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Community Development Block Grants: Funding and Allocation Processes

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Joseph V. Jaroszak
Analyst in Economic
Development Policy

Community Development Block Grants: Funding and Allocation Processes

The U.S. Department of Housing and Urban Development's (HUD's) Community Development Block Grant program (CDBG) is a longstanding program providing flexible federal funding to states and localities to support economic development, community development, and infrastructure. As a block grant program, CDBG provides grantees with some discretion in administering program funds within specific activity categories. Grantees are required to demonstrate that each grant funded activity is aligned with one of the following three statutorily defined national objectives:

1. principally benefit low- and moderate-income (LMI) persons;
2. aid in the prevention or elimination of slums or blight; or
3. meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.

Approximately 70% of CDBG program funds are distributed to entitlement communities, defined as (1) principal metropolitan cities, (2) other cities with populations of 50,000 or greater, and (3) urban counties with populations of 200,000 or greater (excluding entitlement city populations). The remaining 30% of funds are allocated to states based on a separate formula allocation process. State CDBG funds are to be distributed by states to communities that do not qualify for entitlement funds. Before allocations are made to states and localities, \$7 million is statutorily set aside to be distributed among U.S. territories (insular areas).

Some congressionally-mandated studies identified and recommended refinements to the CDBG formula allocation methodology in the 1970s and 1980s, shaping the current allocation process. HUD has continued to conduct periodic analyses of the efficacy of the program's allocation methods. These analyses have found the program's formula allocation methodology to target more funds to communities with the highest levels of need, in general. However, the analyses have identified some limitations that may result in inadequate targeting of CDBG funds relative to community need on a per-capita basis. These studies indicate that some formula factors have become less effective over time. Additionally, HUD's analyses have indicated some proportional funding disparities across the program's two formulas. In recent years, no significant legislative proposal to revise the formula has been formally introduced in Congress. Congress and some presidential administrations have examined the CDBG allocation methodology, and studied potential alternatives.

In addition to its conventional application, the CDBG program has been used as a tool by the federal government to direct long-term recovery funding to states and localities in response to disasters and emergencies. In some cases, Congress has used the CDBG program's administrative framework and rules to provide supplemental or special appropriations. Some proposals have also been introduced in Congress to codify CDBG for Disaster Recovery (CDBG-DR) as an authorized program.

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Introduction

The Community Development Block Grant (CDBG) program, administered by the U.S. Department of Housing and Urban Development (HUD), is a primary source of flexible federal funding to states and localities for economic and community development, and other related purposes. Originally authorized under Title I of the Housing and Community Development Act of 1974, P.L. 93-383,¹ the conventional CDBG program has funded more than \$160 billion in block grants to support eligible program activities.

Generally, annual appropriations of CDBG funds are included in the Transportation, Housing and Urban Development, and Related Agencies (THUD) appropriations bills. Once appropriated, HUD administers its process for CDBG funding allocations. The majority of CDBG funds are allocated by two separate formula processes. After funds are set aside for purposes specified in statute or appropriations legislation, 70% of the remaining funds are allocated by formula to units of general local government eligible under the CDBG Entitlement Community program.² The remaining 30% of funds are allocated to states based on a separate set of formulas. The state funds are disbursed by state grantees to units of local government that do not qualify as entitlement communities, based on allocation methods determined by each state grantee.³

In order to receive CDBG funds, eligible grantees are required to participate in HUD's Consolidated Plan process, in which grantees assess conditions and needs related to community development and housing to inform the selection of program activities. Under this process, grantees submit 3-5 year consolidated plans as well as annual strategic plans that must be developed with community input and conform to HUD specifications. Grantees also report annually on performance against their stated goals for the previous year.⁴

In addition to annual appropriations, Congress has used the CDBG program's framework to provide supplemental and special appropriations to assist states and communities in responding to some economic crises, public health emergencies, and disasters. The allocation process for supplemental appropriations of CDBG funds tends to vary based on the context and purpose of the appropriation.

CDBG's flexibility as a block grant program allows grantees to use their program funds for a broad range of activities. Generally, program activities fall into six broad categories: (1) planning and administrative activities; (2) public works and public facilities; (3) housing-related activities; (4) public services; (5) economic development; and (6) acquisition, demolition, and disposition of real property. Grantees have some discretion in tailoring program activities to their needs, provided they meet one of the three following national objectives:

¹ 42 U.S.C. §§5301 et seq.

² U.S. Department of Housing and Urban Development, *CDBG Entitlement Program Eligibility Requirements*, <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>.

³ U.S. Department of Housing and Urban Development, *State CDBG Program Eligibility Requirements*, <https://www.hudexchange.info/programs/cdbg-state/state-cdbg-program-eligibility-requirements/>.

In 2004 the State of Hawaii opted out of administering funds for nonentitlement communities under the CDBG State program. Instead, HUD directly allocates nonentitlement funds to county governments within the state. For more information on HUD's administration of nonentitlement CDBG funds in Hawaii, see <https://www.hudexchange.info/programs/cdbg-hud-administered/>.

⁴ U.S. Department of Housing and Urban Development, *Consolidated Plan Process, Grant Programs, and Related HUD Programs*, <https://www.hudexchange.info/programs/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>.

1. principally benefit low- and moderate-income (LMI) persons;⁵
2. aid in the prevention or elimination of slums or blight; or
3. meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.⁶

In its administration of the CDBG program, HUD conducts oversight of grantee activities, expenditures, and performance. Grantees are required to maintain detailed records and submit annual financial reports and performance reports.⁷ Additionally, grantees must monitor the performance of any subrecipients of their CDBG allocations.⁸ HUD's Office of the Inspector General (OIG) has reviewed aspects of CDBG administration including HUD's oversight and grantee compliance.⁹

Congress, in addition to appropriating CDBG funds, has a role in oversight of HUD's administration of the CDBG program. Periodic congressional hearings have been held to examine issues such as potential misuse of CDBG funds¹⁰ and proposals for modifying the program's allocation methods.¹¹ Members of Congress have also commissioned reports from the U.S. Government Accountability Office (GAO), to examine a range of topics including the quality of HUD program oversight,¹² grantee compliance,¹³ state and local grant fund distribution methods,¹⁴ and other issues. **Figure 1** provides an overview of the process for appropriation, allocation, expenditure, and oversight of CDBG funds and activities; and the roles played by Congress, HUD, and grantees.

⁵ The LMI benefit national objective is required to total 70% of a grantee's projects under the conventional CDBG program, although waivers may be obtained in extenuating circumstances. For information on HUD's definitions for low and moderate income, see <https://www.hudexchange.info/programs/cdbg/cdbg-low-moderate-income-data/>.

⁶ 42 U.S.C. §§5301 et seq., as interpreted by HUD at 24 C.F.R. §570.200 and the HUD Guide to National Objectives and Eligible Activities for CDBG Entitlement Communities.

⁷ 24 C.F.R. §570.490; 24 C.F.R. §570.506; and 24 C.F.R. §91.520.

⁸ 24 C.F.R. §570.503.

⁹ For related reports, see the U.S. Department of Housing and Urban Development Office of Inspector General website at https://www.hudoig.gov/search?search_api_fulltext=CDBG&field_dateIssued_date%5Bmin%5D=&field_dateIssued_date%5Bmax%5D=.

¹⁰ U.S. Congress, House Committee on Government Operations, Subcommittee on Employment and Housing, *Misuse of Community Development Block Grant Funds*, 102nd Cong., 1st sess., October 21, 1991.

¹¹ U.S. Congress, House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, *Review of the Community Development Block Grant Program*, 107th Cong., 2nd sess., March 14, 2002.

¹² U.S. Government Accountability Office, *Community Development: HUD Oversight of the Dallas Block Grant Program Needs Improvement*, RCED-92-3, November 1991, <https://www.gao.gov/assets/220/215220.pdf>.

