



The Community Development Block Grant (CDBG)

CDBG Annual Appropriations Have Been Cut by 28 Percent Since 2003

By Helen Eisner¹
November 5, 2008

SUMMARY

The Community Development Block Grant (CDBG) program disseminates funding to build strong neighborhoods and promote economic opportunities for predominantly low- and moderate-income populations. Authorized under Title I of the Housing and Community Development Act of 1974, CDBG is administered by the Department of Housing and Urban Development (HUD).²

In FY 2008, the CDBG formula-based grant program received \$3.59 billion in appropriations, which was then distributed to entitlement communities (urban municipalities) and non-entitlement communities (states to distribute to non-urban settings).³ Once funding is distributed, individual grantees are given flexibility to determine their own funding priorities within set criteria of eligible community development activities and with public input. While CDBG promotes housing revitalization, creates jobs, supports child care services, and meets other pressing community needs, CDBG formula grants have been cut by 28 percent since 2003, and more than 50 percent since 1981. In addition to annual formula grants, Congress can appropriate supplemental CDBG funds to aid disaster recovery and to respond to other imminent community development concerns.

Background

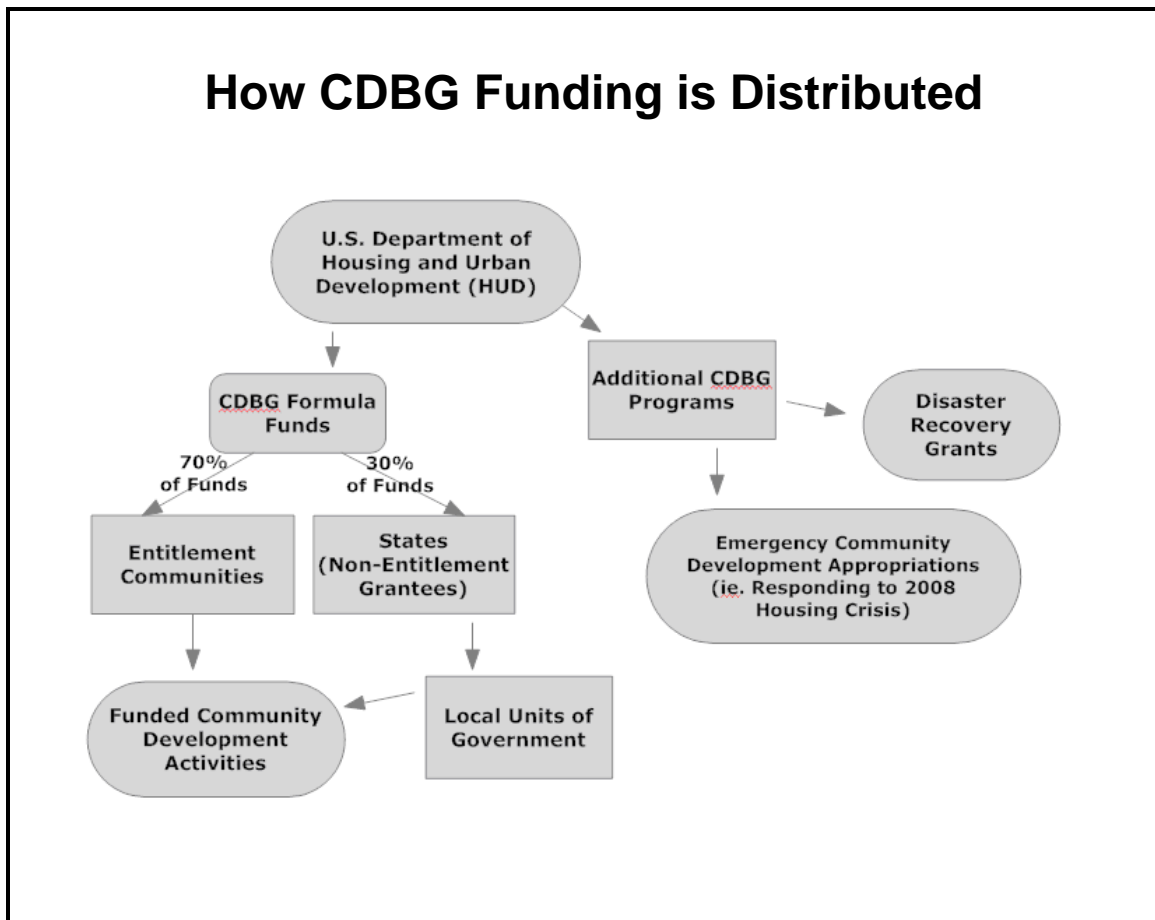
Through the Community Development Block Grant Program, the Department of Housing and Urban Development distributes funds each year for community investment activities. These formula-based grants are allocated through two streams: funding for entitlement communities and

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² Department of Housing and Urban Development, "Community Development Block Grant Entitlement Communities Grants," (June 2008), [http://www.hud.gov/utilities/print/print2.cfm?page=80\\$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80](http://www.hud.gov/utilities/print/print2.cfm?page=80$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80).

