

**FLEXIBLE FEDERAL FUNDING: EXAMINING
THE COMMUNITY DEVELOPMENT BLOCK
GRANT PROGRAM AND ITS IMPACT ON
ADDRESSING LOCAL CHALLENGES**

VIRTUAL HEARING
BEFORE THE
SUBCOMMITTEE ON HOUSING,
COMMUNITY DEVELOPMENT,
AND INSURANCE
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTEENTH CONGRESS
FIRST SESSION

JUNE 16, 2021

Printed for the use of the Committee on Financial Services

Serial No. 117-31



U.S. GOVERNMENT PUBLISHING OFFICE

45-255 PDF

WASHINGTON : 2021

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**FLEXIBLE FEDERAL FUNDING: EXAMINING
THE COMMUNITY DEVELOPMENT BLOCK
GRANT PROGRAM AND ITS IMPACT ON
ADDRESSING LOCAL CHALLENGES**

Wednesday, June 16, 2021

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING,
COMMUNITY DEVELOPMENT,
AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:01 a.m., via Webex, Hon. Emanuel Cleaver [chairman of the subcommittee] presiding.

Members present: Representatives Cleaver, Sherman, Beatty, Green, Vargas, Axne, Torres; Hill, Posey, Huizenga, Hollingsworth, Rose, Steil, Gooden, and Taylor.

Ex officio present: Representative Waters.

Chairman CLEAVER. This hearing of the Subcommittee on Housing, Community Development, and Insurance will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of the subcommittee are authorized to participate in today's hearing.

As a reminder, I ask all Members to keep themselves muted when they are not being recognized by the Chair. Staff has been instructed not to mute Members, except where a Member is not being recognized by the Chair and there is inadvertent background noise.

Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on, and if you choose to attend a different remote proceeding, please turn your camera off.

Today's hearing is entitled, "Flexible Federal Funding: Examining the Community Development Block Grant Program and Its Impact on Addressing Local Challenges."

I now recognize myself for 4 minutes to give an opening statement.

The Community Development Block Grant (CDBG) Program was originally authorized under Title I of the Housing and Community Development Act of 1974, and signed into law by President Gerald R. Ford. It is the Federal Government's largest and most widely-available source of financial assistance to support State and local

efforts in government-related neighborhood revitalization, including housing rehabilitation and economic development activities.

At the time of its authorization, CDBG ushered in a new approach to addressing community needs at the local level, one that provided flexibility to communities to address challenges without a plethora of Federal mandates.

The flexibility of CDBG is what separates it from most other Federal programs in that while targeting funds toward the benefit of low- to moderate-income persons, the program leaves it to the States and local jurisdictions to tailor programs and set priorities that are best suited for their particular communities.

Urban, suburban, and rural areas all receive CDBG program funding. CDBG funds reach every State and are accessible to all congressional districts and insular areas.

Most Americans do not need to look far to see the critical role that CDBG plays in supporting low- to moderate-income Americans and communities.

In my congressional district, the most recent CDBG Accomplishment Report for Kansas City, Missouri, of which I am the former mayor, details critical housing, public services, and public improvement projects which benefited over 180,000 of our citizens.

Roughly half of Kansas City's CDBG expenditures were coded as housing, and CDBG funds helped to rehabilitate hundreds of single-unit residential homes, targeted towards stabilizing homes in low- to moderate-income urban core neighborhoods.

In Independence, Missouri, an entitlement City I also represent, and the birthplace of former President Harry Truman, thousands more benefited from critical and ostensibly life-saving public services.

CDBG has been used for partnerships with nonprofit and homeless service providers, neighborhood stabilization, public improvements, affordable housing, and economic development, among other important purposes.

The story of CDBG in my district is true in localities across the nation. Ask governors, county executives, mayors, and other stakeholders, urban or rural, Democrat or Republican, and they will tell you that the CDBG program is an instrumental piece of community development efforts.

In many cases, CDBG funds are combined with other sources of funding and are the difference in whether a community development project moves forward.

Since 1975, CDBG has assisted millions of low- to moderate-income Americans.

And with that, I will end my comments, and recognize the Chair of the full Financial Services Committee, the gentlewoman from California, Chairwoman Waters.

Chairwoman WATERS. Thank you very much, Chairman Cleaver. I want to start by saying how much I appreciate how you have drawn from your experience as mayor to dive deep into Community Development Block Grants, and to provide leadership on needed reforms.

And I want to emphasize some reforms you and I have talked about—how Members of Congress can get their concerns addressed. Also, there are some concerns about some of the non-entitlement

small areas, jurisdictions that may need to, I guess, apply for entitlement, et cetera. But I am worried about them, because I have been hearing from some of our Members about that.

And so, I am very pleased that CDBG serves as an important, flexible funding resource for communities across the country, helping to build homes, repair streets, support local small businesses, and provide meals to seniors.

I appreciate the leadership you are taking on examining ways to strengthen and expand this important program.

I have long supported CDBG. And I will continue to support CDBG, not just by increasing funds, but with these reforms that you and I, again, have talked about.

I yield back the balance of my time.

Chairman CLEAVER. Thank you, Madam Chairwoman.

The Chair now recognizes the ranking member of the subcommittee, Mr. Hill, for 5 minutes for an opening statement.

Mr. HILL. Thank you, Chairman Cleaver. It is good to have this hearing. We haven't had a hearing on CDBG in many, many years.

I am also delighted to join you. We have the band back together again. I am proud to be your ranking member for this Subcommittee on Housing, Community Development, and Insurance, and I look forward to working with you and the rest of our subcommittee members.

The CDBG program is an important, popular program at HUD, certainly over the past 5 decades. With a regular appropriation of around \$3.5 billion, CDBG is the 4th-largest program at HUD. There are over 1,200 so-called entitlement communities that receive direct HUD funding from the CDBG program each year. And if you know anything about how local governments operate, they very much enjoy financial flexibility.

However, despite its long history and robust annual funding, we rarely talk about CDBG much in this committee.

Now, I will say, my good friends, Al Green of Houston, and Ann Wagner of St. Louis, did a good job in looking at the CDBG disaster funding in the last Congress and made some improvements.

But as a general matter, we do not pay enough attention and do enough oversight over this program. In fact, the last hearing on CDBG before the House Financial Services Committee dates back 15 years, to 2006. And even at that, it was a field hearing, more to discuss local benefits of the program, and less to talk about fundamental statutory issues, like the funding allocation formula, project prioritization, and other technicalities that make up this program.

That might seem innocuous at times, but I think this hearing will demonstrate that it is time to review this program and look at the fundamental issues around the definitions at CDBG.

For example, defining the housing stock that predates 1940 is still a measurement going back to 1974, when this program rolled up all the Johnson and Nixon neighborhood revitalization programs into one block grant. That single-anchor analytic really skews who gets this money.

To put a fine point on it, I first realized how impactful that was when I looked at Cleveland, Ohio, when I was there in 2016. In 1940, during World War II, Cleveland had a population who played

a different role in the economy than it does now. They had about 875,000 people in Cleveland back in the 1930s and 1940s, and now it is about 380,000, and the housing stock reflects that.

As such, the CDBG funding could evolve, but I am afraid that has not been the case over the years. So, I would say this program is ripe for review and reform to ensure that taxpayer dollars are only being used for necessary projects to address the actual needs of low- and moderate-income communities. And we will no doubt hear about this today.

There are many positive outcomes from the CDBG program, but it is worth remembering that there is evidence of poor spending choices, just like in any other big government program, when the program has loose strings and insufficient oversight.

Criticism of the CDBG program generally centers around poorly-targeted funding to low- and moderate-income communities, creating lackluster results despite flexibility in funding.

In my view, necessary oversight of these types of programs is critical to learn what and how programs have fallen short of expectations, and to occasionally kick the tires to see if all of the parts are actually working as Congress intended.

Today, I believe there are three main areas of possible concern that are worthy of further explanation, and we thank our witnesses for being here: first, as I mentioned, how the CDBG funding formula is set in statute—it is woefully out of date; second, CDBG rules can sometimes allow too much flexibility, which can deprioritize important projects relative to lesser ones, even if the lesser ones are an allowable resource or use; and third, how CDBG can overlook the needs of our smallest rural communities as they get lumped in with other communities that are too small to qualify for entitlement community status.

I look forward to the discussion today. I thank my chairman for the convening the hearing. And I yield back the balance of my time.

Chairman CLEAVER. Thank you. The ranking member yields back.

Today, we welcome the testimony of our distinguished witnesses: Mayor London Breed, the Mayor of the City and the County of San Francisco, California; Mr. George Mensah, the Director of the Department of Housing and Community Development in the City of Miami, Florida; Ms. Kimberly Robinson, the Executive Director of the Pioneer Valley Planning Commission; Mr. Joseph Jaroscak, an Analyst in Economic Development Policy at the Congressional Research Service; and Mr. Salim Furth, a Senior Research Fellow with the Mercatus Center at George Mason University.

Witnesses are reminded that their oral testimony will be limited to 5 minutes. You should be able to see a timer on your screen that will indicate how much time you have left, and a chime will go off at the end of your time. I would ask that you be mindful of the timer, and quickly wrap up your testimony if you hear the chime, so that we can respectfully hear all of the witnesses and the committee members. And without objection, your written statements will be made a part of the record.

Mayor Breed, thank you for being here. You are now recognized for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF LONDON N. BREED, MAYOR, CITY AND
COUNTY OF SAN FRANCISCO, CALIFORNIA**

Ms. BREED. Thank you, Chairman Cleaver, Ranking Member Hill, and distinguished members of the subcommittee. Thank you all so much for the invitation to testify before you today.

I am testifying today on behalf of the U.S. Conference of Mayors, the Mayors and CEOs for Housing Investment, and the City and County of San Francisco. I am here to talk about what San Francisco is doing to protect our most vulnerable residents and what more we can do together with the critical support of the Federal Government.

San Francisco is a City of real disparities. We have neighborhoods of beautiful homes and incredible views that are within walking distance of people living in really challenging circumstances. Housing instability, homelessness, and income inequality are a threat to far too many of our residents.

San Francisco is not alone in facing these challenges. We have seen estimates that due to the challenges caused by this pandemic, more than 30 million Americans could be at risk of being evicted.

This is a looming national crisis, and it is why these Community Development Block Grants are so critical for cities like San Francisco. They provide badly-needed support to face these challenges, but they also provide flexibility for us to be able to work with our communities on tailored solutions.

One key example of this is our Tenant Right to Counsel program, which is funded by the CDBG program. Starting in 2019, we began implementing this landmark policy that all residential tenants facing eviction have a right to full-scope legal representation. This program requires eviction legal assistance to provide full-scope legal representation.

We have seen that this full-scope representation gets better results for tenants. So far, 67 percent of full-scope clients stayed in their home as compared to 38 percent of those without.

And among African-American tenants, the rates are even higher. Eighty percent of those who received full-scope representation stayed in their homes.

Those are statistics, yes. But those are lives. Those are families. Those are people whom, if evicted, could end up homeless.

It is too expensive here, and people so often have to move out of the City, away from their families and communities. So many people I grew up with in the Fillmore neighborhood have left our City for this very reason.

Keeping people housed in their community is essential for keeping our community strong and diverse. And in my upcoming budget, San Francisco will fully fund the Tenant Right to Counsel program so that every tenant in need has full-scope representation.

This will be a dramatic difference in our City where housing affordability is a challenge for so many, and it proves the significant impacts of these block grants.

The key reason for this success is the flexibility provided by CDBG funds. For San Francisco, we can fund our landmark tenant protection program to help our most vulnerable from being evicted, but a smaller community or a city in a different part of the country might have a different program to deliver on that need. We are a

vast and varied country. CDBG works because it recognizes that fundamental truth.

Now, while I am proud of our ability to fund Tenant Right to Counsel, the need is so much greater. COVID has exposed the already-existing disparities with disproportional impacts hitting our African-American and Latino communities. And over the last 2 decades, as our population has grown, San Francisco has seen a decline in CDBG funding. We need to reverse that trend.

In San Francisco, in our most recent request for CDBG funding, the request for dollars exceeded the amount available by 350 percent. An increase in overall allocation of CDBG would not only support San Francisco, but would help every State, city, and local jurisdiction that relies on these funds.

I want to thank Congress for your leadership over the last year in passing critical relief packages in response to the COVID health crisis. And I especially want to thank Speaker Nancy Pelosi for her unwavering support for San Francisco, and mayors across the country to ensure that local governments have the resources we need, such as CDBG funds, so that we can provide the care and support our residents need and deserve.

I am urging Congress to recognize that our residents and our neighborhoods can thrive if we provide the resources and the flexibility to local communities to make decisions about supporting what is best.

Thank you for your time and your continued support.

[The prepared statement of Mayor Breed can be found on page 38 of the appendix.]

Chairman CLEAVER. Thank you very much, Mayor Breed.

Mr. Mensah, you are now recognized for 5 minutes to give a presentation and your testimony.

STATEMENT OF GEORGE MENSAH, DIRECTOR, DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, CITY OF MIAMI, FLORIDA

Mr. MENSAH. Chairman Cleaver, Ranking Member Hill, and distinguished members of the subcommittee, thank you for the invitation to testify before you today.

I am testifying today on behalf of the National Community Development Association (NCDA), which represents nearly 500 local governments that administer the Community Development Block Grant program.

NCDA is an association of people committed to assist local governments to achieve high-quality, locally-responsive programs for making communities better places in which to live.

Created in 1974, the CDBG program provides annual funding to over 1,200 States, local jurisdictions, and insular areas to provide decent housing and a suitable living environment, and to expand economic opportunities for low- and moderate-income persons.

Program grantees use CDBG funding to invest in low- and moderate-income people and neighborhoods through a variety of activities that focus on four major areas: affordable housing; infrastructure; services; and economic development.

While the program allows communities to design and implement strategies tailored to meet local needs and priorities, reforms are needed to make the program more flexible.

In June 2020, NCDA formed a working group of Latinx and Black community development administrators to examine the CDBG program to make recommendations for improving the program to better serve communities of color.

The working group developed five recommendations for improving the CDBG program.

First, to substantially increase the authorized funding level for the CDBG program. The CDBG funding has diminished significantly over time. The program was authorized at \$2.473 billion in 1974, and reached its highest funding level of \$4.4 billion in 2001. That was 20 years ago. The program has remained relatively stagnant in recent years, hovering at \$3.4 billion.

CDBG funding has not kept up with inflation and program needs. The program has never been adjusted for inflation even though program costs increase annually. Grantees report that requests for funds consistently outweigh available grant dollars. The number of grantees receiving CDBG funding has increased from 594 in 1975 to 1,245 today, a 47.7 percent increase.

Immediate and long-term investment in programs like CDBG would help address underinvestment in communities of color and low-income communities.

We recommend that CDBG funding be expanded significantly to meet the inflation-adjusted value of the program, estimated to be \$12 billion, and be adjusted annually to reflect the rise in inflation.

Second, let CDBG grantees determine the public services cap. Allow grantees the discretion to decide the amount of public service dollars needed to address their community needs. The public services category within CDBG covers many important activities that support and benefit low-income communities, but it is limited by a 15-percent cap, which means the total amount of CDBG funds for public service activities cannot exceed 15 percent of the annual grant allocation.

Grantees use CDBG funds for a wide range of public service activities, which include job training, daycare assistance for low-income working families, food banks, youth services, services for seniors, and other vital services.

We urge Congress to eliminate the current 15-percent public services cap requirement and allow CDBG grantees to determine their public services cap as part of the Consolidated Plan process. As precedent, the Coronavirus Aid, Relief, and Economic Security (CARES) Act waived the public services cap to allow grantees the utmost flexibility to respond to COVID-19.

Third, provide more flexibility for grantees to use their CDBG funds for new construction of housing. America is facing an affordable housing crisis. Stable, decent, affordable housing is critical to improving communities and economies. Local governments and their partners need resources to expand and preserve the supply of affordable housing.

CDBG can be used for new construction of housing, but only in extremely limited circumstances. This narrowly-restricted use im-

pedes communities from using CDBG to increase the local supply of affordable housing.