¹³ U.S. Government Accountability Office, *Community Development Block Grants: Reporting on Compliance with Limit on Funds Used for Administration Can be Improved*, GAO-13-247, March 2013, <https://www.gao.gov/assets/660/653192.pdf>.

¹⁴ U.S. Government Accountability Office, *Community Development Block Grants: Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility*, GAO-10-1011, September 15, 2010, <https://www.gao.gov/assets/310/309604.pdf>.

Figure 1. CDBG Funding and Administrative Process Overview

	Congress	HUD	Grantee
1 Appropriations	✓		
2 CDBG Allocation Process		✓	
3 Consolidated and Annual Action Plan Submission			✓
4 Plan Approval and Fund Obligation		✓	✓
5 Activity Implementation			✓
6 Performance Monitoring		✓	✓
7 Program Oversight	✓	✓	

Source: CRS graphic based on HUD materials.

This report discusses CDBG in its context as a block grant program, provides an overview of recent funding for CDBG, outlines CDBG appropriations and allocations processes, and addresses potential policy considerations. The report may be updated after announcements by HUD of further CDBG allocations or as events require. For more information on CDBG program administration, statutory and regulatory requirements, and related programs, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*.

Federal Block Grants

CDBG is one of approximately 23 authorized federal block grant programs.¹⁵ Block grants are one of three broad categories of federal grant assistance: (1) revenue sharing, (2) categorical grants, and (3) block grants. In general, revenue sharing is characterized as formula-driven with broad discretion given to state and local governments, while categorical grants are narrowly targeted to specific activities, often with more limited discretion, and may be awarded competitively or by formula. Block grants are at the midpoint in this continuum of recipient discretion. According to the now-defunct Advisory Commission on Intergovernmental Relations, a block grant is characterized by five basic traits:

1. it authorizes federal aid for a wide range of activities within a broad functional area;
2. it gives recipient jurisdictions fairly substantial administrative discretion;
3. its administrative, fiscal reporting, planning, and program requirements are geared toward keeping federal administrative intrusiveness to a minimum, while recognizing the need to ensure adequate oversight and that national goals are accomplished;

¹⁵ See CRS Report R40486, *Block Grants: Perspectives and Controversies*, by Joseph V. Jaroszak, Julie M. Lawhorn, and Robert Jay Dilger.

4. its formula-based distribution provision narrows grantor administrative discretion and provides some sense of fiscal certainty for grantees; and
5. its eligibility provision is fairly specific, relatively restrictive, and tends to favor units of general local government.¹⁶

Congress plays a primary role in determining the scope and nature of the federal grant-in-aid system. As a deliberative and legislative body, Congress selects objectives, decides which grant mechanism is best suited to achieve those objectives, and creates legislation to achieve these objectives, which incorporates its chosen grant mechanism.¹⁷

Community Development Fund Appropriations

CDBG appropriations are funded through the Community Development Fund (CDF). Historically, the CDF has also included funds for smaller programs and set-asides for various purposes.¹⁸ However, CDBG constitutes the majority of the fund's appropriations. Generally, CDF funding is included in annual THUD appropriations bills.¹⁹ In addition to annual appropriations, in some cases, Congress has authorized supplemental appropriations of funds to the CDF for emergency purposes.²⁰ In many cases, these supplemental appropriations have been in amounts greater than the annual CDBG and CDF appropriations.²¹

Recent Community Development Fund Appropriations

On December 21, 2020, Congress passed the Consolidated Appropriations Act, 2021 (P.L. 116-260). On December 27, 2020, the President signed the act into law. The act included \$3.475 billion for the CDF, of which \$3.450 billion was intended to fund the conventional CDBG program. The act designated \$25 million of the total appropriation to support implementation of the SUPPORT for Patients and Communities Act (P.L. 115-271).²² Although previous annual appropriations of the CDF have included specific set-asides for the Indian Community Development Block Grant (ICDBG) program, the program has been funded in a separate account since FY2020.²³ **Table 1** provides an overview of the total appropriations to the CDF for FY2018, FY2019, FY2020 and FY2021.

¹⁶ Advisory Commission on Intergovernmental Relations, *Improving Urban America: A Challenge to Federalism*, M-107, Washington, DC, September 1976, pp. 90-91.

¹⁷ For more information on block grants and a comparison to other forms of federal assistance, see CRS Report R40486, *Block Grants: Perspectives and Controversies*, by Joseph V. Jaroszak, Julie M. Lawhorn, and Robert Jay Dilger.

¹⁸ In recent years, the nature of CDBG set-asides has changed and certain programs have moved from the Community Development Fund to other accounts.

¹⁹ For more information on THUD appropriations, see CRS Report R45487, *Transportation, Housing and Urban Development, and Related Agencies (THUD) Appropriations for FY2019: In Brief*, by Maggie McCarty and David Randall Peterman.

²⁰ U.S. Department of Housing and Urban Development, *CPD Appropriations Budget/Allocations*, April 17, 2020, https://www.hud.gov/program_offices/comm_planning/budget.

²¹ For more information on supplemental appropriations of CDBG funds, see CRS Report R46475, *The Community Development Block Grant's Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Michael H. Cecire and Joseph V. Jaroszak.

²² Funds for this pilot program were also appropriated for FY2020.

²³ U.S. Congress, House Committee on Appropriations, *Further Consolidated Appropriations Act, 2020: Legislative Text and Explanatory Statement*, committee print, 116th Cong., 2nd sess., January 2020, 38-679, p. 1197.

**Table I. Total Community Development Fund Appropriations:
FY2018, FY2019, FY2020, and FY2021**

In Millions of Dollars

	FY2018	FY2019	FY2020	FY2021
Annual Appropriations	3,365	3,365	3,425	3,475
Supplemental Appropriations	28,000 ^a	4,111 ^b	5,000 ^c	—
Total	31,365	7,476	8,425	3,475

Sources: U.S. Department of Housing and Urban Development, *CPD Appropriations Budget/Allocations*, https://www.hud.gov/program_offices/comm_planning/budget; HUD Budget Justifications; CRS appropriations reports.

- a. P.L. 115-123.
- b. P.L. 115-254 and P.L. 116-20.
- c. P.L. 116-136.

The nature and composition of CDF funding has changed over time. For a detailed overview of CDF appropriations since FY2000, see **Table A-1**.

CDBG Grant Allocations

Statutory Provisions (42 U.S.C. §5306)

Section 106 of the Housing and Community Development Act of 1974 outlines a process for allocation of CDBG funds.²⁴ The section specifies the following amounts and purposes for funds to be set aside, prior to the formula allocations:

- 1% of the appropriated amount for grants to Indian Tribes;²⁵
- \$7 million for insular areas (or U.S. territories);²⁶ and
- amounts provided by Congress for Section 107 Special Purpose Grants.²⁷

After amounts specified in an appropriations act set-aside, the authorizing statute, as amended, establishes the CDBG program's formula allocation process and outlines the formula factors. Of the remaining program funds, 70% are granted to units of general local government under the CDBG Entitlement Program. Eligible grantees in the entitlement program are: (1) principal cities of Metropolitan Statistical Areas; (2) other metropolitan cities with populations of at least 50,000; and (3) qualified urban counties with populations of at least 200,000 (not including entitlement city populations). The remaining 30% of CDBG program funds are granted to states based on a separate formula allocation, for disbursement to communities that do not qualify for entitlement funds.

²⁴ 42 U.S.C. §5306.

²⁵ As mentioned, this item was moved to a separate account for Native American programs in FY2020 appropriations.

²⁶ U.S. Department of Housing and Urban Development, *CDBG Insular Areas Program Eligibility Requirements*, <https://www.hudexchange.info/programs/cdbg-insular-areas/cdbg-insular-areas-program-eligibility-requirements/>. Territories designated as CDBG insular areas are American Samoa, Guam, Northern Mariana Islands, and the U.S. Virgin Islands.

