

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
2006 Summary Statement and Initiatives
(Dollars in Thousands)

COMMUNITY DEVELOPMENT BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2004 Appropriation	\$4,963,610	\$1,104,378	-\$29,285	\$6,038,703	\$4,731,170	\$5,388,347
2005 Appropriation	4,741,000	1,304,669 ^a	112,073 ^b	6,157,742	5,117,000	5,373,000
2006 Request .....	...	<u>1,040,742</u>	...	<u>1,040,742</u>	<u>1,040,742</u>	<u>5,353,000</u>
Program Improvements/Offsets	-4,741,000	-263,927	-112,073	-5,117,000	-4,076,258	-20,000

a/ Excludes \$2.548 million of expired funds and a transfer of \$1.988 million to the Denali Commission in fiscal year 2004, but includes \$1.672 million of actual recaptures in fiscal year 2004.

b/ Includes a \$150 million supplemental for disasters, located in P.L. 108-324 and a rescission of \$37.9 million.

Section 108 Loan Guarantees

Commitment levels

2004 Enacted loan level	\$275,000	\$236,960 ^c	...	\$511,960	\$287,082	NA
2005 Enacted loan level	275,000	223,139 ^d	...	498,139	287,082	NA
2006 Request .....	...	<u>211,057</u>	...	<u>211,057</u>	...	NA
Program Improvements/Offsets	-275,000	-12,082	...	-287,082	-287,082	NA

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

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

NA=Not Applicable

Credit Subsidy and Administrative Expenses

2004 Appropriation e.....	\$32,810	\$5,450	-\$43	\$38,217	\$33,082	\$33,150
2005 Appropriation/Request f.....	8,747	5,132 ^g	-56	13,823	9,341	10,000
2006 Request .....	...	<u>4,482</u>	...	<u>4,482</u> ^h	...	<u>7,000</u>
Program Improvements/Offsets	-8,747	-650	...	-9,341	-9,341	-3,000

e/ The appropriation includes \$7.3 million in discretionary appropriations and \$25.5 million in a mandatory appropriation for an upward re-estimate of credit subsidy.

f/ The appropriation includes \$7.0 million in discretionary appropriations and \$1.7 million in a mandatory appropriation for an upward re-estimate of credit subsidy.

g/ Excludes \$3 thousand of expired funds.

h/ These funds will expire at the end of fiscal year 2006.

Section 108 Liquidating Account

2004 Appropriation	-\$2,000	...	...	...	...	-\$3,462
2005 Appropriation/Request .....	...	...	...	...	...	...
2006 Request .....	...	...	...	...	...	...
Program Improvements/Offsets .....	...	...	...	...	...	...

Community Development Block Grants

Summary Statement

The fiscal year 2006 Budget proposes to consolidate the Community Development Block Grant (CDBG) program, and most other set-asides within the Community Development Fund, into a new economic development program to be administered by the Department of Commerce. The new program would be designed to achieve greater results and focus on communities most in need of assistance. Most of the current CDBG recipients would receive funding under this new program.

The programs appropriated within the Community Development Fund that would remain within HUD include the Self-Help Homeownership Opportunity program (SHOP), Indian Community Development Block Grant program (ICDBG), and University Partnerships programs. The budget proposes \$30 million in funding for SHOP within a new, separate account for fiscal year 2006, a \$5 million increase over 2005 enacted. The budget provides \$57.8 million for the ICDBG program, to be funded within HUD's Native American Housing Block Grant program. The budget also proposes \$29 million in funding for several university partnerships programs, to be funded within HUD's Policy Development and Research Office.

The fiscal year 2006 budget also proposes to transfer the Youthbuild program from HUD to the Department of Labor as recommended by the White House Task Force on Disadvantaged Youth, to allow for greater coordination of the program with Job Corps and other employment and training programs. The Department of Labor recommends \$58.9 million in funding for this program. Youthbuild provides grants to local organizations to provide education and training to disadvantaged youth age 16-24. In addition to participating in classroom training, youth learn construction skills by helping to build affordable housing.

All other Community Development Fund set-asides would be consolidated into the new Commerce program.

Initiatives

HUD proposes to consolidate this account within the Department of Commerce.

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>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Entitlement/ Nonentitlement	\$4,330,846	\$534,375	\$4,865,221	\$4,173,858	\$4,109,891	\$691,082	\$4,800,973	...
Insular Area CDBG Program	[6,959]	...	...	...	6,944	...	6,944	...
Indian Tribes	71,575	80,028	151,603	77,489	68,448	73,975	142,423	...
Section 107 Grants	51,694	53,488	105,182	52,540	43,350	52,801	96,151	...
Youthbuild	64,617	64,912	129,529	63,343	61,504	66,186	127,690	...
Self-Help Homeownership Initiative	26,841	25,086	51,927	25,086	24,800	26,841	51,641	...
Capacity Building for Community Development and Affordable Housing Housing Assistance Council	34,545	28,066	62,611	28,066	34,224	34,545	68,769	...
National American Indian Housing Council	3,281	...	3,281	3,281	3,274	...	3,274	...
Working Capital Fund .. Economic Development Initiative Grants	2,485	...	2,485	2,485	2,381	...	2,381	...
Neighborhood Initiative Demonstration	4,871	...	4,871	4,871	3,437	...	3,437	...
National Housing Development Corporation	289,890	268,577	558,467	229,631	291,648	328,045	619,693	...
National Council of La Raza	43,740	29,987	73,727	51,047	41,664	20,691	62,355	...
Wellstone Center for Community Building ...	4,970	4,967	9,937	4,967	4,762	4,971	9,733	...
Disaster Assistance ...	4,970	4,967	9,937	4,967	4,762	4,971	9,733	...
Resident Opportunity & Supportive Services ..	...	8,941	8,941	8,941	...	...	...	...
Section 805 Economic Development training .	...	547	547	281	150,000	547	150,547	...
Special Olympics .....	...	414	414	307	...	...	...	...
Total Community Development Block Grants .....	...	23	23	10	...	14	14	...
	...	...	...	...	<u>1,984</u>	...	<u>1,984</u>	...
	4,934,325	1,104,378	6,038,703	4,731,170	4,853,073	1,304,669	6,157,742	...