Local governments need to be able to use all of the available tools to address the affordable housing crisis, and the use of CDBG funding for new construction is one tool that most communities have available. We urge Congress to broaden the CDBG statute to allow new construction of housing as an eligible program activity without restrictions.

Fourth, provide more flexibility for grantees to use their CDBG funds for fair housing activities.

And fifth, to support nonprofit partners through technical assistance and capacity-building.

Thank you for the opportunity to speak with you today. I look forward to your questions. Thank you.

[The prepared statement of Mr. Mensah can be found on page 54 of the appendix.]

Chairman CLEAVER. Thank you very much, Mr. Mensah, for your oral presentation.

Ms. Robinson, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF KIMBERLY H. ROBINSON, EXECUTIVE DIRECTOR, PIONEER VALLEY PLANNING COMMISSION (PVPC)

Ms. ROBINSON. Thank you, Chairman Cleaver, Ranking Member Hill, Chairwoman Waters, and distinguished members of the subcommittee, for the opportunity to testify today.

My name is Kimberly Robinson, and I am the executive director of the Pioneer Valley Planning Commission, the regional planning agency for 43 communities here in western Massachusetts.

I am testifying today on behalf of the National Association of Regional Councils, or NARC, which serves as the national voice for regions by advocating for regional cooperation as the most effective way to address a variety of community planning and development opportunities and issues.

NARC members include regional councils, councils of government, regional planning and development agencies, metropolitan planning organizations, and other regional organizations.

Members work collaboratively with their communities, large and small, urban and rural, to address their citizens' needs and to promote a regional approach to planning for the future.

NARC has been a strong advocate for Community Development Block Grants since its inception, as it has a proven track record of assisting low-income neighborhoods in communities of all sizes across the country. It is a critical tool in our members' efforts to address poverty, inequity, economic development, and infrastructure needs. Its unique flexibility allows us to direct Federal resources to frequently-changing areas that are most in need each year.

While most CDBG entitlement communities have populations of over 50,000, the program's reach goes far beyond that threshold. As you know, each State also receives CDBG allocations to be used in non-entitlement communities. My State of Massachusetts received over \$35 million for that purpose in Fiscal Year 2021 alone. In this regard, CDBG cannot be viewed simply as a, "big city" program.

Of the 43 communities that are members of the Pioneer Valley Planning Commission, only 4 are CDBG entitlement communities, but PVPC provides technical assistance to many of our communities when they seek CDBG funds for various projects. PVPC both applies for funding and also administers the grants on behalf of these communities.

In Fiscal Year 2019, PVPC worked with over 19 different communities on CDBG-funded works, with populations ranging from 500 residents to 40,000 residents. We have aided over 30 municipalities since 1988.

In order to encourage regional cooperation, the State increases the minimum allocation that a non-entitlement community can receive if they join with one or two other communities for regional efforts.

The regional approach here in the Pioneer Valley has led to long-term stability for services in many of our towns. A perfect example of this is the Southern Hilltowns' regional applications, which have been funded since the mid-1980s. Some of the services here include infrastructure projects, a food pantry, senior programming, and a domestic violence prevention program.

As another example, we have assisted the town of Agawam, a non-entitlement community, in applying for and administering CDBG funding for a variety of uses in the community. This includes improvements and repairs at an assisted housing site, a disabled accessibility study for the town hall, an infrastructure study of one of the town's most densely-populated neighborhoods, and grants to small businesses with CARES Act funds.

CDBG is a valuable program that works locally to address sub-standard housing, poor or nonexistent infrastructure, pockets of decline, and neighborhood development. It provides the resources and tools that enable local communities to design flexible strategies to address these issues.

CDBG is also an important leveraging tool for local communities to gain access to other funding sources. Every dollar of CDBG invested in communities leverages another \$4.09 in private and public investment.

CDBG is an impactful program, creating strong, sustainable, inclusive communities, and quality, affordable homes for all. The program is a model in efficiency and effectiveness, using strategic planning and coordination to assist millions of low- and moderate-income people annually.

Despite the impact and success brought by CDBG, there are not enough resources in the program to address all of the needs of our communities and regions. While overall funding for the program has stabilized in the past few years, its funding level in 2021 is still almost \$1 billion less than it was in 2004.

As you may know, if the program's original allocation of \$2.4 billion in 1975 was adjusted for inflation, the CDBG program would be receiving over \$10 billion today.

While I know this committee is not responsible for annual appropriations, we believe that restoring and increasing CDBG from that high-water mark should be a priority for Congress.

Thank you again for the opportunity to testify today. I would be happy to answer any questions you may have about the role that

regions play in administering CDBG funds in our communities. Thank you.

[The prepared statement of Ms. Robinson can be found on page 60 of the appendix.]

Chairman CLEAVER. Thank you very much, Ms. Robinson.

Mr. Jaroscak, you are now recognized for 5 minutes to give an oral presentation of your testimony.

Mr. Jaroscak, you may not be connected with us. If you will unmute, please?

Sir, we are unable to hear you. We can see you, but we can't hear you. If you would please unmute?

Staff, there may be a technical problem with Mr. Jaroscak, and I don't want to miss his opening statement.

The staff is trying to provide some assistance.

Hey, this is a new world in which we are functioning.

Mr. HILL. Can we go to the next witness and come back to him?

Chairman CLEAVER. Okay. This is being worked on. So, we will go on to Mr. Furth. You are now recognized for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF SALIM FURTH, SENIOR RESEARCH FELLOW,
MERCATUS CENTER AT GEORGE MASON UNIVERSITY**

Mr. FURTH. Good morning, Chairman Cleaver, Ranking Member Hill, and members of the subcommittee. Thank you.

My name is Salim Furth, and I am a senior research fellow at the Mercatus Center at George Mason University. My remarks today cover the need to reform the CDBG funding formula, two questionable categories of CDBG spending, and the inequitable treatment of non-entitlement communities.

Congress intended CDBG for the benefit of low- and moderate-income people and the neighborhoods where they live. But the most impactful parts of the statute are the formulas, and the formulas fail to fulfill the stated purpose. These formulas took on added significance in the past year because the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) both use them to distribute a lot of money.

As you know, there are two formulas for entitlement communities and two for States. The formulas reflect 1970s concerns. This was the era of, "Ford to City: Drop Dead", and "Will the last person leaving Seattle—turn out the lights."

At the time, age and decline seemed synonymous. Thus, 70 percent of entitlement Formula B depends on having old housing and a slow rate of growth. But today, New York City, Seattle, and many other cities have strong tax bases and booming economies.

The inequities are even more egregious in the case of affluent prewar suburbs. In Newton, Massachusetts, half of the homes were built before 1940. The median household income is \$150,000, but Newton receives \$386 in CDBG per resident in poverty.

McAllen, Texas, is much newer and less affluent. It receives half as much CDBG funding per capita and only \$54 per resident in poverty.

There is also an arbitrary distinction between entitlement and non-entitlement communities. As a result, inequities arise even between similar areas.

Chelsea, Massachusetts, and Everett, Massachusetts, are working-class suburbs with even older housing than Newton, but their populations are less than 50,000, so they receive funding through the State. They receive between \$100 and \$150 per person in poverty, better than McAllen, but still less than half of what Newton gets.

Newton, in turn, can envy the towns of Martha's Vineyard, where "summer" is a verb, and which somehow receives \$1,700 per resident in poverty.

The relationship between the CDBG program's stated goals and its true priorities as reflected in its budget is tenuous. In my written testimony, I suggest one way to transition gradually to better formulas.

Moving on, there are a couple of legal uses of CDBG funding that are contrary to the spirit of the law. Number one, subsidizing private businesses. Studies of so-called economic development subsidies find that they are ineffective at creating jobs. Instead, they boost recipient companies at the expense of everyone else.

In my own research, looking at 17 States, I found that 4 States dedicate at least a quarter of their State's CDBG funding for private subsidies. One town in Maine used 79 percent of its CDBG funding over 2 decades in support of a single local business.

Targeted subsidies are an invitation to favoritism and petty corruption and are outside the scope of what governments ought to do.

Another questionable use is when affluent communities use CDBG to eliminate cheap housing. Nobody calls it that, of course, but it is common to see exclusive locales spend their CDBG on the rehabilitation of single-family homes. The recipients all have low incomes, of course, but they implicitly have substantial wealth by dint of owning a home there.

The well-funded Martha's Vineyard program I mentioned earlier has long used this tactic. It is completely innocent at the town level—for example, fixing up an old house which was, frankly, an eyesore, so someone doesn't have to move—but the practice has the effect of raising the prices of what would have been the cheapest homes in town.

To curb this, I recommend barring rehabs of units worth more than the national average.

In many States, non-entitlement communities cannot set their own CDBG priorities. States allocate annual grants among various categories and entertain grant requests only within those categories. Entitlement communities, by contrast, have predictable funding and tremendous flexibility.

There are good arguments to be made for either system, but using the two systems in parallel seems unfair. At a minimum, States should make their grants predictable so that small communities can approach the CDBG program as a budget rather than a lottery.

In conclusion, I doubt that anyone on this call, if they had a free hand budgeting \$3.5 billion from scratch, would come up with CDBG.

But this is a program Congress has inherited, and it is not going away, so Congress should make the adjustments necessary to en-

sure that CDBG funds are distributed and spent equitably and in accordance with the program's intent.

Thank you.

[The prepared statement of Dr. Furth can be found on page 44 of the appendix.]

Chairman CLEAVER. Thank you, Mr. Furth.

We want to try to go back to check to see if Mr. Jaroscak has been able to connect with us.

Mr. Jaroscak, you are now recognized for 5 minutes.

Mr. JAROSCAK. Can you hear me now?

Chairman CLEAVER. Oh. Praise—

Mr. JAROSCAK. I'm sorry. I think something got mixed up, but I think it works now.

Chairman CLEAVER. Okay. You are now recognized for 5 minutes.

STATEMENT OF JOSEPH V. JAROSCAK, ANALYST, ECONOMIC DEVELOPMENT POLICY, CONGRESSIONAL RESEARCH SERVICE (CRS)

Mr. JAROSCAK. Thank you.

Chairman Cleaver, Ranking Member Hill, Chairwoman Waters, and members of the subcommittee, thank you for the opportunity to testify before you today.

My name is Joe Jaroscak. I am an analyst in economic development policy with the Congressional Research Service.

This CRS statement provides an overview of the Community Development Block Grant Program administered by the U.S. Department of Housing and Urban Development. In particular, it will focus on describing the program's structure, funding mechanisms, and potential policy considerations.

CRS' role is to provide objective, nonpartisan research and analysis to Congress. Any arguments presented in my written and oral testimony are for the purposes of informing Congress and not to advocate for a particular policy outcome.

The CDBG program is a primary source of flexible Federal funding to States, localities, and insular areas for economic and community development and other related purposes.

The program was originally authorized under Title I of the Housing and Community Development Act of 1974, with the primary purpose of establishing and maintaining viable urban communities through the implementation of activities that benefit low- and moderate-income persons.

CDBG's flexibility as a block grant program allows grantees to use their program funds for a range of activities, from public services to infrastructure, among others.

There are limits on certain types of activities, and any eligible activity must meet one of the program's three statutory national objectives: principally benefit low- and moderate-income persons; aid in the prevention or elimination of slums or blight; or meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.

The CDBG program is funded via discretionary appropriations to the Community Development Fund account. Seventy percent of CDBG formula funds are distributed to entitlement communities,

defined as principal cities of metropolitan statistical areas, other metropolitan cities with populations of 50,000 or greater, and urban counties with populations of 200,000 or greater when excluding entitlement city populations within county borders.

Thirty percent of formula funds are allocated to States based on a separate formula allocation process. States and Puerto Rico distribute these funds to communities that do not qualify for entitlement funds. States have broad discretion over the methods for distribution of these funds within their jurisdiction.

Before formula allocations are made to States and localities, \$7 million is statutorily set aside to be distributed among other U.S. Territories or insular areas.

The formula methodology developed by HUD based on direction in the CDBG statute includes several factors related to population or population growth, poverty, and housing characteristics. HUD program expenditure data indicate that public improvement activities and housing-related activities represent the majority of overall CDBG expenditures in general.

Since the program's inception in 1975, the number of annual CDBG grant allocations has increased. During that same period, the annual CDBG funding amounts have declined, based on inflation-adjusted dollars and other metrics.

The CDBG program's authorizing legislation expired in 1994. Given changes in the national economy, and policy priorities for State and local governments, there may be interest in revisiting some aspects of the program.

This concludes my prepared remarks. Thank you for the opportunity to testify. I look forward to responding to any questions that you may have. And if additional research and analysis would be helpful, my CRS colleagues and I are prepared to assist the subcommittee.

Thank you.

[The prepared statement of Mr. Jaroscak can be found on page 48 of the appendix.]

Chairman CLEAVER. Thank you, sir, very much, for your testimony.

Let me remind the witnesses to please keep your cameras turned on during the full duration of our hearing, even when you are not speaking.

I will now recognize myself for 5 minutes of questioning.

One of the problems we have with CDBG is that most people, even communities that are receiving those dollars, have absolutely no idea of the source of the dollars. They believe that the money is coming from the State.

In the State of Missouri, my home State, if you look at the Missouri Housing Development Corporation's statement, you can read through it, and there is not one single sentence about the origin of the dollars.

So, it is easy for people to come to the conclusion that the Federal Government is not participating in rural areas of our States when the fact is that they are getting Federal dollars. And I can tell you right now, experientially, they will not have any idea of the source of those dollars.

And I would agree with the ranking member, I think it is time for some adjustments to a program that started back in 1974. Actually, we have benefited by the program, the CDBG program, which Richard Nixon was actually flirting with. Gerald Ford was able to get it through. But we haven't had any major changes; there have been no adjustments in the program, significant adjustments, since it started.

And given the importance of the Community Development Block Grant program, we have to raise the awareness about the program in order to build support for it. There are individuals, probably hundreds of thousands, maybe millions of people who have received the benefits of this program and have absolutely no idea of the origin of those dollars.

So, I just would like to find out from our witnesses, particularly Ms. Robinson, do you have any reason to doubt what I have just said about people not knowing where the funds came from, and do you have any ideas on what can be done to make sure that people do have some idea about the origin of CDBG assistance?

Ms. ROBINSON. Thank you, Mr. Chairman.

I do believe that you have a good point. I think there is a lot of—at times, it can be confusing exactly where funding comes from.

I think there are a couple of things that really help, though. Community Development Block Grant funds, even if they are running through the State, are still being referred to as CDBG funds. And to me, that is shorthand for, "This money is coming from the Federal Government."

I think the second thing that we can do, and certainly as an agency that applies for these funds and manages them across our communities, is we could certainly make more of an effort to ensure that the residents understand that this is Federal funding that is coming directly into their communities.

And I took a note of that while you were speaking, so that we can start to do that in our communities. Thank you.

Chairman CLEAVER. Okay. Thank you.

Would any of the other witnesses like to comment on that?

Let me just add that one of the problems, when the funds come from the Federal Government and the entitlement cities receive their funding, is the States will receive their funding, and in all likelihood they will put it into some kind of existing program—State economic development, State housing corporations, or any number of other government agencies—so that it gets washed out.

The fact that these are Community Development Block Grant dollars that came from the Federal Government is washed out because now they are coming from a State agency.

And I can assure you that the average person in a small town receiving \$10,000 from the North Dakota State Government has no idea that it originated right here in Washington, D.C..

So, we are always going to have a problem unless we can fix this big issue of the origin of the dollars and how we can make sure that people who are getting those dollars understand the origin so that they can have some appreciation for the program.

In spite of that, we still need to make some changes.

I now recognize the distinguished ranking member of the subcommittee, Mr. Hill, for 5 minutes.

Mr. HILL. Thanks, Mr. Chairman. Thanks again for having this really good, thoughtful oversight hearing. And our panel has been very, very helpful.

I was reading that the Biden Administration wants to change the definition of metropolitan statistical area from 50,000 to 100,000. That knocks out a lot of rural States' metro areas by increasing that.

Let me ask the witness from the Congressional Research Service, what kind of impact would that have on this, sir?

Mr. JAROSCAK. Thank you, Ranking Member Hill.

