

June 6, 2017

Senator Richard D. Roth  
CA State Senate  
State Capitol Building, Room 4034  
Sacramento, CA 95814  
VIA FAX: 916-651-4931

Re: Comments on Latest Draft of CDBG Trailer Bill Language

Dear Senator Roth:

We are writing on behalf of the League of California Cities (the League) and the California Association for Local Economic Development (CALED) to request that you reject the recently revised trailer bill language circulated to us on June 5<sup>th</sup> by representatives of the Department of Finance containing six pages of proposed revisions to statutes governing the allocation of Community Development Block Grants (CDBG) by the Department of Housing and Community Development (HCD).

The language continues to propose significant changes to a program that is of vital importance to many small and rural communities that has been drafted in a vacuum and not properly vetted in with the affected agencies. We believe that this trailer bill should not be adopted, and rather a stakeholder process should be re-convened with the objective of bringing back consensus recommendations to the Legislature.

Local agencies want to see the state-administered CDBG program operate properly, as it has in the past. We all want to see the funds allocated in an efficient and streamlined fashion in order to meet the needs of our communities and national objectives. That said, it must be appreciated that the initial version of the trailer bill, which would have severely undermined the longstanding set-aside for local economic activities, has eroded trust and makes it difficult to digest and trust continuing changing versions of six-pages of language.

The latest draft of proposed language remains broad in scope and needs additional careful review and discussion; it should not be rushed as part of a process to get the trailer bill approved. Below are just some of the concerns that were raised by local officials reviewing the language today:

- What criteria will be used to define “effective” activities and who chooses that?
- What is the process for creating a California Consolidated Plan?
- If HCD is responsible for the creation of the plan, will it be created in a closed process by HCD staff?
- How do we ensure that HCD uses stakeholder processes to actually “inform” their guidelines? They have been using a stakeholder process for the last couple of years with the Advisory Committee, but blindsided everyone with the first version of the trailer bill language.
- Given the erosion of trust that has occurred between HCD and local jurisdictions, why would any “guidelines, rule, policy, or standard of general application employed by the department” not be subject to the requirements of the Administrative Procedure Act?
- In Section 50832.1(a): What does it mean that “The department is authorized to utilize specified amounts of the economic development set aside for a reservation of funds program to establish or enhance local revolving loan fund programs”? Does it mean that HCD can provide funding for RLF program operation?

- In Section 50832.1(b): Are “federal training dollars” the Admin dollars that HCD keeps from the annual HUD allocation? Or are these separate dollars?
- In Section 10 (a): can communities use PI for any federally authorized activity, without the restriction of applying for a Supplemental Activity during the NOFA process, and that they can accumulate funding? Or, will the use be subject to the to-be-developed guidelines?

As you can see, the extensive code changes illicit many questions including attempts to understand the full impact of the multiple sections of deleted text. Based on the significant number of amendments proposed in this language, we believe rushing through changes for the benefit of meeting a trailer bill deadline is not in the best interest of California communities that rely on these funds.

Rather, a more thoughtful – yet still expeditious – approach is needed – an approach that includes real consideration of local input and gives the Legislature a voice at the table as well – especially those legislators that have expressed concern for their communities and the barriers they face when applying for these funds. We believe a more workable process would include:

- Having HCD meet with an advisory body, appointed no later than September 1, 2017, comprised of two Assembly Members appointed by the Speaker of the California State Assembly, two Senators appointed by the President pro tempore of the California State Senate, and three city officials appointed by League of California Cities, and three county officials appointed by the California State Association of Counties, with the objective of
  - i. Advising the department on its efforts to quickly and efficiently allocate unspent funds and program income.
  - ii. Review and recommend any potential process or procedural changes within the department to further remove impediments and streamline access for local agencies to the funds set aside by this section to assist with local economic development efforts by January 1, 2018. These changes can then be brought forward in the Legislature.

Community and economic development funds through CDBG are an important resource to California’s neediest communities. The program is not undersubscribed due to lack of lack of need, but rather because of rules, guidelines and restrictions, implemented by HCD. We believe it will take a joint effort by HCD, local jurisdictions and the legislature to improve the program and quickly distribute funds.

With these points in mind, we ask that you reject the current proposed trailer bill language and ask HCD to work in an open, collaborative process to bring the Legislature a solution that communities and the State can support. Our organizations are fully prepared to constructively engage in those efforts. Please contact either of us if you have any questions. Dan Carrigg can be reached at 916-658-8222 or Gurbax Sahota at 916-448-8252 ext 15.

Respectfully,



Gurbax Sahota  
President & CEO  
California Association for  
Local Economic Development



Dan Carrigg  
Deputy Executive Director, Legislative Director  
League of CA Cities

cc: Senator Steven M. Glazer  
Senator Scott Wilk