STRENGTHENING RURAL OHIO: A REVIEW OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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STRENGTHENING RURAL OHIO: A REVIEW OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

Saturday, March 25, 2006

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

The subcommittee met, pursuant to notice, at 10:00 a.m., in the Hocking County Emergency Management Agency Conference Room, 52 East Second Street, Logan, Ohio, Hon. Bob Ney [chairman of the subcommittee] presiding.

Present: Representative Ney.

Chairman NEY. The subcommittee will come to order. You are tougher to get to order than Congress.

It is a pleasure to have time with you here today. Also, I wanted to thank Peggy Warren over here, she is a court reporter and she has been to probably six hearings. She was down in New Orleans with us, she has traveled to Ohio, so I just wanted to let you know she has been so good with our committee.

This is the Subcommittee on Housing and Community Opportunity and today, without objection, it will serve as an official field hearing. I just want to explain to you why that is important, and why it is important to have you, and thank you for being here today.

We have official hearings and that is why Peggy Warren is here, it will be transcribed, it will be entered into the record. We had one in Knox, one in Guernsey, one here in Logan, Hocking County, and the fourth one is going to be held in Los Angeles. So there are going to be four hearings, three in Ohio. I chair the subcommittee, so somebody asked me the other day, why are we having them here? Well, duh, I chair the subcommittee, it is a good place to have it. And it shows the rural side, it shows, you know, the differences of counties, and Los Angeles will show the large urban side. I predict to you, L.A. is going to agree with you here, with us. So, that is good. And this is all to help combat the 25 percent cut, so it is important. We will be able to go back with our colleagues and say for the record that we had the hearings, there is objection—unless somebody today supports the cut. But I doubt that will happen. But what I am trying to tell you is that this is very helpful on the whole issue.

Clinton Jones is here, he is from the staff of the Financial Services Committee in Washington, D.C., which is chaired by Mike Oxley. And he is on the majority side. If you do not follow Congress, Republicans are in the majority, so—at least for this time. Might change, you never know. But anyway he is on the majority side. Cindy Chetti is also on the majority side. Jeff Riley is on the minority side, on the Democrat side. They are all good people, we have a lot of other staffers, they work together to help a lot of people, you might see on C-Span where people are thrashing each other up right and left, but I think our Housing Subcommittee—the ranking member is Maxine Waters of California and also the ranking member for the Full Committee is Barney Frank of Massachusetts. I think they have all done a good job to try to help people with Community Development Block Grants. Both parties have worked together, so I am very proud of all the members of the committee.

Jeff, do you want to say something?

Mr. RILEY. No, just thanks for having us today, and greetings from Mr. Frank and Ms. Waters.

Chairman NEY. Clinton, you want to say anything?

Mr. JONES. Glad to be here, I enjoy Ohio a lot, so it is good to be back.

Chairman NEY. And so, again, I want to welcome you here and I want to thank auditor Ken Wilson and the Hocking County Emergency Management Agency for allowing this subcommittee to use the conference room here for today's important discussions regarding HUD's Community Development Block Grant.

The CDBG program, is administered, of course, by HUD, and it is a widely available source of financial assistance to support our neighborhoods and local governments; redirect neighborhoods; revitalization; housing rehabilitation; economic development activities; and helping the fire services. There are a lot of good ways it helps, I think; communities and formula base grants allocated more than 1,100 entitlement communities, metropolitan cities with populations of 50,000 or more, urban counties, rural areas, the 50 States, Puerto Rico, and the insular areas of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands. Grants are used to implement plans intended to address, again, local housing issues, neighborhood revitalization, public services, infrastructure needs. And it is determined by local officials and citizens, which I think is the greatest thing about CDBG. You can see a lot of the benefits of CDBG in Morgan County; Commissioner Cain is here, of course and it has played a vital role in that county. You know, there are a lot of different projects; it was used for water and sewer, the Chesterhill Theater, and a lot of different things that have been done there.

I also wanted to note Dave Brightbill, who is here with Washington/Morgan Counties Community Action. He will discuss today cuts in CDBG funding. Morgan County received 80,000 formula dollars in 2006, which is down from $94,000 in 2004. The proposed cuts from the President's budget would cut funding to $60,000, it would be a 36 percent decrease I think, as Dave has provided us statistics. These types of reductions will be disastrous to communities' abilities to continue to rebuild and renovate their areas.

The budget proposal raises some interesting and serious questions as the process runs. This is the Administration's budget proposal, it has now come into the House. Our subcommittee has jurisdiction over what is called the authorizing, the language of the CDBG. There are appropriators in the U.S. House who actually put the money into it. We, of course, will take our findings and go to the appropriators to say we would support restoring funding. Then it goes over to the Senate. So, this cut is not in the House-introduced version, this cut is within the Administration's budget, which would be the President's. And again, it raises some serious questions about what role Community Development Block Grants should play in helping local and State governments provide safe and affordable housing to its constituents.

In addition to recommending a new formula change for CDBG that focuses more on the neediest communities, the Administration recommended a funding level for fiscal year 2007 that is 27 percent below last year's enacted levels. I would also note to you the struggle last year was whether Community Development Block Grants remained within HUD or moved to Commerce. And we won that battle, because moving to Commerce would have created all new rules, changed the whole structure across the United States, so we were against that. So we won that battle.

However, at the end of the year a budget reconciliation—which I did not support—passed and there were percentage cuts. So, CDBG actually, if you look at it, took a 10 percent cut last year. If you take this 25 percent proposed, that would be 35 percent over 2 years. So, I just wanted to note a little bit of the history of that.

So, our goal is to continue to focus on housing and community development and make sure the communities have the tools to provide for the communities. I just want to also, you know, say that as this process continues, we will continue to communicate with the local officials and citizens on this important CDBG issue.

Before we start if you want to, especially because we have officials who are here, elected officials, citizens, if you would like to start—and if you do not want to, that is fine, but, start and stand up and go ahead and just say who you are and we will start over here and go across. You want to say who you are?

Ms. STROH. Okay, hi, I am Jessica Stroh and I work with Hocking-Athens-Perry Community Action.

Mr. STROH. I am Dan Stroh and I am Jessica's husband.

[Laughter]

Ms. JOHNSON. I am Sandra Johnson and I also work with Hocking-Athens-Perry Community Action.

Ms. WALKER. Karen Walker and I am the wife of John Walker, county commissioner.

Mr. GREEN. Greg Green, Hocking County commissioner.

Mr. SPENCER. David Spencer, reporting for Logan Daily News.

Ms. ROBERTS. Mary Roberts, Athens resident.

Mr. BRIGHTBILL. David Brightbill, Washington/Morgan County Community Action.

Ms. BARNES. Patricia Barnes, the Ohio Community Development Corporation.

Ms. SMITH. I am Mary Jo Smith. I am the City of Lancaster, Ohio's, Community Development Department director and this is my husband, Patrick.

Mr. RIGGINS. Terry Riggins, Perry Township trustee here in Hocking County.

Ms. THIESSEN. My name is Cheryl Thiessen and I work for Jackson-Vinton Community Action, and this my husband Don.

Chairman NEY. I like seeing all these women running the show.

Mr. BEARDEN. I am Jack Bearden and I am with the Ohio Conference of Community Development.

Mr. REED. My name is Ken Reed. I am the director of Development for the Vinton County Board of Commissioners.

Mr. WILDS. I am Robert Wilds, president of the Ross County Township Association.

Ms. SEXTON. I am Sarah Sexton and I am an intern in the Governor's Office of Appalachia.

Mr. JUSTICE. T.J. Justice, director, Governor's Office of Appalachia, here in Ohio.

Mr. MAHAFFEY. Danny Mahaffey, a resident of Hocking County.

Mr. DUNKEL. I am Hubert Dunkel, a resident of Hocking County.

Mr. MOORHEAD. Charlie Moorhead, a resident of Hocking County.

Mr. HEPBURN. I am Dustin Hepburn, Village Council, Bellaire, in Belmont County.

Chairman NEY. Guess who had the furthest travel. I was raised in that city. I knew his father, he is a brand new council member.

Ms. SAUNDERS. I am Barbie L. Saunders from Chesterhill. I am on the Village Council.

Mr. WILSON. Good morning, I am Ken Wilson, Hocking County auditor. I am pleased to welcome everyone here and, Congressman, we appreciate having you here in our community.

Mr. DENTON. Larry Denton, Washington Township trustee in Hocking County.

Mr. GARBO. Bob Garbo, director of Hocking County Community Action.

Chairman NEY. I will introduce two more people. Carrie Mittinger does a wonderful job as a field rep. She really cares a lot about the area and she is local, from Chillicothe. Dave Pappas is in from Washington, D.C.

With that I want to thank you all. If you have statements, by the way, without objection, for the record your statements can be part of the record. We were limited on how many people we could pick to testify, but if you have statements, we have 30 days open, so if you can get the statements to us, it would become part of the official record in Washington for the hearing.

And with that we will begin with Commissioner Cain, welcome.

STATEMENT OF THE HONORABLE DEAN CAIN, COMMISSIONER, MORGAN COUNTY BOARD OF COMMISSIONERS

Mr. CAIN. Good morning. Congressman Ney, Subcommittee on Housing and Community Opportunity representatives, elected officials, and concerned citizens:

It is with great pleasure that I, Dean Cain, vice president of the Morgan County Board of Commissioners, am able to sit in on the

field hearing with you today and represent Morgan County. The Community Development Block Grant Program has been an important funding source for Morgan County and played a key role in the community development over the last several decades.

Morgan County, Ohio, is one of the 29 counties designated Appalachia and is titled a transitional county by the Appalachia Regional Commission. Our county, although called transitional, has one of the highest unemployment rates in the State, low income, and a declining tax base.

With a population of nearly 15,000, over 52 percent of our entire population is considered to be low to moderate income, according to the 2000 census. With programs benefitting the low to moderate income population, CDBG is critical to the future success of Morgan County in continuing the community development projects. Over the last 4 years, the Community Development Block Grant has aided our community in a wide array of projects.

Since 2000, Morgan County has received over $500,000 of funding through the formula program, receiving one of the lowest yearly allocations in the State. Formula funding has allowed us to improve our fire department facilities and equipment which they have to operate with when emergencies arise. It is very difficult for rural fire departments to receive the adequate funding they need to survive and CDBG plays a critical role for our rural fire departments. Over the last 4 years, 29 percent of Morgan County's CDBG formula dollars has assisted our six rural fire departments.

Other areas of interest that formula fund has enabled Morgan Country to fund include 21 percent to the water and sewer projects. Several of our rural water districts rely quite heavily on formula funds to assist in water line extensions and acquisitions, and many planning projects. Morgan County's four villages have been working hard to improve the water and sewer facility via formula funds that serve many low to moderate income populations.

Over 25 percent of the formula funds have provided for our neighborhood facilities for public rehabilitation projects. For example, those include renovation of a county senior center, township buildings, recreation facilities, community centers, and the historic theater. The historic Union Hall Theater just recently reopened in the village of Chesterhill as a direct result of CDBG funding. According to the chairperson of the Union Hall Committee, "We are trying to breathe life back into our town through this theater." The Mayor of Chesterhill feels the theater is going to be a very important part of the economic development of the village, which has a low to moderate income percentage of over 41 percent.

As you look back at the various programs that assist our community, and that fall under the umbrella of Community Development Block Grants, it is hard to imagine where we could afford to lose or sacrifice any of the funds that we have previously received. Every program is working to benefit low to moderate income populations in different ways. We just learned about our formula allocation for 2006 and we are incurring a 10.2 percent reduction in the coming year; our allocation was reduced from $89,000 in 2005, to $80,000 in 2006. If next year's budget reflects another 25 percent reduction in this program, activities for the future will be receiving

such a minimal amount, by the time that we divide it into the various programs, it will not amount to much.

It has been a pleasure to get to be here today and represent Morgan County. It is my hope that the Administration's proposal for the President's fiscal 2007 budget takes this information presented in these field hearings from the rural communities such as ours and reconsiders the reform.

Thank you.

[The prepared statement of Mr. Cain can be found on page 44 of the appendix.]

Chairman NEY. Thank you.

Commissioner Walker.

STATEMENT OF THE HONORABLE JOHN WALKER, HOCKING COUNTY COMMISSIONER

Mr. WALKER. Thank you. I became aware of the CDBG funding in 2003 when, as a Falls Township trustee, we applied for a grant. As a trustee and now as a commissioner, I have seen firsthand the need to continue these grants due to the limited source of funds that townships, cities, and villages have to assist with the many projects that are in dire need for the people of Hocking County.

I believe in 2002, Hocking County received approximately $160,000, compared to $138,000 in 2005. As our State and Federal funds are cut, the cost of services and materials continue to escalate.

During the past years, the money received by Hocking County has funded numerous projects for townships and the City of Logan. Some of these projects have included guardrails, fire stations, fire equipment, curbs, sidewalks, storm sewer improvements, vehicles, water lines, and resurfacing of roads, along with rehab of buildings.

If this funding is cut, the township would suffer greatly—townships, I should say.

So on behalf of the citizens of Hocking County, I strongly urge you to continue this much needed program.

Thank you.

Chairman NEY. Thank you, Commissioner.

I just have a couple of questions. Have either of the counties dealt with any of the brownfields? We passed a bill for brownfield economic development in December of 2005, which would have been the old buildings. I know down here, there weren't the steel mills like in the eastern part of the State, but have you ever had any experience with brownfields?

Mr. WALKER. Yes, we are kind of in the process right now of working with that. The county has purchased the old General Clay Brick Yard. And we are in the process of working with that. So, that is something that we definitely need to see.

Chairman NEY. Let us say that if we are able to restore the cuts that are put into this budget, is there anything else that you think should be revamped or changed, or maybe not, with the way CDBG works. I am talking about the process. We, of course, send the money down to the State, you work with the Small Cities, is there anything or maybe not?

Mr. WALKER. I think the main thing with 11 townships and two villages and a city, you know, the amount of money we receive, it

is very difficult to try to give it to each one on an equal basis, to decide which projects will receive it.

Chairman NEY. The one thing that I like about CDBG is it goes all the way down to the local level, but I can imagine if you have $200,000 worth of requests, and $100,000 worth of money, it has to cause some problems.

I do not have any other questions. But I sure appreciate your time and I know that the committee does, and I appreciate the help that you are giving. People like yourselves across the country and your associations will be networking, I know, to try to stop these cuts.

Thanks a lot.

We will move to the second panel and we have Patricia Barnes—just take a few minutes, if somebody wants to get coffee. Patricia Barnes, David Brightbill, T.J. Justice, Ken Reed, John Riordan, Jessica Stroh, and Cheryl Thiessen.

[Brief recess]

Chairman NEY. We are going to add for the record, Dustin Hepburn, councilman from Bellaire on the record. And we will begin with Patricia Barnes, executive director of the Ohio CDC Association.

Let me just give the titles of all the panel, we said the names: David Brightbill, executive director, Washington-Morgan Community Action; T.J. Justice, director, Governor's Office of Appalachia, State Alternate, Appalachian Regional Commission; Ken Reed, development director, Vinton County Commissioners; Mr. John Riordan, development specialist, Ohio Conference of Community Development. Also, we have Ms. Jessica Stroh, Hocking-Athens-Perry Community Action; Cheryl Thiessen, executive director, Jackson-Vinton Community Action, Inc.; and Dustin Hepburn, councilman from Bellaire, Ohio. And we will start with Ms. Barnes.

STATEMENT OF PATRICIA BARNES, EXECUTIVE DIRECTOR, OHIO CDC ASSOCIATION

Ms. BARNES. Thank you. Good morning. My name is Patricia Barnes and I am the executive director of the Ohio CDC Association located in Columbus, Ohio. The Association is a statewide trade association of non-profit community development corporations that includes neighborhood organizations, rural and urban community action agencies, and other non-profit development organizations. Approximately 175 community development corporations and their partners form the membership of the Association.

The Ohio CDC Association has been in operation since 1984 and provides training, technical assistance, public policy development and advocacy, and special projects that benefit community development corporations. For example, the Association provides both entry level and intermediate level training in affordable housing development, workshops in community economic development and micro-enterprise, and onsite technical assistance in all of these areas. The Association is also active in the area of Individual Development Accounts and works with 18 organizations, including 10 rural organizations. It also sponsors an annual conference on technology and community development, planned for July 13th of this

year, and an annual membership conference on a variety of topics planned for September 21st through 22nd.

Many Association members receive Community Development Block Grant funds for their affordable housing, economic development, and community development activities. In this testimony, I would like to highlight the CDBG activities of three rural members in the areas of micro-enterprise, affordable housing development, home repair, and essential services.

The Community Action Agency of Columbiana County is administering a CDBG funded micro-enterprise program for the Columbiana County Board of Commissioners for 2006. Funding was received from the Small Cities CDBG program administered by the Ohio Department of Development. This program provided entrepreneurship training and loan resources for Columbiana County residents interested in starting or expanding a small business. Participants must complete the small business training and a business plan, and meet all eligibility requirements. A five member Micro-enterprise Loan Review Board reviews all loan requests and determines the terms and conditions. The maximum loan amount is $15,000 to be used for purposes such as inventory, advertising, insurance cost, equipment purchases, and working capital. Participants also receive personal development counseling to address budgeting and credit repair.

In 2005, the CAC provided financing to 17 individuals for new business start-up and expansion in Columbiana County for a total of $149,000 in loan funds. I believe that is actually their to-date activities; that is a lot for one year. A total of 269 individuals have received small business and personal development training through the Micro-enterprise program. The CAC has a low 5 percent default rate on its micro loan fund, an outstanding achievement given the fact that most loans are made to individuals who have suffered credit or financial hardships prior to participating in the program. More than half of the businesses are owned by women, and 6 percent are minority owned. All of the individuals are low to moderate income as defined by the HUD Section 8 limits, all of the businesses were in Columbiana County, and all of the loan recipients were Columbiana County residents. A few examples of the types of businesses that the CAC has assisted include a home health care provider, a printer, home repair and lawn services, excavating services, home daycare, construction, solid waste collection, and crafts.

