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An Overview of the Administration's Strengthening America's Communities Initiative

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Summary

On February 7, 2005, the Bush Administration released its budget recommendations for FY2006. Included in the budget was a proposal that would consolidate the activities of at least 18 existing community and economic development programs into a two-part grant proposal called the "Strengthening America's Communities Initiative." As outlined by the Administration, the proposal would realign several, but not all, federal economic and community development programs. Responsibility for the programs now being carried out by five federal agencies would be transferred to the Commerce Department, which presently administers the programs of the Economic Development Administration. The Department of Commerce would administer the core program and a bonus program, which would award additional funds to communities that demonstrated efforts to improve economic conditions. The Administration has offered a general outline of the new programs, but it has not yet submitted a detailed proposal for congressional consideration. It has stated that the new program will emphasize flexibility, will be results oriented, and will be targeted to communities based on need.

Many of the 18 programs recommended for elimination and whose activities would be consolidated under the Administration's proposal have been judged by the Administration to be ineffective, unable to demonstrate results, or duplicative of the efforts of other federal programs, according to an Office of Management and Budget (OMB) evaluation that applied OMB's Program Assessment Rating Tool (PART). The Administration proposal would reduce aggregate funding from $5.6 billion in FY2005 for the programs proposed for consolidation to $3.7 billion in FY2006. The programs cited for consolidation are administered by five agencies — the Department of Housing and Urban Development, the Economic Development Administration in the Department of Commerce, the Department of the Treasury, the Department of Health and Human Services, and the Department of Agriculture. Several congressional committees may claim some level of jurisdiction over the programs proposed for consolidation. The agency that would be most affected by the proposal is the Department of Housing and Urban Development (HUD). Programs administered by HUD account for nearly 81% of the $5.6 billion in FY2005 funding. The agency's Community Development Block Grant (CDBG) formula grants represent 74% of the total. As a general observation, the majority of program funds proposed for consolidation are allocated to local governments, particularly metropolitan-based communities, principally through two block grants — CDBG and Community Services Block Grant (CSBG). These two formula-based block grants account for 85% of the total funding proposed for consolidation. Other programs whose activities would be consolidated provide assistance to nonprofit organizations, particularly community development corporations.

On April 28, 2005, the House and Senate approved H.Con.Res. 95, the concurrent budget resolution for FY2006. It assumes that the 18 programs targeted by the Administration for consolidation will be funded in FY2006 at the FY2005 funding levels. This report will be updated as the Administration offers new details and as Congress reviews the proposal.

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The Administration's Proposal

The Bush Administration's FY2006 budget request includes a proposal that would consolidate at least 18 existing community and economic development programs[1] into a two-part "Strengthening America's Communities Grant." The proposed base program would award funds in support of job creation and economic development. According to Administration documents, the core program would use job loss, unemployment, and poverty as criteria when determining eligibility.[2] A bonus program (Economic Development Challenge Fund) modeled after the Millennium Challenge Account[3] would allocate additional grant funds to low income communities that have demonstrated efforts to improve economic conditions. As of this writing, the Administration has not proposed new legislative authority for this initiative, nor has it released such details as the following:

- eligible recipients;
- method of distributing funds;
- requirements for matching funds or leveraging;
- criteria for awarding bonus funds;

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[1] The Administration's budget documents identify 18 programs to be included in the consolidation proposal. They include several programs under a single program or agency heading instead of identifying specific programs. Distinguishing these smaller set-asides from the core programs would yield 23 rather than 18 programs proposed for consolidation. For instance, the Administration does not identify separately the four programs administered by the Economic Development Administration that are proposed for consolidation, but groups all of these programs under the agency. The Administration only includes funding for the Neighborhood Initiative Grants and Economic Development Initiative Grants, both congressional earmarks, when calculating the amount of CDBG set- aside funds that would be consolidated under its proposal. It does not include FY2005 funding for all remaining CDBG set-asides or earmarks. These include Housing Assistance Council ($3.3 million), National American Indian Housing Council ($2.4 million), National Housing Development Council ($4.8 million), National Council of LaRaza ($4.8 million), Technical Assistance ($1.4 million), and Working Capital Fund ($3.5 million).

[2] White House Office of Management and Budget, "President Bush Proposes Strengthening America's Communities Initiative," available online at [http://www.commerce.gov/SACI/Talking%20Points_Strengthening%20Communities%20FINAL%202-03-05.pdf], visited Feb. 22, 2005.

[3] For information about the Millennium Challenge Account, see [http://www.mca.gov/compacts/guidance/Compact_Proposal_Guidelines_en.pdf], visited Feb. 22, 2005.

- performance measures for evaluating program effectiveness; and
- process for transition from existing programs to the new program.

In proposing the consolidation of various community development, community service, and economic development programs, the Administration contends the programs whose activities would be consolidated:

- have been judged to be ineffective, to be unable to demonstrate results, or to duplicate the efforts of other programs;

- have unclear long-term objectives and are not focused on long-term community outcomes; and

- include "many communities" that no longer need the assistance, undermining the purpose of some programs — to help distressed communities.

