants</b>	<u>Amount</u>							
2003 Appropriation .....					\$48,781			
2004 Appropriation/Request .....					51,694			
2005 Request .....					<u>35,290</u>			
Program Improvements/Offsets .....					-16,404			

  

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Section 107 Grants ....	\$48,781	\$47,251	\$96,032	\$42,450	\$51,694	\$53,488	\$105,182	\$35,290

**Proposed Actions**

Section 107 grants. A total of \$35.3 million is included in this Budget proposal for programs under Section 107 of the Housing and Community Development Act. The request is \$16 million below the fiscal year 2004 appropriation but is the same when adjustment is made for the transfer of insular Areas to the formula program and the separate funding of Hawaiian Homelands. Following is a breakout of the funding:

DISTRIBUTION OF SECTION 107

	<u>ACTUAL 2003</u>	<u>ENACTED 2004</u>	<u>ESTIMATE 2005</u>
		Dollars in Thousands)	
Insular Areas a/ . . . . .	\$6,955	\$6,959	\$[6,959]
Technical Assistance . . . . .	...	1,491	1,491
Program Management and Analytical Support . . . . .	...	...	...
Historically Black Colleges and Universities . . . . .	9,935	10,438	10,438
Community Development Work Study . . . . .	2,981	2,982	2,982
Hispanic-Serving Institutions . . . . .			
Assisting Communities . . . . .	6,458	6,959	6,959
Alaska Native & Native Hawaiian Institutions . . . . .			
Assisting Communities . . . . .	2,981	3,479	3,479
Tribal Colleges & Universities . . . . .	2,981	2,982	2,982
Hawaiian Homelands Homeownership . . . . .	9,538	9,444	...
Community Outreach Partnership Centers . . . . .	<u>6,955</u>	<u>6,959</u>	<u>6,959</u>
Total Section 107. . . . .	48,784	51,693	35,291

a/ In fiscal years 2003 and 2004, Insular Areas were funded in Section 107. In fiscal year 2005, The American Dream Downpayment Act transfers funding for Insular areas to Section 106.

## Community Development Block Grants

Technical Assistance. This Budget requests \$1.49 million of Technical Assistance (TA) activities for States and local government entitlement communities. The TA is a vital component to achieve the highest level of performance and results in the CDBG program.

Technical Assistance projects provide the support and tools to strengthen local capacity, improve program compliance, ensure cost-effectiveness, and relate innovative approaches to community revitalization. TA funds support assistance to individual states and local entitlement communities upon request, as well as national training courses ranging from basic information on eligible activities to dissemination of techniques for overcoming common problems, such as timely expenditure of funds, to advanced seminars on effective economic development approaches. In addition, TA funds enable the production of materials, written and web-based, to guide States, entitlement communities, and their subrecipients. Funds are never used to pay HUD's administrative costs for salaries or expenses.

For example, TA provides assistance on developing performance measures and program evaluation criteria; setting up systems for tracking housing rehabilitation, economic development activities, homeless assistance, and subrecipients' activities; guides for economic development activities; business planning for grass-roots and neighborhood-based organizations; and implementation of neighborhood development strategies. With approximately 75 new grantees in fiscal year 2004 and constant turnover in staff for existing grantees, TA is a critical means of ensuring compliance and good use of CDBG funds.

In fiscal year 2005, TA will be used consistent with the Department's Strategic Goals. This includes new homeownership assistance; affordable housing; timely expenditure of funds, particularly by states; training programs for grantee staff to ensure better understanding of accountability requirements; data enhancements; faith-based community groups; energy enhancement; and meeting lead-based paint safety requirements.

In addition, some of these funds could be used to implement any revisions to the Consolidated Plan Improvement Initiative, as required by the President's Management Agenda. HUD's charge is to streamline the Consolidated Plan and make it more results-oriented and useful to communities in assessing their own progress in addressing the problems of low-income areas. This project is currently underway. TA enables the Department to provide assistance in the following areas:

- increasing grantee effectiveness to plan and implement Title I assistance;
- improving the timely obligation and expenditure of funds and reducing the number of jurisdictions with excess 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, e.g., local performance measurement; homeownership; faith-based initiatives; Colonias and other especially distressed populations; and lead-safe housing.

Between 2000 and 2003, the CDBG program had not received any funding for TA. There is an urgent need to support the number of CDBG grantees, particularly in light of new grantees and considerable staff turnover at the local level. These present a compelling need to update the CDBG eligibility guide and train grantees on contemporary community development techniques. The Department is committed to the most cost-effective use of TA funds for the CDBG program.

Community Development Block Grants

University/Community Partnership Grant Programs. This Budget requests \$33.8 million for University programs/Community Partnership Grant Programs. HUD currently provides grants to colleges and universities under six programs: Historically Black Colleges and Universities (HBCU), Community Development Work Study (CDWS), Hispanic-serving Institutions Assisting Communities (HSIAC), Alaska Native/Native Hawaiian Institutions Assisting Communities (AN/NHIAC), Tribal College and University Program (TCUP), and the Community Outreach Partnership Center (COPC) program. Funds are used 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 development and revitalization. Funds also support a work study program designed to enroll economically disadvantaged and minority students in graduate level community building curricula. All college and university partnership programs are announced through HUD's competitive Notice of Funding Availability (NOFA) process. Applications are rated and ranked in a rigorous peer review system.

Below is a brief description of each program:

- Historically Black Colleges & Universities (HBCUs). For fiscal year 2005, a total of \$10.4 million is being requested for funding under this program. The HBCU program has provided funding to HBCU's since 1980, to assist HBCU's in expanding their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development.

The following is a listing of the grants awarded in fiscal year 2003:

Lawson State, Ala - \$550,000  
Tuskegee Univ - \$550,000  
Howard Univ - \$550,000  
Florida A&M - \$550,000  
Southern University-New Orleans - \$550,000  
Barber Scotia College - \$550,000  
Johnson C. Smith - \$531,651  
Winston Salem State - \$550,000  
Claflin University - \$550,000  
Voorhees College - \$500,321  
Lane College - \$340,000  
LeMoyne-Owen College - \$550,000  
Texas Southern University - \$550,000  
Virgin Islands University - \$541,000

Community Development Block Grants

The following is a listing of the grants awarded in fiscal year 2002:

Norfolk State University-\$500,000 (includes \$257,045 of 2001funds & \$242,955 of 2002 funds)  
Hampton University-\$301,505  
Delaware State University-\$338,766  
C.A. Fredd Technical College Campus of Shelton Comm. College-\$549,990  
Stillman College-\$524,790  
Benedict College-\$500,000  
South Carolina State University-\$549,945  
LeMoyne-Owen College-\$549,062  
Fisk University-\$550,000  
Morehouse College-\$526,414  
North Carolina A & T University-\$548,000  
North Carolina Central University-\$549,479  
Gadsden State Community College-\$424,000  
Florida A&M University-\$542,674  
Rust College-\$546,318  
Alcorn State University-\$497,914  
Dillard University-\$550,000  
Southern University and A & M College - \$550,000  
Southern University at Shreveport-\$322,211  
Jarvis Christian College-\$338,274  
Paul Quinn College-\$550,000  
University of Arkansas at Pine Bluff-\$368,330

