



Highlights of [GAO-06-904T](#), a testimony before the House Committee on Government Reform, Subcommittee on Federalism and the Census

Why GAO Did This Study

The subcommittee asked GAO to testify at this hearing whose purpose is to examine the Community Development Block Grant (CDBG) Program administered by the Department of Housing and Urban Development (HUD) and the Administration's proposal to reform this federal government program. This proposal would use a single formula and five variables to allocate funds. This hearing is a follow-up to a series of subcommittee hearings that GAO participated in during 2005 on the CDBG program. Based on the principles of formula design that GAO outlined in its 2005 testimony, the subcommittee had requested GAO to undertake a body of work to help the Congress explore alternative formulas to allocate CDBG funds among the nation's diverse communities. This work is underway. In this hearing, GAO addresses its ongoing work on options for improving the targeting of CDBG funding as contributions to these efforts and to determining next steps.

www.gao.gov/cgi-bin/getrpt?GAO-06-904T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stanley Czerwinski at (202) 512-6806 or czerwinski@gao.gov.

COMMUNITY DEVELOPMENT BLOCK GRANT FORMULA

Options for Improving the Targeting of Funds

What GAO Found

The CDBG is a significant direct federal-to-local grant program, supporting a wide range of local community development activities that benefit low- and moderate-income people. Since its inception in 1974, the program has provided about \$113 billion to help the nation's communities focus on challenges ranging from reducing economic isolation to the elimination of neighborhood blight.

Due to the long-term fiscal crisis the nation currently faces, GAO advocates a thorough assessment of all federal tax and spending programs and policies across the board. In particular, GAO has suggested that programs such as the CDBG be measured according to the degree to which assistance is targeted to those with the greatest needs and the least capacity to meet them.

Since 1978, real per capita spending for the CDBG has declined by almost three-quarters from about \$48 to about \$13 per person. Limited resources coupled with increasing concerns with effectiveness require better targeting to high-need communities. This involves a new look at the way the CDBG program assesses community needs and the capacity to meet those needs.

The significant economic and demographic changes that have occurred over the last three decades make this reassessment especially important. Not only have the economy and population changed, but we have a better understanding of community problems like concentrated poverty. In light of such change, the Administration introduced its latest CDBG reform proposal which would use a single formula and five variables to allocate funds. The Administration's proposal raises important issues regarding how to systematically allocate funds based on community need.

In ongoing work for this subcommittee, GAO is looking at additional options for the CDBG formula, focusing on 1) refining a set of indicators of the development needs facing the nation's communities, 2) assessing potential indicators of communities' capacities to address those needs on the basis of their own fiscal and economic resources, and 3) exploring ways to adjust such indicators for local cost-of-living differences. The objective is to design a set of options to assist the Congress in addressing critical policy choices in choosing a formula to allocate CDBG funds.