

CDBG AND UDAG CUTS

THE BUDGET COMMITTEE CAN BE EXPECTED TO ARGUE THAT THE \$300 MILLION IT WOULD CUT FROM THE "COMMUNITY DEVELOPMENT SUPPORT" FUNCTIONS (CDBG AND UDAG) UNDER THE JURISDICTION OF THE BANKING COMMITTEE CAN EASILY BE CUT FROM EITHER UDAG OR CDBG. THE BUDGET COMMITTEE DOESN'T CARE WHICH PROGRAM IS REDUCED.

THE BUDGET COMMITTEE HAS PRESENTED US WITH AN IMPOSSIBLE CHOICE -- EITHER WE SEVERELY DAMAGE BLOCK GRANTS FOR THIS YEAR, OR WE BRING UDAG TO A GRINDING HALT. IN REALITY, THE BLOCK GRANT PROGRAM CANNOT PRACTICALLY BE CUT. THIS IS BECAUSE THE PROGRAM IS IN THE MIDST OF ITS FUNDING CYCLE. CITIES HAVE BEEN TOLD WHAT AMOUNTS OF BLOCK GRANT MONEY THEY CAN EXPECT, AND HAVE TAKEN ACTIONS IN ACCORDANCE WITH THEIR EXPECTATIONS. THEY HAVE ACCOUNTED FOR THE MONEY IN THEIR BUDGETS, SPENT MONEY IN ANTICIPATION OF THEIR BLOCK GRANTS, LINED UP LENDERS AND DEVELOPERS, AND SO ON. SO WHILE TECHNICALLY THE MAJORITY OF THE PROGRAM'S FUNDS ARE NOT OBLIGATED FOR FY 1981, FOR ALL INTENTS AND PURPOSES THE FUNDS HAVE BEEN COMMITTED.

TO MAKE MATTERS WORSE, THE IMPACT OF THE BUDGET COMMITTEE'S ACTION WILL FALL ENTIRELY ON THOSE COMMUNITIES WHOSE APPLICATIONS FOR BLOCK GRANTS ARE LATE IN THE FISCAL YEAR. COMMUNITIES FASHION THEIR OWN PROGRAMS, ACCORDING TO THEIR OWN NEEDS, AND THEY SUBMIT APPLICATIONS AS THEIR NEEDS AND BUDGET CYCLES DICTATE. THIS IS THE WAY THINGS ARE SUPPOSED TO BE, IN KEEPING WITH THE PROGRAM'S PRINCIPLE OF LOCAL FLEXIBILITY. WHILE THE BUDGET COMMITTEE'S RECOMMENDATION IS MOVING THROUGH CONGRESS, MORE AND MORE CITIES ARE SIGNING CONTRACTS. AS A RESULT, BY THE TIME

THE CUT BECOMES LAW, THERE WILL BE ONLY A RELATIVELY SMALL NUMBER OF CITIES THAT CAN ABSORB THE CUT. SOME OF OUR LARGEST, MOST DISTRESSED CITIES TEND TO APPLY LATE AND THUS WILL BEAR THE BRUNT OF ANY REDUCTION THAT BECOMES NECESSARY.

THIS MEANS THAT UDAG MAY VERY WELL BECOME THE LIKELY TARGET OF ANY REDUCTIONS MADE IN THIS BUDGET AREA, SIMPLY BECAUSE IT HAS NOT ANNOUNCED AWARDS FOR THE FUNDS THAT REMAIN UNOBLIGATED. NATURALLY, THE RESULT OF TAKING THE BUDGET COMMITTEE'S PROPOSED CUT OUT OF THE UDAG PROGRAM IS TO SHUT DOWN THE PROGRAM FOR THE BALANCE OF THE YEAR, THROWING OUT OVER 450 APPLICATIONS NOW PENDING.