- Community Development Work Study (CDWS). For fiscal year 2005 the Budget proposes \$3 million for the CDWS program. There is a large, untapped source of students for this program, i.e., students enrolled at minority-based institutions. These institutions have only recently started applying for CDWS grants. With additional outreach a greater number of minority and economically disadvantaged students can be attracted into the program. The program is designed to attract more minority and disadvantaged students into graduate-level programs in urban planning, public administration, and community development.
- Hispanic Serving Institutions Assisting Communities (HSIAC). The Budget proposes \$7 million for the HSIAC program. An earlier budget (2003) reflected what was perceived as a lack of interest on the part of Hispanic-Serving institutions in this program. However, an aggressive outreach program in 2002 resulted in a 60 percent increase in the number of applications for the 2002 cycle of funding. This aggressive outreach continued in 2003. A change in program policy, modifying the public service cap makes the program even more attractive to Hispanic-Serving institutions. The program is designed to help Hispanic-Serving colleges and universities expand their role and effectiveness in addressing community development needs. As rapid changes in domestic demographics continue to take place we also anticipate an increase in Hispanic-Serving Institutions, providing a growing pool of applicants.

## Community Development Block Grants

- Alaska & Hawaiian Serving Institutions. The Budget proposes \$3.5 million for the Alaskan 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 Hawaiian institution is located.
- Tribal Colleges & Universities. This Budget includes \$3 million in competitive grants to tribal colleges and universities 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 \$7 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. The Budget request reflects a greater interest on the part of colleges and universities in community outreach. Greater numbers of applications from minority-based institutions as well as community and junior colleges speak to this increased interest. Attempts to interest professional schools (architecture, business, medicine) have also heightened awareness of partnership opportunities. There is also greater emphasis being placed on service learning as a tool to bring the resources of the campus to the community.

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.

A total of \$35.3 million is requested for Section 107 grants in fiscal year 2005. 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.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Youthbuild</b>	<u>Amount</u>
2003 Appropriation .....	\$59,610
2004 Appropriation/Request .....	64,617
2005 Request .....	<u>64,617</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Youthbuild .....	59,610	67,915	127,525	60,698	64,617	64,912	129,529	64,617

**Proposed Actions**

Youthbuild. The fiscal year 2005 Budget requests \$64.6 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."

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 and adjudicated youth to engage in remedial education, including leadership skills training. The program also furthers opportunities for placement in apprenticeship programs and gainful employment.

A survey of active Youthbuild projects for the period of October 1, 2002 through September 30, 2003 found that 4,123 participants were trained, 1,260 received a GED, 1,939 were placed in employment or education. Furthermore, 346 housing units were constructed and another 1,409 were rehabilitated.

It is anticipated that approximately 3,366 youth will be trained and 1,719 units of housing will be developed through the awards made in December 2003. However, HUD received more than 400 Youthbuild applications and only 102 of these could be funded. The fiscal year 2005 request for \$64.6 million is expected to provide more than 3,728 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. HUD is 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 is one program that the Office of Management and Budget (OMB) is analyzing to develop a uniform cost-effectiveness tool to measure the relative performance of Federal housing programs with similar functions and purposes.

Community Development Block Grants

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.

In addition to the Youthbuild grants, Public Law 102-550, Section 458 Management and Technical Assistance, authorizes that "the Secretary may enter into contracts with a qualified public or private nonprofit agency to provide assistance to the Secretary in the management, supervision and coordination of Youthbuild programs receiving assistance under this subtitle." The contracts will "provide appropriate training, information and technical assistance to sponsors of programs assisted." "Technical assistance may also be provided in the development of program proposals and the preparation of applications for assistance under this subtitle to eligible entities which intend or desire to submit such applications. Community-based organizations shall be given first priority in the provision of such assistance." The subtitle further states, "In each fiscal year, the Secretary shall reserve 5 percent of the amounts available for activities under this subtitle."

Two million dollars is also requested for a grant to Youthbuild USA for capacity building for community development and affordable Housing activities as specified in section 4 of the HUD Demonstration Act of 1993, as amended. These grants require a 3:1 match, which Youthbuild USA must raise, support and use in a timely fashion. Youthbuild is required to report on the match funds to HUD every 6 months.

The following shows major activities within the Youthbuild program:

<u>Activity</u>	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
Youths Trained . . . . .	3,729	4,123	3,728	3,728
Youths Receiving GEDs . . . . .	Unavailable	1,260	1,260	1,260
Youth Employed or Furlhtering Education Upon Graduation .	1,300	1,939	1,939	1,939
Housing Units Rehabilitated or Constructed . . . . .	1,206	1,755	1,206	1,206



**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>CDBG Development Challenge pilot</b>	<u><b>Amount</b></u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>\$0,000</u>
Program Improvements/Offsets .....	10,000

**Proposed Actions**

Development Challenge pilot. The Administration is proposing a Development Challenge Pilot to test ways to better coordinate, target, and leverage existing Federal community and economic development programs.

The Federal Government invests through a variety of programs and tax expenditures to improve communities unable to meet the basic needs of its residents. This effort will be aimed to improve coordination, target funds tightly and focus on and carefully track expected, locally defined results. The purpose of the initiative is to test ways to make these investments far more productive by: (1) concentrating funds in specific neighborhoods ready for development; (2) leveraging private sector commitments to ensure local commitment and long-term viability; and (3) provide a common framework of performance measures and accountability that focuses on results relating to neighborhood change.

The pilot would award new flexible grants in fiscal year 2005 to 5-10 communities that are prepared to commit to ambitious performance targets and to community participation in and governance of their development. Communities would be challenged to set and meet a limited number of clear measurable goals with timelines (e.g., increased low-income and minority resident employment, revitalizing underutilized land, increasing homeownership, or raising property values in distressed neighborhoods). Selection of a community would emphasize the role a community's own policies and institutions play in its development (e.g., regulatory barriers to affordable housing or acquisition of underutilized land).

An interagency group (including agencies such as Commerce and Treasury) will advise on standards for awarding \$10 million in competitive capital grants to a few communities prepared to set and meet a limited number of clear, measurable community development goals. Common measures would focus on program outcomes for low-income communities such as rates of employment, homeownership, or increased business sales and numbers of new businesses.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>CDBG Faith-based pilot</b>	<u><b>Amount</b></u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>\$5,000</u>
Program Improvements/Offsets .....	5,000

**Proposed Actions**

CDBG Faith-Based pilot. The Department is proposing a new 5-city pilot program aimed at increasing the participation of faith-based and community organizations in the cities' community development strategies. Participating cities will submit plans that demonstrate (1) a strategy for involving faith-based and community organizations in the community development efforts of the city and (2) a plan for making small sub-grants to faith-based and community groups to facilitate their partnership with their respective city.

An audit of HUD programs revealed substantial regulatory barriers to the participation of faith-based and grassroots community organizations in a number of HUD programs. An ambitious reform effort was undertaken to change HUD's regulations to assure the equal treatment of faith-based and community organizations.

