

**WRITTEN STATEMENT OF
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**BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES**

APRIL 6, 2005

Chairman Oxley, Ranking Member Frank, and Members of the Committee:

I want to thank you for the opportunity to appear today, as the Committee begins its deliberations on the Strengthening America's Communities Initiative, which the Administration has proposed within its FY 2006 budget.

I am pleased to be joined by Secretary Guitierrez.

Let me briefly outline for the Committee the motivation guiding the Administration proposal, and how the Initiative will make the federal government a better partner in meeting the Nation's community and economic development needs.

Today, potential grantees seeking funds for community and economic development projects must navigate a maze of 35 federal programs spread across seven different departments. Each program operates under a separate set of standards, and each has its own reporting requirements. These programs at times duplicate and overlap one another. They can be inconsistent in how they determine eligibility.

The goal of the Strengthening America's Communities Initiative is to consolidate 18 community and economic development programs into a single program. The new program will be more flexible and easier for communities to access than the current set of programs. It will be administered by the Department of Commerce. It will build on the experience of HUD, Treasury, and the other departments with related programs.

I strongly support the concept of consolidation as a catalyst for delivering more funding to communities in need.

The CDBG program is the federal government's largest single grant program to assist local governments in undertaking a wide range of community development activities. In the course of its 30-year history, CDBG has provided a ready source of flexible funding for housing rehabilitation programs, public services, public facilities and infrastructure, and economic development activities benefiting millions of low- and moderate-income persons.

Over time, the CDBG formula has become less targeted to the communities with high community development need. While the formula has changed from time to time since 1974, the core variables have not been changed since 1978. In February 2005, HUD issued a report that offers four alternative formulas that would substantially improve targeting to community development need. This study will provide Congress and the Department of Commerce with formula options as it fashions the legislation for the new Strengthening Americas Communities Initiative. However, I would hope that this new Initiative embrace the flexible use of funds that grantees under the current CDBG program have come to depend upon.

In addition to CDBG, the Administration's proposal would consolidate and replace smaller HUD programs, including Brownfields development grants, grants to Round II Empowerment Zones, Rural and Economic Development grants, and the Section 108 guarantee program. The Section 108 program has been used by a relatively small fraction of CDBG recipient communities to leverage their CDBG funds; working with Secretary Gutierrez, I will seek ways to ensure that jurisdictions

with previously awarded Section 108 loan guarantees are not adversely affected by the transition to a new program.

I will work closely with Secretary Gutierrez, my colleagues within the Administration, and the other agencies affected by the consolidation to develop a legislative plan for implementing the Strengthening America's Communities Initiative.

In closing, let me say that by consolidating programs, we will better target limited federal resources to places without the fiscal ability to meet their own needs. By ensuring the flexible use of funds, we will empower our grant partners to meet local needs with local solutions. And in the end, the federal government will more effectively serve America's communities.

I would like to thank all the members of this Committee for your support of our efforts at HUD. We welcome your guidance as we continue our work together.