Community Development Block Grants

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters	111	115	101
Field	<u>416</u>	<u>358</u>	<u>299</u>
Total	527	473	400

Community Development Block Grants

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

Entitlement/Nonentitlement	<u>Amount</u>
2004 Appropriation	\$4,330,846
2005 Appropriation	4,109,891
2006 Request	<u>...</u>
Program Improvements/Offsets	-4,109,891

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Entitlement/ Nonentitlement	\$4,330,846	\$534,375	\$4,865,221	\$4,173,858	\$4,109,891	\$691,082	\$4,800,973	...

Proposed Actions

The fiscal year 2006 Budget proposes to consolidate CDBG and other area development assistance programs into a new unified economic development program within the Department of Commerce. The new Strengthening America's Communities Grant Program will better target needy communities and be designed to achieve greater results. The consolidated approach will focus resources on the creation of jobs and opportunities, encourage private sector investment, and include rigorous accountability measures and incentives. Most current CDBG recipients would receive funding under this new program.

This year, the Administration completed a cross-cutting review of Federal community and economic development programs. Several HUD programs were found to parallel programs in other areas of the Government. The consolidation of the CDBG program with other economic development programs will unify and improve on currently separate, but related economic development efforts.

CDBG funds have been provided to entitlement cities, urban counties and States based on the highest of two formulae. Funding for Insular Areas is identified on a separate budget line item; funds are provided to territories on a per capita basis. 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.

Since the program's inception in 1974, over \$109 billion has been awarded to grantees. For fiscal year 2005, there are 1,111 cities and counties that are eligible to receive a CDBG entitlement grant directly from HUD. In addition, 49 States and the Commonwealth of Puerto Rico award more than 3,000 CDBG grants to small cities and counties from CDBG funds allocated to the States by HUD each year. Non-entitlement grants are awarded by HUD to Hawaii's three non-entitlement counties on a formula basis. In 2004, the state of Hawaii permanently elected not to assume administration of this funding under the State CDBG program, in response to statutory language contained in the fiscal year 2004 Consolidated Appropriations Act.

Community Development Block Grants

CDBG has been 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 funding has reflected 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.

Since fiscal year 2003, the Department has been posting on the Internet (<http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/index.cfm>) summaries for all individual grantee's expenditures made during each grantee's program year. Expenditure summaries are by broad eligibility categories and cover CDBG program years 2001 and 2002 with program year 2003 being posted on the Internet during the last quarter of fiscal year 2004 and first quarter of fiscal year 2005. National summaries of spending by all CDBG grantees by fiscal year are also available for fiscal years 2001 through 2004. The Department has also begun posting accomplishment summaries as well. The Department also makes available on the Internet grantee's local addresses and contacts (<http://www.hud.gov/offices/cpd/communitydevelopment/programs/contacts/index.cfm>) as part of the Department's continuing effort to expand citizen access to program information. In the last quarter of fiscal year 2004, the Department posted to the Internet detailed individual CDBG grantee performance reports in a spreadsheet format to provide all citizens even more powerful tools to review and analyze CDBG programs in their communities.

Because of the significant flexibility in uses of CDBG funds, Entitlement cities, urban counties and non-entitlement communities often use the CDBG program in conjunction with many other HUD programs. During fiscal year 2004, all CDBG grantees expended \$4.857 billion. Of this amount, grantees expended funds for the following activity categories: acquisition, disposition, clearance, brownfields, and relocation 5.5 percent; economic development 8.9 percent; housing activities, including direct homeownership assistance, rehabilitation of single and multifamily housing, lead based paint and lead hazard testing and abatement, code enforcement, residential energy efficiency, and code enforcement, 24.0 percent; public facilities acquisition, construction rehabilitation and improvements, including senior centers, centers for the handicapped and disabled, homeless facilities, neighborhood and youth centers, parks and facilities, solid waste facilities, water and sewer improvements, health facilities, and streets and sidewalks, 33.0 percent; public services, including services for seniors, the disabled, the homeless, abused and neglected children, and abused spouses, legal services, youth services, transportation services, substance abuse services, mental health services, and employment training, 11.3 percent; planning and administration expenses 14.5 percent and other, 2.8 percent.

Timely Expenditures. One management concern for CDBG had been the untimely expenditure of funds by some grantees. The Department has reduced 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 implemented a policy that currently provides an entitlement grantee 1 year from the date it is identified as untimely to meet the standard. Failure to meet the drawdown standard by the next measure, absent a show of circumstances beyond the grantee's control, results in a grant reduction of the amount exceeding the standard. As a result, the number of untimely grantees has been reduced from a high of 309 in 1999 to only 55 grants in fiscal year 2004 and as of August 2004 only one of those had failed to raise its performance to satisfactory resulting in a grant reduction. At the urging of HUD over the past 2 years, a number of states have implemented changes to their programs which will increase the rate of expenditure of State CDBG funds by state grant recipients. These changes are beginning to show results; during fiscal year 2004, the cumulative expenditure rate for the State CDBG program increased.

President's Management Agenda-Consolidated Plan Improvement Initiative. 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. It is both an application for all CPD formula grant programs as well as a planning document.

