Strengthening Community Development Infrastructure

The Opportunities and Challenges of CDBG

by Naomi Cytron

Created in 1974, the Community Development Block Grant (CDBG) program, one of the longest continuously running programs at the Department of Housing and Urban Development (HUD), is one of the federal government's largest community development and neighborhood revitalization programs. Program funds are distributed to local jurisdictions and states based on a standard formula, but as long as the funds principally benefit low- and moderate-income people, local actors are given broad discretion regarding their use. Coming out of the urban riots of the 1960s and the general recognition that large-scale urban renewal efforts were a failure, CDBG was developed with the idea that local governments and nonprofits are better situated to determine community development needs than a more centralized oversight body. The broad range of uses allowed under the program means that local allocation strategies can be crafted in ways that are responsive to local conditions. This flexibility has been held up as the program's greatest strength.

Since its inception, approximately $120 billion has flowed through the CDBG program in an effort to improve the nation's low-and moderate-income communities. The program's broad objective of creating "viable communities through decent housing, suitable living environments and expanded economic opportunities for low- and moderate-income people" has meant that the funding touches many lives through a number of avenues: employment training and literacy programs, youth and senior services like Boys and Girls Clubs and Meals on Wheels, upgrades to public infrastructure like water and sewer systems, commercial corridor enhancements, and home buyer assistance, home safety and energy efficiency improvements.

The program is not without detractors, though. Those most critical of the program contend that it has been a "boondoggle"–susceptible to fraud and mismanagement at best, fruitless and wasteful at worst.[1] More broadly, a number of questions regarding the program's targeting, administration, and monitoring have been raised. Does the federal funding allocation formula ensure that public subsidies go to the communities with the highest needs? Do local governments allocate their funds fairly? Can the program adequately demonstrate success? These difficult-to-answer questions revolve around matters of efficiency, effectiveness, and equity–worthy issues when discussing the expenditure of public resources.

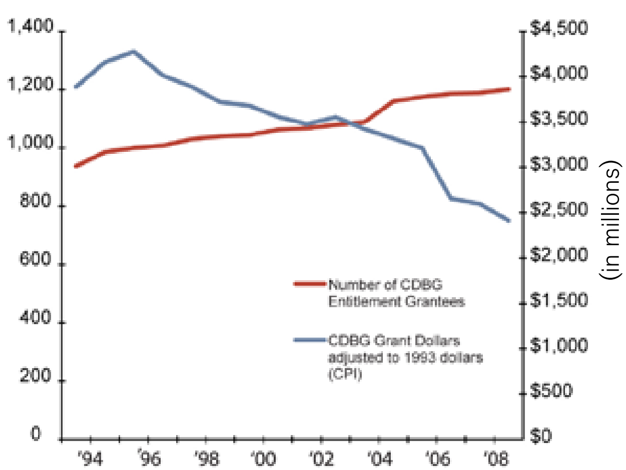
A 2005 HUD report examining the current allocation formula–actually a dual formula of which the core variables, such as poverty, age of the housing stock, overcrowding, and population, have not changed since 1978–noted that it has, "relative to a community development needs index, worsened in its ability to appropriately target funds to entitlement communities."[2] A number of alternatives to the current formula have been proposed that use differing combinations and weights of variables to determine eligibility and funding levels, sparking concerns about sudden and substantial redistribution of funds, and, ultimately, the policy goals emphasized by alternative formulas.[3] Should the formula be restructured to target funds to communities with the least fiscal capacity to address needs? Or to areas that are experiencing high unemployment and job losses? Or to areas that are seeing radical changes in racial and ethnic composition? No consensus has been reached regarding reworking the allocation formula.