The Ohio Department of Development provided similar micro-enterprise grants from the CDBG program to five other rural micro-enterprise programs in 2004–2005. Total funding for the six grantees was $289,300 for a total of 271 beneficiaries located in Columbiana, Logan, Noble, Portage, Van Wert, and Vinton Counties.

In the area of housing and community development, HHWP Community Action Commission, serving Hancock, Hardin, Wyandot, and Putnam Counties, recently received a $356,070 Community Housing Improvement Program (CHIP) grant awarded to Hancock County from the Small Cities's CDBG program of the Ohio Department of Development. Under the grant, HHWP will construct four homes for low to moderate income people in Findlay,

Ohio and provide home buyer training. In addition, they will provide 15 very low income homeowners with emergency home repairs.

Other examples of their CDBG activities include emergency rent and utility payment for low income households in Putnam County, repairs to the parking lot, ceiling, and furnace of their child development center that houses six Head Start classrooms and two child daycare classrooms, serving a total of 145 children, and to their WIC program offices. These services and repairs would not have taken place without the support of the CDBG program.

Logan-Belle H.A.N.D. and that is Housing and Neighborhood Development, an affordable housing organization located in Bellefontaine, Logan County, and a subsidiary of Logan Metropolitan Housing Authority, has received $45,000 in affordable housing subsidy for three low income families to purchase homes through two different CHIP grants received through Logan County. Each family will be able to receive up to $15,000 towards their home purchase. In Bellefontaine, the CHIP program has provided $30,000 in affordable housing subsidy for two low income families to purchase homes. The CHIP program in both Logan County and Bellefontaine have also provided funding for financial literacy and home buyer education classes for prospective home buyers in Logan County and Bellefontaine.

In each of the above cases, CDBG funds provide critical support for the creation of jobs, home ownership, and important services such home repair, emergency rent and utility payments to prevent homelessness, home buyer counseling, and repair facilities for essential services such as child care.

In fiscal year 2006, Ohio's Small Cities CDBG program received a 10 percent reduction in funding, and, as we have all discussed, in fiscal year 2007, the President's budget proposes an additional 25 percent reduction. In addition, proposed formula changes in CDBG would reduce Ohio's allocation by a range of 9 percent to 21 percent. When combined with the proposed reduction in funding, the formula change could result in Ohio losing as much as 46 percent of its current allocations. This change would harm thousands of low income Ohio residents in need of jobs and housing and hurt the Ohio economy at a time when Ohio is not experiencing the economic growth witnessed in the rest of the country. Given the importance of the CDBG program to Ohio, we urge you to find ways to sustain the CDBG program at its current level. We ask you to give the ongoing reform efforts adequate time to see results and to reject any changes to the formula that would disadvantage Ohio.

Thank you for the opportunity to testify today. I would be happy to answer any questions.

[The prepared statement of Ms. Barnes can be found on page 36 of the appendix.]

Chairman NEY. Thank you very much.

Mr. Brightbill.

STATEMENT OF DAVID E. BRIGHTBILL, EXECUTIVE DIRECTOR, WASHINGTON-MORGAN COMMUNITY ACTION

Mr. BRIGHTBILL. Chairman Ney, thank you very much for holding these hearings. We certainly appreciate it, and before I start on these remarks, I should mention that I am also on the council

of the village of Lower Salem, which is a massive 110 people with a budget of about $40,000 a year.

Chairman NEY. You are telling your election size. Then you are going to have the town—

Mr. BRIGHTBILL. No, we have more trouble finding people to run. But no, that has never been an issue in Lower Salem. And we have received CDBG funds over the years from the county. In fact, in just the past year, we replaced our sidewalks using CDBG formula money.

Washington-Morgan County Community Action has been in business since 1967, and operates a variety of programs designed to help low and moderate income families. In 1990, Washington-Morgan received its first housing rehabilitation program funded with Community Development Block Grant funds through the Washington County Commissioners. In addition to that partnership, we now work with the Morgan County Commissioners and the City of Marietta to rehabilitate homes in all three communities. CDBG funds are used in conjunction with HOME dollars to provide comprehensive housing rehabilitation services to low and moderate income families. Each local community develops a Comprehensive Housing Improvement—Investment Strategy, a CHIS, which serves as a basis for allocation of funds, assuring that housing funds including CDBG are used according to well-thought-out goals and objectives. CDBG funds have contributed significantly to lengthening the useful life of housing stock in our two counties and improved the lives of dozens of families.

The CDBG has been, and continues to be, a very valuable tool for governmental subdivisions and non-profit organizations in our area of Appalachian Ohio. CDBG funds an array of important economic and community development projects. Ohio and its Appalachian region are not feeling the effects of the economic recovery that is being reported in the rest of the country. Our area continues to lose good paying manufacturing jobs. We struggle to replace those jobs and in most cases replacements are lower wage service jobs or require traveling great distances, and Morgan County is a great example of people who have had to find jobs in communities outside of Morgan County, as far away as Columbus actually. CDBG provides local government flexible money to help provide needed infrastructure such as water and sewer, access roads, revolving loan funds, and matching funds for non-profits and rural emergency services. As you know, infrastructure improvements are a necessary factor in job creation, especially in rural areas such as ours.

As I mentioned above, Washington-Morgan Counties Community Action works with commissioners in both Washington and Morgan Counties. Their CDBG funds come through the State of Ohio, both through formula allocations and its competitive grants for water and sewer projects, housing programs, and economic development. Our agency also works with the City of Marietta, which as an entitlement community, receives its CDBG allocation directly from HUD.

The Morgan County Commissioners, because of the relatively small amount, as Commissioner Cain just mentioned, of formula CDBG funds available to the county, have not been able to provide

matching funds for the Comprehensive Housing Improvement Program, the CHIP. They have, however, been the grantee and an active partner in several CHIP grants. Their partnership with our agency has generated $215,000 in CDBG in the Office of Housing and Community Partnerships over the past 4 years. Those CDBG dollars, along with HOME funds, resulted in four home ownership opportunities, 24 owner occupied rehabs, 9 rental rehabs, and 15 minor home repairs in the last 4 years alone. For a county that often ranks at the top of Ohio's unemployment statistics, and finds local resources stretched even further than most Appalachian counties, these outside resources not only prolong the life of existing housing stock, they also provide opportunities for local contractors and jobs for the local workforce.

In Washington County, the Commissioners have utilized some of their CDBG funds to provide matching funds for the CHIP. Again, the assistance provided by this program provides owner-occupied housing rehabilitation, down payment assistance along with rehabilitation, rental rehabilitation with landlords contributing 40 percent of the cost. The flexibility—and this is certainly a key—the flexibility of CDBG also allows for minor repairs such as ramps, septic systems, electrical systems, and heating units. HOME dollars cannot be used on—can be, but because of the requirements that are tied to that, it is almost impossible to really use it in reality. Thirty-eight families in Washington County have been assisted with CDBG and HOME funds. The Office of Housing and Community Partnership has provided $209,000 in CDBG dollars and the county has added about $40,000 in formula dollars. Again, this is over the last 4 years.

Marietta, as an entitlement community, receives its CDBG funds directly from HUD. They also use their funds for community and economic development activities. Our partnership with Marietta has resulted in $40,000 worth of CDBG entitlement funds being committed to the CHIP program. These funds have helped generate over $400,000, my written testimony says $4 million—I should wish, but that is not right. Just an extra zero, zero here zero there. This has allowed for one home ownership opportunity with rehab, two rental rehabs, and 12 owner occupied homes being rehabilitated in the last year-and-a-half.

The over $5.5 million in CDBG cuts Ohio received this year obviously will have a negative impact on activities such as those listed above. Local dollars are already stretched to the breaking point. It is not possible for Appalachian counties or cities to make up these dollars. Projects which would have provided housing and other infrastructure needs will not be done and the jobs which would have been created by these projects would not be filled. If the President's proposed 25–27 percent cut is maintained in the fiscal year 2007 budget, the impact will be staggering. Ohio could lose an additional thirteen and a quarter million dollars in CDBG funds. And that is just in the non-entitlement areas, that is not factoring in the cities, making the overall 2-year cut almost 40 percent.

As an example, Morgan County, as Chairman Ney mentioned, received $80,000 in formula dollars in 2006, which is down from $94,000 in 2004, and if the President's budget numbers are adopted, they would fall to $60,000, a 36 percent cut. And again, in a

county that is certainly struggling in terms of finances and unemployment. Another example is the water and sewer fund the State sets aside for non-entitlement communities, currently $9.8 million has been allocated for these types of projects and these funds are normally utilized long before the end of the fiscal year. A 27 percent cut to CDBG would of necessity lead to cuts in this set-aside, further reducing important infrastructure investments. These dollars will not be made up. State and local governments certainly do not have the funds to replace them. An economy which is barely making any progress toward recovery will be set back even further.

Given the nature and benefits of CDBG, I would advocate for additional funds, not less. The flexibility and local spending of the dollars not only enhances housing and infrastructure, it generates direct jobs and indirect jobs through the projects completed.

I urge you to look for ways to increase, not decrease, the funds for this program and to maintain its targeting to low and moderate income individuals and families. Our counties, cities, and non-profits need help in turning local economies around, not more obstacles and less funding.

Again, thank you for allowing me to testify and I will be happy to answer any questions.

[The prepared statement of Mr. Brightbill can be found on page 40 of the appendix.]

Chairman NEY. Thank you very much.

Also, for the record, without objection, I wanted to enter Robert Wilds, president of the Jefferson Township Board of Trustees—and he has signatures of other township trustees who oppose the 25 percent cut. I will enter that into the record.

Mr. Justice.

STATEMENT OF T.J. JUSTICE, DIRECTOR, GOVERNOR'S OFFICE OF APPALACHIA STATE ALTERNATE, APPALACHIAN REGIONAL COMMISSION

Mr. JUSTICE. Thank you, Mr. Chairman. Good morning. I, too, would like to thank you for holding this hearing here in Logan, Ohio, as well some of the other hearings you have held throughout our wonderful State.

In my position as director of the Governor's Office of Appalachia, I know firsthand the benefits that Community Development Block Grant funds bring to the communities of Appalachian Ohio. I also know the crushing impact that the proposed cuts of this funding could have on our part of the State.

I think it is important to point out that CDBG funding is oftentimes a partner with many other State or Federal programs in order to make projects happen. The fact that it is a partner oftentimes allows communities to borrow less, assume less debt, and allow projects to move forward.

To capture this somewhat, in the past 3 years, as the result of CDBG funding, 2,568 jobs have been created, 1,290 more jobs retained, that is the direct result of 71 Economic Development Program grants and 16 Micro-enterprise Business Development Program grants being provided through the CDBG program. In my opinion, this is a calculated, measurable return on investments being made by the Federal Government that is replicated not just

here in Ohio, but across this great country. However, with the proposed 10 percent reduction of CDBG for fiscal year 2006, the State of Ohio anticipates that, at a minimum, 86 less jobs will be created, 43 less jobs retained, and $13.3 million not leveraged. Looking forward to fiscal year 2007 with a proposed 25 percent reduction, we believe another 192 jobs will not be created, 97 jobs not retained, and $29.3 million will not be leveraged. Now the job creation numbers may not sound staggering, but I think it is important to keep in mind that one job in rural Appalachian Ohio may well be the equivalent of 100 jobs in Columbus, Cincinnati, Indianapolis, or elsewhere.

And I would like the record indicate a typographical error in my testimony. It does state 500 jobs; it should be 100.

Chairman NEY. Well, that is the goal.

Mr. JUSTICE. Aside from the economic development components, CDBG provides very critical funding for public infrastructure in smaller communities, for example—more numbers—1.2 million linear feet of street improvements have been installed over the past 3 years, that is significant. When we look at the proposed reductions in CDBG funds, the figures are alarming. Over the next year, a 10 percent reduction would cause the following to not happen here in Ohio:

40,000 linear feet of street improvement will not be improved or installed;

12,986 linear feet of curbs and sidewalks will not be improved or installed; and

103,333 linear feet of water and sewer lines will not be installed or improved.

In 2007, with a 25 percent reduction, we will see the following not be improved or installed:

90,000 linear feet of street improvement;

29,000 linear feet of curbs and sidewalks; and

232,500 linear feet of water and sewer lines.

Those are staggering numbers.

Per the committee's request, I would like to provide one specific example of a project here in the region that had a tremendous impact, and would not have happened had it not been for CDBG. Back in 2002, the Le-Ax water line extension project received $600,000 in CDBG funds. That leveraged additional dollars to allow a multi-million dollar water line extension project to occur. The end result of that investment was 353 households in four counties receiving reliable water service. Those counties include Vinton, Athens, Meigs, and here in Hocking counties. That is a large number of homes receiving water service that otherwise would not have. I personally can think of no other Federal program that is as powerful and effective than CDBG. I do represent the Appalachian Regional Commission as well. But I am here today to urge the United States Congress to restore funding, which would allow our communities to continue to grow and be competitive.

In closing, I do want to applaud President Bush for his proposed level of $66 million in funding for the Appalachian Regional Commission, which also provides monumental economic impacts here in Ohio. And I am hopeful that the Bush Administration and Congress will equally recognize the importance of the Community De-

velopment Block Program, while maintaining its successful protection of our great country, which it has accomplished since arguably our worst day of tragedy on September 11, 2001.

[The prepared statement of Mr. Justice can be found on page 46 of the appendix.]

Chairman NEY. Thank you.

Mr. Reed.

STATEMENT OF KEN REED, DEVELOPMENT DIRECTOR, VINTON COUNTY COMMISSIONERS

Mr. REED. Good morning. Again, thank you for holding this hearing. My name is Ken Reed and I am the director of the Vinton County Board of Commissioners Development Department. My 17 years of experience in this position has given me a ground level perspective on the efficacy of individual Federal programs.

The Community Development Block Grant program is, I believe, an effective program, that has made a demonstrable difference in the quality of life in Vinton County. Without CDBG funds, many persons in my community would not have access to reliable affordable source of potable water, our elderly would not have transportation to doctor appointments, our volunteer fire fighters would not have adequate protection gear, our local entrepreneurs would not have access to affordable capital, and our community would not have 911 service. If time would permit, I could list other essential needs that are being addressed in Vinton Count through the CDBG program.

Being the most rural, most economically distressed county in Ohio, Vinton County faces some unique challenges. The CDBG program, with its emphasis on local planning, its flexibility, and its targeting the low to moderate income households is a vital resource that helps us to make up for a lack of local resources.

The bottom line is that the CDBG program, as it is currently structured, works. Reduction in CDBG funding and changes in the allocation formula concerns me. As the old adage says, "if it ain't broke don't fix it."

Thank you.

[The prepared statement of Mr. Reed can be found on page 50 of the appendix.]

Chairman NEY. Thank you very much.

Mr. Riordan.

STATEMENT OF JOHN RIORDAN, DEVELOPMENT SPECIALIST, OHIO CONFERENCE OF COMMUNITY DEVELOPMENT

Mr. RIORDAN. Thank you very much. My name is Jack, and currently, I am the development specialist for the Ohio Conference of Community Development. But before I begin, I would like to formally thank Congressman Ney for his support and endorsement of the CDBG program last year. I think we were heading for a disaster and your help really paid off last year. I think that these hearings are a great way to get a clear picture of the value of this program in Ohio.

As I indicated I am currently a development specialist for the Ohio Conference of Community Development (OCCD). It is an organization of 166 local governments and related entities that admin-

ister State and Federal community development programs to the people of Ohio. OCCD was founded in 1964 and has provided training and assistance to local governments in their community and economic development efforts to improve the quality of life of their citizens. Attached to my testimony is a brief history of the organization, an explanation of our objectives and purposes, as well as a list of our members.

Formerly, I was the Director of Community and Economic Development for the Department of Housing and Urban Development, and it was my pleasure to be associated with the Community Development Block Grant Program from its conception in the Nixon Administration and saw its development in the 1970's, 1980's, and 1990's. Following my retirement from the Department, I was appointed by then-Governor George Voinovitch to be deputy director for community and economic development for the Department of Development in the State of Ohio. Attached is my resume of 40 years of public service.

CDBG has a proven track record of helping local governments address and focus on community needs that result from the concentrations of low and moderate income people who do not have sufficient income to pay local taxes to cover the cost of providing themselves with local services. Limited local public revenues cause communities to focus only on the most critical needs to maintain their communities as decent, safe, and sanitary places to live. The lack of resources deteriorates public infrastructure and fosters a decline in the housing stock and commercial facilities which typifies the areas where low and moderate income people are forced to live.

CDBG has been an essential asset to communities in their fight against blight that flows from this deterioration. The changes in CDBG that the Administration proposes for 2007 cannot be separated from the 27.5 percent reduction in funding. The changes reflected the Administration's effort in 2005 to consolidate all local community assistance programs into an economic development program to be administered by the Department of Commerce.

Now, we all know that good paying jobs with health benefits would be the long term solution for many low and moderate income families. The problem is that the vast majority of jobs being generated are not good paying jobs and do not match the number of good jobs lost in Ohio. Communities are thus faced with trying to deliver basic services without sufficient local tax revenues from the employers and citizens.

Without CDBG funds in sufficient amounts, Ohio communities will continue to deteriorate, blight will go unchecked, and the quality of life will erode for more and more Ohioans.

CDBG focuses on basic needs of low and moderate income people. Attached are reports by the State of Ohio on the effects of these cuts.

First is a list of reductions to the 197 counties and communities in Ohio which were helped by the CDBG program through the State's Office of Housing and Community Partnership of the Ohio Department of Development.

Second is a narrative report, "Community Development Block Grant Program Funding Reductions Effects on Ohio".

And third, is an earlier memo from the chief of that office, "Funding Reduction Effects on Ohio".

