



Community Development Block Grants: Funding Issues in the 112th Congress and Recent Funding History

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Summary

In the coming weeks and months Congress will consider legislation appropriating funds for FY2012. The budget debate will establish national priorities and takes place within the context of growing concerns about the need to address federal budget deficits, the national debt, and a sluggish economic recovery following the longest and deepest recession since the Great Depression. The Obama Administration and the 112th Congress may consider and debate a number of approaches to spur economic activity and job growth, including federal public works and community and economic development programs. In addition, the Administration and Congress must arrive at a consensus on how to address long term deficit reduction, including spending cuts. The Department of Housing and Urban Development's (HUD) Community Development Fund (CDF), which includes the Community Development Block Grants (CDBG), are among the accounts that Congress may consider candidates for funding reduction or elimination.

On April 15, 2011, the President signed into law P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act for FY2011. The measure, which passed the House and Senate on April 14, 2011, after months of intense budget negotiations, appropriated \$3.508 billion for activities in the CDF account, including \$3.343 billion for CDBG formula funds. P.L. 112-10 included two provisions reducing the account's overall appropriations. P.L. 112-10 also included a 0.2% mandatory across the board rescission of all appropriated funds and a 1% discretionary transfer from designated HUD funds, including CDF activities to HUD's Transformation Initiative. The mandatory across the board rescission reduces the CDF account by \$7 million to \$3.501 billion, while the 1% discretionary transfer would move \$35 million from the CDF account and its components to the Department's Transformation Initiative. This 1% discretionary transfer reduces the amount available for CDBG formula grants to states, entitlement communities, and insular areas to approximately \$3.303 billion. This is approximately 16% less than appropriated in FY2010. The act also appropriated \$64 million for Indian tribes' CDBG activities and \$98 million for the Department's Sustainable Communities Initiative, which supports regional coordination of land use planning, housing, environmental, and transportation activities and policies. The formula-based Community Development Block Grant program was one of several programs targeted for significant budget reductions in an earlier version of a consolidated appropriations bill, H.R. 1, that passed the House, but not the Senate. H.R. 1 would have reduced funding for CDBG activities to \$1.500 billion, or 62.5% below the amount appropriated for FY2010.

Having completed action on the FY2011 appropriations, Congress will now consider the Obama Administration's FY2012 budget proposals, including the proposals for the CDF account. The President's proposed budget recommends \$3.804 billion for the CDF account. This is 8.6% higher than the account's FY2011 funding level. The Administration has proposed a restructuring of the CDF account by minimizing, through transfer or termination, activities not directly related to the CDBG program by authorizing statute. The Administration's FY2012 budget proposes to: (1) increase funding for CDBG formula grants by 10.5% from \$3.303 billion appropriated in FY2010 to \$3.691 billion; (2) eliminate funding for the Neighborhood Initiative and Economic Development Initiative programs; (3) eliminate funding for Section 107 activities; (4) transfer its Sustainable Communities Initiative to a new stand alone account; and (5) convert Section 108 loan guarantees to a fee-based program.

This report will be updated as events warrant.

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Recent Developments

On April 15, 2011, the President signed into law P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act for FY2011. The measure, which passed the House and Senate on April 14, 2011, after months of intense budget negotiations, included a provision appropriating \$3.508 billion for the Community Development Fund (CDF). The act includes a mandatory across-the-board rescission of 0.2% and a 1% discretionary transfer to the Department's Transformation Initiative, which reduces the CDF accounts total appropriation to \$3.501 billion. This is approximately 16% below the amount appropriated for FY2010. The CDF, which includes the formula-based Community Development Block Grant program, was one of several accounts targeted for significant budget reductions in an earlier version of a consolidated appropriations bill, H.R. 1, that passed the House, but not the Senate. H.R. 1 would have reduced funding for CDBG activities by 62.5% below the amount appropriated for FY2010. On February 14, 2011, the Obama Administration released its proposed budget for FY2012. The President's proposed budget recommends \$3.804 billion for the CDF account. This is 8.6% more than the \$3.501 billion appropriated for FY2011. In the coming weeks, as the 112th Congress attempts to reach consensus regarding funding levels for FY2012 it will do so amid heightened concerns about federal spending, deficit reduction, and national priorities.

Fiscal Year 2011 Funding (P.L. 112-10 and H.R. 1)

The Community Development Block Grant (CDBG) program, administered by the Department of Housing and Urban Development (HUD), is the federal government's largest and most widely available source of financial assistance supporting state and local government-directed neighborhood revitalization, housing rehabilitation, and economic development activities. These formula-based grants are allocated to more than 1,100 entitlement communities (metropolitan cities with populations of 50,000, principle cities of metropolitan areas, and urban counties), the 50 states, Puerto Rico, and the insular areas of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands. Grants are used to implement plans intended to address housing, community development and economic development needs, as determined by local officials.

Funding for HUD's Community Development Fund, which includes the CDBG program, are among the programs that were initially targeted for reduction as part of congressional efforts to reduce the federal budget deficit. On February 19, 2011, the House-passed H.R. 1, a bill providing continuing annual appropriations for FY2011.¹ The House passed version of H.R. 1 would have reduced total funding for discretionary programs by \$61 billion below the amount requested by the Obama Administration. Included among the programs and accounts targeted for cuts by the House-passed version of the H.R. 1 was the CDF account, which includes the formula-based CDBG program. The bill, as passed by the House, failed to win Senate approval. An alternative measure, S.Amdt. 149, introduced in the Senate, also failed to win Senate

¹ Under Sec. 109 of P.L. 111-242, Continuing Appropriations Act for FY2011, a program whose complete distribution of its FY2011 appropriations would have occurred at the beginning of the fiscal year is prohibited from allocating funds or awarding grants. According to Sec. 109, the basis for this prohibition is that the complete distribution of program funds would impinge on final funding prerogatives of Congress. Given this directive, in the absence of a full-year appropriation and based on past practices, HUD may not allocate CDBG funds for the current fiscal year until Congress has passed a final appropriations measure for FY2011.

approval. This led to renewed negotiations between the Obama Administration, and House and Senate leadership to resolve the FY2011 budget impasse.

Passage of H.R. 1473, Full-Year Continuing Appropriations, P.L. 112-10

After weeks of negotiations, on April 15, 2011, President Obama signed into law P.L. 112-10, formerly H.R. 1473, the Department of Defense and Full-Year Continuing Appropriations Act for FY2011. The measure was passed by both the House and the Senate on the eve of the expiration of P.L. 112-8, a week-long temporary spending measure that was signed by the President on April 9, 2011, to allow House and Senate leaders time to negotiate a final FY2011 appropriations agreement that would avoid a government-wide shutdown.²

P.L. 112-10 appropriated \$3.508 billion for activities in the CDF account, including \$3.343 billion for CDBG formula funds. The act also includes a 0.2% mandatory across the board rescission of all appropriated funds³ and a 1% discretionary transfer from designated HUD funds, including CDF activities to HUD's Transformation Initiative.⁴ The mandatory across the board cut reduces the CDF account by \$7 million to \$3.501, while the 1% discretionary transfer would move \$35 million from the CDF account and its components to the Department's Transformation Initiative. **Table 1** includes the adjusted appropriations for CDF activities taking into account both the 0.2% rescission and the 1% transfer. **Table 1** also includes the actual distribution of funds appropriated for activities included in the CDF account for FY2010, as well as the Administration's budget request for FY2011 and the projected estimated distribution of funds in the account based on the language included in H.R. 1 and a Senate Committee's amended version of H.R. 1 (S.Amdt. 149).⁵

P.L. 112-10 appropriation of \$3.501 billion for the CDF account is 21.3% less than the \$4.450 billion appropriated for FY2010 CDF activities and 20.1% less than requested by the Administration for FY2011. Conversely, the FY2011 appropriation is 133% higher than recommended by H.R. 1, a measure passed by the House earlier during the 1st session of the 112th Congress. Included in the CDF account is the CDBG program, which includes the formula-based grants awarded to Puerto Rico, the 50 states, and eligible metropolitan area-based cities and counties (entitlement communities); insular areas (Guam, the Virgin Islands, the Northern Mariana Islands; and American Samoa), and Indian tribes. P.L. 112-10 reduced funding for CDBG formula grants by 16.4%. Also included in the account are funds for the Sustainable Communities Initiative (SCI), a competitively awarded grant program intended to support a coordinated approach to regional land use, housing, environmental, and transportation planning activities. P.L. 112-10 reduced funding for SCI activities by 33%.