²⁷ Section 107 has not received new funding since FY2010, and is no longer considered an active program by HUD.

CDBG Allocations in Practice

Although the authorizing statute provides a process outline for allocation, in practice, the process has changed over time. For instance, Section 107 has not received new funding since FY2010, and is no longer considered an active program by HUD.²⁸ In some cases, THUD appropriations legislation has provided specific directions on the allocations and set-asides of CDBG funds, which effectively modify the allocation process without a formal amendment of the authorizing statute. Recent appropriations acts have also included appropriations for new or temporary set-asides. One potential contributing factor to these deviations is that the authorization for CDBG expired in 1994 and has not been renewed.²⁹ In lieu of amendments to the authorizing statute, language has been included in appropriations legislation that has modified the allocation process.

Overview of CDF and CDBG Set-Asides

The programs funded within the CDF and the manner in which they are funded has changed over time. Recent changes, such as the restructuring of funding mechanisms for Native American programs and defunding of Section 107, exemplify a broader shift in appropriations of set-asides for the CDF. In FY2011 CDF experienced a sizeable reduction in the amount of funds set aside, as compared to most years in the prior decade.³⁰ This shift in the amounts appropriated for CDF set-asides was a result of the following decisions by Congress:

- to move several categorical grant programs into or out of the CDF account, by deciding to no longer fund a program or to transfer programs to other accounts;
- to reduce funding for specific programs; and
- to eliminate funding for the Economic Development Initiative (EDI) and Neighborhood Initiative (NI) programs, which had historically been used to fund congressionally-directed projects, or earmarks.³¹

Table 2 provides an overview of set-asides in the CDF and CDBG between FY2018 and FY2021.

Table 2. CDF and CDBG Set-aside Allocations: FY2018, FY2019, FY2020, and FY2021

	In Millions			
	FY2018	FY2019	FY2020	FY2021
Insular Areas	7	7	7	7
ICDBG ^a	65	65	—	—
SUPPORT for Patients and Communities ^b	—	—	25	25
Total	72	72	32	32

²⁸ U.S. Department of Housing and Urban Development, *Programs of HUD: Major Mortgage, Grant, Assistance, and Regulatory Programs*, 2017, p. 103, <https://www.hud.gov/sites/dfiles/Main/documents/HUDPrograms2017.pdf>.

²⁹ Congressional Budget Office, *Expired and Expiring Authorizations of Appropriations for Fiscal Year 2021—Information for Legislation Enacted Through December 23, 2020, January 2021*, <https://www.cbo.gov/publication/56959>.

³⁰ Congress also removed all congressionally-directed projects from the CDF account during the FY2007 appropriations cycle.

³¹ U.S. Department of Housing and Urban Development, *Economic Development Initiative*, December 12, 2012, <https://archives.hud.gov/offices/cpd/economicdevelopment/edi/index.cfm>.

Sources: U.S. Department of Housing and Urban Development, *CPD Appropriations Budget/Allocations*, https://www.hud.gov/program_offices/comm_planning/budget; HUD Budget Justifications; CRS appropriations reports.

Notes: This table does not include supplemental appropriations.

- a. This item was moved to a separate account for Native American programs in FY2020 appropriations.
- b. Section 8071 of the SUPPORT for Patients and Communities Act (P.L. 115-271) authorized a recovery housing pilot program for individuals in recovery from a substance use disorder. The pilot program is funded under the CDF.

Table A-1 includes an overview of set-aside funding from FY2000 to FY2021.

CDBG Formula Allocations

As originally enacted in 1974, CDBG's authorizing legislation established a single, weighted formula for the allocation of funds to jurisdictions based on a calculation of population (25%), poverty (50%), and housing overcrowding (25%).³² Under this allocation format, metropolitan areas received 80% of the total funds and non-metropolitan areas received 20%,³³ after withholding 2% for discretionary purposes. During the initial years of the program's implementation, concerns were raised that the single formula system inadequately targeted need to meet the primary national objective of the program, which was (and continues to be) to benefit low- and moderate-income persons.³⁴ Congress adopted a dual formula system under the 1977 Housing and Community Development Act (P.L. 95-128) in response to these concerns.³⁵

The amended allocation system kept the original formula and added another formula to account for age of housing stock as a proxy for physical decline or deterioration. In 1981, Congress amended the Housing and Community Development Act to establish the CDBG State Program by which states receive direct CDBG allocations to disburse grants to smaller cities and rural counties (P.L. 97-35). Under the current allocation system, established in 1981, entitlement communities receive 70% of CDBG funds and states administer and sub-grant the remaining 30% to nonentitlement areas, after funds are set aside.

Grantee allocation amounts are based on the higher yield of the two formulas. As a result of this process, the sum of all allocation amounts often exceeds the annual appropriation. Individual allocations are adjusted pro rata in order to ensure that each grantee receives a proportional share of the appropriated funds. The next section, "Allocation Formula Factors," provides a detailed overview of the formula allocation methods for entitlement communities and states. **Table 3** shows the CDBG formula funding amounts for FY2018, FY2019, FY2020, and FY2021.

³² Section 106 of P.L. 93-383, 88 Stat. 642 et seq.; Charles J. Orlebeke and John C. Weicher, "How CDBG Came to Pass," *Housing Policy Debate*, 24:1, 2014, pp. 14-45.

³³ When first established, the program allocation process included a "hold harmless provision" for non-metropolitan communities that qualified under categorical grant programs that were consolidated into the CDBG program. Hold harmless communities received funds from the 80% reserved for entitlement areas.

³⁴ U.S. Department of Housing and Urban Development, *Block Grants for Community Development*, p. 47, January 1977, <https://www.huduser.gov/Publications/pdf/HUD-000048.pdf>.

³⁵ For CDBG National Objectives criteria, see 24 C.F.R. 570.208.

**Table 3. CDBG Formula Grant Allocations to Entitlement Communities and States:
FY2018, FY2019, FY2020, and FY2021**

In Millions	FY2018	FY2019	FY2020	FY2021
Entitlement Communities	2,305	2,305	2,375	2,410
States	988	988	1,018	1,033
Total	3,293	3,293	3,393	3,443

Sources: U.S. Department of Housing and Urban Development, CPD Appropriations Budget/Allocations, https://www.hud.gov/program_offices/comm_planning/budget; HUD Budget Justifications; CRS appropriations reports.

Notes: This table does not include supplemental appropriations.

Allocation Formula Factors

CDBG entitlement community funding allocations are determined by the dual formula method established in 1977.³⁶ The CDBG formulas include factors that are intended to allocate funds based on relative community need, as defined by HUD.³⁷ Grantees receive funding proportional to the greater of two formula calculations.

Entitlement Community Formulas

Formula A allocates funds based on each jurisdiction's weighted share of the following three factors as compared to total for all entitlement jurisdictions:

1. population (25% weight);
2. poverty (50% weight); and
3. housing overcrowding (25% weight).

For this formula, poverty is indicated by the number of persons measured at or below the federal poverty level.³⁸ Overcrowding is defined as household units with more than 1.01 persons per room.³⁹

Formula B allocations are determined based on each jurisdiction's weighted share of the following factors, relative to the total for all entitlement communities:

1. poverty (30% weight);
2. housing built before 1940 (50% weight); and
3. lag in the population growth rate (20% weight).

³⁶ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

³⁷ U.S. Department of Housing and Urban Development, *Research to Develop a Community Needs Index*, 2007, https://www.huduser.gov/portal/publications/comm_index.pdf.

³⁸ For information on how the federal poverty level is calculated, see U.S. Census Bureau, *How the Census Bureau Measures Poverty*, <https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html>.

³⁹ See CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroszak.