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 results-oriented. Following the initial meeting, working groups met to develop suggestions for improvement. Based on recommendations of the working groups, HUD and grantees have undertaken a series of pilots to test ideas for streamlining the Consolidated Plan. Accomplishments to date include:

Community Development Block Grants

- Issuance of revised policy guidance for completing Consolidated Plans and Annual Action Plans to be submitted in fiscal year 2005;
- Initial planning for modernizing the Integrated Disbursement and Information System (IDIS) to make it more user-friendly and enhance reporting capabilities;
- Completed testing and evaluating several pilots suggested by the working groups;
- Posted the Consolidated Plan Management Process (CPMP) tool on the HUD website to enable grantees to streamline the submission process, create a standardized format that enhances the jurisdiction's ability to track results, and facilitate review by HUD, grantees, and the public;
- Developed regulatory changes to streamline the Consolidated Plan process and make it more results-oriented;
- Participated in a performance measurement working group sponsored by the Council of State Community Development Agencies that included the major community development interest groups and OMB to develop one system to be used by the CPD formula program grantees to report outcomes in a framework that could aggregate results at the national level; (HUD anticipates leveraging this work in the new Commerce program);
- Completed a study that identifies promising performance measurement practices, explores promising ways to design and carry out performance measurement efforts, and recommends workable approaches to national assessments of community development programs; and
- In accordance with Notice 03-09, "Development of State and Local Performance Measurement Systems for CPD Formula Grant Programs", all grantees are reporting to HUD on whether they have a local performance measurement system or, for those that do not, 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.
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.

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.

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 has been 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.

Community Development Block Grants

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, including separate allocations for the Indian CDBG program and the Insular Areas CDBG program, 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
Overcrowded housing - 25 percent	(1960-2000) - 20 percent
	Age of housing stock - 50 percent

"Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data. "Population growth lag" means the extent to which the current population of a metropolitan city or urban county is less than the population it would have had if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and principal cities of MSAs are entitled to funding on the basis of one of the formulas. For fiscal year 2005, 977 metropolitan cities are eligible to receive grants. Of these, 22 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 "principal" 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 2004, 172 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.

Community Development Block Grants

2. Nonentitlement (State/Small Cities Program). Nonentitlement funds have been 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. The state of Hawaii has permanently elected not to administer the State CDBG program. HUD will henceforth administer grants to nonentitlement units of government in Hawaii following the requirements of the Entitlement program, except that the funding will continue to come from the nonentitlement 30 percent of the allocation.

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.

In fiscal year 2005, HUD plans to issue revised regulations for the Insular Areas CDBG program that will include provisions for allocating Insular Areas CDBG funds to other territories.

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

Community Development Block Grants

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 Development Block Grants

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

Section 108 Loan Guarantees	<u>Amount</u>
2004 Appropriation	\$32,767
2005 Appropriation.....	8,691
2006 Request .....	...
Program Improvements/Offsets	-8,691

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Section 108 Loan Guarantees	\$32,767	\$5,450	\$38,217	\$33,082	8,691	\$5,132	\$13,823	...

NOTE: Credit Subsidy of \$3 thousand expired at the end of fiscal year 2004 and credit subsidy of \$4.482 million will expire at the end of fiscal year 2006.

Proposed Actions

Section 108 Loan Guarantee Program. No funding is requested for the Section 108 Loan Guarantee program in fiscal year 2006. The Administration believes that other Federal programs address the objectives of the Section 108 program. The program has been under-utilized compared to authorized levels in recent years. The purposes of this program will be met by the new economic development program within Commerce.

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.

Community Development Block Grants

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

Insular Area CDBG Program	<u>Amount</u>
2004 Appropriation	[\$6,959]
2005 Appropriation	6,944
2006 Request .....	...
Program Improvements/Offsets	-6,944

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Insular Area CDBG Program	[\$6,959]	...	...	...	\$6,944	...	\$6,944	...

NOTE: In fiscal year 2004 and 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

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). Beginning with fiscal year 2005, the Insular CDBG program is authorized under 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).

Between 1982 and 2004, more than \$124 million was provided to insular areas by annual discretionary appropriations 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 required the Department to issue implementing regulations within 90 days of enactment. In 2004, HUD published an interim rule to implement these statutory changes starting in fiscal year 2005. As in earlier years, Insular CDBG funds will be distributed based on population, although the statutory revision gives HUD the authority to develop another formula based on improved availability of insular area Census data if it deems appropriate. Insular areas will now become subject to timeliness standards, and HUD will issue a rule in 2005 proposing specific timely expenditure standards for the program. 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. The 2004 interim rule also allows Insular Area grantees to participate in the Section 108 Loan Guarantee program for the first time, as these grantees will henceforth have an assured stream of future CDBG allocations to pledge as security for the loan guarantee repayment.

Community Development Block Grants

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)**

Indian Tribes	<u>Amount</u>
2004 Appropriation	\$71,575
2005 Appropriation	68,448
2006 Request .....	...
Program Improvements/Offsets	-68,448

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Indian Tribes	\$71,575	\$80,028	\$151,603	\$77,489	\$68,448	\$73,975	\$142,423	[\$57,783]

Proposed Actions

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 \$57.8 million for Native American Housing and Economic Development Block Grant activities within the Native American Housing Block Grants program. 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.

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. Up to \$4 million may be used for imminent threats to health and safety under a separate competition pursuant to the regulations in 24 CFR 1003, subpart E.

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).

Several performance goals have been established for this program. The fiscal year 2004 goals and accomplishments are provided below:

- Increase by 10 percent the number of jobs created through the ICDBG program. In fiscal year 2004, approximately 200 jobs were targeted; as of the end of May 2004, approximately 300 jobs have been created.

Community Development Block Grants

- Obtain a 90 percent reporting rate for grantees, as reported in the ASER system (Annual Status and Evaluation Report). As of the end of May 2004, an 85 percent reporting rate had been achieved.
- Achieve a 40 percent reduction in undisbursed funds, as reported in LOCCS, the Line of Credit Control System. As of the end of May 2004, a 36 percent reduction had been achieved.
- Conduct six training sessions on the ICDBG program for potential grant recipients. As of the end of May 2004, eight training sessions had been conducted.