² Included in P.L. 112-8, which funded the federal government through April 15, 2011, was a provision, Sec. 303, appropriating \$4.230 billion for the CDF for FY2011. That provision was voided with the passage of P.L. 112-10.

³ P.L. 112-10, Division B, Sec. 1119.

⁴ P.L. 112-10, Division B, Sec. 2259.

⁵ Given the minimal instructions included in the House-passed version of H.R. 1, figures included in **Table 1** assume that funds will be allocated among the CDBG components based on the same percentage distribution of funds allocated for FY2010, except where noted.

H.R. 1

On February 19, 2011, the House passed H.R. 1, Full Year Continuing Appropriations Act for FY2011. As passed the House, H.R. 1 would have reduced the CDF account by 66.3% below the account's FY2010 funding level of \$4.450 billion, and would have prohibited funds from being used for earmarks⁶ and the Administration's Sustainable Communities Initiative (SCI). It did not include instructions on how funds were to be allocated among the components of the CDBG program: states and entitlement communities, insular areas, and Indian tribes. The program's governing statute⁷ and previous appropriations acts required that 70% of funds be allocated to so-called entitlement communities⁸ and 30% to states and Puerto Rico for distribution to nonentitlement communities after specific amounts were set aside for insular areas, Indian tribes, and other programs included in the account. Given the minimal instructions included in the House-passed version of H.R. 1, figures included in **Table 1** assume that funds would have been allocated among the CDBG components based on the same percentage distribution of funds allocated for FY2010, except where noted.

Table 1. CDBG and Related Appropriations: FY2010 Actual and FY2011 Request and Recommended Appropriations
(in millions of dollars)

Program	FY2010 Enacted	FY2011			
		Administration Request	H.R. 1 House	H.R. 1 Senate Committee	P.L. 112-108
CDF, Total	4,450.0	4,380.1	1,500.0	4,230.0	3,501.0
CDBG-formula	3,943.2	3,943.3	1,478.0	3,943.2	3,296.0
<i>Entitlement Communities</i>	2,760.2	2,760.3	1,034.6	2,760.2	2,307.2
<i>States</i>	1,183.0	1,183.0	443.4	1,183.0	988.8
Insular Areas	6.9	6.9	7.0 ^a	7.0 ^a	6.9 ^a
CDBG Indian Tribes	64.3	64.3	15.0 ^b	40.0	64.2
CDBG Subtotal	4,014.4	4,014.4	1,500.0	3,990.0	3,367.1
Sustainable Communities	148.5	148.5	0.0	148.5	98.8
<i>Regional Integration Planning Grants</i>	99.0	99.0	0.0	0.0	69.2
<i>Community Challenge Grants</i>	39.6	39.6	0.0	0.0	29.6

⁶ In previous years, the CDF account included two earmarked subaccounts: the Economic Development Initiative (EDI) and the Neighborhood Initiative (NI). H.R. 1 explicitly prohibits funds being used for earmarks. See Section 1102 of H.R. 1.

⁷ 42 U.S.C. 5301, *et seq.*

⁸ Entitlement communities include principle cities of metropolitan areas, cities in metropolitan areas whose population exceeds 49,999 persons, and statutorily defined urban counties. In general, these are metropolitan-based counties whose population meets or exceeds 200,000 persons, excluding the population of entitlement cities within its boundaries.

Program	FY2010 Enacted	FY2011			
		Administration Request	H.R. 1 House	H.R. 1 Senate Committee	P.L. 112-10 ^g
<i>Capacity Building Clearinghouse</i>	—	—	0.0	0.0	0.0
<i>HUD-DOT Integration Research</i>	9.9	9.9	0.0	0.0	0.0
Catalytic Competition Grants	—	148.5	0.0	0.0	0.0
Rural Innovation Fund ^c	24.8	—	0.0	24.8	0.0
University Community Fund ^c	24.8	24.8	0.0	24.8	0.0
Neighborhood Initiative	21.9	—	0.0	0.0	0.0
Economic Development Initiative	171.1	—	0.0	0.0	0.0
Transfer to the Transformation Initiative ^e	44.5	43.8	0.0	42.3	35.0
Non-CDBG Set-asides and earmarks	435.6	365.6	0.0	240.0	133.8

Source: Prepared by CRS based on Administration's FY2012 budget submission and H.R. 1.

Notes: Totals and subtotals may not correspond to actual amounts due to rounding. Italics indicates entry's amount is a component of the item immediately above it.

- a. 42 U.S.C. 5306(a)(2) requires HUD to set aside \$7 million, as specified by 42 U.S.C. 5307(1)(a), for insular areas before allocating funds to states and entitlement communities.
- b. 42 U.S.C. 5306(a)(1) requires HUD to set aside 1% of the annual amount appropriated for allocation to Indian tribes. Congress has modified this requirement in annual appropriations acts setting aside a specific amount. H.R. 1 does not include a specific amount for Indian tribes. H.R. 1473 assumes an allocation of \$65.0 million for Indian tribes.
- c. Before FY2010, the program was funded under a separate account, Rural Housing and Economic Development.
- d. Prior to FY2007, CDBG-linked university activities were included in this account as authorized under 42 U.S.C. 5307. For FY2009, program funds of \$23 million were appropriated under a separate HUD account, Research and Technology.
- e. Subtotal for the Transformation Initiative assumes transfer of 1% of amounts appropriated from programs included in the CDF account.
- f. The bill targets \$17.5 million of this amount to metropolitan areas with populations not exceeding 500,000 persons.
- g. Table reflects an across-the-board rescission of 0.2% included under Sec. 1119, of Title I, Division B of P.L. 112-10. It also reflects the transfer of 1% of the amounts appropriated to each program under the CDF account to HUD's Transformation Initiative. Please note the original appropriation for the CDF account was \$3.508 billion, including \$3.343 billion for CDBG formula funds and insular areas, \$65 million for Indian tribes, and \$100 million for the Sustainable Communities Initiative.

Senate Appropriations Committee Amendment to H.R. 1, S.Amdt. 149

On March 9, 2011, Senator Inouye, Chairman of the Senate Appropriations Committee, submitted S.Amdt. 149, an amendment to H.R. 1, in the nature of a substitute, for Senate consideration. S.Amdt. 149, which was defeated by a vote of 42 to 58, included a provision that would have appropriated \$4.230 billion for CDF activities. This included \$3.990 billion for the CDBG program. The amendment would have frozen CDBG formula grant funds allocated to states and entitlement communities at the FY2010 appropriation level of \$3.943 billion, while insular areas would have received \$7 million and Indian tribes \$40 million (1% of the amount appropriated as required by statute).⁹ The Senate bill would have also funded the Rural Innovation Fund, University Community Fund, and SCI programs at their FY2010 funding levels.

Impact and Implications of Reduction in Funding

Under P.L. 112-10 appropriations for the formula-based components of the CDBG program (entitlement communities and states, and excluding insular areas) totals \$3.296 billion, which is approximately 16.4% (\$647 million) less than the \$3.943 billion appropriated for FY2010.¹⁰ The \$647 million reduction in funding for formula grant activities could result in the average grant amount for entitlement communities declining from \$2.4 million to \$2 million. This is a 16.7% reduction in the average grant amount awarded to entitlement communities. The decline in average funding is both a result of lower appropriations and an increase in the number of communities qualifying for entitlement status (**Table 2**). The average state allocation may decline by 16.4%, from \$23.2 million in FY2010 to \$19.4 million for FY2011. In addition, the competitively awarded SCI is facing a funding reduction of 33% from its FY2010 appropriations level.

