Guest Editors' Introduction

The Community Development Block Grant at 50

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Introduction

No better account of the origin of the Community Development Block Grant (CDBG) exists than Charles Orlebeke and John Weicher's 2014 article, "How CDBG Came to Pass," which begins—

> The creation of the Community Development Block Grant (CDBG) in 1974 was a highly unusual public policy event. A sitting president proposed to terminate several established programs—including one that had been in existence for a quarter-century—in favor of a radically different and untried policy approach; his proposal was approved by a Congress of the opposite party which at the same time was in the process of impeaching him. How did that happen? (Orlebeke and Weicher, 2014)

Drawing heavily from Orlebeke and Weicher's and similar accounts of other scholars and policymakers (for example, Rich, 2014), the creation of CDBG was not only a watershed moment in community development policy, it was seen as part of a grand vision to transform the nature of federalism in the United States. In 1969, President Richard Nixon unveiled his plan for a "New Federalism" that would combine the spending power of the federal government with a decentralized approach to decisionmaking and program administration (Orlebeke and Weicher, 2014). President Nixon proposed a package of seven revenue sharing programs, including unrestricted "General Revenue Sharing" and six domain-specific "special revenue sharing programs"—including "Urban Community Development" and "Rural Community Development." The U.S. Congress approved the General Revenue Sharing proposal in 1972 with an initial funding level of $5 billion (more than $30 billion in 2024 dollars), but it was short-lived, suffering gradual cuts until it was fully eliminated in the first year of President Ronald Reagan's administration (Orlebeke and Weicher, 2014). Of the special revenue sharing programs, only two would come to fruition: CDBG and a job training grant authorized in 1973 by the Comprehensive Employment and Training Act, which would be replaced in 1981 (Orlebeke and Weicher, 2014). CDBG would prove to be the only durable element of the Nixon Administration's grand vision for a New Federalism. Nixon himself would resign on August 9, 1974, less than a week before Congress completed negotiations on the law to establish CDBG.

The Housing and Community Development Act of 1974

On August 22, 1974, President Gerald Ford signed the Housing and Community Development (HCD) Act of 1974 into law. He used only one pen and handed it to the U.S. Department of Housing and Urban Development (HUD) Secretary James Lynn. President Ford then stepped up to the podium and said the following about CDBG:

> By replacing narrow programs such as urban renewal and model cities with a single block grant program for community development, this bill marks a complete and welcome reversal of the way that we solve the problems of urban America.
>
> In a very real sense, this bill will help to return power from the federal establishment to people in their own communities. Decisions will be made at the local level. Action will come at the local level. And responsibility will be placed squarely where it belongs—at the local level. (Betty Ford White House Papers, 1974)

At the time, President Ford remarked that he agreed with legislators who thought it the most important housing law since the Housing Act of 1934 and the most important community development law since the Housing Act of 1949.[1]

Time has proven that observation to be partly true. In addition to CDBG, the HCD Act of 1974 created the Section 8 programs—Project Based Rental Assistance and Tenant Based Rental Assistance, subjects of a previous *Cityscape* symposium—which have grown to represent the United States' most important resources for making rent affordable to extremely low-income households.

CDBG has had a different path during the past 50 years. It has proven to be very popular with the mayors and county executives who receive the funding. However, the base program has not evolved statutorily to reflect current needs and, due to inflation and static appropriation levels, has shrunk in importance, although new programs responding to the urgency of the moment that use its statutory structure (programs that share its DNA) have grown in importance.

This symposium looks at various aspects of the base CDBG program and some of the programs that share its DNA. To set the stage, this guest editor introduction reminds readers about how the program is used before summarizing the articles in the symposium.

[1] Gerald R. Ford Presidential Library. 1974. Betty Ford White House Papers "8/22/74 - Housing Act Signing." https://www.fordlibrarymuseum.gov/library/document/0018/4515646.pdf.

Unlike the most recent 43 years, the first 7 years following the HCD Act of 1974 had a few important changes for CDBG before it settled into the program known today. The two most important changes were—

1. Creating a dual formula structure—one that favored city age and decline and the other favoring places based on poverty and overcrowding, which occurred with a change to the statute in 1977, based on research by HUD analyst Harold Bunce.

2. Shifting administration of the "small cities" program from HUD to states in 1981. When CDBG was created in 1974 with the consolidation of eight programs, it initially set aside 90 percent of funds for entitlement cities that served as "central cities" of a metropolitan area (now "principal cities") or were greater than 50,000 in population. The remaining 10 percent of funds were administered by HUD to serve "small cities" that did not meet these criteria. HUD administered these funds through a competitive process that each of its field offices administered. The share of funds for the small cities program grew to 26 percent by fiscal year 1981.

