

1 **The CDBG Reform Act of 2006**

2
3 **A BILL**

4
5 To amend the Housing and Community Development Act of 1974 to establish a new formula
6 allocation for the Community Development Block Grant program, to establish performance
7 measurements for grantees receiving block grant funds from the Department of Housing and
8 Urban Development, to authorize the Secretary to establish an Economic Redevelopment and
9 Revitalization Competitive Grant Program, and for other purposes.

10
11 *Be it enacted by the Senate and House of Representatives of the United States of America in*
12 *Congress assembled, That*

13
14 **SECTION 1. SHORT TITLE.**—This Act may be cited as the “Community Development Block
15 Grant Reform Act of 2006.”

16 **SEC. 2. FINDINGS AND PURPOSES.**

17 (a) FINDINGS.—

18 (1) While the Nation’s economy is a powerful and dynamic source of prosperity,
19 some American communities do not enjoy these benefits.

20 (2) Two types of economic and community development problems warrant
21 federal assistance—

22 (A) Concentrated urban high-poverty neighborhoods—compared to the
23 metropolitan averages, urban poverty areas lag behind with three-fourths the rate
24 of employment and less than half the rate of homeownership.

25 (B) Transitioning areas with severe and sudden job losses and areas in
26 which rapid shifts in trade patterns or declines in the industrial base or the natural
27 resource base are causing major economic dislocation.

28 (3) While the Community Development Block Grant program’s formulas have not
29 changed since the 1970s, demographic changes since then have resulted in substantial

1 funding inequities and great variations in per capita funding for grantees of similar needs,
2 as measured by such factors as poverty rate, concentrated poverty, jurisdiction per capita
3 income relative to its metropolitan area, change in poverty and income over time, female
4 headed households with children, low educational achievement, distressed housing,
5 overcrowding, crime, racial segregation, population decline, and unemployment, which
6 has greatly reduced the ability of the existing formulas to address community
7 development needs across the Nation.

8 (4) Providing incentives to communities that demonstrate results in improving
9 economic opportunity and the livability of their communities for their citizens would be
10 the most efficient and effective way to address these economic and community
11 development problems.

12 (b) PURPOSES.—The purposes of this Act are to:

13 (1) promote community development and reduce chronic poverty among residents
14 of distressed neighborhoods and communities;

15 (2) empower communities to increase economic opportunities for their low-
16 income residents, improve the living environment of communities, and develop self-
17 sustaining, dynamic economies;

18 (3) target funding to those communities most in need of assistance;

19 (4) leverage private sector investments to develop a more competitive and
20 diversified economic base in low-income areas; and

21 (5) hold formula grantees accountable for reaching their community development
22 objectives and for achieving tangible results commensurate with the dollars spent.

23 **SEC. 3. DEFINITIONS.**

1 Section 102(a) of the Housing and Community Development Act of 1974 (42 U.S.C.
2 5302(a)) is amended—

3 (1) in paragraph (3), by striking “standard”;

4 (2) in paragraph (4)(A)—

5 (A) by striking “metropolitan area” and inserting “metropolitan statistical area”;

6 and

7 (B) by striking “central” and inserting “principal”;

8 (3) in paragraph (6)(A), by striking “metropolitan area” and inserting “metropolitan
9 statistical area”; and

10 (4) by adding at the end the following:

11 “(25) The term “formula grantee” means States as defined in paragraph (2),
12 metropolitan cities as defined in paragraph (4), urban counties as defined in paragraph
13 (6), and the Counties of Hawaii, Kauai and Maui, in the State of Hawaii.

14 “(26) the term “distressed neighborhood” means a neighborhood that exhibits a
15 high incidence of poverty and shows evidence of physical deterioration of real property
16 and economic disinvestment.

17 “(27) the term “neighborhood revitalization strategy area” means a geographically
18 defined targeted area in which a unit of general local government is undertaking a
19 program of concentrated activities to address the housing, community, and economic
20 development needs in a distressed neighborhood that will result in significant social,
21 physical, and economic improvements in the neighborhood, as determined by the
22 Secretary.

23 **SEC. 4. FORMULA GRANTS.**

1 (a) Section 102(b) of the Housing and Community Development Act of 1974 (42 U.S.C.
2 5302(b)) is amended—

3 (1) in the first sentence by inserting “or the terms, factors or ratios used in section
4 106(b)(1)(A)” after “subsection (a)”; and

5 (2) in the second sentence by inserting “or the terms, factors or ratios used in
6 section 106(b)(1)(A)” after “subsection (a)”.