³ National League of Cities, "Status of FY 2009 Appropriations Bills," (July 2008): 2, <http://nlc.staging.10floor.com/ASSETS/4C86267E601C49F29112BE6ACC8C3D66/FY%202009%20Appropriations%20Status%20Report.pdf> .

funding for states (non-entitlement communities).⁴ Grants are awarded through a formula that accounts for factors such as poverty, housing overcrowding, and population growth lag.⁵



Source: Flow chart modeled on chart from: Galster et al., "Measuring the Impact of Community Development Block Grant Spending on Urban Neighborhoods," *Housing Policy Debate* 15.4 (2004): 904.

Entitlement Communities

Seventy percent of all CDBG formula funding goes straight from HUD to entitlement communities. Entitlement communities are metropolitan cities with more than 50,000 residents or urban counties with more than 200,000 residents. These municipalities are free to determine their own funding priorities and distribute CDBG funding to carry out community development activities. Local organizations and businesses can apply to compete for these CDBG funds.⁶

⁴ The Finance Project, "Using CDBG to Support Community-Based Youth Programs," (January 2008): 6, http://www.financeproject.org/publications/CDBG_PM.pdf .

⁵ Department of Housing and Urban Development, "Community Development Block Grant Entitlement Communities Grants," (June 2008), [http://www.hud.gov/utilities/print/print2.cfm?page=80\\$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80](http://www.hud.gov/utilities/print/print2.cfm?page=80$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80)

⁶ The Finance Project, "Using CDBG to Support Community-Based Youth Programs," (January 2008): 6, http://www.financeproject.org/publications/CDBG_PM.pdf .

State Grants

States receive the remaining 30 percent of CDBG formula-based funds from the federal government. This funding is awarded by the states to local units of government that do not qualify for entitlement grants (primarily small communities and rural areas).⁷ Like entitlement communities, states can determine their priorities for spending CDBG funding.

State CDBG funding is also known as the Small Cities CDBG program. In 1981, reforms to the Housing and Community Development Act of 1974 allowed states to choose to administer non-entitlement CDBG funds instead of HUD. Currently, every state except Hawaii has chosen to take over the program.⁸

CDBG Supported Activities

The original intent of CDBG was to promote, “viable urban communities as social, economic, and political entities,” and “to provide decent housing and a suitable living environment, principally for persons of low- and moderate-income.”⁹ To accomplish these objectives, CDBG activities must:¹⁰

1. Aid low- and moderate-income populations;
2. Facilitate the prevention and elimination of blight and slums; or
3. Confront urgent needs that threaten the health or welfare of the community.

While grantees are given flexibility to determine how to spend CDBG funds, they must select from a broad range of eligible activities. Eligible activities include:¹¹

- Public community services (no more than 15 percent of funding);
- Local economic development and job creation;
- Rehabilitation of residential and non-residential properties;
- Construction of public facilities and new housing by neighborhood non-profits; and
- Support for energy conservation and renewable energy sources.

⁷ The Finance Project, “Using CDBG to Support Community-Based Youth Programs,” (January 2008): 7-8, http://www.financeproject.org/publications/CDBG_PM.pdf .

⁸ Department of Housing and Urban Development, “State Administered CDBG,” (September 2008), [http://www.hud.gov/utilities/print/print2.cfm?page=80\\$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fstateadmin%2Findex%2Ecfm&portnum=80](http://www.hud.gov/utilities/print/print2.cfm?page=80$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fstateadmin%2Findex%2Ecfm&portnum=80) .

⁹ Galster et. al., “Measuring the Impact of Community Development Block Grant Spending on Urban Neighborhoods,” *Housing Policy Debate* 15.4 (2004): 904.

¹⁰ The Finance Project, “Using CDBG to Support Community-Based Youth Programs,” (January 2008): 10, http://www.financeproject.org/publications/CDBG_PM.pdf .

¹¹ National Association of Housing and Redevelopment Officials, “Consequences for American Communities: A National Survey on the Impact of Recent Reductions in Community Development Block Grant Funding,” (2006): 1, http://www.nahro.org/cdbg_survey2.pdf .

