

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2016 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2014 Appropriation	\$3,100,000	\$13,875,433	...	\$16,975,433	\$4,816,138	\$6,370,183
2015 Appropriation	3,066,000	12,159,192	...	15,225,192	6,295,000	7,370,916
2016 Request	<u>2,880,000^a</u>	<u>8,930,192</u>	<u>...</u>	<u>11,810,192</u>	<u>7,447,000</u>	<u>6,924,259</u>
Program Improvements/Offsets	-186,000	-3,229,000	...	-3,415,000	+1,152,000	-446,657

a/ This number includes an estimated transfer to the Transformation Initiative (TI) account of \$20.0 million of Budget Authority

1. What is this request?

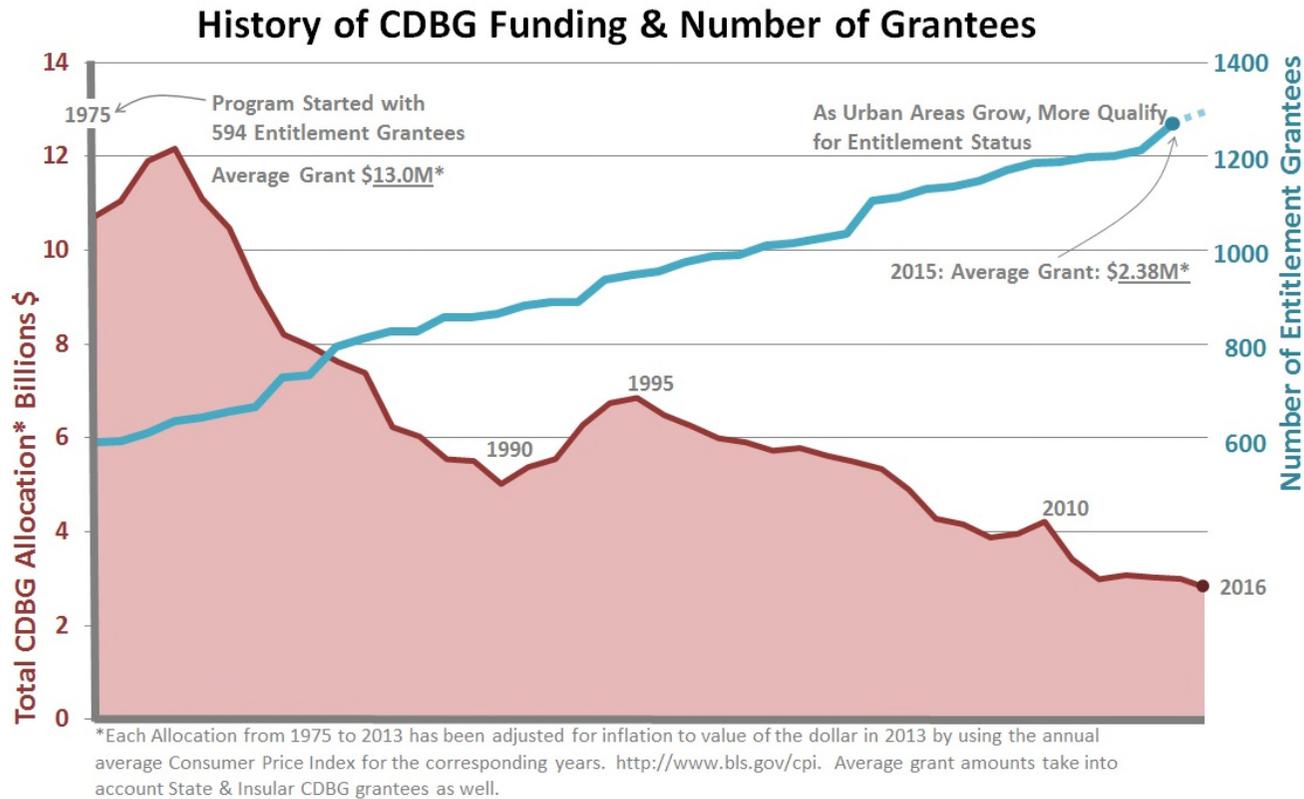
Requested Funding Level

The Community Development Fund (CDF) request for fiscal year 2016 is \$2.880 billion, which includes:

- \$2.8 billion for the Community Development Block Grant (CDBG) program, and
- \$80 million for Community Development Block Grants for Indian tribes. Within this program, up to \$10 million will be used to help tribes attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing. This set-aside is one of several investments supporting Generation Indigenous, an Administration initiative focused on removing the barriers to success for Native youth. This initiative will take a comprehensive, culturally appropriate approach to help improve the lives and opportunities for Native youth, and is described further in Section 2.

