

# Overview of the State CDBG Program



U.S. Department of Housing and Urban Development

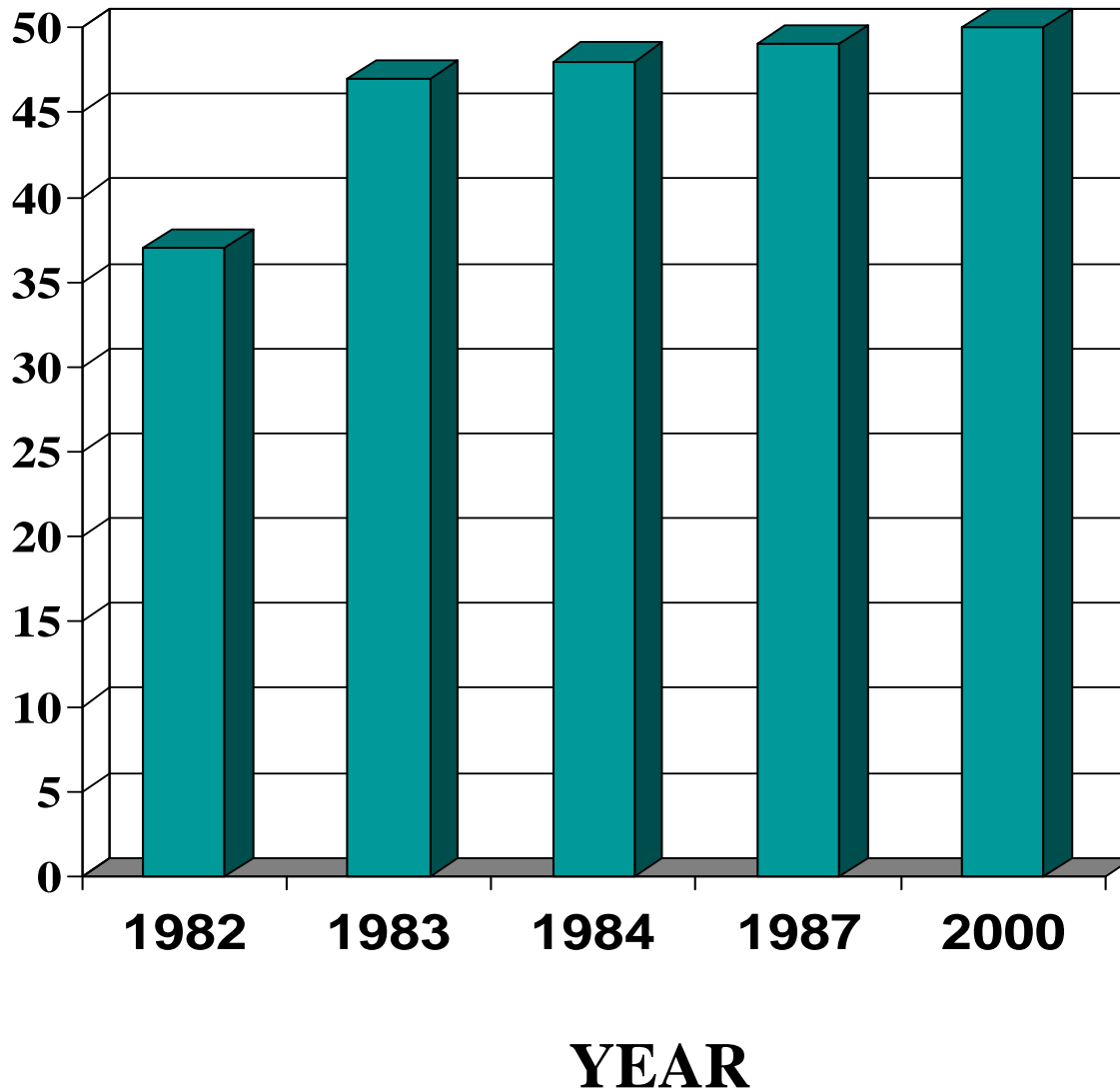


# OPERATION AND HISTORY

- 1974- Housing and Community Development Act of 1974**
- 1975 – 81 HUD Conducted Annual Competition to fund small cities**
- 1981 – Amendments to the Housing and Community Development Act (HCDA)**
  - More power to communities to set own priorities**
  - Eliminated formal HUD approval of entitlement applications**
  - In 1982 states began the administration of Small Cities program**



