

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

Community Development Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	3,425,000	31,695,362	5,000,000	40,120,362	9,187,538	5,235,279
2021 Appropriation	3,475,000	30,934,662	-	34,409,662	29,514,000	9,195,628
2022 President's Budget	3,770,000	4,895,662	-	8,665,662	5,986,000	9,676,475
Change from 2021	295,000	(26,039,000)	-	(25,744,000)	(23,528,000)	480,847

PROGRAM PURPOSE

The Community Development Fund (CDF) is the broadest domestic development assistance program in the U.S. government portfolio. Its largest program, the Community Development Block Grant (CDBG) program, develops viable urban and rural communities by expanding economic opportunities and improving quality of life principally for low- and moderate-income persons. The program provides annual grants to more than 1,200 recipients, including large cities, urban counties, States, Puerto Rico and the U.S. Territories. All cities and towns in the United States can potentially receive CDBG funding, either from HUD directly or through their respective State.

BUDGET OVERVIEW

The 2022 President's Budget requests \$3.8 billion for the Community Development Fund, which is \$295 million more than the 2021 enacted level. The Budget requests an amount equal to the 2021 enacted level for the following CDF sub-components:

- CDBG Entitlement Program
- CDBG Non-Entitlement Program
- CDBG Insular Program
- Section 8071 Recovery Housing Program

The Budget also requests an increase of \$295 million to the Community Development Fund, which will be directed toward CDBG revitalization activities in historically underserved communities and neighborhoods. This targeted increase will advance the Administration's priority of redressing the history of the Federal Government systematically declining to invest in communities of color and low-income neighborhoods and preventing residents of those communities from access to high-quality housing, jobs, public transit, and other resources.

JUSTIFICATION

Communities use CDBG funds for projects initiated and developed at the local level based on local needs, priorities, and benefits. There are 26 statutory eligible activities that include public facilities, infrastructure, housing, economic development, and planning. Each activity must also meet a National Objective of either: 1) benefitting low- and moderate-income persons; 2) eliminating slums or blight; or 3) addressing urgent needs for community health and safety.

CDBG funding is often used in association with other HUD grants for projects that further the Administration’s policy priorities of strengthening and broadening the Federal housing safety net for people in need, advancing housing equity by improving housing choices and greater economic opportunity, and promoting climate resiliency and energy efficiency across the housing sector. Last year alone, the program provided funding for:

- Housing-related activities that served nearly 53,000 families, including direct homeownership assistance and rehabilitation of homes;
- More than 15,600 individuals to find permanent employment or to keep the full-time jobs they were at risk of losing;
- Improvements to homeless facilities serving nearly 129,000 people; and
- Senior services, operating costs of homeless and AIDS patients programs, food banks, services for the disabled, transportation services, and general health or mental health services, assisting more than 3.5 million people.

Communities predominantly expend CDBG funds for housing-related activities and public improvements. In addition to families served through the housing activities highlighted above, public improvements, such as streets, sidewalks, parks, and water and sewer systems, served nearly 1.8 million people in 2020. Under the CDBG formula, 70 percent of funding goes to the urban entitlement program, and 30 percent goes to the State program. In the rural and suburban communities in the State CDBG program, the main expenditure is for public improvements. In addition to the State and Entitlement programs, pursuant to the Housing and Community Development Act of 1974, the CDF contains \$7 million for the Insular Areas.

Entitlements		States		
6%	\$154,468,361	Acquisition of Real Property	\$14,457,639	2%
17%	\$411,400,021	Administration and Planning	\$78,783,321	9%
6%	\$136,988,880	Economic Development	\$83,249,088	9%
27%	\$677,313,130	Housing	\$123,320,326	13%
26%	\$656,968,295	Public Improvements	\$588,880,002	64%
15%	\$381,754,798	Public Services	\$27,763,327	3%
0%	\$5,199,970	Other	\$3,691,983	0%
3%	\$64,544,485	Repayments of Section 108 Loans	\$914,548	0%
	\$2,488,637,939	Total FY2020 Expenditures	\$921,060,235	
		\$3,409,698,174		

expenditures include program income

These investments in community development are frequently made in conjunction with other funding. CDBG is often treated as gap financing and is necessary for a project to be successful. HUD requests that grantees report on leveraged funds to demonstrate local investment, as well as public-private partnerships. Nearly 5,700 CDBG investments reported leveraging an average of \$3.64 for every \$1 of grant funding during 2020, amplifying the CDBG program’s return on investment with \$3.41 billion in other resources.