These reports tell what jobs, facilities, and improvements will be lost. For example, just down Highway 93 in Jackson County, there is a lady who can enjoy a cool, cold drink of water from her kitchen sink. No big deal you might say, but there are 150 other people in Jackson and Washington Township who also now have safe water because of CDBG. In the unincorporated villages of Ray and Byer, 19 wells were determined to be contaminated with arsenic. CDBG was the source of $535,000 to help provide 62,000 linear feet of water lines to connect 55 low income households.

I want to take a moment to reinforce this letter that was given to you yesterday by Mayor Clifford L. Mason. He talks about little things, but that is the important problem that local governments are facing. Sidewalks do not seem too important, but if you have a kid walking down next to the highway, a sidewalk can save that kid's life.

CDBG is often a GAP financing that makes basic needs possible. For example, 3 years of CDBG money made possible over three million feet of water and sewer lines. That is three million—that is not an error.

[Laughter]

Mr. RIORDAN. The 10 percent cut in funding for this year will reduce that by at least 100,000 feet. The Administration's proposed 27.5 percent cut would cut that by 230,000 feet. If these cuts persist, each year hundreds of poor families will be left with contaminated wells, and costly trucked or bottled water.

CDBG also constructs, rehabs, and helps finance thousands of homes for poor people. Last year—this is statewide—8,293 families became homeowners because of CDBG. 12,698 rental units were built or rehabbed with CDBG GAP financing. 22,397 single family homes were rehabbed. In total a little over $68.8 million of these CDBG funds went into housing. In addition to the housing that these funds provided, these expenditures generated over 200,000 good jobs. That is often forgotten, that housing creates jobs.

CDBG has not in the past, and does not now, provide sufficient funds to address the comprehensive total needs of low and moderate income people, but it has made a bad condition a little better. CDBG provides local communities the flexibility, within parameters, to focus on aspects of total comprehensive need that it determines are the most critical through a local planning process with its citizens.

CDBG could and should be more efficient and effective in addressing these needs. Some CDBG recipients used their funds for things that they should not. Some CDBG recipients get more funds than they should. CDBG needs to be changed.

Changing the formula that determines who gets how much money without a comprehensive analysis of the totality of CDBG's role with local government in their fight against deterioration and blight will lead to massive unanticipated outcomes and unequal consequences. The Needs Index created to revamp the CDBG program is a good approach, but it needs further input and analysis. HUD's funds for research and technology are being cut at the time

when meaningful data is most needed to determine what communities should get how much money, for what purposes.

A few years ago OMB declared that CDBG was ineffective. OMB independently developed a score-keeping method by which the success would be determined. It was like deciding in the middle of the football season that teams were going to win by the number of total yards gained, rather than the number of points scored. The comprehensive method that ultimately was worked out with HUD, OMB, and the organizations representing State and local government entities that produced the Outcomes Measurement System is a good way to address the needed change. However, even this process needs more input from local government administrators and even the HUD field staff should be involved in the process.

Our small towns and cities and the poor people who live in them are not going away because of the budget deficit. It is wrong to make them pay to balance the budget.

The Administration's proposal to drastically reduce CDBG and all the other local government assistance programs and to give bonuses to communities that it determines succeeded, gain more yards, while thousands of communities cannot address the basic needs of low and moderate income people is wrong.

Congressional setasides of CDBG funds for pet projects which further reduce the efforts of local governments to address these needs are also wrong.

I wish to thank you for this opportunity to express my frustration and hope that it will lead to wisdom and justice in the halls of Congress.

[The prepared statement of Mr. Riordan can be found on page 51 of the appendix.]

Chairman NEY. Thank you, Mr. Riordan.

Ms. Stroh.

STATEMENT OF JESSICA STROH, HOCKING-ATHENS-PERRY COMMUNITY ACTION

Ms. STROH. Hi. Again, my name is Jessica Stroh and I am the community development coordinator at Hocking-Athens-Perry Community Action, also known as HAPCAP, based in Athens, Ohio. And before I get started, I just want to thank Congressman Ney, and the entire Subcommittee on Housing and Community Opportunity, for allowing a small rural community to have a voice in the proposed changes to the Community Development Block Grant program.

CDBG funding is unique and vital to our rural region. It is the only source of flexibile funding that communities can access to address critical needs for low to moderate income neighborhoods and residents. CDBG leverages other funding for projects that could not otherwise be completed and the citizen participation component allows for projects to be selected and prioritized at a local level. CDBG funds provide the basic necessities of human life and are the building blocks needed for attracting businesses to our area. Safe, clean, and sanitary water and sewer systems, affordable housing, and basic infrastructure are the driving force behind economic development in our region.

Unfortunately, since 2002, each county we serve has faced a steadily decreasing formula allocation resulting in a 25 percent total reduction. An additional 25 percent cut, as proposed in the President's 2007 budget, would further devastate low income communities and residents. Rural areas are already at a disadvantage because they receive one-third less Federal funding for community resources as do urban areas. Continued reduction in CDBG would further limit opportunities for poverty-stricken rural communities to create economic development opportunities.

In order to illustrate the impact of this cut, I would first like to offer some insight into each of our counties' programs.

From 2000 to 2004, Athens County received more than $3.2 million in total CDBG funding leveraging an additional $14.7 million that would not otherwise have been available to the county. However, the countless needs in the county far outweigh the money available.

Athens County averages over $1 million in requests from township trustees, village officials, and community organizations for their yearly formula allocation. And with the proposed cuts, Athens County would receive only $155,000 in 2007, which would be down from $276,000 in 2002. Already there is a major gap between the need and the money available to meet that need. Basic infrastructure should not be a luxury. Safe and sanitary water and sewer systems are a basic human right that each county strives to provide residents by utilizing CDBG funding. As one resident in the Sunday Creek Valley Water District in Athens County wrote to her representative last year, "We desperately need water. Until you have to live this way, you do not realize what a gift water is. My family can be poverty level and get by. We, however, cannot keep going without water."

Perry County was able to undertake 29 community development projects leveraging an additional $8.5 million between 2000 and 2004. And I would like to share one story with you today. After being awarded funds to create a park, a resident of the community of Congo, population 47, wrote, "CDBG is a wonderful program created by the government, because it does such a great deal of good for the smaller, forgotten communities that have suffered from coal mining, logging, strip mining, and in later years were left to die. Slowly, we hope to rebuild our community to make a better place for our children to raise their children. I am glad that you are helping to make our families and community struggle a little easier to maintain our heritage and the love for our community."

As you can hear in her own words, CDBG helps residents gain a sense of pride in their communities.

Hocking County was able to complete 28 projects with the almost $800,000 in formula funding they received between 2000 and 2004. If the cuts take effect, Hocking County would receive a mere $94,000 in fiscal year 2007. Southeastern Ohio counties already face larger challenges and higher costs when installing and maintaining critical infrastructure because of the unique topography of the area and the rural nature of the communities. And once administration costs are paid and higher construction material expenses are taken into consideration, there will be little left. Hocking County would be devastated by the proposed cuts.

If these cuts are allowed to stand, housing stock and infrastructure like water and sewer systems will continue to deteriorate, communities will not be able to attract needed businesses, construction companies throughout the region and administrative agencies like HAPCAP will have to lay off staff and finally, communities like the little town of Congo that I mentioned, will lose hope and may fade away.

I know that the outcome of this funding and its impact are not easily measured on paper. However, I witness the outcomes firsthand everyday. I get to see the impact a shelter house has on a community, the way a contractor goes the extra mile so that funding can be stretched, and the faces of a family when they are finally able to purchase a home or access clean water.

Just last year, we struggled to protect this money from cuts. On behalf of the County Commissioners and other local officials, contractors, and residents of Hocking, Athens and Perry Counties, I urge you to make CDBG a priority in the 2007 budget by not only maintaining the funding, but by restoring it to its highest funding levels so that we do not have to fight year after year to save this critical program.

Thank you very much for your time and I would be happy to answer any questions.

[The prepared statement of Ms. Stroh can be found on page 68 of the appendix.]

Chairman NEY. Thank you.

And we have Ms. Thiessen, who is a recipient of one of the water projects.

STATEMENT OF CHERYL THIESSEN, EXECUTIVE DIRECTOR, JACKSON-VINTON COMMUNITY ACTION, INC.

Ms. THIESSEN. Yes, I am. I am a resident of Washington—or Washington Township in Jackson County. And about 8 years ago, the Washington Township trustees were successful in getting water to us. I had always had to haul water in the summer time and through the rest of the year, I had to deal with iron. When you filled up your washer you had to make sure not to put your white clothes in there until the washer was filled up. So I can testify personally to that. Anyway, I did not know that was going to happen.

Chairman Ney and members of the committee, I do appreciate this opportunity to testify today. I am Cheryl Thiessen, executive director, Jackson-Vinton Community Action. And our agency serves the counties of Jackson and Vinton, which are two small rural counties in the southeastern part of Ohio. Although we do not administer the CDBG funding, we have utilized the funding through our local resources.

Our agency is a private non-profit organization and we have provided services for over 40 years and we strive to address the needs of low income families and individuals in our community. With shrinking resources and growing need due to the tough economic hardships including high unemployment in our counties, low skilled labor and higher cost of living, many of our families struggle daily to meet their basic needs.

Our agency provides a wide range of services to the poorest of the poor in our community. We have several programs and I have

them listed in my testimony. Since 1998, our agency has been involved in construction of single family housing as defined by HUD's definition of low income households. In 2001, we were successful in securing a 3-year Rural Housing and Economic Development Grant for $150,000, and in 2004, we secured a second round of the grant funding for an additional $150,000. And this was utilized for increasing staff capacity in our housing department, that is funded in part with the RHED funding. The role of the staff is to work with local entities to improve the housing quality within Jackson and Vinton counties and promote home ownership opportunities to low income families by providing education and information on the various programs so that they can achieve the American Dream.

We provide emergency home repairs to low income homeowners, the majority of these being elderly households, because a lot of the younger people cannot afford to own their own homes. We work closely with local entities such as CHIP, UDSA-Rural Development, Habitat for Humanity, and the Ohio Department of Development. Utilizing HUD resources, we provide counseling for credit issues, including budgeting and resolving outstanding debt. We provide counseling on predatory lending, and the selection of a lender. We also instruct the families on the importance of home maintenance and other housing related issues. Since 1998, our agency has constructed 18 single family households and currently has 5 units in progress. We provide economic development opportunities by utilizing local vendors and contractors for the emergency home repairs and construction of our housing units.

Since being certified a CHDO in 1993 by the State of Ohio, we have access to funding targeted to rural areas. However, many of the grants do not provide administrative or operational funding to support the staff while completing the project. Without funding such as the Rural Housing and Economic Development program, our agency would not be able to sustain our housing staff or complete the projects as we have in the past.

In 2004, we submitted an application for $55,000 to the Jackson County Commissioners for funding through the Community Development Block Grant Program for a water line that would supply six low income families along Dan T. Davis Road outside the Village of Oak Hill, and the houses that were in our projected project funded by the Ohio Department of Development. Our project was a ten unit single family, stick built subdivision marketed to families at 52 to 73 percent of area median income. Without the water supply from an approved source by the Ohio EPA, our subdivision would be stalled.

We contacted several resources to assist with the funding needed for the water line project on Dan T. Davis Road. And one of the things I will mention is that our budget had increased because we had dealt with Hurricane Andrew and the housing costs at that time had increased significantly, so it had increased our project cost because our houses, to construct them had raised from when we submitted the project until we actually started construction process. Many of the resources that we contacted such as USDA Rural Development, the Ohio Valley Regional Development Commission, and the Economic Development Revolving Loan Program, offered funds for water lines and sewer, but most of those had reg-

ulations connected to economic development which had to either increase jobs or retain jobs. And since this was a home ownership project, we could not meet that criteria. Some of the other resources such as the local Community Housing Improvement Program, they were already earmarked for other areas in the county, because of the great need.

With the current flexibility of the Community Development Block Grant, the Jackson County Commissioners were able to fund a total of four projects for various activities. This included nearly $50,000 for the water line for our subdivision, with our agency covering the balance of the cost. The Jackson County Commissioners also assisted the Village of Oak Hill with funds for the extension of a sewer system, the Jackson County Rural Water for a pumping station which served low income families in the rural area, and another small project within the county.

In a rural community with no public transit system, substandard housing stock, high unemployment, lack of health care coverage, and a shortage of living wage jobs, many of our families have limited choices as to where they are able to live. If they have credit issues—many of the public housing authorities are now doing credit checks and families with any credit issues are denied affordable housing in that housing authority. Many of these changes would make the local resources have to compete against each other for the funding, instead of working together as an alliance.

The needs of our low income families are growing every day. Many of our programs have long waiting list such as our Emergency Home Repair and our Weatherization Programs, because the funding level is inadequate. We need to increase funding resources to increase affordable housing opportunities for low income families, not reduce it. Many of the local resources are already stretched too thin. Our staff would be willing to set up a tour of our poorest communities so you can see firsthand the conditions that many of our families are forced to live in.

I thank Congressman Ney and the members of the Housing and Community Opportunity Subcommittee for their hard work and commitment. And I would be glad to answer questions.

[The prepared statement of Ms. Thiessen can be found on page 72 of the appendix.]

Chairman NEY. Thank you.

Mr. Hepburn.

STATEMENT OF DUSTIN HEPBURN, VILLAGE COUNCILMAN OF BELLAIRE, OHIO

Mr. HEPBURN. My name is Dustin Hepburn and I am on the Village Council for Bellaire, Ohio.

First off, I would like to thank Mr. Ney and the subcommittee for the invitation to speak here today. I am going to start off by saying something that I am sure you are all aware of. But, all towns and cities throughout some part of their history have gone through, for a lack of a better word, a downfall—decrease in population, loss of community growth and all around deterioration of community infrastructure.

Now with that said, most of these towns and cities are able to make some sort of a comeback. One of the major reasons for these

comebacks is because of government funding such as the HUD program and CDBG. These programs are necessary to rebuilding the community infrastructure. The community that I am representing, Bellaire, unfortunately is one of these communities that is currently in a major downfall. Sadly, we are not alone. So many communities in the Ohio Valley and the Appalachian region are in dire need of government funding, more likely more—now so than ever.

A cut now in our immediate future would have a devastating effect on all of our communities. And I believe that all we are asking for today is the opportunities that past communities were given. I know if given that chance, we would be able to turn a downfall around.

With that said I would like to thank everybody for coming out today and showing their support. I thank you again, Mr. Ney and the subcommittee, for letting me speak.

Chairman NEY. Thank you. I have a few questions and a couple of generics if we could do that. I am very fascinated about—I appreciate all of your testimonies—the micro, I ran into a foundation, there was a—the name escapes me, a lady from New York who called me up and offered—she has a foundation, you might know, it is pretty famous I guess—she offered to come into our area and we brought her down here and had a few meetings a few years ago. Linked her up with people and they, as an act of charity, fund these micro loans. And you know—the name escapes me.

Ms. BARNES. The Minx Foundation does and Axeon is also in New York. Axeon is in South America, Central America also.

Chairman NEY. Okay, but I am very interested in those micro loans. A micro loan may not create a whole lot of jobs, we aim to, you know, create lots of jobs. We brought in prisons or factories, Colgate Palmolive, I can go back years back when I was a State senator, and you can see where we created 300, 400, but the micro loans may not create multiple jobs at one time, but you want to just further comment a little bit more, maybe about why it is a success or not?

Ms. BARNES. Well, the State of Ohio has used both CDBG funds and also funds from the Housing Trust Fund to help create Micro Enterprise Programs, and actually one of the foremost practitioners for Micro Enterprises is right here, Ken Reed, in Vinton County, they have probably one of the best track records in the State of creating jobs, and in one of the most distressed communities. I wondered if I might just ask Ken if you would say a few words about what you have been doing.

Mr. REED. Yes, the Micro Enterprise Program has made a big difference in our community. Because we are in a community with only two financial institutions, very conservative banks, that are not very aggressive when it comes to commercial lending. We get these entrepreneurs that want to start a small business and they do not have that access to affordable capital. They might be able to run up their credit limit on a credit card for the $15,000 they need, but that is usually not affordable. We can provide them through the Micro Enterprise Program access to that $15,000 at an affordable interest rate.

We also have a technical assistance component, to sit down and help them develop business plans, figure out cash flow projections,

and even after the loan to do some follow up assistance to help them succeed. It has made a big difference in our community. We have quite a few success stories. And I would put our success rate up or default rate up against the banks any day.

Chairman NEY. That is where I think, using some of these monies—and a lot of people do not know about micro loans. I helped to create the Ohio Housing Trust fund when I was a State senator. Senator Ray came to me, Representative Barry at the time, they are both gone from the legislature as I am. But when I was a State senator, he came to me, there is a lot of disputes on that trust fund, I can tell you that. You know that, you had people that said that it is terrible. You should not do it. But it was a private-public partnership, we had to beg to get $5 million if I remember correctly.

Ms. BARNES. At the beginning.

Chairman NEY. To begin it and I knew that would come out to be a good thing, and we followed the lead and helped Senator Ray, it went through my committee at the time. And those things may not be looked at right in front, and realize how good they are, and it is like the micro/mini loans, the same way.

I also want to note, when I visited troops in Afghanistan, I went to Kabul twice, and Bahrain twice, met with the Afghani government. We pushed the micro loans, because woman were not allowed to read for 35 years, if they read they would cut their fingers off publicly to show everybody else not to read. And everybody was talking about how do you help Afghanistan, with the Taliban and how poor it was and we talked to U.S. Commerce, and when they were talking to the Afghani's, focus on micro loans, it is a way to help within the individual and a community, that has even been used, that theory over there, with success.

Ms. BARNES. That is great.