Using the Community Development Block Grant (CDBG) program to illustrate the point, the Administration contends that 38% of the program's funds currently are allocated to communities and states with poverty rates below the national average. This contention has drawn criticism from observers of the CDBG program. They argue that using the national poverty rates as a basis for comparison masks the community development needs of jurisdictions that have significant pockets of poverty and urban blight even though their poverty rates may be less than the national average.[4] When challenging the Administration's assertion concerning the lack of need among such communities, supporters of the program could note that when Congress designed the CDBG program and its grant allocation criteria and formula, the intent was to award funds to states and communities based on such objective measures as the state or community's relative share of poverty, housing overcrowding, aged housing stock, and population growth rates. Thus, states and communities with relatively greater community development needs, as measured by the formula factors, arguably receive a greater percentage of funds per capita than communities with lesser community development needs. Moreover, CDBG supporters also note that Congress requires each state and entitlement community to allocate at least 70% of its funds to activities benefitting low- and moderate-income persons.[5]

A recently completed study conducted by HUD on the effects of the 2000 Census on the allocation of CDBG funds noted that although funding anomalies exist, in general, the formula still provides more dollars per capita to needier communities than to less needy communities.[6] The study noted that some

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[4] U.S. Congress, House Committee on Government Reform, Subcommittee on Federalism and the Census, "*Strengthening America's Communities — Is It the Right Step Toward Grater Efficiency and Improved Accountability?*", statement of James C. Hunt on behalf of the National League of Cities, hearing, 109th Cong., 1st sess., Mar. 1, 2005.

[5] 42 U.S.C. 5303(b)(3)(A)

[6] U.S. Department of Housing and Urban Development, Office of Policy Development and (continued...)

communities with similar need received different allocations, but, it also noted that for the 10% of communities with the greatest need, the per capita CDBG allocation was four times greater than for the 10% of communities with the least need. In addition, the HUD study proposed several optional formulas intend to fine tune the program's targeting of funds.[7]

Program Assessment Rating Tool (PART)

In 2004, the Administration began using its Program Assessment Rating Tool (PART) to evaluate the effectiveness of federal programs.[8] According to the Administration, it subjected 607 programs to the PART review process and found that 33% of those programs received a score of "ineffective" or "results not demonstrated." The Administration's PART process is not without its critics. While some observers view the PART as an extension of the Government Performance and Results Act (GPRA) designed to ensure that activities of federal agencies have measurable outcomes, critics of the PART view it as political tool that shifts power from Congress to the President. Some critics of the PART also ask whether programs are reviewed in a consistent and value-neutral way. OMB Watch, for instance, contends that the FY2006 PART outcomes are biased "against programs that operate through grants, whether competitive grants or block grants."[9] "Of the programs rated "ineffective and zeroed out completely," adds OMB Watch, "89% are competitive or block grants."[10]

According to the Administration, of the 607 programs subject to its PART review, the eight programs listed in Table 1, below, were among those proposed for consolidation in the Administration's "Strengthening America's Communities Initiative."[11] Three of the eight programs were rated "moderately effective" or "adequate" while the remaining five were judged as "ineffective" or "results not demonstrated." Critics note that 10 of the programs included in the Administration's proposal have not been subject to PART review. Conversely, the Administration may claim that the programs that have been reviewed comprise more than 90% of the total FY2005 funding level for the programs included in the Administration's proposal.

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[6] (...continued)
Research, *CDBG Targeting to Community Development Need*, Feb. 2005, p. x.

[7] Ibid., p. 61.

[8] For a review and analysis of the Administration's PART, see CRS Report RL32663, *The Bush Administration's Program Assessment Rating Tool (PART)*, by Clinton Brass.

[9] OMB Watch, "Budget Includes Anti-Regulatory Proposal," available online at [http://www.ombwatch.org/article/articleview/2657/1/308?TopicID=1], visited Feb. 24, 2005.

[10] Ibid.

[11] Office of Management and Budget, *Major Savings and Reforms in the President's FY2006 Budget*, Feb. 11, 2005, p. 6, available at [http://www.whitehouse.gov/omb/budget/fy2006/pdf/savings.pdf], visited Mar. 15, 2005.

Table 1. PART Score for Selected Programs Included in the Economic Development Consolidation Proposal

Program	FY2006 PART Score
Community Development Block Grant (formula grants)	ineffective
Rural Housing and Economic Development	ineffective
National Community Development Initiative	moderately effective
Economic Development Administration	moderately effective
Community Development Financial Institutions Fund	adequate
Rural Business Enterprise Grants	results not demonstrated
Bank Enterprise Award	results not demonstrated
Community Services Block Grants (CSBG)	results not demonstrated

Source: Office of Management and Budget, Program Assessment Rating Tool, available at [http://www.whitehouse.gov/ omb/budget/fy2006/part.html], visited March 15, 2005.