Community Development Block Grants

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

Section 107 Grants	<u>Amount</u>
2004 Appropriation	\$51,694
2005 Appropriation	43,350
2006 Request .....	...
Program Improvements/Offsets	-43,350

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Section 107 Grants	\$51,694	\$53,488	\$105,182	\$52,540	\$43,350	\$52,801	\$96,151	...

Proposed Actions

A total of \$29.038 million is included in the Research and Technology budget proposal for programs under Section 107 of the Housing and Community Development Act. These programs will be administered by the Office of Policy Development and Research. Following is a breakout of the funding:

DISTRIBUTION OF SECTION 107

	<u>ACTUAL 2004</u>	<u>ESTIMATE 2005</u>	<u>ESTIMATE 2006</u>
	Dollars in Thousands)		
Insular Areas a/	\$6,959	\$[6,944]	...
Technical Assistance	1,491	1,389	...
Program Management and Analytical Support . . . . .	...	...	...
Historically Black Colleges and Universities	10,438	9,920	\$8,967
Community Development Work Study	2,982	2,877	2,562
Hispanic-Serving Institutions Assisting Communities	6,959	6,646	5,979
Alaska Native & Native Hawaiian Institutions Assisting Communities	3,479	3,968	2,989
Tribal Colleges & Universities	2,982	2,976	2,562
Hawaiian Homelands Homeownership	9,444	8,928	b/
Community Outreach Partnership Centers	<u>6,959</u>	<u>6,646</u>	<u>5,979</u>
Total Section 107.	51,693	43,350	29,038

a/ In fiscal year 2004, Insular Areas were funded in Section 107. In fiscal year 2005, the American Dream Downpayment Act transferred funding for Insular areas to Section 106.

b/ In fiscal year 2006, \$8.8 million is requested in a separate account for this program.

Community Development Block Grants

Technical Assistance (TA).

Technical Assistance (TA) projects have provided the support and tools to strengthen local capacity, improve program compliance, ensure cost-effectiveness, and relate innovative approaches to community revitalization. Beginning in fiscal year 2004, emphasis of TA funds has been to improve local performance measures and systems. The Department achieves greater levels of success when sufficient TA resources have been made available to help grantees develop working local performance measurement systems for the CDBG program, incorporate performance measurement into the Consolidated Plan process, and provide measurable results of grantees' CDBG program activities in developing viable urban and rural urban communities through the provision of decent housing and a suitable living environment and expansion of economic opportunities, principally for persons of low and moderate income. TA funds enable HUD to provide targeted 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 and results-oriented performance measurement. In addition, TA funds enable the production of materials, written and web-based, to guide States, entitlement communities, and their subrecipients. Funds are used to conduct activities that allow grantees to avoid individually recreating needed training and instructional materials. 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 100 new grantees in fiscal years 2004 and 2005 and constant turnover in staff for existing grantees, TA is a critical means of ensuring compliance and good use of CDBG funds.

Between 2000 and 2003, the CDBG program did not receive any funding for TA. Funds received in 2004 have been committed to six basic training courses for new grantees and new staff, performance measurements and other activities. 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.

University/Community Partnership Grant Programs. This Budget requests \$29 million for University programs/Community Partnership Grant Programs within the Research and Technology account. HUD's Policy Development and Research office has already been administering these programs. HUD currently provides grants to colleges and universities under six programs: Historically Black Colleges and Universities (HBCUs), 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 2006, a total of \$8.967 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.
- Community Development Work Study (CDWS). For fiscal year 2006, the Budget proposes \$2.562 million for the CDWS program. There is a large, untapped source of students for this program, e.g., 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 economically disadvantaged students into graduate-level programs in urban planning, public administration, and community development.

Community Development Block Grants

- Hispanic-Serving Institutions Assisting Communities (HSIAC). The Budget proposes \$5.979 million for the HSIAC program. The program is designed to help Hispanic-Serving colleges and universities expand their role and effectiveness in addressing community development needs. Rapid changes in domestic demographics have given rise to a dramatic increase in the number of institutions achieving the "Hispanic-Serving" designation.
- Alaska & Hawaiian Serving Institutions. The Budget proposes \$2.989 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 \$2.562 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 \$5.979 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.

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

Youthbuild	<u>Amount</u>
2004 Appropriation	\$64,617
2005 Appropriation	61,504
2006 Request .....	...
Program Improvements/Offsets	-61,504

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Youthbuild	\$64,617	\$64,912	\$129,529	\$63,343	\$61,504	\$66,186	\$127,690	...

Proposed Actions

The Budget proposes transfer of the Youthbuild program to the Department of Labor within the Employment and Training Administration, as recommended by the President's Task Force on Disadvantaged Youth, since their strategic goals and missions align directly with Youthbuild's goals and mission. While Youthbuild is a mandatory partner in the Nation's One-Stop Career Center system administered by the Department of Labor under the Workforce Investment Act of 1998 (WIA), the President's Task Force found that a more direct linkage between the program and the system's activities was needed. The Task Force asserted that integrating Youthbuild funding into a Federal agency that is responsible for delivering youth employment services would benefit the program and its participants. Policies could be streamlined, and services could be expanded by leveraging program funds. More individuals could be served in a more effective and comprehensive manner, enhancing program performance, and supporting a competitive and prepared workforce.

Youthbuild 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.

Youthbuild reaches one of the most difficult to serve populations: undereducated, and/or adjudicated, unemployed young adults. Approximately 87 percent of students enter the program without a high school diploma or GED and nearly 27 percent are on public assistance. Thirty 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 addresses these issues, in both rural and urban areas across the United States, by providing an alternative. An estimated 59 percent of participants enrolled in the Youthbuild program graduate, and over 81 percent of graduates attain placement in jobs or in school.

Collection of data from active Youthbuild projects for the period of October 1, 2003 through September 30, 2004 found that 3,896 participants were trained and 1,375 received a GED. Furthermore, 373 housing units were constructed and another 1,069 were rehabilitated.

Community Development Block Grants

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."