# STATE CDBG TAKE - OVER



**# of states  
administering  
funding**



# OPERATION AND HISTORY

## MAXIMUM FEASIBLE DEFERENCE

- **Term is not in statute, created by General Counsel in interpreting statutory intent**
- **Minimal regulation beyond statute**
- **States can adopt more restrictive requirements, provided they are not contradictory of HCDA**
- **Recordkeeping and reporting negotiated with states**
- **HUD's other applicable regulations may not apply.**



# OPERATION AND HISTORY

## EVOLUTION

- '92 OMB Directive HUD reduce length of regulations –no substantive changes in the regulations since then
- Regulations issued by policy memo no longer acceptable
- Trend towards making requirements for programs more similar (e.g. ConPlan, Caper, URA, Lead Paint, Faith Based)
- In 39 states the CDBG allocation is the largest grant in the state



# Linking Responsibilities

**Three entities, different roles:**

- **Unit of General Local Government (UGLG)**
- **State**
- **HUD**



# LINKING RESPONSIBILITIES

## LOCAL RESPONSIBILITIES

- **Local Government responsible for deciding what type of activities to apply for, such as housing rehab, econ, dev, infrastructure**
- **Responsible for citizen participation**
- **Responsible for carrying out (itself or through a subgrantee or contractor) activities state agreed to fund**
- **Responsible for complying with Federal & state program requirements**



# LINKING RESPONSIBILITIES

## STATE RESPONSIBILITIES

- Responsible for designing program
- Responsible for setting funding requirements based on Method of Distribution (MOD)
- Responsible for selecting recipients of funds allocated
- Responsible for establishing financial management, recordkeeping, reporting, monitoring and closeout procedures
- Responsible for ensuring compliance by grantees



# LINKING RESPONSIBILITIES

## HUD RESPONSIBILITIES

**Major responsibility is to monitor the states to ensure programs are in compliance with the State regulations (Subpart I of 24 CFR 570), or if the state chooses to invoke a section of the entitlement regulations, to make sure the state follows those regulations.**



# Overview of Differences Between State and Entitlement Program

- **Regs/Statute**
- **List of Activities versus MOD**
- **National Objectives**
- **Timely Expenditure versus Timely Distribution**
- **Program Caps—obligated versus expended**



## **Continued...Overview of Differences Between State and Entitlement Programs**

- **Administrative Funds/matching requirements**
- **Recordkeeping**
- **Program Income**
- **Part 85**
- **Environmental Review**
- **Activities Funded –stay tuned**



# Similarities Between Programs

- **Grantee is Grantee**
- **Consolidated plan certifications, CHAS housing conditions, priority and goal setting**
- **HUD Oversight (Conplan, CAPER/PER)**
- **Other applicable laws, e.g. Davis Bacon, URA, Civil Rights, NEPA**
- **Sanctions process**

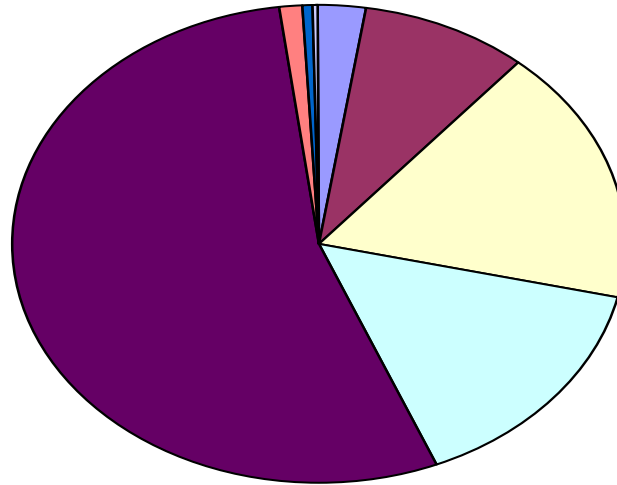


# Entitlement Versus State Spending— selected categories

<b>Activity Category</b>	<b>Entitlement Dollars</b>	<b>Entitlement %</b>	<b>State Dollars</b>	<b>State %</b>
<b>Econ. Dev.</b>	<b>\$207.2</b>	<b>6.24%</b>	<b>\$171.0</b>	<b>13.90%</b>
<b>Housing</b>	<b>\$951.9</b>	<b>28.68%</b>	<b>\$207.0</b>	<b>16.84%</b>
<b>Public Imprv.</b>	<b>\$824.3</b>	<b>24.83%</b>	<b>\$680.0</b>	<b>55.31%</b>
<b>Public services</b>	<b>\$430.2</b>	<b>12.96%</b>	<b>\$22.5</b>	<b>1.83%</b>