The majority of existing CDBG grantees would remain in the program. Under the CDBG statute, there is essentially a grandfathering provision, that eligible grantees that have been eligible for CDBG entitlement funds for 2 or more years are able to remain in the program even if there are changes to the definitions for metropolitan statistical areas or if their populations decrease below the threshold.

What it would affect is the potential for communities that are near that 50,000 threshold, their potential eligibility in the near term.

Mr. HILL. Yes, that hurts it prospectively for the growing communities.

And then you say that if they have participated for 2 or more years, they are essentially grandfathered in. Does that really make it hard to modify these formulas if, essentially, if you are in the program, you can't get out of the program?

Mr. JAROSCAK. Yes, so the grantees are able to opt out of the program if they wish. But what it has done is, as many of the witnesses have mentioned, the number of entitlement communities has increased over time. And part of that is because the grandfathering provision has stabilized existing CDBG grantees, the number of existing CDBG grantees. And then, as additional communities have continued to grow, HUD has estimated in some reporting that the entitlement community program grows by 5 to 10 eligible grantees per year.

Mr. HILL. Thank you for that background.

Mr. Furth, I really appreciated your testimony about the weighting in the formula, that it hasn't been reviewed, it is essentially based on urban life as we knew it in 1974, and that was 50 years ago, not reflecting true poverty needs in many, many communities. So, I really appreciated your testimony.

Turning to the subject of the 26 eligible uses for CDBG, do you believe these should be limited or reevaluated? And I am sure it has been added to over the years, probably never subtracted from. Give me your thoughts on those 26 approved uses?

Mr. FURTH. Thank you, Ranking Member Hill.

As I said in the testimony, I think that subsidizing private businesses goes through a few of the different categories.

I think that is something that we should be able to agree is not the role of government generally and is a significantly inferior use. The other witnesses here who talked about the great successes of CDBG in their communities did not talk about subsidizing businesses. That is because it is usually not a great use.

So, I would get rid of any kind of subsidies through any of those 26 items.

Then, the second thing that I would do is put some conditions on it, so that when you have very affluent communities or communities with extremely strong tax bases that should be able to fund the basics of community life themselves, without help, and where the big problem is that they are excluding people through their zoning, through the limits on who can move there, there should be more limits on how those types of communities can use funding so that we actually have a program that is furthering fair housing in a very broad sense, rather than subsidizing those who are comfortable and want to keep other people out of their communities.

Mr. HILL. I really appreciated the panel's testimony, with lots of good, different perspectives.

Thank you, Chairman Cleaver, and I yield back.

Chairman CLEAVER. Thank you.

I will now recognize the Chair of the full Financial Services Committee, the gentlewoman from California, Chairwoman Waters.

Chairwoman WATERS. I would like to understand what I think is a mandate in CDBG that you have hearings or community meetings to get input and to discuss plans for funding.

And I want to know if that is divided up by, for example, the City of Los Angeles or the City of San Francisco, by council districts, or those hearings are held in combination with all of the districts, or is this money basically divided up in terms of your council districts and everybody gets so much in order to deal with the problems in their district?

Mayor Breed, could you help me with that?

Ms. BREED. Thank you, Chairwoman Waters, and it is so great to see you here today.

I will tell you that in San Francisco, we have city councils that are basically the board of supervisors. And we don't necessarily divide it up on districts. We look at the income inequalities in specific ZIP Codes, and we focus on the areas where we know the need is greater.

But we also have, as you know—in 94115, we have an extremely wealthy community where the area median income is over \$100,000, and we also have people living in extreme poverty where the annual median income is \$8,000. So, we have to be very creative and strategic, not just focusing on a supervisorial district, but really focusing on specific communities and how these dollars impact those communities directly.

And we have various nonprofit organizations. We do various meetings all over San Francisco to get feedback. But we also have a clear understanding of where the need is, and we provide it throughout San Francisco, because poverty kind of exists in various pockets, although it is concentrated in certain neighborhoods.

Chairwoman WATERS. Okay, then. Are you telling me that you have the flexibility, looking at the high-end neighborhoods perhaps, not to put as much money into those neighborhoods as you would in neighborhoods that are very poor, that really need more help? Do you have that flexibility?

Ms. BREED. We definitely have that flexibility. But the challenge sometimes is, based on the reporting requirement, we run into

some difficulties because, as I said, 94115 is a perfect example when talking about when submitting the compliance information to the Federal Government. They look at sometimes the average area median income of a particular ZIP Code.

So we have to break it up, we have to explain it so that we are able to leverage the funds necessary to support a community or a project. And sometimes it can get quite complicated, but we do have a level of flexibility there.

Chairwoman WATERS. So, included in your allocation, you take care of the non-entitlement areas in the San Francisco area? How does that work? I heard how they do it with the regional look at this. But what is your responsibility, if any, in dealing with the non-entitlement jurisdictions?

Ms. BREED. In San Francisco, the way it works is we are a City and a County. We don't have other cities within our County, we are just responsible for San Francisco, which provides us more of the flexibility to control how these dollars are spent directly. So, we don't necessarily run into those problems in the same way as other jurisdictions.

Chairwoman WATERS. I see.

And lastly, there is a lot of talk about urban versus rural all the time in so many different ways. I am one who believes that both urban and rural should be taken care of, and should be funded adequately.

What do you think about, if we are talking about expanding the amount of money in this program, that we pay attention not only to our urban areas but to the rural areas also?

Ms. BREED. Oh, definitely. The fact is, when we talk about equity there, equity means different things to different communities. In a rural community, it is going to be different. It doesn't mean that there isn't poverty; it is just a different layer of poverty, versus a very dense City like San Francisco.

So having the level of flexibility for these resources and providing distribution of these resources in all communities to meet their needs, and giving them the flexibility to use these dollars for the most important needs in their communities based on their experiences, is how and why this program is important.

And so, I hope that it will continue, but also be expanded and look at addressing inequality throughout our entire country, and rural communities are a part of that for sure.

Chairwoman WATERS. Thank you very much. You are the first mayor that I have heard talk about assisting tenants in the way that you are doing.

Do you have any recommendations that you can give to Mr. Cleaver that would help us in whatever Mr. Cleaver provides the leadership to do, to deal with the inequities and reform that is needed in CDBG? Would you help us with your recommendations?

Ms. BREED. Oh, definitely, I would be happy to help you with the recommendations. Because at the end of the day, preventing people from being homeless is important. And so, providing them with not only legal counsel, but also rental assistance, is what has helped to keep people housed, because they can end up, of course, on the streets or away from their families or communities.

When you look at a place like San Francisco, which had a population of over 12 percent African Americans, to the point where we are at less than 6 percent now, it has everything to do with displacement and not making the right investments to not only build more housing but to keep people housed and to keep them in their communities.

The neighborhood I grew up in used to be a thriving African-American community. And now, if you look at the income inequality and the disparities and how expensive it is to live in this community, it has changed significantly.

So, supporting tenants in this way is critical to the success of keeping people in their communities and keeping our cities diverse.

Chairman CLEAVER. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you so much. And I want you to know, with our CARES program and our relief program, the American Rescue Plan, we put \$47 billion in it for tenants, and I don't know how it has been used. We will talk about that later.

My time has expired. Thank you so much, Mr. Cleaver.

Chairman CLEAVER. Thank you, Madam Chairwoman.

Mr. Posey, you are now recognized for 5 minutes.

Mr. POSEY. Thank you, Chairman Cleaver.

Dr. Furth, the title of this hearing emphasizes the flexible funding of the local communities in the Community Development Block Grant program. While flexibility is a great benefit to local governments, isn't it hard to assess a need for more or less government resources for Community Development Block Grant funding without some sort of national performance metrics?

Mr. FURTH. Thank you, Congressman.

That is absolutely right. CDBG replaced a bunch of specific Federal grants for specific urban needs, like sewers and roads. And so, I think it is hard to go back and forth between those things. On the one hand, Congress reasonably wants accountability and wants to know that funds are being used in high-quality ways. On the other hand, neither Congress nor mayors want micromanagement from Washington.

I think you have the difficult task of trying to find a balance between those. My suggestion is to look at those approved uses and keep the flexibility, but narrow the scope and say we have some things that either just generally, across-the-board, like subsidizing private businesses, shouldn't be done, and then we have some things that conditionally shouldn't be done.

So if your community reaches certain metrics, where we have in private houses is probably raising housing costs, not making more units habitable that were uninhabitable, then you shouldn't be doing that. And there should be some more oversight in terms of the scope.

But I don't think I would want to go back to the old method of Washington giving a city money that can only be used on sewers, when that city doesn't need sewer replacement.

It is a tough question, and I don't envy you your job in that respect.

Mr. POSEY. That is a good answer.

Do you believe we can develop national performance metrics for the CDBG program that will allow us to evaluate the need for more

or less funding? Or is this program focusing on local discretion simply a matter of what we can afford to spare at the national level?

Mr. FURTH. I think that could be realistic to do with the State CDBG programs, probably because there are only 50 States, and they are looking at a broad enough cross-section of communities that you can sort of look at what they are doing with the money over time. And, like I said, some States are putting money into things that I think are pretty questionable given their circumstances.

I don't think that you could kind of compare apples to apples across say—we have heard about Agawam, Massachusetts, and San Francisco, California. The needs and circumstances are so different that even starting to compare the needs and the uses is really difficult.

Obviously, it is important that HUD continue its work of making sure that funds are being spent responsibly, that there isn't insider dealing. Wherever there is funding, there is an opportunity for corruption, and that is just the kind of grunt work of running a grant program, is making sure that your grantees are doing what they say they are doing.

But that is HUD's job, not Congress', unless HUD is really lying down on the job, and I don't think there is any evidence of that.

But, yes, I would focus really on the formula and making sure that communities are getting a reasonably equitable allocation of the money, because right now that is not happening.

Mr. POSEY. The number of entitlements for entitlement communities under the CDBG has increased from 594 to 1,236 over the life of the program. What does your research on the program suggest about the performance of the program since its inception?

Mr. FURTH. CDBG has been very popular with recipients, and a lot less popular with Congress. I think that makes sense. The recipients get a ton of flexibility. Those who are favored by the existing formulas love it. And the growing number of entitlement communities reflects a growing national population. That is not surprising.

But the flexibility and the sort of privileging of certain communities over others means that the people who represent those privileged communities are going to yell very loudly if they are disfavored, if they lose any funding, relative to communities that Congress decides have more need.

And I think as Congress has come back to poverty community needs over the decades, it looks at CDBG and says, actually, this does not target the problem that I want to solve. You want to target, say, lead abatement or child poverty, CDBG isn't targeting that. So that is why Congress has chosen to fund other things instead.

Mr. POSEY. Thank you.

I see my time has expired, and I yield back, Mr. Chairman.

Chairman CLEAVER. Thank you, Mr. Posey.

The Chair now recognizes the gentlelady from Ohio, Mrs. Beatty.

And let me just say, Mrs. Beatty, on behalf of the subcommittee—and, of course, our chairperson, Ms. Waters, who was at the funeral service for your husband Otto—that all of us are still wishing you the very best as you move through this period of loss.

In my world, it is not a loss, but you just simply don't see the loved one anymore. But we are supporting you.

I recognize you now for 5 minutes.

Mrs. BEATTY. Thank you so much, Mr. Chairman.

And to Chairwoman Waters, thank you, and to all of our witnesses.

Today is a difficult day for me, and I really appreciate your condolences, but it is also a good day. My husband, Otto, was a long-time developer and fought hard for increasing housing for low-income and extremely low-income persons.

And for the witnesses, I have a long history of being a HUD consultant, doing a lot of work in the public housing space, doing relocation work, and have been a long-time fan of Community Development Block Grant work.

So much so—no offense to the mayors and those from city and State—that you like the funding and the work so much that oftentimes you take a lot of credit for it, and we don't see the behind-the-scenes work that people like Chairman Cleaver and Chairwoman Waters advocate for, that funding that really comes from our legislative work and our fight for Community Development Block Grants.

So, Mr. Jaroscak and others, I am going to state the question and give you the reason why.

Roughly what percentage of Community Development Block Grant funding is used for affordable housing construction?

And the reason I ask this question is, according to the National Low Income Housing Coalition, my district in Ohio only has 32 affordable housing units available per 100 extremely low-income households, which roughly means that 32 percent of those extremely low-income households can find affordable housing in my district.

And that is why I led a delegation appropriation letter with 70 of my colleagues requesting \$1.85 billion for a home investment partnership program, and I drafted—and thanks to our chairwoman for supporting it—the GROW Affordable Housing Act, to provide more funding to build more affordable housing.

So with that, can you answer that question Mr. Jaroscak?

And then, Mr. Mensah and Ms. Breed and Ms. Robinson.

Mr. JAROSCAK. Thank you, Congresswoman.

Housing-related activities broadly represent about 26 percent of the funds expended year to year through the State entitlement and the insular areas program.

In terms of specific construction of new affordable housing, I am not sure of the percentage, but I can definitely follow up.

Mrs. BEATTY. Okay. Thank you.

Mr. JAROSCAK. I would say there are some restrictions, and only eligible community-based development organizations can implement those new construction-related activities.

Mrs. BEATTY. Okay.

Mr. Mensah?

Mr. MENSAH. Congresswoman, as you can see, [inaudible] To answer that question because of the fact that the CDBG program doesn't really allow you to build new construction because of the [inaudible]. And that is the reason why we suggested that the pro-

gram be changed to allow new construction without any limitations whatsoever. And I think if we do that, then entities that receive [inaudible] funds can still use their CDBG for affordable housing construction.

Mrs. BEATTY. Thank you. That gives us something certainly that we can work on legislatively or taking a look at that.

I have an issue. When you talk about low- and extremely low-income individuals, we always appear to make that problematic and their fault, and they have to live within the confines of what they have, versus how we live. We move upwards and buy newer or more, step up in our housing. And I think we should be working to help those who live in poverty have access to the same opportunities in housing as us.

Ms. Robinson, any comments?

Ms. ROBINSON. Yes. Thank you very much, Representative Beatty.

Really quickly, I would like to support what Mr. Mensah described in terms of the need to support affordable housing construction with CDBG.

I would like to point out that we consistently do housing rehabilitation here in western Massachusetts. We kept 115 families in their homes last year. And these are not residences that are then being turned over onto the private market. These are actually homes that are being lived in.

Thank you.

Mrs. BEATTY. Thank you.

My time is up. Thank you, Mr. Chairman.

Chairman CLEAVER. Thank you.

The Chair now recognizes Mr. Huizenga of Michigan for 5 minutes.

Mr. Huizenga, you may be muted.

Mr. Huizenga, if you are having some technical problems, we may have to proceed, and we will come back to you shortly.

We will go to Mr. Hollingsworth from Indiana, and we will come back to you, Mr. Huizenga, as we try to work out whatever the technical problem is.

Mr. Hollingsworth, you are now recognized for 5 minutes. Mr. Hollingsworth of Indiana, you are now recognized for 5 minutes.

I don't know if that represents a couple of technical issues we are having, but I am sure the staff is already trying to address those issues. We apologize. This won't be the last time something like this happens, until we are able to recover from the COVID issues and have just in-person meetings, but right now, we are still going to have to have virtual meetings.

So we will move on, continue on, and come back to Mr. Huizenga and Mr. Hollingsworth after the technical difficulties have been worked out.

And if there is a chance that we won't get that worked out until the end of the hearing, we will still continue.

We will now recognize Mr. Taylor of Texas for 5 minutes.

Mr. TAYLOR. Thank you, Mr. Chairman. Can you hear me?

Chairman CLEAVER. Yes.

Mr. TAYLOR. Thank you, Mr. Chairman. I really appreciate the opportunity to be at this hearing. I think this is really important as we think about how taxpayer dollars are used.

Mayor Breed, I wanted to just query you on your leadership of San Francisco, clearly a very important City in America. I have had many friends, classmates, and family members call San Francisco home, and it is a really important City and community for the future of our country.

And in reviewing for this hearing, I was really surprised to see that—I think this is right—your City is spending approximately \$15,000 per person in the City budget, whereas, my own community of Plano, Texas, is spending about \$1,000.