Although the reductions in CDBG funding represent a decline in resources available to support local community and economic development activities, they are well below the 62.5% reduction proposed in H.R. 1. According to the U.S. Conference of Mayors and other organizations representing state and local governments, the proposed reduction in funding included in H.R. 1 would have significantly impact the long-term community and economic development plans of the states and local governments forcing them to postpone or terminate activities that support private sector economic development and job creation efforts, public facilities, and public services.¹¹ The proposed funding reduction included in H.R. 1 also would have undercut the resources of non-profit organizations serving as CDBG sub-grantees. These entities are involved in managing a range of CDBG-funded public services, facilities, and activities, including homeless shelters, public safety activities, and job counseling.

Supporters of the CDBG program contend that the reduction in funding will disproportionately affect low and moderate income households given the statutory requirement that communities

⁹ 42 U.S.C. § 5306.

¹⁰ The FY2011 amount assumes an across-the-board rescission of 0.2% and a 1% transfer of funds to the Department's Transformation Initiative. See Sec. 1119 and Sec. 2259 of P.L. 112-10.

¹¹ See Housing and Development.Com, "Mayors Lobbying Senate to Restore CDBG Funding," *Community Development Digest*, February 25, 2010, p. 1; and U.S. Conference of Mayors, "Community Development Block Grants Work for America," February 2011, <http://www.usmayors.org/cdbg/>. National League of Cities, "NLC ACTION ALERT: Community Development Block Grant Recess Strategy," press release, February 2011, http://www.nlc.org/advocating_for_cities/legaction_center.aspx.

allocated at least 70% of the program’s funds to activities principally benefitting low and moderate income persons.¹² The FY2011 appropriations for the formula component of the CDBG program is the lowest amount appropriated in more than a decade. (See **Table 5**.) The 16.7% reduction in funding for entitlement communities will result in entitlement communities delaying some projects and reducing support for others, including activities undertaken by community-based organizations acting as sub-grantees.

Table 2. Average CDBG Allocation Actual 2010 and Projected FY2011 (P.L. 112-10)
(dollars in millions)

	Number of eligible entities FY2010	FY2010 average allocation	Number of eligible entities FY2011	FY2011 Projected average allocation under P.L. 112-10	Percentage change from FY2010 to FY2011
Entitlement communities	1,165	\$2.4	1,167	\$1.9	-16.7
States	51	23.2	51	19.4	-16.4
Insular areas	4	1.7	4	1.7	0.0

Source: HUD allocations at data at <http://www.hud.gov/offices/cpd/about/budget/budget10/index.cfm> and CRS, based on information included in **Table 1**.

FY2012 Appropriations

In the coming months Congress will consider and debate the Administration’s budget recommendations for fiscal year 2012. It will undertake these efforts with an eye on reducing federal spending in an effort to address the federal deficit. It may balance this concern with a focus on funding federal activities that support private sector job creation in an effort to combat a national unemployment rate that remains high and a U.S. economy that continues to be mired in a so-called “jobless recovery” following the recession that began in December 2007. Supporters of the program have vowed to continue defending the program against cuts in funding.¹³

The President’s FY2012 Budget Request

On February 14, 2011, the Obama Administration submitted its FY2012 budget recommendations for congressional consideration. The Administration has proposed restructuring the CDF account by minimizing, through transfer or termination, activities not directly related by authorizing statute to the CDBG program. The Administration’s budget proposes to:

- reduce funding for CDBG formula grants;

¹² The program’s authorizing statute and regulations define low and moderate income persons as those persons whose income do not exceed 80% of the median income of the jurisdiction.

¹³ Zach Patton, “The CDBG Mobilization,” *Governing*, 2011, pp. 11-12.

- eliminate funding for the Neighborhood Initiative (NI) and Economic Development Initiative (EDI) programs;
- eliminate funding for Section 107 activities;
- transfer its Sustainable Communities Initiative (SCI) to a new stand-alone account; and
- convert Section 108 loan guarantees to a fee-based program.

The Administration’s FY2012 budget recommends a total funding level of \$3.804 billion for programs funded under the CDF account. The proposed funding level represents a 14.5% reduction below the account’s FY2010 enacted appropriations level, but a 8.6% increase above the \$3.501 appropriated for FY2011.

The Administration proposes to increase funding for the CDBG formula component of the CDF account by 11.5%, from \$3.296 billion appropriated in FY2011 to \$3.684 billion (see **Table 3**). It also proposes to fund CDBG grants to insular areas and Indian tribes at \$7 million and \$65 million, respectively, as required the CDBG program’s authorizing statute.

In addition, the Administration is requesting \$25 million for Rural Innovation Grants and \$23 million for Guam beyond the amount it would receive as an insular area. Rural Innovation Funds would be awarded competitively and targeted to rural areas whose populations do not exceed 20,000 persons to support innovative housing and economic development efforts, while assistance to Guam is intended to address community development needs arising from the relocation of military facilities and personnel to the island.

As in previous years, the Administration’s budget does not include funding for Economic Development Initiatives and Neighborhood Initiatives grants, two programs subject to congressional earmarks. The Administration states that it opposes earmarking NI and EDI funds and supports the regular CDBG formula program.

Table 3. CDBG and Related Appropriations: FY2010 Actual and FY2012 Proposed
(in millions of dollars)

Program	FY2010 Enacted	FY2011 Enacted	FY2012		
			Administration Request	House	Senate
CDF, Total	4,450.0	3,501.0	3,804.3		
CDBG-formula	3,950.1	3,302.9	3,691.4		
<i>Entitlement Communities</i>	2,760.2	2,702.2	2,579.1		
<i>States</i>	1,183.0	988.8	1,105.3		
<i>CDBG Insular areas</i>	6.9	6.9	7.0		
CDBG Indian Tribes	64.3	64.2	65.0		
Section 107 (technical assistance)	0.0	0.0	0.0		
CDBG Subtotal	4,014.4	3,367.1	3,756.4		
Grant to Guam ^a	0.0	0.0	22.9		
Rural Innovation Fund ^b	24.8	0.0	25.0		

Program	FY2010 Enacted	FY2011 Enacted	FY2012		
			Administration Request	House	Senate
Catalytic Competition Grants	—	0.0	0.0		
University Community Funds ^c	24.8	0.0	0.0		
Sustainable Communities ^d	148.5	98.8	0.0		
<i>Regional Integration Planning Grants</i>	99.0	69.2	0.0		
<i>Community Challenge Grants</i>	39.6	29.6	0.0		
<i>Capacity Building Clearinghouse</i>	—	0.0	0.0		
<i>HUD-DOT Integration Research</i>	9.9	0.0	0.0		
Neighborhood Initiative	21.9	0.0	0.0		
Economic Development Initiative	171.1	0.0	0.0		
Transfer to the Transformation Initiative ^e	44.5	35.0	0.0		
CDBG-related set-asides and earmarks	435.6	133.8	47.9		
Disaster relief supplemental ^f	100.0	0.0	0.0		

Source: Prepared by CRS based on Administration's FY2012 budget submission and H.R. 1.

- a. Funds would be transferred from the Defense Department and administered under the CDBG program and would be used to address community development needs resulting from the relocation of various military installations and personnel to Guam.
- b. Before FY2010, the program was funded under a separate account, Rural Housing and Economic Development.
- c. Prior to FY2007, CDBG-linked university activities were included in this account. For FY2009, program funds of \$23 million were appropriated under a separate HUD account, Research and Technology.
- d. The Administration is proposing to fund the programs at \$150 million under a separate stand-alone account.
- e. Subtotal for Transformation initiative assumes transfer of 1% of amounts appropriated to programs included in the CDF account.
- f. P.L. 111-212 included \$100 million for disaster recovery activities.

Sustainable Communities Initiatives (SCI)

The Administration's FY2012 budget recommends transferring the SCI programs to a new stand-alone account. The SCI is a set of planning-oriented grants first proposed by the Obama Administration in its FY2010 budget and funded at \$150 million. For FY2012 the Administration is requesting an appropriation of \$150 million. Funds would be used to support SCI's three components:

- *Regional Integrated Planning Grants.* \$100 million would be competitively awarded to regional organizations in metropolitan areas to support efforts to develop effective models that would integrate the planning requirements of various disciplines critical to the development of sustainable communities. This would be done in collaboration with the

Department of Transportation, the Environmental Protection Agency, and other federal agencies. Grant awards would focus on metropolitan-wide housing, transportation, energy, and land use planning.