The Reagan Administration sought to move decision making on small city funding from HUD to state governments. The 1981 Amendments to the HCD Act of 1974 created a formula for allocating funds to states and allowed states to take over administering the CDBG small city funds and legislated 30 percent of funds for the small cities program.

This major change to the CDBG statute in 1981 was the most recent.

CDBG—HUD's Swiss Army Knife

As noted previously, CDBG was born out of President Nixon's push for giving more local control over federal resources through revenue sharing. Pure revenue sharing simply transfers taxes collected from the federal government to local governments, with few requirements. Although CDBG is an extremely flexible funding source similar in principle to revenue sharing, it comes with some core requirements—national objectives. Every activity needs to meet one of the following national objectives.

- Low to Moderate Income Benefit. Benefiting low- and moderate-income persons (people with income less than 80 percent of Area Median Family Income).

- Addressing Blight. Preventing or eliminating slums or blight.

- Urgent Need. Addressing community development needs that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Not less than 70 percent of the funds must provide low to moderate income benefit. The low to moderate income benefit requirement can be met in one of two ways—individual benefit, such as rehabilitation of homes for low-income persons, or area benefit in which the planned project, such as a street improvement, is in an area where more than 50.1 percent of individuals are low to moderate income.

Targeting a place based on a concentration of low- and moderate-income people is a particularly important feature of CDBG and facilitates targeting public improvements to lower-income communities.

In terms of which activities CDBG allows, it is often easier to talk about what CDBG cannot be used for than what it can be used for. Even the things for which it cannot be used, Congress often lets the HUD Secretary waive those "cannot" items when a crisis demands it for special programs.

For the core CDBG program, these uses are generally *not* allowed:

- Acquisition, construction, or reconstruction of buildings for the general conduct of government.
- Political activities.
- Certain income payments.
- New housing construction (with some exceptions).

Of the many, many allowed activities, grantees are most likely to use CDBG for public improvements or housing. However, the pattern of expenditure is very different for entitlement grantees than for state administered funds.

Exhibit 1 shows that state administered funds, in particular, are largely expended on public improvements (65 percent) such as water, sewer, street, and sidewalks. Entitlement grantees slightly favored housing activities in fiscal year 2023 (32 percent)—primarily rehabilitation—over public improvements (27 percent). Entitlement grantees also used roughly 14 percent of the funds for public service costs such as programs that serve youth, elderly, or homeless and roughly 8 percent for acquisition activities. Both for entitlement grantees and state administered funds, 3 to 5 percent is used for economic development that usually involves financial assistance to for-profit businesses or microenterprises.

Exhibit 1

Base Community Development Block Grant Fiscal Year 2023 Disbursements (1 of 2)

Activities	All*	Entitlements	State Administered
Public Improvements (primarily water, sewer, street, and sidewalk improvements but also various neighborhood, park, and recreational facilities)	36.0%	26.5%	64.9%
Housing (primarily rehabilitation of single-family and multifamily housing but also code enforcement)	27.6%	31.7%	15.5%
Public Services (primarily for youth, seniors, and homeless services and employment training but also a wide variety of other uses)	11.0%	13.8%	2.2%
Economic Development (primarily financial assistance for for-profit businesses, support for micro enterprises, rehabilitation of commercial properties, and technical assistance)	3.9%	3.4%	5.6%
Acquisition Activities (primarily acquisition but also demolition and associated activities)	6.4%	7.8%	2.1%

Exhibit 1

Base Community Development Block Grant Fiscal Year 2023 Disbursements (2 of 2)

Activities	All*	Entitlements	State Administered
Other	0.3%	0.2%	0.5%
Repayments of Section 108 Loans	1.7%	2.2%	0.2%
Administrative and Planning	13.1%	14.4%	9.0%
Total Disbursements Fiscal Year 2023	100.0%	100.0%	100.0%
Amount Disbursed Fiscal Year 2023	$3,787,857,544	$2,850,768,456	$925,508,173

*All includes $5.9 million for HUD-administered funds disbursed for Hawaii nonentitlement areas and $5.7 million disbursed for insular areas in addition to entitlement and state administered funds.

Source: HUD. July 13, 2024. "CDBG Activity Expenditure Reports." https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/

The block grant feature of CDBG also can leverage private capital through the Section 108 Loan Guarantee program. Since 1974, 2,207 Section 108 loan commitments have been awarded for more than $10 billion (not inflation adjusted). CDBG serves as a backstop for Section 108 loans. The loans can be paid back with program revenue or a grantee's annual CDBG allocation. HUD estimates that, as of 2023, 36 percent of Section 108 debt service is paid with CDBG funds, which amounts to less than 2 percent of 2023 CDBG expenditures. HUD guarantees Section 108 loans, but there has not yet been a single Section 108 loan default that has resulted in repayment by HUD.

