

# City of Phoenix FY10 Authorization and Block Grant Appropriation Requests

## Community and Human Development

### Community Development Block Grant (CDBG) Program

- Reauthorize and appropriate CDBG \$4.5 billion nationally
- Reform the CDBG formula for distribution of block grants to communities to rectify the funding disparity between older cities and fast-growing central cities like Phoenix
- Streamline federal reporting and incentives for communities that demonstrate economic leverage and positive social indicators

### Housing and Urban Development (HUD) Program Reforms

- Support full funding for Public Housing Operating and Capital Fund at \$9.0 billion nationally
- Support full funding for Section 8 Housing Choice Voucher Program at \$17.2 billion nationally
- Support streamlining Section 8 administration
- Support Public Housing reforms to help ensure financial flexibility and sustainability for the Housing Department

### Hope VI

- Reauthorize and fund the HOPE VI Revitalization Program at \$800 million nationally

### Head Start Program

- Restore funding to the levels identified in the Improving Head Start for School Readiness Act of 2007
- Address the continuing funding disparity by increasing slots and funding to support equity for the city of Phoenix

### Low-Income Home Energy Assistance Program (LIHEAP)

- Support full funding of \$5.1 billion in LIHEAP for Fiscal Year 2010
- Support efforts to assure Arizona receives its fair share of base and emergency LIHEAP funding

### Community Services Block Grant (CSBG) Program

- Support \$700 million in CSBG funding for Fiscal Year 2010

### Urban Park and Recreation Recovery Program, Land and Water Conservation Fund and 21st Century Community Learning Centers Program

- Appropriate full authorized funding for Urban Park and Recreation Recovery Program, Land and Water Conservation Fund and 21st Century Community Learning Centers Program

## Economic Development

### Workforce Investment Act (WIA) Reauthorization

- Reauthorize WIA to maintain strong local flexibility for mayors and local Workforce Investment Boards and ensure that local and regional employer needs are met
- Ensure that the One Stop System is demand-driven, responsive and reflective of local workforce needs
- Support WIA appropriation of \$245 million, at a minimum, with separate funding streams of level funding to preserve current adult, dislocated worker and youth service levels

### New Market Tax Credits (NMTC)

- Reauthorize the NMTC Program within the U.S. Department of Treasury and support of Phoenix 2009 competitive application

### Protection of Luke Air Force Base (AFB)

- Protect the mission of Luke AFB by ensuring property owner participation and cooperation to acquire federal funds that support modernization and mission flexibility
- Advocate for follow-on missions at Luke AFB, pursue opportunities for joint missions and continue to support "managed growth" that complements Luke's current and future mission capabilities

## Transportation

- Reauthorize the Federal Aviation Act and incorporate city priorities

## Energy and Water

### Energy Efficiency and Conservation Block Grant Program

- Appropriate the full authorized \$2.0 billion nationally for the Energy Block Grant Program in FY 2010

## Homeland Security/Public Safety

### Homeland Security

- Maintain funding and further refine terror threat assessments for the Urban Area Security Initiative (UASI)
- Fully fund the Metropolitan Medical Response System (MMRS)

# Phoenix FY10 Appropriation Request Summary

## Labor-Health and Human Services (HHS)

Translational Genomics Research Institute Equipment and Laboratory ....\$3,000,000