To encourage local leverage of CDBG funds, pending proposed rulemaking will enhance grantees’ ability to use CDBG funds, particularly for economic development. The proposed rule would establish mandatory financial underwriting requirements for economic development and housing loan activities, expand the regulatory definition of slum and blight to allow grantees greater flexibility in undertaking economic development projects, incorporate several eligibility changes not currently codified in HUD’s CDBG regulations, and modernize various provisions regarding grantee public citizen participation requirements. The rule also proposes to allow funds to be used for targeting emerging markets, revise the criteria for national objectives in mixed-used developments, and

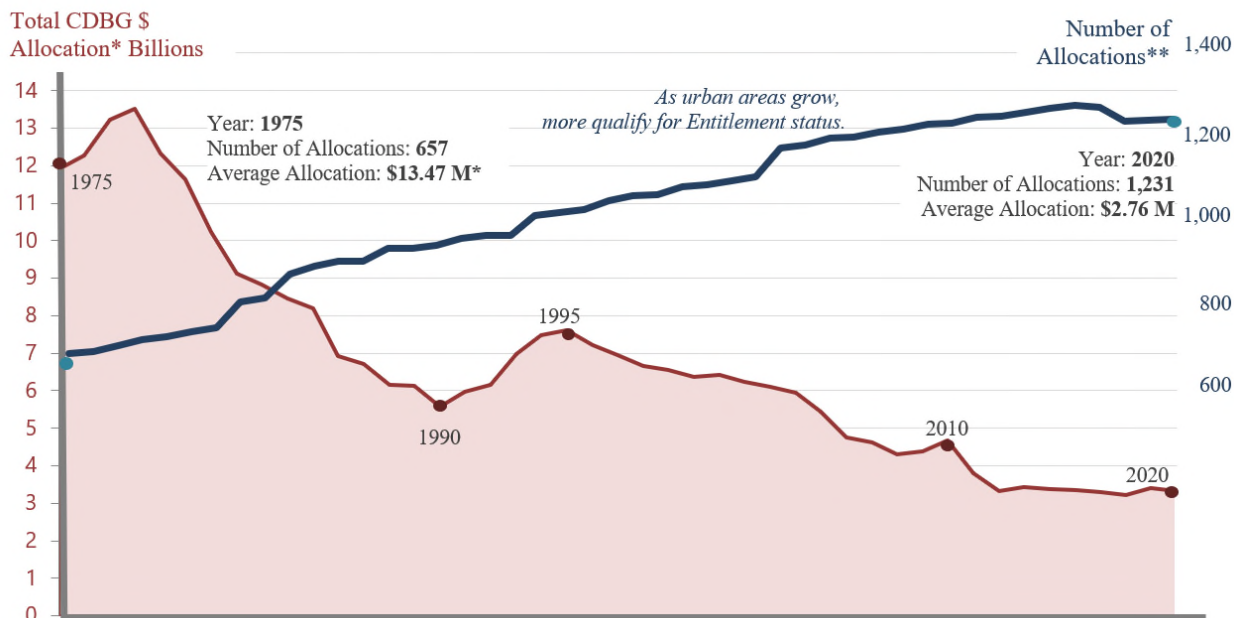
modernize and simplify the public benefit standards for economic development activities. The updated regulations seek to strengthen timeliness measures while finding ways to incentivize high performing and entrepreneurial grantees. Lastly, the proposed rule would update definitions and streamline reporting requirements.

The effectiveness of CDBG funding is evident in the accomplishments of the program. The table below demonstrates those accomplishments over the past 16 years. In addition, the relative cost of activities and the impacts of funding changes are expressed by the number of beneficiaries served for every \$100 million of CDBG investment in each category.

Outcomes Associated with CDBG Funding, Fiscal Years 2005 through 2020			
Economic Development			
	Permanent Jobs directly Created or Retained	454,961	Jobs
	Annual Funding Change Impact:		
	For every \$100 million of CDBG funding	10,378	Jobs
Public Improvements			
	Persons Benefitted by these Facilities	537,959,554	Persons
	Annual Funding Change Impact:		
	For every \$100 million of CDBG funding	2,630,129	Persons
Public Services			
	Persons Benefitting from these services	837,491,426	Persons
	Annual Funding Change Impact:		
	For every \$100 million of CDBG funding	17,329,375	Persons
Housing			
	Households Assisted (excluding housing counseling)	1,638,194	Households
	Annual Funding Change Impact:		
	For every \$100 million of CDBG funding	10,795	Households

During its 45-year history, the impact of the CDBG program has been strained by increasing numbers of qualifying entitlement grantees and the declining value of CDBG appropriations in real dollars (see graphic below). For example, the 2021 enacted appropriation of \$3.5 billion represents approximately one quarter of the funding level in 1975 when adjusted for inflation, while the number of grantees has doubled.

