

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
2012 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2010 Appropriation	\$4,450,000	\$7,969,076 ^a	\$100,000	\$12,519,076	\$10,516,766 ^b	\$7,042,865
2011 CR	4,450,000	2,000,213 ^c	[1,000,000]	6,450,213	6,009,000 ^b	8,056,000
2012 Request	<u>3,804,298</u>	<u>441,213</u>	...	<u>4,245,511</u>	<u>4,155,000</u>	<u>7,807,000</u>
Program Improvements/Offsets	-645,702	-1,559,000	-1,000,000	-2,204,702	-1,854,000	-249,000

a/ Excludes expired funds of \$1.398 million.

b/ Includes Transformation Initiative amounts of \$44.5 million in fiscal years 2010.

c/ Excludes \$2.807 million of expired funds and \$909 thousand of actual recaptured funds in fiscal year 2010 .

NOTE: Fiscal year 2010 includes \$100 million disaster recovery supplemental appropriation enacted in July 2010. Fiscal year 2011 authorized \$1 billion in a third round of Neighborhood Stabilization Program (NSP) mandatory funding which is reflected in a separate justification.

Section 108 Loan Guarantees

Commitment levels (Dollars in Thousands)

	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2010 Enacted Loan Level.....	\$275,000	\$66,896	...	\$341,896	\$165,880	NA
2011 Appropriation/Request.....	275,000 ^{a/}	154,799	...	429,799	275,000	NA
2012 Request.....	<u>500,000^{b/}</u>	<u>154,799</u>	...	<u>654,799</u>	<u>500,000</u>	NA
Program Improvements/Offsets.....	225,000	...-	...	225,000	225,000	NA

a/ The credit subsidy rate in fiscal year 2011 was revised to 2.34 percent.

b/ The fiscal year 2012 Budget proposed a fee based structure for Section 108.

NA = Not Applicable.

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Credit Subsidy and Administrative Expenses

	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation/Request.....	\$8,832 a/	\$1,605	...	\$10,437	\$6,813	\$6,420
2011 CR.....	8,438 b/	3,624	...	12,062	8,000	10,000
2012 Appropriation/Request.....	... c/	4,062	...	4,062	...	6,000
Program Improvements/Offsets.....	-8,438	438		-8,000	-8,000	-4,000

a/ Includes an upward re-estimate of \$2.832 million.

b/ Includes an upward re-estimate of \$2.438 million .

c/ Program to be funded by fees.

Summary Statement

The Community Development Block Grant (CDBG) program provides formula grants to entitlement cities and states to catalyze economic opportunity and create suitable living environments through an extensive array of community development activities that primarily benefit Americans of low and modest financial means. In this sense, CDBG is a program with a strong focus on place-based investments and results.

The fiscal year 2012 Budget proposes a total of \$3.804 billion for the Community Development Fund, an overall reduction of \$646 million (-15%) against the fiscal year 2011 request. It should be noted that in fiscal year 2012 the Community Development Fund proposes \$150 million in funding for the Sustainable Communities Initiative in a separate account. The CDBG formula program is requested at \$3.684 billion, a reduction of \$299 million (-7.5 %) relative to fiscal year 2010 enacted. The fiscal year 2012 Budget also provides \$65 million in CDBG funding for Indian Tribes and \$7 million for the Insular Areas. Also funded within the Community Development Fund in fiscal year 2012, is the Rural Innovation Fund at \$25 million.

Sustain Funding for the Community Development Block Grant program. In the long run, regions are only as strong as their people and neighborhoods. The Community Development Block Grant (CDBG) program is an important program that invests in neighborhoods, provides housing and creates jobs primarily for low- and moderate-income people and places. While the 2012 Budget requests slightly lower funding for CDBG in comparison to fiscal year 2011, the request nonetheless sustains the Obama Administration’s commitment to funding the CDBG program notwithstanding the difficult fiscal environment for domestic discretionary programs. The Sustainable Communities Initiative, begun in fiscal year 2010, is now reflected in a separate justification.

The Department proposes a number of improvements to the CDBG program, including reviewing and revising the consolidated plan requirements for state and local governments to ensure greater accountability and improve performance metrics in grantee reporting.

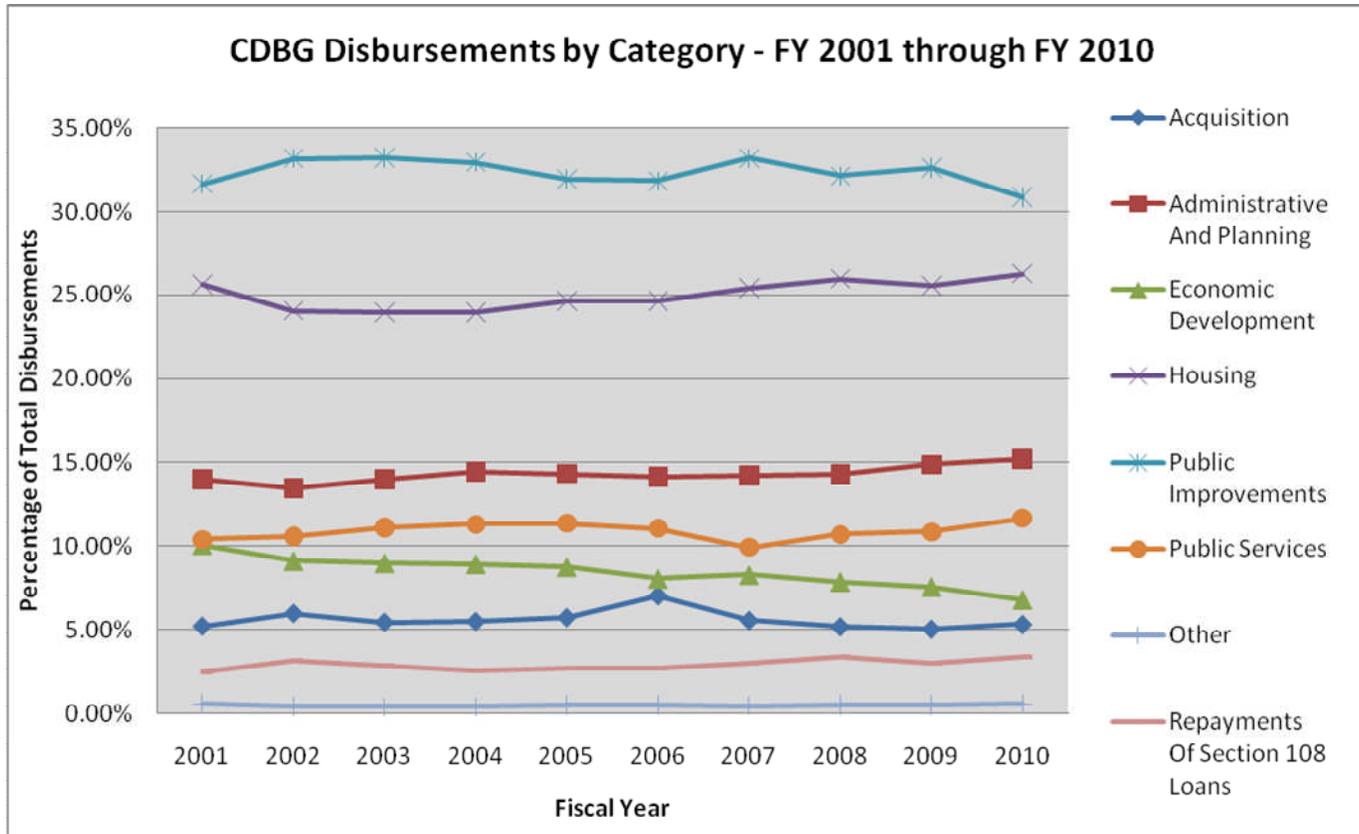
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CDBG is the Federal Government's largest community development grant program. Since inception in 1974, CDBG has invested \$131.1 billion in community development at the local level. The CDBG program is authorized by Title I of the Housing and Community Development Act of 1974, as amended, and provides annual grants on a formula basis to states and entitled metropolitan cities and urban counties (generally, cities with a population of 50,000 or more and counties with a population of 200,000 or more). Underpinning the traditional CDBG program is the fundamental philosophy that local decision-makers are poised to drive cohesive and dynamic metropolitan change, based on a keen perception of local needs, interests, and priorities. Consistent with that philosophy, CDBG grantees determine the use of CDBG funds with minimal Federal influence. Each activity must achieve one of three statutory national objectives: benefit persons of low- and moderate-income, assist the elimination of slums or blight, or meet a need of particular urgency. At least 70 percent of all CDBG funds expended over a period of up to 3 years must primarily benefit persons of low- and moderate-income. Grantees always exceed this overall benefit benchmark by a significant margin. In fiscal year 2010, almost 95 percent of CDBG funds were invested to primarily benefit low- or moderate-income Americans.