It's not just the issue of how to best distribute CDBG funds across communities that has sparked debate; critics also ask questions about the mode of grant distribution within communities. Is it best to use CDBG funds to seed many programs, even at small scale? Some argue that this approach is directly in line with the underlying goals of the program in that it enables broad support of a variety of programs; it can also be a more politically palatable approach. However, others argue that targeting funds to limited geographic or programmatic areas can generate greater impact and can be more effective in leveraging additional resources than a more "scattershot" approach. Richmond, Virginia's "Neighborhoods in Bloom" program is an experiment in targeting public and nonprofit community development resources, including CDBG dollars, to specific neighborhoods. The program provides some evidence that targeted investments can yield positive effects–increased property values, lowered crime rates–both for targeted neighborhoods and surrounding areas.[4] Still, there is little research that conclusively proves that such targeting is more effective than smaller, scattered investments.[5]

In addition, the issue of impact measurement itself has generated debate. The broad objectives and flexibility of the CDBG program leave room for extremely varied application of funds. While some grantees channel CDBG dollars to local nonprofits that use funds to deliver a range public services, others use it to supplement general funds for infrastructure improvements and code enforcement. This variability creates difficulty in establishing uniform performance standards and in assessing program impacts. HUD has also had well-documented difficulties in establishing a data collection system that works well both for grantees and for monitoring purposes. But the larger issue here is that it's very difficult to tease out the impacts of a single program. Because multiple interrelated factors play into efforts to improve opportunity and quality of life for low-income people–and because it's hard to figure out which variables capture "improvement" and when to measure those variables–determining if CDBG alone has been "successful" is very complicated.

As such, the program has often been under attack, and the Bush administration threatened to eliminate funding for CDBG for fiscal year 2006. This effort failed, perhaps signaling that there is broad-based support for the underlying principles of the program. However, funds have been repeatedly cut, and at the same time have been spread more thinly within and across communities. According to a Government Accountability Office analysis, real per capita CDBG spending has declined by almost three-quarters since 1978, from about $48 to $13 in 2006. In part, this is because the number of communities qualifying for and receiving CDBG allocations since the program's inception has doubled–from 606 in 1975 to 1,201 in 2008.

Figure 5.1 *CDBG grant dollars for entitlement communities have decreased, while the number of entitlement community grantees has steadily increased*



Source: Department of Housing and Urban Development

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Despite the debate regarding the best use and distribution of funds, bipartisan support for CDBG in Congress and strong support at the local government level are encouraging signs that the program will continue to direct investment into low- and moderate-income communities. The incoming presidential administration has indicated that it will restore full funding for the CDBG program. But this is an opportunity to not only raise the funding priority afforded to the CDBG program, but also to carefully reshape the program; in other words, it would behoove the incoming administration to address some of the questions and criticisms of the program in order to make it more effective.

An important point to underscore here is that the CDBG program is driven by decisions made at the local level and carried out by a diffuse network of actors. But conditions at the local level have shifted dramatically in many areas since the inception of the program–communities in need have grown more ethnically diverse, high poverty has cropped up in new geographies, and the economic backdrop is markedly different due to globalization. In many places, the local community development infrastructure–if it exists at all–lacks the ability to tackle the increased scope and scale of community development challenges. As such, in addition to rethinking targeting and monitoring of funds, considerations should be made regarding how to improve the capacity of local governments and nonprofits using CDBG funds to carry out community development work. While CDBG funds can be used for capacity building–which can take a variety of forms depending on the needs of a given organization–a very small percentage of funding is ultimately devoted to capacity building activities. But assistance on strategic planning, organizational structure, board development, and general skill-building for staff can improve the effectiveness and sustainability of community-serving organizations and as such should be given greater emphasis under program guidelines.

There are many demands and expectations of the incoming administration, but given that the current economic crisis is sure to have ripple effects for all of us–and particularly for already vulnerable communities–for years to come, determining how to make one of the biggest community development tools in the toolkit more effective should be high on the list of priorities.

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3. Subtracting out the $6.5 billion currently provided to three- and four-year olds through Head Start yields the $18 billion figure for new costs. The long-term goal would be to bring the national Head Start program and the burgeoning state pre-kindergarten programs together into an expanded national pre-kindergarten initiative that provides comprehensive, high-quality services to three- and four-year-olds. Initially, however, the federal government might have to continue separate funding streams for Head Start and the new pre-kindergarten initiative.
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