

Testimony of
U.S. Rep. Carrie P. Meek
In support of H.R. 1191 before the
Subcommittee on Housing and Community Opportunity of the Financial
Services Committee
March 14, 2002

Chairman Roukema, Ranking Member Frank and members of the committee, thank you for holding this hearing on H.R. 1191, The Community Development Block Grant (CDBG) Renewal Act, my bill to target more community development block grant funds to low and moderate income people.

I want to thank my colleague, Congresswoman Ileana Ros-Lehtinen who will be testifying in support of my bill. I also want to enter for the record a statement of support from Congressman Lincoln Diaz-Balart who is unable to attend this hearing.

I don't need to lengthen this presentation with a catalog of the unmet needs in low and moderate income communities. All of you know that we have an affordable housing crisis, that many distressed areas face unemployment in the double digits, and that deteriorating urban and rural communities desperately need funding for community revitalization. This is precisely why it is so critically important to ensure that CDBG funds are used for their intended purpose of helping low and moderate income people.

Madam Chairwoman, since 1974, CDBG has provided states and local governments with a flexible source of federal funds intended to improve low and moderate income communities by providing decent affordable housing, eliminating blight, creating jobs and expanding economic opportunity.

As all of you know, the CDBG program is not a revenue sharing measure. It is not meant to simply redistribute money from the Federal Government to the States and local governments for any purposes whatsoever.

Rather, one of the primary purposes of the CDBG program is to build housing, - to provide safe, healthy housing for people who cannot afford market rents. It is meant to provide economic development and jobs for people with low and moderate income.

I introduced this bill because I am very concerned that, while many jurisdictions

comply with both the spirit and the letter of the CDBG law, many other jurisdictions are using CDBG funds for purposes far removed from CDBG's intended goal - to principally benefit low and moderate income persons.

At a time when community-development corporations and other agencies focusing on developing poorer neighborhoods are inadequately funded, jurisdictions should not use their poor neighborhoods to justify and obtain CDBG funding, but then use these funds in their wealthier neighborhoods.

Many of you may be familiar with recent reports of CDBG funds being used to support the development of U.S. Post Office facilities, to repair airport runways, renovate museums, build sports arenas, and pour miles of concrete in many jurisdictions. These may well be wonderful projects, but they are not projects that should be funded through CDBG.

It is time to do a better job of managing scarce CDBG funds. I believe that the CDBG program must be reformed. We should return to Congress' original intent in adopting the CDBG law - to improve communities by providing "decent housing;" "a suitable living environment ;" and expanding economic opportunities..." all primarily to benefit persons of low and moderate income.

My bill, the "**Community Development Block Grant Renewal Act**" will solve these problems. H.R. 1191 would amend the CDBG statute to reflect the true, original spirit and intent of the law by refocusing the CDBG grant program on low and moderate income people.

H.R. 1191 is currently cosponsored by fifty-nine Members of Congress who want to see more CDBG monies used for low income Americans. The bill also is supported by dozens of organizations serving low and moderate income people across the nation, including the National Low Income Housing Coalition, The National Council of La Raza, The National Congress for Community Economic Development, and the Center for Community Change. I would ask that these support letters from national advocacy groups and community organizations be included in the record.

Let me highlight the key provisions of H.R. 1191. My bill would require grantees to spend at least 80% of their CDBG funds to directly benefit low and moderate income people, instead of the current 70% threshold.

My bill would also require grantees to spend at least 40% of CDBG funds to directly benefit low income persons - those with incomes between 30% and 50% of the median.

Currently, there is no mechanism to prevent jurisdictions from spending all or most of their CDBG money for households at the relatively high level of 80% of the area median income.

Housing advocates across the nation note that not enough CDBG money is being

allocated for persons with extremely low income - those with incomes below the 30% of the median, and low income people. This provision seeks to change that by better targeting CDBG funds to low income Americans.

Finally, my bill would require proportional accounting so that CDBG grantees would calculate the benefits to low and moderate income people by using the actual percentage of low income persons residing in the census tracts served by the grant.

The reason that many jurisdictions can claim that over 90% of their CDBG expenditures benefit low and moderate income people is because currently, the CDBG law allows 100% of CDBG money spent on non-housing activities to count as benefitting lower income people, even if only 51% of the beneficiaries are low or moderate income.

For example, if a jurisdiction spends \$500,000 on a road improvement in a census tract where 51% of the households are low or moderate income, that jurisdiction reports to HUD that all \$500,000 of that CDBG spending benefits low and moderate income people, rather than the proportionate amount of \$255,000 ($\$500,000 \times .51$). This lack of proportional treatment "inflates" the benefit report by 49%.

This benefit report "inflation" is well documented. A 1993 audit by the HUD Office of the Inspector General reviewed CDBG expenditures for 18 grantees and found that HUD's low and moderate income benefit claims were largely based on speculative estimates and inappropriate methodologies, and as a result, were significantly overstated. The audit showed that when proportionate accounting was used, **the actual benefits** to low and moderate income individuals were **approximately 65 percent** for the 18 grantees, even though HUD continuously reported the annual percentage of low and moderate income benefits as exceeding 90 percent.

Madam Chairwoman, proportional accounting in the CDBG program is a badly needed reform. Counting all of the CDBG dollars spent on an activity as benefitting lower income persons when it is known that a substantial portion of those benefitting from the activity are higher income persons is just plain wrong. The absence of proportional accounting greatly exaggerate the CDBG program's achievements in serving low and moderate income persons.

We cannot justify the continuation of a system that so greatly distorts the program's effectiveness. I strongly believe that these reforms must be enacted into law in order to preserve the integrity of the CDBG program and to renew our commitment to the neediest among us.

The reforms included in my bill have been around for some time. Under former HUD Secretary Jack Kemp, the first Bush Administration tried to pass similar provisions into law.

In my view, these changes to the CDBG program raise a fundamental issue of fairness. The federal resources to revitalize America's poorest communities and

empower the neediest among us are in short supply. It is up to us to ensure that CDBG funds are distributed fairly, managed in the most effective manner possible, and achieve the original intended purpose - to benefit low and moderate income people.

Thank you once again for holding this hearing and for your consideration of my bill. I look forward to working with you to pass this legislation, before this session of Congress concludes.