Proposed Legislative Reforms and Changes

During its 40-year history, the impact of the CDBG program has been strained by fluctuating appropriation levels and increasing numbers of qualifying entitlement grantees (See the following graphic). For example, the fiscal year 2016 formula program request of \$2.800 billion is only \$327 million above the \$2.473 billion appropriation level in the inaugural year of the CDBG program in 1975. When adjusted for inflation, the fiscal year 2016 request represents approximately one fifth of the fiscal year 1975 funding level, when the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2016.



To address these challenges and to put CDBG program on a sustainable path for the future, HUD has developed a series of proposals improving various aspects of the CDBG program, strengthening the program’s structure and management while retaining its fundamental focus on benefitting low- and moderate-income persons. The program has not been reauthorized by Congress since 1992 and changes are needed to make the program more responsive to the needs of modern communities. The Administration anticipates continuing the effort to advance these changes with a legislative package of reforms to be submitted to Congress following the fiscal year 2016 budget. These changes can be grouped in several categories including grantee eligibility, aligning program cycles, improving grantee accountability, and addressing issues in the State CDBG program, including increasing the set aside for colonias in states along the US-Mexico border from 10 percent to 15 percent of the State allocation.

Community Development Fund

CDBG is also part of the proposed Upward Mobility Project, a new initiative to allow states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty.

More information on these changes are included in Sections 3 and 5 of this justification.

2. What is this program?

Community Development Block Grant

Authorized by Title I of the Housing and Community Development (HCD) Act of 1974 (42 USC 5301 et. seq.), the CDBG program's primary objective is to develop viable urban and rural communities, by expanding economic opportunities and improving quality of life, principally for persons of low- and moderate-income.

CDBG provides grants to units of general local government and states for the purpose of supporting efforts to create locally driven solutions to community and economic development challenges. Instead of a top-down approach, where the federal government tells grantees how to use these funds, CDBG presents a broad framework which local governments can easily adapt to the particular needs they face.

Since 1974 the CDBG has invested \$149.2 billion in communities nationwide (\$263.3 billion adjusted for inflation), assisting states and localities to achieve the kinds of infrastructure investment, job creation, and poverty elimination our communities so desperately need. In addition to job creation, CDBG is an important catalyst for economic growth – helping communities leverage funds for essential water and sewer improvement projects, address housing needs, forge innovative partnerships to meet increasing public service needs, and revitalize their economies.

CDBG recipients are able to fund 28 different eligible activities, with the major categories being public improvements, public services, economic development, acquisition/clearance, housing activities primarily focused on owner-occupied rehabilitation and homeownership assistance, as well as general administration and planning. With the exception of administration and planning activities, which are capped at 20 percent per authorities in annual appropriation acts, all CDBG-funded activities must meet one of three national objectives:

- 1) Providing benefit to low- and moderate-income persons;
- 2) Eliminating slums or blighting conditions; or
- 3) Addressing urgent needs to community health and safety.

Community Development Fund

The primary national objective for CDBG is to benefit low- and moderate-income persons: at least 70 percent of all CDBG funds expended during a period of up to 3 years must go toward activities that primarily benefit this population. Based on historical data, CDBG grantees annually expend 95 percent of their funds for activities that benefit low- and moderate income persons, making CDBG a highly successful program in achieving its primary statutory goal.

Indian Community Development Block Grants

In 1977, the Housing and Community Development Act of 1974 was amended to provide a special competitive funding set-aside within the Community Development Block Grants program for American Indian tribes. Indian CDBG funds are awarded competitively and used by federally recognized Indian tribes, Alaska Native villages, and tribal organizations for a wide variety of needs. These grants have been crucial to many Indian tribes, giving them a source of flexible funds used to serve their development priorities, improve neighborhoods, and meet urgent community development needs. Eligible uses of these funds include acquisition of property, rehabilitation of housing, installation of safe drinking water and waste water disposal systems, construction of Headstart and other childcare facilities and of health clinics, removal of lead-based paint and mold, and improvement of public services and facilities. Funds can also be used to address imminent threats to health and safety. All projects funded through these grants must primarily benefit low- and moderate-income persons, defined as 80 percent of the median income in the area. These funds are distributed through an annual competition to eligible federally recognized Indian tribes and Alaska Native villages. The Office of Native American Programs (ONAP) within the Office of Public and Indian Housing administers this program.

