

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

---

DATE: March 19, 2014

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Gerry F. Miller *HEK*  
Chief Legislative Analyst *AM* Council File No: 14-0002-S13  
Assignment No: 14-02-0078

SUBJECT: Resolution to SPONSOR and/or SUPPORT legislation and/or any administrative action that would raise the public service cap for Community Development Block Grant funds.

CLA RECOMMENDATION: Adopt the attached Resolution to include in the City's 2013-2014 Federal Legislative Program, SPONSORSHIP and/or SUPPORT of legislation and/or any administrative action that would raise the public service cap for Community Development Block Grant (CDBG) funds.

SUMMARY

The United States Department of Housing and Urban Development (HUD) is the administrator for the federal grant entitlement programs, contained within the Consolidated Plan (Plan). One grant under this Plan is the Community Development Block Grant (CDBG). Each year, HUD allocates through a formula ("entitlement") a specific amount of CDBG funds to the City to be used in the following categories: Public Service, Neighborhood Improvements, Economic Development, Housing, and Administration/Planning. Per Federal regulations, there are limits on the amount of CDBG funding that can be spent annually on the Public Service and Administration/Planning categories/activities.

The City's Public Service category is currently 15 percent, which is determined by the current year's entitlement amount plus the previous year's program income receipts. For the FY 2014-15 program year, this amount is approximately \$15 million. This dollar amount is the maximum that can be spent in the Public Service category for that program year. There are other large cities in the U.S. that have a similar 15 percent cap, including: New York, San Francisco, Philadelphia, Dallas, Portland, Miami and others. There are also large cities that have a much higher public service cap rate than Los Angeles, including: Boston (19 percent), Cleveland (21 percent), Baltimore (24 percent), Seattle (34 percent), and Chicago (42 percent). According to HUD, these percentages were determined in 1983 when the limit was raised from 10 to 15 percent. However, those jurisdictions which obligated more than 15 percent in its 1982 or 1983 appropriations were allowed to continue to use the same percentage moving forward as long as the percentage never exceeded that which was used in 1982 or 1983.

In FY 2002-2003, to maximize the amount of CDBG dollars to be used for public service activities, the City began to fund line items under the category of Special Activities by Community Based Development Organizations (CBDO). Once qualified as a CBDO,

organizations could be funded with CDBG dollars for performing public service tasks without being funded in the public service category and counted under the public service cap. HUD has very specific rules to determine CBDO eligibility, including, but not limited to Board member regulations and job creation requirements.

On January 14, 2014, HUD informed the City that it was misinterpreting and/or not abiding by HUD's CBDO guidelines and would not be able to fund any of the existing CBDO programs unless they could be funded under the public service cap. For the current FY 2013-14 program year, the City allocated approximately \$18 million to CBDO activities. Because the cap limits the amount that can be spent per year on public service activities, it is impossible to fund all public service programs and CBDO programs under the 15 percent cap. For that reason, the 40<sup>th</sup> Year Consolidated Plan Budget (Program Year April 1, 2014 through March 31, 2015) will have to address these issues. Reductions and/or eliminations of specific programs will be a policy decision made by the City Council. The Mayor's 40<sup>th</sup> Year Consolidated Plan Budget is currently pending in Housing Committee (C.F. 13-1395).

Raising the CDBG public service cap would allow the City to allocate additional grant funds to public service activities including, but not limited to: at-risk youth programs, neighborhood cleanups, senior and youth nutrition programs, job training organizations, domestic violence shelter operations and homelessness prevention activities. The City currently spends approximately \$12 million in public service and \$18 million in CBDO. An increase in the public service cap would provide additional resources to fund the programs that were previously funded as CBDOs under the public service cap. We have prepared and attached a Resolution with updated information that also clarifies the City's position on this matter.

BACKGROUND

The City has previously requested that the CDBG public service cap be raised. In 1992, after the civil unrest in the City, HUD issued the City a waiver of the 15 percent cap and allowed the City to set aside 25 percent of CDBG funds for public service for a five-year period. After its expiration in 1998, the City requested an extension of the 25 percent cap, and Congress continued to extend each expiring waiver through September 2003. At that time, the cap reverted back to 15 percent, and the City has not been granted an additional waiver after several attempts to increase the cap.

DEPARTMENTS NOTIFIED

Housing and Community Investment Department



---

Andrea M. Galvin  
Analyst

## RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the poverty rate in Los Angeles is higher than any other major American City; and

WHEREAS, several poverty programs in Los Angeles are funded through the Consolidated Plan, which includes Community Development Block Grants (CDBG); and

WHEREAS, the City of Los Angeles is limited in the amount of public service activities it can provide with CDBG funds due to a 15 percent public service cap; and

WHEREAS, other large cities, such as Seattle, Baltimore, and Chicago have a higher public service cap and are able to spend a larger percentage of CDBG funds on public service activities; and

WHEREAS, Los Angeles has for several years funded Community Based Development Organizations (CBDO) with CDBG funds through the Consolidated Plan, including FamilySource Centers, Summer Night Lights, and Clean and Green programs; and

WHEREAS, the Housing and Urban Development Department recently issued a letter to inform City of Los Angeles that it was not interpreting CBDO guidelines correctly, and CBDO activities would need to be funded under the public service category which is already at its limit; and

WHEREAS, residents of the City rely on these CBDOs and the CDBG money to receive many public services, and any cuts to these programs will be detrimental to the non-profits and the communities they serve; and

WHEREAS, an increase to the public service cap for Los Angeles' CDBG would ensure that vital services are not lost;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013-2014 Federal Legislative Program SPONSORSHIP and/or SUPPORT of legislation and/or any administrative action that would raise the public service cap Community Development Block Grant funds.