7 (b) Section 106(a) of the Housing and Community Development Act of 1974 (42 U.S.C.
8 5306(a)) is amended—

9 (1) in paragraph (2), by striking the first sentence and inserting—

10 “For each fiscal year, the Secretary shall reserve for grants to insular areas 0.19
11 percent of the amount approved in appropriation Acts under section 103 for grants for
12 such fiscal year (excluding the amounts provided for use in accordance with section
13 107).”; and

14 (2) by striking paragraph (4) and inserting the following—

15 “(4) Of the amount remaining after allocations pursuant to paragraphs (1), (2), and
16 (3), and except as otherwise specifically authorized, each formula grantee shall be
17 entitled to an annual grant in an amount not exceeding its basic amount computed
18 pursuant to subsection (b).”.

19 (c) Section 106(b) of the Housing and Community Development Act of 1974 (42 U.S.C.
20 5306(b)) is amended—

21 (1) by striking paragraph (1) and inserting the following—

1 “(1) The Secretary shall determine the amount to be allocated to each formula
2 grantee, which shall be the amount that bears the same ratio to the allocation for all
3 formula grantees as—

4 “(A) the average of the ratios between—

5 “(i) the extent of poverty, excluding unrelated individuals enrolled
6 in college, in that formula grantee and the extent of poverty, excluding
7 unrelated individuals enrolled in college, in all formula grantees;

8 “(ii) the number of female-headed households with children under
9 the age of eighteen in that formula grantee and the number of female-
10 headed households with children under the age of eighteen in all formula
11 grantees;

12 “(iii) the extent of housing overcrowding in that formula grantee
13 and the extent of housing overcrowding in all formula grantees; and

14 “(iv) the number of housing units 50 years or older and occupied
15 by a household living in poverty in that formula grantee and the number of
16 housing units 50 years or older and occupied by a household living in
17 poverty in all formula grantees; and

18 “(B) adjusted by the ratio of per capita income of the metropolitan area to
19 the per capita income of the formula grantee within the metropolitan area, with no
20 adjustment to increase or decrease any grant by more than 25 percent, and with
21 the ratio for states and other formula grantees outside of the metropolitan areas to
22 be established as one.”;

23 (2) by amending paragraph (2) to read as follows—

1 “(2) In determining the average of ratios under paragraph (1)(A), 50 percent of the
2 funds allocated shall be based on the ratio involving the extent of poverty, excluding
3 unrelated individuals enrolled in college, 10 percent of the funds allocated shall be based
4 on the ratio involving female-headed households, 10 percent of the funds allocated shall
5 be based on the ratio involving housing overcrowding, and 30 percent of the funds
6 allocated under this section shall be based on the ratio involving housing units 50 years or
7 older and occupied by a household living in poverty.

8 (3) by striking paragraph (3);

9 (4) in the undesignated text following subparagraph (4)(E)—

10 (A) by inserting the phrase “provided to a state” after “assistance”; and

11 (B) by striking “subsection (d)” and inserting “this section”;

12 (5) in paragraph (6)—

13 (A) by striking “(A) Where data are available, the” at the beginning of the
14 paragraph and inserting “The”;

15 (B) by striking subparagraph (B); and

16 (C) by redesignating clauses (i), (ii), and (iii) as subparagraphs (A), (B),
17 and (C);

18 (6) by redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5);

19 and

20 (7) by inserting at the end the following new paragraph—

21 “(6) Except as provided in subsection (g), no grant will be awarded to a
22 metropolitan city or urban county whose formula allocation computed pursuant to
23 paragraph (1) is less than 0.014 percent of the total amount allocated to all formula

1 grantees, except that this amount shall be no less than \$300,000 and no more than
2 \$700,000. Amounts remaining pursuant to this paragraph shall be reallocated to the
3 urban county, subject to section 102(a)(6)(A), or to the State in which the formula grantee
4 whose formula grant is reduced is located.