Does that \$15,000 number per person sound about right, Mayor?

Ms. BREED. And what are you referring to as it relates to the \$15,000 per person? For housing assistance?

Mr. TAYLOR. Your per capita budget.

Ms. BREED. Just to be clear, San Francisco is both a City and a County, and we have a population of close to 900,000 people. But we are part of a major Bay Area City and we manage a number of significant dollars for an airport, a public utilities commission, and a port. These are enterprise departments and there are restrictions within their budget. So, it is not necessarily fair to imply a per-person spending cap.

Mr. TAYLOR. Okay. It seems to me that you are spending a lot of money. You might say you are not, but just looking at a quick rush at the numbers would indicate that. And I wanted to share a perspective that you probably don't hear very often, because I speak to people who leave your City and come to mine.

Collin County, Texas, is a recipient of many people who describe themselves as blue State refugees, people who say that they are fleeing high taxes, they are fleeing regulations, they are concerned about crime, they are concerned about drug overdoses, and they are concerned about communities that they feel no longer serve them, so they come to my community.

And what my concern is, as an American, is I don't see how we have a winning America if we have a losing California, particularly if we have a losing San Francisco. San Francisco is an important community, and I appreciate your willingness to lead it in these troubling times.

Actually, the one other thing I will throw in here, and I don't believe this is your responsibility, is traffic. That actually comes up very frequently, as businesses come from your portion of the country to my portion of the country.

And just to quantify this, I was looking at the U-Haul website last night, and if I wanted to rent a U-Haul trailer and drive from Plano, Texas, to San Francisco, it would be \$1,300. To get that exact same U-Haul for the same period of time, would be \$3,300 to go from San Francisco to Plano. So very clearly, the market is speaking to the influx of people leaving your community and coming to mine.

And I also know you are receiving a tremendous number of CDBG grants. I think you are a top ten city in the United States in terms of the CDBG grants.

And my question to you is, what were you going to use that money to do to try to turn the tide and go in a different direction than you are going now?

Ms. BREED. Just so you know, I want to make it clear, San Francisco is not a losing city. In fact, San Francisco produced me. I grew up in poverty in San Francisco. I lived in public housing, in fact, over 20 years of my life raised by my grandmother.

These kinds of investments can have an impact on changing people's lives. And the fact is our budget and the way that our City works as a County is a lot more complicated than what the budget implies, as I said. An airport and the expense of—

Mr. TAYLOR. Actually, as I was looking at your written testimony, you talk about five priorities that you had. And what I was intrigued by is none of the priorities listed are the reasons that people tell me they are leaving your community.

So, people leave your community, and they come to mine. And I look good for it. I am adding jobs. Plano, Texas, is a very safe City. Actually, in 2019, it was the safest city in America. We are the highest per-capita income city in North America, with over a quarter million people, a very successful community.

And, unfortunately, a lot of those people are people like you who are leaving, they are leaving California, and they are coming to Plano, they are coming to Frisco, they are coming to Allen, they are coming to McKinney, they are coming to my community to build a better life for themselves, and they tell me about all the problems they find.

Again, what is interesting to me is, of the five things that you list in your written testimony, I didn't see anything about traffic, about drug abuse, about regulation, about taxes.

These are the reasons that people tell me they are leaving your community and they are coming to mine. What are you doing to address those issues?

Ms. BREED. Congressman, just to be clear, there was a point where we had a significant tech boom. And what happened during that time is, a lot of people were pushed out.

And I think the fact that you are attributing the fact that folks are coming to your community and leaving San Francisco—you perceive that as a problem. I don't necessarily perceive that as a problem because our economy is still thriving, and we are still making the appropriate adjustments to address the inequities and the challenges.

I know there isn't enough time to expand on that. But at the end of the day, it is not as much of a problem as you believe that it is.

Chairman CLEAVER. Thank you very much.

Mr. TAYLOR. Thank you, Mr. Chairman.

Chairman CLEAVER. Yes. I look forward to working with this committee. We have some very similar views on some of the things that need to be done with CDBG. So, I appreciate it very much. I want to do it with the minimum amount of partisanship, but I kind of feel like I have to correct the record.

Mr. Hill has stated that the Biden Administration submitted a change to the Office of Management and Budget (OMB) to alter the threshold definition of metropolitan statistical areas (MSAs), in-

cluding MSAs with populations of at least 50,000 to 100,000. And this was, in fact, a change submitted by the Trump Administration just before leaving office back in January.

I would like to submit to the record the OMB notice to the Trump Administration proposed changes.

Without objection, it is so ordered.

The Chair now recognizes the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Chairman, I greatly appreciate the hearing as well, and I do want to associate myself with the ranking member with reference to his comments about flexibility.

And I would like to direct my question to you, Mr. Jaroscak, at an appropriate time, but let me lay a proper predicate for the question.

In Houston, back in August of 2017, we had a trillion gallons of water flow in, in about a 4-day period, with 68 deaths, and \$125 billion in damages. This was Hurricane Harvey.

Nearly 4 years later, of the funds that were sent to Houston to assist with our recovery, some \$4.3 billion, not all of this has been properly allocated. In fact, the money came to Houston by way of the Government Land Office (GLO). The GLO, in making decisions about proper allocation, concluded initially that Houston should get zero dollars—zero dollars—for CDBG–MIT funds. These are mitigation funds.

It is not unusual for us to use CDBG for something other disaster relief. Mitigation is one aspect of it. And we also use it for COVID as well.

But, zero dollars for Houston. Of course, this is unacceptable. And currently, the GLO has the responsibility of doing an obligation to amend its action plan with HUD. And until the action plan is amended, no one gets any money. For whatever reasons—inexplicable reasons, I might add—GLO has not amended the action plan.

My concern is this: Do we need some sort of means by which we can reclaim those funds, the funds can be forfeited, a requirement that they be returned? This can go on indefinitely and the people of Houston are suffering.

So my question, Mr. Jaroscak, is, do you foresee a means by which this can be done? And is this an unacceptable way for us to do business, to allow funds to just be allocated and depend upon the whims of the recipient as to when they will be properly allocated to the end users?

Mr. JAROSCAK. Thank you, Congressman.

I would want to look into this in a little more detail and follow up, because each CDBG–DR supplemental appropriation, as you are aware, may be slightly different and have different provisions in it that provide different processes and methods. And then, HUD also develops individual rulemaking for each supplemental appropriation of DR funds and MIT funds.

So, my colleagues and I would be happy to do some more analysis on this issue.

Mr. GREEN. Thank you. I greatly appreciate it.

Permit me to ask you this. We agree that each supplemental is done on a case-by-case basis. So, this is why we have CDBG-DR legislation that will be filed—again, it passed in the last Congress, and Mr. Hill referenced it, and we would like to pass it again. It streamlines this process, and it does require action within a 6-year period.

I believe that this is an appropriate way for us to manage the government dollars in a responsible way. Your thoughts on such a means of management?

Mr. JAROSCAK. Thank you, Congressman.

I think proposals related to permanent authorization of CDBG-DR would potentially provide some structure and the potential ability for HUD and Congress to provide a predictable oversight of the program and monitor performance.

It would also potentially—there may be some tradeoffs regarding flexibility of and the ability to provide funding based on the individual event and the context therein.

So, those are some of the different things that we have observed in analyzing—

Mr. GREEN. Let me thank you, as my time is running out.

And I also would like to thank Mrs. Wagner. She has been a cosponsor of this legislation and I have also been a cosponsor with her.

So thank you, Mrs. Wagner, for staying with us.

Chairman CLEAVER. Thank you Mr. Green.

We will now recognize the gentleman from Michigan, Mr. Huizenga, for 5 minutes.

Mr. HUIZENG. Thank you, Chairman Cleaver. I appreciate that.

And, Mr. Furth, I want to kind of expand a little bit or have you expand a little bit on the conversation that was happening with my colleague from Texas, Mr. Taylor, about sort of the use of CDBG funds and those kinds of things.

I am curious if you could comment on how local zoning laws interact with and affect choices regarding the use of CDBG funding? That has been a major focus that we have talked about here in this subcommittee and on the committee, housing affordability. How do we make sure that people have the opportunity to live in good homes, that are reasonably priced?

And this has been an emerging theme, sort of the local barriers. I am wondering if you could expand on that a little bit?

And then, how can we in Congress, if at all, do a better job of eliminating barriers like local development exclusionary zones to help communities meet the housing affordability challenges?

Mr. FURTH. Thank you so much, Congressman. Zoning is my favorite topic and—

Mr. HUIZENG. That is a pretty thin group of people in this world, but I am glad you are because it is so important.

Mr. FURTH. No, that is right.

I think the really positive thing right now about zoning reform is that it is being recognized on both sides of the aisle and all around the country. I know Mayor Breed has been a champion in her own City of making it easier to build multi-family housing. I have worked with people from both parties in the Northeast on Statewide bills and on local efforts.

I think it is best when cities lead. And sometimes, the States need to get involved. I am more hesitant about Federal involvement, because ultimately, the incentives and the realities of how the Federal Government works are probably not going to produce great outcomes at the local level.

I know Chairman Cleaver and this committee have a bill, part of which would be incentives similar to CDBG for communities that remove barriers. And I actually worked extensively with colleagues commenting on the Affirmatively Furthering Fair Housing (AFFH) rule. Whether that is the right vehicle for this is, I think, an open question. But we worked really, really hard to think about how we could compare cities across the country on a fair basis.

Cities are in different positions, different points in their life cycle. And how can we compare them fairly in terms of their housing market outcomes?

So I think, Chairman Cleaver and others, as you look at how to deal with Federal involvement here, my number-one recommendation is to look at outcomes rather than inputs. It is very easy to say that you have changed something, but if you actually look at outcomes, you get some very, very different results. It is easy to say, but it is hard to do.

Mr. HUIZENGA. I am with you philosophically, and I, too, have a natural healthy skepticism of the Federal Government coming in and "bigfooting" and, frankly, putting in a sort of blanket policy that doesn't work in every community.

I think we do understand that this formula needs to be updated. It has some failings and some challenges. And I am curious, what factors should be considered to ensure that the CDBG program is meeting its stated goals and eventually the outcomes?

Mr. FURTH. I would love to see CDBG under stricter scrutiny or limited in its amount for communities where rent rises above a certain level and construction does not. If you are expensive in your building, the formula should be revisited.

I understand it is very hard to take away funding from anyone. But if Congress raises the allocation in nominal dollars, the new dollars should use a different formula, so nobody is losing funding, but the new funding is going to be distributed according to a formula that really reflects needs and isn't going to people who are lucky enough to have old housing at a low rate of growth because of zoning.

Mr. HUIZENGA. I think that is a very prescient and clear view into one of those issues that we have.

And in my last remaining seconds, how do we then maybe ease that transition? You had suggested one thing. Is there anything else where we would have new criteria for new money, but can we not reform that current dollar?

Mr. FURTH. I would put a sunset date on the old formula beyond the political lives of current leaders who can then accept that sometime in the future, that money is not going to be allocated according to a 1970s formula.

Thank you so much.

Mr. HUIZENGA. No, thank you. That is great.

Chairman CLEAVER. The Chair now recognizes Mr. Vargas of California for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. Again, I thank you and the ranking member for putting on this very important hearing. And I thank the witnesses.

But I do want to help you a little bit, Mr. Chairman. When you said, "Praise," you couldn't remember the next term. It is, "Praise Jesus," that is what it is, "Praise Jesus." You never go wrong with that. You always go right with that. It is called, "Praise Jesus."

It is just like you can never go wrong by saying, "Just vote me with the Chair," because he always knows what is going on, "Vote me with the Chair."

With that being said, I do want to rehabilitate my State a little bit. My good friend, Mr. Taylor, was talking about California.

Mr. Taylor, I believe that the surplus in California, just the surplus alone, is bigger than the State budget of Texas, just our surplus. We have a \$75 billion surplus this year in the State of California. I believe that the biannual budget of Texas is \$121 billion. It is a biannual budget.

But that being said—it may be incorrect, Mr. Taylor, what is the budget? I will give you the opportunity to correct the number. What is the budget, Mr. Taylor, of the State of Texas, if you don't mind?

Mr. TAYLOR. A \$250 billion biannual budget was passed this year.

Mr. VARGAS. I thought it was \$121 billion. Okay. I stand corrected.

Mr. TAYLOR. I think \$121 billion will be last year's annual budget.

Mr. VARGAS. Okay. I stand corrected.

But I would also say this, which is interesting, about home prices. In San Diego, where I live, the prices are very, very high because that is where people want to live. And that is the reality. The truth of the matter is that we get a lot of people coming to California and they are high-wage earners. And that is a problem because we don't have enough affordable housing. That really is a problem.

I seldom agree with my good friend, Mr. Huizenga, although I love him to death, but I seldom agree with him. But I agree with him on this: Zoning is a problem. Density is a problem. It really is.

In California, when they say you are going to destroy the character of this community, it basically says, don't put anything that is attached product. We want single-family, detached homes. And that is a problem, especially when you are close to the city, close to transportation. We have been trying to change that. It has been very, very difficult. Mr. Huizenga, I totally agree with you on that, that we have to change density.

But the reason, again, that California people are leaving is that they can't afford the housing. Housing is just too expensive. People want to live in California. They just can't afford it. That is why they do second or third choice and move to Texas.

I am just kidding, Mr. Taylor. I love Texas. It is a wonderful State. Plano, in particular, is a wonderful City.

But I do want to ask about this. I looked at an inflation calculator. If we did, in fact, spend, I think it was \$2.4 billion in 1974,

with the inflation calculators that I put the numbers into, I think we would be spending over \$13 billion today.

I believe, Ms. Robinson, you said over \$10 billion, but I think it is \$13 billion that we would be spending today on CDBG if we just figured out inflation. So, I think we are underspending.

I do want to ask this, though, and I will ask this, again, to Mr. Furth, you said that we cannot use money for new construction, but it is used for new construction; it is just that some people can't use it for new construction. Some groups can't use it. And you say that private entities shouldn't be able to, but what about a 501(c)(3), would you be against that?

Mr. FURTH. Let me clarify. When I am talking about giving money to private entities, it is businesses for their own business purposes.

In Maine, where I did a lot of research, there is money going to a distillery, Sebago Lake Distillery. There is also money going to the Gelato Fiasco, which is a Gelato shop. So, they aren't building something for the public; they are just doing their own business. And that is what I don't like.

I have no problem—Mr. Mensah suggested expanding the ability to build housing through CDBG, and I would have to look at the details, but in spirit, I certainly support that idea.

Mr. VARGAS. I agree with that.

Now, Mayor Breed, I have to tell you, I love San Francisco. It is a beautiful City. And, again, you have even a worse problem than we do. People love it so much that your prices have gone higher than San Diego, and that is problematic.

But you did bring up something that I found very interesting, the issue of helping people legally stay in their homes. And that has been very effective. Because usually it is not the legal aspect, it is the paying aspect; you can't pay the rent or you can't pay the mortgage.

So, how were you able to be so successful just by helping legally?

Ms. BREED. I think when you think about it, especially people who live in poverty, and in San Francisco over 300,000 people file for unemployment, yes, we had a rent moratorium, but what about those mom-and-pop landlords who can't afford to wait to pay their mortgage because they are not receiving rent? It is very complicated. But what we have done is provided alternatives, and with the legal assistance, we also provide rental assistance.

So if the dispute is maybe back rent for a couple of months, that is the difference. Just imagine paying that back rent versus someone who is homeless and then needing to invest a significant amount of money to get them housed again. It is a better investment.

Mr. VARGAS. Thank you. I agree.

Again, thank you, Mr. Chairman. I appreciate it. Praise Jesus.

Chairman CLEAVER. Amen.

The Chair now recognizes Mr. Hollingsworth from Indiana.

Mr. HOLLINGSWORTH. Good morning. I appreciate everybody being here.

Dr. Furth, I am going to talk mostly with you, and talk about the Yes In My Backyard (YIMBY) Act that you mentioned in an op-

ed last year entitled, “Will Congress Make a Significant Move on Housing Affordability?”

I really appreciated that you mentioned the YIMBY Act, which is a bipartisan piece of legislation that I recently introduced to encourage more affordable housing and bring some transparency to restrictive zoning laws.

