

CDBG E-NEWSLETTER



Bi-Monthly Update for Participating Agencies from the Community Development Block Grant Division

Issue XVIII

June-July 2006

CDBG Reform Act of 2006 Released by HUD A New Formula is Proposed

By Raymond Webster

On May 25, 2006, the U.S. Department of Housing and Urban Development (HUD) released a bill that seeks to "reform" the Community Development Block Grant (CDBG) Program. Entitled "The CDBG Reform Act of 2006," it proposes some significant changes, highlighted by the adoption of a new allocation formula with a minimum funding threshold. The bill also proposes to reward communities, which have established neighborhood revitalization strategy areas, and seeks to beef up performance measurement requirements. HUD believes the reforms will better target funding to communities most in need while holding grantees accountable in terms of measuring results.

The section of the bill that will have the greatest impact on the Los Angeles Urban County is the proposed change to the formula. As proposed, the new formula adds two (2) new variables, eliminates one (1), and redistributes the weighting of the established variables (see table below). If applied to Fiscal Year (FY) 2006 funding, the formula would result in an estimated 10% cut to the Program. Note that this 10% cut could be on top of the proposed 25% cut in the President's FY 2007 Budget Proposal.

Proposed Formula*

Weight	Variable
10%	Female-Headed Households with children under the age of 18
50%	Poverty (excluding unrelated individuals enrolled in College)
10%	Overcrowded Housing
30%	Housing units 50 years or older and occupied by a household living in poverty

*Also considers per capita income of the grantee relative to the per capita income of the metropolitan area.

Current Formula*

Weight	Variable
25%	Population
50%	Poverty
25%	Overcrowded Housing

*Current formula that applies to Los Angeles Urban County.



Although Congressman Michael Turner (R-OH), Chairman of the House Government Reform Subcommittee on Federalism and the Census, has requested that a hearing on the bill take place on June 26, 2006, the likelihood that the bill will pass in the near future is doubtful due to other pending issues such as appropriations for the Iraq War, Katrina Relief, not to mention the upcoming elections.

The County is currently reviewing and assessing the potential impacts of this formula change on the Los Angeles Urban County. As additional information is learned, we will continue to keep our participating agencies updated, enabling appropriate actions to be taken in support of the CDBG Program.

Look for an update on this bill, as well as, the budget in the next E-newsletter. For more information on the CDBG Reform Act of 2006, please click on the following links:

Text of Bill:

<http://www.hud.gov/content/releases/pr06-056act.pdf>

Section by Section Analysis:

<http://www.hud.gov/content/releases/pr06-056analysis.cfm>

Important Dates:

June 2006

06/29/06

All Agencies: Annual Online Financial Training Begins (Through August 1st)

06/29/06

Art Expo: South Whittier Community Resource Center, 4:00 p.m. - 7:00 p.m.

July 2006

07/04/06

4th of July Holiday, CDC Office Closed

07/07/06

All Agencies: Deadline for Submission of 4th Quarter 05-06 Web-Based QPRs

HUD Revises Regulations Addressing "Slums or Blight" National Objective Criteria By Randall Bissell

HUD recently published its final rule revising the CDBG Program regulations specific to the Brownfields rule. The new rule expands the "slums or blight" National Objective criteria to include known and suspected environmental contamination, as well as, economic disinvestments as blighting influences. The rule also requires grantees to reassess slums or blight area designations every ten (10) years. Through this action, HUD feels redevelopment project area planning will be incorporated into the CDBG Consolidated Planning process. HUD established the ten-year timeframe after they received a number of concerns on their originally proposed five-year timeframe.

In addition, HUD entertained increasing the threshold for the percentage of blighted properties in delineated slum or blighted areas from 25 to 33%. However, the final rule withdrew this proposal due to stiff opposition and concerns that the higher threshold might cause blighted areas to decline further before the causes were addressed. The rule requires grantees to establish their own definitions for newly enumerated blighting conditions, as well as maintaining records to substantiate how the area met the slum or blight criteria. It also establishes the 25% threshold as a **regulatory requirement**. In the past, the percent threshold existed only as a policy determination in the Entitlement Guides to Eligibility and National Objectives.

The final rule takes effect June 23, 2006 and applies to areas currently qualified as slums or blighted. If the area was established more than ten (10) years ago, it would need to be redesignated before additional CDBG funding could be used. If the area was established less than ten (10) years ago, any redesignation would apply according to when it was originally formed.

The final rule can be viewed in its entirety at the following web site address:

<http://257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/pdf/06-4795.pdf>