5 (d) Section 106(c) of the Housing and Community Development Act of 1974 (42 U.S.C.
6 5306(c)) is amended—

7 (1) by striking paragraphs (1) and (2);

8 (2) in paragraph (3), by striking “Notwithstanding the provisions of paragraph (1),
9 the” and inserting “The”;

10 (3) by striking subparagraph (4)(A) and inserting—

11 “(4)(A) Recaptured funds that become available as a result of a failure to meet the
12 requirements of subsection (a), (b), (c) and (d) of section 104 or section 123(n), or that
13 become available as a result of actions under section 104(e) or 111, shall be made
14 available—

15 “(i) in the event of a major disaster declared by the President under
16 the Robert T. Stafford Disaster Relief and Emergency Assistance Act, to
17 formula grantees located or partially located in the areas affected by the
18 disaster; or

19 “(ii) for the purposes of meeting the urgent needs of a formula
20 grantee, as determined by the Secretary.”;

21 (4) by striking subparagraph (4)(B);

22 (5) by striking subparagraph (4)(C) and inserting—

1 “(C) The Secretary may provide assistance to any formula grantee under
2 this paragraph only to the extent necessary to—

3 “(i) meet emergency community development needs, as the
4 Secretary shall determine (subject to subparagraph (C)), of the formula
5 grantee resulting from the disaster that are not met with amounts otherwise
6 provided under this title, the Robert T. Stafford Disaster Relief and
7 Emergency Assistance Act, and other sources of assistance; or

8 “(ii) meet the urgent needs of the formula grantee that are not met
9 with amounts otherwise provided under this title, and other sources of
10 assistance.”;

11 (6) in subparagraph (4)(D), by striking “metropolitan cities and urban counties”
12 and inserting “formula grantees”;

13 (7) in subparagraph (4)(F)—

14 (A) by striking “metropolitan city or urban county” and inserting “formula
15 grantee”;

16 (B) by striking “3-year period beginning on the date of” and inserting “3-
17 year period beginning on either the date of”; and

18 (C) by adding before the period “or the date on which the Secretary
19 initially provides amounts to meet the urgent needs of a formula grantee pursuant
20 to subparagraph (A)(ii)”;

21 (8) in subparagraph (4)(G)—

1 (A) by inserting “as a result of a failure to meet the requirements of
2 subsection (a), (b), (c) or (d) of section 104 or section 123(n), or that become
3 available” after “available”;

4 (B) by striking “paragraph (1)” and inserting “this paragraph”; and

5 (C) by striking “metropolitan city or urban county” and inserting “formula
6 grantee”;

7 (9) by redesignating subparagraphs (4)(C) through (4)(G) as subparagraphs (4)(B)
8 through (4)(F), respectively; and

9 (10) by redesignating paragraphs (3) and (4) as paragraphs (1) and (2),
10 respectively.

11 (e) Section 106(d) of the Housing and Community Development Act of 1974 (42 U.S.C.
12 5306(d)) is amended—

13 (1) by striking paragraph (1);

14 (2) by striking subparagraph (2)(A) and inserting the following—

15 “(2)(A) Amounts allocated to States under subsection (b)(1) of this section shall
16 be distributed to units of general local government located in nonentitlement areas of the
17 State to carry out activities in accordance with the provisions of this title, consistent with
18 the statement submitted under section 104(a). In any case in which a State elects not to
19 distribute such amounts, the Secretary shall distribute funds to and treat units of general
20 local government in nonentitled areas in such State as formula grantees. Any election by
21 a State to distribute or not distribute funds made after the close of fiscal year 1984 is
22 permanent and final. Except for amounts received by States for administrative costs
23 under subparagraph (2)(A) and amounts to provide technical assistance to nonentitlement

1 units of general local government under paragraph (3), States shall distribute funds to
2 nonentitlement units of general local government in the form of grants.”;

3 (3) by striking subparagraph (2)(B);

4 (4) in subparagraph (2)(C), by striking “paragraph (1)” and inserting “subsection
5 (b)(1)”;

6 (5) in subparagraph (2)(D), by striking “paragraph (1)” and inserting “subsection
7 (b)(1)”;

8 (6) by redesignating subparagraphs (2)(C) and (2)(D) as subparagraphs (2)(B) and
9 (2)(C), respectively;

10 (7) in subparagraph (3)(A)—

11 (A) by striking “or section 17(e)(1) of the United States Housing Act of
12 1937,”;

13 (B) by striking “expenses and its administrative expenses under section
14 810 of this Act” and inserting “administrative expenses”; and

15 (C) by striking “paragraph (6)” and inserting “paragraph (4)”;

16 (8) by striking subparagraph (3)(B);

17 (9) in subparagraph (3)(C)—

18 (A) by striking “paragraph (1)” in each place it appears and inserting
19 “subsection (b)(1)”;

20 (B) by striking “subparagraphs (C) and (D)” and inserting “subparagraphs
21 (B) and (C)”;