I know you and Mr. Huizenga recently talked about that in this very hearing. I think earlier today, I saw an article in The Wall Street Journal where the Board of REALTORS said nationally, we are about 5.5 million housing units short of where we should be, given some underbuilding over the last 15 years or so. I wanted to ask you a few questions about that.

One of the statements that you made in that op-ed was, “Local leaders should see clearly that their national representatives are on the side of inclusive, market-led housing construction. Such an effort will require more two-way communication with federally-funded cities, which use Federal grants responsibly.”

Dr. Furth, can you elaborate a little bit about what you mean by two-way communication, and how those signals coming from cities are very important in forming public policy that goes back out to those cities?

Mr. FURTH. Yes. Thank you, Congressman Hollingsworth. And thank you especially for your work on the YIMBY Act. I think it is really important, as I wrote.

It is not highly consequential. It is clearly a step in the direction of transparency and communication. And so, I think what is valuable about that—and some of my colleagues who are pro-housing folks have said, “Why are they wasting their time?”

But I don’t think you are wasting your time, and I do think that it is a very worthwhile effort to make it clear that—we just heard from Congressman Vargas. He represents people in a district that is strictly zoned, and there is a very active debate within the local politics of San Diego and the surrounding suburbs of whether they should up-zone or not.

And knowing that sort of the national leaders they look up to, maybe the job they want to hold in a few years, those folks, you in Indiana, and other Representatives who are here on the call, support more housing that tilts the scales. It changes, it frames the debate. It helps define, what does it mean to be a pro-Indiana, pro-growth, pro-free marketer?

I hear from conservative friends of mine sometimes, “Oh, getting rid of zoning impinges on my property rights.” I don’t think those words mean what you think they mean.

On the two-way communication, that means you talking to them and saying, “Hey Carmel, Indiana, or Indianapolis, Indiana, I love what you are doing in this area,” or, “Hey, we would love to support—the Federal Government has these goals of achieving affordable housing, but right now when I talk to developers, they can’t find a site in this community.” Talking to folks and making it clear where you stand.

And then, listening. Obviously, it is really important to listen to the mayors and local officials and try to help them assuage their concerns and communicate with their constituents.

Members of Congress are in an enviable position because you don't actually have to make the hard calls on zoning. So in one sense, you can say some of the harder truths to constituents that a mayor or a council member might get a lot of blowback for if they said the same things.

Mr. HOLLINGSWORTH. Exactly. I think, as you well said, Dr. Furth, the reality is we need to be leaders on this issue, help be conduits on this issue, help educate on this issue, especially citizens who live in particular areas, and I really appreciate that.

It was disheartening to hear that it may not be entirely consequential, this legislation, but I do understand that it is incremental but is important progress to showing the direction that I think we want to head.

Would you agree that this reporting framework works in tandem with private market-driven housing investment?

I think you made that point already, but I really want to drive that home for all of my friends here to understand that this is a reporting framework not to drive Federal Government direction necessarily, but to work in tandem with good private market investment to expand supply.

Mr. FURTH. Right. The great thing about housing is that people right down through the working class can get good quality housing provided by the private market, provided that the local government is not imposing zoning that is so strict that the private market can't build. So, having transparency enables the private market to do its job, and let the Federal Government focus on only those who are in the most need.

Mr. HOLLINGSWORTH. Right. And I presume you would also agree, given your background, that the reality of large-scale housing subsidies, given the inelastic supply in housing, would only lead to increased costs for consumers, not more affordability. Is that true or untrue, quickly?

Mr. FURTH. Yes, that is right. If you push on a rigid supply curve [inaudible].

Mr. HOLLINGSWORTH. Perfect.

Mr. Chairman, I will yield back, but I would like to ask unanimous consent to submit a letter for the record in support of my YIMBY Act before I do so. Is that acceptable?

Chairman CLEAVER. Without objection, it is so ordered.

Mr. HOLLINGSWORTH. Thank you, sir.

I yield back.

Chairman CLEAVER. Thank you very much.

We will now recognize Mr. Torres, the gentleman from New York.

Mr. TORRES. Thank you, Mr. Chairman.

I am a strong supporter of the CDBG program and the flexibility it provides to State and local governments, which are on the front lines of providing critical public services.

The New York City Department of Housing Preservation and Development, most commonly known as HPD, uses CDBG funding to maintain the largest system of housing code enforcement in the nation. If a tenant in New York City has a condition that violates the housing maintenance code and the landlord refuses to correct the condition, a tenant reserves the right to call 311 to request a hous-

ing inspection, and a housing inspector often follows up within a matter of days.

I got my start in politics as a housing organizer, and as a housing organizer I found the CDBG-funded housing code enforcement to be a powerful tool for holding landlords accountable for making long-overdue repairs.

In 2019, in New York City, the CDBG program funded 650,000 housing inspections, 15,000 housing litigation cases, and 11,000 emergency repairs, which are often a matter of life and death.

Housing quality matters as much as housing affordability, and the CDBG program has been an indispensable safeguard of housing quality in America's largest city.

When it comes to CDBG, the more flexibility, the merrier.

I have a question about the CDBG program as it applies to disaster recovery. Do any of the witnesses have experience with both CDBG and FEMA funding with respect to disaster recovery? I am curious to know which program is more user-friendly from the standpoint of State and local government?

Mr. MENSAH. This is George Mensah. Definitely, the CDBG program is much more user-friendly than the CDBG-DR.

One of the things that Congress can do is at least have a permanent or some type of regulation governing the CDBG-DR. Currently, when Congress provides funding through the CDBG-DR, it takes a long time for HUD to be able to do regulation governance. So the funds come to communities [inaudible] And not when they really need it.

One of the things that Congress can do is to ensure that we have, just like we have statutes for the CDBG program, there is a separate statute for the CDBG-DR program so that when the funds are allocated, HUD can easily provide the funds out the door. I think that probably would be very helpful.

Mr. TORRES. And I have a question for the Congressional Research Service. Do we know what share of CDBG funding is allocated to States versus localities? Do we know the distribution?

Mr. JAROSCAK. Sure. Entitlement communities or localities with populations above 50,000 receive 70 percent of the CDBG funds and States receive 30 percent. Both formulas are run after a \$7 million set-aside for insular areas for U.S. Territories.

Mr. TORRES. Are those funds received directly or through the States?

Mr. JAROSCAK. The funds for entitlement communities, so major metropolitan cities, cities with populations of 50,000 or more, or urban counties with populations of 200,000 or more when subtracting any entitlement communities within the boundaries, those go directly to those communities. And then, States receive the 30-percent allocation, and States suballocate those funds to non-entitlement communities.

Mr. TORRES. And I am curious to know—anyone on the panel can answer—what is the single most important reform that we can make to enhance the flexibility of the CDBG program?

Ms. BREED. Can you repeat the question? I didn't hear you clearly.

Mr. TORRES. What is the single-most important reform that we can make to enhance the flexibility of CDBG funding?

Ms. BREED. I just would add—thank you, Congressman, for the opportunity—I do think that what was mentioned is the need to increase the amount of funding that we received and to maintain a level of flexibility.

I would definitely be open to increasing options of ways in which we can use these funds to invest in communities, but the need is very great. So, an increase in funding is most significant.

Mr. TORRES. Does anyone else on the panel have any thoughts on how to make the program work better?

Mr. MENSAH. Yes. Congressman, I wanted to add that you did describe the public services, as we talked about the use of CDBG funds in New York City. So, I think that increasing that cap for the public service is very important to help New York City in the work that they do using CDBG funds.

Mr. TORRES. My time is about to expire. Thank you, everyone.

Chairman CLEAVER. Thank you, Mr. Torres.

The Chair now recognizes Mr. Rose from Tennessee for 5 minutes.

Mr. ROSE. Thank you, Chairman Cleaver and Ranking Member Hill, for holding this important hearing.

At home in middle Tennessee, our rural communities heavily depend on the Community Development Block Grant program and they consider it vital to provide services that all Americans should have access to, including something as basic as running water.

In the rural areas of my district, these grants are far more competitive to secure than they used to be. Only about 40 percent of applicants actually get funded, which means our rural communities continue to struggle to complete essential projects.

I believe that we should consider setting aside funding in the CDBG program specifically for rural projects, because we cannot continue to leave Americans, like those in my district, behind.

After talking to folks back in Tennessee who facilitate the CDBG program, the major regulatory hurdles in place are their biggest concern. They told me about how complying with wage rate and environmental requirements slows down the process considerably and makes it even harder to distribute the aid that they receive.

They also discussed how many of the requirements in place are geared more towards private entities on the entitlement side as opposed to the State side, making them difficult to adhere to.

Dr. Furth, could you discuss how we could eliminate some of this red tape and tailor these requirements to reduce undue burden on our States and rural communities?

Mr. FURTH. Congressman Rose, thank you so much for the question. I appreciate it.

One of the things that you mentioned is the Federal prevailing wage standards. And if you look at the actual numbers that go into those, they are really low quality from a data perspective.

If we simply used Federal data that already exists from other occupational sources, and had accurate prevailing wage rates, that would in some cases raise and in some cases lower the required prevailing wage by region.

In the cases where it is too low, it is just dumb. Nobody will work for that wage. In the cases where it is too high and it is just sort of bad data, it requires the government to pay more than it

should, more than the market rate, for doing reasonable work on public projects.

So, that is absolutely a step that the Federal Government could take far beyond the scope of just CDBG, but it affects CDBG and everything else that is federally-funded.

Mr. ROSE. Thank you, Dr. Furth.

By statute, CDBG funds are split, with 70 percent going directly to the 1,200 or so nationwide urban entitlement communities with populations over 50,000 and only 30 percent to States, which must disburse that funding to every other small community in the State.

That means that places with populations as large as 49,999, like Smith and Putnam Counties in my district, are forced to compete for an already small share of CDBG funding with very small rural locations of less than 2,500, where almost 60 million people or 19 percent of all Americans live.

Dr. Furth, should very small rural locations like those with populations of less than 2,500 have their own specific set-aside of CDBG funds to help meet their local needs?

Mr. FURTH. I would set it up so that every place has predictable funding. Very small places might not get funding every year because the allocations would be too small. But if you are a really small place, you should know, hey, every 3 years we get the minimum grant level, something like that, provided that we have a good way to use the money. I think that would be much more fair than the current system.

And it is not strictly urban-rural. I mentioned Chelsea, and Everett, Massachusetts, in my testimony. Those are extremely urban, very dense immigrant towns, but they have less than 50,000 people. And on the flip side, you go to, say, Auburn, Maine, which has 24,000 people, but its name shows up in an MSA name, and because its name is in an MSA name at OMB, it gets an entitlement fund.

And the counties you mentioned, they would actually have to get to 200,000 before they got to be entitlement communities.

So, it depends on how your governments are organized. Massachusetts and Tennessee organize local governments very differently, but the funding formulas don't take that into account and are not fair just on a per capita or a per low- and moderate-income capita basis, which is, I think, the way that I would want to do it.

Mr. ROSE. Thank you, Dr. Furth.

Something that folks back home emphasized to me was that right now our local communities are getting a massive influx of funding for infrastructure projects from COVID relief funds, however, once that windfall is over, we will still need the CDBG program in those areas to ensure that we not only maintain that infrastructure, but continue to develop our rural communities.

Thank you, Mr. Chairman. I yield back.

Chairman CLEAVER. Thank you very much.

The Chair now recognizes Mr. Steil from Wisconsin.

Mr. STEIL. Thank you very much, Mr. Chairman. We all look forward to meeting in person again, soon. I know it has been a long time on Zoom for some of our witnesses.

But let me dive in. Dr. Furth, if I can ask you, I am looking at how we really address housing in the United States and some of

the policies, in particular how these grants have a role in making sure that housing is affordable for folks in the United States.

As we have seen, cities around the country receive millions in CDBG funds from the Federal Government each year, and at the same time more and more of these cities are experiencing severe housing shortages and increasing costs. It is bad for families. It makes it harder to build wealth. It ultimately makes it difficult for people to become really rooted in their communities.

When we look at the data, it seems many local governments, in particular, are making it difficult to build housing for more people and to keep housing prices in check. We are having a supply problem in some of our largest cities.

And so, I looked into the data. I looked at San Francisco. In the metropolitan area, an area of about 5 million people, including San Francisco, Oakland, and Berkeley, in 2020 they permitted 10,000 new housing units. That is roughly in line with Boise, Idaho, which permitted 9,700.

Metro Boston, an area of roughly 5 million, permitted just 15,000 units. And you compare that to Houston metro, 7 million people, that permitted 70,000 new units, roughly 5, 6, 7 times more.

So, one of the questions I had for you is, should Congress be looking at its use of CDBG funds as it relates to municipalities that are clearly failing to take steps to enact policy changes needed to really address the supply side of housing?

Mr. FURTH. Yes. Thank you. Thank you, Representative Steil.

That is absolutely right. Those numbers are shocking. I did some research at one point and found the California Bay Area—this was in 2011 through 2018—had a growth rate in terms of the number of housing units built the same as the Flint, Michigan, metro area, which was in a major crisis at the time.

The coastal cities are building so little housing—and I live in one, I live in the D.C. area—that people here act like it is an apocalypse when someone puts up a fourplex, because they are so unaccustomed to seeing construction. And that is very, very different in Texas, in southern Wisconsin, and in a lot of other places.

In terms of CDBG, it is not the best tool to incentivize housing construction. We have to be really clear about that. I do think that it would make sense to have limits on the uses, especially for high-income, low-growth jurisdictions. If your rents are high—

Mr. STEIL. Mr. Furth, let me dive in, because I think you actually bring up a really good point here that I want to dive into a little bit with you, if I can.

CDBG grants were created 50 years ago to help low-income communities by giving them access to relatively flexible funds. So we are talking about this not really driven on the housing, it is just one of the things I am concerned with, and we talk a lot about it on the committee.

I am really concerned about the supply side. Some of our larger metro areas are restricting supply, driving prices up, and we see policy solutions being offered here in committee often to provide additional funds for people, which I think would actually just bid up the prices further rather than addressing the supply side.

Let's go back into the flexibilities offered, how these funds are originally intended to be used. I looked at the funds for 26 dif-

ferent, broadly-defined eligible purposes, ranging from construction of public facilities to assistance for private and for-profit entities.

Does this structure really prioritize certain fundings over others? It doesn't, correct?

Mr. FURTH. No. That is right.

Mr. STEIL. So knowing that, saying it doesn't really prioritize it, when housing is a concern of this committee, I think we are really missing the boat, in particular on our opportunity to add housing permits in some of our more high-priced communities.

Should Congress, in your opinion, prioritize certain uses of CDBG funds? And if so, which ones?

Mr. FURTH. That is absolutely right. I think that they should in these really high-rent places.

There was a conversation earlier saying that, well, more flexibility will help New York City to do the most important things, and I think that is wrong. It will allow New York City to do the most important things, but it is already allowed to, largely.

And more flexibility allows communities that don't want to do the right thing to continue not doing it. Cupertino, California, where Apple is headquartered, a few years ago used their CDBG to build sidewalks.

Now, they have Apple there. They can tax as much as they need to. I don't think 70 percent of the shoes on that sidewalk are low- and moderate-income shoes.

Mr. STEIL. Mr. Furth, I appreciate your time.

And Mr. Chairman, I yield back.

Chairman CLEAVER. Thank you very much. And that brings us to the end of this hearing.

Let me thank everybody for participating. One of the reasons I am so thankful is that I think that we have a chance to do something significant that will make a difference all over this country, and that is because I think many of us have some very similar ideas on the updating that we need to do.

I would like to also thank our witnesses. You have been very, very helpful.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

I would also like to submit for the record a statement from the Council of State Community Development Agencies. Without objection, it is so ordered.

Again, I thank all of the witnesses. I appreciate all of you.

This hearing is now adjourned.

[Whereupon, at 11:59 a.m., the hearing was adjourned.]

