

# Strong Opposition Raised to Strengthening America's Communities Initiative

By Michael J. Novogradac, CPA

The proposal to gut the Community Development Block Grant program and eviscerate the CDFI Fund and Bank Enterprise Awards add yet more blows to the affordable housing and community development communities.

Fortunately, it appears that there are many opponents to the proposal to consolidate the CDBG and other programs into a single \$3.7 billion initiative called the Strengthening America's Communities Initiative. At present, about 35 programs administered by seven federal agencies provide about \$16 billion for economic and community development.

Criticism of the Administration's proposal when it was announced was both swift and bipartisan. Detractors from coast to coast and border to border include mayors, business groups, affordable housing advocacy groups and members of the U.S. Senate and House of Representatives, both of which passed different budget resolutions rejecting the consolidation plan. In the Senate, 42 Democrats and 23 Republicans voted in March to keep the program intact and within the U.S. Department of Housing and Urban Development (HUD).

Proponents of the plan to consolidate the CDBG along with 17 other programs that have been dubbed "ineffective or duplicative" by the White House Office of Management and Budget's (OMB) Program Assessment Rating Tool, say that combining them would eliminate redundancy and make it easier for communities to manage their programs. "Some of these programs duplicate and overlap one another and some have inconsistent criteria for eligibility and little accountability for how funds are spent," said David A. Sampson, assistant secretary of commerce, economic development committee in an appearance before the Subcommittee on Federalism and the Census on March 1. "Most of these programs lack clear goals or accountability measures, and thus cannot sufficiently demonstrate any measurable impact."

There may be some merit in consolidating programs that are not working, Mark Pinsky, president of

the National Community Capital Association, told American Banker, but Pinsky said he doubted that creating a new bureaucracy was the answer. Pinsky represents Community Development Financial Institutions, which are threatened under the administration's proposal.

Sen. Rick Santorum, R-Pa., chairman of the Senate Republican Conference and usually a strong supporter of Bush policies, spoke out early last month in support of retaining the CDBG program, calling it "extremely helpful in assisting Pennsylvania's local communities leverage millions of dollars of other funding for use in needed housing and community development." While explaining that he understood the president's wish to eliminate inefficient programs that lack accountability, Santorum said that the CDBG is "vital" to the state and that work should be done to strengthen accountability rather than eliminate the program.

AP reported that another usual Bush supporter, Rep. James Walsh, R-N.Y., who leads the House Appropriations subcommittee on Military Quality of Life and Veterans Affairs, with oversight of military housing, also opposes weakening the CDBG program. Walsh said in an AP story that he would use his position to make sure the program remains fully funded and within HUD's control.

In Florida, Gov. Jeb Bush announced that the state's Treasure Coast, hit hard by hurricanes, could receive part of a \$354 million fund that would come from a Community Development Block Grant. "This money will be exercised for areas that were most affected by the hurricanes," Bush said.

In a story on NJ.com, Trenton, N.J., Mayor Douglas H. Palmer panned the Bush proposal, one of whose stated goals is to get more grants to poor rural communities, calling it "selective targeting of a program that has worked but is primarily helping areas that are not typically Republican." That line of thought was supported by The Brookings Institution's metropolitan policy director Bruce Katz, who said that in terms of spreading CDBG money to more places, "I don't think there's any secret that the administration sort of looks at the elec-

*(continued on page two)*

# Strong Opposition

*(continued from page one)*

tion returns, sees that many cities voted more Democratic than they voted Republican.”

Countering that, Sampson told the Subcommittee on Federalism and Census that truly poor communities would actually see more money under the new proposal because even though the Strengthening America’s Communities would get \$1.6 billion less than the programs it is intended to replace, much of the difference would come from reducing bureaucracy and weaning wealthier communities from the program.

Commerce Secretary Donald Evan called the president’s proposal a “bold strategy” that would bring strength to the economy and communities and curb federal red tape by putting decisions back in the hands of local officials.

Both Democrats and Republicans have criticized the Bush proposal. In a March letter to the Senate Appropriations Committee, 55 senators from both parties asked that the CDBG program be kept and the funding level remain at its present level. “Replicating HUD’s CDBG program within the Department of Commerce would require rebuilding HUD’s ‘infrastructure’ and would result in inefficiencies, greater complexity and less aid to fewer cities, an approach which does not serve America’s communities or taxpayers,” the senators wrote.

As this commentary went to press, the House and Senate, while narrowly adopting the FY 2006 budget resolution conference report, 214-211, increased two budget functions explicitly intended to accommo-

date appropriations above the president’s request for community and economic development programs, including CDBG. However, some see the moves as “posturing” and caution that funding for CDBG could still see significant cuts.

“[The CDBG] probably will not get funded at the increased amount ... unless [Republicans] continue to get a lot of pressure from the mayors and city councils,” said Rep. Alan Mollohan, D-W.Va., a member of the House Appropriations Committee, in a story on NewsandSentinel.com. The proposal needs the approval of the House Financial Services Committee, the Senate Banking Committee and the appropriations committees.

The crux of the problem for Congress and committee members lies in tough trade-offs when it comes to popular spending programs, tax cuts and deficit reduction. Add to this the consolidation of several appropriations subcommittees and the result is a good deal of competition for an ever-decreasing source of funding. According to NJ.com, some in the industry are “cautiously encouraged” even though the budget resolution process is advisory and the Commerce Department has stated that is it “very much moving forward.”

“The actual appropriations are where the rubber meets the road, Marilyn Mohrman-Gillis, director of policy and federal relations for the National League of Cities, told the web news outlet. “We’re not letting up at all on our aggressive campaign to save CDBG and keep it at HUD.” ❖