Within this framework, grantees prioritize community needs and award funds so that development activities can be implemented. Communities then benefit through activities such as constructing homeless shelters, running youth programs, and improving parks and city infrastructure.

HUD requires that 70 percent of a CDBG grantee's funds be used to serve low- and moderate-income individuals.¹² For the CDBG program, moderate-income is defined as 80 percent of a metropolitan area's median income, whereas low-income is defined as 50 percent of the median income. In some cases, a metropolitan area may include surrounding suburbs. Including suburbs often inflates an area's median income, and makes the CDBG low-income threshold higher than for other social service programs.¹³

Grantee Requirements

To receive funding, each grantee must submit a Consolidated Plan to HUD at least once every five years. The plan outlines the grantee's goals for CDBG and other HUD-funded programs. This plan is used to ensure that the grantee will use funding to serve primarily low- and moderate-income populations. Later the objectives that the grantee sets forth are the criteria that HUD uses to determine if a grantee has met its performance goals.¹⁴

The development of a Consolidated Plan requires citizen participation. Each grantee must create a separate plan that describes how they will encourage public participation in the process of creating the Consolidated Plan, putting emphasis on involving low- and moderate-income residents. Participation includes public hearings, which are required for all grantees, and other attempts to encourage citizen involvement. Grantees must also reach out to non-English speaking residents and incorporate their views in the process.¹⁵

Does CDBG Benefit Communities?

According to research on the impact of CDBG, community development funding helps build thriving communities. HUD estimates that in 2006, CDBG served close to 1.1 million people.¹⁶ An Urban Institute Study found that CDBG, "has made an important contribution to city community development, including demonstrated successes in achieving local neighborhood stabilization and revitalization objectives."¹⁷ An additional study reported that, "improvements in neighborhood conditions appear related to...a higher-than-average concentration of CDBG expenditures per block."¹⁸

¹² National Low Income Housing Coalition, "Community Development Block Grant," (February 2008), http://www.nlihc.org/detail/article.cfm?article_id=5198&id=19.

¹³ The Finance Project, "Using CDBG to Support Community-Based Youth Programs," (January 2008): 10, http://www.financeproject.org/publications/CDBG_PM.pdf.

¹⁴ The Finance Project, "Using CDBG to Support Community-Based Youth Programs," (January 2008): 11, http://www.financeproject.org/publications/CDBG_PM.pdf.

¹⁵ Department of Housing and Urban Development, "Community Development Block Grant Entitlement Communities Grants," (June 2008), [http://www.hud.gov/utilities/print/print2.cfm?page=80\\$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80](http://www.hud.gov/utilities/print/print2.cfm?page=80$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fcpd%2Fcommunitydevelopment%2Fprograms%2Fentitlement%2Findex%2Ecfm&portnum=80).

¹⁶ The Finance Project, "Using CDBG to Support Community-Based Youth Programs," (January 2008): 4, http://www.financeproject.org/publications/CDBG_PM.pdf.

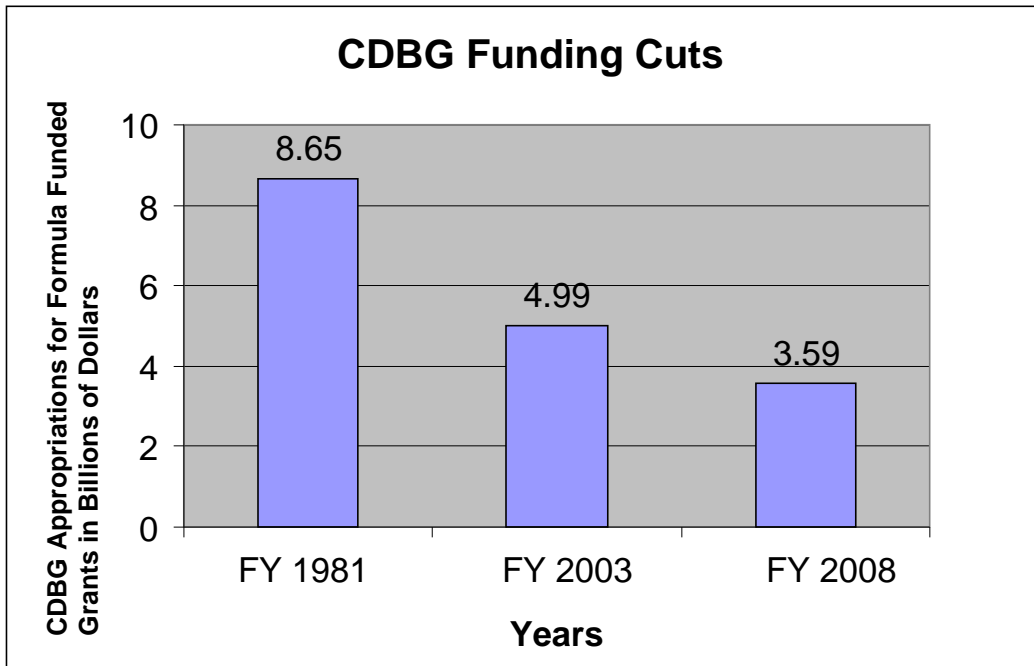
¹⁷ Galster et. al., "Measuring the Impact of Community Development Block Grant Spending on Urban Neighborhoods," *Housing Policy Debate* 15.4 (2004): 905.

