Community Development Block Grants (CDBG): A Guide for Counties
About NACo

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo assists America's 3,069 counties in pursuing excellence in public service to produce healthy, vibrant, safe and resilient counties. NACo promotes sound public policies, fosters county solutions and innovation, promotes intergovernmental and public-private collaboration, and provides value-added services to save counties and taxpayers money.
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.
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.
Why CDBG Matters to Counties

CDBG Entitlement County Funding by State, FY 2016

- State with no CDBG entitlement counties
- State in which CDBG entitlement counties received less than $25 million in funding
- State in which CDBG entitlement counties received $25 - $50 million in funding
- State in which CDBG entitlement counties received more than $50 million in funding
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

CDBG celebrated its 40th anniversary in 2014, and is one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD)
Between FY 2005 and FY 2014, funding for CDBG decreased by more than $1.4 billion, from $4.11 billion in FY 2005 to the current level of $2.8 billion in FY 2016. This represents more than a 25 percent decrease in funding over a ten-year period.

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.
How CDBG Works
# How CDBG Works

## Eligible Grantees and Grant Formula

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<th>Eligible Grantee</th>
<th>Description</th>
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<th>Formula</th>
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| **Entitlement Communities** | • 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 | 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 | HUD determines the amount of each entitlement grant through a formula that uses several objective measures of community needs, including:  
• Extent of poverty  
• Population  
• Housing overcrowding  
• Age of housing  
• Population growth lag |
| **Non-Entitlement Communities (State Administered)** | • Those units of general and local government which do not receive CDBG funds directly from HUD:  
• Counties with populations less than 200,000  
• Cities with populations less than 50,000 (unless designated as a principal city of an MSA) | 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 | 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 |

Receive 70 percent of annual CDBG funds

Receive 30 percent of annual CDBG funds
# How CDBG Works

## 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.

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

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.
How CDBG Works

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.

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.

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.
CDBG requires Consolidated Plans

- To receive annual CDBG funding, an entitlement community must develop and submit to HUD its **Consolidated Plan** to HUD.

- 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 percent 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.
How CDBG Works

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 2017 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 and held listening sessions titled “Moving CDBG Forward.” HUD plans to release recommendations based on these recently-concluded sessions this year.

- The President’s FY 2017 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 and represents about $200 million cut from the FY 2016 level.
What's Next for CDBG

Action Alert!

- With the FY 2017 appropriations process underway, it is imperative that counties communicate with their members of Congress about the importance of CDBG funding to counties.

- “Dear Colleague” appropriations letters will be sent to House and Senate Transportation, Housing and Urban Development (T-HUD) appropriations leaders, requesting at least $3 billion in FY 2017 funding for CDBG. NACo supports $3.3 billion in funding for CDBG.

- 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](mailto:ddaniel@naco.org) or 202.942.4212
For more legislative presentations, visit www.naco.org
Questions?

NACo Staff Contacts and Resources

For questions or more information, feel free to contact us

Matt Chase       Executive Director | mchase@naco.org
Deborah Cox      Legislative Director | dcox@naco.org | 202.942.4286
Paul Beddoe      Deputy Legislative Director | pbeddoe@naco.org | 202.942.4234
Daria Daniel     Associate Legislative Director | daniel@naco.org | 202.942.4212

Website: www.naco.org
Twitter: @nacotweets
Facebook: facebook.com/naco
YouTube: youtube.com/nacovideo

NACo was named one of nine remarkable associations in the United States after a four-year study conducted by the American Society of Association Executives and The Center for Association Leadership because of its commitment to members and purpose.