Community Development Block Grants

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

Self-Help Homeownership Initiative	<u>Amount</u>
2004 Appropriation	\$26,841
2005 Appropriation	24,800
2006 Request	---
Program Improvements/Offsets	-24,800

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Self-Help Homeownership Initiative.....	\$26,841	\$25,086	\$51,927	\$25,086	\$24,800	\$26,841	\$51,641	[\$30,000]

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

<u>Projects Status</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Projects Under Construction.....	2,936	2,395	2,100	2,100
Projects Completed.....	2,063	2,157	1,722	1,500

The fiscal year 2004 SHOP competitive awards will not be made until January 2005.

Proposed Actions

The fiscal year 2006 Budget proposes \$30 million for SHOP, a key to accomplishing the President's priority to increase homeownership. The fiscal year 2006 Budget requests funding in a separate account. Eligible uses of funds are land acquisition, infrastructure improvements, and administrative costs.

The increase in SHOP funding from the 2004 appropriation level recognizes the importance of this program and its participants to deliver. 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

Community Development Block Grants

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 \$27 million in fiscal year 2004 generated \$57 million in funding requests. Finally, due to the increases in land acquisition costs across the country, the maximum average per-unit SHOP subsidy limit of \$10,000 was raised to \$15,000 in the fiscal year 2004 Notice of Funding Availability (NOFA). Consequently, it is projected that no less than \$30 million in funding will be needed to maintain an annual 1,500-unit production under SHOP.

Program Design

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 2,000 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 has not exceeded an average of \$10,000 per unit, rising to \$15,000 in fiscal year 2004. 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.

Program Operations

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, \$25 million, and \$26.8 million were made available in fiscal years 2002, 2003 and 2005, respectively, and \$24.8 million was appropriated in fiscal year 2005. The fiscal year 2004 NOFA was issued with awards expected to be made in January of 2005. 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, 2003, respectively. During fiscal year 2004, 1,722 units were completed. The number of projected completions are 1,500 in fiscal years 2005 and 2006. Currently, about 2,100 units are under development. Grantees have completed construction on 12,360 housing units from all funding years as of September 30, 2004.

Community Development Block Grants

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

Capacity Building for Community Development and Affordable Housing	<u>Amount</u>
2004 Appropriation	\$34,545
2005 Appropriation	34,224
2006 Request .....	...
Program Improvements/Offsets	-34,224

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Capacity Building for Community Development and Affordable Housing	\$34,545	\$28,066	\$62,611	\$28,066	\$34,224	\$34,545	\$68,769	...

Proposed Actions

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) in 23 cities, and was amended in 1997 to enable NCDI's intermediaries, Local Initiatives Support Corporation (LISC) and The Enterprise Foundation, as well as Habitat for Humanity International and Youthbuild USA, to serve low-income communities nationwide, including rural and tribal areas.

This Budget proposes no new funding for the national Community Development Initiative/Section 4 program. The purposes of this program will be met by the Strengthening America's Communities Grant program within the Department of Commerce. HUD funding represents only a portion of the total resources committed to this initiative. NCDI funding from private partners has grown from \$62.9 million in grants and loans from 8 private foundations and financial institutions in 1991 to \$96.7 million from 16 foundations, corporations and financial institutions in their current phase.

Several program evaluations found that NCDI has increased the number of capable community development corporations (CDCs) in 23 localities. The purpose of the Federal contribution--to build an ongoing, self-sustaining network of support for local community development--has shown significant results.

Community Development Block Grants

An independent evaluation by the Urban Institute in 2001 indicated that Section 4 has had a major impact on the organizational growth and capacity development of CDCs in many of the Nation's poorest communities. As a result of \$150 million invested 1991 through 2000, which leveraged 7 times that amount from other sources: the number of capable CDCs in those 23 localities has nearly doubled, from 4.5 per city to 8.3; the top tier of CDCs has grown by approximately 45 percent;¹ and their operating budgets have grown by almost two-thirds (63 percent). Also, a program evaluation was done internally, and the assessment concluded that NCDI's mission and program design are clear, HUD oversight is sound, and performance measures focus on increasing the capacity of CDCs. The program has succeeded in increasing the number of capable CDCs.

Enterprise and LISC have thus far emphasized housing development--the core business product for most CDCs nationwide--along with some investments in other community development activities, such as economic development, workforce development, childcare, and community safety. The Urban Institute evaluation found that through NCDI, the intermediaries were able to help CDCs in 23 targeted cities develop 19,286 units of affordable housing from 1991 through 2001. Revitalized housing and safer communities lead to stronger retail demand and otherwise stimulate neighborhood economies, and becoming effective at housing development is often the first step for CDCs in mastering the distinct challenges of economic development and other community development activities. Without abandoning housing development, which is a critical foundation and complement to other community development activities, this Budget will support the broader agenda as appropriate locally.

¹ The Urban Institute characterized "top-tier" CDCs based on their: "1) planning for neighborhood improvement; 2) ability to secure external support (funding and technical resources); 3) accountable and efficient internal operations and board governance; 4) effective and efficient program delivery; and 5) the ability to create and sustain strong networks of relationships with neighborhood and external stakeholders, including political leadership."

Community Development Block Grants

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

Housing Assistance Council	<u>Amount</u>
2004 Appropriation	\$3,281
2005 Appropriation	3,274
2006 Request	<u>...</u>
Program Improvements/Offsets	-3,274

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Housing Assistance Council	\$3,281	...	\$3,281	\$3,281	\$3,274	...	\$3,274	...

Proposed Actions

This Budget proposes no funding for the Housing Assistance Council (HAC). HAC is a recipient of Self-Help Homeownership Opportunity funding (SHOP) which the fiscal year 2006 Budget proposes to increase by \$5 million. Building housing for low-income rural Americans has been HAC's work for 32 years. HAC builds 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."

