

**TESTIMONY OF AMY KUHN BEFORE THE
CONGRESSIONAL SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY**

My name is Amy Kuhn and I am the Deputy Director of the Community Development Division of the Ohio Department of Development. The division is responsible for the distribution of several federal community development programs including Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS. Before I begin, I would like to thank the members of the committee for the opportunity to speak to you today. The state of Ohio and the Ohio Department of Development have a long and successful history of working with its local communities and nonprofit organizations to maintain the quality of life that Ohio has to offer.

Today I would like to address changes related to the state's ability to continue to successfully administer the U.S. Department of Housing and Urban Development's Community Development Block Grant program.

The Ohio Department of Development (ODOD) requests your support of the following three minor but important revisions to the Community Development Block Grant Program. None of the revisions would require an increase in funding or allocation levels.

The first issue is to increase flexibility, at the discretion of the states, to allocate technical assistance/administrative funds between these two activities without financial limitations and without a match requirement being applied to the technical assistance funds.

Currently, states may allocate one percent of the annual CDBG allocation to technical assistance activities and two percent, plus \$100,000, to administration. Therefore, in FY 2002, Ohio allocated \$437,100 of CDBG funds to technical assistance and \$1,236,400 to administration. If the percentage requirements were eliminated, Ohio would have the flexibility to expend these funds based on the needs of its communities.

For example, in order for Ohio's rural areas to make the best use of limited resources, ODOD is encouraging Ohio Small Cities CDBG Program eligible communities to develop a Community Assessment and Strategy.

The Community Assessment and Strategy is a planning document designed to encourage communities to match local needs with available resources; facilitate a holistic approach to addressing housing, economic and community development needs; identify the type and degree of community development needs within areas of low- and moderate-income concentration or distressed areas; and provide information that will serve as a resource for state planning efforts.

In order for communities to develop a credible strategy, it is imperative that ODOD provide direct technical assistance regarding Census data analysis, mapping software capabilities and other methods of gathering information to compile a solid inventory of needs.

As with most initiatives, the initial training costs will be higher, but will decrease as the communities build administrative capacity and experience. If states were permitted the flexibility to allocate funds between technical assistance and administrative activities, it would be much easier for Ohio to increase or decrease the allocation of funds to targeted initiatives based on need at the local level.

The second issue is an increase in the state match threshold from two percent of the state allocation plus \$100,000 to two percent of the state allocation plus \$500,000.

States receive CDBG Program funds through a formula allocation. The allocation includes funding for administration of the program. As previously discussed, the amount of funds available to states for administration is two percent of each state's formula allocation plus \$100,000. However, states are required to provide a 50 percent match for any administrative funds received greater than \$100,000.

During the 2004-2005 Biennium Budget process, it was determined that the availability of state funds as matching funds may be decreasing at an alarming rate. Until the economy improves, this trend is expected to continue.

Although the threshold requirement has not been revised since the program's inception in 1982, the cost of administering the program continues to increase due to cost of living increases and increased need for additional

administrative oversight as new federal rules and regulations are implemented.

If the state administrative threshold for the CDBG Program were increased to two percent plus \$500,000 of the state allocation, the states would have additional revenue to dedicate to administration.

Without adequate administrative funding, ODOD will be unable to continue to effectively administer approximately 280 CDBG Program grants per year.

The final issue is a dedicated source of funding for training and technical assistance activities.

States would benefit greatly from a dedicated source of funding for training and technical assistance activities. If such an initiative were funded, national organizations could access the funds needed to keep states abreast of new CDBG Program rules and regulations, proper program administration techniques and tips for innovatively implementing projects and activities.

In the past, HUD provided funds to organizations such as the Council of State Community Development Agencies (COSCDA) and the National Development Council (NDC) through a dedicated source of funding. In turn, COSCDA and NDC provided training, such as the *ABCs of CDBG Administration* and the *Housing and Economic Development Finance Professional Certification Programs*.

The information shared during these trainings was ultimately passed along to local communities that were and continue to be eager to develop the administrative capacity to implement local projects.

In addition to the above-listed revisions to the CDBG Program, ODOD supports a \$5 billion allocation of funds to the program for distribution using the current funding formula, without any set-asides for separate or new program initiatives.

This level of funding would enable the program to continue to fund housing, economic and community development projects that benefit the nation's low- and moderate-income households and leverage scarce local resources.