- *Community Challenge Grants.* \$40 million would be competitively awarded to communities to reform existing building codes, land use and zoning ordinances with the goal of promoting sustainable growth and discouraging inefficient land use patterns.
- *Housing-Transportation Integration Research.* \$10 million was set aside for a joint HUD-Department of Transportation research initiative that would seek to quantify and evaluate the benefits and trade-offs of various efforts. A portion of these funds would be used to evaluate the long-term benefits of Regional Integrated Planning Grants and Community Challenge Grants.

Section 108 Loan Guarantees¹⁴

The CDBG Section 108 Loan Guarantee program (Section 108) allows states and entitlement communities to collateralize their annual CDBG allocation in an effort to attract private capital to support economic development activities, housing, public facilities, and infrastructure projects. Communities may borrow up to five times their annual allocation for a term of 20 years through the public issuance of bonds. The proceeds from the bonds must be used to finance activities that support job creation and that meet one of the national goals of the CDBG program. The activity must principally benefit low or moderate income persons, aid in preventing or eliminating slums or blight, or address an urgent threat to residents. Each community's current and future annual CDBG allocation serves as security in case of default. Financing is pegged to yields on U.S. Treasury obligations of similar maturity to the principal amount.

The Administration's budget proposes doubling the program's loan commitment ceiling from \$250 million in FY2010 to \$500 million in FY2012. The Administration's budget justifications noted that, given the continued difficulties in the credit markets, the proposed increase in funding will help local governments finance large-scale job creation activities. In addition to an increase in the loan commitment ceiling, the Administration proposes revamping the program by charging a fee-based assessment to borrowers accessing the program, which would eliminate the need for an appropriated credit subsidy.¹⁵ This proposal was first made by the Administration in its FY2010 budget, but it was rejected by Congress in favor of maintaining the status quo.

Estimated Distribution of CDBG Formula Funds

The Administration's budget proposal for CDBG formula funds for FY2012 and the program's FY2011 appropriations (P.L. 112-10) are at odds. For FY2012, the Administration is seeking an

¹⁴ This program is authorized by 42 U.S.C. § 5308.

¹⁵ The Credit Reform Act of 1990 requires federal agencies administering credit programs to estimate a program's subsidy rate and to request an appropriation to cover that cost. A credit subsidy is intended to cover the estimated long-term cost to the federal government of a direct loan or loan guarantee. For loan guarantees, the subsidy cost is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other payments, offset by any payments to the government, including origination and other fees, penalties, and recoveries.

11.7% increase in funding for CDBG formula grants on the heels of an all-out-effort by local officials to save the program from the 62.5% reduction in funding proposed in H.R. 1. Congress may be reluctant to fund such an increase given the call for reduced spending and following the passage of P.L. 112-10, which resulted in a 16.4% reduction in funding below the program's FY2010 funding level.

Table 4 identifies the FY2010 actual distribution, HUD's preliminary estimated distribution for FY2011, and FY2012 projected distribution of CDBG formula funds awarded to states and entitlement communities. The table presents information at the state level, but each state total includes actual, estimated, or projected amounts that may be allocated to the state and entitlement communities within each state. The number of entitlement communities in each state are identified in the last two columns of the table by fiscal year. Calculations for 2011 are preliminary estimates generated by HUD. Calculations for FY2012 are based on the President's budget recommendation and assumes the same percent distribution of funds as FY2011, minus the statutory requirements that funds be set aside for Indian Tribes and the insular areas of Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands. In addition, the estimates for FY2012 do not include any new grantees that may be added as a result of meeting the minimum population threshold for entitlement status.

In short, P.L. 112-10 reduces formula allocations to states and entitlement communities by 16.4% below FY2010 allocation while the President's budget recommendation for FY2012 would result in an increase of 11.7% more than the FY2011 funding level.

Table 4. Actual Allocation of FY2010 CDBG Formula Grants to States and Entitlement Communities, HUD's Estimated Allocation for FY2011 Under P.L. 112-10, and the President's FY2012 Proposed CDBG Formula Funding

State	FY2010 Actual State and Entitlement Community Allocations: \$3,942,610,534	HUD's Estimated FY2011 state and Entitlement Allocations: \$3,297,896,926	Administration FY2012 Budget Request: \$3,684,368,000	Number of Formula Recipients in State FY2010	Number of Formula Recipients in State FY2011
Alabama	53,316,977	44,560,841	49,824,694	17	17
Alaska	5,165,029	4,340,630	4,826,718	2	2
Arizona	58,918,034	49,312,939	55,058,880	17	17
Arkansas	29,830,047	25,019,234	27,876,167	15	15
California	498,630,012	416,396,550	465,969,551	181	181
Colorado	40,776,639	34,036,269	38,105,753	22	22
Connecticut	45,226,742	37,854,384	42,264,373	23	23
Delaware	7,754,022	6,489,539	7,246,131	4	4
District of Columbia	19,636,404	16,328,333	18,350,212	1	1
Florida	172,387,975	43,244,834	161,096,495	78	77
Georgia	88,719,365	74,354,659	82,908,212	25	25
Hawaii	16,331,868	13,652,376	15,262,124	4	4
Idaho	13,306,473	11,171,526	12,434,894	8	8

State	FY2010 Actual State and Entitlement Community Allocations: \$3,942,610,534	HUD's Estimated FY2011 state and Entitlement Allocations: \$3,297,896,926	Administration FY2012 Budget Request: \$3,684,368,000	Number of Formula Recipients in State FY2010	Number of Formula Recipients in State FY2011
Illinois	186,636,960	61,260,048	174,412,166	51	51
Indiana	75,280,553	62,938,007	70,349,647	25	25
Iowa	44,391,171	37,134,289	41,483,532	12	12
Kansas	30,264,453	25,325,380	28,282,119	10	10
Kentucky	49,407,821	41,382,755	46,171,589	10	10
Louisiana	68,563,722	57,130,439	64,072,771	15	15
Maine	21,363,472	18,888,787	19,964,156	7	7
Maryland	59,055,404	48,388,599	55,187,252	15	15
Massachusetts	117,649,272	98,168,950	109,943,199	38	38
Michigan	141,260,510	118,343,989	132,007,891	46	46
Minnesota	62,071,555	51,887,824	58,005,844	21	21
Mississippi	38,270,634	32,080,845	35,763,892	7	7
Missouri	71,768,251	60,243,209	67,067,402	17	17
Montana	9,933,211	8,325,022	9,282,582	4	4
Nebraska	20,683,366	17,196,288	19,328,597	3	4
Nevada	21,933,014	18,357,248	20,496,393	8	8
New Hampshire	14,303,671	11,979,072	13,366,775	6	6
New Jersey	109,303,706	91,444,435	102,144,270	57	58
New Mexico	22,830,540	19,146,342	21,335,131	6	6
New York	374,236,685	313,075,654	349,724,036	49	49
North Carolina	77,770,615	65,280,479	72,676,609	27	27
North Dakota	6,851,614	5,739,131	6,402,831	4	4
Ohio	174,218,540	145,721,537	162,807,157	45	45
Oklahoma	32,629,101	27,347,592	30,491,882	11	11
Oregon	39,408,379	32,930,765	36,827,115	15	15
Pennsylvania	236,902,677	197,935,354	221,385,459	48	48
Rhode Island	18,671,084	15,629,723	17,448,121	7	7
South Carolina	41,999,569	35,217,231	39,248,581	17	17
South Dakota	8,671,615	7,268,482	8,103,621	3	3
Tennessee	54,075,918	45,351,248	50,533,924	17	17
Texas	276,687,113	231,944,344	258,563,999	78	78
Utah	22,522,762	18,657,562	21,047,512	14	16
Vermont	9,014,623	7,555,202	8,424,162	2	2

State	FY2010 Actual State and Entitlement Community Allocations: \$3,942,610,534	HUD's Estimated FY2011 state and Entitlement Allocations: \$3,297,896,926	Administration FY2012 Budget Request: \$3,684,368,000	Number of Formula Recipients in State FY2010	Number of Formula Recipients in State FY2011
Virginia	65,725,958	54,943,345	61,420,882	30	30
Washington	66,000,003	55,093,486	61,676,977	31	31
West Virginia	27,027,452	22,624,306	25,257,143	9	9
Wisconsin	71,488,467	59,756,603	66,805,944	23	23
Wyoming	4,561,267	3,826,721	4,262,502	3	3
Puerto Rico	119,176,219	99,664,515	111,370,130	28	28
Formula Subtotal	3,942,610,534	3,297,896,926	3,684,368,000	1,216	1,218
American Samoa	1,121,951	1,144,882	1,134,000	1	1
Guam	3,050,365	3,117,008	3,081,000	1	1
Northern Marianas	880,151	832,690	889,000	1	1
Virgin Islands	1,877,526	1,891,420	1,896,000	1	1
Insular Area Subtotal^a	6,929,993	6,986,000	7,000,000	4	4
Guam ^b			22,930,000		
Total	3,949,540,527	3,304,882,926	3,756,368,000		
Indian Tribes Subtotal^c	64,350,000	64,200,000	65,000,000		

Source: CRS Analysis based on HUD FY2010 and FY2011 allocation data available at <http://www.hud.gov/offices/cpd/communitydevelopment/budget/>.