In September 2003, HUD published a final rule eliminating barriers to the participation of faith-based organizations (FBOs) in eight CPD programs totaling nearly \$8 billion. CDBG was one of the programs affected by the rule. Former prohibitions and requirements on Faith-Based Organizations FBOs were changed to ensure that they could compete on a level playing field for HUD resources.

Since the former regulatory climate disfavored FBOs in the CDBG program, HUD believes the new rule warrants a pilot project to demonstrate how effective partnerships with FBOs are now possible in the community development activities of entitlement communities.

The funding is estimated to provide grants for 5 to 20 faith-based partners through a competition. The initiative will pursue the following strategies: identifying whether knowledge of the existence of HUD programs is the biggest barrier to participation in part by emphasizing an outreach effort; identifying how important the issue of inadequate "capacity" has to do with participation by Faith-Based and other Community Development organizations; pursuing a better understanding of how to build capacity including Federal, State and local roles and efforts and partnering with mentoring Faith-Based and other Community Development organizations; and understanding the potential impact of Technical Assistance to assisting increased participation.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Self-Help Homeownership Initiative</b>	<u>Amount</u>
2003 Appropriation .....	\$25,086
2004 Appropriation/Request .....	26,841
2005 Request .....	<u>65,000</u>
Program Improvements/Offsets .....	38,159

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Self-Help Homeownership Initiative .....	\$25,086	\$22,000	\$47,086	\$22,000	\$26,841	\$25,086	\$51,927	\$65,000

<u>Major Recipients</u>	<u>2002</u>	<u>2003</u>
Habitat for Humanity.....	\$10,809	\$13,235
Housing Assistance.....	6,861	7,997

<u>Projects' Status</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Projects Under Construction (number)	2,936	2,395	2,400	2,400
Projects Completed (number).....	2,063	2,157	2,140	2,140

**Proposed Actions**

Self-Help Homeownership Opportunity Program. The fiscal year 2005 Budget proposes \$65 million for the SHOP, a key President's priority to increase homeownership. Of this total, \$62 million will fund land acquisition, infrastructure improvements, and administrative costs. An additional \$3 million is proposed for TA activities for SHOP grantees. The request, as did last year's, reflects the President's announcement in his May 20, 2001, speech at the University of Notre Dame, Notre Dame, Indiana, to triple this popular and successful homeownership program.

The significant increase in SHOP funding from 2003 levels recognizes the importance and proven track record of the program participants. The increase also reflects the ability of the existing participants, including the largest, Habitat for Humanity International, to expand their staffing, outreach and production. As a prime example, only 486 out of 1,600 Habitat for Humanity affiliates have received SHOP funding since program inception and only 200 currently participate in the program. In addition, the Housing Assistance Council typically requests funding for fewer projects than they actually receive applications for from their participating local organizations since the SHOP funds available have been insufficient to meet total demand. Even so, the availability of only \$22 million in fiscal year 2002 generated \$48 million in funding requests with a similar figure of total funding requests in fiscal year 2003.

## Community Development Block Grants

Augmenting SHOP capacity and performance will be the further opening of the program to new participants. Therefore, the SHOP Budget also proposes \$3 million for TA activities for both existing SHOP grantees and their affiliates, as well as new grantees. Technical assistance projects will provide the support and tools needed to strengthen capacity, improve program compliance, expand participation by non-profit housing providers, ensure cost-effectiveness and design innovative approaches to self-help housing needs. The increase in SHOP funding makes the availability of technical assistance critical to the continued success of the program. The TA funds will be used to provide direct assistance to individual grantees or affiliates, as well as to develop and deliver national training courses. In addition, TA funds will be used in the production of a variety of written and web-based materials that provide guidance to SHOP grantees and their affiliates.

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.

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 appropriation. Appropriations of \$20 million were made available in fiscal years 1999, 2000, and 2001. Appropriations of \$22 million and \$25 million were made available in fiscal years 2002 and 2003, respectively, and \$26.8 million is anticipated in fiscal year 2004. The fiscal year 2003 awards were made in October 2003. Current SHOP grantees are Habitat for Humanity International, Housing Assistance Council, Northwest Regional Facilitators, ACORN Housing Corporation, Wisconsin Association of Self-Help Executive Directors, Inc., and PPEP Microbusiness and Housing Development Corporation.

In 2001, 1,942 SHOP-assisted units were completed; 2,063 and 2,157 units were completed in 2002 and 2003, respectively. Currently, 3,296 units are under development. Approximately 2,140 units are projected for completion in fiscal year 2004, and a similar figure is projected for completion in fiscal year 2005. Grantees have completed construction on 9,254 housing units from all funding years as of March 31, 2003.

The SHOP program has assisted homebuyers with an average income range 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 over time.

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. While the matching of SHOP funds with other dollars is not required, SHOP grantees have submitted evidence as part of their annual application submissions that for every SHOP dollar, approximately \$3 dollars in resources from other sources is leveraged. This does not include the value of sweat-equity contributed by homebuyers.

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.

**COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Capacity Building for Community Development and Affordable Housing</b>	<b><u>Amount</u></b>
2003 Appropriation .....	\$32,288
2004 Appropriation/Request .....	34,545
2005 Request .....	<u>29,500</u>
Program Improvements/Offsets .....	-5,045

<b><u>Budget Activity</u></b>	<b><u>2003 Budget Authority</u></b>	<b><u>2002 Carryover Into 2003</u></b>	<b><u>2003 Total Resources</u></b>	<b><u>2003 Obligations</u></b>	<b><u>2004 Budget Authority/ Request</u></b>	<b><u>2003 Carryover Into 2004</u></b>	<b><u>2004 Total Resources</u></b>	<b><u>2005 Request</u></b>
Capacity Building for Community Development and Affordable Housing	\$32,288	\$29,000	\$61,288	\$33,222	\$34,545	\$28,066	\$62,611	\$29,500

<b><u>Funding Commitment to Organizations</u></b>	<b><u>Calendar 2002</u></b>	<b><u>Calendar 2003</u></b>	<b><u>Calendar 2004</u></b>	<b><u>Calendar 2005</u></b>
Local Initiative Support Corporation	\$6,508	\$8,584	\$8,575	\$8,995
Enterprise Foundation	4,925	4,989	5,000	5,100

<b><u>Number of Community Development Corporations receiving grants</u></b>	<b><u>Calendar 2002</u></b>	<b><u>Calendar 2003</u></b>	<b><u>Calendar 2004</u></b>	<b><u>Calendar 2005</u></b>
LISC	196	234	245	257
EF	161	166	168	172

**Proposed Actions**

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, the fiscal year 2004 request level. Congress's goal in authorizing HUD to participate was to develop the capacity and ability of community development organizations (CDCs) to undertake community development and affordable housing projects through the work of the intermediaries, Local Initiative Support Corporation (LISC) and the Enterprise Foundation. In addition to the work in the 23 original participating cities, the intermediaries will continue to expand this highly successful, public/private partnership to assist capacity building of community-based development organizations, including community development corporations (CDCs), in the economic development arena and related development and community revitalization activities in urban, rural, and tribal areas nationwide.