Congressional Jurisdiction and Action

The programs whose activities would be consolidated under the new block grant proposal are administered by five agencies: the Department of Housing and Urban Development, the Economic Development Administration in the Department of Commerce, the Department of the Treasury, the Department of Health and Human Services, and the Department of Agriculture. Several congressional committees may claim some level of jurisdiction over the programs proposed for replacement. In the House, jurisdiction for the programs included in the proposal has been exercised by four subcommittees of the House Appropriations Committee and by at least six standing committees with authorizing or oversight responsibilities. In the Senate, in addition to the Appropriations Committee, at least four committees have exercised jurisdiction over some aspect of the Administration's proposal.

Budget Resolution. The House and the Senate passed their respective versions of the nonbinding concurrent budget resolution on March 17, 2005. The House version was approved by a vote of 218 to 214 (Roll Call Vote 88). The report accompanying H.Con.Res. 95, H.Rept. 109-17, includes language that would provide an additional $1.1 billion in funding for the Community and Regional Development budget function (450) to "accommodate higher appropriations for programs such as the Community Development Block Grant. The resolution makes not assumption regarding the implementation of the President's Strengthening America's Communities Block Grant or transferring the Community Development Block Grant program from the Department of Housing and Urban Development to the Department of Commerce."[12]

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[12] United States Congress. House Committee on the Budget. Concurrent Resolution on the (continued...)

The Senate version of the concurrent budget resolution, S.Con.Res. 18, includes an amendment (SA 230), approved by a vote of 68 to 31 (Record Vote No. 66) that would restore $2 billion in funding the CDBG and related programs that would be eliminated under the Administration's economic development proposal.

On April 28, 2005, the House and Senate approved the conference version of the budget resolution, H.Con.Res. 95 and its accompanying report (H.Rept. 109-62). The conference version of the budget resolution assumes an increase of $1.5 billion above the President's request for the community and regional development budget function. According to the manager's statement in the accompanying conference report, the increase is "to maintain economic and community development programs such as CDBG at 2005 levels." The conference report also notes that budget resolution assumes an increase of $0.6 billion above the President request to fund the Community Services Block Grant at its 2005 funding level. It should be noted that the budget resolution is a nonbinding blueprint for the appropriation committees who will now consider appropriation levels for specific program, including whether to fund the President's new economic development proposal or any of the 18 existing programs that the proposal would replace.

Table 2. Congressional Committees Which Have Exercised Jurisdiction Over Programs Included in the Consolidation Proposal

House	Senate
Appropriations Committee • Subcommittee. on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies • Subcommittee on Labor, Health and Human Services, Education, and Related Agencies • Subcommittee on Science, State, Justice, Commerce, and Related Agencies • Subcommittee on Transportation, Treasury, Housing and Urban Development, the Judiciary, and the District of Columbia	**Appropriations Committee** • Subcommittee on Agriculture, Rural Develoment, and Related Agencies • Subcommittee on Commerce, Justice, and Science • Subcommittee on Labor, Health and Human Services, Education, and Related Agencies • Subcommittee on Transportation, Treasury, the Judiciary, and Housing and Urban Development

[12] (...continued)
Budget — FY2006, report to accompany H.Con.Res. 95. 109th Cong., 1st sess. H. Rept. 109-17 (Washington: GPO, 2005. p. 18-19.

House	Senate
Authorizing Committees • Committee on Agriculture • Committee on Financial Services • Committee on Government Reform • Committee on Transportation and Infrastructure	**Authorizing Committees** • Committee on Banking, Housing, and Urban Affairs • Committee on Commerce, Science, and Transportation • Committee on Environment and Public Works

On March 1, 2005, the House Government Reform's Subcommittee on Federalism and the Census held a hearing on the Administration's consolidation proposal. Witnesses included Administration officials from the Department of Housing and Urban Development, the Office of Management and Budget, and the Department of Commerce, and officials from organizations representing local governments.[13] Administration witnesses testified that the fragmented nature of the 18 programs reduces coordination, encourages duplication, and may provide assistance to communities that have sufficient resources and modest needs at the expensive of communities with the greatest needs. It was also mentioned that most of the approximately 1,100 communities currently eligible for CDBG would be eligible under the proposed base and bonus programs, with the aim of "graduating" the wealthiest communities from the program. Noting that the proposal was a work in progress, the witnesses for the Administration outlined broad concepts that could be important components of its proposal. One witness noted that the March 1, 2005, *Federal Register* includes a notice concerning the formation of an advisory panel to assist in the development of a formal legislative proposal.

Witnesses representing the interests of local governments voiced unanimous opposition to the Administration's proposal. Among concerns they raised during the hearings was the lack of consultation by the Office of Management and Budget in the development of the proposal. They were briefed on the proposal after it had been developed. Representatives of local governments also objected to:

- transferring of the community development function to the Department of Commerce, particularly from the Department of Housing and Urban Development, whose CDBG component represents 74% of the funds that would be terminated under the new program;

- reducing program funding; and

- narrowing the focus of the new program to economic development and job creation at the expense of the wider mission of the CDBG program.

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[13] Organizations representing the views of local officials included U.S. Conference of Mayors, National Association of Counties, National League of Cities, and National Community Development Association.

