



# Taking Stock of the Community Development Block Grant

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**The United States has for many decades sought to encourage development that would make neighborhoods and cities more economically competitive and more amenable places to live and work. Federal assistance has come in many forms, but historically the most sizable, stable, and comprehensive support for community and economic development has been the Community Development Block Grant (CDBG), administered by the US Department of Housing and Urban Development (HUD).**

CDBG was created over four decades ago with the Housing and Community Development Act of 1974. It was, in many ways, archetypal of efforts to bring local knowledge and creativity to bear on pressing social problems. It emerged at a time when reducing segregation, poverty, and disadvantage were government priorities, even if previous approaches had failed to deliver on their promises (Orlebeke and Weicher 2014). The program subsumed the role of seven (and later eight) existing categorical programs for various housing and neighborhood improvement activities.

The creation of CDBG was a departure from the status quo of federal funding; whereas the traditional model of federal funding dictated how states and localities spent funds, CDBG allowed grantees to use funds at their discretion as long as they followed broad guidelines (Orlebeke and Weicher 2014). This approach received bipartisan support and reflected a compromise between those who wanted to devolve decisionmaking power to state and local governments and those who wanted to create a national program benefiting low-income communities (“CDBG: A 25-Year History” 1999; Hays 2012; O’Connor 1999).

CDBG continues to play an important role today as a unique community development resource. For many jurisdictions, it is a steady source of funding benefiting low-income individuals and communities,

which allows them to focus on implementation rather than fundraising. Its flexibility also allows localities to tailor solutions to their own needs and fund a wide range of activities, from providing housing loan counseling to supporting local attractions that generate economic activity. CDBG funds can be used in isolation or combined with other funding sources to accomplish an array of objectives.

According to HUD, between 2005 and 2013, CDBG created or retained 330,546 jobs, assisted over 1.1 million people with homeownership and improvements, benefitted over 33 million people nationwide through public improvements, and provided public services to over 105 million people.<sup>1</sup> However, real-dollar funding for the core program has shrunk tremendously over its lifetime (figure 1), and President Trump's 2018 budget proposes to eliminate its funding. Although the program is large and well-established in the community development field, few have a comprehensive view of what the program accomplishes. Some have criticized the program as ineffective, inefficient, and too diffuse (Moore 2007).<sup>2</sup> However, CDBG grantees cite the program as essential to their community and economic development strategies (US Government Accountability Office 2013), and as the "first capital in" to a project, which is critical in attracting other capital sources (Prunella, Theodos, and Thackery 2014).

Despite the program's importance and its significant declines in funding, CDBG has received little attention of late in policy and research circles. However, HUD has been aware of CDBG's challenges and has formulated legislative changes and regulatory updates.

This brief centers around eight key questions in the design and implementation of CDBG:

1. What is the funding picture for CDBG?
2. Are funds directed to the jurisdictions with the most need?
3. Are CDBG funds used for the right activities?
4. How well do grantees target their funds to people and places with needs?
5. How can the program encourage good performance?
6. How well does the CDBG platform work for supplemental programs?
7. What data are available to track and evaluate CDBG activities?
8. What are CDBG's impacts on people and place?

Embedded in each section are recommendations for improvement.