¹⁸ Galster et. al., "Measuring the Impact of Community Development Block Grant Spending on Urban Neighborhoods," *Housing Policy Debate* 15.4 (2004): 905.

The number of individuals who benefit from CDBG affirms the wide reach of CDBG funded activities. From 2001 to 2006, the program resulted in the creation of 541,000 jobs. In 2006, CDBG funds supported after-school services for more than one million youth, assisted job training for 67,000 people, and sponsored the rehabilitation of close to 150,000 rental units. During 2006 approximately 95 percent of CDBG funds were used to support low- and moderate- income populations.¹⁹

Decline in Federal Funding

In spite of its successes, CDBG formula funding continues to decline. Since 1981, funding for CDBG formula-based grants has dropped by 59 percent when adjusted for inflation. More recently, funding has fallen from \$4.3 billion in FY 2003 to \$3.6 billion in FY 2008. When adjusted for inflation this represents a 28 percent cut since 2003.^{20, 21, 22}



Source: Northeast-Midwest Institute, "Federal Appropriations Drop for Community Development Block Grant Formula Funds," (December 2006), http://www.nemw.org/NEMWAppropsFacts_CDBGFormulaGrants1206.pdf.

In addition to budget cuts, CDBG faced the threat of elimination in 2004 when President Bush proposed eliminating the program completely. This attempt was thwarted and the program continues to offer community development support. However, for FY 2009, President Bush

¹⁹ National Association of Housing and Redevelopment Officials, CDBG Coalition, to The Honorable John M. Spratt and The Honorable Paul Ryan, (March 7, 2007), http://www.nahro.org/conferences/07_cdbg_house.pdf.

²⁰ Northeast-Midwest Institute, "Federal Appropriations Drop for Community Development Block Grant Formula Funds," (December 2006), http://www.nemw.org/NEMWAppropsFacts_CDBGFormulaGrants1206.pdf.

²¹ National League of Cities, "Status of FY 2009 Appropriations Bills," (July 2008): 2, <http://nlc.staging.10floor.com/ASSETS/4C86267E601C49F29112BE6ACC8C3D66/FY%202009%20Appropriations%20Status%20Report.pdf>.

²² Inflation Adjustments were made using the consumer price index. Appropriations amounts were converted using the following inflation calculator: <http://data.bls.gov/cgi-bin/cpicalc.pl>.

proposed just \$2.9 billion for CDBG formula grants.²³ In contrast, during the yet to be completed appropriations process for FY 2009, the Senate Appropriations Transportation-HUD Subcommittee proposed \$3.89 billion in funding for CDBG formula-based grants.²⁴ Since the FY 2009 appropriations process stalled, a bill with this funding level was never voted out of the full Senate Appropriations Committee. Funding levels for FY 2009 will not be determined until March 2009 when the continuing resolution that is currently funding the government expires.

Additional CDBG Funded Activities

CDBG Disaster Recovery Assistance

In addition to addressing ongoing community development activities, HUD can also provide noncompetitive, nonrecurring Disaster Recovery grants. Congress appropriates CDBG Disaster Recovery funds to aid recovery in presidentially declared disaster areas for primarily low-income populations. These recovery measures are authorized under Title I of the Housing and Community Development Act of 1974. Disaster Recovery grants can be used towards activities such as infrastructure support, housing rehabilitation, economic development programs, and to a limited extent, public services. Funds can be distributed to states, local municipalities, Indian tribes, and insular areas that the president declares disaster areas.²⁵