The following is some selected information on HAC activities: as of September 30, 2004, there were 254 active loans totaling \$35.5 million; loan commitments during fiscal year 2004 were \$17.7 million; 80 total loans were made in fiscal year 2004; 362 local non-profits were aided with intensive technical assistance and training in fiscal year 2004.

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>
2004 Appropriation	\$2,485
2005 Appropriation	2,381
2006 Request .....	...
Program Improvements/Offsets	-2,381

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
National American Indian Housing Council	\$2,485	...	\$2,485	\$2,485	\$2,381	...	\$2,381	...

Proposed Actions

This Budget proposes no funding for the National American Indian Housing Council (NAIHC) in fiscal year 2006. Established in 1974, NAIHC delivered technical assistance and training to Tribally Designated Housing Entities (TDHEs) and undertook research and provided information on Native American Housing issues. NAIHC provided 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).

In fiscal year 2003, NAIHC trained 430 individuals, provided Technical Assistance Training and Workshops to 452 individuals, conducted TA on site for 423 individuals, and gave conferences for 416 individuals.

Community Development Block Grants

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

Working Capital Fund	<u>Amount</u>
2004 Appropriation	\$4,871
2005 Appropriation	3,437
2006 Request .....	...
Program Improvements/Offsets	-3,437

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Working Capital Fund ..	\$4,871	...	\$4,871	\$4,871	\$3,437	...	\$3,437	...

Proposed Actions

This Budget proposes no funding for the Working Capital Fund (WCF) in this account due to the transfer of activities to the Department of Commerce.

Community Development Block Grants

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

Economic Development Initiative Grants	<u>Amount</u>
2004 Appropriation	\$289,890
2005 Appropriation	291,648
2006 Request .....	...
Program Improvements/Offsets	-291,648

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Economic Development Initiative Grants	\$289,890	\$268,577	\$558,467	\$229,631	\$291,648	\$328,045	\$619,693	...

Proposed Actions

No funding is requested for fiscal year 2006 in order to provide funding to priority community development programs including HOME, and Homeless programs.

Section 108(q) of the of the Housing and Community Development Act of 1974, as amended 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. The EDI grants under Section 108(q) for use with Section 108 loans have not been funded in recent years.

In recent years, Congress has appropriated EDI funding for special projects that are not required to be used with Section 108 loans. These grants are either for construction or planning and design. For construction grants, only 20 percent of the grant may be used for planning, management and administration, whereas all of a planning grant may be used for these purposes. No funds may be used for program operations in any grant. No funds may be used to reimburse expenses incurred prior to the date of appropriation.

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 95 percent are still in progress. All of the 902 fiscal year 2004 EDI grants are still in progress.

In fiscal year 2005, this general category includes separate appropriations of \$30.752 million for the Hudson River Park Trust and \$992 thousand for the Benjamin A. Gilman Institute for the Political and International Studies Program at the State University of New York's Orange County Community College.

Community Development Block Grants

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

Neighborhood Initiative Demonstration	<u>Amount</u>
2004 Appropriation	\$43,740
2005 Appropriation	41,664
2006 Request .....	...
Program Improvements/Offsets	-41,664

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Neighborhood Initiative Demonstration	\$43,740	\$29,987	\$73,727	\$51,047	\$41,664	\$20,691	\$62,355	...

Proposed Actions

No funding is requested for fiscal year 2006 in order to provide funding to priority community development programs including HOME and Homeless programs.

The Appropriations Acts for fiscal years 1998 through 2004 provided earmarked funding for Neighborhood Initiative projects 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.

Community Development Block Grants

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

National Housing Development Corporation	<u>Amount</u>
2004 Appropriation	\$4,970
2005 Appropriation	4,762
2006 Request .....	...
Program Improvements/Offsets	-4,762

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
National Housing Development Corporation	\$4,970	\$4,967	\$9,937	\$4,967	\$4,762	\$4,971	\$9,733	...

Proposed Actions

No funding is requested for fiscal year 2006 in order to provide funding to priority community development programs including HOME and Homeless programs.

Each Appropriation Act since fiscal year 2001 has 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.

Community Development Block Grants

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

National Council of La Raza	<u>Amount</u>
2004 Appropriation	\$4,970
2005 Appropriation	4,762
2006 Request .....	...
Program Improvements/Offsets	-4,762

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
National Council of La Raza	\$4,970	\$4,967	\$9,937	\$4,967	\$4,762	\$4,971	\$9,733	...

Proposed Actions

No funding is requested for fiscal year 2006 in order to provide funding to priority community development programs including HOME and Homeless programs.

Each Appropriation Act since fiscal year 2002 has 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) is a 509(a)(3) subsidiary corporation of the National Council of La Raza, which was formed in 1994, specifically to do direct lending and provide technical assistance to community development projects sponsored by Latino community based organizations nationally. RDF, 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 non-profit affiliates nationally.

Community Development Block Grants

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

Wellstone Center for Community Building	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Wellstone Center for Community Building	\$8,941	\$8,941	\$8,941	...	...	...	...

Proposed Actions

No funding has been requested or provided since fiscal year 2003 and no funding is requested for fiscal year 2006.

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.

Community Development Block Grants

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

Disaster Assistance	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation	\$150,000
2006 Request .....	...
Program Improvements/Offsets	-150,000

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Disaster Assistance	\$547	\$547	\$281	\$150,000	\$547	\$150,547	...

NOTE: The obligations in fiscal year 2004 were from recaptures of formula grant funds used for disasters.

Proposed Actions

No funding is requested for fiscal year 2006.

HUD has also received supplemental appropriations of \$700 million in fiscal year 2001, and \$2 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.

HUD received an appropriation in Public Law 108-324 of \$150 million in fiscal year 2005 for disaster relief, long-term recovery, and mitigation in communities affected by disasters designated by the President between August 31, 2003 and October 1, 2004.

Community Development Block Grants

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

Resident Opportunity & Supportive Services	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Resident Opportunity & Supportive Services	\$414	\$414	\$307	...	...	...	...