CDBG remains the largest and most flexible community development program in the Federal portfolio. In fiscal year 2010, 981 metropolitan cities and 180 urban counties received a CDBG entitlement allocation. CDBG urban county program encompass approximately 3,580 additional local governments. In addition, 49 states and the Commonwealth of Puerto Rico invested state CDBG grants in more than 2,500 CDBG non-entitlement cities and counties from the grants made to states for non-entitled communities. Hawaii's three non-entitlement counties receive non-entitlement funding on a formula basis directly from HUD, as Hawaii has permanently elected to decline funding under the State CDBG program. All told, CDBG funding annually reaches an estimated 7,000 local governments across the country. The wide reach of the program is a significant source of strength and support with local officials as well as members of Congress.

CDBG flexibility encourages use of program funds to help address key national priorities. The flexible nature of CDBG is a key strength of the program. The 1974 Act identifies 26 different eligible activities which can be grouped into several major categories: Acquisition and clearance; Economic development; Housing; Public improvements; Public services; and Administration. This broad collection of uses enables grantees to construct effective programs responsive to local needs. As the following graph below shows, the proportion of CDBG funding used nationally for each of the major categories of eligible activities has remained fairly constant over time.

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The effectiveness of CDBG’s flexibility is also demonstrated by the use of CDBG as the funding conduit to addressing a range of national priorities.

- CDBG is one the Federal Government’s primary vehicles for long-term disaster recovery assistance to states and local governments. For example, Congress appropriated \$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. Furthermore, during fiscal year 2008, Congress appropriated \$300 million in supplemental CDBG disaster recovery funding to address a range of Presidentially declared major disasters occurring in the late spring and early summer of 2008 and an additional \$6.5 billion in supplemental CDBG disaster recovery funding as part of the fiscal year 2009 continuing resolution to promote recovery from Presidentially declared major disasters that occurred during calendar year 2008, most notably the widespread flooding in the Midwest and Hurricanes Gustav and Ike. A supplemental appropriation of \$100 million was enacted in July 2010 to address disasters that occurred in the spring and summer of 2010.

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Neighborhood Stabilization Program (NSP) (please reference separate NSP justification for more detail)

- Further, CDBG is the underpinning for the Neighborhood Stabilization Program (NSP) initiatives of the last 2 years. The Housing and Economic Recovery Act of 2008 (HERA) authorized \$3.92 billion in mandatory CDBG-like funding for states and local governments to invest in locally designed strategies to address abandoned and foreclosed properties. Given the urgency of the situation, HERA directed HUD to establish a program, the NSP, and allocate the funding within 60 days. By the “rule of construction” under HERA, HUD is to treat NSP funds as if they were CDBG funds under the Housing and Community Development Act except as modified by HERA or by an alternative HUD requirement established to expedite the NSP investment. HUD allocated NSP funding to 309 grantees comprised of local governments, states and the insular areas and, as of September 30, 2010, 99.7 percent of these funds have been obligated by grantees and 55.4 percent disbursed as of February 7, 2011.
- Building on the original NSP investment, the American Recovery and Reinvestment Act of 2009 (Recovery Act) appropriated an additional \$2 billion in discretionary funds for NSP activities. The Recovery Act directed HUD to allocate the 2009 NSP funding by competition among units of local government, states, non-profit organizations, and consortia of nonprofit organizations, any of which may partner with for-profit entities. The flexibility of the CDBG-like funding promotes the coordination of public, private, and philanthropic sectors to make transformative investments that simultaneously address immediate needs and lay the foundations for future prosperity. These funds were awarded in January 2010, and as of February 7, 2010, 9 percent has been disbursed by grantees.
- The Dodd-Frank Wall Street Reform and Consumer Protection Act (signed into law July 21, 2010) authorized an additional \$1 billion in mandatory NSP funding to be allocated pursuant to the NSP 1 formula. HUD announced NSP3 allocations for 283 grantees on September 8, 2010 with the funds to be available from the Treasury beginning October 1, 2010. HUD issued guidance to grantees on NSP 3 program in October, 2010 and grantees are required to submit their action plan amendments to HUD not later than March 1, 2011 to ensure that funds are available as quickly as possible.

HUD seeks additional loan guarantee authority for Section 108 loan grantee program. No appropriation for credit subsidy is requested for the Section 108 Loan Guarantee program in fiscal year 2012. Instead, HUD continues to propose appropriation changes that would enable HUD to charge borrowers a fee to make this a zero credit subsidy program and proposes increasing the loan guarantee authority level to \$500 million. For fiscal year 2010, the Congress provided a loan guarantee authority level of approximately \$250 million based on credit subsidy of \$6 million.

The Section 108 program provides CDBG grantees with a highly valuable financing tool to assist in the execution of large scale community and economic development activities. Given the difficulties that many local governments are facing in obtaining private financing for such activities given continuing difficulties in the credit markets, The budget requests an increase in commitment level to \$500 million to address unmet development needs to create jobs. Section 108 provides ready access to long-term financing at rates slightly above comparable Treasury yields.