## Community Development Block Grants

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 seven 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, childcare, 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 current phase represents the logical evolution of NCDI's successful investments to date.

Habitat for Humanity-Capacity Building. The fiscal year 2005 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.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Housing Assistance Council</b>	<u><b>Amount</b></u>
2003 Appropriation .....	\$3,279
2004 Appropriation/Request .....	3,281
2005 Request .....	<u>3,281</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Housing Assistance Council .....	\$3,279	...	\$3,279	\$3,279	\$3,281	...	\$3,281	\$3,281

**Proposed Actions**

Housing Assistance Council. This Budget proposes \$3.3 million for a cooperative agreement with the Housing Assistance Council (HAC). Building housing for low-income rural Americans has been HAC's work for 32 years. In 2005, HAC will use HUD funds to continue to work towards this goal in many ways, such as undertaking/supporting research projects, providing technical assistance and training, and administering a revolving loan fund. 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 1,650 loans totaling over \$140 million representing 41,000 units and 13,425 water and wastewater connections. For fiscal year 2005, HAC expects, to deliver at least 3,000 hours per month of technical assistance and training. Also, HAC will undertake at least 5 to 6 new research projects, and publish 24 issues of the "HAC News" and four issues of its quarterly rural housing magazine "Rural Voices."

The following is some selected information on HAC activities in fiscal year 2003: as of September 30, 2003, there were 218 active loans totaling \$29.7 million; loan commitments during fiscal year 2003 were \$12.9 million; 70 total loans were made in fiscal year 2003; 296 local non-profits were aided with intensive technical assistance and training in fiscal year 2003.

The following is some selected information on HAC activities in fiscal year 2002: as of September 30, 2002, there were 264 active loans totaling \$33.1 million; loan commitments during fiscal year 2003 were \$11.8 million; 69 total loans were made in fiscal year 2003; 252 local non-profits were aided with intensive technical assistance and training in fiscal year 2003.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

National American Indian Housing Council	<u>Amount</u>
2003 Appropriation .....	\$2,384
2004 Appropriation/Request .....	2,485
2005 Request .....	<u>2,485</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
National American Indian Housing Council	\$2,384	...	\$2,384	\$2,384	\$2,485	...	\$2,485	\$2,485

**Proposed Actions**

National American Indian Housing Council. This Budget proposes a \$2.5 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 2005, 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 2004, 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 one research project in an area concerning housing and community development in tribal areas, and will develop and collect materials for the Native American Housing Resource Center.

The following table shows the number of individuals from various tribes who attended classes and seminars given by the National American Indian Housing Council:

<u>Activity</u>	<u>2003</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
Training	430	473	520
Technical Assistance			
Training/Workshops	452	497	546
TA on site	423	446	590
Conferences	<u>416</u>	<u>457</u>	<u>502</u>
Total	1,721	1,873	2,158



Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)

<b>Working Capital Fund</b>	<u>Amount</u>
2003 Appropriation .....	\$3,378
2004 Appropriation/Request .....	4,871
2005 Request .....	<u>500</u>
Program Improvements/Offsets .....	-4,371

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Working Capital Fund ..	\$3,378	...	\$3,378	\$3,378	\$4,871	...	\$4,871	\$500

Proposed Actions

Working Capital Fund transfers. This Budget proposes no less than \$500,000 to the Working Capital Fund (WCF) to allow for systems development and enhancements for CPD programs. This is the minimum amount necessary and may change if the available ceiling for the WCF portfolio changes. These funds have been and will be used for the maintenance and development of the Integrated Disbursement and Information System (IDIS) for CPD programs.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Economic Development Initiative Grants</b>	<u>Amount</u>
2003 Appropriation .....	\$259,304
2004 Appropriation/Request .....	289,880
2005 Request .....	...
Program Improvements/Offsets .....	-289,880

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Economic Development Initiative Grants ....	\$259,304	\$184,434	\$443,738	\$170,290	\$289,880	\$268,573	\$558,453	...

**Proposed Actions**

Economic Development Initiative grants. Section 108(q) of the of the Housing and Community Development Act of 1974, as added by section 232 (a)(1) of the Multifamily Property Disposition Reform Act of 1994 (42 U.S.C. 5308(q)), authorizes HUD to make economic development grants to CDBG recipients in connection with notes or other obligations guaranteed under Section 108 for the purpose of enhancing either the security of the guaranteed loans or the viability of the projects financed by those loans. EDI enables localities to carry out eligible economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons, and reduce the risk of potential future defaults on section 108 loan guarantee-assisted projects.

In fiscal year 2002, there were 803 EDI grants, of which 95 percent are still in progress. In fiscal year 2003, there were 882 EDI grants, of which 95percent are still in progress. All of the 902 fiscal year 2004 EDI grants are still in progress.

No funding is requested for fiscal year 2005 in order to provide funding to priority community development programs including HOME, CDBG, and Homeless programs.

The Administration is aware that an initial Congressional appropriation for the State of Ohio enacted in the fiscal year 2000 HUD/VA Appropriations Act will expire at the end of the 2005 fiscal year. Because of the widely recognized importance of the project and the overall size of the effort that is needed to complete the project the Administration urges the Congress to extend the availability of the funds that still remain for this effort so that this important endeavor at urban revitalization can be completed as intended by the Congress and the benefits realized. HUD will provide any legislative assistance needed to ensure that the funds continue to be available.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>Neighborhood Initiative Demonstration</b>	<u>Amount</u>
2003 Appropriation .....	\$41,846
2004 Appropriation/Request .....	43,740
2005 Request .....	<u>...</u>
Program Improvements/Offsets .....	-43,740

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Neighborhood Initiative Demonstration .....	41,846	33,736	75,582	45,445	43,740	29,987	73,727	...

**Proposed Actions**

Neighborhood Initiatives. The appropriations Acts for fiscal years 1998-2004 have provided funding for Neighborhood Initiatives that are utilized to improve the conditions of distressed and blighted areas and neighborhoods, to stimulate investment, economic diversification, and community revitalization in areas with population outmigration or a stagnating or declining economic base, or to determine whether housing benefits can be integrated more effectively with welfare reform initiatives.

In fiscal year 2002, there were 38 NID projects, of which 95 percent are still in progress. In fiscal year 2003, there were 39 NID projects, of which 95 percent are still in progress. All of the 47 fiscal year 2004 projects are still in progress.

No funding is requested for fiscal year 2005 in order to provide funding to priority community development programs including HOME, CDBG, and Homeless programs.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Program Offsets  
 (Dollars in Thousands)

<b>National Housing Development Corporation</b>	<u>Amount</u>
2003 Appropriation .....	\$4,968
2004 Appropriation/Request .....	4,970
2005 Request .....	...
Program Improvements/Offsets .....	-4,970

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
National Housing Development Corporation .....	4,968	...	4,968	...	4,970	4,968	9,938	...

**Proposed Actions**

National Housing Development Corporation (NHDC). The appropriations Acts for fiscal years 2001-2004 have each provided funds for a grant to the National Housing Development Corporation for operating expenses not to exceed \$2 million and for a program of affordable housing acquisition and rehabilitation.