Proposed Actions

No funding is requested for fiscal year 2006 in CDBG, but is requested in the Public Housing Capital Fund, as has been the practice since 2003.

Community Development Block Grants

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

Section 805 Economic Development training	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Section 805 Economic Development training	\$23	\$23	\$10	...	\$13	\$13	...

Proposed Actions

No funding is requested for fiscal year 2006 in that this was a one-time appropriation for training purposes several years ago and all resources are projected to be used by the end of fiscal year 2005.

Community Development Block Grants

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

Special Olympics	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation	\$1,984
2006 Request	<u>...</u>
Program Improvements/Offsets	-1,984

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Special Olympics	\$1,984	...	\$1,984	...

Proposed Actions

This set-aside is funded at \$1.984 million for fiscal year 2005. There is no request in fiscal year 2006.

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.

	ACTUAL <u>2004</u>	ESTIMATE <u>2005</u>	ESTIMATE <u>2006</u>
	(Dollars in Thousands)		
Unobligated balance, start of year....	\$1,104,378	\$1,304,669	\$1,040,741
Appropriation.....	4,963,610	4,891,000	...
Rescissions.....	-29,285	-37,928	...
Transfer to De Nali Commission.....	-1,988	...	...
Prior Year Recoveries.....	<u>1,672</u>	<u>...</u>	<u>...</u>
Total Available.....	6,038,387	6,157,741	1,040,741
Obligations, gross (excluding reimbursements).....	-4,731,170	-5,117,000	-1,040,741
Unobligated balance expiring.....	<u>-2,548</u>	<u>...</u>	<u>...</u>
Unobligated balance, end of year.....	1,304,669	1,040,741	...

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

	ACTUAL <u>2004</u>	ESTIMATE <u>2005</u>	ESTIMATE <u>2006</u>
	(Dollars in Thousands)		
Obligated balance, start of year.....	\$11,368,857	\$10,692,123	\$10,436,123
Obligations, gross.....	<u>4,731,170</u>	<u>5,117,000</u>	<u>1,040,741</u>
Subtotal.....	16,100,027	15,809,123	11,476,864
Outlays (Gross).....	-5,388,347	-5,373,000	-5,353,000
Adjustment in expired accounts.....	-17,885	...	...
Adjustment in unexpired accounts.....	<u>-1,672</u>	<u>...</u>	<u>...</u>
Obligated balance, end of year.....	10,692,123	10,436,123	6,123,864

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

Community Development Block Grants



"FY 06 state by state
for CDBG Justificator

Community Development Block Grants

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Performance Measurement Table

Program Name: COMMUNITY DEVELOPMENT BLOCK GRANTS					
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	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
The number of households receiving housing assistance with CDBG.	Integrated Disbursement & Information System (IDIS)	178,852	159,703	173,486	N/A
Jobs will be created or retained through CDBG.	IDIS	84,000	78,828	82,378	N/A
The share of CDBG entitlement funds that benefit low- and moderate-income persons.	IDIS	92%	95%	92%	N/A
The share of State CDBG funds that benefit low- and moderate-income persons.	IDIS	96%	96%	96%	N/A
For CDBG Entitlement grantees, increase the number of approved Neighborhood Revitalization Strategy Areas.	IDIS	N/A	N/A	5%	N/A
The share of completed CDBG activities for which grantees satisfactorily report accomplishments.	IDIS	90%	95%	93%	N/A
The number of youths trained in construction trades through Youthbuild.	Annual Progress Reports	3,728	3,896	3,728	N/A
Streamline Consolidated Plan.	Consolidated Plan	Finalize Decisions	Developed regulations	Revise regulations	N/A

N/A = Not Applicable.

Community Development Block Grants

Explanation of Indicators

Current measures of CDBG program performance are general output indicators and, where continued in fiscal year 2006, reflects projections based on appropriations and spendout of resources from fiscal year 2005 and prior years.

The CDBG program is being consolidated with other economic development programs in the Department of Commerce. The following performance measurement efforts are available to inform and assist the Department of Commerce. 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 2-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 were contingent upon major improvements to HUD's Integrated Disbursement and Information System (IDIS) upgrades currently underway.

The Community Development Block Grant (CDBG) program has provided 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.

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 has provided 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 have accounted for a large percentage (24 percent in fiscal year 2004) of activities carried out under the CDBG program. By preserving existing housing stock and developing new housing opportunities, the CDBG program has helped meet the strategic goals and objectives related to promoting affordable housing opportunities. The CDBG program, along with the HOME program, have been 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 CDBG program has directly supported 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 has directly supported Strategic Objective A.3, "Increase housing opportunities for the elderly and persons with disabilities."

The CDBG program has directly supported 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, 184,611 households in fiscal year 2003, and 159,703 households in fiscal year 2004. The CDBG program is projected to assist 173,486 households in 2005.

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 has provided 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

CDBG request supported Strategic Goal C: Strengthen communities, specifically Objective C.2: Help communities more readily access revitalization resources to become more livable. In 2002, 2003, and 2004, 90,263, 108,684, and 78,828 jobs were created or retained through CDBG respectively. Through CDBG, 82,378 jobs are expected to be created or retained in 2005.

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 has done considerable work in developing 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 resource in this area.

CDBG Performance Reporting and Program Evaluation

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

Goal C: Strengthen Communities

The Community Development Block Grant (CDBG) program has provided 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 Salaries and Expenses 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.

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. HUD implemented a policy that currently provides an entitlement grantee 1 year from the date it is identified as untimely to meet the standard. Failure to meet the drawdown standard by the next measure, absent a show of circumstances beyond the grantee's control, results in a grant reduction of the amount exceeding the standard. As a result, the number of untimely grantees has been reduced from a high of 309 in 1999 to only 55 grants in fiscal year 2004 and as of August 2004 only one of those had failed to raise its performance to satisfactory resulting in a grant reduction. At the urging of HUD over the past 2 years, a number of states have implemented changes to their programs which will increase the rate of expenditure of State CDBG funds by state grant recipients. These changes are beginning to show results; during fiscal year 2004, the cumulative expenditure rate for the State CDBG program increased.

