

Community Development Block Grants (CDBG):

A Guide for Counties



2014

ANNUAL CONFERENCE & EXPOSITION

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and Idea Marketplace

July 11-14

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- [illegible]

***Healthy, vibrant, safe
and resilient counties
across America***

Why Counties Matter

With America's system of **FEDERALISM**, counties are a **KEY LEVEL** of government, **DIRECTLY** serving the people.



As governments created by states, counties provide **ESSENTIAL PUBLIC SERVICES** including many mandated by **FEDERAL** and **STATE** laws and regulations.

Elections



Counties fund and oversee more than
112,000
polling places and coordinate
700,000
poll workers
EVERY TWO YEARS

There are more than

18,000



ELECTED COUNTY OFFICIALS

Preventive Health



Counties provide flu shots and other preventive health services through



HEALTH DEPARTMENTS

Counties own
75%



of publicly owned
NURSING HOMES

Counties own

964

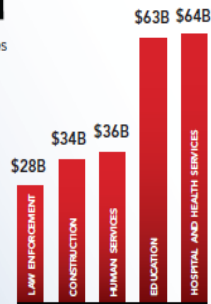
hospitals and spent
\$68.3 BILLION
on healthcare services in 2007



Expenditures

Total expenditures for counties in 2007

\$472 BILLION



Services

Counties employ more than

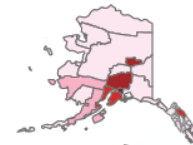
3.2 MILLION

Americans delivering a variety of services

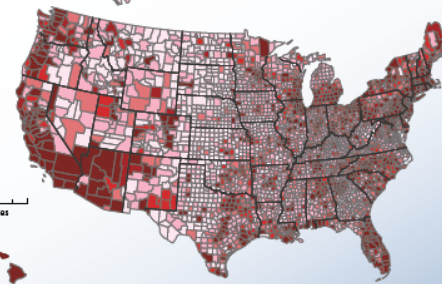


Healthcare
Transportation
Public Safety and Jails
Courts
Mental Health Services
Build Local Economies
Restaurant Inspections
Community Colleges
Recycling
Solid Waste Management
911 Emergency Systems
Parks and Recreation
Elections
Record Keeping

The United States Has **3,069** County Governments



Population
100,000 or more
70,000 to 99,999
50,000 to 69,999
30,000 to 49,999
10,000 to 29,999
Less than 10,000



500 Miles

County Population Range

9,787,747

62

Loving Co. Texas
Los Angeles Co. California

Infrastructure

Counties invested

\$60 BILLION

on infrastructure in 2007
(highways, roads, bridges, utilities, water, and sewer)



Counties spent

\$34 BILLION

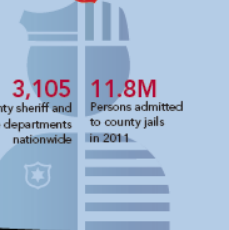
on construction of county facilities

Law Enforcement



3,105
county sheriff and police departments nationwide

11.8M
Persons admitted to county jails in 2011



Transportation

Counties own and maintain

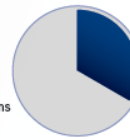


44%
of America's Roadways,

228,026

of America's Bridges,

and almost
1/3
of America's Transit Systems and Airports



NACo Data, 2012; NACo Analysis of U.S. DOT Data, 2008; U.S. DOT, 2011; NACo Analysis of U.S. FTA Data, 2011; NACo Analysis of U.S. FTA Data, 2010; NACo Analysis of American Hospital Directory Data, 2011; NACo Analysis of Census of Government Expenditure Data, 2007; Bureau of Justice Statistics, 2012; National Association of County and City Health Officials, 2013; U.S. Census Bureau, Population Division, Vintage 2011 Resident Population Estimates.