No funding is requested for fiscal year 2005 in order to provide funding to priority community development programs including HOME, CDBG, and Homeless programs.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)**

<b>National Council of La Raza</b>	<u>Amount</u>
2003 Appropriation .....	\$4,968
2004 Appropriation/Request .....	4,970
2005 Request .....	...
Program Improvements/Offsets .....	-4,970

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
National Council of La Raza .....	\$4,968	...	\$4,968	...	\$4,970	\$4,968	\$9,938	...

**Proposed Actions**

National Council of La Raza. The appropriations Acts for fiscal years 2002-2004 have each provided \$5 million for a grant to the National Council of La Raza for the HOPE Fund, of which \$.5 million is for technical assistance and fund management, and \$4.5 million is for investments in the HOPE Fund and financing to affiliated organizations for development of housing, education, day care, health and job training facilities for low- and moderate-income residents in primarily Latino communities.

The Raza Development Fund, Inc. (RDF), a 509 (a) (3) subsidiary corporation of the National Council of La Raza formed in 1994 specifically to do direct lending and provide technical assistance to community development projects sponsored by Latino community based organizations nationally. Raza Development Fund, Inc. is responsible for all aspects of implementation of the grant program. RDF, Inc. is a Treasury certified Community Development Financial Institution that provides financing and credit enhancements for ventures serving low- and very low-income families such as housing and home ownership programs; educational, health, job training, child care and social service facilities; and acquisition and operating lines of credit to NCLR's network of more than 300 nonprofit affiliates nationally.

No funding is requested for fiscal year 2005 in order to provide funding to priority community development programs including HOME, CDBG, and Homeless programs.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Program Offsets  
(Dollars in Thousands)

<b>Wellstone Center for Community Building</b>	<u>Amount</u>
2003 Appropriation .....	\$8,942
2004 Appropriation/Request .....	...
2005 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Wellstone Center for Community Building ...	\$8,942	...	\$8,942	...	...	\$8,942	\$8,942	...

**Proposed Actions**

Wellstone Center for Community Building. The appropriations Act for fiscal year 2003 (P.L. 108-7) provided \$9 million for a grant to the Neighborhood House, St. Paul, Minnesota for construction costs of the Paul and Sheila Wellstone Center for Community Building. The total amount of the Wellstone Center for Community Building from all sources is \$25.5 million.

No funding is requested for fiscal year 2005.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Program Offsets  
 (Dollars in Thousands)

<b>Disaster Assistance</b>	<u>Amount</u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Disaster Assistance ...	...	\$783,547	\$783,547	\$783,000	...	\$547	\$547	...

Proposed Actions

No funding is requested for fiscal year 2005.

HUD has received supplemental appropriations of \$700 million in fiscal year 2001, and \$2.0 billion and \$783 million in fiscal year 2002 for assistance for property and businesses (including restoration of utility infrastructure) damaged by, and economic revitalization related to, the September 11, 2001, terrorist attacks on New York City. HUD has obligated the full \$3.483 billion to New York State's Empire State Development Corporation and Lower Manhattan Development Corporation. As of December 31, 2003, expenditures totaled \$1.090 billion.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Program Offsets  
 (Dollars in Thousands)

<b>Resident Opportunity &amp; Supportive Services</b>	<u>Amount</u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Resident Opportunity & Supportive Services...	...	349	349	...	...	414	414	...

Proposed Actions

No funding is requested for fiscal year 2005 in CDBG, but is requested in the Public Housing Capital Fund.



Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Program Offsets  
 (Dollars in Thousands)

<b>Section 805 Economic Development training</b>	<u>Amount</u>
2003 Appropriation .....	...
2004 Appropriation/Request .....	...
2005 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Section 805 Economic Development training .	...	<u>41</u>	41	18	...	24	24	<u>...</u>

Proposed Actions

No funding is requested for fiscal year 2005 in that this was a one-time appropriation several years ago.

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>2003</u>	<u>ESTIMATE</u> <u>2004</u>	<u>ESTIMATE</u> <u>2005</u>
	(Dollars in Thousands)		
Unobligated balance, start of year....	\$1,746,779	\$1,104,378	\$1,000,000
Appropriation.....	4,937,000	4,963,600	4,618,094
Rescissions.....	-32,090	-29,285	...
Prior Year Recoveries.....	321	...	...
Total Available.....	<u>6,652,010</u>	<u>6,038,693</u>	<u>5,618,094</u>
Obligations, gross (excluding reimbursements).....	-5,540,154	-5,038,693	-4,638,094
Unobligated balance expiring.....	-7,478	...	...
Unobligated balance, end of year.....	<u>1,104,378</u>	<u>1,000,000</u>	<u>980,000</u>

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

	<u>ACTUAL</u> <u>2003</u>	<u>ESTIMATE</u> <u>2004</u>	<u>ESTIMATE</u> <u>2005</u>
	(Dollars in Thousands)		
Obligated balance, start of year.....	\$11,409,193	\$11,368,857	\$10,417,550
Obligations, gross.....	5,540,154	5,038,693	4,638,094
Subtotal.....	16,949,347	16,407,550	15,055,644
Outlays (Gross).....	-5,568,777	-5,990,000	-5,586,000
Adjustment in expired accounts.....	-11,392	...	...
Adjustment in unexpired accounts.....	-321	...	...
Obligated balance, end of year.....	<u>11,368,857</u>	<u>10,417,550</u>	<u>9,469,644</u>

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

Community Development Block Grants



"FY03 state by state  
for CDBG justification

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Performance Measurement Table**

Program Name: <b>COMMUNITY DEVELOPMENT BLOCK GRANTS</b>					
Program Mission: CDBG is a primary vehicle for the revitalization of our Nation's neighborhoods, providing opportunities for self-sufficiency to million of lower-income Americans. The program's primary objective is to develop viable urban communities by expanding opportunities, and to provide decent housing and a suitable living environment, principally for persons of low- and moderate-income.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
Households assisted	Integrated Disbursement & Information System (IDIS)	180,260	184,611	178,852	173,486
Jobs Created.	IDIS	87,585	108,684	84,000	83,000
The share of CDBG entitlement funds that benefit low- and moderate-income persons.	IDIS	92%	95%	92%	92%
The share of State CDBG funds that benefit low- and moderate-income persons.	IDIS	98%	97%	96%	96%
The number of youths trained in construction trades through Youthbuild.	Semi-annual progress reports	3,774	4,123	3,728	3,728
The number of homeowners who have used sweat equity to earn assistance with SHOP.	Quarterly progress reports	1,800	2,157	2,140	2,140
COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.	Grantee Reoprts	20%	34%	20%	20%
Streamline Consolidated Plan.		Conduct Pilots	Conducted Pilots	Finalize Decisions	Implement Decisions

**Explanation of Indicators**

## Community Development Block Grants

Current measures of CDBG program performance are general output indicators. CDBG's measures do not reflect outcomes, i.e. qualitative results, stemming from CDBG expenditures.