22 (C) by striking “paragraph (2)” and inserting “paragraph (1)”;

23 (D) by striking “States” and inserting “formula grantees”;

1 (10) in subparagraph (3)(D), by striking “paragraph (1)” in each place it appears
2 and inserting “subsection (b)(1)”;

3 (11) by redesignating subparagraphs (3)(C) and (3)(D) as subparagraphs (3)(B)
4 and (3)(C), respectively;

5 (12) by striking paragraph (4);

6 (13) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2),
7 respectively;

8 (14) in paragraph (5)—

9 (A) by striking “paragraph (1)” and inserting “subsection (b)(1)”;

10 (B) by striking “paragraph (6)” and inserting “paragraph (4)”;

11 (15) in paragraph (6), by—

12 (A) striking “paragraph (1)” and inserting “subsection (b)(1)”;

13 (B) by striking “paragraph (3)(A)” and inserting “paragraph (2)(A)”;

14 (C) by striking “paragraph (5)” and inserting “paragraph (3)”;

15 (16) in paragraph (8), by striking “received by a unit of general local government”
16 in the second place it appears and inserting “allocated to formula grantees”;

17 (17) by redesignating paragraphs (5) through (8) as paragraphs (3) through (6),
18 respectively.

19 (f) Section 106(f) of the Housing and Community Development Act of 1974 (42 U.S.C.
20 5306(f)) is amended by striking “metropolitan cities and urban counties” in each place it appears
21 and inserting “formula grantees”.

22 (g) Section 106 of the Housing and Community Development Act of 1974 (42 U.S.C.
23 5306) is amended by adding at the end the following new subsection—

1 “(g)(1) Notwithstanding any other provision of law, for the first fiscal year after
2 enactment of the Community Development Block Grant Reform Act of 2006, any formula
3 grantee that would otherwise be ineligible to receive a grant under this section pursuant to
4 subsection (b)(6), shall—

5 “(A) receive 50 percent of the amount that would be allocated under
6 subsection (b)(1);

7 “(B) be treated as a unit of general local government located in a
8 nonentitlement area; and

9 “(C) be eligible to receive funds from the State in which such formula
10 grantee is located.

11 “(2) Notwithstanding any other provision of law, for the second fiscal year after
12 enactment of the Community Development Block Grant Act of 2006 and every fiscal
13 year thereafter, any formula grantee who becomes ineligible to receive a grant under this
14 section pursuant to subsection (b)(6) shall—

15 “(A) be treated as a unit of general local government located in a
16 nonentitlement area; and

17 “(B) be eligible to receive funds from the State in which such formula
18 grantee is located.”.

19 **SEC. 5. PERFORMANCE MEASURES AND ACCOUNTABILITY**

20 Section 104 of the Housing and Community Development Act of 1974 (42 U.S.C. 5304)
21 is amended by—

22 (1) revising subsection (c) to read as follows—

1 “(c) A grant may be made under section 106(b) only if the unit of general local
2 government certifies that it is following a current housing affordability strategy which has been
3 approved by the Secretary in accordance with section 105 of the Cranston-Gonzalez National
4 Affordable Housing Act (42 U.S.C. 12705).”; and

5 (2) revising subsection (e) to read as follows—

6 “(e)(1) Prior to the receipt in any fiscal year of a grant from the Secretary under section
7 106(b), a formula grantee shall have prepared and submitted for review and approval to the
8 Secretary a Performance Plan. Such Plan shall include a statement and a description of the
9 formula grantee’s community development needs and objectives, a projected use of funds, and a
10 list of performance measurement objectives for each of the projects or activities to be funded
11 with amounts awarded under section 106(b). The performance measurement objectives shall
12 measure the extent to which the projects or activities funded with amounts under section 106(b)
13 will—

14 “(A) foster a suitable living environment within the community for
15 families and individuals;

16 “(B) focus on developing decent affordable housing for families and
17 individuals within the community; and

18 “(C) foster and create economic opportunity, economic development,
19 commercial revitalization, and job formation.

20 “(2) Each formula grantee that receives funds under section 106 shall submit to
21 the Secretary, in such form and by such deadlines as the Secretary may require, an annual
22 performance and evaluation report concerning the use of funds made available under
23 section 106, together with an assessment by the formula grantee of the relationship of

1 such use to the objectives identified in the formula grantee's Plan under paragraph (1).
2 Such report shall be made available to the citizens in each formula grantee's jurisdiction
3 in sufficient time to permit such citizens to comment on such report prior to its
4 submission, and in such manner and at such times as the formula grantee may determine.