NACO National Association of Counties

Presentation Overview

- **Why CDBG Matters to Counties**
- **The History of CDBG**
- **How CDBG Works**
- **What's Next for CDBG?**

CDBG 101

The Community Development Block Grant (CDBG) is a federally-funded grant program, administered by the U.S. Department of Housing and Urban Development, that assists state and local governments in improving housing and living conditions and providing community services for vulnerable residents



Flexible Funding for Community Development

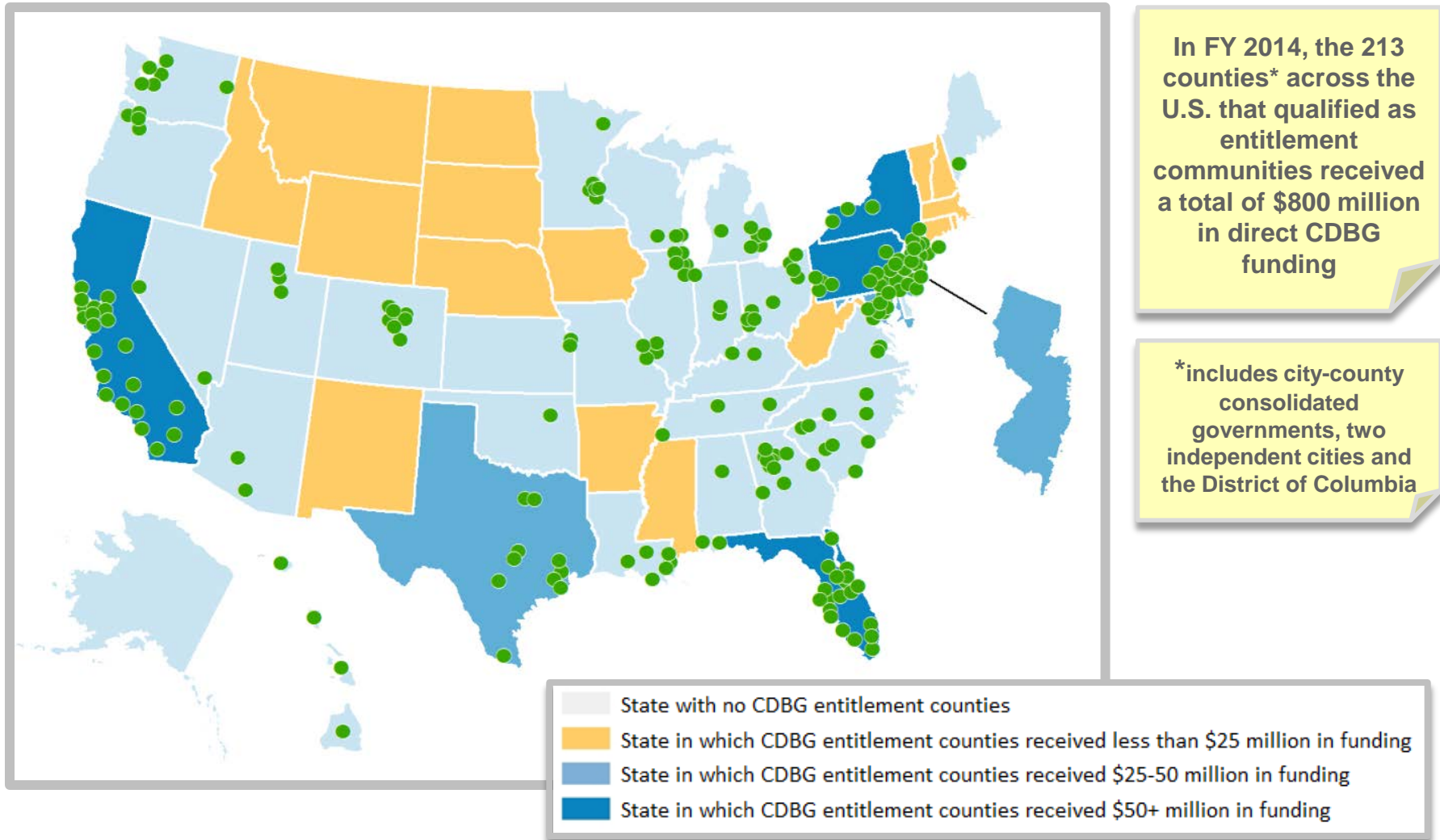
- CDBG provides **federal funding** to state and local governments, including **counties**
 - Some **urban counties qualify**, based on population, as “**entitlement communities**” and receive **direct federal funding**
 - Counties that do not qualify for direct funding – typically **rural counties** – are considered “**non-entitlement communities**” and can receive CDBG funds **through their states**.
- Counties use CDBG funds for projects related to **housing, community and economic development, water and infrastructure** projects, and **human services**
- The **flexibility** of CDBG funds allows counties to **partner** with the private and non-profit sectors to address community needs

