

Congressman Jim Matheson

Financial Services Committee Hearing on the President's "Strengthening America's Communities" Proposal

Chairman Oxley, Ranking-Member Frank, I want to express my appreciation to you for holding this important hearing. This proposal is a significant policy change that requires the thorough review and consideration of Congress, and I am happy that this hearing is being held as a venue to begin that closer examination of the President's "Strengthening America's Communities" proposal.

I appreciate the panel of witnesses that we have today. The broad range of agencies that they represent, the Department of Commerce, the Department of Housing and Urban Development, and the Office of Management and Budget, demonstrates the broad reach of this proposal and reinforces the need for congressional scrutiny.

As I have reviewed the information available on this proposal and each of your testimonies, I have some specific concerns about the implications of such reform. I would like to outline these potential areas, and I hope that additional information can be provided on each throughout the course of this hearing.

First, the Community Development Block Grant (CDBG) has served for the last thirty years as an important tool in helping local communities address challenges with affordable housing, blight, public services, infrastructure development, and economic growth. One of the greatest assets of this program, in my mind, is its flexibility. The way CDBG works would never look the same from community to community, nor should it. One of the great aspects of CDBG is that local officials can determine local priorities and that CDBG funds can be used in relation to those specific, local needs.

These funds are used to complement other federal and local government funds and private investments. Together, these programs address a variety of needs throughout communities. One of my concerns is that the Administration has proposed the transfer of this program (and several others) to the Department of Commerce, because it believes, as evidenced by Secretary Gutierrez's opening statement, that this new program should be about "creating the conditions for economic growth and opportunity." This reliance on the creation of jobs and the role of the private sector in creating economic opportunity, does not recognize that many of the community development functions of CDBG, including housing, will not be filled only by creating employment opportunities.

In addition, while progress should be expected from CDBG investments, it seems that the Administration is contemplating an ideal situation in which this new programmatic funding would decrease from year to year (beginning with this fiscal year) because the

problems of the people being served would be being eliminated. This undervalues the complexity of the poverty and the housing objectives CDBG works to address.

While simplification of programs is a laudable goal, the consolidation of many of these programs does not address their unique functions or strengths. It is not local communities and recipients of these funds that are clamoring for a streamlined process, rather they are united in saying that the current system for CDBG is most successful. In communities throughout my home state of Utah, CDBG funds are being successfully employed in a broad range of activities, from rehabilitating shelter housing to transportation of food to food banks, to serving seniors.

Related concerns include potential adjustments in the formula for awarding funds. Adjustments that only focus on the poverty level for a given municipality or other such indicator of need may miss many of the low and moderate income individuals currently being served by CDBG who live in more affluent or middle-income cities. In addition, this focus may not recognize the very unique needs of rural communities, where narrowly focusing funds in one area may not be the most effective method of addressing the diverse needs. The dispersion of CDBG funds throughout communities and programs does not necessarily mean that the effect is being diminished. In fact, because CDBG funds *already* leverage private funds so effectively, it often means that much more is being accomplished in local communities because CDBG funds are involved as the first support for so many projects.

Finally, while contemplating potential changes to the formula for CDBG, there may be room for looking at how much funding must be devoted to “hard-costs” versus “soft-costs.” Adjustments in these numbers would create greater flexibility for local communities.

Another related issue is the effect on Community Development Financial Institutions. With the Administration’s proposal, there will not be the current capability to apply for targeted investments. Rather, the ability of these Financial Institutions to leverage federal dollars in creating significant private sector investment will be mitigated.

These are not all of the potential areas at which Congress must look when contemplating such a broad proposal. However, they represent a first step. For my part, I am highly skeptical of dismantling such successful programs, under any pretest, and I am hopeful that due consideration will be given to the implications that such changes will have on the lives of so many individuals in every congressional district throughout the country.