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.

Technical Assistance has been a component to the CDBG program. Technical Assistance projects have assisted States, communities, and Native American tribes in planning, developing and administering Title I assistance.

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

The 2006 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, \$6,000,000, to remain available until September 30, 2006, 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, \$4,709,000,000, to remain available until September 30, 2007, unless otherwise specified: *Provided*, That of the amount provided, \$4,150,035,000 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 \$69,000,000 shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act, of which, notwithstanding any other provision of law (including section 205 of this Act), up to \$4,000,000 may be used for emergencies that constitute imminent threats to health and safety; \$3,300,000 shall be for a grant to the Housing Assistance Council; \$2,400,000 shall be for a grant to the National American Indian Housing Council; \$4,800,000 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; \$4,800,000 shall be available as a grant to the Raza Development Fund of La Raza for the HOPE Fund, of which \$500,000 is for technical assistance and fund management, and \$4,300,000 is for investments in the HOPE Fund and financing to affiliated organizations; \$43,700,000 shall be for grants pursuant to section 107 of the Act, of which \$9,000,000 shall be for the Native Hawaiian block grant authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996, to remain available until expended, of which \$500,000 shall be for training and technical assistance; \$3,465,000 shall be transferred to the Working Capital Fund; \$25,000,000 shall be for grants pursuant to the Self Help Homeownership Opportunity Program; \$34,500,000 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 \$4,500,000 shall be for capacity building activities administered by Habitat for Humanity International; \$2,000,000 shall be for the Special Olympics National Games Organizing Committee for planning, equipment, and operational expenses associated with the 2006 games in Ames, Iowa; \$62,000,000 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 \$9,000,000 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.]

Community Development Block Grants

[Of the amount made available under this heading, \$42,000,000 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 statement of managers accompanying this Act.]

[Of the amount made available under this heading, \$262,000,000 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 statement of managers accompanying this Act: Provided, That none of the funds provided under this paragraph may be used for program operations.]

Explanation of Changes

Deletes language providing for Community Development Loan Guarantees and the Community Development Fund. The budget proposes to consolidate CDBG, and most other set-asides within the Community Development Fund, into a new economic development program to be administered by the Department of Commerce. The programs appropriated within the Community Development Fund that would remain within HUD include the Self-Help Homeownership Opportunity program (SHOP), the Indian Community Development Block Grant program (ICDBG), and the University Partnerships programs (OUP).

Community Development Block Grants

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

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Entitlement/Nonentitlement	\$4,356,550	-\$25,704	...	...	\$534,375	\$4,865,221
Insular Area CDBG Program	[7,000]	[-41]	...	...	...	...
Indian Tribes	72,000	-425	...	...	80,028	151,603
Section 107 Grants	52,000	-306	...	...	53,488	105,182
Youthbuild	65,000	-383	...	...	64,912	129,529
Self-Help Homeownership Initiative ..	27,000	-159	...	...	25,086	51,927
Capacity Building for Community Development and Affordable Housing .	34,750	-205	...	...	28,066	62,611
Housing Assistance Council	3,300	-19	...	...	...	3,281
National American Indian Housing Council	2,500	-15	...	...	...	2,485
Working Capital Fund	4,900	-29	...	...	...	4,871
Economic Development Initiative Grants	291,610	-1,720	...	...	268,577	558,467
Neighborhood Initiative Demonstration National Housing Development Corporation	44,000	-260	...	...	29,987	73,727
.....	5,000	-30	...	...	4,967	9,937
National Council of La Raza	5,000	-30	...	...	4,967	9,937
Wellstone Center for Community Building .....	...	...	...	...	8,941	8,941
Disaster Assistance .....	...	...	...	...	547	547
Resident Opportunity & Supportive Services .....	...	...	...	...	414	414
Section 805 Economic Development training .....	...	...	...	...	23	23
Special Olympics .....	...	...	...	...	...	...
Total	4,963,610	-29,285	...	...	1,104,378	6,038,703

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Crosswalk of 2005 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 President's Budget Request</u>	<u>Congressional Appropriations Action on 2005 Request</u>	<u>2005 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Entitlement/Nonentitlement	\$4,323,887	\$4,143,035	-\$33,144	...	\$691,082	\$4,800,973
Insular Area CDBG Program	6,959	7,000	-56	...	...	6,944
Indian Tribes	71,575	69,000	-552	...	73,975	142,423
Section 107 Grants	35,290	43,700	-350	...	52,801	96,151
Youthbuild	64,617	62,000	-496	...	66,186	127,690
Self-Help Homeownership Initiative ..	65,000	25,000	-200	...	26,841	51,641
Capacity Building for Community Development and Affordable Housing .	29,500	34,500	-276	...	34,545	68,769
Housing Assistance Council	3,281	3,300	-26	...	...	3,274
National American Indian Housing Council	2,485	2,400	-19	...	...	2,381
Working Capital Fund	500	3,465	-28	...	...	3,437
Economic Development Initiative Grants .....	...	294,000	-2,352	...	328,045	619,693
Neighborhood Initiative Demonstration National Housing Development Corporation .....	...	42,000	-336	...	20,691	62,355
...	...	4,800	-38	...	4,971	9,733
National Council of La Raza .....	...	4,800	-38	...	4,971	9,733
Wellstone Center for Community Building .....	...	...	...	...	...	...
Disaster Assistance .....	...	...	150,000	...	547	150,547
Resident Opportunity & Supportive Services .....	...	...	...	...	...	...
Section 805 Economic Development training .....	...	...	...	...	14	14
Special Olympics .....	...	2,000	-16	...	...	1,984
Total Changes	4,603,094	4,741,000	112,073	...	1,304,669	6,157,742