The measure of population growth lag calculates the growth rate of an entitlement jurisdiction between 1960 and the most recent decennial census as compared to all entitlement communities in that time period.⁴⁰ **Figure 2** outlines the detailed CDBG entitlement allocation calculations for Formula A and Formula B.

Figure 2. CDBG Entitlement Community Allocation Formulas

CDBG Entitlement Community Allocation Formulas	
Formula A	Formula B
$\begin{aligned} & 0.25 (\text{population}/\text{total population}) \\ & 0.50 (\text{poverty}/\text{total poverty}) \\ & + 0.25 (\text{overcrowded}/\text{total overcrowded}) \\ & \times \text{ (appropriated amount)} \end{aligned}$	$\begin{aligned} & 0.30 (\text{poverty}/\text{total poverty}) \\ & 0.50 (\text{pre-1940 units}/\text{total pre-1940 units}) \\ & + 0.20 (\text{pop. growth lag}/\text{total pop. growth lag}) \\ & \times \text{ (appropriated amount)} \end{aligned}$
CDBG Entitlement Allocation A	CDBG Entitlement Allocation B

Source: CRS graphic with information from HUD, Todd Richardson, 2005, *CDBG Formula Targeting to Community Development Need*, U.S. Department of Housing and Urban Development, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>; see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroscak.

Notes: Entitlement communities receive an allocation amount proportional to the greater yield of the two formulas, which is pro-rated to ensure that the sum of all allocations does not exceed the amount of funds appropriated.

Efficacy of Entitlement Formula Factors

HUD has conducted periodic studies to assess the efficacy of the formula allocation methodology and the individual formula factors in targeting program funds. Some studies have identified a decline in the formula system's ability to allocate program funds in a manner consistent with community need over time, as assessed by HUD across a variety of indicators.⁴¹ Some studies have concluded that although the formula generally still provides considerably more dollars per capita to needier communities than it does to less needy communities, significant funding anomalies exist (e.g., some very needy communities received relatively small grants on a per-capita basis).⁴²

For instance, inequities have been identified in the distribution of funds between Formula A and Formula B grantees with similar levels of need. One study estimated, “[c]onditional on need, Formula A grantees receive about \$6.6 less per capita than equivalently needy Formula B

⁴⁰ See CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroscak.

⁴¹ U.S. Department of Housing and Urban Development, *Effects of the 1980 Census on Community Development Funding*, 1983; Neary, Kevin, and Todd Richardson, 1995, *Effect of the 1990 Census on CDBG Program Funding*, Washington, DC: U.S. Department of Housing and Urban Development; Richardson, Todd, 2005, *CDBG Formula Targeting to Community Development Need*, U.S. Department of Housing and Urban Development, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>; and Collinson, Robert A., “Assessing the Allocation of CDBG to Community Development Need,” *Housing Policy Debate*, 24:1, 2014, pp. 91-118, DOI: 10.1080/10511482.2013.854945.

⁴² U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>; Robert A. Collinson, “Assessing the Allocation of CDBG to Community Development Need,” *Housing Policy Debate*, vol. 24, no. 1, 2014, p. 108.

grantees.⁴³ A 2005 study by HUD found that the disparity between Formula A and Formula B grantees, which existed at all levels of need, was greatest among grantees with the highest levels of need.⁴⁴ Analysis has also indicated that Formula A is flawed in distributing funds among its grantees in a manner proportional to need.⁴⁵ The 2005 HUD study detailed some flaws in several formula indicators that may contribute to these disparities, including (1) poverty, (2) pre-1940 housing, (3) population growth lag, and (4) population. Discussion of these challenges follows below.

Poverty

HUD analysis indicated that although the poverty variable correlates with need, it is not adjusted for cost of living or other contextual factors that may account for relative need. The 2005 study included the following example to illustrate the potential mismatch:

[A] person just above the poverty line in New York City who has to pay \$1,000 in rent per month may be worse off, in terms of disposable income, than a person in poverty in Saginaw, Michigan, who pays \$550 in rent each month.⁴⁶

Additionally, some jurisdictions with institutions of higher learning have been found to receive disproportionately high per capita grant amounts. In these cases, a portion of the population of college students living off campus, with potentially underreported financial data, may be counted as in poverty.⁴⁷

Pre-1940 Housing

HUD analysis has also found that the pre-1940 housing factor is not currently as effective at indicating need as it was when adopted as a Formula B factor in 1977.⁴⁸ The decline in efficacy of this factor is primarily due to the nature of community change in a given jurisdiction as a result of factors such as local planning decisions, concentrations of wealth, and residential market demand.⁴⁹ To illustrate this point, the 2005 HUD study provided an example comparing the experience of Detroit, MI, and Newton, MA, with formula distributions based on this factor:

The very distressed Detroit, Michigan, for example, has had a 48 percent decline over the past 20 years in the number of housing units built before 1940. The relatively less needy Boston suburb of Newton, MA, on the other hand, has had only a 2 percent decline in pre-1940 housing units since 1980. As the total number of pre-1940 housing units decline, Newton's relative share of the funding for those units has increased, while Detroit's has

⁴³ Robert A. Collinson, "Assessing the Allocation of CDBG to Community Development Need," *Housing Policy Debate*, vol. 24, no. 1, 2014, p. 108.

⁴⁴ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁴⁵ Robert A. Collinson, "Assessing the Allocation of CDBG to Community Development Need," *Housing Policy Debate*, vol. 24, no. 1, 2014, p. 104.

⁴⁶ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 46, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁴⁷ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 46, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁴⁸ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, pp. 48-49, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁴⁹ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 49, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

decreased. It is pre-1940 housing that is responsible for a large number of funding anomalies.⁵⁰

Population Growth Lag

HUD's research indicates a strong correlation between the Formula B factor population growth lag and HUD's assessment of community need, with some exceptions.⁵¹ Although the majority of communities for whom this indicator drives their allocation may be considered economically distressed, some are more affluent jurisdictions with certain characteristics. For instance, some analyses have found that some affluent areas do not grow in population due to a variety of factors including the decrease in average household size over time.⁵² This formula factor has also been found to overestimate relative levels of need among higher poverty communities, when compared with communities of similar need but lower population growth lag (receiving funds under either formula).⁵³

Population

Research has also found that the population formula factor, which is considered in Formula A, is not necessarily indicative of need as defined by HUD.⁵⁴ The population factor makes up 25% of Formula A and is not included in Formula B.⁵⁵ This difference potentially contributes to a mismatch in targeting between the two formulas. It also may contribute to potentially limiting Formula A's efficiency in targeting need within its cohort of grantees.

State Formulas

HUD uses similar formulas to allocate state program funds, which benefit nonentitlement communities. Once allocated, states reserve broad discretion on the process for disbursing funds to eligible units of local government.⁵⁶

Under Formula A, each state's allocation is based on its percentage of population, poverty, and overcrowded housing in all nonentitlement areas in the state relative to total population, poverty, and overcrowded housing in all nonentitlement areas in all states.

Under Formula B, state allocations are based on a similar set of factors; however, the population in each state's nonentitlement areas is substituted for the population growth lag factor. Unlike

⁵⁰ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 49, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵¹ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, pp. 49-50, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵² U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 50, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵³ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 51, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵⁴ Robert A. Collinson, "Assessing the Allocation of CDBG to Community Development Need," *Housing Policy Debate*, vol. 24, no. 1, 2014, p. 107.

⁵⁵ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 46, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵⁶ For the purposes of the CDBG program allocation process, Puerto Rico is treated as a state. The state of Hawaii has elected not to participate in the CDBG state allocation process. HUD distributes Hawaii's funds directly to counties. According to HUD analysis published in 2005, only Puerto Rico receives a state allocation consistent with need based on the CDBG state formula methodology.

entitlement communities, which receive formula-based allocations, nonentitlement communities in each state may be eligible for a share of the state's allocation. However, the methods for nonentitlement fund allocation are determined by each participating state.⁵⁷ **Figure 3** provides an overview of the allocation formula calculations for the state CDBG program.