## What Is the Funding Picture for CDBG?

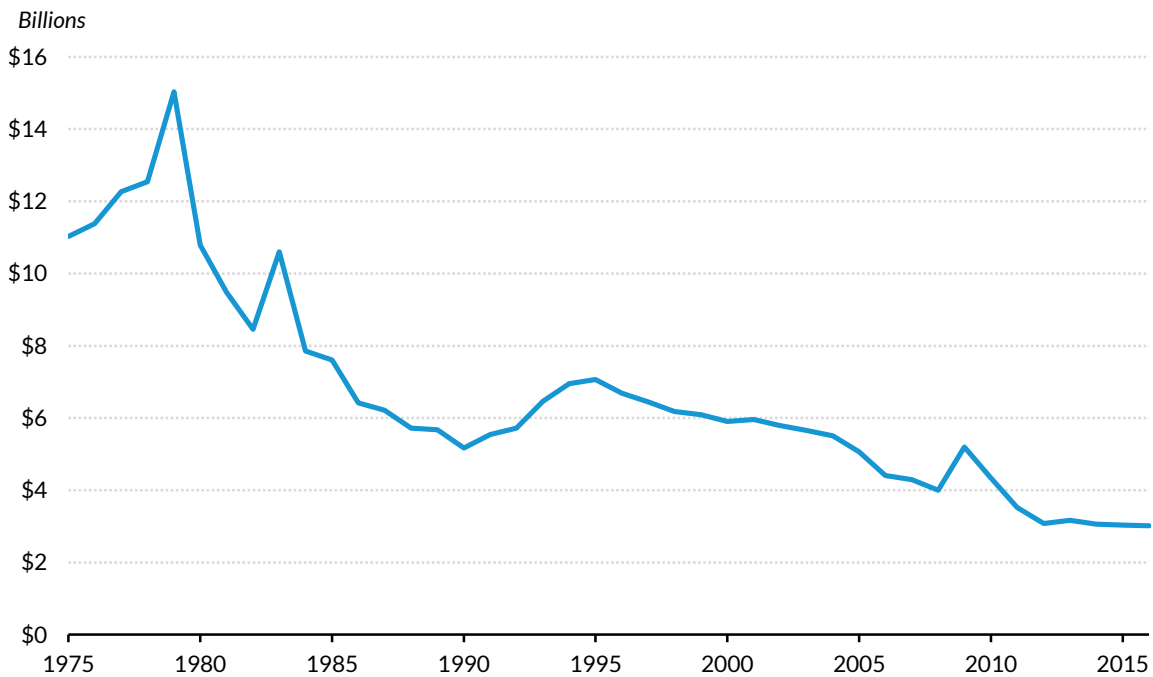
While funding for CDBG has remained fairly steady in nominal dollars at roughly \$3 billion, funding has not kept pace with inflation. In real 2016 dollars, funding has decreased 80 percent since its peak in 1979 from \$15.0 billion to \$3.0 billion (figure 1). More recently, funding for CDBG has hovered around the same nominal levels or declined since 1995, aside from the 2009 appropriations that included funds from the American Recovery and Reinvestment Act. In real dollars, the program is less than half the size it was in 1995. Increasing funding for CDBG should continue to be challenging in the near term, given general pressures on discretionary nondefense spending and the budget caps placed on the

Transportation and Housing Appropriations Committees (Reich 2014). Further, the Trump administration has proposed eliminating the program in its FY 2018 budget (US Office of Management and Budget 2017).

**FIGURE 1**

**Declining Community Development Block Grant Funding**

2016 dollars



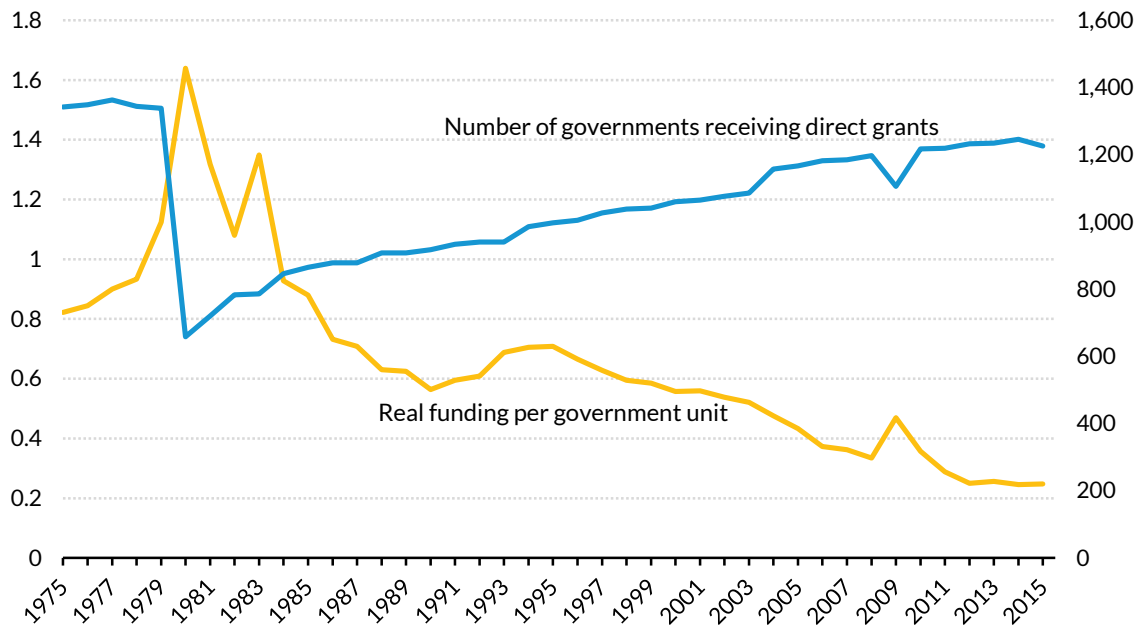
**Sources:** Eugene Boyd, “Community Development Block Grants: Recent Funding History,” (Washington, DC: Congressional Research Service, 2014); “CPD Appropriations Budget,” US HUD, accessed April 6, 2017, [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/about/budget/](https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/).