Chairman NEY. I wanted to mention I think it is a great thing. David, what I would like to ask you is to focus kind of on the neediest of the needy, because I know you—I have known you for years and Bob Garbo and you have worked with, to quote my colleague Congressman Green sometimes, the least, the lost, and the last, the poorest of the poor people that need help, and I know you work with all levels to improve communities, but you and Bob Garbo have done that for years.

And the White House has a proposal, the Administration does, to take and rechange some of this formula to help the neediest of the needy at the expense of 200 different people who have been trying to achieve or entities to achieve success, and cities. I just wanted to know if you wanted to comment on that.

Mr. BRIGHTBILL. Well, you know, I guess I view getting communities and getting people out of poverty on a continuum. And communities have to be totally healthy if those jobs are going to be created. I have been in this business for almost 40 years, and I have believed since day one, and I believe today, nobody will not be poor until they have a job that pays enough for them to live on. I mean, we are never going to—I am not necessarily talking about individuals with severe disabilities and that sort of thing, but the average person, is going to have to work, and if they are going to work, they are going to need jobs. And that means that the community as a

whole—now, I am not suggesting that Beverly Hills is entitled to the same share as or should be treated the same as Appalachian Ohio. But I think that overall targeting, in my opinion at least, with CDBG toward low and moderate is a pretty fair method of doing it. You know, as Jack said, I guess you could always look at ways that you might tweak it to target those activities a little bit more. Because I know that local governments, county commissioners and mayors sometimes—always—have a very difficult task as the requests come in. I mean, they are trying to deal with a lot of constituencies. So, you might want to target that a little bit.

But I think that all communities need, you know—well the majorities of the communities need to have that continuum there, so that you are helping the poorest of the poor and yet you also have to help, as they move forward, they need to have resources available to them also, housing is a good example.

Chairman NEY. The point was made yesterday, is why I wanted to ask you the question we asked up in Knox County, and asked it in Guernsey County, is it sounds good to help the poorest of the poor, and changing that formula, but what we are finding and I am sure that you can give us 100 examples, you all are trying to help the poorest of the poor. Changing that formula is not necessarily going to have an effect but may be actually a detriment is what we are up against.

Mr. BRIGHTBILL. As they move up a little bit, they still, I mean, theirs is a continuum to, they get a little bit more income, but they still do not—so yeah, I think we need to maintain that continuum.

Chairman NEY. Also, T.J. Justice, first of all I want to thank you and the Governor for your fight for Appalachia, fighting for the funds, Joey Padgett is now a State senator, before, he was a big champion of that. Ann Pope has helped us from ARC, you have done a great job, also, Mr. Justice and the Governor promoting that. We kind of won that battle in a sense that it is coming in at decent funding this time at the ARC.

From your perspective at the State's end of it, is there anything or does it run fine, the process, the money comes to the State, is there anything there, you want to comment on the process?

Mr. JUSTICE. Well, we are very comfortable with the process. We think it works very well. I agree with, I believe it was Mr. Reed's statement, you know, if it is not broke, do not fix it. It's grassroots, local-based with systems in place, checks and balances are there. So, from the State of Ohio's perspective, we are very pleased with the current process and evaluation mechanisms.

Chairman NEY. Thank you.

Mr. Reed, how about any of the CDBG, I was just trying to take the housing end of it in Vinton County, any of the CDBG has been applied to housing?

Mr. REED. Yes, we use a lot of CDBG through the CHIP program. We have been fortunate to have continuous CHIP funding for a number of years. We have local administrative capacity. In other words, through our office, we have the staff to implement the program. We have all local contractors and we are still putting in flush toilets for people out here. We have widow women living on $400 to $500 a month, and we are putting them in bathrooms and eliminating the privies. So there are some basic housing needs.

And one thing about CDBG that has not been mentioned is the administrative dollars that go through CDBG.

I live in a community where the county commissioners cannot afford to even have a clerk for the commissioners, let alone to have a staff person. And the administrative dollars in the CDBG program helps to pay my salary and keep the lights on and pay our staff. It makes a difference in a small rural community. Because those administrative dollars then, we are on board to be able to access other funding using this CDBG, as T.J. said, to leverage other funds. And without the CDBG program, we would not have the local administrative capacity to go out after the EDA and the USDA and the ARC funding.

Chairman NEY. It has a cap. I think it is valuable because it is not like Franklin County, where you have Columbus, which is this huge, you know, powerhouse, has development entities. Even littler towns outside Columbus should have the development entities.

Mr. REED. Yes.

Chairman NEY. If we did not have development entities in a county the size of Morgan or Vinton, your end result is nobody is going to be able to sit there and say, I think you ought to do this. That would be Washington telling you what to do and nobody is going to write the grant and that will be the end of it.

Mr. REED. Right. That is why the administrative dollars on the CDBG are very invaluable in getting that done.

Chairman NEY. Mr. Riordan, you are a powerhouse on development.

Mr. RIORDAN. Thank you.

Chairman NEY. You are. I want to thank you for what you did before, with the trying to shift that to Commerce and stopping that. And I think you have a real good perspective how, you know, you are able to look at all these groups that, you know, you represent and how they are working in different parts of the State. The one thing I wanted to—the OMB, you raised that issue. We were talking about that, we have talked about that before. OMB—some of the ways—and this maybe reflects on this.

Mr. RIORDAN. Sure.

Chairman NEY. Some of the ways you look at what you do, how it helps the community can be an abstract too. Somebody mentioned the park. I think you mentioned the park. If we had to go back and say the park created this amount of jobs, it did not, but it brought a quality of life into the community and, you have to have some quality of life too. That is why people live in communities also.

But the OMB does not, it cannot get it hands on the abstract, it just says that this is the amount it created, CDBG is not that good. But I happen to know from cases where you do a CDBG project, jobs are created we will never know about. You will never know about.

Mr. RIORDAN. That is right.

Chairman NEY. Locals would not know about. I just want—if you just want to reflect a little bit more on that OMB study?

Mr. RIORDAN. Well, I think what OMB is trying to be able to do is to make value judgments on the expenditure of all government funds. So in doing that, you kind of begin to set aside, well, these

are the things that we are going to do. Now, they can deal with feet of sewer and water line, that kind of stuff, but when you get into the kinds of activities that do not have a definitive brick and mortar kind of result, they cannot make that valuation. One of the things that came out at that time, they were saying, okay, well now the community has spent all that money in a neighborhood. Well, what happened to the school enrollment? What happened to the police reports? Well, yeah, you can do that, but I mean, do you set up a national system for gathering that data in order to be able to answer that question or do you go back in and say if that is a question, you do not make every community in the country go through and fill out those reports, you go back and you do some sampling to get your information. And I think part of the issue was that they were trying to get at this information, which is good information. If I were them, I would want to do that. But the thing about this kind of thing is that, good ideas are cheap, implementation is very dear. And the question is, sometimes you get people coming through there and they are able to drive their own particular idea on what the end result ought to be and they forget the basic premise of this program was to take the money and let the local community determine what it wanted to do.

Now, the problem that happened for awhile was that HUD was not given the administrative wherewithal to be able to oversee the grantees. So when you had somebody that was really screwing off with the money, you know, you could not deal with that. I mean, it was just not possible.

The other problem that we have is, you have a program that has grown over time. The conditions that existed at the time of its creation do not exist today. So you have a lot of communities that have grown in population to be able to get entitled under the program. And that is really, you know, every community has some pocket of low income people, but not the—there are some suburban communities now that are entitled because of their population, but they do not really have anywhere near the problem that Vinton County has. So it is that kind of a problem.

But OMB needs to be kind of reined in and say you can not have one game plan for the whole thing. And you cannot come down and say, after you got the program started we are going to change the rules.

Chairman NEY. You also said something interesting about set asides, you can call them earmarks. You know, everybody talks about earmarks today. And a couple of things on that. I did not realize and we want to work—I did not realize that there were set asides and earmarks in the CDBG. I knew Appalachia, and I promise to not go after them myself. Highway Bill, sure, as many as I can get.

I want to comment, Appalachian Regional Commission, we have always kind of had a gentlemen and gentleladies agreement in Washington, this is ARC money. It comes down through, and I know how, because for Governor Rhodes, I was the Education and Health Care Program Manager. So, I was Governor Rhodes' person up in Appalachia, in the Governor's office. They came down to me, we worked with the LDD's, the three LDD's at the time, of course they are there, Buckeye Hills, Hocking Valley and OERDC, also

OMEGA of course. And so those all come down through, and we always had the deal that you did not earmark those. So they just flow right down through. This time they were earmarked and I will be candid with you, I was offered some earmarks and I did not take them. Because these are funds that kind of always have been sanctity at the top and they come down through and the locals decide. And the earmarking erodes that.

Now in a highway bill, where that is not the case, sure, everybody should be a free-for-all to go get those monies. And I can say that publicly. That can be printed. Nothing you can print can hurt me these days. So I do not worry about it. But these funds I did not know there were some set asides. And that is not a good thing.

Mr. RIORDAN. No.

Chairman NEY. I do not even know who did them, I am sure both sides do it. Well, that is not a good thing. So I appreciate you pointing that out.

I want to say one other things about earmarks if I could while I am on that rant. You know, everybody talks about the earmarks, because they put these contractor things in and one Congressman got Persian rugs in toilets and $2.7 million or whatever. Changing the earmark system does not change that, if somebody is going to get somehow cash in their pocket. But the—but this fever of earmarks, I think our names ought to be put on them. I think it ought to be publicly known, who is doing the earmarks. They can put it in the bill and put my name and others in there. Ought to have transparency, media can see it, people can see it. Then you can say well, this is who did that. And then if there was anything to be tracked back, they know, because sometimes we do not know who did them.

But this business of trying to sell to the public these earmarks are so bad—I did an earmark for a cancer hospital. I called down to Vinton County, we wanted an earmark for the dental clinic. Highway monies, that frankly the Federal and State would never have done these highways we have done, And if you take this no earmark attitude, now I believe in it with CDBG. If you take that attitude, you are going to say to the United States Government, whoever is President, this time it is Bush, next time it might be a D or an R, and their executive cabinet members are going to say, I think I just ought to give Vinton County or Morgan County or Hocking County this little item—that is not going to happen. Ninety nine percent of what the Democrats or Republicans in Congress hear comes from that community out to us.

So, in my opinion, if you ban all the earmarks—make them transparent, I do not care—you ban all the earmarks, you are going to reverse CDBG. It is all going to be Washington, D.C., deciding and I will be frank with you, with delegations it will go to New York, Los Angele,s and it will be pretty well centered to one place.

Mr. RIORDAN. With big populations.

Chairman NEY. So I just wanted to—but I do think you are right, earmarks within the CDBG are not good for the system.

Mr. RIORDAN. You asked a question of the earlier panel about the brownfields, and T.J. and I have been working on those for years and years and years, and one of the things that people do not realize in brownfields is, in trying to use an old facility, you have got

a number of disadvantages first, in trying to get someone to locate in that area. If you get somebody who is interested in locating in that area, you have increased costs associated with preparing that site for development that make it very diseconomical to locate there. And you have not only the economic cost of demolishing what is there, but many times these old facilities had industrial processes that contaminated the soil upon which they stand. So that you cannot just go in there and start to mess up that soil and try to get something there or you end up hurting the environment. So there has got to be a greenfield program that kind of counters that extra cost on these lands or we are going to sit in Ohio with all kinds of old industrial sites that we are just not going to be able to deal with. And those are blighting influences on that community.

Chairman NEY. Thank you.

Ms. Stroh if you could just comment on—and I know you work with a lot of people to help them through job creation and different things you do to help their quality of life too. I just wondered if you want to talk a little bit about CDBG used as a quality of life project.

Ms. STROH. Sure, one of the programs that the State has developed is a community distress program and counties can apply for them on behalf of villages, neighborhoods, cities, parts of townships. For a setaside from the formula program for $300,000 to target one neighborhood, and instead of being 51 percent low to moderate income, these communities have to be 60 percent low to moderate income. And we have been able to work with about five different communities in our three counties, targeting this $300,000 just to one community, they have to leverage some additional funding and it is really unbelievable to see what this can do to a community, especially with the citizen participation component. We have to have a series of meetings and have residents come and do surveys and they start to feel ownership over what is going on in their community and these improvements. And then when they are awarded it, it is just, you know, one of the most exciting phone calls for me to make to call them to tell them that they got this funding. And then to go and start it up. And normally, in Hocking County here we did one in the village of Murray City and they were able to build a new fire department, their old fire department was in the flood plain; and do water line improvements. In the village of Corrine in Perry Counties, we were able to undertake like seven or eight different projects, sidewalks, parks, fire equipment, window replacement, and furniture replacement on their main civic community center. And a lot of times, I mean the residents, it is really moving to see them rally around it. And I really believe that that helps inspire them and give them hope and improve their quality of life in, you know, many different ways, not only just benefitting from all the different activities, but to take part in that citizen participation process.

So, I definitely think that the community distress program here in the State of Ohio has a huge impact in benefitting the quality of life.

Chairman NEY. Thank you. I wanted to ask a follow up question with Ms. Thiessen about, you said costs increased because of Hurricane Andrew?

Ms. THIESSEN. Yes.

Chairman NEY. Would you like to explain that further?

Ms. THIESSEN. Well, whenever we submitted our project in 2003, we had an estimate, we had to get the cost certified by a local contractor of what our housing cost was going to be. And then whenever we submitted the application, it took almost a year to get the approval and the funding. During that time period, we had Hurricane Andrew and of course, just like it did with the hurricanes this time, Katrina, it raises your housing costs. And we were in the middle of another subdivision and our housing costs for like plumbing—

Chairman NEY. So the materials that are used down in—

Ms. THIESSEN. And the gasoline cost. Where the gasoline was affected also, any of your products that is made with petroleum, like your plumbing and things like that. So we have experienced that not once, but twice with our subdivisions with the hurricane costs. So, I mean, it makes an impact. And then of course the local gas cost and the heating cost and stuff, all that gets added on as a surtax.

Chairman NEY. The gas and heating of course we knew about. Our subcommittee, by the way, was the first committee of the U.S. House to go to New Orleans, no other committee went. The subcommittee went down there with Maxine Waters and the staff and also down to Gulfport, Mississippi. And I knew about the petroleum cost because it was coming down to where the milk cartons were going to be cut off and the dairy called us in the district to say that they could not get these cartons, they could not get milk out to people. So, I knew Louisiana was affecting us, but I did not, you know, really realize about the piping and you know, maybe it had not been preordered, so getting it now, it has a cost increase in it.

Ms. THIESSEN. Just the heating cost or doing the walls and the roofing cost. Any of this cost was increased. And I mean, whenever you submit your proposal, you know, you cannot go back and ask them for more money. So we have run into that, not once but twice on this small job.

Chairman NEY. Well thanks. I just want to thank you for your sincerity and integrity and how you care, you and all the people on this panel. And I know a lot of you, some of you better than others. And whether you are elected or down doing this development, I think there is things that have been done, nobody is going to know your name in 30 years, or anybody else's, but there is going to be some quality or somebody is going to have a home due to you and other people that have worked on it. So, I appreciate that.

Ms. THIESSEN. At my age, I will probably still be here working. [Laughter]

Chairman NEY. Add 30 on to 25 years old.

Ms. THIESSEN. Yeah, I will still be here.

Chairman NEY. I just wanted to comment, because Councilman Hepburn has come up from Bellaire. Bellaire was a town that had, and maybe I could just give this perspective, I think you gave some of it. I was raised in Bellaire and we had about 11,000 people when I was there, now it is 4,900. There was a glass house there and I was a full-time glass worker, AFL/CIO, glass workers union, by the

way. And I was full-time glass worker and it allowed me to go to Ohio University Eastern. That is gone because of Czechoslovakian imports that came in and Rutherford Glass and all the things that we had down there. And some of the water lines are 100 years old. They are wood still. I mean, they still have water but they are dealing with wooden water lines. And so Bellaire is a community that has had, like a lot of places in Appalachia, has had a real—it is a city that had a horrific time and I am just wondering if—if the CDBG's cut, if that cut encourages you trying to rebuild Bellaire? This would be, add the 10 to 25, that is 35 percent, a third. Where Bellaire seek its ability to repair itself?

Mr. HEPBURN. Right now, as far as water lines go, we are looking for a lot of help. The EPA does a lot of matching funds for emergency work. Right now, the town is supposed to be running on—I will give an example, four water treatment plants, one is actually completely down and two more are just about ready to go. Right now, we are on the EPA water lines. So if another one of those storage goes out, let us say in the next so many months or so, we are going to be in a world of hurt not only in the quality of drinking water, but there is also the scenario where since the filter is completely out, the tank cannot be filled. And if there is a major fire, things are going to be dry.

We are also looking to the Appalachian Regional Committee for some help. I think our district office is out of Cambridge.

Chairman NEY. He is right there.

Mr. HEPBURN. All the matching funds.

Chairman NEY. Grab him before you get out of here.

Mr. JUSTICE. Thanks, Congressman.

Mr. HEPBURN. Our entire sanitation system is taking a major hit, mostly from what you said, from the old water lines. I mean, I go personally back to the west Bellaire where you were raised, there is three water breaks probably a week out there. I mean it is bad.

Chairman NEY. My parents live out there. I know I hear it, I tell them to call their councilman.

[Laughter]

Chairman NEY. Well, thank you, and this is very valuable for us, it really is. It will allow us to go back to Washington. We have a nice bipartisan effort to try to stop this. Here is the other thing, this is a very difficult year and I want to say something about the budget, look, I know we have to balance the Nation's budget. I know we were in pretty decent condition doing that. After 9/11 whether we liked it, to bail out the airlines, because the domestic airline industry was going to go out. Money to the intelligence forces to try to stop these monsters and find out about them before they attacked us. Two wars, whether you agree with the war or not, we have got to help, the troops are there we have to fund them and, you know, you name it, it has happened in the country. And so there is a balance; but, what I think is unfair is, first there are two things.