Figure 3. CDBG State Allocation Formulas

CDBG State Allocation Formulas	
Formula A	Formula B
0.25 (population/total population)	0.20 (population/total population)
0.50 (poverty/total poverty)	0.30 (poverty/total poverty)
+ 0.25 (overcrowded/total overcrowded)	+ 0.50 (pre-1940 units/total pre-1940 units)
× (appropriated amount)	× (appropriated amount)
CDBG State Allocation A	CDBG State Allocation B

Sources: CRS analysis of information from HUD, Todd Richardson, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>; see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroszak.

Notes: States receive an allocation amount proportional to the greater yield of the two formulas, which is prorated to ensure that the sum of all allocations does not exceed the amount of funds appropriated.

Past HUD analyses of the state CDBG formulas suggest that both A and B types have inefficiencies in targeting funds to most states based on need.⁵⁸ Both formulas include a population factor, which, HUD has observed, does not necessarily indicate the level of economic need in a community, as described above in the "Population" section.⁵⁹ The use of population as a factor in both formulas reduces the variance in grant allocations between communities with high levels of need and those with relatively low levels of need on a per capita basis, according to HUD's analysis.⁶⁰

Other Determinants of Allocation Amounts

A grantee's CDBG allocation amount may vary year to year based on a variety of factors. In addition to the influence of individual formula factors, other inputs in the formula allocation methodology may contribute to potential shifts in allocation amounts. Three additional considerations related to individual annual grant amounts are (1) program funding levels, (2) the number of eligible entitlement communities, and (3) updates or methodological changes related to Census data.

⁵⁷ U.S. Government Accountability Office, *Community Development Block Grants: Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility*, GAO-10-1011, September 15, 2010, <https://www.gao.gov/assets/310/309604.pdf>.

⁵⁸ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 53, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁵⁹ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 59, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁶⁰ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, p. 59, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

Funding Levels

Congress sets the funding amount for the CDBG program through the annual appropriations process. The level at which the program is funded is a key determinant of individual allocation amounts. In recent years, the amount provided for CDBG grants has remained fairly stable. However, throughout its history, the program has experienced fluctuations. For example, formula grants were cut 16% from FY2010 to FY2011.⁶¹

Number of Entitlement Communities

The number of entitlement communities participating in the program may fluctuate from year to year. A jurisdiction may opt in to the CDBG entitlement community programs if it experiences population increases that meet the necessary threshold. Conversely, the CDBG program's authorizing statute includes a clause "grandfathering" communities that have maintained entitlement eligibility for two consecutive years.⁶² HUD has estimated that the number of eligible entitlement communities tends to increase by approximately 5 to 10 each year, which may lead to a decrease in individual grant amounts.⁶³

Although the grandfather clause ensures the continued eligibility of most CDBG entitlement communities, it is also possible that the overall number of nominally eligible grantees could decrease. In some rare cases, entitlement communities may withdraw their entitlement status entirely.⁶⁴ In other cases, entitlement cities may opt to withdraw their status in order to participate with a surrounding urban county.⁶⁵ For instance, the City of Ann Arbor, MI, waived its entitlement status in 2009 to participate with Washtenaw County, MI, expanding the amount of available CDBG funds for the county and enabling broader coordination of activities and projects.⁶⁶ Changes in the overall number of participating entitlement communities or the demographic characteristics of individual entitlement communities can alter allocation amounts for individual grantees. **Figure 4** illustrates the increase in CDBG entitlement communities over time, which has roughly doubled, since the program was first funded.

⁶¹ Based on CRS analysis of HUD data.

⁶² 42 U.S.C. §5302.

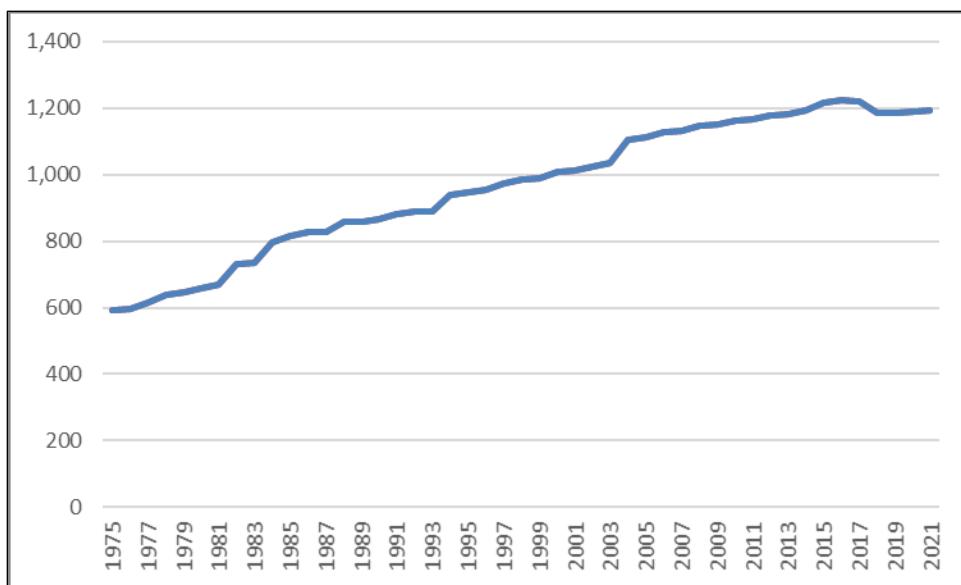
⁶³ U.S. Department of Housing and Urban Development, *CDBG Formula and Appropriation Process Video*, January 2016, <https://www.hudexchange.info/resource/4895/cdbg-formula-and-appropriation-process-video/>.

⁶⁴ U.S. Department of Housing and Urban Development, *CDBG Entitlement FAQ*, FAQ ID 3540, March 2019, <https://www.hudexchange.info/faqs/programs/cdbg-entitlement-program/consolidated-plan/what-if-an-entitlement-does-not-want-to-administer-its-cdbg-program/>.

⁶⁵ U.S. Department of Housing and Urban Development, *Instructions for Urban County Qualification for Participation in the Community*, <https://www.hud.gov/sites/dfiles/OCHCO/documents/19-04cpdn.pdf>.

⁶⁶ City of Ann Arbor, *Consolidated Annual Performance and Evaluation Report*, June 30, 2009, <https://www.washtenaw.org/Archive/ViewFile/Item/270>.

Figure 4. Number of CDBG Entitlement Grantees from 1975 to 2021



Sources: CRS analysis of HUD data; U.S. Department of Housing and Urban Development, *CDBG Funding and Number of Metro Cities & Urban Counties, by Fiscal Year*, <https://www.hudexchange.info/sites/oncpd/assets/File/CDBG-Allocations-History-FYs-1975-2014.pdf>; U.S. Department of Housing and Urban Development, CPD Appropriations Budget/Allocations, https://www.hud.gov/program_offices/comm_planning/budget.

Census Data

Section 102 of the Housing and Community Development Act of 1974 requires that HUD use, “the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year.”⁶⁷ Accordingly, prior to FY2012, the CDBG formula methodology used data from the most recent decennial census to populate its variables. Starting in FY2012, the methodology used data from the most recent decennial census for the population variable and data from the most recent five-year American Community Survey (ACS) for the other variables.⁶⁸ The U.S. Census Bureau updates ACS data on an annual basis. The increased frequency of updates to formula factor data may allow for more variance in individual allocation amounts from year to year.

CDBG Supplemental Appropriations

In addition to its conventional application, the CDBG program has been used by the federal government to direct long-term recovery funding to states and localities in response to disasters and emergencies. In some cases, Congress has used the CDBG program’s administrative framework and rules to provide supplemental or special appropriations. The receiving communities are typically, but not exclusively, in areas with federal emergency or disaster declarations under the Stafford Act (P.L. 93-288, as amended). For instance, supplemental

⁶⁷ 42 U.S.C. §5302(b).