→ To qualify as an “entitlement community,” a county must have a population of at least 200,000, excluding the population of any “entitlement” cities within its jurisdiction

→ In FY 2014, 213 counties qualified as “entitlement communities,” receiving a total of \$800 million in CDBG funds

→ According to HUD, for every \$1 of CDBG funding, another \$4.07 is leveraged in private and/or public sector funding

CDBG Entitlement County Funding by State, FY 2014



The History of CDBG



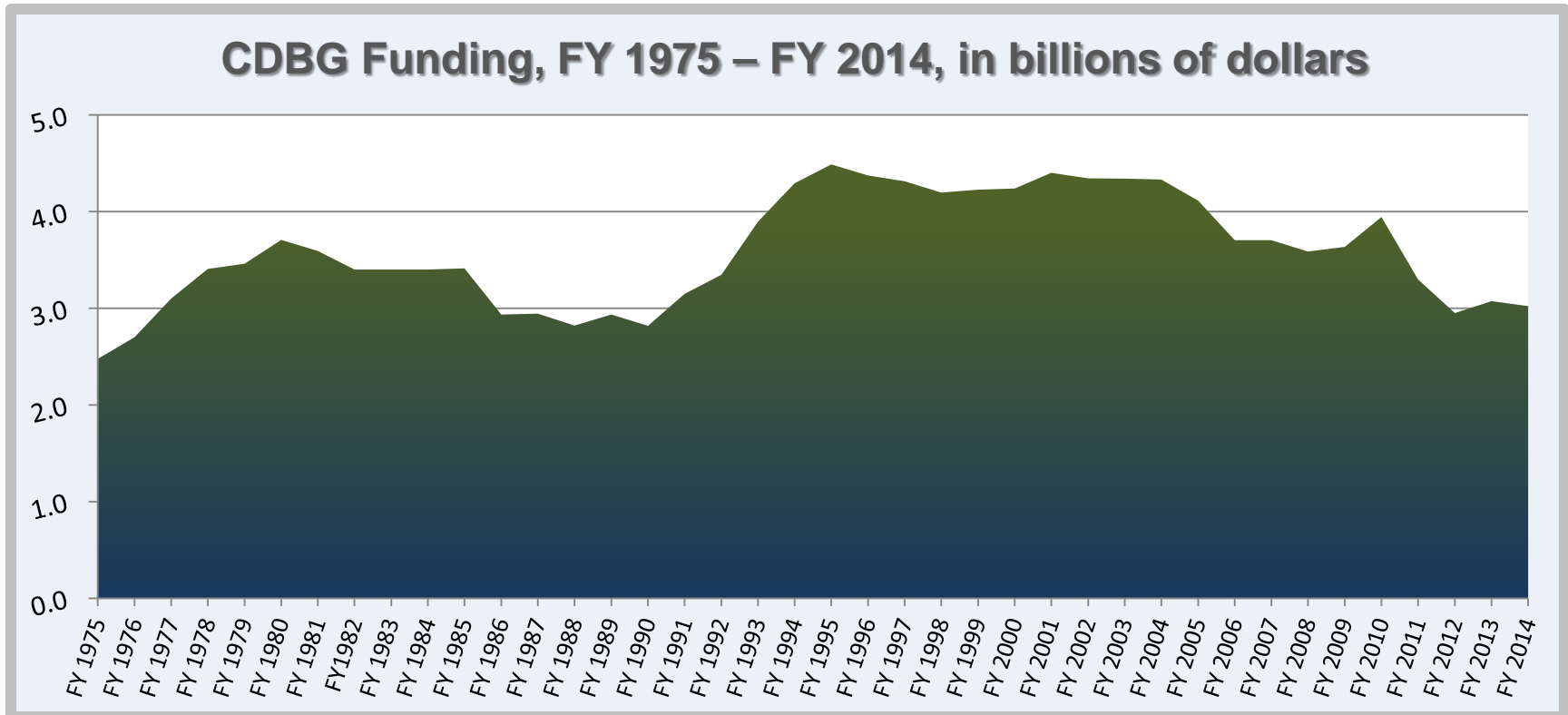
Establishment and Changes to the Program

