

March 7, 2007

The Honorable Kent Conrad  
Chairman  
Senate Committee on the Budget  
624 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Judd Gregg  
Ranking Member  
Senate Committee on the Budget  
624 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

As you prepare to consider the fiscal year (FY) 2008 Budget Resolution, the undersigned members of the CDBG Coalition want to make you aware of our strong opposition to proposed cuts in the FY 2008 Department of Housing and Urban Development (HUD) budget, particularly the proposal to cut funding for Community Development Block Grant (CDBG) formula grants by 20 percent. We urge you to craft a Budget Resolution that will allow for at least \$4.1 billion in funding for CDBG formula grants. This funding level would better reflect the ongoing need for these critically important resources at the state and local level and represent a good first step toward restoring full funding for this successful and effective program.

The FY 2008 Budget proposes just \$2.975 billion in funding for the CDBG formula program, a reduction of \$736 million compared to the appropriated level of \$3.711 billion for both FY 2006 and FY 2007. (The FY 2006 funding level in turn represented a 10 percent reduction from the appropriated level of \$4.110 billion for FY 2005.) Since FY 2001, when formula grants were funded at \$4.410 billion, appropriated funding for the CDBG formula has declined by 16 percent. These reductions have had real and harmful consequences for the efforts of states, counties and cities to strengthen our nation's communities and improve the quality of life for low- and moderate-income Americans.

The CDBG program's emphases on flexibility and local prioritization of needs through citizen participation allow state and local governments to achieve tangible results. From FY 2001 through FY 2006 CDBG funding led to the creation or retention of more than 541,000 jobs, and millions of Americans benefited from CDBG-funded public improvements to water and sewer systems as well as other public infrastructure projects. In FY 2006 alone CDBG funding supported the rehabilitation of more than 148,000 rental units and single-family homes, employment training for 67,000 individuals, after-school enrichment programs for over one million youth, and child care services for over 74,000 children. Additionally, more than 7,500 American households received homeownership assistance during FY 2006 thanks to CDBG funding. The CDBG program's design continues to target resources to those with the greatest needs, with 95 percent of funds expended by entitlement communities and 96 percent of funds expended by states during FY 2006 supporting activities that principally benefited low- or moderate-income persons.

Although it is clear that the CDBG program continues to make a positive difference in the lives of low- and moderate-income Americans, recent cuts to formula funding have seriously eroded the ability of states and localities to address community needs. A 2006 survey conducted on behalf of the undersigned organizations asked CDBG grantees to provide projections of what they would be able to achieve with their reduced FY 2006 formula allocations as compared to the results they achieved using their FY 2004 grants. Projected reductions from the 351 respondents (representing 30 percent of grantees and 50 percent of FY 2006 formula funding) included:

- 5,588 fewer businesses to be assisted, 14,881 fewer jobs to be created, and 3,345 fewer jobs to be retained
- 5,843 fewer households to be assisted through homebuyer assistance activities, including a total of 2,533 first-time homebuyers and 1,828 minority households
- 5,064,408 fewer low- and moderate-income persons to be served
- 255,569 fewer elderly persons to be served
- 391,823 fewer children and youth to be served
- 253,187 fewer persons with special needs to be served
- 196,150 fewer homeless persons to be served
- 1251 new city and county public improvement projects to be canceled or delayed and 473 fewer state public improvement projects

It is our understanding that a Dear Colleague letter circulating in the Senate requests that the Budget Resolution accommodate \$4.1 billion in funding for the CDBG program. This amount, if enacted, would represent a positive step toward restoring full funding for the program. Even at this funding level, however, it is likely that urgent community development needs will continue to go unmet. Consider that in FY 2001, when the program was funded at \$4.410 billion, there were 1,068 CDBG grantees, including state programs. There are now over 1,190 grantees sharing \$3.711 billion in program funding.

As more entitlement communities come into the program, local needs persist. Entitlement communities participating in the 2006 survey estimated that, on average, they would be able to fund only 48 percent of local applications for CDBG funding in the coming year due to insufficient resources. On average, entitlements reported their CDBG formula allocation represented only 64 percent of the actual total needed to fund all applications received for CDBG funding for legitimate, eligible projects. Meanwhile, states estimated that, on average, they would be able to fund only 50 percent of applications received from nonentitlement areas.

Again, we respectfully ask that you to craft a Budget Resolution that will, to the maximum extent possible, allow for full funding for CDBG and other federal housing and community development programs. We thank you for your consideration of this request.

Sincerely,

American Federation of State, County and Municipal Employees  
 Council of State Community Development Agencies  
 Enterprise  
 Habitat for Humanity International  
 Housing Assistance Council  
 Local Initiatives Support Corporation  
 National Association of Development Organizations  
 National Association of Housing and Redevelopment Officials  
 National Conference of Black Mayors  
 National Development Council  
 National Housing Conference  
 National League of Cities  
 National NeighborWorks Association  
 National Rural Housing Coalition