In addition, witnesses objected to the Administration's contention that some percentage of communities currently eligible for CDBG should be removed as grant recipients because their poverty rates are below the national average. They countered that using the national poverty rate as a basis for comparison does not recognize that communities whose poverty rates fall below the national average may have substantial pockets of poverty. According to the Census Bureau's poverty estimates for 2000, the national poverty rate was 12.4%, excluding the population living in institutions, college dormitories, and other group quarters. If the 2000 national poverty rate were used as a qualifying threshold for eligibility, 18 states and Puerto Rico, 35 urban counties, and approximately 541 entitlement cities would be eligible.[14] The 576 entitlement cities and urban counties whose poverty rates meet or exceed the national poverty rate of 12.4% represent 51% of the approximately 1,130 communities currently receiving CDBG formula grant allocations. Thus, using the national poverty rate as a threshold for eligibility would result in approximately half of the current CDBG-eligible communities qualifying for the new program. It should be noted that the Administration has stated that poverty is but one factor that will be considered in determining program eligibility, and that other criteria such as unemployment and income may be used as eligibility criteria allowing additional communities to qualify for the new program.

Current Distribution of Funds Proposed for Consolidation

The FY2005 aggregate budget authority for programs included in the Administration's consolidation proposal is $5.615 billion. Most of these funds, 81%, are administered by HUD's Office of Community Planning and Development (See Figure 1). The proposed cuts, coupled with proposed increases in other programs within HUD, would reduce the agency's total budget by 10.9%, from $32 billion to $28.5 billion. Critics maintain that the change would reduce the agency's role in encouraging solutions to the Nation's housing and community development problems, one of the key components of the agency's mission (42 U.S.C. 3531). Such activities would be transferred to the Commerce Department and would be funded at $3.7 billion. The $3.7 billion represents 65% of the total funding appropriated in FY2005 for the programs proposed for consolidation. The Administration argues that many of these programs are ineffective or duplicate the efforts of other programs.

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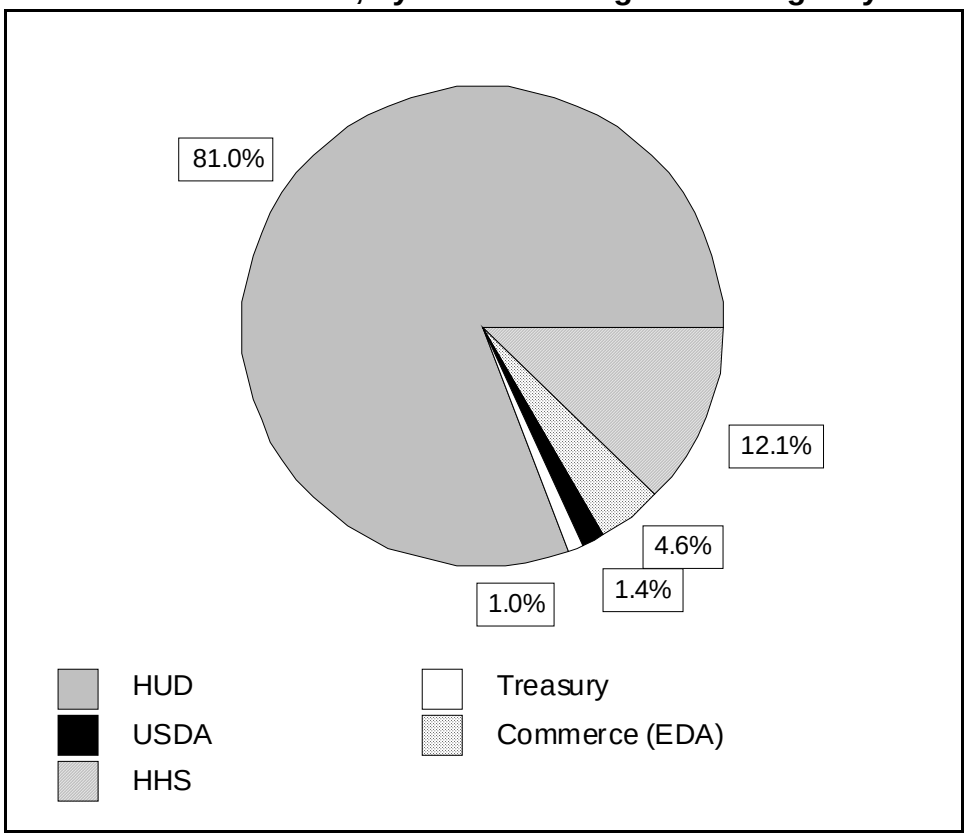
[14] U.S. Census Bureau, *Income and Poverty in 1999, Census 2000 Summary File 3 (SF3) Sample Data, United States — County by State, and for Puerto Rico,* available at [http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geo_id=&-ds_name=DEC_2000_SF3U&-lang=en&-mt_name=DEC_2000_SF3_U_GCTP14_US25&-format=US-25&-CONTEXT=gct], visited Mar. 15, 2005, and *Income and Poverty in 1999, Census 2000 Summary File 3 (SF3) Sample Data, United States — Places and County Subdivisions with 50,000 or More Population and for Puerto Rico,* available online at [http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geoid=&-ds_name=DEC_2000_SF3_U&-_lang=en&-mt_name=DEC_2000_SF3_U_GCTP14_US25&-format=US-25&-CONTEXT=gct], visited Mar. 15, 2005, and *Census 2000 Demographic Profile Highlights Fact Sheet*s available online at [http://factfinder.census.gov/servlet/SAFFFacts?] visited Mar. 15, 2005.