Program Relationships to Strategic Plan Goals and Subgoals:

While the CDBG and Section 108 programs are most clearly aligned with Goal 4 (Build Inclusive and Sustainable Communities Free From Discrimination), it is clear that both programs contribute to achieving the purposes of Goal 1 (Strengthen the Nation’s Housing Market to Bolster the Economy and Protect Consumers), Goal 2 (Meet the Need for Quality Affordable Rental Homes), as well as Goal 3 (Utilize Housing as a Platform for Improving Quality of Life). The distribution of CDBG and Section 108 across the goals should be as follows: Strategic Goal 1= 20 percent, Strategic Goal 2 = 5 percent, Strategic Goal 3 = 15 percent, Strategic Goal 4 = 60 percent (see details on goals below). The flexibility of CDBG allows it to contribute each of these goals in substantive ways through activities such as single and multi-family housing rehabilitation, public services, code enforcement and economic development. While the strategic goals and related subgoals do

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not directly demonstrate the strength of the CDBG, the program has great value to local officials as they attempt to address issues represented by these goals and other important community needs at the local level.

The value of CDBG can be seen in CDBG-funded investments that encourage economic growth. Approximately 31 percent of CDBG funds are used annually for public facilities investments which include improvements that support business and industrial development and address service gaps in utility service. An additional 7 percent of CDBG funds are used for economic development activities which include direct assistance to businesses to help create jobs and a range of investments that create environments conducive to economic growth. The Section 108 loan guarantee program is part of the CDBG program and funds CDBG-eligible public facilities and economic development activities, many of which are employment generating investments.

With regard to housing, approximately 26 percent of CDBG funds are annually expended for housing activities, with the most significant activity being owner-occupied rehabilitation. In fiscal year 2010, more than 89,000 owner-occupied units were assisted in some manner. Substantial CDBG funds are also used to rehabilitate multi-family rental units and, to a lesser extent, provide homeowner down payment assistance and construction of new housing. CDBG funds used for housing have a significant impact of supporting jobs.

CDBG can serve many financing roles in at the local level. In some cases, it may be used as a standalone financing source but is more often used in conjunction with other Federal, state or local funding sources. In these cases, CDBG may be the seed funding to initiate a project or provide gap funding. Further, local officials use CDBG to leverage other Federal funds as for other Federal programs (unless specifically prohibited by law).

The following discussion of CDBG contributions focuses on select subgoals although CDBG contributes to a broader cross section of subgoals.

Strategic Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers.

Subgoal 1A: Stem the Foreclosure Crisis

CDBG and NSP funds will mitigate effects of foreclosure crisis by assisting communities that have high rates of foreclosure. These funds can be used for direct housing assistance as well as community economic development and other various means of support. NSP funds are directly related to foreclosure issues and nearly 60 percent of CDBG funds are used for housing and infrastructure support.

Subgoal 1B. Protect and Educate Consumers when they buy, refinance, or rent a home

CDBG- CDBG will support subgoal 1b by increasing dissemination of financial literacy and other information to the public.

Subgoal 1C. Create financially sustainable homeownership opportunities

CDBG – CDBG supports the construction or rehabilitation of housing units targeted for homeownership by facilitating the flow of capital. Further, CDBG direct homeownership assistance and soft-second financing are keys to unlocking mortgage housing financing for many low and moderate income homeowners. In fiscal year 2010, grantees reported that CDBG housing activities helped approximately 109,000 households obtain decent, safe, and sanitary housing and achieved the following outcomes:

- In fiscal year 2010 CDBG assisted 4,845 homeownership units and rehabilitated 84,734 owner-occupied units.

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- Approximately 37 percent of rehabilitated homes were occupied by elderly individuals and 19 percent were raised from substandard to standard condition with CDBG funding.

CDBG Disaster Recovery Assistance – CDBG Disaster Recovery (CDBG-DR) funds are used extensively by grantees to create financially sustainable homeownership opportunities in several ways. First, CDBG-DR finances new housing construction and information can be provided on the number of homeownership units and related investments through the Disaster Recovery Grant Reporting (DRGR) system. By providing grant funds to homeowners, CDBG-DR grantees may ensure that homeowners have sufficient funds to rebuild their homes without incurring problematic debt burdens.

NSP- NSP provides financial support for construction or rehabilitation of housing units for homeownership.

Strategic Goal 2: Meet the Need for Quality Affordable Rental Homes

Subgoal 2A: End Homelessness and substantially reduce the number of families and individuals with severe housing needs

CDBG - In fiscal year 2010 CDBG grantees achieved the following outcomes for homeless individuals and families:

- provided for 18,921 beds in overnight or emergency shelters;
- sheltered 259,510 homeless persons; and
- provided emergency legal or financial assistance to more than 18,000 individuals to prevent homelessness.

Subgoal 2: Expand the supply of affordable rental homes where they are most needed

CDBG – CDBG helps to expand the supply of affordable rental homes where they are most needed by providing local governments with a highly flexible source of capital to expand the number and improve the condition of rental homes. In fiscal year 2010, CDBG funds provided the following:

- In fiscal year 2010 CDBG rehabilitated 12,704 rental units
- 16 percent of all rehabilitated rental units improved from substandard to standard condition. Elderly residents occupied 23 percent of the rental units.

CDBG Disaster Recovery Assistance – CDBG-DR funds are used extensively by grantees to finance rental housing production activities.

- In fiscal year 2010, CDBG continued to finance a significant number of occupied CDBG-DR rental units on the Gulf Coast consistent with the CDBG-DR contribution to the high priority performance goal on rental assistance.

NSP - NSP also supports construction, rehabilitation and acquisition of quality affordable rental housing by providing and leveraging capital.

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Subgoal 2C: Preserve the availability and improve the quality of federally assisted and private unassisted affordable rental homes

CDBG – CDBG provides substantial financial support for a range of housing-related investments which may include transit-oriented developments (also see 2B).

NSP - NSP funds also helped to preserve affordability and improve the quality of affordable rental homes.

Strategic Goal 3: Utilize Housing as a Platform for Improving Quality of Life.

Subgoal 3B. Utilize HUD assistance to improve health outcomes

CDBG – CDBG funds may be used to support a range of public services such as health care, youth services, senior services, substance abuse, lead-based paint screening for children and other similar uses.

Subgoal 3C: Utilize HUD assistance to increase economic security and self-sufficiency

CDBG/Section 108 – CDBG and Section 108 funds are used for job training activities, individual development accounts, child care services, and a range of other activities that enable low- and moderate income individuals to find employment and increase economic self-sufficiency. In fiscal year 2010, CDBG funds provided the following:

- 19,292 persons benefitting as a result of job creation activities and 3,964 under the Section 108 program.

Strategic Goal 4: Build Inclusive and Sustainable Communities Free From Discrimination

Subgoal 4A: Catalyze economic development and job creation, while enhancing and preserving community assets

CDBG/Section 108 – Grantees use CDBG and Section 108 funds for a variety of activities that promote economic development and job creation including direct assistance to for-profit businesses and infrastructure improvements. In addition, in communities across the country 63 percent of all CDBG funding for housing and infrastructure help advance sustainability. As noted in Goal 3, CDBG funds created 19,292 jobs and Section 108 created an additional 3,964 jobs in fiscal year 2010.

CDBG Disaster Recovery Assistance – CDBG-DR funding may be directed to economic revitalization efforts in disaster-affected areas depending on the language of the supplemental appropriation and the nature of the event.