5 The formula grantee's report shall include—

6 “(A) information documenting the performance outcomes of the formula
7 grantee's activities or projects;

8 “(B) the nature of and reasons for changes in the formula grantee's
9 program objectives;

10 “(C) indications of how the formula grantee would change its programs as
11 a result of its experiences;

12 “(D) an evaluation of the extent to which its funds were used for activities
13 that benefited low- and moderate-income persons;

14 “(E) a summary of any comments received by the formula grantee from
15 citizens in its jurisdiction respecting its program; and

16 “(F) information about the procedures that the formula grantee uses to
17 collect data provided to the Secretary and to verify the reliability of the data.

18 “(3) The Secretary shall periodically make such reviews as may be necessary or
19 appropriate to determine the progress of formula grantees in meeting their performance
20 objectives identified in their Plan pursuant to paragraph (1) and identified in their report
21 pursuant to paragraph (2). The Secretary shall review—

22 “(A) in the case of grants made to formula grantees under section
23 106(b)(1), whether the formula grantee has carried out its activities in a timely

1 manner, whether the formula grantee has carried out its activities and made its
2 certifications in accordance with the requirements and the primary objectives of
3 this title and with other applicable laws, and whether the formula grantee has a
4 continuing capacity to carry out those activities in a timely manner; and

5 “(B) in the case of grants made to States under section 106(b)(1), whether
6 the State has distributed funds to units of general local government in a timely
7 manner and in conformance to the method of distribution described in its
8 statement and whether the State has managed its grant program to ensure that
9 funds are expended in a timely manner.

10 “(4)(A) With respect to assistance made available to formula grantees under
11 section 106(b) and subject to paragraph (3), if the Secretary determines in any 24-month
12 period that a formula grantee has substantially failed to meet its performance objectives
13 and outcomes, the Secretary may determine that the formula grantee is no longer in good
14 standing and may reduce or limit the formula grantee’s access to assistance, or take other
15 action as appropriate in accordance with the Secretary’s review and as provided in
16 regulations issued by the Secretary to carry out the provisions of this subsection, except
17 that funds already expended on eligible activities under this title shall not be recaptured
18 or deducted from future assistance to such formula grantee.

19 “(B) In cases where the Secretary takes action against a formula grantee
20 pursuant to subparagraph (A), the formula grantee shall submit a plan for
21 approval by the Secretary that outlines the steps the formula grantee will take to
22 ensure it meets its performance objectives in the future.”.

1 **SEC. 6. ECONOMIC DEVELOPMENT AND REVITALIZATION CHALLENGE**

2 **GRANTS.**

3 Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.)
4 is amended by adding at the end the following new section—

5 **“SEC. 123. CHALLENGE GRANT FUND.**

6 “(a) ESTABLISHMENT.—There is hereby created a Challenge Grant Fund (in this
7 section referred to as the “Fund”) which shall be used by the Secretary to carry out the provisions
8 of this section.

9 “(b) PURPOSE.—The purpose of the Fund is to provide an incentive to metropolitan
10 cities and urban counties to demonstrate results in improving the livability of distressed
11 neighborhoods for its citizens through the targeted use of grant funds and other public and
12 private resources.

13 “(c) IN GENERAL.—Amounts appropriated for the Fund shall be provided by the
14 Secretary to metropolitan cities and urban counties that demonstrate the greatest results in
15 improving the living conditions in distressed neighborhoods in which a metropolitan city or
16 urban county has carried out a concentrated targeted strategy to provide decent housing, a
17 suitable living environment, and expanded economic opportunities. Funds provided under this
18 section shall be used by a metropolitan city or urban county in neighborhood revitalization
19 strategy areas as a targeted strategy for activities eligible under this title that expand economic
20 opportunities.

21 “(d) MINIMUM THRESHOLD.—In order to be considered for funding under this
22 section, a metropolitan city or urban county that has been awarded a grant under section 106

1 must meet objective criteria determined by the Secretary that demonstrate measurable progress
2 toward meeting the goals of the program including the following:

3 “(1) A population that has a minimum poverty rate that is at least half the national
4 poverty rate;

5 “(2) In the previous fiscal year, the metropolitan city or urban county must have
6 expended an amount equal to a minimum of 40 percent of its last awarded formula grant
7 for activities located in its designated neighborhood revitalization strategy areas;

8 “(3) For any grant funds previously received under this section, the metropolitan
9 city or urban county must have expended 40 percent of any grant obligated for 12 months
10 or more and 100 percent of any grant obligated 24 months or more;

11 “(4) An operational performance measurement system that demonstrates
12 achievement of outcomes and results from the programs and activities carried out in its
13 neighborhood revitalization strategy areas; and

14 “(5) Any other objective criteria specified by the Secretary.