Figure 1. Percent Distribution of FY2005 Appropriations for Community and Economic Development Programs Proposed for Consolidation, by Administering Federal Agency



CDBG Formula Grants. The proposed consolidation and the concurrent reduction in funding from $5.615 billion to $3.7 billion would significantly affect the formula portion of the CDBG program. Of the programs proposed for consolidation, CDBG formula grants account for 74% of the $5.615 million in aggregated FY2005 appropriations (See Table 3). The proposed $3.7 billion in FY2006 appropriations for the President's new program would be $450 million less than the CDBG formula grant's current FY2005 appropriation of $4.15 billion. This would be an 11% reduction in the formula portion of the CDBG program. Opponents of the change maintain that because CDBG is the largest source of federal assistance for community and economic development and neighborhood revitalization activities, changing or eliminating the program would affect not only the 1,168 state and local governments that receive direct allocations, but it would also affect the thousands of nonprofit subrecipients of CDBG funds, including community development corporations, community action agencies, and faith-based organizations. The Administration has noted that it is committed to ensuring that the new program will continue to provide local governments with a high degree of flexibility, but it will also require that communities demonstrate measurable results.

Policy Questions

Among the questions the Administration's initiative poses are the following:

- why has the Administration chosen to undertake a new program rather than strengthen existing programs such as CDBG and CSBG;

- how will eligibility for the new grants be determined and how will it differ from existing programs that may have divergent recipients, such as CDBG (which allocates funds to states and local governments) and the Community Development Financial Institutions Fund (which competitively awards funds to financial institutions involved in community development lending in underserved areas);

- how will the new program differ in its approach from the CDBG program, which is the largest component of the programs that would be consolidated;

- what formula factors will be used to distribute funds, and how will they differ from the targeting requirements of the CDBG formula;

- how will the new bonus program work; and

- what performance measures will be used to evaluate program effectiveness?

Table 3. Distribution of Funds Proposed for Consolidation

Program	FY2005 Appropriations (in millions of $)	Percent of FY2005 Total
Community Development Block Grant (formula)	$4,150.0	74.0
Community Development Block Grant Set-Asides	302.0	5.4
Community Development Block Grants Section 108 Loan Guarantees	6.0	0.1
Brownfields Economic Development Initiative	25.0	0.43
Urban Empowerment Zones	10.0	0.18
Rural Housing and Economic Development	25.0	0.43
National Community Development Initiative	30.0	0.5
Economic Development Administration	257.4	4.6
Community Development Financial Institutions Fund	55.0	1.0
Bank Enterprise Awards Program	(10.0)	
Rural Business Enterprise Grants	40.0	0.71
Rural Business Opportunity Grants	3.0	0.05
Economic Impact Initiative Grants	23.0	0.4
Rural Empowerment Zones	12.0	0.2
Community Services Block Grants and Related Programs (CSBG)[a]	676.7	12.1
Community Services Block Grants	(636.8)	(11.3)
Community Economic Development	(32.7)	(0.6)
Job Opportunities for Low-Income Individuals (JOLI)	(5.4)	
Rural Community Facilities	(7.2)	(0.1)
Total	$5,615.1	100.0[b]

Note: A program in italics is a component of the program preceding it in roman type.
a. Although they are considered CSBG-related programs, the Community Food and Nutrition Program and the National Youth Sports Program are not included in the calculations for the President's Initiative. The Administration stated that activities funded by these programs duplicate existing programs of the Department of Agriculture's Food and Nutrition Service, and the Social Service Block Grant, respectively.
b. Funding does not add up to 100% due to rounding.

Profile of Programs Proposed for Consolidation

The following table includes brief profiles of programs proposed for consolidation under the Administration's Strengthening America's Communities Initiative proposal. The table lists for each program included in the consolidation proposal: (1) its FY2005 funding level; (2) the type of recipients eligible for program funds; (3) the type of assistance provided by the program (formula grants, project grants, loans, loan guarantees); and (4) the method used to award or allocate assistance. As a general observation, the majority of program funds proposed for consolidation are currently allocated to local governments, particularly those within metropolitan areas, through two block grants — CDBG and Community Services Block Grants (CSBG). In addition, a number of programs provide direct assistance to nonprofit organizations, particularly community development corporations, which may also receive or administer funds as subrecipients.