Subgoal 4B. Promote energy-efficient and location-efficient communities that are healthy, affordable, and diverse

CDBG – CDBG funds are used to improve the conditions of high poverty, racially concentrated communities. Based on planned improvements to IDIS to be implemented in fiscal year 2011, the Office of Community Planning and Development (CPD) will be able provide more geographically specific information on CDBG investments in target communities.

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CDBG Disaster Recovery- CDBG funds are used to improve the conditions of high poverty, racially concentrated communities. Based on planned improvements to DRGR to be implemented in late fiscal year 2010, CPD will be able provide more geographically specific information on CDBG-DR investments in disaster-impacted communities.

Subgoal 4C. Ensure open, diverse, and equitable communities

CDBG/Section 108 – This is the single most significant subgoal for the CDBG and Section 108 loan guarantee programs. A significant proportion of Section 108 funds are annually directed to similar investments and results will be captured via forthcoming improvements to IDIS. In fiscal year 2009, CDBG funds provided the following:

- 31 percent of CDBG funds expended annually were devoted to public facilities and improvements that build stronger communities

CDBG Disaster Recovery Assistance – CDBG-DR funding covers a broad spectrum of activities which aid disaster-impacted communities in repositioning housing markets and economies for a viable and competitive future. Extensive data is available via DRGR with regard to how states and local governments are making critical investment decisions affecting the future of their communities.

Subgoal 4D: Facilitate disaster preparedness, recovery, and resiliency

CDBG Disaster Recovery Assistance – CDBG-DR funding is provided in the wake of a disaster event and is focused on recovery and resiliency. These recovery grants primarily address housing and infrastructure needs and, in some instances, also economic revitalization.

- As of the end of July, 2010, CPD has been appropriated almost \$30 billion in grants of which approximately \$19.6 billion has been disbursed. They are in the CDBG-DR grants that cover events ranging from Lower Manhattan recovery subsequent to the attacks of September 11, 2001 to Hurricanes Katrina, Rita and Wilma in 2005 to Midwest floods and Hurricanes Ike and Gustav in 2008.

Subgoal 4E: Build the capacity of local, state, and regional public and private organizations

CDBG- CDBG funds provide local officials access to help increase the capacity of their organizations.

American Recovery and Reinvestment Act (Recovery Act)

The Recovery Act was enacted in February 2009 and provided \$3 billion in supplemental appropriations for CDBG and the NSP. Of the \$3 billion received from the Recovery Act, the CDBG program received \$1 billion and the NSP program received \$2 billion. The \$1 billion received from the Recovery Act for the CDBG program is being used to maximize job retention and creation, maximize economic benefit, carry out infrastructure improvements on an expedited basis, carry out activities to encourage energy efficiency, and provide assistance to unemployed persons. The CDBG-R funds were distributed to the fiscal year 2008 CDBG grantees pursuant to the provisions of the Recovery Act and represent an additional increment of funding approximating 27 percent of fiscal year 2008 funding allocations. The funds included: \$973 million for CDBG grants; \$7 million for Insular Area grants; \$10 million for Indian CDBG grants; and, \$10 million was

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transferred to Salaries and Expenses for administration. Grantees have been urged to use these funds to undertake activities and projects that will contribute to rapid job creation and long-term economic growth and must expend these funds not later than September 30, 2012. As of January 14, 2011, more than \$595 million of CDBG-R funds had been expended.

The \$2 billion received from the Recovery Act for the NSP program (NSP 2) was allocated via a competition as required by the Recovery Act. HUD announced the results of the NSP 2 competition on January 14, 2010 and awarded 56 grants. NSP 2 is being used by states, local governments, non-profits and consortiums to address the effects of abandoned and foreclosed properties in the nation's communities. The uses of the funds include establishment of financing mechanisms to assist in the purchase of foreclosed homes, and acquisition and rehabilitation of abandoned and foreclosed homes. The NSP 2 appropriation was distributed in the following manner: \$1.93 billion for NSP 2 grants; \$50 million for NSP technical assistance; and, \$20 million for Salaries and Expenses for administration. Greater detail about NSP is provided in its separate justification.

HUD obligated all Recovery Act funds appropriated under the Community Development Fund (CDBG-R and NSP 2) heading were obligated by February 11, 2010. As of January 14, 2011, communities have expended more than \$595 million in CDBG-R funds and NSP grantees have obligated more than 20 percent (\$393 million) in NSP 2 funds to specific projects.

PERFORMANCE DATA

CPD has extensive financial and programmatic data on the use of CDBG funds by grantees. These data are primarily captured through the Department's Integrated Disbursement and Information System (IDIS) and other submissions provided by grantees. During 2004-2006, CPD developed a performance measurement system to be used by CPD formula grantees to determine the effectiveness of their programs. This framework was developed in conjunction with OMB and grantee members of community development public interest groups. The implementing Federal Register Notice was published on March 7, 2006.

The outcome performance measurement system developed by HUD and its stakeholders has three overarching objectives: Creating Suitable Living Environments, Providing Decent Affordable Housing, and Creating Economic Opportunities; and three possible outcomes for each objective: Availability/Accessibility, Affordability, and Sustainability. Additionally, there are specific indicators for the various types of activities funded by the formula grants. A grantee selects a performance objective and outcome in IDIS for each activity, and also reports on various indicators depending on the type of activity assisted. The combination of these items enables IDIS to aggregate data so that results can be demonstrated at the national level. Grantees started reporting on the new data in IDIS on October 1, 2006. CPD develops an end-of-fiscal year performance measurement statement to reflect these outcomes.

CPD believes that additional attention to data quality issues in IDIS will yield more refined and reliable data. CPD will continue its technical assistance efforts to improve data quality, as evidenced by a series of 48 training sessions initiated in fiscal year 2010 and running into 2011 to familiarize grantees with the re-engineered IDIS system. Additionally, the Department will review and revise consolidated plan requirements for state and local governments, encourage greater accountability, and better performance metrics.

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

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 Obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Entitlement/Non-Entitlement	\$3,941,288	\$549,503	\$4,490,791	\$3,864,577	\$3,983,068	\$626,745	\$4,609,813	\$3,684,368
Insular Area CDBG Program	6,930	7,000	13,930	7,000	7,000	6,930	13,930	7,000
Sustainable Communities	148,500	...	148,500	66	150,000	148,434	298,434	...
Indian Tribes	64,350	67,585	131,935	65,332	65,000	66,603	131,603	65,000
Rural Innovation Fund	24,750	...	24,750	...	25,000	24,750	49,750	25,000
University Community Fund	24,750	...	24,750	21,326	25,000	3,424	28,424	...
Section 107 Grants .....	...	4,667	4,667	2,121	...	2,545	2,545	...
Administration, Operations, and Management .....	...	5,511	5,511	2,592	...	2,985	2,985	...
Economic Development Initiative Grants	172,844	196,782	369,626	185,808	172,844	181,130	353,974	...
Neighborhood Initiative Demonstration	22,088	19,745	41,833	19,520	22,088	22,043	44,131	...
Disaster Assistance	100,000	5,120,111	5,220,111	4,305,803	...	914,573	914,573	...
Section 805 Economic Development training .....	...	123	123	72	...	51	51	...
Neighborhood Stabilization Program .....	...	...	...	...	[1,000,000]	...	[1,000,000]	...
Transformation Initiative	44,500	...	44,500	44,500	...	...	...	...
American Recovery and Reinvestment Act .....	...	1,998,049	1,998,049	1,998,049	...	...	...	...
Grant to Guam .....	...	...	...	...	...	...	...	22,930
Catalytic Investments .....	...	...	...	...	...	...	...	...
Total	4,550,000	7,969,076	12,519,076	10,516,766	4,450,000	2,000,213	6,450,213	3,804,298