- a. 42 U.S.C. 5306(a)(2) requires HUD to set aside \$7 million, as specified 42 U.S.C. 5307(l)(a), for insular areas before allocating funds to states and entitlement communities. H.R. 1 does not include a specific amount for Indian tribes, thus **Table 3** assumes that the requirement specified in the authorizing statute would apply.
- b. Funds would be transferred from the Defense Department and administered under the CDBG to be used to address community development needs resulting from the relocation of various military installations and personnel to Guam.
- c. 42 U.S.C. 5306(a)(1) requires HUD to set aside 1% of annual amount appropriated for allocation to Indian tribes. From time to time Congress has modified this requirement in annual appropriations acts to set aside a specific amount. H.R. 1 does not include a specific amount for Indian tribes, thus **Table 3** assumes that the 1% requirement specified in the authorizing statute would apply.

Recent Funding History

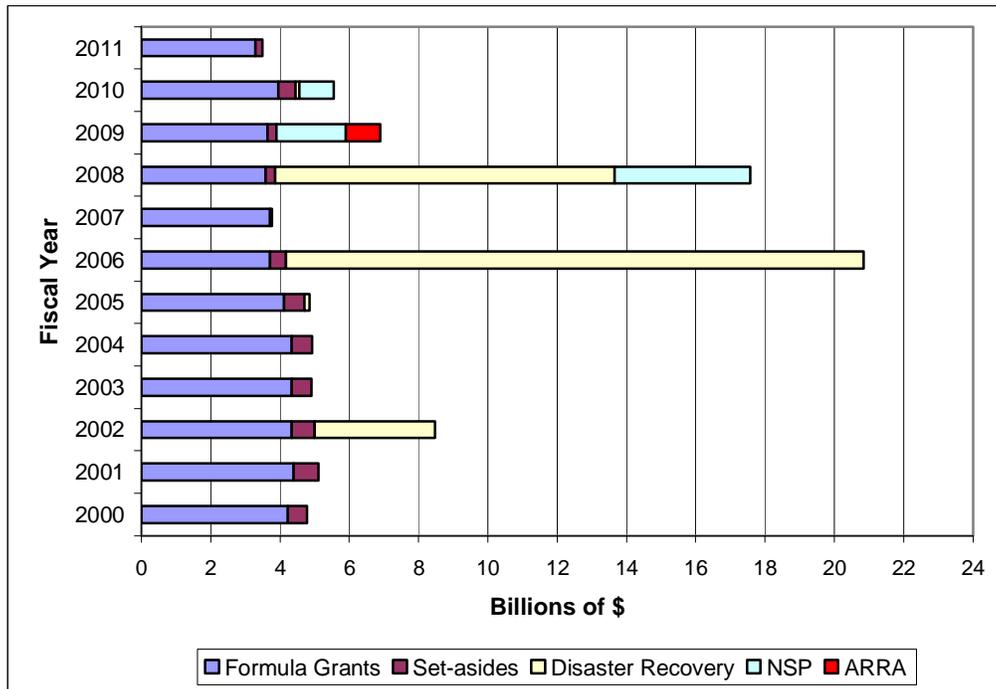
This section of the report is a review of the CDF accounts funding history since FY2000. It includes a discussion of the three primary components of the CDF account:

- CDBG formula grants;
- CDBG-related set-asides and earmarks; and

- CDBG-linked supplemental or special appropriations.

Figure 1 is a graphic representation of the distribution of the primary components of CDF account since FY2000.

Figure 1. CDF Appropriations: FY2000 to FY2011
(in billions of \$)



Source: CRS analysis based on **Table 5** and HUD Budget Justifications.

From FY2000 to 2010, total appropriations for the CDF account—excluding special and supplemental appropriations for disasters, mortgage foreclosures, and economic recovery—fluctuated between a high of \$5.112 billion for FY2001 and a low of \$3.772 billion for FY2007 (see **Table 5**). The FY2011 appropriation for CDF activities are the lowest appropriated in more than a decade.

Table 5. CDF Appropriations: FY2000 to FY2010

(in billions of dollars)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CDBG Formula Grants	4.235	4.399	4.341	4.340	4.331	4.117	3.711	3.711	3.593	3.642	3.948	3.303
Set-asides	0.545	0.713	0.659	0.565	0.603	0.585	0.467	0.061	0.274	0.258	0.502	0.198
<i>EDI & NI earmarks</i>	<i>0.263^a</i>	<i>0.401</i>	<i>0.336</i>	<i>0.301</i>	<i>0.334</i>	<i>0.300</i>	<i>0.356</i>	<i>0.0</i>	<i>0.206</i>	<i>0.185</i>	<i>0.195</i>	<i>0.0</i>
CDF Total	4.780	5.112	5.000	4.905	4.934	4.702	4.178	3.772	3.867	3.900	4.450	3.501
Disaster Recovery	0.000	0.000	3.480	0.000	0.000	0.150	16.673	0.000	9.800	0.00	0.100	0.000
NSP	—	—	—	—	—	—	—	—	3.900	2.000	1.000	0.000
ARRA	—	—	—	—	—	—	—	—	—	1.000	—	0.000
Supplemental/ Special Funds Subtotal	0.000	0.000	3.480	0.000	0.000	0.150	16.673	0.000	13.700	3.000	1.100	0.000
Total	4.780	5.046	8.480	4.905	4.934	4.852	20.851	3.772	17.566	6.900	5.550	3.501

Source: CRS appropriations reports, HUD Budget Justifications.

- a. Total appropriations were \$256.2 million for EDI, including \$232 million for earmarked projects and \$30 million for NI, including \$23 million for earmarked projects. EDI original appropriation of \$275 million was subject to a rescission of \$18.8 million.

Formula Grants

During recent appropriations cycles the funding level for the CDBG-formula component of the CDF account has been the focus of debate. Supporters of the program have pressed for increased funding, contending that the program’s appropriations have declined in both current and constant dollars. Supporters noted that this decline or near stagnation in funding has been compounded by the increased number of communities gaining entitlement status and thus eligibility for a direct allocation of a share the 70% of funds dispersed to so-called “entitlement communities.”

Entitlement communities have been forced share an ever-shrinking or stagnant slice of the CDBG formula pie with an ever-increasing number of eligible grant recipients. Critics of the program have argued that increased funding has not been justified based on the program’s PART score¹⁶ and more recently, the need to reduce domestic discretionary spending as part of a larger effort to reduce federal budget deficit and the national debt.

As noted in **Table 6**, during the period from FY2000 to FY2010, the average grant amount allocated to CDBG entitlement communities declined by 26.7% from a high of \$3 million in

¹⁶ Performance Assessment Rating Tool (PART) “is a questionnaire designed to help assess the management and performance of programs. It is used to evaluate a program’s purpose, design, planning, management, results, and accountability to determine its overall effectiveness.” The latest undertaken for the CDBG program was FY2003. For additional information on PART see <http://www.whitehouse.gov/omb/expectmore/part.html>. For a link to the CDBG entitlement program’s FY2003 PART review see <http://www.whitehouse.gov/omb/expectmore/summary/10001161.2003.html>.