In addition to lagging behind inflation, CDBG appropriations have not kept pace with the increasing number of entitlement communities that receive CDBG funding directly from HUD (not counting the units of government receiving CDBG grants from states). Between 1980 and 2015, CDBG entitlement communities have increased 86 percent while real funding for the program has declined (figure 2). This, together with funding cuts, has amounted to an 85 percent decrease between 1980 and 2015 in average funding for each direct recipient.

FIGURE 2

Decreasing Community Development Block Grant Funding per State and Local Government Grantee

Millions of 2013 dollars



Sources: Eugene Boyd, “Community Development Block Grants: Recent Funding History,” (Washington, DC: Congressional Research Service, 2014); US HUD, “Community Development Block Grant Program: Directory of Allocations for Fiscal Years 1975–1980,” “Community Development Block Grant Program: Directory of Allocations for Fiscal Years 1981–1987,” “Community Development Block Grant Program: Directory of Allocations for Fiscal Years 1986–1993,” (Washington, DC: 1980, 1987, and 1993, respectively); “CPD Appropriations Budget,” HUD Exchange, US HUD, accessed April 6, 2017, [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/about/budget/](https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/); “Community Planning and Development Program Formula Allocations for FY 2015,” HUD Exchange, US HUD, accessed April 6, 2017, [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/about/budget/budget15](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget15).

While CDBG funding has decreased, HUD’s housing assistance program allocations (such as those for rental assistance and public housing) have fared better. Housing assistance funding more than doubled between 1980 and 2007—but still reaches only one in four eligible households (Joint Center for Housing Studies of Harvard University 2013). In comparison, CDBG funding declined 60 percent over the same period.

These trends are driven by several forces, but key is that HUD budget ceilings place pressure on allocations between community development programs (for which the impacts of funding cuts are less immediately obvious) and rental assistance programs (which serve individuals and families who could lose their housing as a direct result of funding cuts). Also, rental assistance programs have grown because of rising rents and declining incomes rather than the addition of funding for new units or vouchers.

Current funding trends are a major source of concern for CDBG proponents. From the local jurisdictions’ perspective, the small size of CDBG grants reduces the potential for transformative

projects and disincentivizes dedicating staff time to planning. Tight funding also makes local jurisdictions reluctant to support program changes that would reduce flexibility or redistribute funds.

## Recommendations

Implementing four funding-related recommendations will strengthen the CDBG program:

- **Limit the number of entitlement communities based on need.** The requirements for being an entitlement community should be altered to increase funding per entitlement community. Nonentitlement communities would still be eligible for funding under the state-administered CDBG program. The current criteria are based upon population and city status rather than need (see next section). Creating a need threshold for entitlement status would not only better target funding to need, but also reduce the number of entitlement jurisdictions. Previous proposals have sought ways to accomplish this. For example, one proposal was to eliminate a grandfathering mechanism that prevents communities from losing their entitlement status when they no longer meet the requirements.<sup>3</sup> A second option mentioned by the Congressional Research Service would increase the minimum population threshold and grant formula allocation needed to receive an entitlement grant (Boyd 2014).
- **Continue and increase funding.** Funding for CDBG has declined dramatically since its inception and has remained stagnant. CDBG grants must be a certain size to be useful for local jurisdictions. Given the important role that CDBG plays locally, the solution is to continue the program and increase funding conditional on other reforms, described below.
- **Educate the public and policymakers about CDBG's accomplishments.** CDBG has funded popular projects, but these are perceived to be funded solely by local governments. Advocates should raise awareness about CDBG projects to build support for additional funding.
- **Use the need for increased funding as an opportunity to improve the program.** Many improvements outlined in this brief may face opposition from local jurisdictions that fear losing funding. Increased funding could hold jurisdictions harmless for a set amount (e.g., five years) while implementing the proposed changes, which would help garner support from local jurisdictions and Congress members while improving CDBG's effectiveness.