In addition, HUD is proposing up to \$10 million to be set-aside to assist tribes in providing much-needed housing for teachers in Indian country. The needs of Native American youth are a top priority of the Administration. Currently there is lack of adequate housing for teachers in many tribal areas, which in turn limits the educational resources for tribal youth. With this additional resource, tribes will be able to rehab, acquire and construct new homes to attract and retain teachers in tribal areas. In order to make sure that tribes are able to use this money effectively, the appropriations language allows tribes receiving the set-aside to construct new housing regardless of their status as a Community-Based Development Organization.

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

Community Development Block Grant

CDBG is the Federal Government's primary program to deliver community and economic development funding to counties, cities, towns, and villages across the country faced with these challenges. Additionally, CDBG is the Department's principal source of funds supporting HUD's Strategic Goal 4, 'Build Strong, Resilient, and Inclusive Communities' and the proposed fiscal year 2016 funding level will impact the ability of the Department to implement this strategic goal. The following graphic displays how CDBG grantees used their funds in fiscal year 2014.

Community Development Fund

Entitlement Communities		FY2014 Expenditures by Activity Category		Non-Entitlement Communities	
5%		130,052,302	Acquisition	\$16,164,706	2%
16%		400,023,238	Administrative And Planning	\$93,753,484	11%
5%		120,731,753	Economic Development	\$109,240,159	12%
29%		696,402,643	Housing	\$143,826,179	16%
25%		599,203,539	Public Improvements	\$504,658,193	57%
15%		357,357,002	Public Services	\$16,698,815	2%
0%		11,138,146	Other	\$4,020,304	0%
5%		121,415,892	Repayments Of Section 108 Loans	\$2,073,509	0%
		\$2,436,324,516	Total FY2014 Expenditures	\$890,435,349	
			\$3,326,759,865		

expenditures include program income

The 2016 request is intended to support community development needs and enhance economic competitiveness in approximately 1,194 entitlement grantees, 49 states, Puerto Rico, 3 non-entitled communities in Hawaii, and 4 Insular Areas in fiscal year 2016.

Projected Outcomes with 2014 and 2016 CDBG Funding

	Projected FY 2014	Projected FY 2016
Regular CDBG Program Allocation	\$ 3,030,000,000	\$ 2,800,000,000
ED Jobs Created/Retained	22,691	20,968
Public Improvements - Persons benefitting	3,209,673	2,966,034
<i>examples</i>		
Senior Centers	432,448	399,622
Homeless Facilities	76,882	71,046
Assisted Housholds	82,621	76,349
<i>examples</i>		
Single Family Rehab	49,780	46,001
Public Services - Persons benefitting	9,292,217	8,586,867
<i>examples</i>		
Services for Disabled	141,181	130,464
Homeless and AIDS patient services	431,233	398,499
Battered spouses services	122,481	113,184

Community Development Fund

CDBG funds continue to be critical for communities across the country that continue to be impacted by budget shortfalls, along with inadequate public services, insufficient economic opportunities, and physically distressed infrastructure. Moreover, lack of safe, affordable housing and a growing population of senior citizens are increasing the housing and service needs among the nation's low- and moderate-income population.

Grantees report annually on the impact that CDBG investments have in their communities. As shown in the table below, for the period from 2005 to 2014, CDBG funding resulted in significantly improved community and economic development outcomes. Additionally, this data demonstrates that every additional \$100 million in CDBG formula funding, when invested at the local or state level, translates into notable increases in these outcomes.

Outcomes Associated with CDBG Formula Funding, Fiscal Year 2005 through 2014		
Economic Development		
Permanent Jobs directly Created or Retained	353,237	Jobs
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	11,168	Jobs
Public Improvements		
Persons Benefitted by these Facilities	36,942,061	Persons
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	274,778	Persons
Public Services		
Persons Benefitting from these services	114,319,424	Persons
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	2,529,885	Persons
Housing		
Households Assisted (excluding housing counseling)	1,228,455	Households
Annual Funding Change Impact:		
For every \$100 million of CDBG funding	11,889	Households

Community Development Fund

Moreover, CDBG serves as a critical tool in creating job opportunities and catalyzing economic development activities in the country's most distressed communities. The communities targeted by CDBG often lack adequate private investment and have a disproportionate share of poverty, and without CDBG, these neighborhoods would be unable to support the jobs and safe and equitable living environments their residents so desperately need. On average, grantees devote more than 94 percent of CDBG funds to activities that provide benefit to low- and moderate-income families.

