

Coburn Amendment #423 – This amendment would prohibit federal grant recipients from selling their grant to other entities for any reason.

No community or organization receiving federal funds should be able to sell them to others for any reason. Yet, this black market of federal grants activity has continued for years in at least one community. **This amendment would provide for laws to ensure these sales like these would never occur.**

While selling federal grants may seem counterintuitive to most, the activity has allowed communities to escape federal requirements without losing much from their pile of cash. Adding a legislative ban to these sales would ensure these attempts are decidedly prevented in the future.

In Los Angeles County, California, for decades cities receiving Community Development Block Grant (CDBG) funding from the county sold their federal money to one another in exchange for general revenue.¹

For example, in the land of rich and famous, one community hardly used these antipoverty dollars to that end. Beverly Hills, California, received \$180,307 in CDBG funding last year, but sold much of it for 70 cents on the dollar to a neighboring low-income community.²³ The city justified its sale saying, “The city has not been able to identify a project that meets the criteria of the funding.”⁴ By selling the funds, the city could claim it met the federal requirement to spend part of the grant every year.

Unfortunately, while selling the grant may help city coffers, the major goal of CDBG goes unmet – to aid low- to moderate-income citizens and the homeless. The ability of some communities to sell federal grants for pennies on the dollar also raises significant questions about how the program allocates its funding.

After the transactions were publicized in October 2012, the Department of Housing and Urban Development (HUD), which oversees CDBG, strongly

discouraged communities from such sales in Los Angeles County, but has acknowledged there is no statutory ban on them.⁵

HUD also lacked statutory authority to ban sales of CDBG funding by River Hills, Wisconsin, in 2011.⁶ The wealthy community – which has a per capita income of \$94,479, over twice the national average -- repeatedly attempted to sell its funds to neighboring cities. HUD sent a warning letter to the community about the sales, and the community decided to spend the money elsewhere.

When asked about the legality of the sales in Los Angeles County, the spokesman for HUD noted they are “not expressly prohibited by law or regulation.”⁷

Establishing a statutory ban on the black market for federal grants will assist HUD and other federal agencies in ensuring federal grants are not sold to other communities.

¹ Cowan, Alison Leigh. “Development Grant Sales Are Brisk in Los Angeles,” *New York Times*, February 16, 2013. Available at <http://www.nytimes.com/2013/02/17/us/politics/los-angeles-county-trades-on-its-federal-grants.html?pagewanted=all&pagewanted=print>, accessed March 21, 2013.

² Community Development Commission of the County of Los Angeles, “2012-2013 One-year Action Plan, Appendix I: CDBG Allocations,” page 1. Available at <http://www3.lacdc.org/CDCWebsite/uploadedfiles/CDBG/One%20Year%20Action%20Plan/2012-2013%20One-Year%20Action%20Plan/Volume%20I/Appendix%20I.pdf>, accessed August 14, 2012.

³ Letter to the Board of Commissioners of the Community Development Corporation of the County of Los Angeles. “Approve Exchange of Community Development Block Grant Funds Between the Cities of Beverly Hills and Hawaiian Gardens,” April 3, 2012. Motion adopted by the Commission on April 3, 2012. Available at <http://file.lacounty.gov/bos/supdocs/67400.pdf>, accessed August 14, 2012.

⁴ Cowan, Alison Leigh. “Development Grant Sales Are Brisk in Los Angeles,” *New York Times*, February 16, 2013. Available at <http://www.nytimes.com/2013/02/17/us/politics/los-angeles-county-trades-on-its-federal-grants.html?pagewanted=all&pagewanted=print>, accessed March 21, 2013.

⁵ Cowan, Alison Leigh. “Development Grant Sales Are Brisk in Los Angeles,” *New York Times*, February 16, 2013. Available at <http://www.nytimes.com/2013/02/17/us/politics/los-angeles-county-trades-on-its-federal-grants.html?pagewanted=all&pagewanted=print>, accessed March 21, 2013.

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