

Trends in CDBG Program Funding and Grantee Participation

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The [Community Development Block Grant](#) (CDBG) program was established under the Housing and Community Development Act of 1974, [P.L. 93-383](#). Administered by the U.S. Department of Housing and Urban Development (HUD), the CDBG program provides [flexible federal funding](#) to states, localities, and [insular areas](#) for purposes related to economic and community development.

Since the CDBG program's inception, the number of jurisdictions eligible for direct CDBG allocations has roughly doubled. During this same timeframe, annual CDBG funding levels have not increased in proportion to the growth in grantee participation, nor with the rate of inflation. As described in [recent HUD analysis](#), "The CDBG program has significantly less purchasing power to service significantly more people." Some Members of Congress and HUD have considered options to ensure optimal targeting of funds based on grantee need, and/or to address the apparent scarcity of CDBG funds relative to the number of eligible grantees.

Funding and Allocation Process

HUD distributes CDBG funds annually to [entitlement communities](#), [states](#), and insular areas by a process set forth in statute (42 U.S.C. §5306). After funds are set aside for purposes specified in statute or appropriations legislation, HUD allocates 70% of the funds by formula to units of general local government eligible under an element of CDBG known as the Entitlement Community program (i.e., metropolitan cities and urban counties as defined in 42 U.S.C. 5302(a)).

HUD distributes the remaining 30% of funds to states and Puerto Rico based on a separate formula allocation process, for subsequent distribution to nonentitlement communities through processes determined by each state. Pursuant to statute, HUD also sets aside \$7 million of the appropriated CDBG funds to be distributed among insular areas, proportionally by population.

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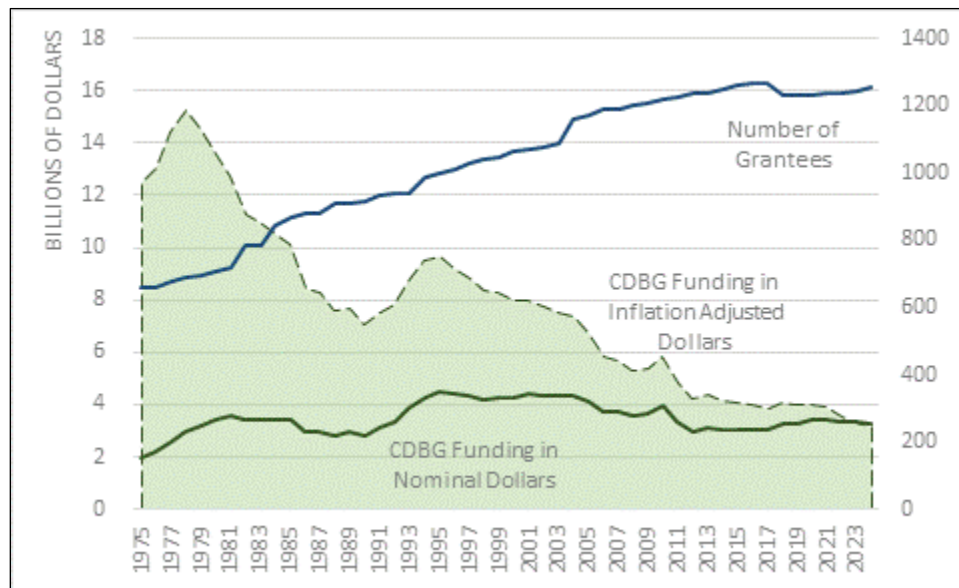
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Funding and Allocation History

Since the initial appropriation and allocation of CDBG funds in FY1975, Congress has appropriated, and HUD has allocated, more than \$170 billion in CDBG grants (in nominal dollars). During this time, grantee participation in the CDBG program has increased, while funding in nominal dollars has remained fairly consistent. When adjusted for inflation, CDBG funding levels have declined since the 1970s. A summary of trends in CDBG grantee participation and program funding levels is illustrated in **Figure 1**.

Figure 1. CDBG Funding and Grantee Count from 1975-2024

Adjusted for Inflation and in Nominal Dollars



Source: CRS compilation and analysis of HUD data. Consumer Price Index BLS All Urban Consumers, U.S. city average, Housing.

Notes: Inflation adjusted CDBG funding is in 2023 dollars. Data are graphed for all years between 1975 and 2024 with labels provided for every two years starting in 1975. 2024 CPI average calculated on data available through August 2024. For more information see CRS In Focus IF10477, *Introduction to U.S. Economy: Inflation*.

With funds appropriated for FY2024, HUD allocated CDBG grants to 1,256 grantees, a 91.2% increase from the 657 grantee allocations made in FY1975. In part, this growth can be attributed to an increased number of cities and counties meeting the program's entitlement community population eligibility thresholds (i.e., more cities and counties receiving direct allocations from HUD). Additionally, the program's statute includes a legacy provision, enabling the retention of entitlement status for cities and certain counties that no longer meet the statutory definitions for metropolitan city or urban county, provided they have maintained eligibility for at least two consecutive years. According to HUD, in FY2022, 144 cities received CDBG allocations due to their legacy entitlement community status.

In FY2024, HUD allocated roughly \$3.3 billion in CDBG funds in nominal dollars to entitlement, state, and insular area grantees. In nominal dollars, CDBG funding levels generally have ranged between \$2 billion and \$4.5 billion (peaking in 1995). Adjusted for inflation, CDBG appropriations have ranged between \$3.2 billion and \$15.2 billion (peaking in 1978).

Discussion

Given the relative scarcity of CDBG funds described above, HUD analysis suggests a heightened need to ensure the program's funding distribution methods properly target communities with the highest levels of need.

Formula Targeting

Since CDBG's establishment, Congress and HUD have considered and examined potential modifications to the program's funding distribution methods. For example, a congressionally directed [1976 HUD study](#) of the original CDBG formula methodology led to the creation of the current dual formula system. Additional [HUD studies](#) have identified potential inefficiencies in the CDBG formula allocation methods. Findings from these studies have informed certain legislative proposals that could address challenges in targeting funds based on community need.

For example, the CDBG Modernization Act of 2024 (H.R. 8026) would direct HUD to analyze and modify the CDBG formula methodology. Specifically, the bill would require a new formula methodology to distribute funds to grantees more equitably, based on community need and program intent, with formula factors that could maintain efficacy over time. Somewhat similarly, HUD has suggested that Congress [provide the agency with regulatory authority](#) to adjust the CDBG formula methodology periodically, as is afforded for the [HOME Investment Partnerships](#) program.

Grantee Eligibility

Some past proposals would have coupled changes to the formula methodology with modifications to the program's grantee eligibility criteria that would reduce the number of grantees receiving direct CDBG allocations. For example, in 2006, the [George W. Bush Administration proposed](#) a single formula for both entitlement grantees and states, in addition to a minimum grant threshold that CDBG grantees would need to meet to remain eligible. Later, in its FY2014 Budget, the Barack Obama Administration [also proposed changes](#) to CDBG entitlement grantee eligibility criteria, including the establishment of minimum thresholds and elimination of the legacy provision.

Some Members of Congress have expressed concern about potential changes to the CDBG program that would restrict grantee eligibility. In response, since FY2015, appropriations acts have included a general policy provision prohibiting the termination of an entitlement city grantee's status (e.g., P.L. 118-42, Division F, Title II, Section 223).

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