CDBG funding is also an important vehicle for addressing a variety of Administration initiatives. For example, the Department is working to implement the President's Climate Action Plan and is incorporating resilience principles into program requirements and guidance. Within the collection of HUD programs, CDBG represents the best option for communities to fund local resilience activities. CDBG is often a local funding source for activities supporting existing Administration initiatives such as Strong Cities, Strong Communities (SC2); Promise Zones; Choice Neighborhoods; and funding of pre-development costs for infrastructure.

CDBG remains a critical part of the Federal funding landscape for state and local government in carrying out a wide range of activities. The ability to use CDBG as local match funding for other Federal programs or for partial funding of an activity enables CDBG to work well with programs administered by a host of other Federal agencies such as Transportation, Agriculture, HHS, Commerce/EDA, Labor, DHS/FEMA, EPA, and the Appalachian Regional Commission. Although grantees are not required to report on leveraging of CDBG funds, HUD requests that grantees self-report on leveraged funds in the Integrated Disbursement and Information System (IDIS). An analysis of activities reporting leverage for the period of fiscal years 2010 through 2012 indicated:

- More than 20,300 activities reported that CDBG funds were leveraged with other public and private sources of capital;
- Of those projects, \$2.556 billion of CDBG funding leveraged \$10.397 billion in other resources; and
- A leverage ratio of \$4.07 to every \$1 of CDBG investment.

Additionally, under the requested funding level in the fiscal year 2016, the Community Development Loan Guarantees (Section 108) program would continue to fulfill its role as a highly valuable financing tool for the large-scale community and economic development activities. The Section 108 program offers guaranteed loans for the crucial, growth-driving activities being carried out by local governments that are vital to the improving the condition of their residents. Each grantee's Section 108 borrowing capacity is equal to five times its most current CDBG allocation. Please see the Section 108 justification for more information on this program.

Also, CDBG serves as one the federal government's vehicles for catastrophic long-term disaster recovery assistance to states and local governments following large-scale or catastrophic disasters since 1993. The most recent example of the use of CDBG as a vehicle for delivering long-term disaster relief is the provision of \$15.18 billion in CDBG disaster recovery funding as part of Disaster Relief Appropriations Act, 2013 (Public Law 113-2, enacted January 29, 2013). This appropriation is intended to respond to the effects of Hurricane Sandy which impacted the Atlantic coastline in late October 2012 as well as other qualifying events that occurred in calendar years 2011, 2012 and 2013. As of January 2015, the Department had allocated \$14.2 billion of this amount.

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The remaining \$1 billion in CDBG disaster recovery funding appropriated by PL 113-2 has been dedicated to the National Disaster Resilience Competition (NDRC) announced by President Obama in June 2014, with the competition subsequently launched in September 2014. Eligible applicants for NDRC funding include the 17 local governments that received direct allocations of PL 113-2 funding from HUD, as well as 48 states and Puerto Rico and the District of Columbia. The goals of the NDRC are:

- To fairly allocate remaining CDBG disaster recovery funds;
- To apply science-based and forward-looking risk analysis to needs;
- To institutionalize thoughtful, innovative, and resilient approaches to recovery;
- To provide resources that improve local resiliency;
- To engage stakeholders on climate change; and
- To leverage philanthropic investments for planning and solutions.

Other significant CDBG supplemental appropriations for disaster recovery purposes that HUD continues to manage include:

- \$6.4 billion in 2008 in response to Hurricanes Ike and Gustav as well as major flooding that impacted upper Midwest states in the spring and summer of 2008;
- \$19.7 billion in supplemental disaster assistance to aid the comprehensive recovery of Alabama, Florida, Louisiana, Mississippi, and Texas following the devastation of Hurricanes Katrina, Rita, and Wilma in 2005; and
- \$3.5 billion for the long-term recovery of Lower Manhattan subsequent to the terrorist attacks of September 11, 2001.

The CDBG-DR Program, in particular, is an essential component of the Department's achievement of its Strategic Objective 4C: 'Support the recovery of communities from disasters by promoting community resilience, developing state and local capacity, and ensuring a coordinated federal response that reduces risk and produces a more resilient built environment.'

Indian Community Development Block Grant

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

According to the 2010 U.S. Census:

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

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- An 18 percent growth in the American Indian and Alaska Native alone population occurred between 2000 and 2010, from 2.5 to 2.9 million).