Table 4. Profile of Community and Economic Development Programs Proposed for Consolidation

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Department of Housing and Urban Development			
Community Development Block Grants Formula-based block grants allocated to states and local governments in support of neighborhood revitalization, economic development, and housing activities. Communities may use block grants to support 23 categories of eligible activities. 70% of funds must be used on eligible activities and projects that principally benefit low- or moderate-income persons.	$4,150.0	50 states, Puerto Rico, metropolitan-based entitlement communities (metropolitan cities with populations of 50,000 or more and urban counties). In FY2005, there were 1,032 entitlement communities. $7 million is set aside for insular areas including Guam, American Samoa, and the Virgin Islands.	**Formula-based block grants.** Funds are distributed to states and local governments based on the higher yield from one of two needs-based formulas. (1) 30% of funds are allocated to states for distribution to communities that do not receive a direct allocation. States receive funds based on one of two formulas: — Formula A allocates funds based on each state's share of population, poverty, and overcrowded housing; — Formula B allocates funds based on each state's share of poverty, housing built before 1939, and population. (2) 70% of funds are allocated to entitlement communities based on one of two formulas: — Formula A allocates funds based on each entitlement community's share of population, poverty, and housing built before 1939 (age of housing); — Formula B allocates funds based on each entitlement community's share of poverty, overcrowded housing, and the lag in population growth.
CDBG set-asides	$302.0[a]		**Project grants.**
Neighborhood Initiative	*($41.0)*	*Congressionally selected community development corporations.*	*Congressionally earmarked funds allocated to a diverse group of recipients. Program was originally targeted to community development corporations involved in neighborhood revitalization.*