FY2002 to a low of \$2.1 million in FY2008. The total amount appropriated declined annually from FY2001 to FY2008 and has been increasing from FY2009 to FY2010, but the average allocation had been steadily declining. However, since FY2008, the average allocation had increased by 9%, from \$2.2 to \$2.4 million in FY2010. However, the FY2011 estimated average allocation of \$1.9 million is a reversal of that recent trend. For FY2011, the average allocation is 34.5% less than the amount appropriated in FY2000. The decline in the average grant amount is both a function of fewer dollars appropriated and an increase in the number of entitlement communities as more cities and counties achieve the population threshold necessary to be designated an entitlement community. From FY2000 to FY2011, the number of jurisdictions receiving a direct allocation as CDBG entitlement communities increased by 155, from 1,012 to 1,167 (see **Table 6**).

Table 6. Number of CDBG Grantees and Average Allocation: FY2000 to FY2010

Fiscal Year Allocations

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ^a
Total allocated to entitlement communities (in billions of \$)	\$2.964	\$3.079	\$3.039	\$3.038	\$3.032	\$2.882	\$2.593	\$2.598	\$2.510	\$2.549	\$2,760	\$2,325
Number of entitlement communities	1,012	1,018	1,023	1,041	1,111	1,117	1,135	1,140	1,151	1,159	1,165	1,167
Average entitlement allocation (in millions of \$)	\$2.9	\$3.0	\$3.0	\$2.9	\$2.7	\$2.6	\$2.3	\$2.3	\$2.2	\$2.2	\$2.4	1.9
Total allocated to states (in billions of \$)	\$1.271	\$1.320	\$1.302	\$1.302	\$1.299	\$1.235	\$1.111	\$1.113	\$1.076	\$1.093	\$1.183	\$973
Number of states + Puerto Rico	51	51	51	51	51	51	51	51	51	51	51	51
Average state allocation (in millions of \$)	\$24.9	\$25.9	\$25.5	\$25.5	\$25.5	\$24.2	\$21.8	\$21.8	\$21.1	\$21.4	\$23.2	\$19.1

Source: CRS analysis based on data from HUD.

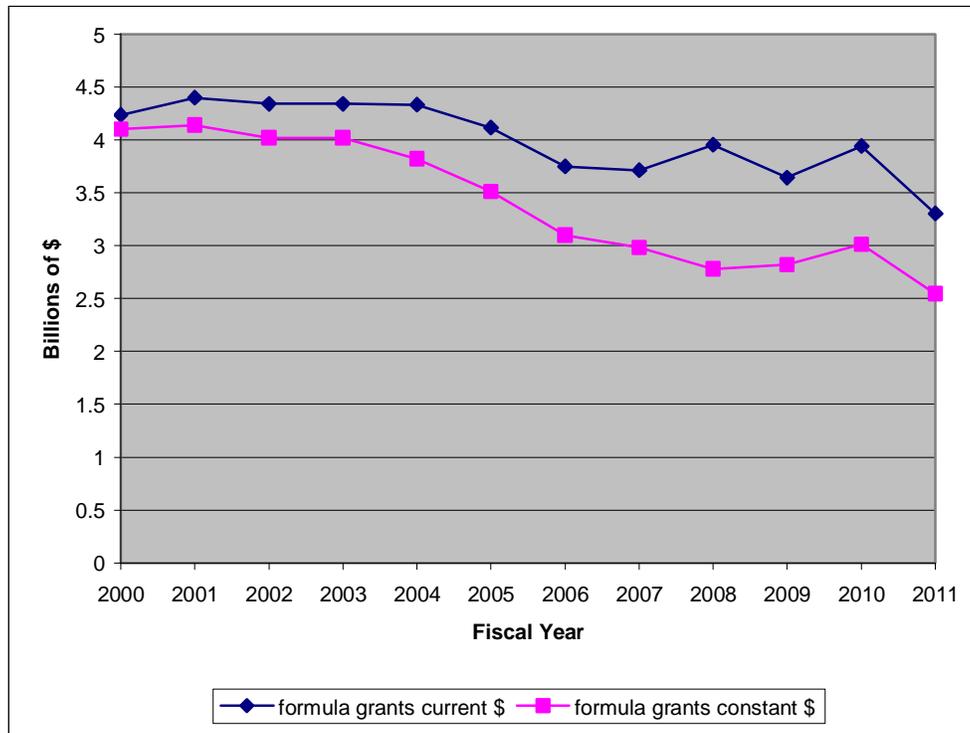
a. Figures for FY2011 are based on preliminary estimates generated by HUD.

The fluctuations in the average annual grant amount awarded to states was less pronounced. In FY2010, \$1.183 billion was allocated among the 50 states and Puerto Rico for distribution to nonentitlement communities. This was 7.4% (\$88 million) less than the \$1.271 billion made available to states in FY2000, but 7.6% (\$90 million) more than allocated to states for FY2009. During this period the average state allocation declined from a high of \$25.5 million in FY2002 to \$21.1 million in FY2008 before rebounding to \$23.2 in FY2010. However, the FY2011 average state allocation of \$19.1 million reverses that upward trend. The FY2011 estimated average allocation is 23.3% less than the FY2000 amount and 17.7% less than the FY2010 average state allocation.

Impact of Inflation on CDBG-Formula Allocations

When measured in inflation-adjusted constant dollars, program funding declined by 40% during this period, from \$4.235 billion in FY2000 to \$2.545 billion in FY2011. As **Figure 2** illustrates, appropriations for CDBG formula grants have fluctuated between \$3.5 billion and \$4.3 billion in current (non-inflation adjusted) dollars during the last decade.

Figure 2. CDBG Funding in Current and Constant Dollars: FY2000-FY2011
Base Year 2000



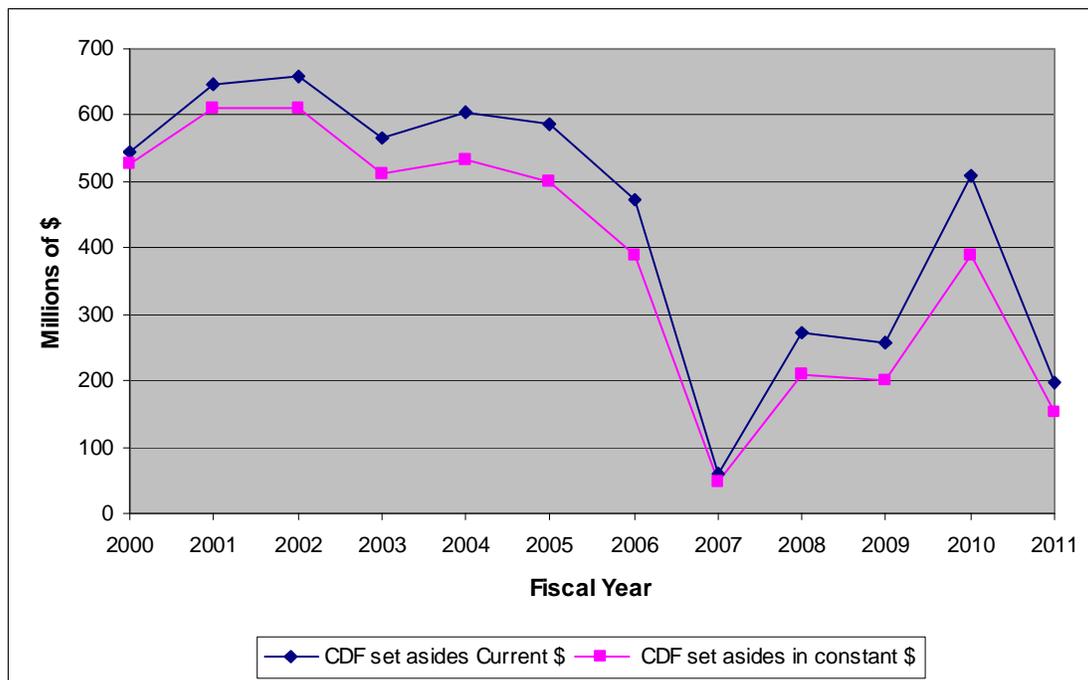
Source: CRS analysis.