According to the U.S. Census, American Community Survey for 2005-2009:

- 25.9 percent of American Indians and Alaska Natives live below the poverty level, compared to 10.8 percent of Whites and 13.4 percent of the national population.
- 8 percent of American Indian/Alaska Native households are overcrowded; 1.1 percent of White households are overcrowded; 3 percent of national households are overcrowded.
- The average per capita income for American Indians/Alaska Natives was \$16,716; \$31,599 for Whites; \$27,041 for the national population.
- The median household income for American Indians/Alaska Natives was \$36,520; \$54,535 for Whites; and \$51,425 for the national population.

These Community Development Block Grants in Indian Country provide a vital source of revenue for tribes, allowing them to undertake necessary development, housing, and infrastructure projects. There is a great demand for Indian CDBG program dollars in Indian Country. In recent years, HUD has received two or three times as many ICDBG applications as can be funded. Housing, community development, and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes. Access to financing and credit to develop communities in Indian Country has traditionally been difficult to obtain. ICDBG funds allow grantees to make essential repairs to low-income housing. Other grantees use ICDBG for innovative projects that benefit the entire community.

In fiscal years 2014 and 2015, HUD received a total of \$16 million in appropriations for the remediation of mold in Indian country. Initial rounds of funding have been distributed to tribes and remediation efforts are currently underway in nine tribes, with another Notice of Funding Availability set to come out in the spring of 2015. HUD will continue to report to Congress on the results of these funds in tribes throughout the country.

4. How do we know this program works?

Community Development Block Grant

In addition to the performance measures reported by grantees on an annual basis, research-based evidence also exists to document the effectiveness of the CDBG program, and also the need for program improvements.

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Housing Policy Debate

The journal *Housing Policy Debate* devoted its January 2014 volume to an examination of the CDBG program 40 years after enactment. (See *Housing Policy Debate* 24:1, published on-line January 28, 2014)¹ This volume represents the most significant collection of analyses of CDBG in at least 20 years and is a critical read for parties having an interest in the CDBG program. The majority of articles focused on the basic CDBG program while others examined important but tangential issues. In general, the articles present a positive view of the CDBG program over time but strongly recommend a series of improvements to sustain it into the future. In an article by Raphael Bostic, former HUD Assistant Secretary for Policy Development and Research, he indicates that over the past 40 years, the "CDBG model for grant making has become pre-eminent. Even most competitive grant models today allow for local design of programs within a broad-based federal framework that identifies program goals." An article by Xavier de Souza Briggs, former OMB Associate Director for General Government Programs, does note flaws in the CDBG program's existing structure and suggests that the program should be expanded in conjunction with efforts to more progressively target funding to people and places of greatest need. Briggs further recognizes the need for a debate on CDBG's purpose and the need to determine a politically sustainable deal that refocuses CDBG as a "reasonably coherent and effective program."

Other articles focus on particular aspects of CDBG. One article recognizes the role of CDBG in rural America, noting that the majority of areas served with State CDBG funding are rural in nature and that most State CDBG funds go to small and rural communities. These facts support research that CDBG is the largest community and economic development program in rural America. Another article provided an analysis of the use of CDBG funds to revitalize neighborhoods in Philadelphia and revealed that census tracts receiving above-median amounts of CDBG and or Section 108 loan guarantee funds saw property values increase above census tracts receiving little or no CDBG investment. One other article focused on processes and methods of allocating funds in Los Angeles and Chicago and demonstrated that local decision-making processes can have substantial effects upon the degree to which CDBG funds are directed to neighborhoods having the greatest need for the funds.

Overall, the articles present the case that CDBG is valuable to the nation's cities and communities but that targeting needs to be improved either by adjusting the statutory allocation formulas or by requiring that grantees better focus funds to areas within their communities having the greatest need. Noting that CDBG allocations measure less than one-fourth of its adjusted-inflated peak level of 1978, one article recommends restoring annual CDBG funding to that 1978 peak, and targeting activities in areas with high concentrations of poverty. The report suggests HUD could better accomplish this goal by adjusting its allocation formula with a greater weight toward high-poverty census tracts, which would require Congressional action. Further efforts to provide funding to the neediest persons could be made through targeting for poorer districts within delineated jurisdictions. Finally, the articles generally urge HUD to continue updating and improving its performance assessment systems in order to be able to properly measure and evaluate CDBG spending outcomes.

¹ Available at: http://www.tandfonline.com/toc/rhpd20/24/1#.VK_r7dJzRSI. Some articles require subscription access.