## Are Funds Directed to the Jurisdictions with the Most Need?

The CDBG program has two main components: grants distributed directly to entitlement communities and grants administered indirectly through states (or directly to small cities in nonparticipating states). Under the entitlement communities component, major cities and urban counties are entitled to receive CDBG funds based on a formula. Localities that do not meet HUD's criteria for entitlement communities can apply for funds through state-administered grants (in participating states) or through HUD's small

cities program (in nonparticipating states).<sup>4</sup> Of the funds appropriated for CDBG, 70 percent are allocated to entitlement jurisdictions and 30 percent to nonentitlement jurisdictions.<sup>5</sup>

Metropolitan cities with a population of at least 50,000 and urban counties with a population of at least 200,000 (excluding cities in the county entitled to CDBG funds) are entitled to CDBG funds. The amount of the grants is based on one of two formulae. Formula A, which was written into the 1974 legislation, uses a locality's weighted share of population, poverty, and overcrowding to determine grant amounts. Formula B, added in 1977, uses a locality's weighted share of population-growth lag,<sup>6</sup> poverty, and pre-1940 housing.<sup>7</sup> HUD uses the larger of the two amounts calculated from Formulas A and B to determine an award (Richardson 2005).<sup>8</sup>

The small cities and state-administered programs use similar formulae. States receiving a state-administered CDBG program grant can choose how to award these monies to local governments, within guidelines. For example, states may award grants through a competitive process or by entitlement (US HUD 2014).

Studies have found that the formulae's abilities to match funding to need have diminished over time (Collinson 2014; Rich 2014; Richardson 2005). Sources of the mismatch include the imperfect relationship between the variables in the allocation formulae and need. For example, wealthy suburbs may have older housing stock and low population growth but are not especially needy.

## Recommendations

- **Improve the formulae.** Congress should create a single formula that provides similarly needy communities with comparable funding per capita and more needy communities with more funding per capita than less needy communities (Collinson 2014; Richardson 2005). For example, Congress might put higher weights on a measure of concentrated poverty (Collinson 2014; Rohe and Galster 2014) or children living in poverty. Although local officials generally oppose a redistribution of CDBG funds, they may accept a change if the formulae are simplified so that allocations are more predictable.
- **Lower funding for wealthy communities.** As part of the formula overhaul, Congress should modify the existing allocation formulae to lower the weight of housing stock and population variables for wealthy communities (Collinson 2014; Richardson 2005), since some wealthy communities receive greater allocations than their needs may suggest.
- **Remove the distinction between entitlement and nonentitlement communities.** Congress can allocate funds across all local jurisdictions according to a formula based on need. To avoid small grants and maintain grant efficacy, Congress can impose the current or more stringent minimum thresholds for grant amount and population.

## Are CDBG Funds Used for the Right Activities?

HUD distributes program funds each year with broad requirements about which community and economic development activities can be supported:

- Each activity undertaken by a locality must meet one of CDBG's national objectives, that is, it must principally benefit low- and moderate-income (LMI) persons, eliminate or prevent slum and blight conditions, or meet other urgent community development needs.
- Local grantees are required to use (over three years) at least 70 percent of their CDBG grant funds for activities that benefit LMI persons, defined as those with 80 percent or less of area median income. Where at least 51 percent of residents are LMI persons, HUD allows grantees to count 100 percent of "area-benefiting" expenditures as benefiting LMI persons.
- The remainder of the grant can be used to prevent or eliminate slums or blight or to address urgent community development needs.
- Up to 15 percent of the grant can be used for public services or social services.
- Up to 20 percent of the grant can be used for planning and administration expenses.

HUD prohibits certain uses of funds, including political activities and construction of new housing by local governments.<sup>9</sup>

In addition to spending CDBG funds directly, entitlement communities can, under the Section 108 Loan Guarantee Program, use their future CDBG funds as collateral for community and economic development projects (Wiley 2014). Similar to CDBG, Section 108 is used as "seed money" to attract other funding sources or fill funding gaps (Prunella, Theodos, and Thackery 2014).

The state-administered CDBG program has similar allowable activities but different restrictions on program administration and technical assistance. States can use \$100,000 plus 50 percent of costs incurred for program administration. States can also use part of their CDBG allocations on technical assistance activities. However, states cannot spend more than 3 percent of allocations on program administration and technical assistance combined.<sup>10</sup>

To receive funds, entitlement communities (and states in the state-administered program) must develop and submit a consolidated plan, as HUD requires for its other Community Planning and Development formula grant programs. The consolidated plan identifies a jurisdiction's goals for the CDBG program and for its housing programs.

CDBG spending falls under a few general categories: property acquisition and clearance, housing, economic development, public improvements and facilities, public services, and planning and administration. Within these categories, grantees have funded a wide variety of activities, including street upgrades, infrastructure infill, affordable homeownership, homeless services, and small business loans. For example, Pharr, Texas, used CDBG funds to buy equipment that enabled the city to host

festivals and to operate an oral history display at City Hall (US HUD, n.d.). Boston, Massachusetts, used CDBG funds for home repairs for LMI senior citizens (City of Boston, Massachusetts, Office of the Mayor, n.d.).