⁶⁸ U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Redistribution Effect of Introducing 2010 Census and 2005-2009 ACS Data into the CDBG Formula*, 2011, https://www.huduser.gov/portal/publications/pdf/cdbg_redis_eff_v2.pdf.

appropriations of CDBG funds have been provided to respond to the COVID-19 pandemic,⁶⁹ natural disasters including but not limited to hurricanes and wildfires, and other emergencies such as the terrorist attacks of September 11, 2001.⁷⁰ Supplemental appropriations of CDBG funds were also used to establish the Neighborhood Stabilization Program, in response to the 2008 subprime mortgage crisis.⁷¹

On March 27, 2020, Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), which included \$5 billion in supplemental CDBG funds (CDBG-CV). This funding was intended “to prevent, prepare for, and respond to coronavirus.” In FY2019 and FY2018, Congress enacted supplemental appropriations of CDBG funds for disaster recovery (CDBG-DR), in response to several natural disasters including California wildfires and Hurricane Maria. **Table 4** provides an overview of supplemental CDBG appropriations from FY2018 to FY2020.

Table 4. CDBG Supplemental Appropriations FY2018, FY2019, FY2020, and FY2021

In Millions of Dollars

	FY2018	FY2019	FY2020	FY2021
CDBG-DR	28,000	4,111	—	—
CDBG-CV	—	—	5,000	—
Total	28,000	4,111	5,000	—

Source: U.S. Department of Housing and Urban Development, CPD Appropriations Budget/Allocations, https://www.hud.gov/program_offices/comm_planning/budget; CRS reports.

Methods and processes for allocation of supplemental CDBG funds have varied based on a variety of circumstantial factors.

CDBG-CV

The CARES Act (P.L. 116-136) directed HUD to allocate the CDBG-CV funds in three tranches, each with a different formula allocation method, at separate stages in the national response to the COVID-19 pandemic. Additionally, the act provided HUD with waiver authority and other flexibilities for CDBG-CV funds, as well as for conventional CDBG funds appropriated in FY2020 and FY2019. **Table 5** provides an overview of the amount of funds appropriated and the eligible recipients for each tranche of CDBG-CV funds in the CARES Act.

⁶⁹ For more information on supplemental CDBG funds in response to the COVID-19 pandemic, see CRS Insight IN11315, *Community Development Block Grants and the CARES Act*, by Joseph V. Jaroszak.

⁷⁰ For more information on supplemental appropriations of CDBG funds, see CRS Report R46475, *The Community Development Block Grant’s Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Michael H. Cecire and Joseph V. Jaroszak.

⁷¹ U.S. Department of Housing and Urban Development, *Neighborhood Stabilization Program*, https://www.hud.gov/program_offices/comm_planning/nsp.

Table 5. Overview of CDBG-CV Appropriations by Tranche

In Millions of Dollars

Tranche	Amount	Recipients
First Tranche	\$2,000	States and Entitlement Communities
Second Tranche	\$1,000	States and Insular Areas
Third Tranche	\$2,000 ^a	States and Entitlement Communities

Source: P.L. 116-136.**Notes:**

- a. Up to \$10 million in the third tranche of funds were eligible to supplement existing awards or to provide additional technical assistance to current CDBG grantees.

First Tranche

Of the \$5 billion appropriated for CDBG-CV, the CARES Act required an initial allocation of \$2 billion consistent with the existing statutory distribution formula.⁷² It directed HUD to allocate these supplemental funds to CDBG grantees—including eligible local governments, states, and insular areas—proportional to their conventional FY2020 CDBG allocation. HUD published allocation amounts for the first tranche of CDBG-CV funds (CDBG-CV1) in April 2020.⁷³

Second Tranche

The act directed HUD to allocate \$1 billion of the total appropriation to states and insular areas outside of the standard formula, to target need within their areas of jurisdiction. HUD announced allocation amounts and published the methodology for this second tranche of funds on May 11, 2020, with a revision on May 15, 2020.⁷⁴ The allocation for the second tranche of CDBG-CV funds considered the following factors:

- count of low-income elderly (50% weight);
- count of children in poverty (10% weight); and
- aggregate count of unemployment insurance claims during a six-week period ending on April 25, 2020 (40% weight).

Allocation amounts (CDBG-CV2) were adjusted based on per capita coronavirus confirmed case rates as of May 3, 2020. Due to a lack of available data for insular areas, HUD exercised its discretion to allocate 0.2% (\$2 million) of the funds to these communities, an amount proportional to the first tranche. These funds were divided among American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands in a manner consistent with CDBG allocations under past annual appropriations.⁷⁵

⁷² 42 U.S.C. §5306.

⁷³ U.S. Department of Housing and Urban Development, *CPD Program Formula Allocations and Cares Act Supplemental Funding for FY2020*, 2020, https://www.hud.gov/program_offices/comm_planning/budget/fy20/.

⁷⁴ Generally, under the CDBG program, the District of Columbia (DC) is treated as an entitlement community rather than a state. Because of this treatment, DC was not technically eligible for funds in the second tranche. HUD revised its second tranche allocation announcement to account for this issue on May 15, 2020. In the revised version, HUD adjusted allocation amounts and granted \$2.4 million to DC from the third tranche of CDBG-CV funds. This amount was separate from DC's allocation under the third tranche formula.

⁷⁵ U.S. Department of Housing and Urban Development, *Methodology for Round 2 Allocations of CDBG CARES Act Funds*, May 2015, https://www.hud.gov/sites/dfiles/CPD/documents/Revised_CDBG-CV2_Methodology.pdf.

Third Tranche

The law directed the third tranche of approximately \$2 billion be distributed to states and units of local government on a rolling basis. It provided the HUD Secretary discretion to design a formula and allocate these funds to eligible CDBG grantees based on the best available data, with a primary focus on (1) risk of coronavirus transmission, (2) rate of coronavirus cases, and (3) economic and housing market disruptions related to the pandemic. Up to \$10 million of the funds in this tranche were eligible to supplement existing awards or to provide additional technical assistance to current CDBG grantees. On September 11, 2020, HUD published allocation amounts (CDBG-CV3 Part A) and a summary of the formula methodology for \$1.988 billion in CDBG-CV funds under the third tranche.⁷⁶ This allocation formula targeted 40% of the funds based on the following household factors:

- overcrowded households, defined as having “1.01 or more persons per room” (20% weight); and
- very low-income renters (20% weight).

These factors were adjusted by per capita coronavirus case counts as compared to the national average, using the greatest result of three case count methods as of September 2, 2020.⁷⁷

The other 60% of funds in this tranche were allocated based on state share of unemployment as of July 2020, to account for “economic and housing market disruptions.” Allocation amounts for grantees within each state were determined based on the Bureau of Labor Statistics’ seasonally adjusted Local Area Unemployment Statistics⁷⁸ in the following industries impacted by the pandemic:

- mining, quarrying, and oil and gas extraction;
- arts, entertainment, and recreation; and
- accommodation and food services.

This portion of the allocation was further subdivided to target the communities in which industry workers live (70%) and the communities in which they work (30%). Additionally, HUD adjusted allocations for some grantees in this tranche to correct calculation errors in the first tranche. Similar to the second tranche, insular areas received 0.2% (\$3.9 million) of the allocated funds.

For more information on CDBG supplemental appropriations in the CARES Act, see CRS Insight IN11315, *Community Development Block Grants and the CARES Act*, by Joseph V. Jaroszak.

Community Development Block Grants for Disaster Recovery (CDBG-DR)

Following some major disasters or emergencies, Congress has appropriated disaster relief and recovery funds under CDBG authorities (often referred to as CDBG-DR). Generally CDBG-DR funds are intended to provide additional resources for the unmet needs of affected communities.