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GAO Study

In response to a Congressional directive issued in Section 231 of the Consolidated and Further Continuing Appropriations Act of 2012, GAO conducted a study to analyze "... (1) what is known about the effectiveness (or impact) of the CDBG and HOME programs, (2) the performance measures HUD has in place for the CDBG and HOME programs and any challenges HUD faced in developing these measures, and (3) promising practices HUD and other have identified for the CDBG and HOME programs." Subsequently, GAO released a report on May 15, 2012, acknowledging the difficulties associated with assessing the effectiveness of federal block grant programs at a national level, while concluding that a positive correlation exists between the CDBG program and assisted communities.

The study found:

- Few comprehensive studies on the effectiveness of the CDBG program exist, but GAO determined that a number of studies focusing on specific activities have generally found CDBG has made positive contributions
- HUD has established performance measures for the CDBG program. CPD developed a performance measurement system in 2006 that allows grantees to report on objectives, intended outcomes, and outputs for all activities undertaken. The system has provided the Department with data capable of being aggregated at the national level, but the GAO report acknowledges the inherent challenges related to developing performance measures for block grant programs.

HUD and others have identified several promising practices for the CDBG program related to program management and use of funds. The promising practices included the development of local performance measurement systems, internal operating procedures, and the identification of a number of innovative projects that effectively used CDBG funds.

Indian Community Development Block Grant

The primary indicators of performance that HUD has traditionally recognized for ICDBG grantees are the number of affordable housing units rehabilitated each year and the number of community buildings built. These development activities tend to be long-term and require confidence in a steady stream of funding—otherwise, recipients tend to use scarce funds to maintain existing inventory.

In a recent 3-year period (2011-2013), grantees reported the rehabilitation of 1,630 low-income housing units, the construction of 119 community buildings, and the creation of 749 jobs made possible by ICDBG. From 2005-2013, ICDBG funded 161 public facilities infrastructure projects, such as wastewater collection systems, powerline extensions, substation upgrades, roads construction, water system expansion and distribution systems, and construction of a natural gas pipeline, all of which have improved the physical environment where low- and moderate-income Indian families live. In fiscal year 2014, 1,151 affordable units were rehabilitated, 86 jobs were created, and 23 community buildings were built using ICDBG funds.

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

5. Proposals in the Budget

Legislative Proposals to Reform CDBG

In the Housing and Community Development Act of 1974, the Congress found that “the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintenance of viable urban communities as social, economic, and political entities,” a statement that the Department believes is still true today. The CDBG program faces increasing pressures as it tries to fulfill these purposes for which it was authorized 40 years ago. The needs of low- and moderate-income individuals in communities all over the country are serious and the Department feels that in order to meet those needs, the CDBG program must be re-focused in light of decreasing appropriations. The fiscal year 2016 formula program request of \$2.800 billion is only \$327 million above the \$2.473 billion appropriation level in the inaugural year of the CDBG program in 1975. When adjusted for inflation, the fiscal year 2016 request represents approximately one fifth of the fiscal year 1975 funding level, when the number of grantees receiving funds under the program was approximately half of the number of grantees that will be receiving funds in fiscal year 2016. In addition, more and more communities’ allocations are low enough that the Department is concerned about their ability run an effective CDBG program: under the projected 2016 allocations, 13 entitlement communities will have allocations of under \$100,000.

It is clear to the Department that CDBG must be re-focused to effectively accomplish the goals of the program and strengthen the partnership between the federal government and local governments that is the cornerstone of the program.

As a prelude to the CDBG program’s 40th anniversary in August 2014, the Department undertook an outreach effort titled “Moving CDBG Forward,” which consisted of series of approximately 20 listening sessions as well as on-line forums with its grantees and other stakeholders to better understand their views on potential reforms for the CDBG program. These sessions led to CPD developing a comprehensive CDBG reform proposal as the program has not been reauthorized by Congress since 1992. The proposals will:

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- Allow grantees, including states, to form regional combinations to achieve savings in administering their CDBG grants and pool resources for strategic investment decisions.
- Reduce the growing number of small grantees to support local CDBG programs that are adequately staffed and support meaningful community investments. These changes includes removing the “grandfathering” of CDBG grantees and setting a minimum grant threshold.
- Reduce undue administrative burden on grantees by aligning the cycles for the submission of plans and reports as well as the cycles to qualify for the CDBG program.
- Allowing for a more equitable treatment of states and entitlement communities and counties by
 - allowing states to also receive reallocated funds for disasters from the sanctions fund,
 - giving the Department the authority to sanction a state in a similar fashion to other CDBG grantees, and
 - increasing states’ administrative cap and removing the matching requirement.
- Authorize an increase in the colonias set aside from 10 percent to 15 percent of State CDBG allocations in the states of Texas, New Mexico, Arizona and California (also discussed below).