One, these funds, you do not go in in a bad time and a bad economy, especially our area, and take out the force that creates the jobs so the mom and dad can get on their feet, help the kids, support school levies, etc. That is the reverse way to go. It is times like this you go into other programs. By the way, the beginning budget,

I looked through and it has three or four, I looked just in the State Department alone, it has three or four programs that have a $100 million increase, a billion dollar increase. So you look around there. I like research, but we do not need to be sending anybody to Mars or the Moon right now. This is a time so let us hold that and save $32 billion. There is a fair way to do this.

The problem, I think, that we have with this, it is not just to save your favorite program, although we all try to do that. But there are other entities in this budget that have not taken a hit at all. You know, the administrative ends of things, the EPA, the highway department, you name it, the Federal transportation, Commerce, they can scale a little bit back at their levels within the bureaucracy of the government. There is a better way to do this.

But, here is what I fear on this, to be right up front with you, oh well, we were going to get a 25 percent cut, gee, we got it down to a 10 percent cut. Well, 10 percent and the previous 10 percent is 20 percent. We are going to keep sliding. To me this is a big do or die with the Congress, of its attitude where it weighs in on this.

So, I do appreciate an awful lot your participation, believe me it will help. I also like to come to a place where we have a hearing that you do not have to go through a metal detector to come see us.

[Laughter]

Chairman NEY. With that, I will leave the record open without objections for 30 days. Is there anything you want to say before we close?

Mr. RILEY. No, thank you, for having us.

Chairman NEY. Again, thank you, I want to thank Chairman Oxley, who chairs the committee, again from Ohio. Barney Frank is the ranking member for the Full Committee from Massachusetts. I chair the Subcommittee on Housing, and Maxine Waters is our ranking member from California.

And without objection the record will be left open for 30 days. People may have additional questions they want to ask you or additional things to be entered to the record, and again thank you for your time. And thank you again to all the locals that have helped us set this up.

[Whereupon at 11:42 a.m., the subcommittee was adjourned.]

A P P E N D I X

March 25, 2006

Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity

Hearing on

"Strengthening Ohio: A Review of the Community Development Block Grant Program"

Saturday, March 25, 2006

I would like to welcome everyone this morning to Logan, Ohio and I would like to thank Auditor Ken Wilson and the Hocking County Emergency Management Agency for allowing this Subcommittee to use its conference room for today's important discussions regarding HUD's Community Development Block Grant (CDBG) program.

The CDBG program, administered by the Department of Housing and Urban Development, is the federal government's largest and most widely available source of financial assistance to support state and local government-directed neighborhood revitalization, housing rehabilitation, and economic development activities. These formula-based grants are allocated to more than 1,100 entitlement communities (metropolitan cities with populations of 50,000 or more, and urban counties), the 50 states, Puerto Rico, and the insular areas of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands. Grants are used to implement plans intended to address local housing, neighborhood revitalization, public services, and infrastructure needs, as determined by local officials with citizen input.

President Bush's FY07 budget proposal raises some interesting and serious questions about what role community development should play in helping local and state governments provide safe and affordable housing to its constituents. In addition to recommending a new formula change for CDBG that focuses more on the neediest communities, the Administration recommended a funding level for FY07 that is 27% below last year's enacted levels.

HUD's community development and housing programs build homeownership, support neighborhood revitalization, and increase access to affordable housing. These activities not only help individual communities, but also strengthen our nation's economy as a whole. Last year, well over $1 billion of CDBG funds were used for housing, resulting in homeowners receiving assistance to rehabilitate their homes, families becoming 1st-time homebuyers, and rental housing units being rehabilitated. In addition to housing, CDBG serves as a valuable tool for infrastructure enhancement, job creation, economic development, and public service projects. Without adequate funding from CDBG, critical improvements such as new storm sewers, road widening, and job development programs would not have taken place.

My goal as Chairman of the Housing Subcommittee is to make certain that the Department of Housing and Urban Development remains focused on housing and community development and that it has the tools necessary to continue to provide safe, decent, economically viable communities for our citizens. With such a significant decrease

in CDBG funding levels, I question whether the Department will continue to meet these admirable goals.

Last year, I was very vocal in my opposition to the Bush Administration's ill-fated proposal to move CDBG over to the Department of Commerce. The CDBG program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. This local flexibility is a hallmark of the program. CDBG helps create a web of programs designed to strengthen our communities, and all need adequate funding to be successful.

For today's hearings, I have pulled together a wide assortment of leaders from our local communities. I hope everyone will join me in supporting full-funding for the CDBG program so we do not jeopardize the ability of countless moderate-income communities to create jobs and affordable housing opportunities for lower income working families.

PATRICIA BARNES
OHIO CDC ASSOCIATION

(OHIO COMMUNITY DEVELOPMENT CORPORATION ASSOCIATION)

TESTIMONY BEFORE THE COMMITTEE ON FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

March 25, 2006

Logan, Ohio

Good morning. My name is Patricia Barnes. I am the Executive Director of the Ohio CDC Association located in Columbus, Ohio. The Association is a statewide trade association of nonprofit community development corporations that includes neighborhood organizations, rural and urban community action agencies and other nonprofit development organizations. Approximately 175 community development corporations and their partners form the membership of the Association.

The Ohio CDC Association has been in operation since 1984 and provides training, technical assistance, public policy development and advocacy, and special projects that benefit community development corporations. For example, the Association provides both entry-level and intermediate-level training in affordable housing development, workshops in community economic development and micro-enterprise, and on-site technical assistance in all of these areas. The Association also is active in the area of Individual Development Accounts and works with 18 organizations, including 10 rural organizations. It also sponsors an annual conference on technology and community development, planned for July 13 this year, and an annual membership conference on a variety of topics planned for September 21-22.

Many Association members receive Community Development Block grant funds for their affordable housing, economic development and community development activities. In this testimony, I will like to highlight the CDBG activities of three rural members in the areas of microenterprise, affordable housing development, home repair and essential services.

The Community Action Agency of Columbiana County is administering a CDBG funded Microenterprise program for the Columbiana County Board of Commissioners for 2006. Funding was received from the Small Cities CDBG Program administered by the Ohio Department of Development. This program provides entrepreneurship training and loan resources for Columbiana County residents interested in starting or expanding a small business. Participants must complete the small business training and a business plan, and meet all eligibility requirements. A five-member Microenterprise Loan Review board reviews all loan requests and determines the terms and conditions. The maximum loan amount is $15,000 to be used for purposes as inventory, advertising, insurance costs, equipment purchases, and working capital. Participants also receive personal development counseling to address budgeting and credit repair.

In 2005, the CAC provided financing to 17 individuals for new business start-up and expansion in Columbiana County for a total of $149,770 in loan funds. A total of 269 individuals received small business and personal development training through the Microenterprise Program. The CAC has a low 5% default rate on its microloan fund, an outstanding achievement given the fact that most loans are made to individuals who have suffered credit or financial hardships prior to participating in the program. More than half (53%) of the businesses are owned by women and 6% are minority-owned. All of the individuals (100%) are low to moderate income as defined by the HUD Section 8 limits; all of the businesses were in Columbiana County and all of the loan recepients were Columbiana County residents. A few examples of the types of businesses that the CAC has assisted include a home health care provider, a printer, home repair and lawn services, excavating services, home daycare, construction, solid waste collection and crafts.

The Ohio Department of Development provided similar microenterprise grants from the CDBG program to five other rural microenterprise programs in 2004-2005. Total funding for the six grantees was $289,300 for a total of 271 beneficiaries located in Columbiana, Logan, Noble, Portage, Van Wert and Vinton Counties.

In the area of housing and community development, HHWP Community Action Commission (serving Hancock, Hardin, Wyandot and Putnam Counties) recently received a $356,070 Community Housing Improvement Program (CHIP) grant awarded to Hancock County from the Small Cities CDBG program of the Ohio Department of Development. Under the grant, HHWP will construct four homes for low to moderate income people in Findlay, Ohio and provide homebuyer training. In addition, HHWP will provide 15 very low-income homeowners with emergency home repairs.

Other examples of CDBG activities administered by HHWP include 1) emergency rent and utility payments for low income households in Putnam County; and 2) repairs to the parking lot, ceiling and furnace of their child development center that houses six Head Start classrooms and two child day care classrooms serving a total of 145 children and to their Women, Infant and Children (WIC) Program offices. These services and repairs would not have taken place without the support of the CDBG program.

Logan-Belle H.A.N.D., an affordable housing organization in Bellefontaine, Logan County, and a subsidiary of Logan Metropolitan Housing Authority, has received $45,000 in affordability subsidy for three low-income families to purchase homes through two different CHIP grants received through Logan County. Each family will be able to receive up to $15,000 towards their home purchase. In Bellefontaine, the CHIP program has provided $30,000 in affordability subsidy for two low-income families to purchase homes. The CHIP programs in both Logan County and Bellefontaine have also provided funding for financial literacy and homebuyer education classes for prospective homebuyers in Logan County and Bellefontaine.

In each of the above cases, CDBG funds provide critical support for the creation of jobs, homeownership and important services such as home repair, emergency rent and utility payments to prevent homelessness, homebuyer counseling, and repair of facilities for essential services such as child care.

In FY 2006, the Ohio Small Cities CDBG Program received a 10 percent reduction in funding; and, in FY 2007, the President's budget proposes an additional 25 percent reduction in funding. In addition, proposed formula changes in CDBG would reduce Ohio's allocation by a range of 9% to 21%. When combined with the proposed reduction in funding, the formula change could result in Ohio losing as much as 46% of its current allocation. This change would harm thousands of low-income Ohio residents in need of jobs and housing and hurt the Ohio economy at a time when Ohio is not experiencing the economic growth witnessed in the rest of the country. Given the importance of the CDBG program to Ohio, we urge you to find ways to sustain the CDBG Program at its current level. We ask that you give the on-going reform efforts adequate time to see results and to reject any changes to the formula that would disadvantage Ohio. Thank you for the opportunity to testify today. I would be happy to answer any questions.

Patricia Barnes's biography:

I have been employed with the Ohio CDC Association since 1984 as Executive Director. I received my MA in Social Service Administration with a concentration in Social Development from the University of Chicago in 1979 and my BA in Psychology and Contemporary Humanities from Converse College in 1977. I am a member of the Board of Directors of the Ohio Community Development Finance Fund and Help End Lead Poisoning and a member of the advisory committee for Columbus Saves. I also serve on the board of the National Congress for Community Economic Development. I have served on the Consolidated Plan Committee for the Ohio Department of Development on the Housing Development Assistance Program and Microenterprise Sub-committees for the past several years. I also served on the 2005 advisory committee for the annual housing plan and the 2005 Qualified Allocation Plan Committee for the Ohio Housing Finance Agency.

The Ohio CDC Association is not a grantee in the CDBG Program and receives no funding either directly or indirectly from the program.

DAVID E. BRIGHTBILL
WASHINGTON-MORGAN COUNTIES COMMUNITY ACTION

TESTIMONY BEFORE THE COMMITTEE ON FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

March 25, 2006

Logan, Ohio

Good morning. My name is David Brightbill. I am the Executive Director of Washington-Morgan Counties Community Action. The Agency is a private nonprofit corporation located in Southeastern Ohio along the Ohio River. Washington-Morgan Counties Community Action has been in business since 1967 and operates a variety of programs designed to help low and moderate income families. In 1990 Washington-Morgan received its first housing rehabilitation program funded with Community Development Block Grant (CDBG) funds through the Washington County Commissioners. In addition to that partnership we now work with the Morgan County Commissioners and the City of Marietta to rehabilitate homes in all three communities. CDBG funds are used in conjunction with HOME dollars to provide comprehensive housing rehabilitation services to low and moderate income families. Each local community develops a Comprehensive Housing Investment Strategy (CHIS) which serves as a basis for allocation of funds, assuring that housing funds including CDBG are used according to well thought out goals and objectives. CDBG funds have contributed significantly to the lengthening the useful life of housing stock in our two counties and improved the lives of dozens of families.

The CDBG has been and continues to be a very valuable tool for governmental subdivisions and non-profit organizations in our area of Appalachian Ohio. CDBG funds an array of important economic and community development projects. Ohio and its Appalachian region are not feeling the effects of the economic recovery that is being reported in the rest of the country. Our area continues to lose good paying manufacturing job. We struggle to replace those jobs and in most cases the replacements are lower wage service jobs or require traveling great distances. CDBG provides local government flexible money to help provide needed infrastructure, ie water and sewer, access roads, revolving loan funds and matching funds for non profits and rural emergency services. As you know infrastructure improvements are a necessary factor in job creation especially in rural areas such as ours

As I mentioned above Washington-Morgan Counties Community Action works with commissioners in both Washington and Morgan Counties. Their CDBG funds come through the State of Ohio, both through formula allocations and as competitive grants for water and sewer projects, housing programs and economic development. Our agency also works with the City of Marietta, which as an entitlement community, receives its CDBG allocation directly from HUD.

The Morgan County Commissioners because of the relatively small amount of formula CDBG funds available to the county have not been able to provide match for the Comprehensive Housing Improvement Program (CHIP). They have been the grantee and active partner in several CHIP grants. Their partnership with our agency has generated $215,000 in CDBG dollars from the Office of Housing and Community Partnership over the past four years. Those CDBG dollars along with HOME funds resulted in four home ownership opportunities, 24 owner occupied unit rehabs, 9 rental unit rehabs and 15 minor home repairs in the last four years alone. For a county that often ranks at the top of Ohio's unemployment statistics and finds local resources stretched even further than most Appalachian Counties these outside resources not only help prolong the life of existing housing stock, they provide opportunities for local contractors and jobs for the

local workforce.

In Washington County the Commissioners have utilized some their CDBG funds to provide match for the CHIP. Again the assistance provided by this program provides owner occupied housing rehabilitation, down payment assistance (along with rehab), rental rehabilitation with the landlords contributing 40% of the cost. The flexibility of CDBG also allows for minor repair, ie ramps, septic systems, electrical systems and heating units. Thirty Eight families in Washington County have been assisted with CDBG and HOME funds. The Office of Housing and Community Partnerships has provided 209,000 in CDBG dollars and the County has added about $40,000 in formula funds again over the past four years.

Marietta as an entitlement community receives its CDBG funds directly from HUD. They also use their funds for community and economic development activities. Our partnership with Marietta City has resulted in $40,000 worth of CDBG entitlement funds being committed to the CHIP program. These funds have helped generate over $4000,000 in HOME dollars. This has allowed for one home ownership opportunity with rehab, two rental unit rehabs and twelve owner occupied homes being rehabilitated in the last year and a half.

The over five and one half million dollars in CDBG cuts Ohio received this year obviously will have a negative impact on activities such as those listed above. Local dollars are already stretched to the breaking point. It is not possible for Appalachian counties or cities to make up these dollars. Projects which would have provided housing and other infrastructure needs will not be done and the jobs which would have been created by these projects will not be filled. If the President's proposed 27% cut is maintain in the FY 2007 the impact will be staggering. Ohio could lose an additional thirteen and a quarter million dollars in CDBG funds. Making the overall two year reduction almost 40%. As an example Morgan County received 80,000 formula dollars in 2006 which is down from $94,000 in 2004, if the President's budget numbers are adopted they would fall to $60,000 a 36% cut. Another example is the water and sewer fund the state sets aside for non-entitlement communities currently 9.8 million dollars has been allocated for projects, these funds are normally all utilized long before the end of the fiscal year. A 27% cut to CDBG would of necessity lead to cuts to this set aside further reducing important infrastructure investment. These dollars will not be made up. State and local governments certainly do not have the funds to replace them. An economy which is barely making any progress toward recovery will be set back even further. Given the nature and benefits of CDBG I would advocate for additional funds not less. The flexibility and local spending of the dollars not only enhances housing and infrastructure it generates direct jobs and indirect jobs though the projects completed.

I urge you to look for ways to increase not decrease funds for this program and to maintain its targeting to low and moderate income individuals and families. Our counties, cities and non-profits need help in turning local economies around not more obstacles and less funding.

Thank you for allowing me to testify today I will be happy to answer any questions.

David Brightbill's biography:

I am a 1970 graduate of Ohio University with a Bachelors Degree in Education. I have been employed with our agency since July of 1970, serving in progressively more responsible positions and in October 1987, I became executive director. I am a past two-term president of the Ohio Association of Community Action Agencies; former two-term president of The Corporation of Appalachian Ohio Development, (a regional association of Appalachian Ohio Community Action Agencies); currently I serve on the national boards of the Community Action Program Legal Services, Inc. and the Ohio University Alumni Association.

I have not received a direct benefit from our current sub-contracts (or former sub-contracts) with the Morgan County Commissioners, Washington County Commissioners or the City of Marietta to operate Comprehensive Housing Improvement Programs although part of my salary and fringe benefits are allocated expenses to operating these programs following our cost allocation plan.

Morgan County Commissioners
155 East Main St., Room 216
McConnelsville, Ohio 43756
Phone: 740-962-3183
Fax: 740-962-1341

Ronald L. Moore
Rick Shriver
Dean Cain

Kelly Caldwell, Clerk

March 25, 2006

"Strengthening Rural Ohio: A Review of the Community Development Block Grant Program"

Congressman Ney, Subcommittee on Housing and Community Opportunity representatives, Elected Officials, Concerned Citizens:

It is with great pleasure that I, Dean Cain, Vice President of the Morgan County Board of Commissioners are able to sit in on this field hearing with you today and represent Morgan County. The Community Development Block Grant Program (CDBG) has been an important funding source for Morgan County and has played a key role in community development over the last several decades.

Morgan County, Ohio is one of the 29 counties designated Appalachia and is titled a "transitional county" by the Appalachia Regional Commission. Our county, although called transitional, has one of the highest unemployment rates in the state, low income and a declining tax base.