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FTE	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters	138	141	145
Field	<u>174</u>	<u>179</u>	<u>158</u>
Total	312	320	303

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

Entitlement/Non-Entitlement	<u>Amount</u>
2010 Appropriation	\$3,941,288
2011 CR	3,983,068
2012 Request	<u>3,684,368</u>
Program Improvements/Offsets	-298,700

NOTE: As shown, 1 percent of the gross appropriation is transferred to the Transformation Initiative in fiscal year 2010. Fiscal Year 2012 does not reflect the up to half a percent permissive transfer to TI.

Proposed Actions

1. Outcome Driven Accountability. The Housing and Community Development Act and CDBG rules purposefully permit tremendous flexibility in program implementation. While flexibility is a strength of the program, it also creates challenges in measuring program effectiveness, enforcement, implementation and accountability. Most grantees accurately report performance targets and outcomes. However, CDBG grantees do not necessarily concentrate their CDBG investment in well defined areas, which makes it difficult to demonstrate the impact of program funds

Nevertheless, the implementation of the Performance Measurement System in 2006 was a major CPD accomplishment that allowed CDBG to move away from simply counting jobs, housing units and public facilities/public services to a robust demonstration of the impact of these Federal Dollars. For example, instead of just reporting on the number of jobs created, CDBG has been able to provide the number of jobs with employer provided health insurance and the number of jobs for which previously unemployed persons were hired. The CDBG program continues to pursue methods of ensuring grantee compliance in reporting these important data that demonstrate program outcomes. For example, HUD will continue these efforts by: 1) implementing the collection of annual target data in IDIS to establish a more accurate measurement of grantees that are or are not meeting their goals, 2) providing web-based IDIS training on a continuous basis, 3) improving reports that can be used to evaluate grantee performance, 4) expanding data quality improvement efforts and incorporating them into the information system where possible, 5) advocating for stronger accountability standards for all grantees, and 6) improving grantee reporting of performance measurements.

2. Transformation Initiative. In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program

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demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

In fiscal year 2010, CPD received \$27,295,000 in Technical Assistance funding and \$15,700,000 in Information Technology funding through the Transformation Initiative. Under the Technical Assistance allotment, \$23,000,000 will go to provide TA directly to grantees through the OneCPD: Integrated Practitioner Assistance System, and \$595,000 will develop new cross-cutting TA courses through the Joint Core Skills project. The remaining \$3,700,000 in Technical Assistance funds supports CPD's Community Connections contract to provide database development and maintenance, publication support, web site development, and other technical assistance and support for grantees. Under the Information Technology allotment, \$10,100,000 will be used for Electronic Grants Management in Support of the HEARTH Act (#16).

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 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 in which States and localities establish their local priorities and specify how they would measure their performance. A locality's Consolidated Plan serves as the planning and application mechanism for CDBG funds. Entitlement grantees evaluate their performance through the Consolidated Annual Performance and Evaluation Report; States prepare a Performance 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.
 - 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, and the Commonwealth of the Northern Marianas. A separate program, the Indian Community Development Block Grant program, is administered by the Office of Public and Indian Housing and provides funding to 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, including the reconstruction of housing.
 - Fund Distribution. CDBG funds have been allocated to States and localities based on the formulae described below. After deducting a designated amount for the Insular Areas CDBG program, 70 percent of funds are allocated to entitlement communities and 30 percent are allocated to States for non-entitlement communities.

Community Development Block Grants

c. Explanation of Funds Allocated by Recipient Category

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

ORIGINAL FORMULA

Poverty - 50 percent
Population - 25 percent
Overcrowded housing - 25 percent

SECOND FORMULA

Poverty - 30 percent
Population growth lag
(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 been 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. Principal cities of metropolitan area (MAs), other cities in MAs with 50,000 or more population, and cities that retain metropolitan city status as a result of previously meeting the criteria as metropolitan cities are entitled to funding on the basis of one of the formulas. For fiscal year 2010, 981 metropolitan cities received CDBG allocations. Of these, 27 elected to enter into joint grant agreements with their urban counties.

Urban Counties. The statute also entitles urban counties to formula grants. In fiscal year 2010, 180 counties received a CDBG formula allocation. These urban counties include over 3,500 cooperating local incorporated units of government receiving funding under the program. The urban county has to have authority to undertake essential community development and housing assistance activities in its participating incorporated communities either under State law or through cooperation agreements. These agreements have to express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary. An urban county's qualification is valid for a 3-year period.

2. Non-entitlement (State/Small Cities Program). Non-entitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the original formula or a second formula which is identical to that used for entitlement communities, except that population was substituted for growth lag. Under the HCD Act of 1974, as amended, any State that elected to administer the Small Cities program in fiscal year 1985 or thereafter was considered to have assumed this responsibility permanently. The State of Hawaii is the only State that permanently elected not to administer the State CDBG program and HUD, therefore, administers grants to non-entitlement units of government in Hawaii.

3. 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.

In order to receive CDBG entitlement funds, a grantee develops and submits to HUD its Consolidated Plan and Annual Action Plans, which are a jurisdiction's plan and submission for funding under the following Community Planning and Development formula, grant programs: CDBG, HOME Investment

Community Development Block Grants

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.

States participating in the State CDBG program 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 has to describe its funding priorities and has to describe the method it intends to use to distribute funds among communities in non-entitlement areas. Each participating State also submits a series of certifications as part of its Consolidated Plan.

Community Development Block Grants

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

Sustainable Communities	<u>Amount</u>
2010 Appropriation	\$148,500
2011 CR	150,000
2012 Request	<u>...</u>
Program Improvements/Offsets	-150,000

NOTE: As shown, 1 percent of the gross appropriation is transferred to the Transformation Initiative (TI) in fiscal year 2010. Fiscal Year 2011 and 2012 do not reflect the permissive transfers to TI.

Proposed Actions

The Department is requesting \$150 million for continuation of the Sustainable Communities Initiative launched in 2010 as a separate request and is presented in a separate Justification.

Community Development Block Grants

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

Section 108 Loan Guarantees	<u>Amount</u>
2010 Appropriation	\$8,832
2011 CR.....	8,438
2012 Request	<u>...</u>
Program Improvements/Offsets	-8,438

NOTE: In fiscal year 2012, the program is proposed to be funded from fees.