CDBG History: Funding, Inflation & the Number of Allocations



*Each Total Annual Allocation from 1975 to 2020 has been adjusted for inflation to the value of the dollar in 2020 by using the annual average Consumer Price Index for the corresponding years. <http://www.bls.gov/cpi>.

** For the years 1975 through 1982, the data include 51 annual allocations for the Small Cities program, the predecessor to the State CDBG Program, which later began in 1983.

** The number of actual grant agreements executed by HUD is typically less than the number of allocations because grantees form approximately 35 joint grant agreements per year.

CDBG Funds for Historically Underserved Areas

The Budget requests \$295 million to increase and expand the CDBG program to fund geographically targeted revitalization activities in communities that have been historically underserved by the Federal Government. Using a formula determined by the Secretary, CDBG grantees will opt-in and agree to use the funds for geographically targeted, transformational projects that aim to revitalize deteriorating neighborhoods and reverse the legacies of historic underfunding.

Areas to be targeted may include neighborhoods with at least 20 percent poverty, low- and moderate-income areas of minority concentration, brownfields, certain designated slums and blighted areas, Neighborhood Revitalization Strategy Areas, income-qualified areas most impacted by a major disaster, and Opportunity Zones. Eligible uses include CDBG activities related to construction and reconstruction of public facilities and improvements, special economic development to small businesses or local entrepreneurs, acquisition and disposition of real property, and rehabilitation of housing and other structures. The funds could also be used for planning activities related to zoning, comprehensive planning, and expedited permitting to direct investment of public and private funds into historically underserved areas.

This effort will provide HUD and grantees with examples of targeted investment in a smaller range of activities. Grantees will be able to use lessons learned to influence investment decisions for their CDBG and local funds. HUD will evaluate and share best practices with the aim of advancing effectiveness across the entire CDBG portfolio.

To implement this proposal, HUD will require at least five additional full-time equivalents to serve as program office “desk officers” and community planning representatives and to ensure both oversight and national transmission of best practices. HUD also requests additional funding for information technology to improve activity geocoding and tracking of incentive activities within the Integrated Disbursement and Information System (IDIS) used for the CDBG program.

Section 8071 Recovery Housing Program

The Pilot Program to Help Individuals In Recovery From a Substance Use Disorder Become Stably Housed (Recovery Housing Program), was authorized under Section 8071 of the Support for Patients and Communities (SUPPORT) Act. The Recovery Housing Program (RHP) allows States and the District of Columbia to provide stable, transitional housing for individuals in recovery from a substance-use disorder. The funding covers a period of not more than two years or until the individual secures permanent housing, whichever is earlier. The Further Consolidated Appropriations Act of 2020 (Public Law 116-94), under the Title II Community Development Fund, allocated \$25 million for the RHP. The Consolidated Appropriations Act, 2021 (Public Law 116-260), under the Title II Community Development Fund, allocated an additional \$25 million for the RHP. The program has allocated funds to 28 grantees whose age-adjusted rate of drug overdose deaths was above the national rate in 2016 (2020 grantees) or 2018 (2021 grantees). The 28 grantees, some of which have received two allocations, include 27 States and the District of Columbia.

Non-Community Development Funds Roles of the Office of Block Grant Assistance

CDBG also provides a statutory and regulatory structure that can be used by the Federal Government to quickly allocate funds to local communities for a wide range of community development initiatives. Without existing CDBG infrastructure, the Federal Government’s ability to respond to long-term disaster recovery needs would be significantly impaired. Community Planning and Development (CPD) administers the following programs that uses the existing CDBG framework:

- CDBG coronavirus response (CDBG-CV) funds (\$5 billion) to prevent, prepare for, and respond to coronavirus, made available through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act);
- Supplemental appropriations of CDBG funds (\$42 billion during the past five years) for long term recovery to affected communities of major natural disasters that occur within the United States, as CDBG-Disaster Recovery (CDBG-DR) funds; and
- Emergency assistance of approximately \$7 billion to stabilize communities with high rates of abandoned and foreclosed homes due to the 2008 financial crisis, through the Neighborhood Stabilization Program (NSP).