CPD has taken initial steps to develop outcome performance indicators to better demonstrate qualitative results achieved with CDBG funds. CPD is developing a long-term performance measure to address the CDBG primary statutory objective - the development of viable urban communities - by tracking changes that occur in distressed neighborhoods as a result of CDBG funded activities. CPD is operationalizing a two-year research study published in October 2002 that demonstrated such measures are possible. In addition to development of measurement of neighborhood improvement, CPD is also working with its stakeholders, NAPA, and others to develop additional local and national outcome performance measures. Such additional performance measures will be implemented through and contingent upon major improvements to HUD's Integrated Disbursement and Information System (IDIS) upgrades currently underway.

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 or areas.

State and local governments are projected to chose to use \$194 million in program funding and \$1.8 million in S&E for a total of \$195.8 million to support Strategic Goal H: Increase homeownership opportunities. The CDBG resources supporting homeownership are part of an overall effort to increase national and minority homeownership rates involving a number of HUD programs.

Objective H.1: Expand National Homeownership Opportunities

Strategic Goal Indicator "The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized:"

The fiscal year 2005 request for Self-Help Homeownership Opportunity Program (SHOP) reflects the President's initiative to increase funding by approximately 200 percent from the fiscal year 2003 level for this well-recognized, successful program. The increased resources are justified based on the growing capacity of existing program participants as well as the expectation that the number of organizations participating in the program will expand. The SHOP awards funding on a competitive basis to national and regional non-profit housing organizations and consortia that specialize in self-help housing where the homebuyer contributes a significant amount of sweat-equity toward the construction or rehabilitation of the dwelling. Grantees use the SHOP funds to set the stage for development of the housing. SHOP funds may be used for land acquisition (including financing and closing costs), infrastructure improvements, and administrative costs (up to 20 percent of the grant amount). The construction of the dwelling is funded through leveraged funds and the contributions of the homebuyer and other volunteer labor. In 2000, 1,839 units were completed; 1,942 and 2,063 units were completed in 2001 and 2002, respectively and 2,157 were completed in fiscal year 2003. Currently, 3,296 units are under development. Approximately 2,140 units are projected for completion in fiscal year 2004 and a similar figure is projected for fiscal year 2005.

The fiscal year 2005 Budget projects an approximately 200 percent increase in SHOP funding from the fiscal year 2003 level to \$65 million, which will produce at least 5,200 units. Since SHOP funds are distributed competitively, awards cannot be announced and under contract until the first quarter of the subsequent fiscal year. This timeframe, and the likelihood of more first-time grantees being funded, make it likely that completions of properties funded from fiscal years 2003, 2004, and 2005 appropriations will not begin until fiscal years 2004, 2005, and 2006, respectively. Consequently, only a modest increase in completions similar to the 2,140 units projected in fiscal year 2004 is expected in fiscal year 2005.

## Community Development Block Grants

### SHOP Performance Reporting and Program Evaluation

Information on SHOP performance is collected quarterly. The Office of Affordable Housing Programs (OAHP) requires grantees to report on the number of units completed and the number of units under construction, along with a narrative on other pertinent information on program progress or delays. OAHP has recently issued revised requirements to gather more uniform accomplishment data on lots acquired, infrastructure starts and completions, housing construction starts and completions, property conveyances, unit characteristics, racial and ethnic composition of homebuyers, and detailed financial information on administration, land acquisition, infrastructure costs, and leveraged funds. The fiscal years 2002 and 2003 funding awards will follow these new reporting requirements, and grantees will be encouraged to use this form for reporting on all prior SHOP-funded activities.

### CDBG Performance Reporting and Program Evaluation

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS) and Annual Progress Reports.

There is presently an ongoing evaluation by the Urban Institute on the performance of HUD's economic development programs.

The Community Development Block Grant (CDBG) program provides flexible funding for communities across the Nation to develop and implement housing, community and economic development strategies that primarily benefit low- and moderate-income persons. Housing rehabilitation and other eligible housing activities account for the largest category (31 percent) of activities carried out under the CDBG program. By preserving existing housing stock and developing new housing opportunities, the CDBG program supports the strategic goals and objectives related to promoting affordable housing opportunities. The CDBG program, along with the HOME program, are key components of an overall strategic approach to increase the affordable housing options for families with low- and moderate-incomes. Providing increased resources for these efforts is a key priority within this Strategic Goal.

The Department requests \$1.116 billion in program funding and \$10.3 million in Salaries & Expenses (S&E) for a total of \$1.126 billion to support Strategic Goal A: Promote decent affordable housing.

The CDBG program directly supports Strategic Objective A.1, "Expand national homeownership opportunities" in that the largest use of CDBG funds is for housing related activities chosen at local discretion. CDBG housing activities not only directly fund homeownership activities, but also support rental activities, which ultimately provide ladders from rental to homeownership opportunity.

Because the CDBG program is required by statute to utilize 70 percent of its funds for low- and moderate-income persons and in practice utilizes over 90 percent of the funds for low- and moderate-income persons, the program directly supports Strategic Objective A.3, "Increase housing opportunities for the elderly and persons with disabilities."

The CDBG program directly supports Strategic Objective A.1, "Expand access to affordable rental housing". It assisted 172,445 households in fiscal year 2001, 187,380 households in fiscal year 2002 and 184,611 households in fiscal year 2003. The CDBG program is projected to assist 178,852 households in 2004. Requested funding will assist 173,486 in fiscal Year 2005. The decline in goals for fiscal years 2004 and 2005 reflects the anticipated effect of inflation and the spike in CDBG entitlement expenditures in fiscal years 2002 and 2003 resulting from the Department's timely expenditure policies.

## Community Development Block Grants

### CDBG Performance Reporting and Program Evaluation:

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS) and Annual Progress Reports.

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.

The Department requests \$3.54 billion in program funding and \$33 million in S&E for a total of \$3.57 billion to support Strategic Goal C: Strengthen communities.

CDBG request supporting Strategic Goal C: Strengthen communities, specifically Objective C.2: Help communities more readily access revitalization resources to become more livable. In 2002, 90,263 jobs were created or retained through CDBG and in 2003 108,684 jobs were created or retained through CDBG. Through CDBG, 84,000 jobs are expected to be created or retained in 2004. Funds requested for 2005 will create or retain 83,000 jobs through CDBG. The decline in goals for fiscal years 2004 and 2005 reflects the anticipated effect of inflation and the spike in CDBG entitlement expenditures in fiscal years 2002 and 2003 resulting from the Department's timely expenditure policies.

The share of CDBG entitlement and State funds benefiting low- and moderate income persons will remain or exceed 92 percent and 96 percent respectively in 2005.

The Department is in the process of developing appropriate advanced performance indicators that will better capture the impact of the CDBG program on communities. The recently published Urban Institute study, "Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD Supported Local Economic Development Lending Activities," is a key focal point for this effort.

### CDBG Performance Reporting and Program Evaluation

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS).

### Youthbuild

The Youthbuild program supports Strategic Goal C, specifically C.2: Help communities more readily access revitalization resources to become more livable.

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 3,366 youth will have been trained and 1,719 units of housing will be developed through the awards made in December 2003. However, HUD received over 400 Youthbuild applications and only 102 of these were funded. Each of the fiscal year 2004 and 2005 requests for \$65 million will provide more than 3,728 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.