- CDBG was **established in 1974** with bipartisan support under the presidency of Gerald Ford, through the Housing and Community Development Act (12 U.S.C. 1706e)
- In the 1978 reauthorization of the program, the **formula** currently used to set grant amounts (details on slide 14) was instituted to better serve communities with different types of problems
- The **set aside for non-entitlement communities** was also added in the 1978 reauthorization, and was increased from 20 percent to the current level of 30 percent in 1981
- In 1990, a “**grandfathering**” clause was added to the program to prevent entitlement communities from losing their entitlement status



Celebrating its 40th anniversary in 2014, CDBG is one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD)

History of CDBG Appropriations Levels



Funding for CDBG peaked in FY 1995, when the program received \$4.485 billion. Funding levels remained at around that level for the next decade

Between FY 2005 and FY 2014, funding for CDBG decreased by more than \$1 billion, from \$4.11 billion in FY 2005 to the current level of \$3.02 billion in FY 2014. This represents more than a 25 percent decrease in funding over a ten-year period

How CDBG Works



Eligible Grantees and Grant Formula

Eligible Grantee	Description	Notes	Formula
<p>Entitlement Communities</p> <p>Receive 70 percent of annual CDBG funds</p>	<ul style="list-style-type: none"> • Urban counties with populations of at least 200,000 (excluding the population of entitled cities) • Principal cities of Metropolitan Statistical Areas (MSAs) • Other metropolitan cities with populations of at least 50,000 	<p>A Metropolitan Statistical Area (MSA) is an area with at least one urbanized area with a population of 50,000 or more, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties</p>	<p>HUD determines the amount of each entitlement grant through a formula that uses several objective measures of community needs, including:</p> <ul style="list-style-type: none"> • Extent of poverty • Population • Housing overcrowding • Age of housing • Population growth lag
<p>Non-Entitlement Communities (State Administered)</p> <p>Receive 30 percent of annual CDBG funds</p>	<ul style="list-style-type: none"> • Those units of general and local government which do not receive CDBG funds directly from HUD: <ul style="list-style-type: none"> • Counties with populations less than 200,000 • Cities with populations less than 50,000 (unless designated as a principal city of an MSA) 	<p>Non-entitlement communities receive CDBG funds through states, often through a competitive application process. States develop annual funding priorities and criteria for selecting projects. HUD's role is to ensure state compliance with federal laws</p>	<p>HUD distributes funds to each State based on a statutory formula which takes into account population, poverty, incidence of overcrowded housing, and age of housing. All funds (other than administrative and the technical assistance set-aside) are distributed by States to units of general local government</p>

Eligible and Ineligible Activities

The chart below is a **non-exhaustive list** and general guideline of activities that are eligible and ineligible for CDBG funding, according to HUD. The eligibility of a proposed activity is determined by HUD or the administering state on a case by case basis