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Economic Dev. Initiative	*($261.0)*	*No specific criteria establishing eligibility for funding.*	*Congressionally earmarked grant funds allocated to diverse groups of recipients including universities, community colleges, nonprofit entities, local governments. Funds are used in support of a variety of activities including recreation, literacy, historic preservation, job training, feasibility studies, public services. No specific list of eligible activities.*
National Community Development Initiative (Living Cities) Program supports local community development corporations involved in neighborhood revitalization.	$30.0	Local Initiative Support Corporation and the Enterprise Foundation (national nonprofit intermediaries). The two nonprofit intermediaries support neighborhood revitalization efforts of local community development corporations. More than 300 community development corporations in 23 selected cities have been involved in the program.[b]	**Project grants.** Federal funds are used in coordination with investments from foundations and corporations in support of redevelopment efforts in distressed urban neighborhoods. Working through two national intermediaries, the Local Initiative Support Corporation and the Enterprise Foundation, local community development corporations receive technical and financial assistance in support of their revitalization efforts. More than $250 million in private sector funds from 14 participating corporate and foundation entities have been used in the program since its inception in 1991.
Brownfields Econ. Dev. Initiative (BEDI) Funds are use to reclaim contaminated sites for adaptive reuse.	$25.0	State and local governments are direct recipients of funds. Subgrantees or beneficiaries may include businesses or nonprofits involved in job creation activities.	**Project grants.** BEDI funds must be used in coordination with CDBG Sec. 108 loan guarantees. These grants and the accompanying Sec. 108 loan guarantees must be consistent with a community's CDBG plan and must meet the same income targeting requirements as the CDBG program. In 2004, HUD selected 17 communities to received $24.6 million in BEDI grants and $119 million in loan guarantees.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Rural Housing and Econ. Dev. Grants Grants are awarded for two categories of activities: (1) capacity building; and (2) support for innovative housing and economic development activities. Grants are limited to $150,000 under the first category, and $400,000 under the second category.	$25.0	Local rural nonprofits, community development corporations, state housing finance agencies, state community and economic agencies, and federally recognized Indian tribes.	**Project grants.** Applications are evaluated and rated based on five rating factors: (1) Capacity of the applicant and relevant organizational experience (25 points); (2) Need and extent of the problem (25 points); (3) Soundness of approach (25 points); (4) Leveraging resources (10 points); and (5) Achieving program results and evaluation (15 points). Grants are awarded to applicants securing the highest scores.
Urban Empowerment Zones Round II Grants Awarded to the 15 designated communities for use in conjunction with economic development activities consistent with the strategic plan of each empowerment zone.	$10.0	15 urban empowerment zones designated as a result of a competition.[c]	**Project grants.** For FY2005, each zone received $666,666 for use in conjunction with economic development activities consistent with the communities' strategic plans.
CDBG Sec. 108 Loan Guarantees Allow states and CDBG entitlement communities to borrow up to five times their annual CDBG allocations to finance eligible large-scale economic development projects.	$6.0 in credit subsidies in support of $282.0 in loan guarantee commitments	CDBG entitlement communities and states on behalf of nonentitlement communities are direct recipients of funds. Subgrantees or beneficiaries may include nonprofits and for-profit entities involved in job creation activities.	**Loan guarantees.** Open application process. Applications are reviewed by HUD to determine compliance with national objectives of the CDBG program and feasibility of the project. Among the factors used to assess loan risk are the following: (1) the length of the proposed repayment period; (2) the ratio of expected annual debt service requirements to expected annual grant amount awarded to the state or entitlement community; (3) the likelihood that the public entity or state will continue to receive CDBG assistance during the proposed repayment period; (4) the public entity's ability to furnish adequate security; and (5) the amount of program income the proposed activities are reasonably expected to contribute to repayment of the guaranteed loan.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Department of Commerce			
Economic Development Administration (EDA) Agency administers several economic development programs, including public works grants for upgrading infrastructure, planning, and trade adjustment assistance. Eligible projects must:(1) improve the opportunities for business creation or expansion; (2) assist in the creation of additional permanent private-sector jobs; or (3) benefit low-income persons including those who are unemployed or underemployed.	$257.4	Economic Development Districts (EDD) (multi-county organizations established to promote economic development and job creation). EDA provides assistance to 327 EDDs. The areas designated as EDDs must meet one of three criteria: (1) low per capita income; (2) unemployment higher than national average; (3) sudden economic dislocation or persistent and long-term economic distress. Funds may also be awarded to states, cities, and other political subdivisions and other organizations.	**Competitive grants.** Generally, EDA administers a number of competitive project grants. Grants may not exceed 50% of the cost of the project. Projects meeting certain specified criteria and for areas characterized as severely depressed may be eligible for additional funding not to exceed 30% of the cost of the project. Projects must be located in economically distressed areas including those experiencing high unemployment or low incomes. Priority is given to projects: (1) in areas with persistently high rates of poverty; (2) involving previously unserved distressed areas and applicants; (3) involving innovative partnerships and private investment leveraging; (4) that support sub-state regional networks and collaborations; and (5) in areas undergoing significant economic downturns and dislocations.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Department of Agriculture			
Rural Business Enterprise Grants	$40.0	Grants to small and emerging businesses; expansion of rural distance learning networks; job training related to potential employment for adult students; nonprofit organizations for provision of technical assistance to rural communities for improving transportation services. A rural area is defined as a city, town, or unincorporated area that has a population of 50,000 or less and is not an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 persons.	**Competitive grants.** Preference given to: (1) projects located in communities with a high percentage of the population with low incomes; (2) projects that will save existing jobs; (3) projects that will create jobs; and (4) projects located in areas with a high unemployment rate.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Rural Business Opportunity Grants	$3.0	Grants to public bodies, nonprofit organizations, Indian tribes, and cooperatives for training and assistance to rural businesses, economic planning for rural areas, and training for rural entrepreneurs. A rural area is defined as a city, town, or unincorporated area that has a population of 50,000 or less and is not an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 persons.	**Competitive grants.** Grant selection criteria include the extent to which: (1) economic activity generated by the project is sustainable; (2) the project leverages funds from other sources; (3) the project will induce additional economic benefits; (4) the targeted community has experienced long-term population or job loss; (5) the proposed project will serve a community that may be experiencing economic trauma due to natural disaster, base closure, or exodus or downsizing by a major employer; (6) the project would be located in a community that may be characterized as chronically poor.
Economic Impact Initiative Grants	$21.0	Essential community facilities in economically depressed rural communities with high unemployment and/or significant out-migration.	**Competitive grants.** Funding through directed spending of appropriations to the Community Facilities account of the Rural Community Advancement Program.
Rural Empowerment Zones/Enterprise Communities Program (EZ/EC)	$12.0	Communities with high unemployment and poverty that have been designated as Empowerment Zones and Enterprise Communities through a competitive process.	**Loans and grants.** Discretionary appropriations to the EZ/EC program account for designated EZ/EC communities. Additional funding may also be provided through directed spending of appropriations to the Rural Community Advancement Program ($22.2 million in FY2005, including funding for the Rural Economic Area Partnership areas). Directed spending of appropriations to other USDA Rural Development programs may also affect the EZ/EC programs.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Department of the Treasury			
Community Development Financial Institutions Fund (CDFI)[d] The Fund has several components proposed for consolidation. They are listed below and include the CDFI program, the BEA program, and the Native Initiative. The purpose of the Fund is to provide credit and investment capital to community-based organizations in distressed urban and rural areas. The Fund's programs also encourage banks and thrifts to expand their activities in distressed communities. The programs provide training and technical assistance to qualifying financial institutions.	$55.0	Organizations that qualify as a CDFI must meet specific eligibility criteria. Entities must submit applications for certification to the Fund. In FY2004, 68 financial assistance awards, totaling $46.7 million, and 80 technical assistance awards, totaling $3.6 million, were made to CDFIs.	**Competitive grants.** Financial and technical assistance is provided in the form of grants, loans, equity investments, and deposits. Applicants participate in a merit-based qualitative application and selection process. Funding decisions are based on pre-established evaluation criteria. Assistance agreements can include performance goals, matching funds requirements, and reporting requirements.
Bank Enterprise Award Program (included in CDFI Fund)	($10.0)	Insured depository institutions; in FY2004, 49 FDIC-insured institutions received $17 million in BEA Program awards.	**Competitive grants.** Applicants participate in the BEA Program through a competitive process which evaluates applications based on the value of their increases in certain qualified activities. Participants receive award proceeds only after successful completion of the specified qualified activities.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Native Initiatives (included in CDFI Fund)	($4.0)	Existing and emerging CDFIs serving Native American, Alaska Native, and Native Hawaiian communities; in FY2004, 41Native Initiative awards were made, totaling $8.5 million.	Same as for the CDFI Program.
Department of Health and Human Services			
Community Services Block Grants	$636.8	50 states, Puerto Rico, Indian tribes, and the territories of Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands.	**Formula block grants.** HHS is required under the CSBG Act to reserve 1.5% of appropriated funds for training and technical assistance and other administrative activities, of which half of this set-aside must be provided to state or local entities. Also, half of 1% of funding is reserved for outlying territories (Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands). Block grants are allotted to states and Puerto Rico based on the relative amount received in each state, in FY1981, under a section of the former Economic Opportunity Act. HHS may allow Indian tribes to receive their allotments directly, rather than through the state. States are required to pass through at least 90% of their federal block grant allotments to “eligible entities.” There are more than 1,000 eligible entities around the country, of which approximately 80% are private nonprofit organizations and about 20% are public agencies.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Community Economic Development	$32.7	Nonprofit community development corporations including charitable, faith-based, Indian, and Alaskan Native organizations.	**Competitive discretionary grants.** Funds awarded at the Secretary's discretion. This program is one of the related activities authorized by the CSBG Act. The program supports local community development corporations' National Youth Sports Program, and efforts to generate employment and business development opportunities for low-income residents. Projects must: (1) directly benefit persons living at or below the poverty level and (2) be capable of being completed within 12 to 60 months of the date the grant was awarded. Preference is given to projects that document public/private partnership including the leveraging of cash and in-kind contributions; and to projects located in areas characterized by poverty and other indicators of socioeconomic distress, such as a Temporary Assistance to Needy Families (TANF) assistance rate of at least 20%, designation as an Empowerment Zone or Enterprise Community (EZ/EC), high levels of unemployment, high levels of incidences of violence, gang activity, crime, drug use, and low-income noncustodial parents of children receiving TANF.
Job Opportunities for Low-Income Individuals (JOLI)	($5.4)	Nonprofit, tax-exempt organizations including faith-based and community development corporations and charitable organizations.	**Competitive discretionary grants.** This program is a set-aside within the Community Economic Development Program. The program provides grants to community based, nonprofit organizations to demonstrate and evaluate ways of creating new employment opportunities with private employers for individuals receiving TANF and other low-income individuals whose family income level does not exceed 100% of the poverty guidelines. Projects to help with this effort include self-employment and micro-enterprises, new businesses, expansion of existing businesses, or creating new jobs or employment opportunities.