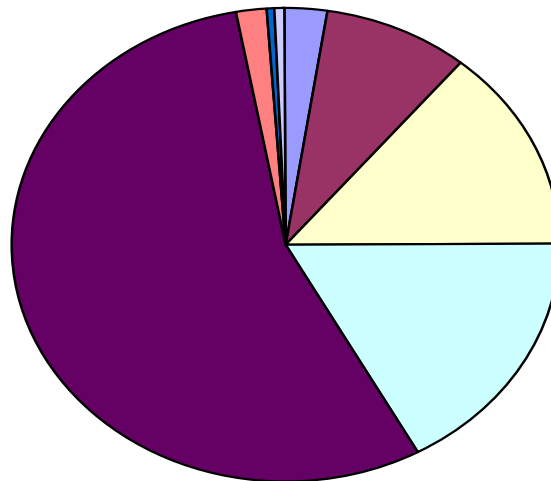
## State Disbursements in 2001



- Acquisition
- Administrative And Planning
- Economic Development
- Housing
- Public Improvements
- Public Services
- Other
- Repayments Of Section 108 Loans

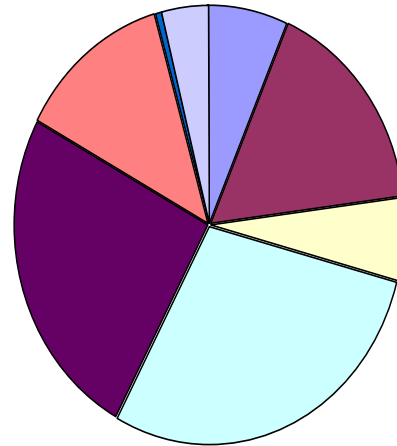
State  
Disburseme  
nt History

## State Disbursements in 2007

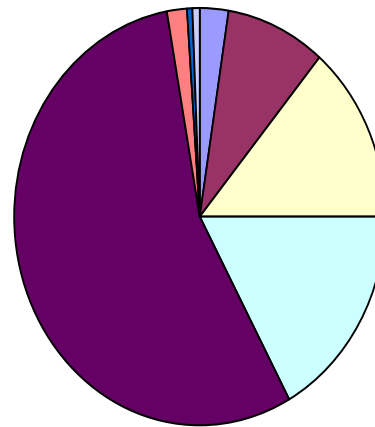




# Entitlement Spending 2007



# State Spending 2007



- Acquisition
- Economic Development
- Public Improvements
- Other

- Administrative And Planning
- Housing
- Public Services
- Repayments Of Section 108 Loans

Entitlement  
Vs.  
State  
Spending



# BASICS OF THE CDBG FORMULA

## FORMULAS

- Basic overview of CDBG formula (see chart in notebook)
  - Entitlement uses Growth Lag –
  - Non-entitlement uses population
  
- **Entitlement** – the formula factor number or percentage for each individual entitlement city or county is compared to the total number/average for all entitlement cities & urban counties
  
- **Non-entitlement** – the formula factor number or percentage represents the sum of all nonentitlement areas in that state; the nonentitlement sum for each state is compared to the total number/avg. for nonentitlement areas in all states



# STATE CDBG



## PROGRAM REQUIREMENTS



# ***PROGRAM REQUIREMENTS***

- **Eligibility**
- **National Objectives**
  - **The 3 National Objectives**
    1. **Activities benefiting L/M Income Persons**
    2. **Activities which aid in the prevention or elimination of slums and blight**
    3. **Activities designed to meet community development needs having a particular urgency**
- **Public Benefit Standards**



# ***PROGRAM REQUIREMENTS***

## **Consolidated Plan**

- **Planning document for states**
- **Application for federal funds**
- **Strategy to carry out HUD programs**
- **Plan for assessing performance**



## *PROGRAM REQUIREMENTS*

### **Method of Distribution**

- **Part of the Action plan**
- **Multiple funding categories**
- **Separate selection criteria for each category**
- **States decide how much money/category**



# ***PROGRAM REQUIREMENTS***

States Responsible for applicable laws and other financial & administrative requirements – for instance:

- Davis-Bacon, Uniform Relocation Act, Civil Rights, National Environmental Policy Act (NEPA), Lead Based Paint, etc.
- Financial and Administrative Responsibilities
- Oversight Responsibilities



# ***PROGRAM REQUIREMENTS***

## **1. Cap Requirements**

**Planning and Admin. Cap (matching on State Admin.)**

**Limitation on Technical Assistance**

**Public Service Cap**

## **2. Public Benefit Standards**

## **3. Financial and Administrative Requirements**

**Recordkeeping**

**Cash Management Information Act (CMIA) Requirements**

**States Review of Grantees**



# *PROGRAM REQUIREMENTS*

- **Program Income**
- **Timely Distribution vs. Timely Expenditure**
- **Definition of Income-no definition of “income” (MFD); statute defines low and moderate income persons**
- **Pre-award Costs**

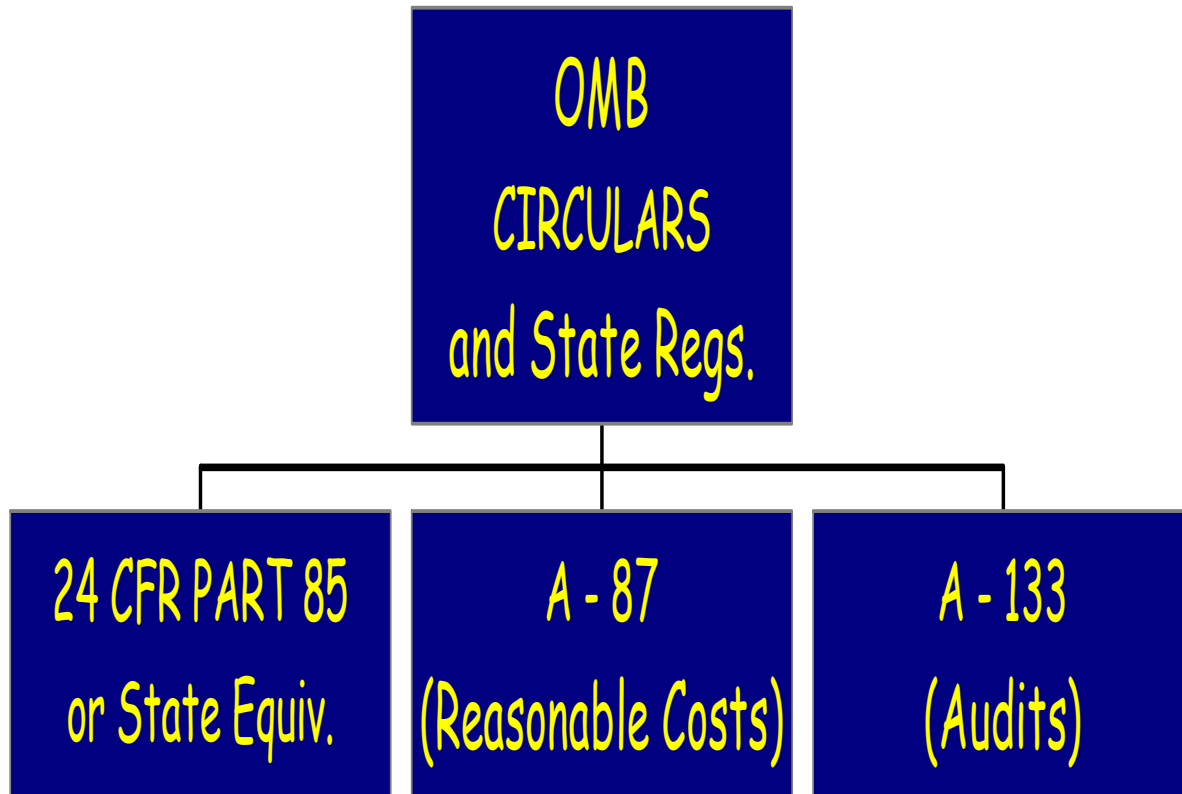


# Legislative Discussion

- **CDBG Reform**
- **Eminent Domain**
- **108 Legislation**
- **Housing and Economic Recovery Act**



# Important Circulars and Regulations— Financial/Administrative Requirements





# EXECUTIVE ORDERS

**EO 12372 Intergovernmental Review**

**EO 11988 Floodplain Management**

**EO 12072 Historic Preservation**



# Summary

**The State CDBG Program differs in many ways from the Entitlement Program and it is important to fully understand the differences.**