CDBG-Linked Set-Asides and Earmarks¹⁷

In addition to the CDBG formula program, the CDF is also populated by a number of other programs with smaller appropriation levels, narrower objectives, and fewer direct recipients. Some set-asides included in the account are intended to complement the activities of the larger formula grant program. Others are intended to meet other agency objectives and still others are earmarked for specific activities or projects. Some observers have contended that a number of these programs have been funded at the expense of the larger CDBG formula grant program, particularly those projects funded as earmarks.

¹⁷ Set-asides are funds in a larger appropriations measure that is designated to fund a specific program or activity. Under House and Senate rules, “an earmark is a provision in legislation or report language that is included primarily at the request of a Member, and provides, authorizes, or recommends a specific amount to an entity or to a specific state, locality, or congressional district.” For a discussion of disclosure procedures CRS Report R40976, *Earmarks Disclosed by Congress: FY2008-FY2010 Regular Appropriations Bills*, by Carol Hardy Vincent and Jim Monke.

Figure 3. CDF Set Asides in Current and Constant Dollars: FY2000 to FY2010
(in millions of \$)



Source: CRS analysis.

From FY2000 to FY2011, the number and appropriations for set aside programs included in the CDF account has fluctuated significantly. In FY2001 Congress appropriated \$647 million for CDF set-asides, but only \$61 million in FY2007. In FY2007, Congress eliminated all earmarks in the CDF account. In FY2010, Congress appropriated \$509 million in CDF set-aside activities, with a significant portion of that amount targeted to the earmark accounts of Economic Development Initiative (EDI) and Neighborhood Initiative (NI). Most recently, for FY2011 Congress eliminated funding for the EDI and NI earmarked accounts. The broad swing in the amounts appropriated for CDF set-asides was a result of Congress' decisions:

- to move several categorical grant programs into or out of the CDF account, including deciding to no longer fund a program or to transfer selected programs to another account;
- to reduce funding for specific programs; and
- to fund, and at what amount, two programs that have been the vehicles for congressional earmarks, EDI and NI programs.

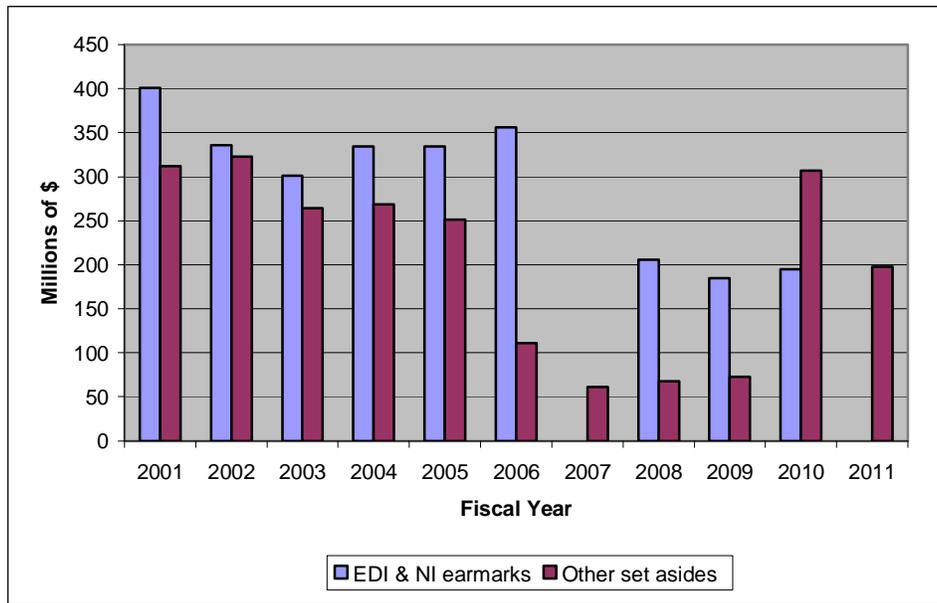
See **Table A-1** in the Appendix for a detailed listing of programs included as set-asides in the CDF account during the period from FY2000 to FY2011. From FY2000 to FY2008, CDBG-related set-asides and earmarks declined by 59.4% when measured in constant FY2000 dollars, but rebounded in FY2009 and FY2010 before declining significantly in FY2011. (See **Figure 3.**)

Earmarks Dominate Set-Aside Activities

With the exception of FY2011 and FY2007 (when there were no earmarks), and FY2010 (when the Obama Administration introduced its Sustainable Communities Initiative), congressional earmarked projects funded by the EDI and NI programs were the dominant elements of CDBG-related set aside appropriations. These two programs are used exclusively for congressionally earmarked projects.

The issue of earmarks has been the source of debate during recent Congresses. During the FY2007 appropriations cycle Congress removed all earmarks from the CDF account. Subsequently both houses of Congress have instituted new rules governing disclosure of earmark requests.¹⁸ Since FY2007, EDI and NI earmarks have been included in subsequent legislation appropriating funds for CDF activities. In FY2008 and FY2009, EDI and NI earmarks were the dominant components of CDBG-linked set asides programs. As **Figure 4** illustrates, the combined appropriations for EDI and NI in FY2008 and FY2009 were twice the amount appropriated for other set-aside activities combined. For FY2011 Congress did not fund NI and EDI earmarks.

Figure 4. CDF Earmarks and Set-Asides: FY2000 to FY2011
(in millions of \$)



Source: CRS analysis.

¹⁸ For a discussion of disclosure procedures see CRS Report RL34462, *House and Senate Procedural Rules Concerning Earmark Disclosure*, by Sandy Streeter, and CRS Report R40976, *Earmarks Disclosed by Congress: FY2008-FY2010 Regular Appropriations Bills*, by Carol Hardy Vincent and Jim Monke.

Special Appropriations

When events have warranted, Congress has used the CDBG program's administrative framework and rules to provide supplemental or special appropriations (see **Figure 1**). These supplemental funds have been used to:

- support local and state government disaster relief, recovery, and mitigation activities following such events as the terrorist attacks of 9/11 and the Gulf Coast hurricanes of 2005;¹⁹
- assist local and state governments in reducing the inventory of abandoned and foreclosed properties (caused by the recent and ongoing mortgage foreclosure crisis) by providing funds to states and selected communities to be used to acquire, rehabilitate, and resell foreclosed properties under the Neighborhood Stabilization Program (NSP);²⁰ and
- assist local and state governments in supporting private sector job creation in response to the economic recession that began in December 2007, as part of a larger federal effort under the American Recovery and Reinvestment Act (ARRA).²¹

With the exception of CDBG-ARRA funds, which were allocated to all eligible CDBG entitlement communities, disaster relief and NSP funding were allocated only to states or communities meeting specific criteria or eligibility thresholds.²² In the case of CDBG disaster funding, only communities designated as disaster areas by a presidential declaration have received funds, at the discretion of Congress. Each Congress decides if the magnitude of the disaster warrants supplemental CDBG funds beyond funds typically made available by the Federal Emergency Management Administration (FEMA).

In the case of the first and third rounds of the Neighborhood Stabilization Program, known as NSP-1 and NSP-3, funds were allocated to states based on the relative number and percentages of mortgage foreclosures, subprime loans, and mortgage delinquencies and defaults. Congress established a minimum grant amount to be awarded to each state of 0.5% of the amount appropriated. Of the amounts allocated to each state under NSP-1 and NSP-3, Congress required each state to dispense a portion of these funds to local governments experiencing high rates of mortgage foreclosures, subprime loans, and mortgage delinquencies and defaults allowing these communities to directly administer these funds. It further limited the direct allocation of NSP to

¹⁹ For additional information on the use of CDBG funds for disaster relief and recovery see CRS Report RL33330, *Community Development Block Grant Funds in Disaster Relief and Recovery*, by Eugene Boyd.

²⁰ For additional information on the use of CDBG funds to address the mortgage foreclosure crisis see CRS Report RS22919, *Community Development Block Grants: Neighborhood Stabilization Program; Assistance to Communities Affected by Foreclosures*, by Eugene Boyd and Oscar R. Gonzales.

