



How to Bolster America's Already Effective Community Development Block Grant Program

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The Community Development Block Grant Program has been a primary source of funding for local community improvement projects since it was created in 1974. Under this program, the federal government provides funding to states and more than 1,200 local governments – called entitlement communities – to help low- and moderate-income people prevent or eliminate slums and blight and address urgent needs such as hurricane recovery.

Congressional appropriations for the program are distributed based on formulas that include measures of population, population growth, poverty, housing age, and overcrowding. By statute, 70 percent of the congressional allocation goes directly to the entitlement communities with populations of 50,000 or more, while the remaining 30 percent goes to the states for distribution to local governments with populations under 50,000. In 2017, approximately \$3 billion was allocated for the program. Despite the program's effectiveness, however, congressional appropriations for the program have been steadily reduced in recent years. The current funding level is approximately one-quarter of what it was in 1978, in inflation-adjusted dollars.

Strengths of the Program

As a block grant, the Community Development program affords localities considerable flexibility in the use of funds, as long as 70 percent of the expenditures benefit low- and moderate-income people. The most frequently supported activities include installing or upgrading public infrastructure – such as storm water sewer systems and roads – and providing low-interest loans for the rehabilitation of dilapidated housing units. Funds can also be provided to for-profit and nonprofit organizations for economic development activities that, for example, create jobs and new businesses.

These grants are effective policy tools for a number of reasons:

- The flexibility of the block grants allows local jurisdictions to undertake comprehensive – rather than piecemeal – local improvement projects. Pursued alone or in combination, infrastructure, housing, and economic development projects are more likely than small, temporary projects to have an observable and lasting impact in the targeted communities. In addition, many communities use block grant funds to plan and augment private investments in local development projects.
- The program targets the neediest areas within needy communities. Specifically, the 70 percent of community grants set aside for the neediest areas must go to places where at least 51 percent of residents have incomes below 80 percent of the local median income.

- Annual allocations to entitlement communities allow local governments to plan multi-year, transformative projects. The Section 108 provision lets local jurisdictions leverage private loans by using future allocations for loan security.
- The program helps the federal government distribute aid for natural disasters or economic emergencies such as the housing foreclosure crisis. After Hurricane Katrina, for example, the program was used to funnel disaster relief funds to the affected areas.

Recommendations for Program Reform

Although effects are difficult to fully measure, much evidence suggests that the Community Development Block Grant Program has contributed to important and sustainable improvements to the lives of low-and moderate-income people. Despite such improvements, program funding levels have been dramatically reduced even as the number of recipient communities has expanded. To avoid dilution, overall program funding levels should be greatly increased – and the distribution of program funds should be more tightly targeted to those in greatest need. The following changes in the distribution of funds are advisable:

- Formulas used to allocate funds to entitlement communities should be altered to favor communities with higher levels of poverty, older housing, and more overcrowding.
- Program guidelines should encourage geographical targeting rather than wide scattering of community allocations. Although flexibility can be a good thing, research indicates that concentrating program efforts on specific areas is more likely to leverage private-sector investments and result in measurable and sustainable improvements.
- Current program guidelines allow entitlement communities to count all expenditures in eligible needy neighborhoods. Instead, participating communities should be required to use proportionate accounting – which considers the actual proportion of low-and moderate-income residents in community development target neighborhoods. The U.S. Department of Housing and Urban Development should ensure that current fair-housing requirements are being adhered to by the entitlement jurisdictions.

Finally, as these improvements are made in Community Development Block Grants, the Department of Housing and Urban Development needs to continue to improve its systems for assessing program performance. Critics argue that there is not enough evidence of this program's specific impacts and effectiveness. Given the many uses of this program, it is difficult to track the effects of each set of allocations across the 1,200 communities that receive funding. Nevertheless, some evidence has been accumulated. Studies have shown that concentrating program funds in target neighborhoods can lead to substantial and sustainable improvements in their living conditions. Currently, the Integrated Disbursement and Information System tracks the general purposes and outcomes of program expenditures. But this system could be strengthened by periodic monitoring to ensure consistent and uniform reporting from all communities that participate in the program. Furthermore, as data collection improves, the Block Grant program and its administrative and congressional overseers could benefit from periodic assessments by independent evaluators.

Read more in “The Community Development Block Grant Program Turns 40: Proposals for Program Expansion and Reform” *Housing Policy Debate* 24, no. 1 (2014): 3-13.