Citizen Participation and Planning

Although CDBG allows local governments a great deal of flexibility, it intends to create accountability to those local governments by requiring development of their plans through a citizen participation process. Local governments are accountable to HUD in terms of how they implement the programs. However, they are accountable to local citizens in choosing what they do with the funds.

Grantees prepare a consolidated plan every 5 years that explores community needs and lays out a 5-year strategy. Each year, grantees must also develop an annual action plan that says what they will do with that year's funding. Both the 5-year strategy and 1-year plan require citizen participation.

Base CDBG and Its Offspring

In 1975, the year after establishing CDBG, HUD distributed $2.47 billion ($14.9 billion in 2024 dollars) to 594 grantees for an average grant of $4.2 million ($25.1 million in 2024 dollars). For 50 years, CDBG funding has remained relatively constant (in nominal dollars) around $3.0 to $4.0 billion but has declined substantially when accounting for inflation. Meanwhile, the number of grantees has doubled. In fiscal year 2023, $3.3 billion was divided among 1,239 grantees for an average grant of $2.7 million. Accounting for these three joint phenomena—stagnant funding, 50 years of inflation, and a growing number of grantees—the average original CDBG grantee is now receiving one-tenth of what they received at the program's launch.

In its 50 years, the CDBG base program has provided $178 billion in funding, $385 billion when adjusting for inflation.

Although the CDBG base program has grown in grantees and shrunk in inflation adjusted funding, the CDBG rules have been used as the chassis for a number of other programs. In general, these other programs do relate back to the findings and purposes stated in Title I of the HCD Act, specifically "The primary objective of this title [...] is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."[2]

In the past 2 decades, the programs generated from CDBG include the—

- CDBG-Disaster Recovery (CDBG-DR) program, which has allocated $135 billion adjusted for inflation since 1992 ($100 billion unadjusted for inflation).[3] The vision for CDBG-DR came from former HUD Secretary Henry Cisneros to support recovery after Hurricane Andrew in 1991 (Rudd, 2024). The first disaster for more than $1 billion that it covered was for the recovery from the terrorist attack on the World Trade Center. The first disaster for which it provided more than $10 billion was Hurricanes Katrina, Rita, and Wilma in 2005. Hurricane Sandy in 2012 led to a heavy focus on resiliency in addition to recovery, with former HUD Secretary Shaun Donovan leading the overall federal response. Recovery efforts from Hurricanes Maria, Harvey, and Irma in 2017 received more than $20 billion through CDBG-DR.

- Economic Development Initiative (EDI), better known as congressional set-asides. EDIs were a part of CDBG, roughly 5 to 10 percent of the size of the base program through fiscal year 2010. From fiscal years 2011 to 2021, no congressional set-asides were provided. Beginning in fiscal year 2022, congressional set-asides returned in a very big way. They were one-half as much as the formula program in fiscal year 2022, and in fiscal years 2023 and 2024, the congressional set-asides matched the size of the base program. Many of these projects are very similar to projects funded by the base CDBG but are not explicitly tied to the national objectives. The funding amounts and the local decisionmaking coming from members of Congress are also different. That is, the congressional process is replacing funding amounts built on a needs-based formula, and it also replaces local decisions on projects led by mayors and county executives.

- Neighborhood Stabilization Program (NSP), accounting for $10 billion inflation adjusted funds ($7 billion not adjusted) through separate appropriations in 2008, 2009, and 2010. After the spike in foreclosures beginning in 2007, Congress provided funding to assist local governments with addressing the vacant housing in neighborhoods with concentrations of foreclosures.

- Indian CDBG (ICDBG), which has been part of CDBG since the beginning. It accounts for $4.6 billion of inflation adjusted funds ($2.5 billion not adjusted) and is administered by HUD's Office of Native American Programs.

- CDBG American Recovery and Reinvestment Act (CDBG-ARRA) as supplemental funds to help communities recover from the foreclosure crisis and CDBG CARES Act (CDBG-CV) supplemental funds to help communities respond to the economic downturn from the

[2] U.S. Government Publishing Office. *Chapter 69—Community Development*. 42 USC 5301

[3] CDBG-DR also includes CDBG-MIT for disaster mitigation grants.

COVID-19 pandemic emergency. They account for $7.6 billion of inflation adjusted funds ($6 billion not adjusted).