⁷⁶ U.S. Department of Housing and Urban Development, *Methodology for CDBG-CV3 (Part A) Allocation*, September 11, 2020, <https://www.hud.gov/sites/dfiles/CPD/documents/Methodology-for-CDBG-CARES-Act-Final-Allocation-CV-3-Part-A-9-11-2020.pdf>.

⁷⁷ For an overview of case count methods, see U.S. Department of Housing and Urban Development, *Methodology for CDBG-CV3 (Part A) Allocation*, September 11, 2020, <https://www.hud.gov/sites/dfiles/CPD/documents/Methodology-for-CDBG-CARES-Act-Final-Allocation-CV-3-Part-A-9-11-2020.pdf>.

⁷⁸ U.S. Bureau of Labor Statistics, *Local Area Unemployment Statistics*, <https://www.bls.gov/lau/>.

CDBG-DR is not a standing program, but a series of temporary expansions of the CDBG program, tailored to specific situations and authorized through appropriations acts. The timing of a CDBG-DR supplemental appropriations act is at the discretion of Congress, and may vary based on a variety of potential factors. CDBG-DR appropriations may also be prompted by a request from the Administration. Although CDBG authorities and HUD program administration generally govern use of CDBG-DR appropriations, each enacted CBGD-DR supplemental appropriation essentially establishes a new CDBG-DR program.

In addition, supplemental acts may appropriate funds as part of an omnibus bill, such as the Bipartisan Budget Act of 2018 (P.L. 115-123), in which CDBG-DR (as well as other disaster supplemental funding) were appropriated as a separate division, or as a dedicated disaster supplemental, such as the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (P.L. 116-20).

Supplemental appropriations generally are geared to the unique unmet needs, including the characteristics of disaster event(s), that they are designed to address. Accordingly, every CDBG-DR supplemental appropriation initiates a separate HUD rulemaking process to determine eligibility, govern allocations, and establish waiver criteria, among other activities. This information is published in *Federal Register* notices.⁷⁹ In general, HUD determines how CDBG-DR funds are allocated across eligible entities, unless otherwise stated in the relevant appropriations bill. HUD's allocation determination is made through a process of verifying grantees' calculations of their unmet needs.⁸⁰

CDBG-MIT

In recent disaster supplemental appropriations acts, Congress has utilized other terms to describe CDBG-DR-type packages to emphasize unique or special purposes. For example: "CDBG-MIT" funds, developed as part of CDBG-DR appropriations for Puerto Rico and the U.S. Virgin Islands, encompass supplemental funding designated to increase broader infrastructure resiliency and mitigate the risk of future hazards.⁸¹

Following the publication of the relevant *Federal Register* notices announcing allocations, grantees develop individual CDBG-DR action plans and publish them for public comment. Upon approval of the action plans, HUD negotiates and signs grant agreements with the eligible grantees, which allows for allocated funds to be obligated and spent.⁸²

Policy Considerations

The CDBG program's authorizing legislation has been expired since 1994.⁸³ Given changes in the national economy and policy priorities for states and local governments, there may be interest in revisiting aspects of the program.

⁷⁹ HUD Exchange, "CDBG-DR Laws, Regulations, and *Federal Register* Notices," at <https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notices/>.

⁸⁰ U.S. Government Accountability Office, *Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed*, March, 2019, at <https://www.gao.gov/assets/700/697827.pdf>.

⁸¹ U.S. Department of Housing and Urban Development, *Community Development Block Grant Mitigation Program*, <https://www.hudexchange.info/programs/cdbg-mit/>.

⁸² For more information on CDBG-DR, see CRS Report R46475, *The Community Development Block Grant's Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Michael H. Cecire and Joseph V. Jaroszak.

⁸³ Congressional Budget Office, *Expired and Expiring Authorizations of Appropriations for Fiscal Year 2021—Information for Legislation Enacted Through December 23, 2020, January 2021*, <https://www.cbo.gov/publication/>

CDBG Allocation Formulas

As mentioned above, HUD has conducted or commissioned periodic analyses of the efficacy of its formulas in targeting the neediest communities. Congress requested the first report, published in 1976,⁸⁴ which presented options that led to the creation of the dual formula. The allocation system was modified to include the current dual formula model under the 1977 Housing and Community Development Act (P.L. 95-128). A second study, published in 1979,⁸⁵ provided an initial analysis of the dual formula system.⁸⁶ The program's allocation structure was further modified to include the state program for nonentitlement communities in 1981 (P.L. 97-35). Since these changes went into effect, the program's methods for allocation have largely remained the same. However, there have been efforts to review and update the formula structure by recent presidential administrations.⁸⁷

Subsequent studies have tested the formula system's continued effectiveness, and reports were published in 1983, 1995, 2005, and 2014.⁸⁸ These studies found a decline in the dual formula system's effectiveness in targeting community need, as defined by HUD. Each study examined alternative formulas and their ability to better identify and target community need for program funds.

Analysis of the CDBG program's effectiveness and its methods for allocating funds for community development has helped to shape the policy debate. Some potential policy approaches have included:

1. updating or modifying the formula system to enhance targeting based on need;
2. tightening population thresholds for entitlement community status as a means of ensuring that program funding aligns with housing and community development need, or maintaining population thresholds to avoid excluding jurisdictions with pockets of high poverty; and
3. enhancing methods for performance measurement to demonstrate the outcomes of the CDBG Program.

The Obama Administration indicated plans to revise and reform the CDBG program in its FY2014 and FY2015 budget requests.⁸⁹ Some of the proposed reforms would have adjusted the CDBG formula, promoted regional planning and coordination, reduced the number of small

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⁸⁴ U.S. Department of Housing and Urban Development, *An Evaluation of the Community Development Block Grant Formula*, 1976.

⁸⁵ U.S. Department of Housing and Urban Development, *City Need and Community Development Funding*, 1979.

⁸⁶ U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>.

⁸⁷ Presidential budget proposals under the Trump Administration sought to zero out the funding for CDBG. Therefore, they did not include proposals related to modifying the allocation methodology or structure.

⁸⁸ U.S. Department of Housing and Urban Development, *Effects of the 1980 Census on Community Development Funding*, 1983; U.S. Department of Housing and Urban Development, *Effect of the 1990 Census on CDBG Program Funding*, 1995; U.S. Department of Housing and Urban Development, *CDBG Formula Targeting to Community Development Need*, 2005, <https://www.huduser.gov/portal/publications/cdbgassess.pdf>; and Robert A. Collinson, "Assessing the Allocation of CDBG to Community Development Need," *Housing Policy Debate*, 24:1, 2014, pp. 91-118, DOI: 10.1080/10511482.2013.854945.

⁸⁹ See CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by Eugene Boyd.

grantees, and targeted resources to areas of greatest need.⁹⁰ The proposed reforms outlined in the budget documents included:

- discontinuing the grandfather clause that allows some communities to maintain entitlement status once they have qualified for two consecutive years;
- eliminating formula funding for entitlement communities that do not meet a predetermined minimum allocation threshold;⁹¹ and
- increasing population thresholds for entitlement community eligibility.⁹²

Related legislation was not introduced for consideration in Congress in the 113th Congress.⁹³

In 2006, the George W. Bush Administration proposed a new CDBG allocation formula to target the neediest communities, a bonus fund component, and reforms to address the program's shortcomings outlined in its Program Assessment Rating Tool.⁹⁴ The Administration proposed changes to the CDBG formula in May 2006.⁹⁵ On June 27, 2006, the Subcommittee on Federalism and the Census, of the House Committee on Government Reform, held a hearing about a draft bill developed by the Administration, which would have replaced the dual formula structure with a single formula model for allocation of CDBG funds, among other changes.⁹⁶ No related legislation was introduced in the 109th Congress.

