

March 1, 2006

The Honorable Judd Gregg  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

The Honorable Kent Conrad  
Ranking Member  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Chairman Gregg and Ranking Member Conrad:

As you prepare to consider the fiscal year (FY) 2007 Budget Resolution, the undersigned organizations want to make you aware of our strong opposition to proposed cuts in the FY 2007 Department of Housing and Urban Development (HUD) budget, particularly the proposal to cut funding for Community Development Block Grant (CDBG) formula grants by 25 percent. We urge you to craft a Budget Resolution that will allow for full funding of CDBG formula grants at \$4.5 billion as well as full funding for other critically important affordable housing and community and economic development programs.

The FY 2007 Budget proposes just \$2.775 billion in formula funding for the CDBG program, a reduction of \$936 million compared to the appropriated level for FY 2006. The FY 2006 funding level in turn represented nearly a 10 percent reduction from the appropriated level for FY 2005. Since FY 2001, funding for the CDBG formula has declined by nearly 16 percent. These reductions have 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. In 2004, the most recent year for which HUD has provided a complete report on program accomplishments, CDBG funding led to the creation or retention of more than 90,000 jobs. That same year, more than nine million Americans benefited from CDBG-funded public improvements to water and sewer systems as well as other public infrastructure projects. In 2004 CDBG funding supported the rehabilitation of more than 130,000 rental units and single-family homes, employment training for 85,000 individuals, after-school enrichment programs for 1.5 million youth, and child care services for over 100,000 children. Additionally, more than 11,000 Americans became homeowners in 2004 thanks to CDBG funding.

The CDBG program's design is especially successful at targeting resources to those who need them most. In 2004, 95 percent of CDBG funds expended by entitlement grantees and 96 percent of CDBG funds expended by states supported activities that principally benefited low- and moderate-income persons. A full half of persons directly benefiting from CDBG-assisted activities that year were part of traditionally underserved populations, including African Americans, Hispanics, Asian Americans, and American Indians. And CDBG remains a smart, efficient form of investment, as the program continues to leverage around three dollars for every one dollar of federal investment. It is not surprising that HUD Secretary Alphonso Jackson, in a March 2, 2005 appearance before the House Financial Services Committee, stated, "The program works."

For more than 30 years the CDBG program has made a real and positive difference in communities across America. There is no shortage of CDBG success stories. During the past two years a number of public interest organizations have been working in partnership with HUD in a good faith effort to improve the CDBG program's accountability and ability to measure performance. As a result of this effort, HUD has announced it is just days away from unveiling a new outcome-based performance measurement system. It should be noted that the framework of outcomes and performance measurement indicators underpinning this new system was approved by both HUD and the Office of Management and Budget in November 2004. We know that the new system will verify what is already clear: CDBG works.

For all of the reasons detailed above, we support \$4.5 billion in funding for CDBG formula grants and urge you to craft a Budget Resolution providing adequate resources for CDBG and other housing and community development programs. We thank you for your consideration of this request.

Sincerely,

Council of State Community Development Agencies

Enterprise

Habitat for Humanity International

Housing Assistance Council

International Economic Development Council

Local Initiatives Support Corporation

National Association for County Community and Economic Development

National Association of Counties

National Association of Development Organizations

National Association of Housing and Redevelopment Officials

National Association of Local Housing Finance Agencies

National Community Development Association

National Conference of Black Mayors

National Housing Conference

National League of Cities

National Low Income Housing Coalition

National Rural Housing Coalition

United States Conference of Mayors