HUD stands ready to work with Congress on this legislative proposal to amend the authorization for this program crucial to so many communities. The Department will also evaluate a series of potential regulatory updates to the CDBG program, as significant portions of the CDBG regulations have not been updated in more than 20 years.

Proposal to Use CDBG to Improve Upward Mobility

The CDBG program is also part of the Administration’s Upward Mobility Project proposal, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services’ (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD’s HOME Investment Partnerships Program and CDBG, that share a common goal of promoting opportunity and reducing poverty. In exchange for more accountability for results, state and localities would be able to use the funds beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children’s outcomes, and the ability of communities to expand opportunity.

The Upward Mobility Project would be jointly administered by HUD and HHS. In addition, participating communities would be eligible to receive up to \$300 million per year (\$1.5 billion over five years) through the HHS Social Services Block Grant to support implementation of the pilot projects. Like Promise Zones and Performance Partnerships, this proposal reflects the Administration’s efforts to break down silos, provide flexibility for localities to tailor federal funds to meet their unique needs, and direct resources where evidence suggests they will be most effective. Additional information on the Upward Mobility Project can be found in the HHS budget justifications.

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Colonias Proposal included in the Budget

The 2016 Budget also includes a proposed General Provision to increase the colonias set aside from 10 percent to 15 percent. This change would allow for more funding to be directed to these rural border communities, many of which lack adequate water, sewer, decent housing, or a combination of the three. This change would affect the state CDBG programs of Texas, New Mexico, Arizona, and California. (Section 256)

Additional Investment in CPD's eCon Planning Suite

HUD proposes additional investment in CPD's eCon Planning Suite, an online tool that supports state and local grantees and the public in assessing affordable housing and community development needs and market conditions, and making data-driven, place-based decisions for HUD Program funds invested in local communities through their Consolidated Plans. Investing in enhancements to this system enables grantees receiving CDBG funds through the annual program and through supplemental appropriations to ensure they are able to assess their community needs in a holistic, comprehensive manner and engage in strategic decision-making when developing a consolidated plan to allocate the various CPD or other Federal resources to meet local needs. The \$2 million is included in the Department's justification for the Information Technology Fund.

6. State-by-State Projected Allocations

State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Alaska	\$4,110	\$4,122	\$3,819
Alabama	40,960	39,991	37,052
Arkansas	23,777	23,116	21,417
America Samoa	1,032	1,028	1,028
Arizona	47,503	48,910	45,315
California	360,079	358,244	331,911
Colorado	34,058	33,752	31,271
Connecticut	35,951	35,597	32,980
District Of Columbia	13,970	13,734	12,725
Delaware	6,524	6,394	5,924
Florida	129,016	129,871	120,325

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State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Georgia	76,042	75,859	70,283
Guam	3,026	3,036	3,036
Hawaii	12,563	\$12,166	\$11,272
Iowa	33,433	32,969	30,546
Idaho	11,371	11,343	10,509
Illinois	150,383	149,291	138,317
Indiana	61,197	60,360	55,923
Kansas	23,990	23,704	21,961
Kentucky	39,563	38,985	36,119
Louisiana	45,227	43,930	40,701
Massachusetts	92,486	91,227	84,522
Maryland	44,602	44,304	41,047
Maine	16,730	16,483	15,272
Michigan	113,281	111,834	103,613
Minnesota	48,821	47,966	44,441
Missouri	57,838	57,157	52,956
Northern Mariana Islands	965	971	971
Mississippi	26,968	26,503	24,555
Montana	7,682	7,483	6,933
North Carolina	69,888	70,206	65,045
North Dakota	5,002	4,910	4,549
Nebraska	16,713	16,364	15,161
New Hampshire	11,326	11,268	10,440
New Jersey	80,428	79,506	73,662
New Mexico	15,020	16,135	14,949
Nevada	19,182	19,897	18,434
New York	289,709	286,634	265,565