- Recently funded programs include the Recovery Housing Program (RHP), Pathways to Removing Obstacles to Housing (PRO Housing), and Preservation and Reinvestment Initiative for Community Enhancement (PRICE).
- Other programs funded in the Community Development Fund in the past, but no longer, include the Sustainable Communities Initiative, the Rural Innovation Fund, a collection of grants for universities working with their communities, and Brownfield EDIs, among others.

During the COVID-19 emergency, in a throwback to true revenue sharing, the U.S. Department of the Treasury allocated $350 billion—nearly as much as 50 years of inflation adjusted CDBG—through its State and Local Fiscal Recovery Funds to states, local governments, Tribal governments, and territories. CDBG loomed large for these Treasury funds. The set-aside for cities used the CDBG formula for allocating the funds, and the county formula required that a county would get the larger of the allocation under the CDBG formula or per capita. The Treasury program rules that set activity limitations provided a safe harbor for any activities allowed under CDBG.

As several articles in this symposium discuss, opportunities exist for improving the allocation and administration of base CDBG funds. Those changes would have a bigger punch than the base funding because any improvements to the CDBG base program would also likely improve implementation for its offspring programs.

When factoring in these offspring programs, including the congressionally directed projects (but not the Treasury program), CDBG has averaged annual inflation adjusted funding of $11.6 billion in the past decade, which is comparable with the inflation adjusted $13.5 billion of its first decade. As exhibit 2 shows, the rise of CDBG-DR since Hurricane Katrina, and EDI funding in the past 3 years (congressionally directed), is most of the source of this funding growth.

Exhibit 2

Inflation Adjusted Annual Average Appropriations by Decade for Base CDBG and Its Offspring

	2024 Inflation Adjusted Annual Average Funding by Decade ($000)				
	Base CDBG Program	**CDBG-DR**	**Economic Development Initiative**	**ICDBG, NSP, CDBG-ARRA, CDBG-CV**	**Total**
1975–1984	$13,546,885	$0	$0	$102,217	$13,649,102
1985–1994	$8,060,281	$239,750	$0	$74,633	$8,374,663
1995–2004	$8,018,400	$799,079	$283,321	$118,898	$9,219,698
2005–2014	$5,081,541	$6,069,411	$189,421	$1,244,117	$12,584,491
2015–2024	$3,819,021	$6,379,180	$796,700	$688,496	$11,683,397
	2024 Inflation Adjusted Aggregated Funding 1975–2024 ($000)				
Total	**$385,261,275**	**$134,874,203**	**$12,694,426**	**$22,283,609**	**$555,113,513**

CDBG = Community Development Block Grant. CDBG-ARRA = CDBG American Recovery and Reinvestment Act. CDBG-CV = CDBG CARES Act. CDBG-DR = CDBG-Disaster Recovery. ICDBG = Indian Community Development Block Grant. NSP = Neighborhood Stabilization Program.

Source: HUD budget documents

The future of CDBG will likely be tied to making the base program work better, authorizing CDBG-DR, and finding a way to streamline speedy implementation of EDI projects. This symposium hopes to inform that future.

Symposium Articles

What is CDBG now, 50 years on? As the previous discussion emphasized, CDBG is flexible and now comprises a base program plus a collection of related programs. Measuring the effect of CDBG as a program is impossible given that it is really many different programs with many different local goals. Research is best performed by looking at a specific target area or specific activity.

The symposium articles represent a diverse set of studies looking at particular aspects of the core program or one of its related programs. The symposium begins with five articles focused on the core CDBG program. Vicki Watson, Maureen Milligan, Laura Salinas-Martinez, Tess Hembree, and Josh Shumaker share the perspectives of three leading community development nonprofits—Grow America (formerly the National Development Council), the National Community Development Association, and the Council of State Community Development Agencies—which have played key roles in the CDBG program throughout its history. Their article traces the history of CDBG and offers recommendations to improve the program for the coming decades.

The next two articles look at the effects of the CDBG program through a critical research lens. CDBG has long been a notoriously difficult program to evaluate. The very flexibility that makes CDBG such an attractive program for grantees makes it nearly impossible for researchers to characterize what kind of outputs or outcomes should be expected from the program as a whole. Building a community center, funding a job training program, rehabilitating homes for low-income homeowners, and providing business development loans—to name only a few eligible uses of CDBG funds—have vastly different goals and potential outcomes. Assessing whether CDBG activities are effective often requires a nuanced understanding of specific activities and high-quality, detailed data on those activities. Despite HUD's considerable effort, particularly during the past 20 years, data reported from CDBG grantees to HUD often lack the level of detail required to assess the program's effectiveness.

