



Special Attention of:

Notice: CPD-03-07

All Secretary's Representatives
All State Area Coordinators
All CPD Division Directors
All HOME Program Coordinators

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Cross References:

SUBJECT: HOME Program - Match Reductions for Fiscal Distress for Fiscal Years 2002 and 2003, and for Major Presidentially-Declared Disasters under the Stafford Act

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Previous Edition are Obsolete

HUD-21B (3-80)

I. Purpose

The purpose of this notice is to (1) provide match reductions for HOME Program participating jurisdictions (PJs) satisfying the distress criteria in accordance with 24 CFR 92.222 of the HOME Program regulations and (2) inform Field Offices how to notify Headquarters of match reductions approved by Field Offices for Presidentially-declared major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

II. Matching Contribution Requirement

A. Description

Participating Jurisdictions (PJs) are required to make contributions to housing that qualifies as affordable housing under the HOME Program. During a fiscal year, the contributions must total not less than 25 percent of the HOME funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year for project costs, unless the PJ has received a reduction in the match requirement. Eligible forms of matching contribution are listed at 24 CFR 92.220.

CPD Notice 97-03 provides guidance in identifying eligible sources of matching contributions, calculating the value of matching contributions, determining the point at which a contribution may be recognized as match, and tracking matching obligations and contributions.

The HOME Program statute provides for a reduction of the matching contribution requirement under three criteria: (1) fiscal distress; (2) severe fiscal distress; and (3) for Presidentially-declared major disasters pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, (42 U.S.C. 5121, et seq. (Stafford Act)).

B. Value of Donated or Voluntary Labor

For Fiscal Years 2002 and 2003, the rate for the value of donated or voluntary unskilled labor contributed as match is \$10 per hour. According to Section 92.220 (a)(8) of the HOME regulations, the value of skilled labor or professional services is determined by the rate that the individual or entity performing the labor or service normally charges.

Volunteers on construction work that is otherwise subject to Davis-Bacon prevailing wage rate requirements under 24 CFR 92.354 must meet the criteria in 24 CFR 92.354(b). This means that volunteers cannot receive compensation except for paid expenses, reasonable benefits or a nominal fee to perform the services and that volunteers may not otherwise be employed at any time in the construction work. Also, 24 CFR Part 70 applies to volunteers, and requires that a HUD determination must be requested regarding whether any proposed payments to volunteers meet the criteria in 24 CFR 70.3(b).

III. Allowable Reductions for Fiscal Distress and Severe Fiscal Distress

Section 92.222 of the HOME regulations provides that HUD may grant match reduction to state and local PJs, if it finds that the state or local government is in fiscal distress or severe fiscal distress. The match obligation for PJs in fiscal distress and severe fiscal distress will be reduced by 50 percent and 100 percent respectively, for the fiscal year in which the finding is made and the next fiscal year.

A PJ may be entitled to a greater reduction in a subsequent fiscal year if an increase in their poverty rate or a decrease in their per capita income caused them to be eligible for a 100 percent match reduction in the subsequent year. In that case, the PJ may use the higher reduction for the second year of the two-year period.

States, including the District of Columbia and Puerto Rico, that satisfy one of the three distress criteria are considered to be in fiscal distress and receive a 50 percent match reduction. States that satisfy at least two of the three distress criteria are considered to be in severe fiscal distress and receive a 100 percent match reduction.

Attachment A lists all local and state PJs eligible for a formula allocation in Fiscal Year (FY) 2002 and indicates which qualify for a match reduction due to fiscal distress or severe fiscal distress. The reductions listed for FY 2002 apply to FY 2002 and FY 2003.

Attachment B lists all local and state PJs eligible for a formula allocation in FY 2003 and indicates which qualify for a match reduction due to fiscal distress or severe fiscal distress. The reductions listed for FY 2003 apply to FY 2003 and FY 2004.

A. Criteria for Local PJs

There are two criteria for fiscal and severe fiscal distress for local PJs: (1) family poverty rate; and (2) per capita income.

First, when a jurisdiction's family poverty rate is 125 percent or more of the average national poverty rate, the jurisdiction qualifies as distressed based on the poverty criterion.

Second, when a jurisdiction's per capita income (PCI) is less than 75 percent of the national average, the jurisdiction qualifies as distressed based on the PCI criterion.

When a local jurisdiction meets one of the distress criteria, it is determined to be in fiscal distress and receives a 50 percent reduction of match. If a local jurisdiction satisfies both of the distress criteria, it is determined to be in severe fiscal distress and receives a 100 percent reduction of match.