Commitment levels (Dollars in Thousands)

	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Enacted Loan Level.....	\$275,000	\$66,896	...	\$341,896	\$165,880	NA
2011 Appropriation/Request.....	275,000 ^{a/}	154,799	...	429,799	275,000	NA
2012 Request.....	<u>500,000^{b/}</u>	<u>154,799</u>	<u>...</u>	<u>654,799</u>	<u>500,000</u>	NA
Program Improvements/Offsets.....	225,000	...-	...	225,000	225,000	NA

a/ The credit subsidy rate in fiscal year 2011 was revised to 2.34 percent.

b/ The fiscal year 2012 Budget proposed a fee based structure for Section 108.

NA = Not Applicable.

Credit Subsidy and Administrative Expenses

	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation/Request.....	\$8,832 a/	\$1,605	...	\$10,437	\$6,813	\$6,420
2011 CR.....	8,438 b/	3,624	...	12,062	8,000	10,000
2012 Appropriation/Request.....	... c/	4,062	...	4,062	...	6,000
Program Improvements/Offsets	-8,438	438	...	-8,000	-8,000	-4,000

a/ Includes an upward re-estimate of \$2.832 million.

b/ Includes an upward re-estimate of \$2.438 million.

c/ Program to be funded by fees.

Community Development Block Grants

Proposed Actions

No appropriation for credit subsidy is requested for the Section 108 Loan Guarantee program in fiscal year 2012. Instead HUD proposes legislative changes that would enable HUD to charge borrowers a fee to make this a zero credit subsidy program. For fiscal year 2010, the Congress provided a loan guarantee authority level of approximately \$250 million based on credit subsidy appropriation of \$6.0 million and a credit subsidy rate of 2.4 percent.

The Department proposes Section 108 loan guarantee authority of \$500 million in fiscal year 2012, the same amount sought in fiscal year 2011. HUD views Section 108 as a highly valuable financing tool for large scale community and economic development activities being carried out by local governments. The priority of this expansion is particularly underscored by continuing problems in the private credit markets and the high cost of borrowing facing local governments. In addition, Section 108 is job focused and this is a key priority for the Administration in reviving the national economy and expanding economic opportunity in urban and rural communities across the nation.

Background

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program and is a potent job creation/retention tool for states and local governments. It allows them to leverage their CDBG funds into Federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods or provide affordable housing to low- and moderate-income persons. Such public investment is often needed to inspire private investment by providing the initial resources or simply the confidence those private firms and individuals may need to invest in economically distressed areas or in housing projects. Section 108's utility as a job generating tool is magnified by the absence of financing for community/economic development projects in many economically distressed states and localities. This characteristic makes it an important corollary to HUD's proposal for the Catalytic Competition Grant proposal.

Entitlement communities may receive Section 108 loan guarantees (in an aggregate amount) of up to 5 times their most recent CDBG award. The amount that non-entitlement communities in any state (other than Hawaii) may receive is 5 times their State's CDBG award. Non-entitlement communities in Hawaii may receive up to five times their latest grant award from HUD. Insular areas are now eligible to apply for loan guarantee assistance, although none have applied.

Both the fiscal years 2009 and 2010 appropriations authorized HUD to provide Section 108 Loan Guarantees to States borrowing on behalf of local governments in non-entitlement areas (governments that do not receive annual CDBG entitlement grants from HUD). Previously, the nonentitled units of local government had to submit applications and obtain the pledge of future CDBG funds for the repayment for the guaranteed loan from their state. The fiscal year 2009 appropriations language directed HUD to issue a rule implementing the provision and an interim rule was issued in July 2009 and accommodates the same change in future fiscal years.

The Section 108 program offers variable and fixed rate financing for up to 20 years to finance economic development projects, public facilities and improvements, housing rehabilitation, land acquisition, and related activities. Communities must pledge their CDBG funding as security for the Section 108 loans.

Since 1977, HUD has issued 1,816 commitments totaling over \$8.4 billion. The total outstanding guaranteed loan balance as of October 2010 is approximately \$2.2 billion. The applicant pledges its current and future CDBG funds as the security for the loan guarantee.

Community Development Block Grants

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, due in part to the availability of CDBG funds for repayment if planned repayment sources are insufficient. HUD may require additional security for each loan, and any additional security that may be necessary is determined on a case-by-case basis. Since 1998 communities have been required to differentiate between planned use of CDBG funds for Section 108 debt service and unplanned use. Planned use of CDBG funds is associated with projects (e.g., public facilities) that generate little or no revenue. Unplanned use of CDBG funds occurs upon a revenue shortfall in the intended repayment source. In fiscal year 2010, planned Section 108 outlays were \$128 million, and unplanned Section 108 outlays were \$1.7 million.

Community Development Block Grants

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

Insular Area CDBG Program	<u>Amount</u>
2010 Appropriation	\$6,930
2011 CR	7,000
2012 Request	<u>7,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Housing and Community Development Act of 1974 provides CDBG funding mechanism for Insular Areas. Beginning in 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 and regulations are found at 24 CFR Part 570.405 The Insular Areas consist of Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands. Section 106(a)(2) of the HCD Act provides for a \$7 million allocation to the Insular Areas from the amount available for CDBG formula distribution.

Community Development Block Grants

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

Indian Tribes	<u>Amount</u>
2010 Appropriation	\$64,350
2011 CR	65,000
2012 Request	<u>65,000</u>
Program Improvements/Offsets .....	...

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, approximately \$1 billion in ICDBG grants have been awarded. This Budget proposes \$65 million for ICDBG grant activities in CDBG. Since 1974, the CDBG program has been the backbone of improvement efforts in many communities, providing a flexible source of grant funds for local governments nationwide. The program provides funds that they, with the participation of local citizens, can devote to a wide range of activities that best serve their development priorities, provided that these projects either: (1) benefit low- and moderate-income families; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs.

ICDBG funds are distributed as annual competitive grants in response to a Notice of Funding Availability. Funds are allocated to each of the six Area Offices of Native American Programs (AONAP). Applicants compete for funding only with other federally recognized tribes or eligible Indian entities within their area. Examples of eligible activities include: improving the housing stock (single family and rental housing rehabilitation) providing community facilities, improving infrastructure, and expanding job opportunities by supporting the economic development of the communities, especially by non-profit tribal organizations or local development corporations. Federally recognized Indian tribes and Alaskan Native Villages are restricted from using block grants for construction or improvement of governmental facilities, government operations, income payments, or for new housing construction except in certain situations. Up to \$3.9 million may be used for imminent threats to health and safety pursuant to the Appropriations Act.

The program is authorized by section 106(a) of the Housing and Community Development Act of 1974, as amended (42 USC 5301ff). Regulations are found at 24 CFR Part 1003. The Office of Native American Programs (ONAP) within the Office of Public and Indian Housing (PIH) administers the program. Projects funded by grants must primarily benefit low- and moderate-income persons (defined as 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)**

Rural Innovation Fund	<u>Amount</u>
2010 Appropriation	\$24,750
2011 CR	25,000
2012 Request	<u>25,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

HUD proposes \$25 million to support a variety of innovative approaches dedicated to addressing the problems of concentrated rural housing distress and community poverty through comprehensive community development, housing and economic development activities. The Rural Innovation Fund (RIF) will support bold ideas that lead to better housing conditions, increased energy efficiency, and economically viable communities with a strong potential for sustaining the benefits resulting from a one-time Federal investment while maintaining support for the types of activities supported under the former Rural Housing and Economic Development (RHED) Program.