Some congressional hearings have examined the CDBG program, including its efficacy as well as potential alternatives to the program's allocation methodology.⁹⁷ Additionally, some Members of Congress have called on GAO to examine CDBG funding distribution methods.⁹⁸ Congress might consider adjusting the CDBG formula methodology to account for anomalies and declining

⁹⁰ Office of Management and Budget, *Executive Office of the President, Budget of the United States FY2015, Appendix*, Washington, DC, March 4, 2014, p. 582, <https://www.govinfo.gov/content/pkg/BUDGET-2015-APP/pdf/BUDGET-2015-APP.pdf>

⁹¹ According to the Obama Administration, 239 communities would have fallen below the threshold and an additional 57 grandfathered communities would have been eliminated because they no longer met the program's population threshold for entitlement status. The two factors would affect 25% of the 1,183 entitlement communities designated as entitlement cities in FY2013.

⁹² See CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by Eugene Boyd.

⁹³ See CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by Eugene Boyd.

⁹⁴ For information on the Program Assessment Rating Tool, see <https://georgewbush-whitehouse.archives.gov/omb/performance/index.html>.

⁹⁵ See HUD Archives, <https://archives.hud.gov/news/2006/2006-05-25cdbg.cfm>.

⁹⁶ U.S. Congress, House Committee on Government Reform, Subcommittee on Federalism and the Census, *Moving the CDBG Program Forward: A Look at the Administration's Reform Proposal, Where Do We Go from Here?* 109th Cong., 2nd sess., 2006, HRG-2006-HGR-0053.

⁹⁷ U.S. Congress, House Committee on Government Operations, Subcommittee on Employment and Housing, *Misuse of Community Development Block Grant Funds*, 102nd Cong., 1st sess., October 21, 1991; U.S. Congress, House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, *Review of the Community Development Block Grant Program*, 107th Cong., 2nd sess., March 14, 2002.

⁹⁸ U.S. Government Accountability Office, *Community Development: HUD Oversight of the Dallas Block Grant Program Needs Improvement*, RCED-92-3, November 1991, <https://www.gao.gov/assets/220/215220.pdf>; U.S. Government Accountability Office, *Community Development Block Grants: Reporting on Compliance with Limit on Funds Used for Administration Can Be Improved*, GAO-13-247, March 2013, <https://www.gao.gov/assets/660/653192.pdf>; U.S. Government Accountability Office, *Community Development Block Grants: Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility*, GAO-10-1011, September 15, 2010, <https://www.gao.gov/assets/310/309604.pdf>.

efficacy of some formula factors. However, any changes to the existing formula structure may present political challenges without also increasing program funding or establishing a “hold harmless provision,” to ensure budgetary stability for local governments.

CDBG Supplemental Appropriations

CDBG authorities are increasingly used to provide for supplemental appropriations for communities to meet economic, community, and infrastructural needs in response to natural disasters, public health emergencies, and other events. CDBG authorities can provide tailored allocations, rulemaking, and eligible activities to affected communities on a case-by-case basis. However, this flexibility may also lead to certain administrative challenges when applications are unique from past precedent.

Some Members of Congress have introduced legislation that would have established permanent authorization for CDBG-DR, which is the most common source of supplemental CDBG funds. This would likely enhance consistency in the delivery of CDBG-DR funds in the future, though it may also potentially come at the expense of some programmatic flexibility. Several bills have been introduced that would permanently authorize CDBG-DR, with varying degrees of detail and policy scope. Some related legislative proposals have sought to address a range of issues including timeliness of allocations and strengthening local implementation of CDBG-DR funds, among others.⁹⁹

⁹⁹ For further analysis on potential considerations concerning the codification of CDBG-DR, see CRS Report R46475, *The Community Development Block Grant’s Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Michael H. Cecire and Joseph V. Jaroscak.

Appendix. Historical Community Development Fund Appropriations

Table A-1. Historical Community Development Fund Appropriations: FY2000 to FY2021

In Billions of Dollars

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ^a	2014	2015	2016	2017	2018	2019	2020	2021
CDBG Formula Grants	4.24	4.40	4.34	4.34	4.33	4.11	3.71	3.71	3.59	3.64	3.94	3.30	2.95	3.08	3.03	2.99	2.99	3.29	3.29	3.39	3.44	
Set-asides ^b	0.55	0.71	0.66	0.57	0.60	0.59	0.47	0.07	0.28	0.30	0.50	0.20	0.07	0.06	0.08	0.07	0.07	0.07	0.07	0.07	0.03	0.03
EDI & NI ^c	0.26 ^d	0.40	0.34	0.30	0.33	0.30	0.36	—	0.20	0.19	0.20	—	—	—	—	—	—	—	—	—	—	—
CDF Subtotal	4.78	5.11	5.00	4.91	4.93	4.70	4.18	3.78	3.87	3.94	4.45	3.50	3.01	3.14	3.10	3.07	3.06	3.06	3.37	3.37	3.43	3.48
CDBG-DR	—	0.70	2.78	—	—	0.15	16.67	—	9.40	—	0.10	—	0.40	15.20 ^e	—	—	2.61	7.80	28.00	4.11	—	—
NSP ^f	—	—	—	—	—	—	—	—	3.90	2.00	1.00	—	—	—	—	—	—	—	—	—	—	—
ARRA	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CDBG-CV ^h	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5.00	—
Supplemental/Special Funds Subtotal	—	0.70	2.78	—	—	0.15	16.67	—	13.70	3.00	1.10	—	0.40	15.20	—	—	2.61	7.80	28.00	4.11	5.00	—
Total	4.78	5.81	7.78	4.91	4.93	4.85	20.85	3.78	17.57	6.94	5.54	3.50	3.41	18.34	3.10	3.07	5.67	10.86	31.37	7.48	8.43	3.48

Sources: U.S. Department of Housing and Urban Development, *HUD's Budget*, <https://www.hud.gov/budget>; CRS appropriations reports; U.S. Department of Housing and Urban Development, *Community Development Block Grant Disaster Recovery: CDBG-DR Overview*, <https://files.hudexchange.info/resources/documents/CDBG-Disaster-Recovery-Overview.pdf> and P.L. 116-260.

Notes: Figures may not sum to totals due to rounding.

- a. Amounts reflect 5% sequestration mandated by the Budget Control Act.
- b. Set-aside amounts from 2005 to 2021 include \$7 million for insular areas, as outlined in HUD's annual budget justifications and required under section 106 of the Housing and Community Development Act of 1974.
- c. This is a non-add row. EDI is the Economic Development Initiative program and NI is the Neighborhood Initiative program, both of which were used to appropriate funds for congressionally directed projects.

- d. Total appropriations for the Economic Development Initiative (EDI) and the Neighborhood Initiative (NI), including earmarked funds, were \$286.2 million. This included \$256.2 million for EDI, of which \$232 million was for earmarked projects; and \$30 million for NI, of which \$23 million was for earmarked projects. The EDI original appropriation of \$275 million was subject to a rescission of \$18.8 million.
- e. This amount reflects adjustments pursuant to sequester.
- f. The Neighborhood Stabilization Program (NSP) received three rounds of funding, from FY2008 to FY2010, to support states, local governments, and other entities in addressing the mortgage foreclosure crisis.
- g. The American Recovery and Reinvestment Act (ARRA; P.L. 111-5) included \$1 billion in supplemental CDBG-R funds. For more information on CDBG-R, see U.S. Department of Housing and Urban Development, “Notice of Program Requirements for Community Development Block Grant Program Funding Under the American Recovery and Reinvestment Act of 2009: Reallocations,” 74 Federal Register 58306-58307, November 12, 2009.
- h. The CARES Act (P.L. 116-136) included \$5 billion in supplemental appropriations of CDBG funds to support state and local governments in responding to public health and economic impacts of the COVID-19 Pandemic (CDBG-CV).

Author Information

Joseph V. Jaroszak
Analyst in Economic Development Policy

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