²¹ This was not the first time Congress used the CDBG program framework to create jobs in response to a recession. The Emergency Jobs Appropriations Act of 1983, P.L. 98-8, allocated an additional \$1 billion in CDBG funds to be used for job creation activities in response to a national unemployment rate of 10.7% and what a General Accounting Office (GAO) report characterized as the worst economic recession of the post-World War II era. The report noted that the CDBG program was the most efficient job creation mechanism of the 77 federal programs that received funding under the act. The report, *Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created*, GAO/HRD 87-1, is available at <http://archive.gao.gov/f0102/132063.pdf>.

²² Congress funded three rounds of NSP activities. These three rounds have been designated as NSP-1, NSP-2, and NSP-3.

communities whose allocation met a minimum threshold of \$2 million for NSP-1 and \$1 million for NSP-3 funds. As a result 309 communities qualified for administration of NSP-1 funds while 268 communities met or exceeded the NSP-3 threshold. NSP-2 funds were awarded competitively to states, local governments, and non-profit organizations. For-profit entities are also allowed to participate as partners with any of the three primary grant recipients of NSP-2 funds.

Proposed Rescission of Neighborhood Stabilization Program Funds

On March 1, 2011, Representative Gary Miller introduced the Neighborhood Stabilization Termination Act, H.R. 861, which would rescind the \$1 billion in NSP-3 funds appropriated under the Wall Street Reform Act. On March 2, 2011, the House Financial Services Committee's Subcommittee on Insurance, Housing, and Community Opportunity conducted a hearing on NSP and three federal foreclosure mitigation programs. On March 9, 2011, the House Financial Services Committee considered, marked up, and ordered reported H.R. 861. During the markup the committee approved by voice vote an amendment requiring HUD to publish a notice of termination of the NSP program on its website. The notice is to be posted within five days following the bill's enactment and is to include language directing citizens to contact their congressional representatives and locally elected officials if they are concerned about the impact of foreclosures on their communities.

During the March 2, 2011, subcommittee hearing and the March 9, 2011, markup session by the House Financial Services Committee, Representative Miller, sponsor of H.R. 861, characterized the program as ineffective and a waste of taxpayers' dollars. He argued that, given the need to address the larger issue of reducing the federal debt and deficit, funding for NSP-3 should be rescinded. In addition, he argued that the program was a giveaway to banks and speculators. Other Members countered that the program has been successful in assisting communities to combat the negative impacts of the mortgage foreclosure crisis on neighborhoods, property values, and local revenues generated by property taxes. During the March 2 hearing, HUD's Assistant Secretary for Community Planning and Development, Mercedes M. Márquez, offered written testimony stating that HUD expects "NSP will impact 100,000 properties in the nation's hardest-hit markets," with 36,000 units already under construction.²³ In addition, the Assistant Secretary's testimony stated that "based on NSP1 activity budgets, the Department estimates that NSP will support more than 93,000 jobs nationwide."²⁴ Members also argued that the program helps reduce the supply of abandoned, blighted, and foreclosed housing stock. The measure passed the House on March 16, 2011, by a vote of 242 to 182. A companion bill to H.R. 861 has not been introduced in the Senate.

²³ U.S. Congress, House Financial Services, Insurance, Housing, and Community Opportunity, "Legislative Proposals to End Taxpayer Funding for Ineffective Foreclosure Mitigation Programs," 112th Cong., 1st sess., March 2, 2011, p. 4-5. <http://financialservices.house.gov/media/pdf/030211marquez.pdf>.

²⁴ *Ibid.* p. 8.

Appendix. CDF Set-Asides: FY2000 to FY2010

Table A-1. CDF Set-Asides from FY2000 to FY2010

(in millions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Indian Tribes	67.0	71.0	70.0	70.5	71.6	68.4	59.4	59.4	62.0	65.0	64.3	64.2
Housing Assistance Council	3.0	2.9	3.3	3.3	3.3	3.3	— ^a	—	—	—	—	—
National American Indian Housing Council	2.2	2.6	2.6	2.4	2.5	2.4	—	—	— ^b	—	—	—
National Housing Dev. Corp.	—	10.0	5.0	5.0	5.0	4.8	— ^c	—	—	—	—	—
National Council of LaRaza	—	—	5.0	5.0	5.0	4.8	— ^c	—	—	—	—	—
Sec.107 Grants ^d	41.5	45.4	42.5	48.8	51.7	43.4	0.0		4.0	5.0		
Hawaiian Homelands	—	—	9.6	—	— ^a	—	—	—	—	—	—	—
University Comm. Fund	— ^a	— ^e	—	—	24.8	—						
Resident Opportunity Support Services (ROSS)	55.0	55.0	55.0	— ^f	—	—	—	—	—	—	—	—
Working Capital Fund Info. Tech. transfer	—	15.0	13.8	3.4	4.9	3.4	1.6	1.6	1.5	3.2	—	—
Self-help Homeownership Opportunity (SHOP)	20.0	19.9	22.0	25.1	26.8	24.8	— ^c	—	—	—	—	—
Capacity Building	23.8	28.5	29.0	32.3	34.5	34.2	— ^c	—	—	—	—	—
YouthBuild	42.5	60.0	65.0	59.6	64.6	61.5	49.5	0.0 ^g	—	—	—	—
Sustainable Communities	—	—	—	—	—	—	—	—	—	—	148.5	98.8
Rural Innovation Fund	—	—	—	—	—	—	—	—	—	—	24.8 ^h	—
Alaskan Museum ⁱ	—	—	—	—	9.9	—	—	—	—	—	—	—
Special Olympics	4.0	—	—	—	—	1.9	—	—	—	—	—	—
Hudson River Park	—	—	—	—	—	30.7	—	—	—	—	—	—
Salt Lake City Olympic Games Temp. Housing	—	2.0	—	—	—	—	—	—	—	—	—	—

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wellstone Center for Community Building	—	—	—	8.9	—	—	—	—	—	—	—	—
NI	30.0 ⁱ	43.9	42.0	41.8	43.7	41.4	49.5	—	25.9	19.5	22.1	—
EDI	256.2 ^k	357.3 ^l	294.2	259.3	279.3 ^m	259.9	306.9	—	179.8	165.3	172.8	—
Transformation Initiative	—	—	—	—	—	—	—	—	—	—	144.5 ⁿ	35.0
Total CDF Set-Asides	545.2	713.5	659.0	565.4	603.5	585.0	466.9	61.0	273.2	258.3	502.0	198.0

- a. Funded under Sec. 107 activities.
- b. Transferred to HUD's Public and Indian Housing account.
- c. Transferred to new Self Help and Assisted Housing account, created with the passage of P.L. 109-148.
- d. Sec. 107 of the Housing and Community Development Act of 1974, as amended, authorizes the funding of a number of activities including technical assistance; community development demonstration projects; community development work study programs; grants to minority serving institutions of higher education, including Historically Black Colleges and Universities, institutions serving Native Americans, Hispanic-serving institutions, and university-community partnerships.
- e. Prior to FY2007, CDBG-linked university activities were included in Sec. 107 subaccount. For FY2007, program funds of \$23 million were appropriated under a separate HUD account, Research and Technology.
- f. ROSS appropriations transferred to HUD's Public Housing Capital Fund account.
- g. Program authority transferred to the Department of Labor.
- h. Before FY2010, the program was funded under a separate account, Rural Housing and Economic Development.
- i. Added by P.L. 108-199, Sec. 165.
- j. FY2000 appropriation includes \$23 million in congressional earmarks and \$7 million in competitive grants. All funds after FY2000 earmarked for projects included in conference reports.
- k. FY2000 appropriation includes \$232 million in congressional earmarks and \$24 million in competitive grants. All funds after FY2000 were earmarked for congressionally designated projects. Does not include \$27.5 million in emergency supplemental appropriations.
- l. Includes amounts appropriated under P.L. 103-377 and P.L. 106-554. All funds were earmarked for specific projects.
- m. Includes \$2.990 million added by P.L. 108-199, Sec. 167.
- n. Subtotal for Transformation Initiative assumes transfer of 1% of amounts appropriated to programs included in the CDF account.

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