Community Development Fund

State-by-State Projected Allocations (Dollars in Thousands)			
State	2014 Actual	2015 Estimate	2016 Estimate
Ohio	138,836	137,172	127,089
Oklahoma	25,132	24,385	22,592
Oregon	31,378	31,320	29,018
Pennsylvania	171,684	169,529	157,068
Puerto Rico	61,612	57,533	53,304
Rhode Island	15,560	15,316	14,191
South Carolina	34,922	34,287	31,766
South Dakota	6,531	6,380	5,911
Tennessee	45,838	45,092	41,778
Texas	218,520	215,578	199,732
Utah	19,143	19,291	17,873
Virginia	50,770	50,480	46,769
Virgin Islands	1,976	1,964	1,964
Vermont	7,186	7,069	6,550
Washington	50,883	50,747	47,017
Wisconsin	57,159	56,483	52,332
West Virginia	19,070	18,663	17,291
Wyoming	3,384	3,461	3,206
Total Grants	\$3,030,000	\$3,000,000	\$2,780,000
Transfer to TI	-	-	20,000
Total	\$3,030,000	\$3,000,000	\$2,800,000

Community Development Fund

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

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Entitlement/Non-Entitlement	\$3,023,000	\$644,832	\$3,667,832	\$3,145,701	\$2,993,000	\$519,176	\$3,512,176	\$2,793,000
Insular Area CDBG Program	7,000	7,000	14,000	8,032	7,000	5,968	12,968	7,000
Indian Tribes	70,000	2,604	72,604	62,512	66,000	10,092	76,092	80,000
University Community Fund .....	...	96	96	...	...	96	96	...
Special Purpose (Section 107) Grants .	...	383	383	...	...	336	336	...
Administration, Operations, and Management for Disasters .....	...	2,296	2,296	11	...	2,285	2,285	...
Economic Development Initiative Grants ....	...	324	324	...	...	324	324	...
Secretary's Work Study .....	...	103	103	...	...	103	103	...
Economic Resilience ...	...	...	...	...	...	15	15	...
Disaster Assistance ...	...	13,217,520	13,217,520	1,599,860	...	11,620,409	11,620,409	...
Section 805 Economic Development training .	...	275	275	22	...	388	388	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[20,000]
Total	3,100,000	13,875,433	16,975,433	4,816,138	3,066,000	12,159,192	15,225,192	2,880,000

Community Development Fund

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

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, [~~\$3,066,000,000~~] *\$2,880,000,000*, to remain available until September 30, [2017] *2018*, unless otherwise specified: *Provided*, That of the total amount provided, [~~\$3,000,000,000~~] *\$2,800,000,000* is for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended ("the Act" herein) (42 U.S.C. 5301 et seq.): *Provided further*, That unless explicitly provided for under this heading, not to exceed 20 percent of any grant made with funds appropriated under this heading shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or Indian tribe, or insular area that directly or indirectly receives funds under this heading may not sell, trade, or otherwise transfer all or any portion of such funds to another such entity in exchange for any other funds, credits or non-Federal considerations, but must use such funds for activities eligible under title I of the Act: *Provided further*, That notwithstanding section 105(e)(1) of the Act, no funds provided under this heading may be provided to a for-profit entity for an economic development project under section 105(a)(17) unless such project has been evaluated and selected in accordance with guidelines required under subparagraph (e)(2): [~~*Provided further*~~, That none of the funds made available under this heading may be used for grants for the Economic Development Initiative ("EDI") or Neighborhood Initiatives activities, Rural Innovation Fund, or for grants pursuant to section 107 of the Housing and Community Development Act of 1974 (42 U.S.C. 5307): *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act:] *Provided further*, That [~~\$66,000,000~~] *of the total amount provided under this heading, \$80,000,000* shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act, of which, notwithstanding any other provision of law (including section 204 of this Act), up to \$3,960,000 may be used for emergencies that constitute imminent threats to health and safety: *Provided further*, That of the [amounts] *total amount* made available under the previous proviso, [~~\$6,000,000~~] *up to \$10,000,000* shall be for grants [for mold remediation and prevention that shall be awarded through one national competition to Native American tribes with the greatest need] *to Indian tribes, tribal organizations, and tribally-designated housing entities for the rehabilitation, acquisition, or new construction of housing for primary and secondary school teachers living on or near a reservation or other Indian areas, regardless of income or tribal membership: Provided further, That in making awards under the previous proviso, the Secretary may establish appropriate funding criteria and may give funding priority to applicants proposing to provide assistance to teachers that are employed at schools that are operated or assisted by the Bureau of Indian Education: Provided further, That notwithstanding any provision in the Housing and Community Development Act of 1974, any amounts made available to Indian tribes, tribal organizations, and tribally-designated housing entities for teacher housing may be used for new housing construction by any eligible applicant. (Department of Housing and Urban Development Appropriations Act, 2015.)*