Brett Theodos, George Galster, and Amanda Hermans demonstrate one way of overcoming these challenges. They focus on home sale prices as the key outcome of interest, without any consideration of whether a particular activity was *intended* to increase property values under the theory (widely accepted among urban economists) that the general appeal of a place is capitalized into the property values in that place. If CDBG-funded activities improve a neighborhood in any way, the home prices in that neighborhood should increase relative to what would have happened without the CDBG-funded investment. The authors estimate "what would have happened" using an adjusted interrupted time-series approach that compares changes over time in areas that got CDBG investment relative to similar areas that did not. Across their three study sites, they find a statistically significant positive effect of CDBG investments, especially within 2,000 feet of the investment. The magnitude of the effect, and its persistence over space and time, varies across the three study sites, each of which used their CDBG funds in notably different ways. The cross-site variation exhibited in this article points to a need for additional research on different sites with different CDBG investment strategies.

George Zou also focuses on a single outcome measure—jobs—without concern for whether that outcome was intended by any particular CDBG activity. Indeed, Zou's analysis does not rely on CDBG activity data at all. He focuses on a sudden change in CDBG formula allocations that resulted when HUD began using annual American Community Survey data from the U.S. Census Bureau rather than data from the decennial Census. This data transition caused some grantees to experience a large change in funding, substantially beyond the year-to-year fluctuations that were common in preceding years. Zou exploits this plausibly exogenous variation in funding amounts to conclude that receiving additional CDBG funds causes a statistically significant increase in jobs within the CDBG grantee's jurisdiction. Notably, this analysis is not focused specifically on any particular type of CDBG activity; receiving additional CDBG funds appears to have positively affected local economies, regardless of how the grantees chose to use those funds. However, Zou did not observe a *decrease* in jobs among those grantees that received less CDBG funding. He speculates that those grantees may have managed to cut certain activities less likely to have an economic impact.

Zou's article calls attention to the role CDBG plays as de facto revenue sharing, but Greg Miller demonstrates that the CDBG formula does not effectively target the places most in need of revenue sharing. Miller's work is the latest in a long tradition of research that examines the CDBG formula and finds that it is poorly targeted to community development needs. Miller presents two formula alternatives—a "replacement" option and a more modest "repair" option. He acknowledges the political challenges of formula reform and recommends overcoming those challenges by phasing in a new formula paired with an increase in funding.

Keith Wiley and Manda LaPorte highlight one specific type of high-need community: Colonias, which are communities close to the United States-Mexico border that lack basic infrastructure such as water and sewer systems. Since 1990, the state-administered CDBG program has included a set-aside for colonias. Wiley and LaPorte use HUD administrative data to describe the types of activities funded under the colonias set-aside, as well as the location and reach of these activities. They also interview experts to explore ongoing challenges with deploying CDBG to support community development needs of colonias.

The remaining articles take a wider view—focusing not only on CDBG but also on the many other programs that have grown in recent years from the administrative infrastructure of CDBG. Heidi Frechette describes ICDBG and its reliance on the CDBG program model to address housing and community development needs in Tribal areas. Today, a mandatory 1-percent set-aside from CDBG appropriations funds ICDBG, and as a result, ICDBG is subject to the same stagnant funding challenge as the core CDBG program.

Paul Joice and Jennifer Carpenter trace the development of two CDBG spinoffs, starting with the CDBG-DR program and then focusing on NSP. Joice and Carpenter were among a team of HUD staff cobbled together on rotation from various other parts of HUD to support the initial NSP rollout. Their account considers some of the benefits and challenges of using the CDBG platform to address a crisis and explores how NSP highlights some policy tensions that go all the way back to CDBG's creation.

Next, Brian An, Rachel Drew, Andrew Jakabovics, Jenny Moody, Anthony Orlando, and Seva Rodnyansky explore a specific aspect of CDBG-DR—the extent to which it helps renters in the aftermath of a severe disaster. CDBG-DR is the federal government's primary mechanism for supporting long-term housing recovery after a disaster, but some have criticized the program for focusing on assisting property *owners*. In recent years, HUD has sought to address this concern by requiring that CDBG-DR grantees take steps toward rebuilding rental housing. An et al. examine the case of severe storms in Colorado in 2013, after which HUD provided CDBG-DR funding with rental housing requirements. They compare rental market outcomes for counties that received CDBG-DR with counties that experienced the storms but did not receive CDBG-DR. They find a statistically significant effect on rents—with rents growing 4.0 to 5.8 percent less in the places that received CDBG-DR. They also observe a higher volume of multifamily housing building permits in places that received CDBG-DR, suggesting that CDBG-DR may be helping to mitigate the rental housing supply shortages that often follow natural disasters.

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