1. FY 2002 Calculations

FY 2002 family poverty rate and PCI were based on data obtained from the 1990 Census. These were the latest data available at the time.

For a jurisdiction to qualify as distressed based on the poverty criterion, its percent of families in poverty must have been at least 13.2 percent, which is 125 percent of the average national rate for families in poverty of 10.6 percent.

For a jurisdiction to qualify as distressed based on the PCI criterion, its average PCI must have been less than \$10,708, which is 75 percent of the average PCI of \$14,277.

2. FY 2003 Calculations

FY 2003 family poverty rate and PCI income were based on data obtained from the 2000 Census. These were the latest data available at the time.

For a jurisdiction to qualify as distressed based on the poverty criterion, its percent of families in poverty must have been at least 11.5 percent, which is 125 percent of the average national rate for families in poverty of 9.2 percent.

For a jurisdiction to qualify as distressed based on the PCI criterion, its average PCI must have been less than \$16,190, which is 75 percent of the average PCI of \$21,587.

B. Criteria for State PJs

There are three criteria for fiscal and severe fiscal distress for state PJs. They include the two criteria used for local PJs: (1) family poverty rate and (2) PCI as well as (3) personal income growth rate, that is applicable to states only.

For a state to qualify under the personal income growth rate criterion, the state's rate must be less than 75 percent of the average national personal income growth rate during the most recent four quarters.

1. FY 2002 Calculation

The FY 2002 personal growth rate was based on data received from the Department of Commerce, Bureau of Economic Analysis, from the beginning of the third quarter of 2000 to the end of the second quarter of 2001. These were the latest data available at the time.

For a state to qualify as distressed based on the personal income growth rate, the state per capital income growth rate must have been less than 4.0, which is 75 percent of the average national personal income growth rate of 5.3.

2. FY 2003 Calculation

The FY 2003 personal growth rate was based on data received from the Department of Commerce, Bureau of Economic Analysis, from the beginning of the third quarter of 2001 to the end of the second quarter of 2002. These were the latest data available at the time.

For a state to qualify as distressed based on the personal income growth rate, the state per capital income growth rate must have been less than 2.0, which is 75 percent of the average national personal income growth rate of 2.7.

C. Updating the Integrated Disbursement Information System (IDIS)

The Office of Affordable Housing Programs (OAHP), Financial and Information Services Division, will ensure that match reductions for fiscal and severe fiscal distress are entered into the IDIS. If the Field Office has a question about the value of a PJ's match reduction, they may contact Bob Meehan, Office of Technical Assistance and Management, Systems Development and Evaluation Division via e-mail at bob_meehan@hud.gov or by phone at 202-708-0790 x4412.

IV. Allowable Reduction for Major Disasters under Stafford Act

If a PJ is located in an area in which a declaration of major disaster pursuant to the Stafford Act is made, the Field Office may reduce the PJ's matching requirement. For a local PJ, the match reduction could amount to up to 100 percent for the fiscal year in which the declaration of major disaster is made, as well as for the following fiscal year. For a State PJ during that same period, the matching requirement may be reduced by the Field Office by up to 100 percent with respect to any funds expended in the area to which the declaration of major disaster applies. A list of major disasters listed by year can be found on the Federal Emergency Management Agency (FEMA), website which is located at www.fema.gov/library/drcvys.shtm.

D. Criteria

A major disaster may result from a hurricane, earthquake, flood, tornado or major fire, in which the President's determination warrants supplemental federal aid. Funding for this comes from the President's Disaster Relief Fund, managed by FEMA, as well as disaster aid programs from other participating federal agencies. A Presidential Major Disaster Declaration initiates federal recovery programs that may be matched by state programs. It is intended to help disaster victims, businesses and public entities. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) was created to give aid to state and local governments after a disaster. The Stafford Act identifies the process for obtaining a Presidential disaster declaration, outlines the extent of disaster assistance and describes the requirements for gaining aid. The Stafford Act is available on the FEMA website, which is located at www.fema.gov/library/stafact.shtm.

E. Notifying Headquarters

Field Offices must notify Headquarters of match reductions approved due to Presidentially-declared disasters. The notification, which is to include a copy of the approval letter to the PJ and the declaration under the Act, should be sent to: OAHP, Financial and Information Services Division (FISD), Attention: Evelyn Rumph via facsimile at 202-708-1744 or by pouch mail to Room 7164.

F. Updating IDIS

OAHP, FISD, will ensure that the Field Office-approved match reductions for Presidentially-declared major disasters are entered into the IDIS.