A P P E N D I X

June 16, 2021

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

**Written Testimony of San Francisco Mayor London N. Breed
On Behalf of the U.S. Conference of Mayors and Mayors and CEOs for U.S. Housing
Investment**

**Subcommittee on Housing, Community Development, and Insurance
Virtual Hearing – Flexible Federal Funding: Examining the Community Development Block
Grant Program and Its Impact on Addressing Local Challenges
June 16, 2021**

Since the Community Development Block Grant (“CDBG”) program was created in 1974, the City and County of San Francisco (“City”) has been at the forefront of creative and targeted utilization of this vital resource. CDBG funding has been critical for providing neighborhood stabilization and resident supports since the program’s inception. San Francisco deploys its CDBG funds in a variety of innovative ways, combining various strategies to best serve our residents and weaving together service provision, housing rehabilitation, economic development supports, and resources for capital improvements to community facilities to seamlessly respond to the needs of our community. Over the past two decades, CDBG funds have allowed San Francisco to serve over 300,000 individuals, including more than 16,000 last year alone.

One of San Francisco’s highest priorities is stabilizing the housing of our most vulnerable residents. Preventing the displacement of San Franciscans from their home and community represents both housing and cultural preservation. When San Franciscans are displaced from their home, particularly low-income and longtime San Franciscans, they are left to contend with finding housing in one of the most expensive rental markets in the country. They typically move far away from their workplaces and social networks, or into a housing situation with even more severe housing problems, such as overcrowding, unsafe or unsanitary conditions, and rent they cannot

afford. Displacement can also have a direct and long-lasting detrimental impact on a household's mental and financial wellbeing.

San Francisco's Mayor's Office of Housing and Community Development ("MOHCD") is charged with supporting residents with affordable housing opportunities and essential services to build strong communities. MOHCD funds community-based organizations to deliver essential anti-displacement services to our residents, including:

- Eviction legal assistance, including implementation of the groundbreaking Tenant Right to Counsel program;
- Tenants' rights counseling, education and outreach;
- Tenant-landlord mediation and technical assistance to housing providers; and
- Emergency rental assistance and tenant-based subsidies.

One of San Francisco's most innovative programs is our nationally recognized Tenant Right to Counsel program, which is CDBG-funded. In Fiscal Year 2019-20, San Francisco began implementation of a landmark policy that all residential tenants facing eviction have a right to full-scope legal representation. Tenant Right to Counsel is intended to ensure that tenants receive legal representation in the case of an eviction, from start to finish, rather than rely upon self-help, legal advice and counsel, and limited-scope representation. This representation includes, but is not limited to: filing responsive pleadings, appearing on behalf of a tenant in court proceedings, and providing legal advice.

We have seen that full-scope representation gets better results for tenants. Based on a review of the first phase of implementation, 67% of full-scope clients stayed in their homes, as compared to 38% of limited-scope clients who stayed in their homes. Among African American tenants who received full-scope representation, 80% stayed in their homes. Almost as many tenants received full-scope representation during this period than in the entire 12-month period prior. The efficacy of this CDBG-funded program is proven and dramatic.

Eviction defense increases its effectiveness when paired with emergency rental assistance, a program that MOHCD has been administering for years in order to pair legal remedies with the appropriate financial supports necessary for stabilization. The COVID pandemic increased the need for such assistance exponentially as so many residents have been negatively impacted economically since the epidemic struck. For high-rent, high-cost cities such as San Francisco, the need for such emergency rental assistance is essential and the increased demands for these funds post-COVID is painfully evident.

Community Development Block Grants are most effective when driven by the community, who know exactly what is needed and how to reach those in need. Flexibility and the ability of local jurisdictions to create programs that can meet these unique needs is crucial. To the extent that communities rely upon receiving essential services, the existing limitations on CDBG public services can limit a jurisdiction's ability to deliver what their communities are requesting. While the approval of Neighborhood Revitalization Strategy Areas is one method of expanding the reach of services, as San Francisco has done, this methodology is a significant undertaking and may not be achievable for all jurisdictions despite the overwhelming need of their residents to receive these

services. Smaller jurisdictions may face such challenges in deploying funds in the way that best serves their communities. Allowing each jurisdiction to set their public services cap through the Consolidated Planning process and thereby replacing the one-size-fits all existing cap requirement would recognize local community expertise, acknowledge the greater needs for services that some communities face, and be more in line with the place-based policy framework upon which the concept of true community development is built. Additionally, our service providers that are grounded in the community should be able to access technical assistance and capacity building with greater flexibility to meet those organizations where they are. For our communities to thrive, anchor institutions need to be given the support needed to address the broad and often overwhelming disparities faced by our residents.

The Consolidated Plan serves as the application for a number of federal funding sources, and provides additional context for the City's programs and investment. The 2020-2024 Consolidated Plan was completed during Fiscal Year 2019-20. As part of our community planning process this past year, San Francisco connected with its residents in an unprecedented manner, reaching deep into communities to understand their priorities and their challenges. The community outreach process engaged nearly 4,000 residents and stakeholders.

These discussions highlighted once again the long-standing unmet needs of our African American community, the Native American community's disenfranchisement for centuries; the very real fear felt by the Asian American community, which has faced xenophobia historically and most recently targeted due to the deliberate misinformation connected to the COVID pandemic; the Latinx community's ongoing fears about family separation and their portrayal in society as the reason for

the economic insecurity of the working class; and the transgender community's daily concern about their safety and personal survival as transgender women of color are consistently targeted for physical and emotional violence and struggle for basic subsistence. San Francisco updated our Theory of Change to include two new objectives, an anti-displacement objective and a racial equity objective. My administration is committed to the principles of racial equity and the elimination of racial disparities.

The 2020-2024 San Francisco's Theory of Change includes five objectives and five target populations, and has determined that the optimum way to address our priority needs is to work towards a set of five interconnected, multidisciplinary objectives that cross program areas and utilize leveraged strategies both internally and across multiple city departments. These five objectives are: » Objective 1: Families and individuals are stably housed » Objective 2: Families and individuals are resilient and economically self-sufficient » Objective 3: Communities have healthy physical, social, and business infrastructure » Objective 4: Communities at risk of displacement are stabilized » Objective 5: Work to eliminate the causes of racial disparities

These community portraits illustrate the current need to support our most vulnerable communities is greater now than it has ever been. The devastating effects of the COVID pandemic are long-lasting and have been tragic for communities already suffering from economic disenfranchisement and years of structural inequities based on racial divides, homophobia, transphobia, and anti-immigrant fearmongering. Over the last two decades, San Francisco has seen a consistent decline in CDBG

resources¹, while the need has become more pronounced and population of need continues to grow. This mismatch is unworkable for cities and must be reexamined.

An increase in the overall allocation of Community Development Block Grants would not only support San Francisco, but would help every state, city, and local jurisdiction which relies on this crucial source for the poorest residents across the country. In San Francisco's most recent request for CDBG funding, the request for dollars exceeded the CDBG amount available by 350 %. The demand for housing development dollars similarly outpaces our available resources. San Francisco has already done the hard work to determine how best to allocate every CDBG dollar it receives and would be able to deploy additional resources immediately.

San Francisco urges Congress to recognize the needs of local communities by providing resources that are commensurate with need and offering jurisdictions the flexibility to provide solutions that will result in long-term economic and social benefits for residents in every community. Local governments have proven that when provided the necessary resources, we are able to partner with our local neighbors and communities to implement the right policies to keep individuals housed and help families thrive.

¹ In FY 01, San Francisco's CDBG allocation was \$25,819,000. In FY 21, San Francisco's CDBG allocation is \$18,887,307, showing a 27% decrease twenty years later.



TESTIMONY

IMPROVING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Salim Furth

Senior Research Fellow, Urbanity Project, Mercatus Center at George Mason University

Subcommittee on Housing, Community Development, and Insurance of the US House Committee on Financial Services
Flexible Federal Funding: Examining the Community Development Block Grant Program and Its Impact on Addressing Local Challenges

June 16, 2021

Good morning, Chair Cleaver, Ranking Member Hill, and members of the subcommittee. Thank you for the opportunity to address you today.

My name is Salim Furth, and I am a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project. My remarks today will focus on

1. the need to reform the Community Development Block Grant (CDBG) program's funding formula,
2. two questionable categories of CDBG funding use that Congress should limit, and
3. the inequitable treatment of non-entitlement communities.

THE FORMULAS

As the congressional declaration of purpose states in many different ways, the CDBG program is intended principally for the benefit of low- and moderate-income people and the neighborhoods where they live.¹ But the most impactful parts of the statute that created the CDBG program are the formulas, and the formulas fail to fulfill the stated purpose.

As you know, there are two formulas for entitlement communities and two for states. The formulas reflect a very specific set of 1970s urban concerns. This was the era of “Ford to City: Drop Dead”² and “Will the last person leaving SEATTLE - Turn out the lights.”³ At the time, it seemed like age and decline were synonymous. Thus, 70 percent of entitlement Formula B depends on having old housing and a slow rate of growth.⁴ But today, New York City, Seattle, and many other cities have strong tax bases and economies that are the envy of, say, El Paso.

1. 42 U.S.C. § 5301 (2021).

2. Frank van Riper, “Ford to City: Drop Dead,” *New York Daily News*, October 30, 1975.

3. Erik Lacitis, “Iconic ‘Will the Last Person’ Seattle Billboard Bubbles Up Again,” *Seattle Times*, February 2, 2009.

4. 42 U.S.C. § 5306(d) (2021).

For more information or to meet with the scholar, contact
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The ideas presented in this document do not represent official positions of the Mercatus Center or George Mason University.

The inequities are even more egregious in the case of affluent, prewar suburbs. In Newton, Massachusetts, 50 percent of homes were built before 1940. The median household income is \$150,000 and the city's tax base is extremely strong. Newton receives a CDBG of \$386 per resident in poverty.⁵ McAllen, Texas, by contrast is much newer and much less affluent. It receives half as much CDBG funding per capita, and only \$54 per resident in poverty.

TABLE 1. CDBG FORMULAS DO NOT MATCH CDBG PRIORITIES

	Old Homes (Percentage)	Poverty (Percentage)	CDBG per Person	CDBG per Person in Poverty
McAllen, TX	1.1	20.7	\$11	\$54
Brownsville, TX	2.4	25.8	\$15	\$57
Chelsea, MA*	55.7	18.1	\$21	\$114
Everett, MA*	62.9	12.6	\$18	\$142
Brookline, MA	47.6	12.3	\$23	\$188
Newton, MA	50.2	5.6	\$22	\$386
Martha's Vineyard, MA*	16.8	7.6	\$133	\$1,753

* Indicates a non-entitlement community.

Note: Martha's Vineyard consists of six towns, five of which received a CDBG.

Sources: Census Bureau, "Ratio of Income to Poverty Level in the Past 12 Months" (dataset), accessed June 13, 2021, <https://data.census.gov/cedsci/table?q=B17&d=ACS%201-Year%20Estimates%20Detailed%20Tables&tid=ACSDT1Y2019.B17002>; Census Bureau, "Year Structure Built" (dataset), accessed June 13, 2021, <https://data.census.gov/cedsci/table?q=B25034&tid=ACSDT1Y2019.B25034>; US Department of Housing and Urban Development, "Community Planning and Development Program Formula Allocations for FY 2019," accessed June 13, 2021, https://www.hud.gov/program_offices/comm_planning/budget/fy19/; Massachusetts Department of Housing and Community Development, *FY 2019 Massachusetts Community Development Block Grant Program Community Development Block Grant Awards (CDBG)*, 2019.

There is also an arbitrary distinction between entitlement and non-entitlement communities that has not adjusted along with changes in the shares of low- and moderate-income populations in each of the two kinds of areas. As a result, inequities arise even between similar areas. Chelsea and Everett, Massachusetts, are working-class suburbs with even older housing than Newton. But their populations are less than 50,000, so they receive funding through the state. For whatever reason, they receive a little bit less per capita than Newton and, thus, far less per person in poverty. But Newton, in turn, can envy the towns of Martha's Vineyard—where “summer” is a verb—which somehow receive \$1,753 per resident in poverty.⁶

These examples are typical of the winners and losers under the CDBG program.⁷ The relationship between the CDBG program's stated goals and its true priorities—as reflected in its budget—is tenuous.⁸

5. US Department of Housing and Urban Development, "Community Planning and Development Program Formula Allocations for FY 2019," accessed June 13, 2021, https://www.hud.gov/program_offices/comm_planning/budget/fy19/.

6. Five of the six towns of Martha's Vineyard apply for CDBG funds in two groups, both of which received large awards in fiscal year 2018 and fiscal year 2019, the only years for which data are readily available.

7. The exception is Martha's Vineyard, which is frankly shocking.

8. Many researchers over the years have pointed out the formulas' failings. Todd Richardson, *CDBG Formula Targeting to Community Development Need* (Washington, DC: US Department of Housing and Urban Development, 2005); Paul L. Posner,

POLITICS VERSUS POLICY

The persistence of this gap between rhetoric and reality is an example of behavioral public choice. If Congress tinkers with the formulas, some mayors will lose funding, and their anger will be louder than the joy of the mayors who gain funding.⁹

Previous Congresses have not been willing to incur net political losses for the sake of policy gains.

One way out of this trap is to write new formulas that apply only to future CDBG funding in excess of the 2021 budget authority figure (\$3.45 billion).¹⁰ Then complete the transition by setting a distant date at which the old formulas will expire, beyond the political lives of most current mayors. That said, it would show greater courage if Congress were simply to change the formulas now to match the program's stated goals.

QUESTIONABLE USES

A few allowed uses of CDBG funding are contrary to the spirit of the law.

Congress should not allow grantees to use CDBG to subsidize private businesses. A large scholarly literature on so-called economic development subsidies finds that those subsidies are ineffective at creating jobs. Instead, they boost recipient companies at the expense of everyone else.¹¹

In my own research, looking at 17 states, I find that 4 states dedicate at least a quarter of their State CDBG funding to private subsidies.¹² One Maine town used 79 percent of its CDBG funding from 2000 to 2019 in support of a single local business. Targeted subsidies are an invitation to favoritism and petty corruption and are outside the scope of what governments ought to do.

Another questionable use is when affluent communities use CDBG to eliminate cheap housing. Nobody calls it that, of course, but it is common to see exclusive locales spend their CDBG on the rehabilitation of single-family homes. The recipients must have low incomes to qualify, but they implicitly have substantial wealth by dint of owning a home in that community. The well-funded Martha's Vineyard

"Community Development Block Grant Formula: Targeting Assistance to High-Need Communities Could Be Enhanced" (report no. GAO-05-622T, Government Accountability Office, Washington, DC, 2005); Michael J. Rich, "Community Development Block Grants at 40: Time for a Makeover," *Housing Policy Debate* 24, no. 1 (2014): 46-90; Robert A. Collinson, "Assessing the Allocation of CDBG to Community Development Need," *Housing Policy Debate* 24, no. 1 (2014): 91-118; Brett Theodos, Christina Pierhoples Stacy, and Helen Ho, *Taking Stock of the Community Development Block Grant* (Washington, DC: Urban Institute, April 2017).

9. This is a textbook case of loss aversion. Amos Tversky and Daniel Kahneman, "Loss Aversion in Riskless Choice: A Reference-Dependent Model," *Quarterly Journal of Economics* 106, no. 4 (1991): 1039-61.

10. "CPD Appropriations Budget/Allocations," US Department of Housing and Urban Development, accessed June 13, 2021, https://www.hud.gov/program_offices/comm_planning/budget.

11. Matthew D. Mitchell et al., *The Economics of a Targeted Economic Development Subsidy* (Arlington, VA: Mercatus Center at George Mason University, 2019); Mark Partridge et al., "The Effects of State and Local Economic Incentives on Business Start-Ups in the United States: County-Level Evidence," *Economic Development Quarterly* 34, no. 2 (2020): 183; Stephan J. Goetz et al., "Sharing the Gains of Local Economic Growth: Race-to-the-Top versus Race-to-the-Bottom Economic Development," *Environment and Planning C: Government and Policy* 29, no. 3 (2011): 428; Bruce D. McDonald III, J. W. Decker, and Brad A. M. Johnson, "You Don't Always Get What You Want: The Effect of Financial Incentives on State Fiscal Health," *Public Administration Review* 81, no. 3 (2021): 365-74; Terry F. Buss, "The Case against Targeted Industry Strategies," *Economic Development Quarterly* 13, no. 4 (1999): 339.