Some cities set aside a portion of their CDBG funds for specific activities. For example, Oakland, Michigan, sets aside one-third of its annual CDBG funds for home improvement loans for LMI residents. The remaining two-thirds are allocated to revitalization projects (Advantage Oakland 2012). In FY 2011, the highest percentage of entitlement funds was used for housing-related activities (30 percent) and the next highest was public improvements and facilities (25 percent) (Rich 2014).

However, when HUD solicited feedback from grantees on program requirements, day-to-day administrators stated that they would prefer more guidance on how to use funds effectively within the requirements.

## Recommendation

- **Provide more guidance on how to use funds.** HUD's local field offices could provide localities with much-needed guidance on how to use funds effectively, but they are currently understaffed. Field offices should be strengthened to provide added guidance so that funds can be used more effectively within jurisdictions.

## How Well Do Grantees Target Their Funds to People and Places with Needs?

Grantees cite the CDBG program as essential to their communities and economic development strategies (US GAO 2013). Given the suite of other federal, state, local, philanthropic, and for-profit sources of local development funding, CDBG funds stand out as among the most flexible. Yet, CDBG's inherent flexibility raises concerns that local allocations do not adequately target the needs of low-income people.

There are a few dimensions of these concerns. First, whether grantees adequately direct funding to LMI people is uncertain. Studies have shown that HUD's accounting rules overstate the proportion of CDBG funds that benefit LMI people (Brooks and Sinitsyn 2014; Walker, Hayes, et al. 2002). Brooks and Sinitsyn (2014) find that in Chicago, council districts with lower incomes receive less funding than what their share of LMI people would predict. In Los Angeles, they find that lower-income council districts actually received more than what their share of LMI people would predict, but higher-income neighborhoods in lower-income council districts received more funds than lower-income neighborhoods in higher-income districts. Relatedly, even if funds are targeted to LMI people, they may be benefiting those at the higher end of the LMI income range (Rich 1993).

Second, there is a tension between funding social services for LMI people versus brick-and-mortar development projects to improve LMI neighborhood conditions. An early study by Dommel and



coauthors (1983) found that, compared to other activities, economic development activities tended to have fewer direct benefits to LMI people. Yet the question remains unanswered—which types of or mix of programs currently have the greatest benefits to LMI people remains unanswered?

Third, funds may be more effective if they are more geographically concentrated (Galster et al. 2006; Walker, Hayes, et al. 2002). Pooley's (2014) analysis of CDBG and Section 108 housing-related funding in Philadelphia supported the hypothesis that higher geographic concentrations of funds were more effective. Currently, HUD provides some incentive for entitlement communities to designate and target funds to Neighborhood Revitalization Strategy Areas. However, such investments accounted for just 17 percent of total CDBG funds between 1995 and 2012 (Rich 2014). Although targeting funds to neighborhoods with a certain level of need reduces flexibility, local officials can circumvent the politics of allocating money and concentrate on those in need. In addition, more concentrated targeting may make outcomes easier to measure, since measuring outcomes is difficult when funds are diffuse.

## Recommendations

- **Monitor social targeting.** HUD requires that 70 percent of CDBG funds benefit LMI people. However, there are no reliable data on how well jurisdictions meet this requirement because jurisdictions self-report these data. Accounting rules may also allow jurisdictions to claim that projects benefited more LMI people than they actually did. HUD should increase monitoring and enforcement of this requirement.
- **Strengthen the requirement to benefit low-income people.** HUD should establish stronger requirements for targeting low-income people. For instance, some percentage of CDBG funds could be required to benefit people with incomes less than 50 percent of the area median income (Rohe and Galster 2014).
- **Expand geographic targeting.** HUD should establish an additional requirement, and possibly funding incentives, to spend some percentage of CDBG funds within a single area. HUD can explore whether to concentrate funds in areas with the highest needs or in areas that require less funding to see results. Since geographic targeting may not be appropriate for all jurisdictions, criteria should be established for who should follow geographic targeting requirements.
- **Anticipate the potential conflict between geographic targeting and fair housing.** Some may see fair housing goals as running counter to the principle of geographic targeting to LMI neighborhoods, since fair housing resources are used to broaden affordability options in higher-income neighborhoods. However, economic development and fair housing does not need to be a tradeoff. If a jurisdiction considers its policy toolbox holistically, it can use inclusionary housing jurisdictions to create opportunity areas in wealthy communities while using CDBG funds in LMI neighborhoods. HUD can provide guidance when reviewing Assessments of Fair Housing on how to integrate these two goals.