With a population nearly 15,000, over 52% of our entire county population is considered to be low-and moderate income according to the 2000 Census. With programs that target benefiting the low and moderate income population, CDBG is critical to the future success of Morgan County in continuing community development projects. Over the last four years, the Community Development Block Grant has aided our community in a wide array of projects.

Since 2000, Morgan County has received over $500,000 of funding through the formula program receiving one of the lowest yearly allocations in the state. Formula funding has allowed us to improve our fire department facilities and the equipment for which they have to operate with when emergencies arise. It is very difficult for rural fire departments to receive the adequate funding they need to survive and CDBG plays a critical role for our rural fire departments. Over the last four years, 29% of Morgan County CDBG Formula dollars have assisted our six rural fire departments.

Other areas of interest that Formula funding has enabled Morgan County to fund include 21% to water/sewer projects. Several of our rural water districts rely quite heavily on formula funds to assist in water line extensions, land acquisition and many planning projects. Morgan County's four villages have also been working hard to improve the water and sewer facilities via formula funds that serve many of our low- and moderate income population.

Over 25% of formula funds have provided for neighborhood facilities and public rehabilitation projects. Examples of these would include renovations to the county senior center, township buildings, recreation facilities, community centers and one historic theater. This historic Union Hall Theater just recently reopened in the Village of Chesterhill as a direct result of receiving CDBG funds. As quoted by a chairperson of the Union Hall Committee "We are trying to breathe life back into this town through this theater." The mayor of Chesterhill feels the theater is going to be a very important part of economic development in the village, which has a low-and moderate income percentage of over 41%.

As you think of the various programs (Formula, CHIP, Water & Sewer, etc.) that assist our community and that are under the "umbrella" of community development block grant, it is hard to imagine where we could afford to lose or sacrifice any of the funds we have received previously. Every program is working to benefit our low- and moderate income population in different ways. We just learned of our formula allocation for 2006 and we are incurring a 10.2% reduction in the coming year which reduced our allocation from $89,000 in 2005 to $80,000 for 2006. If next year's budget reflects another 25% reduction in this program, activities for the future will be receiving minimal amounts.

It has been a pleasure to get to be here today and represent Morgan County. It is with my hope that the Administration's proposal of the President's FY 2007 budget takes the information presented in these field hearings from rural communities such as ours and reconsiders the reform.

CDBG
Testimony of T.J. Justice, Director of the Ohio Governor's Office of Appalachia
March 25, 2006

Good morning, my name is T.J. Justice and I am Director of the Governor's Office of Appalachia here in Ohio. I would like to thank Congressman Bob Ney for holding this forum in Logan and giving me and others the opportunity to speak today. As Director of the Governor's Office of Appalachia, I know firsthand the benefits that Community Development Block Grant (CDBG) funds bring to the communities of Appalachian Ohio. I also know the crushing impact that the proposed cuts of this funding would bring.

My office works with the many small towns and cities in the 29 Appalachian counties of Ohio aiding in community and economic development projects. Like CDBG, the office I represent also provides grant funding for projects in the region. CDBG funding is frequently a partner with our office, the Appalachian Regional Commission, the Ohio Public Works Commission, and many others that allow major capital improvement projects in our rural, Appalachian communities to move forward. Our small towns do not have sufficient operating dollars that would otherwise allow for reinvestment in public infrastructure resulting in job growth.

In just the last three years 2,568 jobs were created and 1,290 more

jobs were retained as a result of 71 Economic Development Program grants and 16 Microenterprise Business Development Program grants, which were funded with CDBG Program funds. This is a calculated, measureable return on investment by the federal government that is replicated not just here in Ohio but across the country. However, the proposed 10 percent reduction of CDBG funds for FY 2006, the State of Ohio anticipates that, at a minimum 86 less jobs will be created, 43 less jobs will be retained and $13.3 million dollars will not be leveraged. In FY 2007, with a 25% reduction, another 192 jobs will not be created, 97 jobs will not be retained and $29.3 million will not be leveraged. These numbers may not mean much to you, but these jobs can make or break the struggling economies of small towns in Appalachian Ohio. One job in rural, Appalachian Ohio may well be the equivalent to 500 jobs in Cincinnati, Columbus, Cleveland, Indianapolis or other metropolitan areas.

Aside from job creation, the CDBG program provides necessary funding for improving the infrastructure of smaller communities, helping their economies grow and making the lives of citizens better. For example, 1.2 million linear feet of street improvements, 389,588 linear feet of curbs and sidewalks and 3.1 million linear feet of water and sewer lines were installed or improved during the last three years. In many instances, the

CDBG Program funds were the "gap" financing that enabled the projects to be completed.

When we look at what the proposed reductions in CDBG funds would do - the figures are alarming. The FY 2006 10% reduction would decrease infrastructure improvements and installations in Ohio's smaller communities as follows:

1 40,000 linear feet of street improvements will not be improved/installed

2 12,986 linear feet of curbs and sidewalks will not be improved/installed

3 103,333 linear feet of water and sewer lines will not be installed or improved

The proposed FY 2007 25% reduction will further decrease infrastructure improvements/installations in Ohio's smaller communities as follows:

1 90,000 linear feet of street improvements will not be improved/installed

2 29,219 linear feet of curbs and sidewalks will not be improved/installed

3 232,500 linear feet of water and sewer lines will not be installed/improved

The 2002 Le-Ax waterline extension project is a perfect example of CDBG funds being used to benefit the residents of the Appalachian region. The $600,000 in CDBG funds made it possible for 353 households to have safe

and reliable water in Vinton, Athens, Meigs and Hocking counties. In my 12 years of economic development practice during two gubernatorial administrations, I can think of no other federal program that is as powerful and effective (like the ARC) than CDBG - I urge the United States Congress to restore funding allowing our communities to continue to grow and be competitive. In closing, I do want to applaud President Bush for his proposed level funding of $66 million for the Appalachian Regional Commission which also provides monumental economic impacts here in Ohio. I'm hopeful the Bush administration and Congress equally recognize the importance of the Community Development Block Program while maintaining its successful protection of our great country which it has accomplished since our worst day of tragedy on September 11, 2001. Thank you.

My name is Ken Reed and I am the Director of the Vinton County Commissioners Development Department. My 17 years of experience in this position have given me a ground level perspective on the efficacy of individual federal programs.

The Community Development Block Grant (CDBG) program is an effective program that has made a demonstrable difference in the quality of life in Vinton County. Without CDBG funds many persons in my community would not have access to a reliable, affordable source of potable water; our elderly would not have transportation to doctor appointments; our volunteer fire fighters would not have adequate protection gear; our local entrepreneurs would not have access to affordable capital and our community would not have 9-1-1 service. If time would permit, I could list other essential needs that are being addressed in Vinton County through the CDBG program.

Being the most rural, most economically distressed county in Ohio, Vinton County faces some unique challenges. The CDBG program, with its emphasis on local planning, its flexibility and its targeting to low to moderate income households, is a vital resource that helps to make up for a lack of local resources.

The bottom line is the CDBG program, as it is currently structured, works. Reductions in CDBG funding and changes in the allocation formula concern me. As the old adage says, "If it aint broke, don't fix it"

Testimony Before
Housing And Community Opportunity Subcommittee
Of The House Committee on Financial Services
By
John E. Riordan
Development Specialist
Ohio Conference of Community Development

The Ohio Conference of Community Development (OCCD) is an organization of 166 Local Governments and related entities that administer state and federal community development programs to the people of Ohio. OCCD was founded in 1964 and has provided training and assistance to local government in their Community and Economic Development efforts to improve the quality of life for their citizens. Attached is a brief history and explanation of our objectives and purpose.

I have been a HUD administrator and state grantee of the Community Development Block Grant program (CDBG) form its conception in the Nixon Administration. Attached is my resume of over 40 years of public service.

Before I begin I want to thank Congressman Ney for you're your strong support and endorsement of CDBG last year. These Hearings are a great way to get a clear picture of the true value of this program to the people of Ohio.

CDBG has a proven track record of helping local government address and focus on the community needs that result from concentrations of low and moderate income people who do not have sufficient income to pay local taxes to cover the cost of providing themselves with basic services. Limited local public revenue causes communities to focus only on the most critical needs to maintain their communities as decent and safe places to live. This lack of resources deteriorates public infrastructure and fosters a decline in the housing stock and commercial facilities which typifies the areas where low and moderate income are forced to live.

CDBG has been an essential asset to help communities fight the blight that flows from this deterioration. The changes the Administration proposes for 2007 cannot be separated from the 27.5% reduction in funding. The changes reflect the administrations' efforts in 2005 to consolidate all local community assistance programs into an economic development program to be administered by the Department of Commerce. We all know that Good Paying Jobs with health benefits would be the long term solution for many low and moderate income families. The problem is that the vast majority of jobs being generated are Not Good Paying and do not match the number of Good Jobs Lost in Ohio. Communities are faced with trying to deliver basic services without sufficient local tax revenues from employers and citizens. Without CDBG funds in sufficient

amounts Ohio's communities will continue to deteriorate, blight will go unchecked and the quality of life will erode for more and more Ohioans.

CDBG focuses on the basic needs of low and moderate people. Attached are reports by the state of Ohio on the effects of these cuts. The first is a list of reductions to 197 counties and communities in Ohio which were helped by CDBG program through the State's Office of Housing and Community Partnerships of the Ohio Department of Development. Second is a narrative report, "Community Development Block Grant Program Funding Reductions Effects on Ohio" Third is a earlier memo from the Chief of that Office "Funding Reduction Effect on Ohio" These reports tell what jobs facilities and improvements will be lost. For example just down Highway 93 in Jackson County a lady can enjoy a long cool drink of water from her kitchen sink. No big deal you might say, but there are 150 other people in Jackson and Washington Township who also now have safe water because of CDBG. In the unincorporated villages of Ray and Byer 19 wells were contaminated with arsenic. CDBG was the source of $535,000 to help provide 62,000 linear feet of water lines to connect 55 low income households.

I want to take a moment to reinforce the sentiments in the letter from Mayor Clifford L. Mason of the Village of Hebron which highlights the Success of CDBG to improve the lives his community. I have taken the liberty to include a copy of his letter to Congressman Ney as an attachment to my testimony.

CDBG is often the GAP financing that makes basic needs possible. For example during 3 years CDBG made possible over 3 million feet of water and sewer lines. The 10 % cuts in funding for this year will reduce that by over 100.000 feet. The Administrations proposed 27.5% cut will reduce that by 230,000 feet. If these cuts persist each year hundreds of poor families will be left with contaminated wells, and costly trucked or bottled water.

CDBG constructs rehabs or helps finance thousand of homes for poor people.

Last year in Ohio:

8293 families became home owners because of CDBG
12,698 rental units were built or rehabbed with CDBG GAP financing.
22,397 single family homes were rehabbed.
$68.8 million of CDBG Funds went into housing In addition to the housing these expenditures generate over
200.000 GOOD JOBS.

CDBG has not in the past and does not now provide sufficient funds to address the comprehensive total needs of low and moderate income people, but it has made bad conditions a little better.

CDBG provides the local community the flexibility within parameters to focus on aspects of the total comprehensive need that it determines the most critical.

CDBG could and should be more efficient and effective in addressing these needs.

Some CDBG recipients used their funds for things that they should not.

Some CDBG recipients get more funds than they should.

CDBG needs to be changed.

Changing the formula that determines who gets how much money without a comprehensive analysis of the totality of CDBG's role with local government in their fight against deterioration and blight will lead to massive unanticipated outcomes and unequal consequences.

The Needs Index created to revamp the CDBG Formula is a good approach but it needs further in put and analysis. HUD's funds for research and technology are being cut at a time when meaningful data is most needed to determine what communities should get HOW much and for What activities.

OMB's independent effort to change the score keeping methods by which the success of CDBG would be determined was like deciding in mid season that football games will be won by the team with the total number of yards gained rather that points scored. The comprehensive method developed with the HUD, OMB and organizations representing state and local government entities that produced the Outcomes Measurement system is good way to address the needed changes. However it needs more input form local government administrators and even HUD field staff should be evolved in the process.

Our small towns and cities and the poor people who live in them are not going away because of the budget deficit. It is WRONG to make them pay to balance the budget.

The Administration's proposal to drastically reduce CDBG and to give BONUSES to communities that that it determines succeeded (gained more yards) while thousands of communities can not address the basic needs of low and moderate income people is WRONG.

Congressional Set Asides of CDBG funds for pet projects that further reduce the efforts of local governments to address the needs of low and moderate income people is WRONG.

I wish to thank you for this opportunity to express my frustration.

Attached are:

1. The History of OCCD,
2. The Objectives and Purpose of OCCD
3. List of OCCD Members
4. My Resume
5. List of the 197 Small Communities and Counties who received CDBG Funds through the Office of Housing and Community Partnerships (OHCP) of the Ohio Department of Development.
6. Report by OHCP, "Community Development Block Grant Funding Reductions effects on Ohio"
7. Memo from OHCP "Funding Reductions Effect on Ohio"
8. Letter From Mayor Wallace of the Village of Hebron

OCCD History

In late 1964, representatives from 17 Ohio cities met to organize a professional association intended to serve the needs of local public agencies engaged in urban renewal in Ohio. The Urban Renewal Association of Ohio, Inc., was established in 1965 and registered in the state as a non-profit corporation.

The Association was activated in 1965 with charter members including the cities of Athens, Akron, Canton, Chillicothe, Cincinnati, Cleveland, Columbus, Dayton, Mansfield, Marietta, Martins Ferry, Middletown, Portsmouth, Springfield, Steubenville, Toledo and Youngstown. Patrick Phelan, Urban Renewal Administrator for the city of Columbus, was elected the first president.

In preparation for anticipated changes in federal legislation affecting urban renewal programs, the Association changed its name to the Ohio Conference of Community Development, Inc., in July 1972. In its 40 year history, the agency membership has grown from 17 in 1965 to some 165 cities, counties and villages in 2005. In addition, numerous consultant members, representing various professional fields in community development, and housing authorities involved in community development programs, belong to OCCD.

Objective and Purpose

The Association's objective is to enhance the livability of the cities, towns and communities of the state of Ohio through the elimination and prevention of urban blight and physical, economic and social obsolescence and through the development and preservation of well-planned and economically-sound urban areas with adequate community facilities, housing and suitable industrial and commercial development. Toward this objective, it shall be the purpose of the Association to help develop, implement and improve federal, state and local programs for community development and to develop and improve the professional standards and practices of all phases of public administration which are related directly or indirectly to community development.

In carrying out its objective and purpose, the Association will provide for the exchange of knowledge and results of experience; engage in special studies and research; publish and distribute the results of such research and studies; conduct meetings, conferences and workshops; develop sound administrative practices; facilitate effective federal-state-local relations by achieving close coordination among agencies, associations and groups, both public and private, having similar or related purposes; and seek to improve the proficiency of agencies and persons engaged in the field of community development.

2005-06 OCCD Members

Full Members

Adams & Brown Counties Economic Opportunities, Inc.
Adams County
Akron
Allen County
Alliance
Ashtabula
Ashtabula County
Athens
Barberton
Bowling Green
Brown County
Brunswick
Buckeye Hills-Hocking Valley Regional Development District
Butler County
Cambridge
Canton
Carroll County
Chillicothe
Cincinnati
Circleville
Clark County
Clermont County
Cleveland
Cleveland Heights
Columbus
Cuyahoga County
Cuyahoga Falls
Darke County
Dayton
Delaware
Delaware County
East Cleveland
Elyria
Erie County
Euclid
Fairborn
Fairfield County R.P.C.
Fayette County
Franklin County
Gallipolis
Geauga County
GMN Tri-County Community Action Corporation
Greene County
Greenfield
Hamilton
Hamilton County
Hillsboro
Jefferson County R.P.C.
Kent
Kettering
Lake County
Lakewood
Lancaster
Licking County P.C.
Lima
Lorain
Lorain County
Mansfield
Marietta
Marion County R.P.C.
Massillon
Maumee Valley Planning Organization
Medina County
Meigs County
Mercer County
Miami County
Middletown
Monroe County
Montgomery County
Newark
Oberlin
Ohio Regional Development Corporation/Coshocton
Parma
Pike County
Piqua
Portage County R.P.C.
Portsmouth
Richland County
Rittman
Ross County
Sandusky
Scioto County
Seneca County
Shelby County RPC
Sidney
Springfield
Stark County R.P.C
Steubenville
Summit County
Toledo
Troy
Trumbull County P.C.
Urbana
Van Wert
Vinton County
Warren
Warrensville Heights
Xenia
Youngstown
Zanesville

Associate Members

Central City Economic Development Council
Center City Association of Springfield
COHHIO
Columbus Housing Partnership
Columbus Metropolitan Housing Authority
Community Capital Development Corp
COUNTY CORP
Enterprise Foundation-Cleveland Office
Family & Community Services of Portage County
Fannie Mae, Central and Southern Ohio

Federal Home Loan Bank of Cincinnati
Federal Reserve Bank of Cleveland
Freed Housing Corporation
Gallia-Meigs Community Action Association
Hocking.Athens.Perry CA
Hocking MHA
Ironton Lawrence County Community Action Organization
Lancaster/Fairfield Community Action
Licking County Coalition for Housing
Lorain County Reinvestment Coalition
Mary McLeod-Bethune Center
Mid-Ohio Regional Planning Commission
Moraine
Neighborhood Development Services
Ohio Capital Corporation for Housing
Ohio CDC Association
Ohio Community Development Finance Fund
Ohio Heartland CAC
Ohio Rural Electric Cooperatives
Ohio State University Extension - South Centers
People Working Cooperatively
Portage Metropolitan Housing Authority
Rural Opportunities, Inc.
Springfield Neighborhood Housing Partnership
Wapakoneta Area Economic Development Council
Warren Redevelopment and Planning Corporation
Community Action Program of Washington & Morgan Counties
Wayne MHA
Wayne/Medina Community Action
WSOS Community Action Agency

Consultant Members

Berquist Consulring
Bleckman & Associates
Burns, Bertsch & Harris, Inc.
Gregory Carr + Associates
CDC of Ohio
CT Consultants, Inc.
Diaz & Associates
E. G. & G., Inc.
Floyd Browne Associates, Inc
Gould Associates
Jones Warner Consultants
Leighty & Snider, Inc.
Lines and Associates
LJB, Inc
McKenna Associates, Inc.
Mullin & Lonergan Associates
MultiCom, Inc.
Orinsby & Co.
Peck, Shaffer & Williams LLP
Poggemeyer Design Group, Inc.
Premier Management LLC
R.F.G. Associates, Inc.
W. D. Schnaufer & Associates
Phil Snider LLC
Squire, Sanders & Dempsey L.L. P.