12. The four are Arkansas, Maine, Mississippi, and New Hampshire. For this project, I was only examining states with large rural populations. Salim Furth, "Setting Community Development Priorities in Maine" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, January 2021).

program mentioned earlier has long used this tactic.¹³ It is completely innocent at the town level (e.g., fixing up “Widow Smith’s” old house—which, frankly, was an eyesore—so she does not have to move) but the practice has the effect of raising the prices of what would have been the cheapest homes.

To curb this practice, I recommend barring rehabs, except for lead abatement, for units worth more than the national average home value.

THE INEQUITY BETWEEN STATES AND ENTITLEMENT COMMUNITIES

In many states, non-entitlement communities cannot set their own CDBG priorities.¹⁴ The states allocate their annual grant among various categories and entertain grant requests within those categories. Entitlement communities, by contrast, have predictable funding and tremendous flexibility.

There are good arguments to be made for either system. But using the two systems in parallel seems unfair.

Small cities and rural counties are treated with a paternalism that does not apply to larger ones. At a minimum, states should make so-called small city grants predictable so that these communities can approach the CDBG program as a budget rather than as a lottery.

CONCLUSION

I doubt that anyone in this room, if they had a free hand budgeting \$3.5 billion from scratch, would come up with the CDBG program. But this is a program Congress has inherited, and it is not going away. Congress should make the adjustments necessary to ensure that CDBG funds are distributed and spent equitably and in accordance with the program’s intent.

13. Barry Stringfellow, “Island Towns Score Community Development Block Grants,” *Martha’s Vineyard Times*, July 26, 2017.

14. In a sample of six states, I find that four set statewide categorical budgets, and two claim to give grantees flexibility, although they can always tilt their grant evaluations toward favored categories.



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TESTIMONY

Statement of

Joseph V. Jaroscak
Analyst in Economic Development Policy

Before

Committee on Financial Services
Subcommittee on Housing, Community Development, and Insurance
U.S. House of Representatives

Hearing on

**“Flexible Federal Funding: Examining the
Community Development Block Grant
Program and Its Impact on Addressing Local
Challenges”**

June 16, 2021

Congressional Research Service

7-5700

www.crs.gov

<Product Code>

Chair Cleaver, Ranking Member Hill, and Members of the subcommittee, thank you for the opportunity to testify before you today. My name is Joe Jaroscak. I am an analyst in economic development policy with the Congressional Research Service (CRS). This CRS statement provides an overview of the Community Development Block Grant (CDBG) program, administered by the U.S. Department of Housing and Urban Development (HUD). In particular, it will focus on describing the program's structure, eligible activities, requirements, funding mechanisms, and potential policy considerations.

CRS's role is to provide objective, nonpartisan research and analysis to Congress. Any arguments presented in my written and oral testimony are for the purposes of informing Congress, not to advocate for a particular policy outcome.

Introduction

The CDBG program is a primary source of flexible federal funding to states, localities, and insular areas for economic and community development, and other related purposes. The program was originally authorized under Title I of the Housing and Community Development Act of 1974, P.L. 93-383, with the primary purpose of establishing and maintaining viable urban communities through the implementation of activities that benefit low- and moderate-income persons.

CDBG is one of approximately 23 authorized federal block grant programs.¹ Block grants are one of three broad categories of federal grant assistance, which are: (1) revenue sharing, (2) categorical grants, and (3) block grants. In general, revenue sharing is characterized as formula-driven with broad discretion given to state and local governments, while categorical grants are narrowly targeted to specific activities, often with more limited discretion, and may be awarded competitively or by formula. Block grants are at the midpoint in this continuum of recipient discretion. According to the now-defunct Advisory Commission on Intergovernmental Relations, a block grant is characterized by five basic traits:

1. it authorizes federal aid for a wide range of activities within a broad functional area;
2. it gives recipient jurisdictions fairly substantial administrative discretion;
3. its administrative, fiscal reporting, planning, and program requirements are geared toward keeping federal administrative intrusiveness to a minimum, while recognizing the need to ensure adequate oversight and that national goals are accomplished;
4. its formula-based distribution provision narrows grantor administrative discretion and provides some sense of fiscal certainty for grantees; and
5. its eligibility provision is fairly specific, relatively restrictive, and tends to favor units of general local government.²

Congress plays a primary role in determining the scope and nature of the federal grant-in-aid system. As a deliberative and legislative body, Congress selects objectives, decides which grant mechanism is best suited to achieve those objectives, and creates legislation to achieve these objectives, which incorporates its chosen grant mechanism.³

¹ See CRS Report R40486, *Block Grants: Perspectives and Controversies*, by Joseph V. Jaroscak, Julie M. Lawhorn, and Robert Jay Dilger.

² Advisory Commission on Intergovernmental Relations, *Improving Urban America: A Challenge to Federalism*, M-107, Washington, DC, September 1976, pp. 90-91.

³ For more information on block grants and a comparison to other forms of federal assistance, see CRS Report R40486, *Block Grants: Perspectives and Controversies*, by Joseph V. Jaroscak, Julie M. Lawhorn, and Robert Jay Dilger.

Congress, in addition to appropriating CDBG funds, has a role in oversight of HUD's administration of the CDBG program. Periodic congressional hearings have been held to examine issues such as potential misuse of CDBG funds⁴ and proposals for modifying the program's allocation methods.⁵ The U.S. Government Accountability Office (GAO) has also examined a range of topics on behalf of Congress, including the quality of HUD program oversight,⁶ grantee compliance,⁷ state and local grant fund distribution methods,⁸ and other issues.

National Objectives and Program Requirements

There is a wide range of potentially eligible CDBG activities. Any CDBG activity, however, must meet one of three statutory national objectives (42 U.S.C. §5301(c)):

1. principally benefit low- and moderate-income (LMI) persons;⁹
2. aid in the prevention or elimination of slums or blight; or
3. meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.¹⁰

The statute governing the program also requires states and entitlement communities to allocate at least 70% of their CDBG allocation to eligible activities principally benefitting low- and moderate-income persons.¹¹ Compliance with this requirement is certified during a one-, two-, or three-year period specified by the grantee.¹² The statute and regulations¹³ governing the CDBG program detail the specific requirements and responsibilities of entitlement communities; states; nonentitlement communities; and HUD, the federal administering agency, including the required documentation for demonstrating an activity's alignment with a given national objective.¹⁴

In order to receive CDBG funds, eligible grantees are required to participate in HUD's Consolidated Plan process, in which grantees assess conditions and needs related to community development and housing to inform the selection of program activities. Under this process, grantees submit 3-5 year consolidated plans as well as annual strategic plans that must be developed with community input and conform to HUD

⁴ U.S. Congress, House Committee on Government Operations, Subcommittee on Employment and Housing, *Misuse of Community Development Block Grant Funds*, 102nd Cong., 1st sess., October 21, 1991.

⁵ U.S. Congress, House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, *Review of the Community Development Block Grant Program*, 107th Cong., 2nd sess., March 14, 2002.

⁶ U.S. Government Accountability Office, *Community Development: HUD Oversight of the Dallas Block Grant Program Needs Improvement*, RCEID-92-3, November 1991, <https://www.gao.gov/assets/220/215220.pdf>.

⁷ U.S. Government Accountability Office, *Community Development Block Grants: Reporting on Compliance with Limit on Funds Used for Administration Can Be Improved*, GAO-13-247, March 2013, <https://www.gao.gov/assets/660/653192.pdf>.

⁸ U.S. Government Accountability Office, *Community Development Block Grants: Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility*, GAO-10-1011, September 15, 2010, <https://www.gao.gov/assets/310/309604.pdf>.

⁹ The LMI benefit national objective is required to total 70% of a grantee's projects under the conventional CDBG program, although waivers may be obtained in extenuating circumstances. For information on HUD's definitions for low and moderate income, see <https://www.hudexchange.info/programs/cdbg/cdbg-low-moderate-income-data/>.

¹⁰ 42 U.S.C. §§5301 et seq., as interpreted by HUD at 24 C.F.R. §570.200 and the HUD Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities.

¹¹ 42 U.S.C. §5301(c).

¹² 24 CFR §570.200(a)(3).

¹³ Regulations governing the program can be found at 24 C.F.R. Part 570, available at <http://www.gpo.gov/fdsys/pkg/CFR-2012-title24-vol3/pdf/CFR-2012-title24-vol3-part570.pdf>.

¹⁴ 24 C.F.R. §570.506.

specifications. Grantees also report annually on performance against their stated goals for the previous year.¹⁵

Eligible Activities

CDBG's flexibility as a block grant program allows grantees to use their program funds for a broad range of activities. The majority of CDBG program activities generally are grouped into six broad categories: (1) planning and administrative activities; (2) public improvement activities; (3) housing-related activities; (4) public services; (5) economic development; and (6) acquisition, demolition, and disposition of real property. Some activities are constrained by certain expenditure caps or other requirements through statute and regulations.

Funding and Allocations

The CDBG program is funded via discretionary appropriations to the Community Development Fund (CDF) account and CDBG funds constitute the majority of the fund's appropriations. Generally, CDF funding is included in annual Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations bills.¹⁶ In response to natural disasters and other emergencies, Congress may provide supplemental appropriations via the CDBG program for disaster relief and recovery. These CDBG-DR funds are allocated differently, and subject to different requirements, than the base CDBG program and thus are not the focus of my testimony.

Approximately 70% of CDBG program funds are distributed to entitlement communities, defined as (1) principal cities of Metropolitan Statistical Areas, (2) other metropolitan cities with populations of 50,000 or greater, and (3) urban counties with populations of 200,000 or greater (excluding entitlement city populations).¹⁷ The remaining 30% of funds are allocated to states based on a separate formula allocation process. State CDBG funds are to be distributed by states and Puerto Rico to communities that do not qualify for entitlement funds.¹⁸ Before formula allocations are made to states and localities, \$7 million is statutorily set aside to be distributed among other U.S. territories (insular areas).¹⁹

The formula, developed by HUD, based on direction in the CDBG statute, includes several factors related to population or population growth, poverty, and housing characteristics.²⁰ Both the entitlement and state allocations utilize dual formula methods under which grantees receive a funding amount that is proportional to the greater of two calculations.

¹⁵ U.S. Department of Housing and Urban Development, *Consolidated Plan Process, Grant Programs, and Related HUD Programs*, <https://www.hudexchange.info/programs/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>.

¹⁶ For more information on THUD appropriations, see CRS Report R45487, *Transportation, Housing and Urban Development, and Related Agencies (THUD) Appropriations for FY2019: In Brief*, by Maggie McCarty and David Randall Peterman.

¹⁷ U.S. Department of Housing and Urban Development, *CDBG Entitlement Program Eligibility Requirements*, <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>.

¹⁸ U.S. Department of Housing and Urban Development, *State CDBG Program Eligibility Requirements*, <https://www.hudexchange.info/programs/cdbg-state/state-cdbg-program-eligibility-requirements/>. In 2004 the State of Hawaii opted out of administering funds for nonentitlement communities under the CDBG State program. Instead, HUD directly allocates nonentitlement funds to county governments within the state. For more information on HUD's administration of nonentitlement CDBG funds in Hawaii, see <https://www.hudexchange.info/programs/cdbg-hud-administered/>.

¹⁹ 42 U.S.C. §5301(f) as authorized at 117 Stat. 2697.

²⁰ 42 U.S.C. §5306.

Entitlement Community Formulas

In the case of entitlement community allocations, Formula A allocates funds based on each jurisdiction's weighted share of population (25% weight), poverty (50% weight), and housing overcrowding (25% weight).²¹

For this formula, poverty is indicated by the number of persons measured at or below the federal poverty level.²² Overcrowding is defined as household units with more than 1.01 persons per room.²³

Formula B allocations are determined based on each jurisdiction's weighted share of poverty (30% weight), housing built before 1940 (50% weight), and lag in the population growth rate (20% weight).²⁴

The measure of population growth lag calculates the growth rate of an entitlement jurisdiction between 1960 and the most recent decennial census as compared to all entitlement communities in that time period.²⁵

State Formulas

HUD uses similar formulas to allocate state program funds, which benefit nonentitlement communities. Once allocated, states reserve broad discretion on the process for disbursing funds to eligible units of local government.²⁶

Under Formula A, each state's allocation is based on its percentage of population (25% weight), poverty (50% weight), and overcrowded housing (25% weight) in all nonentitlement areas in the state relative to total population, poverty, and overcrowded housing in all nonentitlement areas in all states.²⁷

Under Formula B, state allocations are based population (20% weight), poverty (30% weight), and housing built before 1940 (50% weight).²⁸

Unlike entitlement communities, which receive formula-based allocations, nonentitlement communities in each state may be eligible for a share of the state's allocation. However, the methods for nonentitlement fund allocation are determined by each participating state.²⁹

²¹ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

²² For information on how the federal poverty level is calculated, see U.S. Census Bureau, *How the Census Bureau Measures Poverty*, <https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html>.

²³ See CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroseak.

²⁴ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

²⁵ See CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroseak.

²⁶ For the purposes of the CDBG program allocation process, Puerto Rico is treated as a state. The state of Hawaii has elected not to participate in the CDBG state allocation process. HUD distributes Hawaii's funds directly to counties. According to HUD analysis published in 2005, only Puerto Rico receives a state allocation consistent with need based on the CDBG state formula methodology.

²⁷ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

²⁸ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

²⁹ U.S. Government Accountability Office, *Community Development Block Grants: Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility*, GAO-10-1011, September 15, 2010, <https://www.gao.gov/assets/310/309604.pdf>.

Program Expenditures

HUD program expenditure data indicate that public improvement activities and housing related activities represent the majority of overall CDBG expenditures, in general. For example in FY2020 37% of overall CDBG program funds were expended for public improvement activities and 23% of funds were expended for housing-related activities. For entitlement communities specifically, during this time, housing activities represented 27% and public improvements represented 26%. The majority of state (64%) and insular area (63%) funds were used for public improvement activities. Within these broad activity categories there are a variety of discrete activities that may be eligible for CDBG program expenditure.³⁰ For instance, public improvement activities could include water and sewer improvements, street improvements, and construction or rehabilitation of various public facilities, among other related projects.

Policy Considerations

Since the program's inception in 1975, the total number of annual CDBG allocations has increased by approximately 50%. In that period total CDBG funding amounts have decreased, approximately \$8.5 billion, when adjusted for inflation.³¹ The CDBG program's authorizing legislation has been expired since 1994.³² Given changes in the national economy and policy priorities for states and local governments, there may be interest in revisiting aspects of the program. In particular, proposals to revise the CDBG program statute to adopt updated formula allocation measures have been offered, including by both the George W. Bush and Barack Obama administrations.

Conclusion

This concludes my prepared remarks. Thank you for the opportunity to testify. I look forward to responding to any questions that you may have. If additional research and analysis related to this issue would be helpful, my CRS colleagues and I are prepared to assist the subcommittee.

³⁰ U.S. Department of Housing and Urban Development, *CDBG Activity Expenditure Reports*, <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

³¹ U.S. Department of Housing and Urban Development, *Department of Housing and Urban Development 2022 Congressional Justifications*, 2022, pp. 15-4, https://www.hud.gov/sites/dfiles/CFO/documents/Consolidated_2022CJ.pdf.

³² Congressional Budget Office, *Expired and Expiring Authorizations of Appropriations for Fiscal Year 2021—Information for Legislation Enacted Through December 23, 2020*, January 2021, <https://www.cbo.gov/publication/56959>.

**Written Testimony of George Mensah
Director of the Department of Housing and Community Development, Miami, FL
On Behalf of the National Community Development Association**

**The Subcommittee on Housing, Community Development, and Insurance
Virtual Hearing – Flexible Federal Funding: Examining the Community Development Block
Grant Program and Its Impact on Addressing Local Challenges**

June 16, 2021

Chairman Cleaver, Ranking Member Hill, and distinguished members of the Subcommittee, thank you for the invitation to testify before you today. I am testifying today on behalf of the National Community Development Association (NCDA) which represents nearly 500 local governments that administer the Community Development Block Grant (CDBG) program. NCDA is an association of people committed to assist local governments to achieve high quality, locally responsive programs for making communities better places in which to live.