## Community Development Block Grants

### Youthbuild Performance Reporting and Program Evaluation

Youthbuild is one program that the Office of Management and Budget (OMB) is analyzing to develop a uniform cost-effectiveness tool to measure the relative performance of Federal housing programs with similar functions and purposes.

Youthbuild effectively reaches one of the most difficult to serve populations: undereducated, and/or adjudicated, unemployed young adults. 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.

### Goal C: Strengthen Communities

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.

The Department requests no program funding for Strategic Goal EM: Embrace high standards of ethics, management, and accountability. However, there is an effort utilizing S&E resources to ensure that the program is well managed and there is a high degree of accountability.

CDBG's request supports Strategic Goal EM: Embrace high standards of ethics, management and accountability, specifically Objective EM.3: Improve accountability, service delivery and customer service of our HUD partners. It does so by monitoring 5 percent more Consolidated Plan grantees on site for compliance with plans at a cost of \$3.6 million in S&E during fiscal year 2005.

HUD also takes proactive measures to reduce the number of CDBG entitlement grantees that fail to meet timeliness standards. The Department has made enormous improvements in reducing the number of grantees that are untimely and the dollars associated with those grantees. An untimely grantee is one which has undrawn funds exceeding 1.5 times the value of the most recent grant. HUD has aggressively pursued this issue and has made significant progress. The number of untimely grantees has been reduced from a high of 309 to fewer than 50. This has resulted in a reduction in the amount over the standard of \$364 million in September 1999 to \$17 million in June 2003. By the end of fiscal year 2003, HUD expects that the only grantees who are untimely are those who become so during that year. HUD's aggressive policy requires any such grantee to become timely before its next review or risk losing unspent funds. Accordingly, HUD is dropping the timeliness goal for entitlement grantees. Beginning in 2004, HUD proposes to focus its attention on the timeliness of expenditures of state grantees.

### President's Management Agenda

Consolidated Plan changes are occurring within the context of Community Planning and Development's efforts to streamline the process and reduce meaningless compliance burdens with OMB.

This Budget requests \$1.49 million for Technical Assistance (TA). 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 fiscal year 2005, TA will be used consistent with the Department's Strategic Goals. This may include new homeownership assistance, affordable housing, timely expenditure of funds, particularly by states, training programs for grantees staff to ensure better understanding of accountability requirements, data enhancements, faith-based community groups, energy enhancement, and meeting lead-based paint safety requirements.

## Community Development Block Grants

In addition, some of these funds may be used to implement any revisions to the Consolidated Plan Improvement Initiative, as required by the President's Management Agenda. HUD's charge is to streamline the Consolidated Plan and make it more results-oriented and useful to communities in assessing their own progress in addressing the problems of low-income areas. This project is currently underway. Milestones of this project include: during fiscal year 2003, HUD conducted several pilots suggested by various working groups; during fiscal year 2004, the pilots will be completed and HUD will evaluate them and will identify and develop statutory and regulatory changes to streamline the Consolidated Plan process; and during fiscal year 2005, HUD will develop a reformed, results-oriented planning and reporting process nationally. The TA 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:
  - Local performance measurement;
  - Homeownership;
  - Faith-based initiatives;
  - Colonias and other especially distressed populations; and
  - Lead safe housing.

**COMMUNITY PLANNING AND DEVELOPMENT  
COMMUNITY DEVELOPMENT BLOCK GRANTS  
Justification of Proposed Changes in Appropriations Language**

The 2005 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

COMMUNITY DEVELOPMENT LOAN GUARANTEES PROGRAM ACCOUNT

[For the cost of guaranteed loans, \$6,325,000, to remain available until September 30, 2005, as authorized by section 108 of the Housing and Community Development Act of 1974, as amended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed \$275,000,000, notwithstanding any aggregate limitation on outstanding obligations guaranteed in section 108(k) of the Housing and Community Development Act of 1974, as amended. In addition, for administrative expenses to carry out the guaranteed loan program, \$1,000,000 which shall be transferred to and merged with the appropriation for ``Salaries and expenses``]

COMMUNITY DEVELOPMENT FUND

*For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes: Provided, That unless explicitly provided for under this heading (except as expressly provided herein), not to exceed 20 percent of any grant made with funds appropriated under this heading (other than a grant made available in this paragraph to the Housing Assistance Council or the National American Indian Housing Council, or a grant using funds under section 107(b)(3) of the Act) shall be expended for planning and management development and administration \$4,618,094,000, to remain available until September 30, 2007. Of the amounts provided:*

*(1) \$4,330,846,000 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);*

*(2) \$71,575,000 is for grants to Indian tribes notwithstanding section 106(a)(1) of such Act*

*(3) \$3,281,000 is for a grant to the Housing Assistance Council:*

*(4) \$2,485,000 is for a grant to the National American Indian Housing Council:*

*(5) \$35,291,000 is for grants pursuant to section 107 of the Act:*

*(6) no less than \$500,000 shall be transferred to the Working Capital Fund for the development of and modification to information technology systems which serve programs or activities under "Community planning and development":*

*(7) \$65,000,000 is for grants pursuant to the Self Help Homeownership Opportunity Program, including \$3,000,000 for technical assistance:*

*(8) \$29,500,000 is for capacity building, of which \$25,000,000 is for Capacity Building for Community Development and Affordable Housing for LIHC and the Enterprise Foundation for activities as authorized by section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note, as in effect immediately before June 12, 1997, with not less than \$5,000,000 of the funding to be used in rural areas, including tribal areas, and of which \$4,500,000 is for capacity building activities administered by Habitat for Humanity International:*

*(9) \$64,617,000 is for YouthBuild program activities authorized by subtitle D of title IV of the Cranston-Gonzalez National Affordable Housing Act, as amended, and such activities shall be an eligible activity with respect to any funds made available under this heading: Provided, That local YouthBuild programs that demonstrate an ability to leverage private and nonprofit funding be given a priority for YouthBuild funding: Provided further, That no more than 10 percent of any grant award under the YouthBuild program may be used for administrative costs: Provided further,*

Community Development Block Grants

That of the amount made available for YouthBuild not less than \$9,941,000 is for grants to establish YouthBuild programs in underserved and rural areas and \$1,988,000 is to be made available for a grant to YouthBuild USA for capacity building for community development and affordable housing activities as specified in section 4 of the HUD Demonstration Act of 1993, as amended:

(10) \$10,000,000 is for a Development Challenge Pilot to test ways to better coordinate, target, and leverage existing Federal community and economic development programs; and

(11) \$5,000,000 is for a faith-based pilot for a multi-city program aimed at increasing the participation of faith-based and community based organizations in the cities' community development strategies.