# How Can the Program Encourage Good Performance?

Because of local fiscal stresses and the small size of CDBG grants, some jurisdictions use CDBG to fill funding gaps rather than for transformative or capacity-building investments. In addition, HUD's ability to support, monitor, and reward grantees for good performance has diminished because of decreased staffing. Recent place-based initiatives, such as HUD's Sustainable Communities and Promise Neighborhoods, provide examples of how higher expectations, strong technical assistance, and dedicated resources can help grantees use data to analyze their needs and create comprehensive community development strategies.

## Recommendations

- **Reward jurisdictions for good performance.** HUD should do more to encourage grantees to use their funds effectively. We recognize, however, that it is difficult to measure or reward jurisdictions based on long-term outcomes, because it is difficult to measure long-term outcomes and attribute them directly to CDBG. Therefore, metrics must focus on immediate outputs such as per unit rehabilitation cost, timeliness in expending money, success in leveraging funds, and extent CDBG funds are integrated into a community-level revitalization plan or approach.

Although many CDBG recipients would oppose certain ways to implement a reward system, such as setting aside funds for good performance or using sanctions for poor performance, fewer recipients would oppose rewarding good performance in general. HUD can create buy-in for a reward system through a demonstration project, such as including a reward system within the state programs that already distribute funds on a competitive basis.

- **Do more to facilitate peer learning and improve technical assistance.** Effective technical assistance can create the capacity to examine a jurisdiction holistically, assess the root causes of problems, and prioritize funding. CDBG grantees exchange information regularly, but HUD can do more to facilitate peer learning and improve technical assistance. Specifically, HUD should help grantees use data to analyze needs, formulate comprehensive community development strategies, create public-private partnerships, coordinate community development efforts, define goals and outcome measures, and leverage CDBG funds for additional funding.
- **Set aside funds for planning.** Local governments may not devote resources to planning and partnership development for CDBG because leaders want their most capable staff to focus on larger portions of the budget. Thus, setting aside funds for planning would support a higher-quality planning process.
- **Provide CDBG recipients with guidance and encouragement to pursue public engagement.** The public must be involved in ensuring high performance because, ultimately, it is residents' quality of life that matters. Engaging community members can help CDBG projects identify

problems, and, in particular, uncover unintended consequences. HUD can use the Sustainable Communities' community engagement component as a model. In Sustainable Communities, some jurisdictions appointed community leaders to resource-governing bodies to meet community engagement requirements. Others used grant funds to keep community stakeholders involved during project implementation, so that community members and groups that informed the project's goals could provide accountability. Jurisdictions could also consider contracting with organizations that have demonstrated capacity to engage underserved and disadvantaged communities.

- **Be more proactive in educating potential project partners about CDBG requirements.** Inexperience working with other organizations and with CDBG funds can be barriers to an effective CDBG partnership, which could impede good performance. Potential partners may be unfamiliar with the community development field or how to use CDBG dollars. Educating actors about CDBG requirements will help encourage interorganizational collaboration.
- **Alter regulations to encourage risk taking and innovative projects and partnerships.** While jurisdictions could use CDBG for innovative projects or partnerships, they may be too risk averse to try new strategies and would rather use CDBG for essential services. This is especially true of small to mid-size grantees with minor allocations. Current CDBG regulations do not encourage risk taking. Congress could set aside a slice of the CDBG pool for entrepreneurial investments, so that communities will be encouraged to take more risk.
- **Increase HUD's field office capacity.** As touched on above, HUD's staffing has decreased, limiting its capacity to provide grantees with intensive assistance. Given the complexity of community and economic development and the local nature of these issues, this resource is important for local grantees.

## How Well Does the CDBG Platform Work for Supplemental Programs?

Congress has created several programs under HUD's Community Development Fund to address large-scale crises, such as the foreclosure crisis and natural disasters. These programs used CDBG as a platform but were not necessarily tied to CDBG activities.

One CDBG-funded crisis program was the Neighborhood Stabilization Program, created in 2008 to address the wave of foreclosures and vacant properties from the subprime mortgage crisis. There were three rounds of the program from 2008 to 2010. In all three, grantees received funds to purchase and redevelop foreclosed and abandoned residential properties. In the first and third round, funds were allocated to a set number of state and local governments on a formula basis. In the second round, funds were available on a competitive basis to 56 states, local governments, nonprofits, and consortia of nonprofit entities. All Neighborhood Stabilization Program activities had to benefit persons whose

income did not exceed 120 percent of area median income, and at least 25 percent of the funds had to benefit individuals or families whose incomes did not exceed 50 percent of the area median income.<sup>11</sup>

A second of these crisis programs was CDBG Disaster Recovery (CDBG-DR), created to supplement funding from other federal disaster recovery programs. CDBG-DR was employed after hurricanes such as Katrina, Rita, Wilma, Sandy, and other disasters in 2011, 2012, and 2013, as well as for New York City's post-September 11th recovery efforts (Disaster Relief Appropriations Act of 2013; US HUD 2014).