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 President's Budget
Entitlement/Non-Entitlement	3,393,000	542,808	3,935,808	2,599,405	3,443,000	1,337,346	4,780,346	3,443,000
Insular Area CDBG Program	7,000	7,000	14,000	6,058	7,000	7,000	14,000	7,000
Indian Tribes	-	65,482	65,482	64,553	-	930	930	-
Special Purpose (Section 107) Grants	-	350	350	-	-	42	42	-
Economic Development Initiative Grants	-	177	177	-	-	379	379	-
Disaster Assistance	-	31,079,438	31,079,438	4,753,896	-	26,327,228	26,327,228	-
Section 805 Economic Development training	-	107	107	3	-	360	360	-
Recovery Housing (SUPPORT)	25,000	-	25,000	500	25,000	24,500	49,500	25,000
Historically Underserved Areas	-	-	-	-	-	-	-	295,000
CARES Act Program	4,990,000	-	4,990,000	1,758,123	-	3,231,877	3,231,877	-
CARES Act Technical Assistance	10,000	-	10,000	5,000	-	5,000	5,000	-
Total	8,425,000	31,695,362	40,120,362	9,187,538	3,475,000	30,934,662	34,409,662	3,770,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**Appropriations Language Explanation**

The 2022 President's Budget has the following changes to appropriations language from the 2021 enacted bill:

The 2022 Budget proposes a targeted increase for the Community Development Block Grant (CDBG) program. CDBG provides grants on a formula basis to States, metropolitan cities and urban counties to meet their housing and community development needs. The proposed increase of \$295 million in the 2022 Budget will fund activities targeted to the revitalization of deteriorating or deteriorated neighborhoods and places with the greatest need. The funds will be allocated in accordance with a formula based on factors that may include persons in poverty, persons in poverty in areas with concentrated poverty or concentrated vacancy, and other factors. The language requested in the Budget is intentionally broad to allow for flexibility in program design.

General Provisions

The Department requests general provisions that were previously included in the 2021 enacted bill:

Section 218 Preventing the termination of a metropolitan city's entitlement community status.

APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes the appropriation language listed below. New language is italicized, and language proposed for deletion is bracketed.

For carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et seq.) (in this heading "the Act"), [~~\$3,475,000,000~~] \$3,770,000,000, to remain available until September 30, [2023] 2024, unless otherwise specified: Provided, That unless explicitly provided for under this heading, not to exceed 20 percent of any grant made with funds made available under this heading shall be expended for planning and management development and administration: *Provided further*, That a metropolitan city, urban county, unit of general local government, or insular area that directly or indirectly receives funds under this heading may not sell, trade, or otherwise transfer all or any portion of such funds to another such entity in exchange for any other funds, credits, or non-Federal considerations, but shall use such funds for activities eligible under title I of the Act: *Provided further*, That notwithstanding section 105(e)(1) of the Act, no funds made available under this heading may be provided to a for-profit entity for an economic development project under section 105(a)(17) unless such project has been evaluated and selected in accordance with guidelines required under subsection (e)(2) of section 105: *Provided further*, *That of the total amount provided under this heading, \$295,000,000 shall be for activities targeted to the revitalization of deteriorating or deteriorated neighborhoods and places with the greatest need, as determined by the Secretary: Provided further, That the Secretary shall allocate such amount to eligible Community Development Block Grant recipients that elect to receive such funds for such activities in such neighborhoods and places: Provided further, That such amount is to be allocated in accordance with a formula established by the Secretary by notice, based on factors that may include persons in poverty, persons in poverty in areas with concentrated poverty or concentrated vacancy, and other factors: Provided further, That in administering such amount the Secretary may waive or specify alternative requirements to any provision under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) except for requirements related to fair housing, nondiscrimination, labor standards, the environment, and requirements that activities benefit persons of low- and moderate-income, upon a finding that such a waiver is necessary to expedite or facilitate the use of such amount: Provided further*, That of the total amount provided under this heading, \$25,000,000 shall be for activities authorized under section 8071 of the SUPPORT for Patients and Communities Act (Public Law 115–271): *Provided further*, That the funds allocated pursuant to the preceding proviso shall not adversely affect the amount of any formula assistance received by a State under this heading: *Provided further*, That the Secretary shall allocate the funds for such activities based on the notice establishing the funding formula published in 84 FR 16027 (April 17, 2019) [except that the formula shall use age-adjusted rates of drug overdose deaths for 2018 based on data from the Centers for Disease Control and Prevention: *Provided further*, That the Department of Housing and Urban Development shall notify grantees of their formula allocation within 60 days of enactment of this Act]. (*Department of Housing and Urban Development Appropriations Act, 2021.*)