Recently, the largest CDBG Disaster Recovery grants have been directed toward recovery efforts in the Gulf Coast and New York City. During FY 2006, \$16.5 billion in CDBG Disaster Recovery funding was provided to assist areas affected by Hurricanes Katrina, Rita, and Wilma. In FY 2001 and 2002, a total of \$3.483 billion was granted for New York City's recovery efforts after the September 11th attacks. These recovery funds are significantly larger than other recent CDBG Disaster Recovery grants. For example, in FY 1995, \$39 million in CDBG recovery funds were granted to provide aid after the Oklahoma City bombing. Most recently, in FY 2008, Congress allocated \$300 million in Disaster Recovery grants to help Iowa, Indiana, and Wisconsin with flood relief. Disaster Recovery grants are awarded only when necessary and are not annual – for example, in 2003 and 2004 no CDBG disaster recovery funds were distributed.²⁶

Other Uses of CDBG Funds

Aside from presidentially declared disaster areas, the Community Development Block Grant can also be used to assist low-income populations facing other types of crises. Recently, the CDBG program received \$4 billion in supplemental funding through the Housing and Economic Recovery Act of 2008.²⁷ This funding was distributed to local governments to buy and rehabilitate foreclosed properties in an effort to stabilize housing prices and respond to the subprime mortgage crisis.

²³ National Association of Housing and Redevelopment Officials, "Consequences for American Communities: A National Survey on the Impact of Recent Reductions in Community Development Block Grant Funding," (2006): 1, http://www.nahro.org/cdbg_survey2.pdf .

²⁴ National League of Cities, "Status of FY 2009 Appropriations Bills," (July 2008): 2, <http://nlc.staging.10floor.com/ASSETS/4C86267E601C49F29112BE6ACC8C3D66/FY%202009%20Appropriations%20Status%20Report.pdf> .

²⁵ Department of Housing and Urban Development, "CDBG Disaster Recovery Assistance," (October 2008), <http://www.hud.gov/offices/cpd/communitydevelopment/programs/drsi/index.cfm>.

²⁶ Ibid.

²⁷ Herszenhorn, David. *The New York Times*, "Bush Signs Sweeping Housing Bill," (July 31, 2008), <http://www.nytimes.com/2008/07/31/business/31housing.html?sq=housing%20recovery&st=cse&adxnnl=1&scp=1&adxnnlx=1223064413-fYz8Zx1yVtOLxvUyLqU9RQ> .

Political Status

Appropriations for CDBG formula grants for FY 2009 will not be determined until the continuing resolution expires in March, 2009. Prior to that, additional CDBG funding to assist low-income populations struggling in the current economic crisis could be included in an economic stimulus package that is being considered by leaders in the House and Senate. An economic stimulus package that did not include CDBG funds was passed in September by the House and failed in the Senate. Congressional leadership has signaled an interest in bringing up an economic stimulus package in November. If the package fails in November, it will likely come up again after President-Elect Obama takes office. This stimulus package could be a vehicle for additional CDBG funds to support revitalization and economic development in low-income neighborhoods facing increased challenges because of the economic downturn.

In Washington, DC, the CDBG Coalition, a collaboration of national organizations such as the National Association of Housing and Redevelopment Officials (NAHRO) and the American Federation of State, County and Municipal Employees (AFSCME), leads advocacy efforts in support of CDBG.

Conclusion

For more than 30 years, the Community Development Block Grant program has facilitated the creation of stronger and more productive communities across the country. Program funds benefit areas as diverse as small rural communities, large urban cities, and areas affected by natural disasters. The commonality between these localities is the need for improved living environments for low- and moderate- income families. The CDBG program has been a boon for these neighborhoods – strengthening local infrastructure and creating opportunities for economic advancement. In increasingly uncertain economic times, the CDBG program offers necessary assistance and deserves continued federal support.

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About the Alliance for Children and Families and United Neighborhood Centers of America

The Alliance for Children and Families, a nonprofit association, was formed by the 1998 merger of Family Service America and the National Association of Homes and Services for Children. The Alliance represents over 370 nonprofit organizations across the nation that provide services and economic empowerment to children and families. Alliance agencies cover a wide spectrum of providers, including a diversity of faith-based organizations and nonsectarian agencies. Together, these organizations deliver more than \$2 billion annually in services to more than 8 million people in nearly 6,700 communities across the United States. More information about the Alliance is available at www.alliance1.org.

United Neighborhood Centers of America (UNCA) is a voluntary, nonprofit, national organization with neighborhood-based member agencies throughout the United States. Formerly known as the National Federation of Settlements and Neighborhood Centers, it was founded in 1911 by Jane Addams and other pioneers of the settlement movement. More information about UNCA is available at www.unca.org.

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