Recognizing the need for affordable housing and economic development in rural areas, and the strong role HUD programs play in rural America, particularly the HOME program, Housing Opportunities for Persons with AIDS (HOPWA), tenant-based Housing Choice vouchers, and other programs, HUD supports the Rural Innovation Fund as enacted in fiscal year 2010. HUD also recognizes the unique relationship between the Government of the United States and the governments of Indian tribes, and the importance of HUD programs including the Native American Housing Assistance and Self-Determination Act (NAHASDA) block grant for affordable housing needs in Indian communities, and will structure the Rural Innovation Fund as enacted in fiscal year 2010 to reflect these considerations.

This effort would be competitive. Organizations eligible to apply for assistance under the former Rural Housing and Economic Development program, consortia of these organizations, as well as Federally recognized Indian Tribes could be the lead applicants for comprehensive grants. Applicants would identify targeted affordable housing and economic development interventions (either geographically targeted, or through an innovative overall approach applicable over a wider area) to assist low-income communities with fewer than 20,000 residents, communities outside of Metropolitan Statistical Areas with fewer than 20,000 residents, and any low-income community with fewer than 2,500 residents. Applicants would be required to develop coordinated plans and to leverage other Federal and state programs, including the Departments of Agriculture, Interior, and Energy and the Environmental Protection Agency. To simplify this coordination, eligibility is also extended to all areas defined as rural by the Department of Agriculture. States will develop implementation strategies involving both local governments as well as non-profit partners to assist in the delivery and administration.

Community Development Block Grants

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

University Community Fund	<u>Amount</u>
2010 Appropriation	\$24,750
2011 CR	25,000
2012 Request	<u>---</u>
Program Improvements/Offsets	-25,000

Proposed Actions

HUD does not seek an appropriation for the University Community Fund in fiscal year 2012. The decision to not seek an appropriation is related to the broad budgetary pressures facing the Department and the Department has identified this set-aside as a low priority program.

Community Development Block Grants

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

Section 107 Grants	<u>Amount</u>
2010 Appropriation
2011 CR
2012 Request	<u>...</u>
Program Improvements/Offsets

Proposed Actions

There is no direct request for technical assistance funding under Section 107. However, technical assistance needs for the CDBG program in fiscal years 2010-2012 will be funded through the Transformation Initiative (described further in a separate Justification).

Community Development Block Grants

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

Economic Development Initiative Grants	<u>Amount</u>
2010 Appropriation	\$172,844
2011 CR	172,844
2012 Request	<u>---</u>
Program Improvements/Offsets	-172,844

Proposed Actions

No funding is requested in fiscal year 2012 for Economic Development Initiative-Special Projects (EDI-SP) grants. As these are Congressional earmarks, the Department supports funding for these types of activities via the existing CDBG formula program. EDI-SP grants provide earmarks to designated entities for certain specified activities. No more than 20 percent of any EDI-SP grant may be used for planning, management development or administrative costs, except for EDI-SP grants specifically authorized as planning grants. Congress has also directed that no EDI-SP grant funds may be used for program operations. Since 1998, 8,127 EDI-SP grants have been funded.

Community Development Block Grants

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

Neighborhood Initiative Demonstration	<u>Amount</u>
2010 Appropriation	\$22,088
2011 CR	22,088
2012 Request	<u>---</u>
Program Improvements/Offsets	-22,088

Proposed Actions

No funding is requested in fiscal year 2012 for Neighborhood Initiative Demonstration (NID) grants, as these are Congressional earmarks.. The Department supports funding these types of activities via the existing CDBG formula program. NID grants provide earmarks to designated entities for certain specified activities. No more than 20 percent of any NID grant may be used for planning, management development or administrative costs, except for NID grants specifically authorized as planning grants. Congress has also directed that no NID grant funds may be used for program operations. Since 1998, 397 NID grants have been funded.

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

Disaster Assistance	<u>Amount</u>
2010 Appropriation	\$100,000
2011 CR .....	...
2012 Request .....	...
Program Improvements/Offsets .....	...

Proposed Actions

CDBG disaster recovery assistance (CDBG-DR) is funded through supplemental appropriations following large-scale or catastrophic disasters. Nearly \$30 billion in CDBG-DR funding has been appropriated to 30 states (24 of which currently have active grants). Congress appropriated an additional \$100 million in CDBG disaster recovery funding in July 2010, to address disasters that occurred in the spring and summer of 2010. HUD allocated \$50 million of this amount in September 2010 and will allocate the remaining \$50 million in the second quarter of fiscal year 2011. Following the 2005 hurricanes, approximately \$19.7 billion was allocated to the five Gulf Coast states through three supplemental appropriations (P.L. 109-148, P.L. 109-234, and P.L. 110-116). Approximately \$5.1 billion (26 percent) remains to be expended, most of which is dedicated toward reconstruction of infrastructure.

Public Law 110-116 appropriated an additional \$3 billion in fiscal year 2008 for costs associated with the Road Home Homeowner Assistance program administered by Louisiana. Congress appropriated these amounts due to an estimated shortfall for Louisiana’s Road Home Homeowner Assistance program. Funds appropriated have been allocated to Louisiana, but as directed by statute, grantees will not draw down funds from the Treasury beyond the exclusive purpose of compensating eligible claims. HUD obligates funds from this appropriation on an as-needed basis to the State of Louisiana. To date, \$2.5 billion of the \$3.0 billion has been obligated.

Following the Midwest floods and Gulf Coast hurricanes of 2008, Congress appropriated approximately \$6.8 billion in supplemental CDBG disaster recovery funding through two supplemental appropriations (P.L. 110-252 appropriated \$300 million and P.L. 110-329 appropriated \$6.5 billion). The amount available from P.L. 110-329 was reduced to \$6.1 billion due to a rescission of \$377 million to meet part of a requirement imposed upon the Department as part of the fiscal year 2008 appropriations. These remaining funds have been awarded to states to address Presidentially declared major disasters that occurred in calendar year 2008. Consistent with the directives of P.L. 110-329, the Department allocated \$2.145 billion of this amount in late November 2008. All remaining funds have been allocated either through formula allocations or the Disaster Recovery Enhancement Fund (DREF)

The primary state recipients of 2008 CDBG-DR funding are Texas (approx. \$3 billion), Louisiana (approx \$1 billion), Iowa (approx. \$800 million), Indiana (\$415 million, and Illinois (\$186 million). Of the \$6.4 billion in 2008 CDBG-DR funding awarded to date, approximately \$3.4 billion (56 percent) has been budgeted by states and \$238 million (4 percent) has been expended. HUD expects that all but \$66 million of the amount will be under contract by February 28, 2011.