CDBG Program

Created in 1974, the Community Development Block Grant (CDBG) Program provides annual funding to over 1,200 states, local jurisdictions, and insular areas to provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income persons. Program grantees use CDBG funding to invest in low- and moderate-income people and neighborhoods through a variety of activities that focus on four major areas: affordable housing, infrastructure, services, and economic development. While the program allows communities to design and implement strategies tailored to meet local needs and priorities, reforms are needed to make the program more flexible.

NCDACDBG Reform Working Group

In June 2020, NCDACDBG formed a working group of Latinx and Black community development administrators to examine the CDBG program to make recommendations for improving the program to better serve communities of color. I participated in the working group. The working group developed five recommendations for improving the CDBG program.

1. Substantially increase the authorized funding level for the program.
2. Let CDBG grantees determine the public services cap.
3. Provide more flexibility for grantees to use their CDBG funds for new construction of housing.
4. Provide more flexibility for grantees to use their CDBG funds for fair housing activities.
5. Support local nonprofit partners through technical assistance and capacity building.

Increase the Authorized Funding Level for the CDBG Program

CDBG funding has diminished significantly over time. The program was authorized at \$2.473 billion in 1974 and reached its highest funding level of \$4.4 billion in FY2001 – twenty years ago. The program has remained relatively stagnant in recent years (hovering at \$3.4 billion).

CDBG funding has not kept pace with inflation and with program need. The program has never been adjusted for inflation even though program costs increase annually. Grantees report that requests for funds consistently outweigh available grant dollars.¹ The number of grantees

¹ CDBG Impact and Funding Need: A Report of the CDBG Coalition, July 2019.

receiving CDBG funds has increased from 594 grantees in 1975 to 1,245 today, a 47.7% increase. Immediate and long-term investment in programs like CDBG would help address underinvestment in communities of color and other low-income communities. We recommend that CDBG funding be expanded significantly to meet the inflation-adjusted value of the program, estimated to be \$12 billion, and be adjusted annually to reflect the rise in inflation. For example, the City of Miami's annual CDBG allocation has been reduced from \$12.8 million in FY2001 to \$5.6 million in FY2021. This decrease in CDBG funding has greatly affected our ability to fund all activities and program requests.

Let Grantees Determine the Public Services Cap

Allow grantees the discretion to decide the amount of public service dollars needed to address their community needs. The public services category within CDBG covers many important activities that support and benefit low-income communities, but it is limited by a 15 percent cap which means the total amount of CDBG funds obligated for public service activities cannot exceed 15 percent of the annual grant allocation. Grantees use CDBG funds for a wide range of public service activities such as job training, daycare assistance for low-income working families, food banks, youth services such as summer employment for young adults and afterschool programs for low-income youth, health services, services for seniors, and other vital services.

We urge Congress to eliminate the current 15 percent public services cap requirement and allow CDBG grantees to determine their public services cap as part of the Consolidated Plan

process. For example, the City of Miami could use more CDBG public service dollars to expand its meal program to elderly low-income residents, many of whom only receive the minimum social security benefit. As precedent, the CARES Act waived the public services cap to allow grantees utmost flexibility to respond to COVID-19.

Provide More Flexibility for Grantees to Use CDBG Funds for New Construction of Housing

America is facing an affordable housing crisis. Stable, decent, affordable housing is critical to improving communities and economies. Local governments and their partners need resources to expand and preserve the supply of affordable housing. CDBG can be used for new construction of housing but only in extremely limited circumstances (e.g., if the new construction is carried out by a CBDO as part of a comprehensive local neighborhood revitalization plan). This narrowly restricted use impedes communities from using CDBG to increase the local supply of affordable housing. While HOME Investment Partnerships Program (HOME) funds can be used for new construction of housing, *597 (48%) of the 1,245 CDBG grantees do not receive HOME funds* and for those communities that received HOME dollars, the level of funding has remained flat. Local governments need to be able to use all the available tools to address the affordable housing crisis and the use of CDBG for new construction is one tool that most communities have available.

We urge Congress to broaden the CDBG statute to allow new construction of housing as an eligible program activity without restrictions.

Provide More Flexibility for Grantees to Fund Fair Housing Activities

Currently, funding of fair housing activities can be accomplished only under the public service or administrative cost categories, both of which are subject to caps. We urge Congress to establish fair housing as an eligible independent CDBG program activity to provide grantees the utmost flexibility and resources to fund fair housing planning and activities that affirmatively further fair housing. There is precedent for exempting activities from the public service cap. Several years ago, direct homebuyer assistance (down payment and closing cost assistance) was removed from the public service category and made a free-standing eligible activity within CDBG.

Support Nonprofit Partners through TA and Capacity Building

Capacity building of non-profit organizations is key to sustaining long-term sustainability of CDBG-funded projects. Capacity building is about developing community non-profits to operate effectively and deliver program resources well, now and into the future. It is an investment in the community.

Non-profit organizations carrying out neighborhood revitalization or economic development activities can receive CDBG-funded technical assistance or capacity building assistance, but CDBG assistance to non-profits carrying out other CDBG activities is subject to the program's administrative cap. CDBG grantees need more flexibility to use their grant funds to provide organizational, educational, financial, and staff capacity to their neighborhood-based nonprofit partners to ensure successful program implementation and delivery of activities and to support

the inclusion of neighborhood-based nonprofits of color. We urge you to amend the CDBG statute to allow technical assistance and capacity building of non-profit organizations carrying out any CDBG activity as an eligible program activity.

We further support the establishment of a national source of TA and capacity building funding to further develop and support neighborhood-based nonprofits of color.

Thank you for the opportunity to speak with you today. I look forward to your questions.

TESTIMONY OF
Kimberly H. Robinson
Executive Director
Pioneer Valley Planning Commission
Springfield, Massachusetts

REGARDING
Flexible Federal Funding: Examining the Community Development Block Grant Program and Its
Impact on Addressing Local Challenges

BEFORE
The House Committee on Financial Services and Subcommittee on Housing, Community
Development, and Insurance

ON BEHALF OF THE
National Association of Regional Councils

Thank you, Chairman Cleaver, Ranking Member Hill, and Members of the Subcommittee for the opportunity to testify today. My name is Kim Robinson, and I am the Executive Director of the Pioneer Valley Planning Commission (PVPC), the regional planning agency for 43 communities in the Springfield, Massachusetts area.

I am testifying on behalf of the National Association of Regional Councils (NARC), which serves as the national voice for regions by advocating for regional cooperation as the most effective way to address a variety of community planning and development opportunities and issues.

NARC members include regional councils, councils of governments (COGs), regional planning and development agencies, Metropolitan Planning Organizations (MPOs), and other regional organizations. Members work collaboratively with their communities – large and small, urban and rural – to address their citizens' needs and promote a regional approach to planning for the future.

NARC has been a strong advocate for CDBG since its inception, as it has a proven track record of assisting low-income neighborhoods in communities of all sizes across the country. It is a critical tool in our members' efforts to address poverty, inequity, economic development, and infrastructure needs. Its unique flexibility allows us to direct federal resources to frequently changing areas that are most in need each year.

While most CDBG entitlement communities have populations of over 50,000, the program's reach goes far beyond that threshold. As you know, each state also receives a CDBG allocation to be used in non-entitlement communities, and my state of Massachusetts received

over \$35 million for that purpose in FY 2021 alone. In this regard, CDBG cannot be viewed simply as a “big city” program.

Of the 43 communities that are members of the Pioneer Valley Planning Commission, only four are CDBG entitlement communities. PVPC provides technical assistance to many of our communities when they seek CDBG funds for various projects. PVPC both applies for funding and also administers the grants on behalf of these communities.

In FY 2019, PVPC worked with 19 different communities, with populations ranging from 500 to 40,000 residents. We have aided over 30 municipalities since 1988.

In order to encourage regional cooperation, the state increases the minimum allocation that a non-entitlement community can receive if they join with one or two other communities for regional efforts. The regional approach here in the Pioneer Valley has led to the long term stability for services in many of our towns. A perfect example of this is the Southern Hilltowns regional applications, which have been funded since the mid-1980s. Some of the services here include infrastructure projects, a food pantry, senior programming and a domestic violence prevention program.

As another example, we have assisted the Town of Agawam, a non-entitlement community, in applying for and administering CDBG funding for a variety of uses in the community. This includes improvements and repairs at an assisted housing site, a disabled accessibility study for the Town Hall, an infrastructure study of one of the Town’s most densely populated neighborhoods, and grants to small businesses with CARES Act funds.

CDBG is a valuable program that works locally to address substandard housing, poor or non-existent infrastructure, pockets of decline and neighborhood development. It provides the resources and tools that enable local communities to design flexible strategies to address these issues. CDBG is also an important leveraging tool for local communities to gain access to other funding sources. Every \$1.00 of CDBG invested in communities leverages another \$4.09 in private and public investment.

CDBG is an impactful program; creating strong, sustainable, inclusive communities and quality affordable homes for all. The program is a model in efficiency and effectiveness; using strategic planning and coordination to assist millions of low-and moderate-income people annually.

Despite the impact and success brought by CDBG, there are not enough resources in the program to address all the needs of our communities and regions. While overall funding for the program has stabilized in the past few years, its funding level in 2021 is still almost \$1 billion less than it was in 2004. As you may know, if the program’s original allocation of \$2.4 billion in 1975 was adjusted for inflation, the CDBG program would be receiving over \$10 billion today.

I know this committee is not responsible for annual appropriations, but we believe restoring, and increasing CDBG from that high-water mark should be a priority for Congress.

Thank you again for the opportunity to testify today, and I would be pleased to answer any questions you may have about the role that regions play in administering the CDBG program in our communities.

June 15, 2021



Support the Yes In My Backyard Act

The Honorable Trey Hollingsworth
1641 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Hollingsworth:

On behalf of Americans for Prosperity and the millions of American individuals and families it represents, I write in support of the Yes In My Backyard (YIMBY) Act sponsored by Representatives Kilmer and Hollingsworth and its Senate companion sponsored by Senators Young and Schatz. The YIMBY Act makes receipt of Community Development Block Grants funding to localities conditional upon recipients submitting a plan to the U.S. Department of Housing and Urban Development to track restrictive zoning policies such as limits on duplexes, multifamily housing, and manufactured housing, as well as burdensome permitting requirements.

For years, local governments have unnecessarily erected barriers that stand in the way of individuals and families realizing their potential by accessing housing and using land as they see fit. The purpose of the YIMBY Act is to discourage the use of discriminatory land use policies and remove barriers to making housing more affordable through transparency in the Community Development Block Grant program. It will help ensure that governments identify and remove regulations that prevent Americans from pursuing housing opportunities that will enable them to thrive.

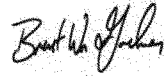
Removing barriers to land use and zoning regulations is vital to Americans. These regulations became common in the U.S. in the early 20th century and have increased substantially over the decades. Land use and zoning restrictions tend to have a greater impact on the lives of ordinary Americans than any other regulation and affect the availability and cost of housing on a daily basis. Land use regulations can have a substantial impact on home mortgage and rental prices, the location and density of housing, the length of commutes, access to different modes of transportation, neighborhood or city demographics, and a variety of other important factors.

Overly burdensome regulations related to housing, land use, and zoning make housing more costly and erect barriers to economic growth and geographic mobility. While the share of households spending more than 30 percent of income on housing has dropped in recent years, nearly half of renter households exceed this threshold. More than 18 million American households pay more than half their income on housing. Some scholars estimate that land use regulation reduces U.S. gross domestic product (GDP) by 1.5 percent each year. One critical

cause of these trends is the failure to build sufficient housing, particularly in key metropolitan areas.

The YIMBY Act is a step in the right direction to removing barriers from housing, land use, and zoning regulations. With its strong, bipartisan voice vote on the House floor in the 116th Congress, we appreciate the reintroduction of the YIMBY Act and look forward to working with Congress toward its swift enactment in the 117th Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent Gardner".

Brent Gardner
Chief Government Affairs Officer, Americans for Prosperity



**STATEMENT TO THE HOUSE SUBCOMMITTEE ON HOUSING, COMMUNITY
DEVELOPMENT, AND INSURANCE**

**ON BEHALF OF THE COUNCIL OF STATE COMMUNITY DEVELOPMENT
AGENCIES**

JUNE 16, 2021

On behalf of the Board of Directors and membership of the Council of State Community Development Agencies (COSDA), we respectfully submit the following comments for consideration by the Subcommittee on Housing, Community Development, and Insurance of the House Financial Services Committee for the June 16, 2021 hearing, “Flexible Federal Funding: Examining the Community Development Block Grant Program and Its Impact on Addressing Local Challenges.”

The Community Development Block Grant program (CDBG) is a primary resource of federal aid to local-led projects and services throughout the nation. As flexible funding with many eligible activities, the program can be applied to meet specific needs of communities across urban, rural, and suburban jurisdictions. Since its inception in 1974, the program has successfully helped vulnerable populations and distressed neighborhoods through support to infrastructure, housing, economic development, public services, and related activities. Funds are allocated to grantees through a formula process with large and mid-sized localities known as entitlement communities receiving 70% of program funds; the remaining 30% is directed to states for use in small and rural jurisdictions. Resources are required to meet one of three national objectives: assist low-to-moderate income (LMI) populations, remove slum and blight, and address urgent needs.

As state agencies on community development and housing, COSDA members administer CDBG in non-metro jurisdictions under 50,000 population. As grantees under the non-

entitlement program, states determine priorities for CDBG investment based on the overall needs of communities in their respective service areas. Infrastructure has consistently received the largest share of CDBG investment by states. Based on data from the U.S. Department of Housing and Urban Development (HUD), in fiscal year (FY) 2020, states directed 64% of program funds (\$588 million) to public improvements which includes water and wastewater systems, utility installation, street improvements, pedestrian access upgrades, and community centers. Housing was the next largest investment category at 13% followed by economic development (9%).

States have also been at the forefront of the COVID-19 pandemic addressing public health, economic, and safety needs. The CARES Act approved in March 2020 directed \$5 billion in CDBG to prevent, prepare for, and respond to COVID-19. Consistent with the annual program, funding known as CDBG-CV must meet a national objective and primarily benefit LMI populations. States have applied CDBG-CV to facilitate immediate actions in the midst of the pandemic including support to food banks, emergency rental and utility assistance, and aid to non-congregate homeless shelters. CDBG-CV will continue to be used to facilitate health and economic recovery from the pandemic. Such activities include workforce training, HVAC upgrades in public facilities, and working capital to microenterprises.

Although accessible to every corner of the country, CDBG resources continue to be insufficient to address widespread gaps in infrastructure, services, housing, and related public needs. The program was funded at \$3.475 billion in FY2021 which is almost \$1 billion less than annual appropriations twenty years ago (FY2001: \$4.399 billion). Funding has steadily declined since FY01 with annual amounts around \$3 billion in recent years. Furthermore, the FY21 level is only \$1 billion higher than the program's first annual appropriations in 1975 (\$2.47 billion). If accounting for inflation, \$2.4 billion would equal nearly \$12 billion in 2021. Several new grantees enter the program each year as well decreasing grant amounts for participating state and local governments.

Program policies also do not complement current state and local development efforts. Commonly in CDBG-supported initiatives, multiple funding sources are critical to project completion. However, once resources are matched to development, stakeholders have to contend with labor, environmental, and related standards which are often separate and distinct for each

funding source. Administrators, contractors, and other stakeholders must navigate varying requirements which diverts time and resources away from direct project investment. It is especially burdensome in the state CDBG program as smaller jurisdictions have less capacity to facilitate program measures. Further study is needed to promote efficiency in program administration especially with labor, environmental, and related standards.

CDBG has a long and effective history of facilitating community-led initiatives benefitting underserved populations and distressed places. While the program has produced tremendous results, further resources are direly needed to ensure communities can better support health, safety, and quality of life. Program policies and administrative requirements should also be updated in response to modern community development practices. COSCDA encourages Congress to pursue actions on improving CDBG performance and outcomes.

