



**STATEMENT TO THE HOUSE SUBCOMMITTEE ON HOUSING, COMMUNITY  
DEVELOPMENT, AND INSURANCE**

**ON BEHALF OF THE COUNCIL OF STATE COMMUNITY DEVELOPMENT  
AGENCIES**

**JUNE 16, 2021**

On behalf of the Board of Directors and membership of the Council of State Community Development Agencies (COSCAR), we respectfully submit the following comments for consideration by the Subcommittee on Housing, Community Development, and Insurance of the House Financial Services Committee for the June 16, 2021 hearing, “Flexible Federal Funding: Examining the Community Development Block Grant Program and Its Impact on Addressing Local Challenges.”

The Community Development Block Grant program (CDBG) is a primary resource of federal aid to local-led projects and services throughout the nation. As flexible funding with many eligible activities, the program can be applied to meet specific needs of communities across urban, rural, and suburban jurisdictions. Since its inception in 1974, the program has successfully helped vulnerable populations and distressed neighborhoods through support to infrastructure, housing, economic development, public services, and related activities. Funds are allocated to grantees through a formula process with large and mid-sized localities known as entitlement communities receiving 70% of program funds; the remaining 30% is directed to states for use in small and rural jurisdictions. Resources are required to meet one of three national objectives: assist low-to-moderate income (LMI) populations, remove slum and blight, and address urgent needs.

As state agencies on community development and housing, COSCAR members administer CDBG in non-metro jurisdictions under 50,000 population. As grantees under the non-

entitlement program, states determine priorities for CDBG investment based on the overall needs of communities in their respective service areas. Infrastructure has consistently received the largest share of CDBG investment by states. Based on data from the U.S. Department of Housing and Urban Development (HUD), in fiscal year (FY) 2020, states directed 64% of program funds (\$588 million) to public improvements which includes water and wastewater systems, utility installation, street improvements, pedestrian access upgrades, and community centers. Housing was the next largest investment category at 13% followed by economic development (9%).

States have also been at the forefront of the COVID-19 pandemic addressing public health, economic, and safety needs. The CARES Act approved in March 2020 directed \$5 billion in CDBG to prevent, prepare for, and respond to COVID-19. Consistent with the annual program, funding known as CDBG-CV must meet a national objective and primarily benefit LMI populations. States have applied CDBG-CV to facilitate immediate actions in the midst of the pandemic including support to food banks, emergency rental and utility assistance, and aid to non-congregate homeless shelters. CDBG-CV will continue to be used to facilitate health and economic recovery from the pandemic. Such activities include workforce training, HVAC upgrades in public facilities, and working capital to microenterprises.

Although accessible to every corner of the country, CDBG resources continue to be insufficient to address widespread gaps in infrastructure, services, housing, and related public needs. The program was funded at \$3.475 billion in FY2021 which is almost \$1 billion less than annual appropriations twenty years ago (FY2001: \$4.399 billion). Funding has steadily declined since FY01 with annual amounts around \$3 billion in recent years. Furthermore, the FY21 level is only \$1 billion higher than the program's first annual appropriations in 1975 (\$2.47 billion). If accounting for inflation, \$2.4 billion would equal nearly \$12 billion in 2021. Several new grantees enter the program each year as well decreasing grant amounts for participating state and local governments.

Program policies also do not complement current state and local development efforts. Commonly in CDBG-supported initiatives, multiple funding sources are critical to project completion. However, once resources are matched to development, stakeholders have to contend with labor, environmental, and related standards which are often separate and distinct for each

funding source. Administrators, contractors, and other stakeholders must navigate varying requirements which diverts time and resources away from direct project investment. It is especially burdensome in the state CDBG program as smaller jurisdictions have less capacity to facilitate program measures. Further study is needed to promote efficiency in program administration especially with labor, environmental, and related standards.

CDBG has a long and effective history of facilitating community-led initiatives benefitting underserved populations and distressed places. While the program has produced tremendous results, further resources are direly needed to ensure communities can better support health, safety, and quality of life. Program policies and administrative requirements should also be updated in response to modern community development practices. COSCDA encourages Congress to pursue actions on improving CDBG performance and outcomes.