Community Development Block Grants

HUD reserved approximately \$311 million from the \$6.1 billion (P.L. 110-329) allocation as a set-aside incentive fund called the Disaster Recovery Enhancement Fund (DREF). DREF allocations are made to states based on matching funds for eligible activities that reduce risk from future disasters which were budgeted by June 30, 2010. HUD announced DREF allocations totaling \$311.6 million to thirteen states on August 26, 2010 and is in the process of executing grant agreements by February 28, 2011.

P.L. 110-329 also provided CPD with \$6.5 million in Salaries and Expenses funds that must be used to support administration of the \$6.1 billion in disaster recovery funding as well as the CDBG-related Neighborhood Stabilization Program (NSP) established pursuant to the requirements of the Housing and Economic Recovery Act of 2008 (HERA) (Public Law 110-289).

Finally, CPD has engaged PD&R to undertake a study to assess the state of housing recovery in the states hardest hit by Hurricanes Katrina and Rita – Louisiana, Mississippi, and Texas - and to examine the role of CDBG funds in supporting the recovery. The first phase of the study, focused on housing conditions on the ground in early 2010, is finalized. The second phase, presenting the results of the owner survey and summarizing the overall findings from the study, will be completed in fiscal year 2011.

Community Development Block Grants

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

Transformation Initiative	<u>Amount</u>
2010 Appropriation	\$44,500
2011 CR .....	...
2012 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

Community Development Block Grants

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

Grant to Guam	<u>Amount</u>
2010 Appropriation .....	...
2011 CR .....	...
2012 Request	<u>\$22,930</u>
Program Improvements/Offsets	+22,930

Proposed Actions

Additional funding of \$22.9 million in Fiscal Year 2012 may be provided for the Territory of Guam to address community development needs from the relocation of various military installations and personnel to Guam. These funds are planned to be appropriated to the Department of Defense for transfer to HUD to be administered consistent with the requirements of the CDBG program.

Community Development Block Grants

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

Administration, Operations, and Management	<u>Amount</u>
2010 Appropriation
2011 CR
2012 Request	<u>...</u>
Program Improvements/Offsets

Small amounts of operation and administration funding was part of the Recovery Act CDBG appropriation.

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>
2010 Appropriation
2011 CR
2012 Request	<u>...</u>
Program Improvements/Offsets

Community Development Block Grants

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

Neighborhood Stabilization Program	<u>Amount</u>
2010 Appropriation .....	...
2011 CR	[\$1,000,000]
2012 Request	<u>...</u>
Program Improvements/Offsets	-1,000,000

The Dodd-Frank Wall Street Reform and Consumer Protection Act (signed into law on July 21, 2010) provided \$1 billion in mandatory funding for a third round of NSP in the amount of \$1 million. It is to be allocated pursuant to the NSP 1 formula. The funds became available in fiscal year 2011.

Community Development Block Grants

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

American Recovery and Reinvestment Act	<u>Amount</u>
2010 Appropriation
2011 CR
2012 Request	<u>...</u>
Program Improvements/Offsets

The Recovery Act was enacted in February 2009 and provided \$3 billion in supplemental appropriations for CDBG formula and the second round of the Neighborhood Stabilization Program. In fiscal year 2010, \$1.998 billion carried over and was obligated in fiscal year 2010.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Appropriations Language**

Below is the italicized appropriation language for the Community Development Block Grants Program.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, \$3,781,368,000, to remain available until September 30, 2014, unless otherwise specified: Provided, That of the total amount provided, \$3,691,368,000 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 second paragraph and amounts made available under the third paragraph), 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 \$65,000,000 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.

Of the amounts made available under this heading, \$25,000,000 shall be made available for the Rural Innovation Fund for grants to Indian tribes, State housing finance agencies, State community and/or economic development agencies, local rural nonprofits and community development corporations to address the problems of concentrated rural housing distress and community poverty: Provided, That of the funding made available under the previous proviso, at least \$5,000,000 shall be made available to promote economic development and entrepreneurship for federally recognized Indian Tribes, through activities including the capitalization of revolving loan programs and business planning and development, and technical assistance to increase capacity through training and outreach activities..

Changes from 2010 Appropriations

In comparison to the fiscal year 2011 proposal, no funding is requested under the Community Development Fund heading in fiscal year 2012 for the following items: Sustainable Communities Initiative, Catalytic Investment Competition Grants, or the University Communities Fund.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Crosswalk of 2010 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Entitlement/Non-Entitlement	\$3,941,288	...	...	...	\$549,503	\$4,490,791
Insular Area CDBG Program	6,930	...	...	...	7,000	13,930
Sustainable Communities	148,500	...	...	...	...	148,500
Indian Tribes	64,350	...	...	...	67,585	131,935
Rural Innovation Fund	24,750	...	...	...	...	24,750
University Community Fund	24,750	...	...	...	...	24,750
Section 107 Grants .....	...	...	...	...	4,667	4,667
Administration, Operations, and Management .....	...	...	...	...	5,511	5,511
Economic Development Initiative Grants	172,844	...	...	...	196,782	369,626
Neighborhood Initiative Demonstration	22,088	...	...	...	19,745	41,833
Disaster Assistance .....	...	\$100,000	...	...	5,120,111	5,220,111
Section 805 Economic Development training .....	...	...	...	...	123	123
Neighborhood Stabilization Program ..	...	...	...	...	...	...
Transformation Initiative	44,500	...	...	...	...	44,500
American Recovery and Reinvestment Act .....	...	...	...	...	1,998,049	1,998,049
Grant to Guam .....	...	...	...	...	...	...
Catalytic Investments .....	...	...	...	...	...	...
Total	4,450,000	100,000	...	...	7,969,076	12,519,076

NOTE: Total carryover includes recaptures of \$738 thousand.

Community Development Block Grants

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Crosswalk of 2011 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Entitlement/Non-Entitlement	\$3,983,100	\$3,983,068	...	...	\$626,745	\$4,609,813
Insular Area CDBG Program	7,000	7,000	...	...	6,930	13,930
Sustainable Communities	150,000	150,000	...	...	148,434	298,434
Indian Tribes	65,000	65,000	...	...	66,603	131,603
Rural Innovation Fund .....	...	25,000	...	...	24,750	49,750
University Community Fund	25,000	25,000	...	...	3,424	28,424
Section 107 Grants .....	...	...	...	...	2,545	2,545
Administration, Operations, and Management .....	...	...	...	...	2,985	2,985
Economic Development Initiative Grants .....	...	172,844	...	...	181,130	353,974
Neighborhood Initiative Demonstration	...	22,088	...	...	22,043	44,131
Disaster Assistance .....	...	...	...	...	914,573	914,573
Section 805 Economic Development training .....	...	...	...	...	51	51
Neighborhood Stabilization Program ..	...	...	[\$1,000,000]	...	...	[1,000,000]
Transformation Initiative .....	...	...	...	...	...	...
American Recovery and Reinvestment Act .....	...	...	...	...	...	...
Grant to Guam .....	...	...	...	...	...	...
Catalytic Investments	<u>150,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	4,380,100	4,450,000	[1,000,000]	...	2,000,213	6,450,213