**Total Labor-HHS.....\$3,000,000**

## Energy and Water

Tres Rios Ecosystem Restoration and Flood Control Project.....\$20,000,000

Rio Salado Oeste Preliminary Design and Engineering .....\$2,000,000

Agua Fria Linear Recharge Project.....\$100,000

**Total Energy and Water.....\$22,100,000**

## Commerce, Justice, State (CJS)

Technology Enhancements to Improve Service to the Community and

Enhance Safety.....\$3,000,000

Community Prosecution.....\$773,000

Electronic Records Organization (ePRO Phase III) .....\$120,000

**Total CJS.....\$3,893,000**

## Transportation-Housing Urban Development (HUD)

### Aviation

Taxiway Connector H5 .....\$2,480,000

Taxiway Connector G5 .....\$3,240,000

Taxiway Alpha.....\$14,400,000

Terminal 4 Apron Reconstruction .....\$3,200,000

### Transit

METRO Light Rail.....\$96,900,000

METRO Light Rail Extension – I-10 West (5309) .....\$34,550,000

METRO Light Rail Extension – I-10 West (5339) .....\$1,960,000

Upgrade Regional Vehicle Management System.....\$4,560,000

Regional Bus Communication System .....\$11,200,000

Desert Ridge Park-and-Ride.....\$5,600,000

Happy Valley Road/I-17 Park-and-Ride.....\$1,800,000

East Baseline Road Park-and-Ride.....\$7,160,000

27th Avenue/Baseline Road Park-and-Ride .....\$3,840,000

**Total Transportation.....\$190,890,000**

**Total Project Requests .....\$219,883,000**

# Phoenix Fair Share of Federal Funding

## The Issue:

The city of Phoenix does not receive its “fair share” of federal funding. Although Phoenix is the fifth largest city in the nation, we continue to lag millions of dollars behind smaller communities in federal funding that helps the poorest families and revitalizes blighted neighborhoods. The funding disparity is primarily driven by formulas that were developed more than 30 years ago and built on dated population counts and what cities received in the past, both favorable factors for the nation’s oldest cities. Some examples:

**Head Start** – Supports a comprehensive early childhood program providing each child with individualized learning experiences to foster social, intellectual, physical and emotional growth.

Phoenix was receiving a per-child rate of \$6,858. This rate, combined with six years of flat funding has caused the need for a reduction of 204 slots in the last two years. During this same time period, Phoenix received funding to serve only 30 percent of eligible children compared to a national average of 45 percent.

**Low-Income Home Energy Assistance Program (LIHEAP)** – Provides utility assistance to low-income households. The current formula favors cold weather states. While the old formula approach for distributing LIHEAP funding may have made sense in 1981, much has changed since that time: energy prices for all types of energy sources (not just heating oil) have escalated, population growth trends have shifted to the South and Southwest and more data about weather-related health risks has become available.

More than 511,254 households qualify for assistance but there is only funding to help 14,000 or 2 percent of eligible households, far below the 30 percent to 40 percent levels many cold weather states receive.

Though far more people die from extreme heat than exposure to the cold, the LIHEAP funding formula is heavily skewed toward providing more funding to cold weather states than warm weather states. The Phoenix metropolitan area, where 60 percent of Arizona’s population lives, experienced an extremely hot summer in 2008. Phoenix recorded 22 days of temperatures exceeding 110 degrees and the National Weather Service issued 25 periods of “Excessive Heat Warnings” where heat and humidity factors posed a severe health risk.

The release of emergency LIHEAP funding is not awarded through the same formula used for the base LIHEAP funding. According to the Low-Income Home Energy Act of 1981, one of seven economic and weather-related conditions may trigger an allocation of emergency funds. While Arizona continues to meet at least five of the seven conditions, Arizona received only one-third of one percent of the last allocation.

**Community Development Block Grant (CDBG)** – Supports revitalization through physical, economic and social investment and provides funding to numerous non-profit organizations. CDBG funding in Phoenix has been reduced from \$20.73 million in 2003-2004 to \$16.84 in 2008-2009, a loss of almost \$4 million. This loss is compounded due to the fivefold leveraging effect of CDBG dollars.

- **Phoenix** – Fifth largest city ranks 15th in funding received. Phoenix receives \$16.8 million.
- **Nationally** – Philadelphia, the sixth largest city, receives \$51.7 million; Houston, the fourth largest city, receives \$29.8 million; Boston, the 11th largest city, receives \$19.8 million.
- **Severe Per Capita Funding Discrepancy** – Phoenix per capita funding is \$11.10 compared to \$34.82 average for the 10 cities with larger allocations and less population than Phoenix.

**Section 8 Housing Choice Voucher Program** – Phoenix's Housing Choice Voucher program receives a fraction of the vouchers needed for a city our size. Many smaller cities receive two or three times the number of vouchers. For example, Philadelphia, the sixth largest city, receives more than 11,000 vouchers compared to the more than 5,400 vouchers for the city of Phoenix.

# Phoenix Neighborhood Stabilization Program

## The Issue:

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 (HERA). As part of the Act, the U.S. Department of Housing and Urban Development (HUD) developed the Neighborhood Stabilization Program (NSP) to provide funds to states and local governments for targeted emergency assistance to acquire and redevelop foreclosed properties that might otherwise become abandoned and blighted. The allocations were to be used for the areas of greatest need based on the number of foreclosures, sub prime mortgages, and mortgage defaults and delinquencies.