Program Name and Description	FY2005 Appropriation ($ in millions)	Eligible Entities	Formula or Distribution Method
Rural Community Facilities	$7.2	Tax-exempt nonprofit organizations, states, and local governments.	**Competitive discretionary grant.** This program is one of the related activities under the community economic development component of the CSBG. Grants are provided to nonprofit organizations that train and offer technical assistance on water and waste water facilities management and home repair to low-income families, and that develop low-income rental housing units in rural communities. Approximately 8 water and wastewater projects are funded annually.

Note: A program identified in italics is a component of the program preceding it in roman type.

a. When calculating the amount of funds included in activities that would be consolidated under its proposal, the Bush Administration includes funding only for the Neighborhood Initiative Grants and Economic Development Initiative Grants, both of which are congressional earmarks. The Administration does not include funding for all remaining set-asides or earmarks that would not be consolidated under the new proposal. These include Housing Assistance Council ($3.3 million), National American Indian Housing Council ($2.4 million), National Housing Development Council ($4.8 million), National Council of LaRaza ($4.8 million), Technical Assistance ($1.4 million), and Working Capital Fund ($3.5 million).

b. Selected cities include Atlanta, GA; Baltimore, MD; Boston, MA; Chicago, IL; Cleveland, OH; Columbus, OH; Dallas, TX; Denver, CO; Detroit, MI; Indianapolis, IN; Kansas City, MO; Los Angeles, CA; Miami, FL; Minneapolis-St. Paul, MN; Newark, NJ; New York, NY; Philadelphia, PA; Phoenix, AZ; Portland, OR; San Antonio, TX; San Francisco Bay Area, CA; Seattle, WA; Washington, D.C.

c. Round II EZ cities include Santa Ana, CA; New Haven, CT; Miami-Dade County, FL; Boston, MA; Gary-Hammond-East Chicago, IN; Minneapolis, MN; St. Louis — East St. Louis, MO-IL; Cumberland County, NJ; Cincinnati, OH; Columbus, OH; Columbia-Sumter, SC; Knoxville, TN; El Paso, TX; Norfolk-Portsmouth, VA; Huntington,-Ironton,WV-OH.

d. In addition, the Fund administers the New Markets Tax Credit (NMTC) program. This program permits taxpayers to receive a tax credit for making qualified investments in designated Community Development Entities (CDEs). The NMTC will continue to be administered by the Department of the Treasury.