JOHN E. RIORDAN

Development Specialist for the Ohio Conference of Community Development from July 2004 to the present assigned to originate new services for the local government members.

Deputy Director for the Ohio Department of Development, from June 1997 to January 2004 overseeing State and federal funds provided by three offices to units of local government and non profit organizations. The Office of Housing and Community Partnerships assists local efforts to provide housing, water and sewer systems, economic and development, and community improvement as well as assistance to address the needs of the homeless. The Office of Energy Assistance promotes energy conservation and efficiency for homes and businesses through a variety of programs. The office of Community Services funds to Community Action Agencies and assistance to reduce the cost of gas and electricity to over 225,000 low income families.

Associated with the Department of Housing and Community Development since June 1968, most recently as Director of Community Development for HUD's Ohio operations disserting Community Block Grants, the HOME programs and Funds for the Homeless. He also served as Section 8 Coordinator for Ohio developing and administering HUD's Housing Assistance Payments Program for lower income families. In that capacity, he prepared a "Step-by-Step Guide to Section 8" and conducted numerous conferences explaining the program. Both were instrumental in Ohio leading the country in production under the program during its inaugural years.

Through out his service in Ohio He worked closely with statewide organizations addressing the problems of employment, housing, and the homeless. His help was recognized by the Ohio Conference on Community Development, the Ohio CDC Association and COHHIO. The National Development Council gave him their Award for Excellence. At HUD he was recognized for exceptional service on many occasions, and is a recipient of HUD's Certificate of Superior Service.

Prior to joining HUD, Mr. Riordan was with the Agency for International Development, U.S. Department of State as a Refugee Relief Officer Serving in Vietnam. From 1961 to until his appointment to AID he was associated with "Little Brothers" a non profit service provider to the elderly poor in Chicago, Montreal, and Paris.

Mr. Riordan is married and a resident of Columbus Ohio since 1971. He holds a bachelor's degree in economics from Loyola University. He has post graduate work in Urban Studies and Advanced Management at De Paul University and Wheaton College.

CDBG
BUDGET ALLOCATIONS

	FULL 2004	-5% 2005	-10% 2006	-25% prj'd 2007
ADAMS CNTY	173,000	164,000	148,000	111,000
ALLEN CNTY	238,000	225,000	202,000	175,000
ASHLAND CNTY	132,000	125,000	112,000	85,000
ASHTABULA CNTY	338,000	319,000	287,000	242,000
ATHENS CNTY	203,000	192,000	173,000	155,000
AUGLAIZE CNTY	98,000	93,000	83,000	117,000
BELMONT CNTY	277,000	278,000	251,000	217,000
BROWN CNTY	204,000	193,000	174,000	131,000
CARROLL CNTY	143,000	136,000	122,000	92,000
CHAMPAIGN CNTY	111,000	105,000	95,000	71,000
CLARK CNTY	286,000	299,000	269,000	203,000
CLERMONT CNTY	771,000	730,000	657,000	519,000
CLINTON CNTY	122,000	116,000	104,000	78,000
COLUMBIANA CNTY	364,000	391,000	352,000	265,000
COSHOCTON CNTY	127,000	120,000	108,000	81,000
CRAWFORD CNTY	61,000	87,000	79,000	59,000
DARKE CNTY	159,000	151,000	136,000	102,000
DEFIANCE CNTY	96,000	91,000	81,000	61,000
DELAWARE CNTY	171,000	166,000	150,000	113,000
ERIE CNTY	146,000	164,000	148,000	139,000
FAIRFIELD CNTY	259,000	273,000	246,000	186,000
FAYETTE CNTY	65,000	62,000	55,000	42,000
FULTON CNTY	151,000	143,000	129,000	120,000
GALLIA CNTY	185,000	175,000	157,000	119,000
GEAUGA CNTY	270,000	275,000	248,000	187,000
GREENE CNTY	152,000	234,000	211,000	159,000
GUERNSEY CNTY	171,000	161,000	145,000	110,000
HANCOCK CNTY	120,000	113,000	102,000	77,000
HARDIN CNTY	107,000	102,000	91,000	69,000
HARRISON CNTY	93,000	88,000	79,000	60,000
HENRY CNTY	82,000	78,000	70,000	53,000
HIGHLAND CNTY	142,000	161,000	145,000	135,000
HOCKING CNTY	107,000	101,000	91,000	94,000
HOLMES CNTY	210,000	199,000	179,000	135,000
HURON CNTY	129,000	122,000	110,000	112,000
JACKSON CNTY	120,000	114,000	102,000	127,000
JEFFERSON CNTY	266,000	252,000	255,000	192,000
KNOX CNTY	148,000	140,000	126,000	95,000
LAWRENCE CNTY	255,000	241,000	217,000	164,000
LICKING CNTY	323,000	305,000	275,000	235,000
LOGAN CNTY	137,000	129,000	116,000	88,000
LORAIN CNTY	267,000	350,000	315,000	288,000
LUCAS CNTY	283,000	318,000	286,000	216,000
MADISON CNTY	135,000	128,000	115,000	87,000
MAHONING CNTY	544,000	531,000	478,000	360,000
MARION CNTY	103,000	98,000	88,000	66,000
MEDINA CNTY	220,000	208,000	187,000	141,000
MEIGS CNTY	153,000	145,000	130,000	98,000
MERCER CNTY	122,000	115,000	104,000	78,000
MIAMI CNTY	175,000	166,000	179,000	135,000
MONROE CNTY	91,000	86,000	78,000	59,000
MORGAN CNTY	94,000	89,000	80,000	60,000
MORROW CNTY	140,000	133,000	119,000	90,000
MUSKINGUM CNTY	249,000	236,000	212,000	160,000
NOBLE CNTY	67,000	63,000	57,000	43,000
OTTAWA CNTY	146,000	138,000	124,000	116,000

CDBG
BUDGET ALLOCATIONS

	FULL 2004	-5% 2005	-10% 2006	-25% prj'd 2007
PAULDING CNTY	89,000	84,000	75,000	57,000
PERRY CNTY	161,000	182,000	164,000	123,000
PICKAWAY CNTY	164,000	155,000	140,000	105,000
PIKE CNTY	146,000	162,000	145,000	110,000
PORTAGE CNTY	391,000	398,000	358,000	270,000
PREBLE CNTY	147,000	139,000	125,000	119,000
PUTNAM CNTY	156,000	148,000	133,000	100,000
RICHLAND CNTY	235,000	240,000	216,000	163,000
ROSS CNTY	224,000	211,000	190,000	144,000
SANDUSKY CNTY	130,000	150,000	135,000	126,000
SCIOTO CNTY	344,000	325,000	293,000	221,000
SENECA CNTY	117,000	111,000	100,000	75,000
SHELBY CNTY	102,000	96,000	87,000	65,000
TRUMBULL CNTY	483,000	502,000	452,000	367,000
TUSCARAWAS CNTY	273,000	259,000	233,000	200,000
UNION CNTY	103,000	97,000	87,000	66,000
VAN WERT CNTY	58,000	55,000	49,000	37,000
VINTON CNTY	82,000	78,000	70,000	53,000
WARREN CNTY	296,000	369,000	332,000	250,000
WASHINGTON CNTY	175,000	166,000	149,000	136,000
WAYNE CNTY	315,000	298,000	268,000	253,000
WILLIAMS CNTY	132,000	125,000	112,000	111,000
WOOD CNTY	255,000	322,000	290,000	219,000
WYANDOT CNTY	69,000	95,000	85,000	64,000
AMHERST	41,000	39,000	35,000	0
ASHLAND	104,000	98,000	89,000	67,000
ASHTABULA	159,000	151,000	136,000	102,000
ATHENS	112,000	106,000	95,000	72,000
AURORA	30,000	0	0	0
AVON	31,000	0	0	0
AVON LAKE	42,000	0	0	0
BEAVERCREEK	75,000	0	0	0
BELLBROOK	21,000	0	0	0
BELLEFONTAINE	73,000	69,000	62,000	47,000
BELLEVUE	38,000	36,000	33,000	0
BELPRE	37,000	35,000	31,000	0
BRUNSWICK	110,000	104,000	94,000	71,000
BRYAN	41,000	39,000	35,000	0
BUCYRUS	71,000	67,000	61,000	46,000
CAMBRIDGE	83,000	79,000	71,000	54,000
CAMPBELL	57,000	54,000	48,000	36,000
CANFIELD	17,000	0	0	0
CELINA	56,000	53,000	48,000	36,000
CHARDON	21,000	0	0	0
CHILLICOTHE	112,000	106,000	95,000	72,000
CIRCLEVILLE	85,000	81,000	72,000	55,000
CLYDE	28,000	0	0	0
COLUMBIANA	26,000	0	0	0
CONNEAUT	85,000	80,000	72,000	54,000
CORTLAND	21,000	0	0	0
COSHOCTON	62,000	59,000	53,000	40,000
CRESTLINE	31,000	0	0	0
DEFIANCE	77,000	72,000	65,000	49,000
DELAWARE	110,000	104,000	93,000	70,000
DELPHOS	35,000	33,000	30,000	0
DOVER	56,000	53,000	47,000	36,000

CDBG
BUDGET ALLOCATIONS

	FULL 2004	-5% 2005	-10% 2006	-25% prj'd 2007
EAST LIVERPOOL	99,000	94,000	84,000	63,000
EAST PALESTINE	23,000	0	0	0
EATON	39,000	37,000	33,000	0
FINDLAY	195,000	184,000	166,000	125,000
FOSTORIA	86,000	81,000	73,000	55,000
FRANKLIN	71,000	67,000	61,000	46,000
FREMONT	102,000	96,000	87,000	65,000
GALION	66,000	62,000	56,000	42,000
GENEVA	40,000	37,000	34,000	0
GIRARD	60,000	57,000	51,000	39,000
GREENFIELD	28,000	0	0	0
GREENVILLE	73,000	69,000	62,000	47,000
HEATH	47,000	45,000	40,000	30,000
HILLSBORO	39,000	37,000	33,000	0
HUBBARD	40,000	38,000	34,000	0
HURON	27,000	0	0	0
IRONTON	63,000	59,000	53,000	40,000
JACKSON	39,000	37,000	33,000	0
KENTON	49,000	46,000	42,000	31,000
LEBANON	70,000	67,000	60,000	45,000
LOGAN	39,000	37,000	33,000	0
LONDON	58,000	54,000	49,000	37,000
MARION	188,000	178,000	160,000	121,000
MARTINS FERRY	44,000	42,000	37,000	0
MARYSVILLE	71,000	67,000	60,000	45,000
MASON	62,000	0	0	0
MAUMEE	56,000	53,000	48,000	36,000
MEDINA	97,000	92,000	82,000	62,000
MILFORD	37,000	35,000	32,000	0
MOUNT VERNON	85,000	80,000	72,000	54,000
NAPOLEON	47,000	45,000	40,000	30,000
NELSONVILLE	38,000	36,000	33,000	0
NEW CARLISLE	31,000	0	0	0
NEW LEXINGTON	31,000	0	0	0
NEW PHILADELPHIA	86,000	81,000	73,000	55,000
NEWTON FALLS	27,000	0	0	0
NILES	99,000	94,000	84,000	64,000
NORTH RIDGEVILLE	70,000	66,000	59,000	45,000
NORTHWOOD	21,000	0	0	0
NORWALK	82,000	77,000	70,000	52,000
OBERLIN	31,000	0	0	0
ONTARIO	19,000	0	0	0
OREGON	79,000	75,000	67,000	51,000
ORRVILLE	43,000	41,000	37,000	0
PATASKALA	44,000	42,000	38,000	0
PERRYSBURG	40,000	0	0	0
PICKERINGTON	30,000	0	0	0
PIQUA	125,000	118,000	106,000	80,000
PORT CLINTON	36,000	34,000	30,000	0
PORTSMOUTH	146,000	138,000	124,000	93,000
POWELL	5,000	0	0	0
RAVENNA	70,000	67,000	60,000	45,000
RITTMAN	36,000	34,000	31,000	0
ROSSFORD	25,000	0	0	0
ST. CLAIRSVILLE	18,000	0	0	0
ST. MARYS	40,000	38,000	34,000	0

CDBG
BUDGET ALLOCATIONS

	FULL 2004	-5% 2005	-10% 2006	-25% prj'd 2007
SALEM	68,000	64,000	58,000	44,000
SHEFFIELD LAKE	37,000	35,000	31,000	0
SHELBY	47,000	45,000	40,000	30,000
SIDNEY	107,000	101,000	91,000	69,000
SPRINGBORO	32,000	0	0	0
STREETSBORO	49,000	46,000	42,000	31,000
STRUTHERS	69,000	65,000	59,000	44,000
SYLVANIA	53,000	0	0	0
TIFFIN	89,000	84,000	76,000	57,000
TIPP CITY	35,000	33,000	0	0
TORONTO	34,000	32,000	0	0
TROY	111,000	105,000	94,000	71,000
UHRICHSVILLE	38,000	36,000	32,000	0
UPPER SANDUSKY	31,000	0	0	0
URBANA	68,000	64,000	57,000	43,000
VAN WERT	58,000	54,000	49,000	37,000
VERMILION	43,000	41,000	37,000	0
WADSWORTH	72,000	68,000	61,000	46,000
WAPAKONETA	44,000	42,000	38,000	0
WASHINGTON C.H.	71,000	67,000	61,000	46,000
WAUSEON	36,000	34,000	31,000	0
WAVERLY	24,000	0	0	0
WELLSTON	39,000	37,000	33,000	0
WILLARD	46,000	43,000	39,000	0
WILMINGTON	62,000	59,000	53,000	40,000
WOOSTER	117,000	111,000	100,000	75,000
XENIA	140,000	132,000	119,000	90,000
ZANESVILLE	175,000	165,000	149,000	112,000
Total	**22,202,000**	**21,002,000**	**18,896,000**	**14,246,000**

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Community Development Block Grant Program
Funding Reduction Effects on Ohio

For Fiscal Year (FY) 2006 the state of Ohio received 10% less Community Development Block Grant (CDBG) Program funds than in the previous year. Recent projections indicate that the state will receive another 25% reduction in CDBG Program funds in FY 2007. The following is a summary of the effects that the Fiscal Year (FY) 2006 10% reduction and the projected FY 2007 25% reduction of Community Development Block Grant (CDBG) Program funds will have on Ohio.

Impact on Jobs

- According to the Coalition on Homelessness and Housing in Ohio, for every $10 million invested in Ohio's housing industry, 3,000 jobs are created and more than $74 million in wages are generated. As a result of the 10% reduction of CDBG funds, $700,000 of CDBG funds will not be distributed through the Community Housing Improvement Program in FY 2006 and, if the 25% reduction becomes a reality, the program allocation will be reduced by another $1,950,000 (a $2,650,000 reduction in just two years).

- During the past three years, the Office of Housing and Community Partnerships (OHCP) awarded 71 Economic Development Program grants and 16 Microenterprise Business Development Program grants, which were funded with CDBG Program funds, totaling more than $22.4 million, creating 2,568 jobs, retaining 1,290 jobs and leveraging more than $391 million. Due to the 10 percent reduction of CDBG funds for FY 2006, OHCP anticipates that, at a minimum 86 less jobs will be created, 43 less jobs will be retained and $13.3 million dollars will not be leveraged. In FY 2007, with a 25% reduction, another 192 jobs will not be created, 97 jobs will not be retained and $29.3 million will not be leveraged.

- During the past three years, OHCP has awarded more than $179 million of CDBG funds to complete 877 housing and community and economic development-related projects. Approximately 164 different counties and small communities administer the funds each year and employ individuals to operate the programs and contractors to complete the projects. A 35% percent reduction, over a two-year period, in CDBG Program funds will result in a significant reduction in the number of completed projects and the loss of income for many of these individuals.

Impact on Infrastructure

- The CDBG Program is a major funding source for the improvement of infrastructure in Ohio's smaller communities. For example, 1.2 million linear feet of street improvements, 389,588 linear feet of curbs and sidewalks and 3.1 million linear feet of water and sewer lines were installed or improved during the last three years. In many instances, the CDBG Program funds were the "gap" financing that enabled the projects to be completed.

  The FY 2006 10% reduction will decrease infrastructure improvements/installations in Ohio's smaller communities as follows:

  - 40,000 linear feet of street improvements will not be improved/installed;
  - 12,986 linear feet of curbs and sidewalks will not be improved/installed; and
  - 103,333 linear feet of water and sewer lines will not be installed/improved.

  The proposed FY 2007 25% reduction will further decrease infrastructure improvements/installations in Ohio's smaller communities as follows:

  - 90,000 linear feet of street improvements will not be improved/installed;
  - 29,219 linear feet of curbs and sidewalks will not be improved/installed; and
  - 232,500 linear feet of water and sewer lines will not be installed/improved.

Impact on Beneficiaries – Low- and Moderate-Income Ohioans

- As part of the grant award application and award process, OHCP requires eligible applicants to undertake long-range planning activities. For community development-related projects, applicants must complete a three-year Community Assessment Strategy (CAS); and for housing-related projects, applicants must complete a Community Housing Improvement Strategy (CHIS). The purpose of the planning requirements is to ensure that awarded funds are targeted, based on this planning process, to address the most critical needs of the low- and moderate-income persons living in the community. Because current funding levels do not allow all applications submitted to be funded, there are numerous low- and moderate-income persons who are unserved or underserved. Additional CDBG Program funding reductions will only increase this number.