Because city of Phoenix neighborhoods have been devastated by one of the highest rates of foreclosed and abandoned properties in the country, the city welcomed the emergency assistance from Congress through the NSP program. Based on the needs index developed by HUD to identify the most needy areas in the country, the city of Phoenix received \$39.4 million, one of the highest awards in the country. Accordingly, President Obama chose to visit the Phoenix area on February 18, 2009 to make an announcement on the housing crisis and additional stimulus initiatives.

The city of Phoenix had extensive public meetings and consultation with private and public entities to identify the neediest areas in the city and the strategies for addressing those needs effectively within the mandated 18-month period. Phoenix estimates that 800 properties and/or families could be assisted through the plan - a combination of NSP and Community Development Block Grant funds, city programs administered through the Neighborhood Services and Housing departments, and the Phoenix Industrial Development Authority. Funding will be spent to address abandoned and foreclosed properties through acquisition, rehabilitation, demolition, redevelopment and financial incentives.

**Program Goals:** Phoenix NSP emphasizes market-driven strategies, partnerships and leveraging to increase the number of properties that can be restored to productive use by using existing contracts and programs to immediately fund neighborhood strategies:

- Eliminating blighting conditions in neighborhoods through acquisition, rehabilitation and re-sale of foreclosed homes, or demolition of blighted, vacant and foreclosed properties for buyers who will occupy the home as their primary residence. (\$14.1 million)
- Connecting qualified buyers and sellers by providing assistance and incentives for homebuyers to occupy the foreclosed homes as primary residences. (\$10.6 million)
- Preserving affordable rental opportunities through acquisition or rehabilitation of foreclosed multi-family homes for affordable rentals. (\$10.6 million)
- Partnering effectively with qualified community resources to include opportunities for community outreach, foreclosure prevention, pre-purchase and tenant/landlord counseling and education services.
- Protecting taxpayer funds and efficiently implementing the program by administering programs and certifying compliance with HUD rules. (\$3.9 million)

HUD has approved the Phoenix plan and granted an Environmental Release of Funds. The city is well on its way to addressing the plight of its neighborhoods through the resources provided by Congress.

# IRS Normal Retirement Age Regulations

## The Issue:

The city of Phoenix disagrees with the Treasury Department's final regulations on Normal Retirement Age (NRA) that were published in the Federal Register as T.D. 9325 (72 FR 28604) on May 22, 2007. These regulations define normal retirement age under tax-qualified pension plans and could affect city of Phoenix employees. The regulations do not allow for the fact that many state and local governments, such as Arizona and Phoenix, have constitutional protections that apply to employee benefits. Changes to these government retirement plans require legislative or voter processes with varying timelines.

Historically, public retirement plans have been exempt from compliance with the "normal retirement age" pension rules of Internal Revenue Code Section 411(a)(8). As adopted, the final regulations take away important governmental exemptions, without Congressional action. Absent relief, the final regulations would have two injurious consequences to the city of Phoenix Employees' Retirement System (COPERS), as well as the state of Arizona's plans.

**Conflict with Phoenix City Charter and the Arizona State Constitution** – COPERS is established in the City Charter. The federal regulations are in conflict with the Phoenix City Charter. Without an exception for government entities, Phoenix would have to amend the City Charter, which requires voter approval. The Arizona Public Safety Personnel Retirement System also would be affected. Most importantly, an amendment to the Arizona Constitution would be required to allow the state and the city to comply with the regulations. This type of constitutional amendment would effectively overturn more than 40 years of Arizona case law on the protection of public retirement benefits.

**Violation of Guaranteed Benefits** – Additionally, city of Phoenix employees are guaranteed benefits by COPERS. Established pension plans in Arizona typically use an "age plus years of service" approach to determine an employee's normal retirement age. The final regulations could impact COPERS and other existing plans, as the new minimum normal retirement age range is 55-62. As written, the final regulations would apply to existing employees and new employees. Recognizing that these regulations may result in a cutback in benefits promised to current employees, the Treasury Department has included an exception to the private sector anti-cutback rules. Public plans such as COPERS would need similar constitutional relief to comply with the final regulations – relief that the Treasury Department can not provide.

We urge the Treasury Department and the Internal Revenue Service to reconsider the regulations' impact on government retirement plans and to exempt public plans from the scope of the regulations, in the spirit of the exemptions previously granted to public plans by Congress.