CDBG-DR funds have, in recent years, far outstripped funding for the core CDBG program, though they are available only to a few grantees for a set time. CDBG-DR grants have been allocated differently depending on language in the acts appropriating CDBG-DR funds. Yet all funded activities must meet at least one of CDBG's national objectives (unless that requirement is waived).<sup>12</sup>

## Recommendations

- **Create permanent regulations for a CDBG disaster recovery program.** While CDBG is an established vehicle for delivering funds, policymakers still must design program requirements for each disaster recovery appropriation. (For example, it took nearly 12 months to design the CDBG-DR program to aid Louisiana's recovery after Hurricanes Katrina and Rita.) Creating permanent regulations and program guidance would reduce the time between funding appropriation and disbursement (Spader and Turnham 2014).
- **Encourage cross-jurisdictional collaboration on CDBG-DR projects.** Disasters often affect areas under multiple jurisdictions, and rebuilding efforts may require coordination among different CDBG grantees. Jurisdictions may grant a single entity funds to implement a cross-jurisdictional project. However, grantees may need more encouragement and guidance on how to set up these arrangements.

## What Data Are Available to Track and Evaluate CDBG Activities?

HUD monitors grantees' activities and accomplishments through its Integrated Disbursement and Information System (IDIS). Grantees input information on CDBG-funded activities, such as activity type, address of activity, and proposed and actual accomplishments. However, HUD has recognized that the system has issues with missing and misreported data (McEnanly 2011; US HUD 2012). Monitoring relies heavily on self-report and is susceptible to exaggeration (Rohe and Galster 2014; US Government Accountability Office 2006).

## Recommendations

- **Improve IDIS data collection.** There are opportunities to collect more informative performance data. Prunella et al. (2012) proposed improvements to IDIS after their evaluation of the CDBG-related Section 108, which also uses IDIS as a reporting platform. They recommend that grantees report on specific objectives, outputs, and outcomes for each activity and describe those measures. For example, a grantee may wish to expand small businesses (objective) through technical assistance to entrepreneurs (input) and should report on the number of people receiving technical assistance (output) and the increase in small businesses (outcome). These measures should also be collected at small geographic levels and over time to facilitate evaluation. Even without the issue of CDBG's flexibility, it is difficult to measure neighborhood impacts in general. In particular, it is difficult to predict when impacts will be visible. Researchers need longitudinal outcome data at a small geographic level before and after a CDBG project, for both target and nontarget communities. Some data are available, such as data on vacancy rates and crime, but more should be collected. Researchers also need detailed information on where and how CDBG funds are spent within a community, as well as information on other public-private expenditures that could affect CDBG target areas.
- **Explore innovative methods for collecting these data.** HUD is exploring options for improving its data collection system and how it tells CDBG's story. These options include crowdsourcing data collection, having a private company design a mobile application to display data, and holding a competition to redesign IDIS. Additional innovative methods should be explored to determine the best way to facilitate and improve data collection.
- **Collect qualitative data on CDBG.** Qualitative information, such as that on CDBG organizational structures, how decisions get made, and community engagement efforts, is important for understanding the context around CDBG implementation and potential institutional impacts. On-the-ground observations, surveys, and discussions with residents can shed light on where and when CDBG improves quality of life. Simple opinion surveys, while not suitable for impact research, may demonstrate CDBG's value to Congress and help improve systems and processes. Such qualitative information is not included in IDIS. Local field offices could collect valuable qualitative (and quantitative) information, but they are understaffed. A less resource-intensive approach could be to evaluate a sample of grantees and collect detailed information, according to the grantees' needs and goals.
- **Create typologies of outcome measures.** Because CDBG was designed to address a wide range of local problems, there is no universal measure of success. HUD and the research community should develop typologies to guide the choice of appropriate outcome measures. The National Community Development Association is formulating CDBG performance measures that it hopes will be easily understood by citizens and policymakers, broad enough to capture data from a majority of grantees, and less burdensome for grantees to collect. Grantees could also be measured against what their program plans promised.