[For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, \$4,950,000,000, to remain available until September 30, 2006: *Provided*, That of the amount provided, \$4,356,550,000 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 (except for planning grants provided in the third paragraph and amounts made available in the second paragraph), not to exceed 20 percent of any grant made with funds appropriated under this heading (other than a grant made available in this paragraph to the Housing Assistance Council or the National American Indian Housing Council, or a grant using funds under section 107(b)(3) of the Act) shall be expended for planning and management development and administration: *Provided further*, That \$72,000,000 shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act; \$3,300,000 shall be for a grant to the Housing Assistance Council; \$2,500,000 shall be for a grant to the National American Indian Housing Council; \$5,000,000 shall be available as a grant to the National Housing Development Corporation, for operating expenses not to exceed \$2,000,000 and for a program of affordable housing acquisition and rehabilitation; \$5,000,000 shall be available as a grant to the National Council of La Raza for the HOPE Fund, of which \$500,000 is for technical assistance and fund management, and \$4,500,000 is for investments in the HOPE Fund and financing to affiliated organizations; \$52,000,000 shall be for grants pursuant to section 107 of the Act, of which \$9,500,000 shall be for the Native Hawaiian block grant authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996; no less than \$4,900,000 shall be transferred to the Working Capital Fund for the development of and modification to information technology systems which serve programs or activities under ``Community planning and development''; \$27,000,000 shall be for grants pursuant to the Self Help Homeownership Opportunity Program; \$34,750,000 shall be for capacity building, of which \$30,000,000 shall be for Capacity Building for Community Development and Affordable Housing for LISC and the Enterprise Foundation for activities as authorized by section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), as in effect immediately before June 12, 1997, with not less than \$5,000,000 of the funding to be used in rural areas, including tribal areas, and of which \$4,750,000 shall be for capacity building activities administered by Habitat for Humanity International; \$65,000,000 shall be available for YouthBuild program activities authorized by subtitle D of title IV of the Cranston-Gonzalez National Affordable Housing Act, as amended, and such activities shall be an eligible activity with respect to any funds made available under this heading: *Provided*, That local YouthBuild programs that demonstrate an ability to leverage private and nonprofit funding shall be given a priority for YouthBuild funding: *Provided further*, That no more than 10 percent of any grant award under the YouthBuild program may be used for administrative costs: *Provided further*, That of the amount made available for YouthBuild not less than \$10,000,000 is for grants to establish YouthBuild programs in underserved and rural areas and \$2,000,000 is to be made available for a grant to YouthBuild USA for capacity building for community development and affordable housing activities as specified in section 4 of the HUD Demonstration Act of 1993, as amended. Of the amount made available under this heading, \$44,000,000 shall be available for neighborhood initiatives that are utilized to improve the conditions of distressed and blighted areas and neighborhoods, to stimulate investment, economic diversification, and community revitalization in areas with population outmigration or a stagnating or declining economic base, or to determine whether housing benefits can be integrated more effectively with welfare reform initiatives: *Provided*, That amounts made available under this paragraph shall be provided in accordance with the terms and conditions specified in the joint explanatory statement of the managers accompanying this Act.]

[Of the amount made available under this heading, \$278,000,000 shall be available for grants for the Economic Development Initiative (EDI) to finance a variety of targeted economic investments in accordance with the terms and conditions specified in the joint

Community Development Block Grants

explanatory statement of the managers accompanying this Act: *Provided*, That none of the funds provided under this paragraph may be used for program operations.]

**Explanation of Changes**

Adds language providing for Development Challenge Pilot and Faith-Based Pilot.

Deletes language providing for Community Development Loan Guarantees, National Housing Development Corporation, National Council of La Raza, Native Hawaiian Block Grant, Neighborhood Initiatives Demonstration, and Economic Development Initiative.

The Community Development Fund language above does not include references to various Economic Development Initiative grants mentioned in the fiscal year 2004 appropriation.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Crosswalk of 2003 Availability  
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2003 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2003 Resources</u>
Entitlement/ Nonentitlement .....	\$4,367,930	-\$28,392	...	...	\$525,023	\$4,864,561
Insular Area CDBG Program .....	...	...	...	...	...	...
Indian Tribes .....	71,000	-461	...	...	53,483	124,022
Section 107 Grants .....	49,100	-319	...	...	47,251	96,032
Youthbuild .....	60,000	-390	...	...	67,915	127,525
CDBG Development Challenge pilot .....	...	...	...	...	...	...
CDBG Faith-based pilot .....	...	...	...	...	...	...
Self-Help Homeownership Initiative ..	25,250	-164	...	...	22,000	47,086
Capacity Building for Community Development and Affordable Housing .	32,500	-212	...	...	29,000	61,288
Housing Assistance Council .....	3,300	-21	...	...	...	3,279
National American Indian Housing Council .....	2,400	-16	...	...	...	2,384
Working Capital Fund .....	3,400	-22	...	...	...	3,378
Economic Development Initiative Grants .....	261,000	-1,696	...	...	184,434	443,738
Neighborhood Initiative Demonstration National Housing Development Corporation .....	42,120	-274	...	...	33,736	75,582
5,000	-32	...	...	...	...	4,968
National Council of La Raza .....	5,000	-32	...	...	...	4,968
Wellstone Center for Community Building .....	9,000	-58	...	...	...	8,942
Disaster Assistance .....	...	...	...	...	783,547	783,547
Resident Opportunity & Supportive Services .....	...	...	...	...	349	349
Section 805 Economic Development training .....	...	...	...	...	<u>41</u>	<u>41</u>
Total .....	4,937,000	-32,089	...	...	1,746,779	6,651,690

NOTES

None.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT  
 COMMUNITY DEVELOPMENT BLOCK GRANTS  
 Crosswalk of 2004 Changes  
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2004 President's Budget Request</u>	<u>Congressional Appropriations Action on 2004 Request</u>	<u>2004 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Entitlement/ Nonentitlement .....	\$4,436,000	\$4,356,550	-\$25,704	...	\$534,375	\$4,865,221
Insular Area CDBG Program .....	7,000	...	...	...	...	...
Indian Tribes .....	72,500	72,000	-425	...	80,028	151,603
Section 107 Grants .....	37,900	52,000	-306	...	53,488	105,182
Youthbuild .....	65,000	65,000	-383	...	64,912	129,529
CDBG Development Challenge pilot ....	...	...	...	...	...	...
CDBG Faith-based pilot .....	...	...	...	...	...	...
Self-Help Homeownership Initiative ..	65,000	27,000	-159	...	25,086	51,927
Capacity Building for Community Development and Affordable Housing .	29,500	34,750	-205	...	28,066	62,611
Housing Assistance Council .....	3,000	3,300	-19	...	...	3,281
National American Indian Housing Council .....	2,200	2,500	-15	...	...	2,485
Working Capital Fund .....	4,900	4,900	-29	...	...	4,871
Economic Development Initiative Grants .....	...	291,600	-1,720	...	268,573	558,453
Neighborhood Initiative Demonstration National Housing Development Corporation .....	...	44,000	-260	...	29,987	73,727
...	...	5,000	-30	...	4,968	9,938
National Council of La Raza .....	...	5,000	-30	...	4,968	9,938
Wellstone Center for Community Building .....	...	...	...	...	8,942	8,942
Disaster Assistance .....	...	...	...	...	547	547
Resident Opportunity & Supportive Services .....	...	...	...	...	414	414
Section 805 Economic Development training .....	...	...	...	...	<u>24</u>	<u>24</u>
Total Changes .....	4,723,000	4,963,600	-29,285	...	1,104,378	6,038,693

NOTES

None.