Eligible Activities	Ineligible Activities
Acquisition of real property	Acquisition, construction or reconstruction of buildings for the general conduct of government
Relocation and demolition of property	
Rehabilitation of residential and non-residential structures	Political activities
Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers and the conversion of school buildings for eligible purposes	Certain income payments
Public services, within certain limits	
Activities relating to energy conservation and renewable energy resources	Construction of new housing by units of general local government
Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities	

Grantees must use no less than 70 percent of CDBG funds for activities that benefit low and moderate income persons over a one, two or three year period, as determined by the grantee

Grantees are allowed a 20 percent set-aside for administrative and planning expenses

Each activity must meet a national objective for the program: benefiting low and moderate income persons, eliminating slums and blight or addressing urgent community development needs

“Low and moderate income” refers to annual income that is less than the Section 8 Low Income Limit, as established by HUD, which is generally 80 percent of the area median income

Snapshot of County CDBG Activity – Lexington County, SC

As an entitlement community, Lexington County, South Carolina receives CDBG funding directly from HUD and funds projects within its jurisdiction. A notable CDBG-funded project in the county was the construction, in 2011, of a new health care facility in the town of Pelion, which is 23 miles from the nearest hospital. The **Pelion Family Practice** is expected to serve 2,500 patients each year.



Lexington County and community leaders at the Pelion Family Practice groundbreaking in April, 2011, and at the ribbon cutting ceremony in September of that year

The Lexington County CDBG Program provided \$712,508 for the construction of the Pelion Family Practice, and an additional \$170,000 was contributed by a non-profit community health center



CDBG requires Consolidated Plans

- To receive annual CDBG funding, an entitlement community must develop and submit to HUD its **Consolidated Plan**
- The Consolidated Plan is a jurisdiction's **comprehensive planning document** and application for funding under several HUD grant programs, including CDBG
- In its Consolidated Plan, the jurisdiction must identify its goals for the various grant programs. The goals will serve as the criteria against which HUD will evaluate a jurisdiction's Plan and its performance under the Plan
- The Consolidated Plan must also include several **required certifications**, including the requirement that 70% of CDBG funds received over a period defined by the grantee will be used for activities that benefit low and moderate income persons
- For non-entitlement communities, states develop annual funding priorities and criteria for selecting projects, while local governments consider local needs and prepare grant applications for submission to states based on those needs



Citizen Participation

- Each CDBG grantee must also develop and follow a detailed plan that **encourages citizen participation** and emphasizes participation by persons of low or moderate income, particularly residents of predominantly low and moderate income neighborhoods and areas in which the grantee proposes to use CDBG funds
- The plan must provide citizens with the following:
 - Reasonable and timely access to local meetings
 - Opportunity to review proposed activities and program performance
 - Timely written answers to written complaints and grievances
 - Identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate



Section 108 Loans

- CDBG features a **loan guarantee provision**, called the Section 108 program, which provides communities and states with a **source of financing** for economic development, housing rehabilitation, public facilities and large-scale physical development projects
 - **Entitlement counties** are eligible for Section 108 loans. **Non-entitlement counties** are eligible, but must work with their state administrators to submit loan applications
- Section 108 loans allow communities and states to transform a small portion of their CDBG funds into federally guaranteed **loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods**
- Section 108 loans are **not risk-free**; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan



What's Next for CDBG

Action Needed!



Potential CDBG Reforms and FY 2015 President's Budget Proposal

- In recent years, HUD has recommended various reforms to CDBG, including a provision that would **eliminate community “grandfathering”** – a policy that currently prevents entitlement communities from losing entitlement status – and another that would establish a **minimum grant threshold**. Such reforms would prevent smaller-sized communities, potentially including some counties, from receiving direct CDBG funding
- While none of these proposals have gained much traction on Capitol Hill, HUD has been looking for ways to improve CDBG by holding listening sessions titled **“Moving CDBG Forward.”** HUD plans to release recommendations based on these recently-concluded sessions later this year
- The **President's FY 2015 Budget** reiterates many of the reforms recommended by HUD in recent years, including a proposal to reduce the number of small entitlement grantees. In his budget, the president proposes a funding level of roughly **\$2.8 billion** for CDBG, which represents about a **\$200 million cut** from the FY 2014 level



Action Alert!

