

Coburn Amendment #1757— To require the Secretary of Housing and Urban Development to report on legislative options to replace the current Community Development Block Grant (CDBG) funding formula

This amendment requires the Secretary of Housing and Urban Development (HUD) to report on potential ways to update the CDBG formula, which has remained in its current form since 1978.

CDBG allocations are currently benefitting many wealthy communities, decreasing the amount available to poorer communities.

A significant part of the CDBG program “allocates funds according to a formula based on a community’s population, the number of residents in poverty, the number of housing units with more than one person per room, the number of housing units built before 1940, and the extent to which population growth since 1960 is below the average for all metropolitan cities.”¹

The formula does not take into account a variety of factors considered important to determining the need of a community. The current consideration of pre-1940 housing does not even consider who lives in those older homes. Resulting from these shortfalls is an inefficient distribution of scarce resources. For example, communities in New England and the Mid-Atlantic region benefit disproportionately as compared to other regions because of the age of their housing stock, regardless of any renovations made.²

Communities with per capita income above 105 percent of the national average receive over \$500 million every year, according to the Congressional Budget Office.³ Another analysis has found that eight of the top 10 highest-income

¹ “Reducing the Deficit: Spending and Revenue Options,” *Congressional Budget Office*, March 2011.

² Todd Richardson, “CDBG Formula Targeting to Community Development Need,” Department of Housing and Urban Development, February 2005.

³ “Reducing the Deficit: Spending and Revenue Options,” *Congressional Budget Office*, March 2011.

counties received millions of CDBG dollars.⁴ Yet, the ten lowest income counties received no CDBG funds.⁵

Beverly Hills, California – a city known for being the home of some of the nation’s most famous and wealthy individuals – has received a sizable CDBG portion for years. Instead of using the funds in its own town, Beverly Hills has sold part of its grant to a poorer community nearby.

According to the New York Times, “Municipal records suggest that the money Beverly Hills and other affluent communities earn under the formula often idles as they struggle to find eligible ways to put the awards to work.”⁶

In some cases, cities are able to rake in more funding simply by having more college students. Communities like Davis, California, and West Lafayette, Indiana, have poverty rates well above the national average.⁷ Excluding their college students for the calculation, however, significantly reduces their poverty rate. They would otherwise receive much less CDBG funding.

In a climate where federal dollars are increasingly scarce, Congress must ensure this program to serve the needy is working as efficiently as possible.

An update to the CDBG formula would ensure more resources are allocated to needier communities.

While lawmakers defend the status quo, those in need who could receive more assistance from CDBG are losing out. In combination with reforms on the use of CDBG funds, Congress must study and redesign the funding formula that has languished since 1978.

⁴ Victor Nava and Anthony Randazzo, “Crony Capitalism and Community Development Subsidies,” Reason Foundation, June 2013, http://reason.org/files/cronyism_community_development.pdf.

⁵ Victor Nava and Anthony Randazzo, “Crony Capitalism and Community Development Subsidies,” Reason Foundation, June 2013, http://reason.org/files/cronyism_community_development.pdf.

⁶ Alison Leigh Cowan, “Development Grant Sales Are Brisk In Los Angeles,” *New York Times*, February 16, 2013.

⁷ Todd Richardson, “CDBG Formula Targeting to Community Development Need,” Department of Housing and Urban Development, February 2005.