Impact on Leveraged Dollars

- During the past three years, $179 million of Ohio Small Cities CDBG Program funds leveraged more than $662.7 million – more than a $1 to $4 leverage ratio. In many instances, the Ohio Small Cities CDBG Program was the only resource available to fill a "gap" in financing for these economic development, community development and housing projects. Without the "gap" financing, a majority of the projects would not have been completed. Therefore, a 35% reduction in the CDBG Program funds during the next two years will significantly reduce the amount of leveraged dollars invested in Ohio's infrastructure, housing and economic development projects.

Questions regarding the Ohio Small Cities CDBG Program should be directed to Leslie J. Warner, Office Chief, OHCP by telephone at (614) 466-2285 or by e-mail at lwarner@odod.state.oh.us

January 25, 2005

TO: Dianne Taylor, Executive Director, Council of State Community Development Agencies

FROM: Leslie J. Warner, Office Chief, Office of Housing and Community Partnerships (OHCP)

SUBJECT: Funding Reduction Effects on Ohio

As requested by the Council of State Community Development Agencies (COSCDA), attached is a summary of the effects that a 50 percent funding reduction in the Community Development Block Grant (CDBG) Program would have on the Ohio Small Cities CDBG Program.

The Ohio Department of Development's (ODOD's) Office of Housing and Community Partnerships (OHCP) is responsible for administering the Ohio Small Cities CDBG Program. With the funds, OHCP helps low- and moderate-income Ohioans by funding programs to improve economic development, housing and infrastructure in Ohio's smaller communities and to assist with emergency housing and related supportive services across the state. With OHCP awarded grants, communities plan and implement programs, based on local need, to create jobs and improve housing and infrastructure. A reduction in the CDBG Program funding level would have a significant impact on OHCP's CDBG-funded programs.

Impact on Local Programs

For example, during the past three years, CDBG Program funds have assisted more than 11.8 million low- and moderate-income Ohioans with an infrastructure, housing or employment need. Without the CDBG Program, many of these individuals would be forced to live in areas without safe drinking water or a way to properly dispose of sanitary waste; suffer from homelessness; or be unemployed.

For example, due to the assistance of OHCP, the Ohio Department of Health (ODH) and the Jackson County Water Company, Inc., Rita Ray can enjoy a long, cool drink of tap water. No big deal? It is for Rita and approximately 150 other residents of Jackson and Washington Townships in Jackson County.

In 1999, at the request of local residents, ODH tested 19 water wells in two unincorporated areas of Jackson County known as Ray and Byer, Ohio. Of those wells, three tested above acceptable federal maximum contamination levels for arsenic, five were at or above World Health Organization standards for arsenic contamination, and all of the homes tested positive for arsenic levels greater than normally found in a drinking water supply. Long-term exposure to arsenic may cause anemia, stomach pain, nausea and vomiting, circulatory difficulties, central nervous system problems and increased incidences of skin, bladder, liver and kidney cancers.

To help eliminate the arsenic contamination health hazard, OHCP granted Jackson County a total of $535,000 via three CDBG-funded programs -- the Formula Allocation Program ($80,000), the Imminent Threat Set-Aside Fund ($120,000) and the Water and Sanitary Sewer Program ($335,000). The project resulted in the installation of 62,000 linear feet of water lines to connect 55 households in Jackson and Washington Townships to the Jackson County Water Company system.

> "Everyone who assisted Jackson County with the Ray/Byer water project should be commended. It took a true partnership among everyone at the local, state and federal levels to get this project going and to make it a true success. It saddens me to know that there are many Jackson and Washington Township residents who are currently suffering from the effects of arsenic poisoning. However, this project has brought the need for safe water to the public's attention, and I hope that steps to correct this environmental hazard are embraced countywide." – Rita Ray

Impact on Jobs

If the Ohio Small Cities CDBG Program funding is reduced by 50 percent, approximately 12 ODOD employees will be terminated and five programs will be eliminated. Although the effect that such a reduction would have on external jobs and programs is difficult to determined, the domino effect would be significant based on the following factors:

- According to the Coalition on Homelessness and Housing in Ohio, for every $10 million invested in Ohio's housing industry, 3,000 jobs are created and more than $74 million in wages are generated.

- During the past three years, OHCP awarded 49 Economic Development Program grants and 17 Microenterprise Business Development Program grants, which were funded with CDBG Program funds, totaling more than $17 million, creating 3,192 jobs, retaining 535 jobs and leveraging more than $440 million. Based on the average of the three years, if CDBG Program funds are reduced by 50%, in one program year, at a minimum, 532 jobs would not be created, 89 jobs would not be retained and $73.3 million of funds would not be leveraged.

- During the past three years, OHCP has awarded more than $165 million of CDBG funds to complete 829 housing and community and economic development-related projects. Approximately 164 different counties and small communities administer the funds each year and employ individuals to operate the programs and contractors to complete the projects. A 50 percent reduction in CDBG Program funds would result in a significant reduction in the number of completed projects and the loss of income for many of these individuals.

Impact on Infrastructure

The CDBG Program is a major funding source for the improvement of infrastructure in Ohio's smaller communities. For example, 1.1 million linear feet of street improvements, 408,914 linear feet of curbs and sidewalks and 3.1 million linear feet of water and sewer lines were installed or improved during the last three years. In many instances, the CDBG Program funds were the "gap" financing that enabled the projects to be completed. A 50% reduction in the CDBG Program funds would result in, at a minimum, a 50% reduction in such improvements.

Impact on Beneficiaries

During the past three years, OHCP has received requests for CDBG dollars totaling more than $214 million to fund 963 projects. At the level of funding provided to OHCP for the CDBG-funded programs during that period, OHCP could only fund 829 projects, totaling more than $165 million. As a result, approximately 3.4 million low- and moderate-income persons with a housing, economic or community development need did not receive assistance. Therefore, a 50 percent reduction would not only affect those persons who would be assisted at the current funding level, but also those who are already underserved.

Impact on Leveraged Dollars

During the past three years, $165 million of Ohio Small Cities CDBG Program funds leveraged more than $720 million – more than a $1 to $4 leverage ratio. In many instances, the Ohio Small Cities CDBG Program was the only resource available to fill a "gap" in financing for these economic development, community development and housing projects. Without the "gap" financing, a majority of the projects would not have been completed. Therefore, a 50% reduction in the CDBG Program funds would also significantly reduce the amount of leveraged dollars invested in Ohio's infrastructure, housing and economic development projects.

Conclusion

OHCP believes that, at a minimum, the CDBG Program should be funded at the current funding level in order to continue to maintain safe, decent housing; improve infrastructure; and create jobs for Ohio's low- and moderate-income residents. A 50 percent reduction in the CDBG Program funds would, at a minimum, result in approximately 138 fewer economic development, community development and housing projects being completed, 1.9 million fewer low- and moderate-income persons being served and more than $120 million of leverage lost each year.

Questions regarding the enclosed information should be directed to me by telephone at (614) 466-2285 or by e-mail at lwarner@odod.state.oh.us or to Michael Hiler, OHCP Chief Financial Officer, at the same telephone number or by e-mail at mhiler@odod.state.oh.us.

LJW/MH/MD
Enclosure

Hocking. Athens. Perry Community Action Agency
11100 State Route 550
PO Box 340
Athens, OH 45701
800.686.1093/740.592.6601
740.592.4237 – FAX
Bob Garbo, Executive Director

Testimony for the Subcommittee on Housing and Community Opportunity Field Hearing

"Strengthening Rural Ohio: A Review of the Community Development Block Grant"

March 25, 2006

Hello. My name is Jessica Stroh and I am the Community Development Coordinator at Hocking. Athens. Perry Community Action, also known as HAPCAP, based in Athens, Ohio. HAPCAP has been administering CDBG funding in Hocking, Athens and Perry Counties for over seventeen years. Before I begin, I would like to thank Congressman Ney and the entire subcommittee on Housing and Community Opportunity for allowing small rural communities to have a voice on the proposed changes to the Community Development Block Grant program.

CDBG funding is unique and vital to our rural region. It is the only source of flexible funding that communities can access to address critical needs for low to moderate income neighborhoods and residents. CDBG leverages other funding for projects that could not otherwise be completed and the citizen participation component allows for projects to be selected and prioritized at a local level. CDBG funds provide the basic necessities of human life and are the building blocks needed for attracting businesses to our area. Safe, clean and sanitary water and sewer systems,

affordable housing and basic infrastructure are the driving force behind economic development in our region.

Unfortunately, since 2002, each county we serve has faced a steadily decreasing Formula allocation resulting in a 25% total reduction. An additional 25% cut, as proposed in the president's 2007 budget would further devastate low-income communities and residents. Rural areas are already at a disadvantage because they receive only one-third as much federal money for community resources as do urban areas. Continued reduction in CDBG would further limit opportunities for poverty stricken rural communities to create economic development.

In order to illustrate the impact of this cut, I would first like to offer some insight into each county's program. From 2000-2004, Athens County received more than $3.2 million in total CDBG funding and was able to leverage an additional $14.7 million that would not otherwise have been available. However, the countless needs in the County far outweigh the funds available. Athens County averages over $1 million in requests each year from local officials and organizations for Formula funding. With the proposed cuts, Athens County would receive only $155,000 in 2007, down from $276,000 in 2002. Obviously, there is already a major gap between the need and the money available to meet that need. Basic infrastructure should not be a luxury. Safe and sanitary water and sewer systems are a basic human right that each county strives to provide residents utilizing CDBG funding. As one resident in the Sunday Creek Valley Water District in Athens County wrote to her representatives last year, "We desperately need water. Until you have to live this way, you don't realize what a gift water is. My family can be poverty-level and get by. We, however, cannot keep going without water."

Perry County was able to undertake 29 community development projects leveraging an additional $8.5 million between 2000-2004. I am going to share the story of only one of these projects with you. After being awarded funds to create a park, a resident of the community of Congo, population 47, wrote, CDBG "is a wonderful program created by the government…because it does such a great deal of good for the smaller, forgotten communities" that have suffered from, "coal mining, logging, strip mining and in later years were left to die. Slowly, we hope to rebuild our community…to make a better place for our children to raise their children. …I am glad that you are helping to make our families' and community's struggle a little easier to maintain our heritage and the love for our community." As you can hear in her own words, CDBG helps residents gain a sense of pride in their communities.

Hocking County was able to complete 28 projects with the almost $800,000 in formula funding they received between 2000-2004. If the cuts take affect, Hocking County would receive a mere $94,000 in FY '07. Southeastern Ohio Counties already face larger challenges and higher costs when installing and maintaining critical infrastructure because of the unique topography and the rural nature of the communities. Once administration costs are paid and higher construction material expenses are taken into consideration, there will be little left. Hocking County would be devastated by the proposed cuts.

If these cuts are allowed to stand, housing stock and infrastructure, like water and sewer systems, will continue to deteriorate, communities will not be able to attract businesses, construction

companies throughout the region and administrative agencies, like HAPCAP, will have to lay off staff and finally, communities, like the little town of Congo, will lose hope and may fade away.

I know that the outcomes of this funding and its impact are not easily measured on paper. However, I witness the outcomes firsthand everyday. I see the impact a shelter house has on a community, the way a contractor goes the extra mile so that funding can be stretched and the faces on a family when they are finally able to purchase a home or access clean water. Just last year, we struggled to protect this money from cuts. The quality of life for residents in our area depends on CDBG. On behalf of the County Commissioners and other local officials, contractors and residents of Hocking, Athens and Perry Counties, I urge you to make CDBG a priority in the 2007 budget by not only maintaining funding, but by restoring it to its highest funding level so that we don't have to fight year after year to save this critical program.

Housing & Community Opportunity Subcommittee
March 25, 2006
Jackson-Vinton Community Action, Inc.
Cheryl Thiessen, Executive Director

I appreciate this opportunity to testify today. I am Cheryl Thiessen, Executive Director of Jackson-Vinton Community Action. Our agency serves the counties of Jackson (pop. 32,641) and Vinton (pop. 12,806) which are two small, rural, counties in the southeastern part of Ohio.

Our agency has provided services for over forty years and we strive to address the needs of the low-income families and individuals in our community. With shrinking resources and growing need due to tough economic hardships, including high unemployment, low skilled labor and higher cost of living, many of our families struggle daily to meet their basic needs.

Our agency provides a wide range of services to the poorest of the poor in our community through our Head Start Program, Home Weatherization Assistance Program (HWAP), Emergency HEAP, Ohio Works First and Enhanced Medicaid Transportation Services, and the Ohio Housing Trust Fund - Homelessness Prevention and Emergency Home Repair Programs.

We also operate a Health Clinic offering a sliding fee scale to ensure basic medical care is provided with funding through our Community Services Block Grant (CSBG) and a school-based Dental Sealant Program to 2nd and 6th grade students in the Vinton County and all three of the Jackson County School Districts and nutritional counseling and vouchers for nutritional foods through our Jackson County - WIC Program.

Since 1998 our agency has been involved in construction of Single-Family Housing as defined by HUD's definition for low-income households. In 2001 we were successful in securing a three year Rural Housing and Economic Development (RHED) Grant for $150,000 and in 2004 we secured a second three year grant for an additional $150,000 for increasing our staff capacity in housing and economic development activities. We currently have two full time staff in our housing department that is funded in part with the RHED funding. The role of the staff is to work with local entities to improve the housing quality within Jackson and Vinton counties and promote homeownership opportunities to low-income families by providing education and information on the various programs so they can achieve the "American Dream."

We provide emergency home repairs to low-income homeowners, the majority of these being elderly households. We work closely with local entities such as CHIP, USDA-Rural Development, Habitat for Humanity and the Ohio Department of Development. Utilizing HUD resources we provide counseling for credit issues, including budgeting and resolving outstanding debt. We provide counseling on Predatory Lending, and selection of a Lender. We also instruct the families on the importance of Home Maintenance and other housing related issues. Since 1998, our agency has constructed eighteen single-family houses and currently have five units in progress. We provide economic development opportunities by utilizing local vendors and contractors for the emergency home repairs and construction of our housing units.

Since being certified in 1993, by the State of Ohio, as a Community Housing Development Organization (CHDO) we have access to funding targeted to rural areas. However many of the grants do not provide administrative or operational funding to support the staff while completing the projects (i.e. our HDAP Grant). Without funding such as the Rural Housing and Economic

Development Program our agency would not be able to sustain our Housing Staff or complete the projects as we have in the past.

In 2004, we submitted an application for $55,000 to the Jackson County Commissioners for funding through the Community Development Block Grant (CDBG) Program for a waterline that would supply six low-income families along Dan T. Davis Road outside the Village of Oak Hill, Ohio and the houses in our project funded by the Ohio Department of Development – Housing Development Assistance Program. Our project, a ten unit single-family, stick built, subdivision marketed to families at 52%-73% (AMI) was currently under construction. Without a water supply from an approved source by the Ohio EPA our subdivision would be stalled.

We contacted several resources to assist with the funding needed for the waterline project on Dan T. Davis Road. However, most resources, such as USDA Rural Development, Ohio Valley Regional Development Commission and Economic Development Revolving Loan Program that offered funds for water or sewer, had regulations connected to economic development and increase in jobs or retention of jobs. Some of the other resources such as the local Community Housing Improvement Programs (CHIP) were already earmarked for other areas in the county.

With the current flexibility of the Community Development Block Grant the Jackson County Commissioners were able to fund a total of four projects for various activities. This included nearly $50,000 for the waterline for our subdivision, with our agency covering the balance of the cost. The Jackson County Commissioners also assisted the Village of Oak Hill with funds for extension of their sewer system, Jackson Co. Rural Water Co. for a pumping station which served low-income families in the rural area and another small project within the county.

In a rural community with no public transit system, substandard housing stock, high unemployment, lack of healthcare coverage and a shortage of living wage jobs many of our families have limited choices as to where they are able to live. And if they have credit issues many of the public housing authorities are now doing credit checks and a family with any credit issues are denied affordable housing. Many of these changes would make the local resources have to compete against each for the funding, instead of working together as an alliance.

The needs of our low-income families are growing everyday. Many of our programs have long waiting lists such as our Emergency Home Repair and Weatherization Programs because the funding level is inadequate. We need to increase funding resources to increase affordable housing opportunities for low-income families, not reduce it. Many of the local resources are already stretched too thin. Our staff would be willing to set up a tour of our poorest communities so you can see first hand the conditions that many of our families are forced to live in.

I thank Congressman Ney and members of the Housing & Community Opportunity Subcommittee for their hard work and commitment to "Strengthening Rural Ohio: A review of the Community Development Block Grant Program."

I am willing to clarify any comments of my testimony or answer any questions that you may have. My office number is (740) 384-3722 Ext. 11. Thank you for allowing me to testify today.

I am John Walker, Hocking County Commissioner

I became aware of CDBG in 2003 when as a Falls Township Trustee we applied for a grant. As a trustee and now a commissioner I have seen first hand the need to continue these grants due to the limited resources of funds that townships, the city and villages have to assist with many projects that are in dire need to the people of Hocking County.

I believe in 2002 Hocking County received approximately $160,000. compared to $138,000. in 2005. As our state and federal funds are cut the cost of service and materials continue to escalate.

During past years, the money received by Hocking County has funded numerous projects for townships and the City of Logan. Some of these projects have included – guardrail for roads, fire stations, fire equipment, curbs and sidewalks, storm sewer improvements, vehicles, water lines, resurfacing township roads, rehab buildings.

If funding is cut, townships would suffer greatly.

On behalf of the citizens of Hocking County, I strongly urge you to continue these much needed programs.

Thank you.

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