# What Are CDBG's Impacts on People and Place?

The drastic decline in CDBG funding may be related to the lack of solid evidence on its effects. For such a large, long-standing program, CDBG has received only limited research on its outcomes for communities and individuals. Impact evaluations have been even more limited and have been completely absent in recent years.<sup>13</sup>

Numerous studies and debates have explored the effects of CDBG policy changes on allocations and program activities (Collinson 2014; Fossett 1987; Richardson 2005; Steger 1984), and on specific CDBG activities such as demolitions, infrastructure development, affordable housing construction, and small business lending (Walker, Abravanel, et al. 2002). Yet there has been little comprehensive analysis of the program's effects on community outcomes. A 2002 study of 17 cities, undertaken by the Urban Institute and funded by HUD, found that larger CDBG investments were linked to improvements in neighborhood quality (Walker, Hayes, et al. 2002). Neighborhood improvements were found to be stronger or weaker depending on the CDBG activity pursued. However, the authors argued that limitations and inaccuracies in the CDBG data were a major barrier to the systematic study of neighborhood effects. Among the problems were measurement error and ambiguous spatial information, which not only necessitated a sizeable investment of time and money for data cleaning, but also biased the estimates.

It is indeed difficult to estimate the effects of CDBG because the funds can be used for such a wide range of activities. And, depending on the program activity, the outcomes may be not evident for a long time after the funds are allocated. However, there is a growing list of methods and approaches for overcoming these difficulties, and they should be deployed in further research about program effects.

## Recommendation

- **Invest in knowledge building.** HUD should—in the near term—fund descriptive and impact-related research. Descriptive and impact-related research are mutually reinforcing, though only impact evaluations can provide reliable and systematic evidence of CDBG's effects. Research results could help identify how CDBG can be improved and make a strong case for increasing its funding.

## Conclusion

The Trump administration has proposed to eliminate CDBG funding, and the program has faced criticism for the lack of evidence on its benefits. This lack of evidence, though, may be more related to a lack of investment in evaluating the program rather than to a lack of true impacts. HUD should improve processes and monitoring so that CDBG's effects can become apparent. But the program's design and implementation should be reformed and strengthened as well. CDBG's allocation mechanisms, requirements, grantee support systems, and incentives must be reworked to achieve its potential for being a transformative investment for distressed places and people. Absent these changes, CDBG's

funding will likely continue to decrease—at least in real terms—eventually eroding this important social program.

## Notes

1. “Selected Accomplishments Reported by CDBG Grantees,” HUD Exchange, US HUD, accessed April 6, 2017, [https://www.hudexchange.info/onecpd/assets/File/CDBG\\_Accomp\\_Natl.xlsx](https://www.hudexchange.info/onecpd/assets/File/CDBG_Accomp_Natl.xlsx).
2. “Detailed Information on the Community Development Block Grant (Formula) Assessment,” US Office of Management and Budget, last updated September 6, 2008, <http://georgewbush-whitehouse.archives.gov/omb/expectmore/detail/10001161.2003.html>.
3. “Community Planning and Development Community Development Fund 2014 Summary Statement and Initiatives,” HUD Exchange, US HUD, accessed April 6, 2017, <https://portal.hud.gov/hudportal/documents/huddoc?id=COMDEVFUND.pdf>.
4. “State Community Development Block Grant Program,” HUD Exchange, US HUD, accessed April 6, 2017, <https://www.hudexchange.info/programs/cdbg-state/>.
5. 24 C.F.R. §570.709 (2009).
6. *Population-growth lag* is defined as the difference between a locality’s current population and the population it would have had if it had experienced the same population growth as other localities since 1960. If a locality grows more than the average rate, its population-growth lag value is zero (Richardson 2005).
7. Formula B for cities uses the city’s share of population-growth lag for other entitlement cities. Formula B for urban counties uses the county’s share of population-growth lag for all entitlement cities and urban counties (42 U.S.C. 5306). See also the Housing and Community Development Act of 1974 for Formula A and the Housing and Community Development Amendments of 1977 for Formula B.
8. Because the total calculated grant exceeds the total amount available for the entitlement program, HUD uses a pro rata reduction to decrease grant amounts across the board (Richardson 2005).
9. “Community Development Block Grant Entitlement Program,” HUD Exchange, US HUD, accessed April 6, 2017, <https://www.hudexchange.info/programs/cdbg-entitlement/>.
10. See note 4.
11. “Neighborhood Stabilization Program Grants,” HUD Exchange, US HUD, accessed April 6, 2017, <https://www.huduser.gov/nspgis/nsp.html>.
12. “Community Development Block Grant Disaster Recovery Program,” HUD Exchange, US HUD, accessed April 6, 2017, <https://www.hudexchange.info/programs/cdbg-dr/>.
13. *Impact evaluations* are tests of programmatic outcomes that allow researchers to make causal inferences that attribute observed changes to the program.

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