- With the FY 2015 appropriations process underway, it is imperative that counties communicate with their members of Congress about the importance of CDBG funding to counties
- In early April, “Dear Colleague” appropriations letters were sent to [House](#) and [Senate](#) Transportation, Housing and Urban Development (T-HUD) appropriations leaders, requesting \$3.3 billion in FY 2015 funding for CDBG. NACo supports this level of funding
- NACo also urges county leaders to take their members of Congress on tours of projects in their jurisdiction that have been funded through CDBG, to demonstrate the value of these funds to counties and their residents
- For more information
 - View [NACo’s policy brief on CDBG](#)
 - View [HUD’s CDBG webpage](#)
 - Contact Daria Daniel at ddaniel@naco.org or 202.942.4212



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NACO National Association of Counties
WASHINGTON WATCH
Federal News for the Nation's Counties

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This week's highlights:

- House Passes WRRDA with Overwhelming Support
- House Leadership Names Farm Bill Conference, Action Needed
- First-Ever FEMA Reauthorization Introduced in House
- House Passes Adoption and Guardianship Bill
- House Committee Holds Hearing on IP Transition

Legislative News

House Passes WRRDA with Overwhelming Support
On October 23, the U.S. House of Representatives passed the Water Resources Reform and Development Act (WRRDA) by a vote of 417-3. WRRDA addresses many key issues of importance to counties. WRRDA is based on the Water Resources and Development Act (WRDA), which is biannual legislation last authorized in 2007. [More »](#)

House Leadership Names Farm Bill Conference, Action Needed
On October 12, U.S. House of Representatives leaders announced the members of their farm bill conference committee. The newly appointed House conferees will join their Senate counterparts, who were named prior to the August recess, to hash out the differences between the two chambers' farm bills. The House conferees include 17 Republicans and 12 Democrats, while the Senate's consist of 7 Democrats and 5 Republicans. [More »](#)

First-Ever FEMA Reauthorization Introduced in House
On October 22, leaders of the House Committee on Transportation and Infrastructure introduced the first ever reauthorization of the Federal Emergency Management Agency (FEMA). This bipartisan legislation is designed to ensure accountability and strong Congressional oversight of FEMA. FEMA programs assist states and local communities to better prepare for, respond to, recover from, and mitigate the broad range of hazards frequently facing our nation. [More »](#)

House Passes Adoption and Guardianship Bill
On October 22, the U.S. House of Representatives unanimously approved the Promoting Adoption and Legal Guardianship for Children in Foster Care Act (H.R. 3225). The bill reauthorizes the Adoption Incentive Grants Program and the Family Connections Grant Program through 2016. County child welfare agencies can apply for Family Connections grants directly. [More »](#)

House Committee Holds Hearing on IP Transition
On October 23, the House Energy and Commerce Committee's Subcommittee on Communications and Technology held a hearing on the topic of IP transition with witnesses from industry, government and think tanks. IP transition commonly refers to the provision of phone service via the internet rather than traditional copper lines; phone service provided through an internet network is called Voice Over Internet Protocol (VOIP). [More »](#)

Webinars

Critical Infrastructure and Cybersecurity
October 30, 2 PM (EDT)
[Register »](#)

Staying Financially Resilient in the Face of Disaster
November 14, 2 PM (EDT)
[Register »](#)

Grow Your County's Green Building Industry
November 21, 2 PM (EDT)
[Register »](#)

Affordable Care Act Part 1: Impact on Counties as Employers
November 22, 2 PM (EDT)
[Register »](#)

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Questions?



Contact Us!

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