15 “(e) SCORING AND RANKING OF METROPOLITAN CITIES AND URBAN
16 COUNTIES ON PERFORMANCE.—Any metropolitan city or urban county that meets the
17 threshold criteria in subsection (d) is eligible to receive a grant under this section. The Secretary
18 shall develop performance measures and may use the following criteria to score and rank eligible
19 entities:

20 “(1) The concentration of public funds and leveraged private investment in
21 designated neighborhood revitalization strategy areas based upon factors determined by
22 the Secretary, which may include:

1 “(A) the relative proportion of total funds provided under sections 104(j)
2 and 106 expended in neighborhood revitalization strategy areas;

3 “(B) per capita expenditure of total funds provided under sections 104(j)
4 and 106 per low- and moderate-income households compared to the same
5 proportion of all other expenditures by other all eligible entities; and

6 “(C) per capita expenditure of all public and private funds for total funds
7 provided under sections 104(j) and 106 and activities assisted under the HOME
8 Investments Partnership Act (42 U.S.C. 12701note) per low and moderate-income
9 households compared to the same proportion of all other expenditures by all other
10 eligible entities.

11 “(2) The relative improvement of a metropolitan city or urban county in
12 expanding economic opportunities for low- and moderate-income households within its
13 neighborhood revitalization strategy areas over the past five fiscal years, with the first
14 year as a baseline, compared to all other eligible entities, based upon factors determined
15 by the Secretary which may include:

16 “(A) the change in employment rate of residents;

17 “(B) income levels of residents;

18 “(C) enrollment rate of high school graduates into higher education
19 institutions;

20 “(D) rate of resident ownership of homes and businesses; and

21 “(E) the change in residential real estate values.

22 “(3) The viability of the neighborhood revitalization strategy area for
23 redevelopment and the ability of the metropolitan city or urban county to implement

1 effective strategies to improve economic opportunity and livability in the neighborhood
2 revitalization strategy area as measured by factors determined by the Secretary which
3 may include:

4 “(A) change in student proficiency or other measures of student
5 educational improvements in elementary and secondary schools; and

6 “(B) the rate of violent crime in the neighborhood revitalization strategy areas.”(4) Such
7 other criteria the Secretary deems an appropriate measure of performance in revitalizing
8 neighborhood revitalization strategy areas.”(f) DISTRIBUTION OF FUNDS TO

9 METROPOLITAN CITIES AND URBAN COUNTIES.—From amounts appropriated and
10 available under this section, the Secretary shall award challenge grants to qualified formula
11 grantees as follows:

12 “(1) Challenge fund grants shall be allocated as a percentage of a grantee’s
13 formula grant;

14 “(2) Grantees with higher scores as determined in subsection (d) shall receive a
15 larger percentage challenge grant bonus than grantees with lower scores;

16 “(3) No grantee shall receive a challenge fund grant greater than 50 percent of its
17 formula grant; and

18 “(4) If there is a remainder of funds available after all eligible, scored, and ranked
19 grantees have been funded, the Secretary shall distribute the remaining funds in the same
20 relative proportion to each ranked grantee's most recent formula grant.

21 “(g) ELIGIBLE USE OF FUNDS.—Amounts appropriated under this section may be
22 used for any activity eligible under section 105(a) and (c) in designated neighborhood
23 revitalization strategy areas as part of a targeted strategy to expand economic opportunities. Use

1 of challenge grant funds to create affordable housing for low- and moderate-income households
2 is an eligible activity when part of a strategy that expands economic opportunities.

3 **“SEC. 7. AUTHORIZATION OF APPROPRIATIONS.**

4 “(a) IN GENERAL.—There are authorized to be appropriated to carry out Title I of the
5 Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.), \$2,974,580,000,
6 for fiscal year 2007 and such sums as may be necessary for each fiscal year thereafter.

7 “(b) CHALLENGE GRANTS.—Of the amount specified in subsection (a), up to
8 \$200,000,000 shall be for fiscal year 2007 and such sums as may be necessary for each fiscal
9 year thereafter.”

10