CDBG-CV Formula Allocation Methods

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The Community Development Block Grant (CDBG) program is a primary source of flexible federal funding for state and local governments to use for economic and community development. It has also become a primary tool for the federal government to direct long-term recovery funding to states and localities in response to disasters and emergencies, including, most recently, the COVID-19 public health emergency. On March 27, 2020, Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), which included $5 billion for CDBG. This funding was intended "to prevent, prepare for, and respond to coronavirus." The law directed HUD to allocate the supplemental CDBG funds (CDBG-CV) in three tranches, each with a different formula allocation method, at separate stages in the national response to the COVID-19 pandemic.

For more information on CDBG supplemental appropriations in the CARES Act, see CRS Insight IN11315, *Community Development Block Grants and the CARES Act*, by Joseph V. Jaroscak.

CDBG-CV Allocations

First Tranche

Of the $5 billion appropriated for CDBG-CV, the CARES Act required an initial allocation of $2 billion consistent with the existing statutory distribution formula (42 U.S.C. §5306). It directed HUD to allocate these supplemental funds to CDBG grantees—including eligible local governments, states, and insular areas—proportional to their conventional FY2020 CDBG allocation. HUD published allocation amounts (CDBG-CV1) for the first tranche of CDBG-CV funds in April 2020.

Second Tranche

The act directed HUD to allocate $1 billion of the total appropriation to states and insular areas outside of the standard formula, to target need within their areas of jurisdiction. HUD announced allocation amounts and published the methodology for this second tranche of funds on May 11, 2020. The allocation for the second tranche of CDBG-CV funds considered the following factors:

- count of low-income elderly (50% weight);
- count of children in poverty (10% weight); and

- aggregate count of unemployment insurance claims during a six-week period ending on April 25, 2020 (40% weight).

Allocation amounts (CDBG-CV-2) were adjusted based on per capita coronavirus confirmed case rate as of May 3, 2020. Due to a lack of available data for insular areas, HUD exercised its discretion to allocate 0.2% (i.e., $2 million) of the funds, an amount proportional to the first tranche for these communities. These funds were divided among American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands in a manner consistent with CDBG allocations under past annual appropriations.

Third Tranche

The law directed the third tranche of approximately $2 billion be distributed to states and units of local government on a rolling basis. It provided the HUD Secretary discretion to design a formula and allocate these funds to eligible CDBG grantees based on the best available data, with a primary focus on (1) risk of coronavirus transmission, (2) rate of coronavirus cases, and (3) economic and housing market disruptions related to the pandemic. Up to $10 million of the funds in this tranche were eligible to supplement existing awards or to provide additional technical assistance to current CDBG grantees. On September 11, 2020, HUD published allocation amounts (CDBG-CV3 Part A) and a summary of the formula methodology for $1.988 billion in CDBG-CV funds under the third tranche. This allocation formula targeted 40% of the funds based on the following household characteristic factors:

- overcrowded households, defined as having "1.01 or more persons per room" (20% weight); and
- very low-income renters (20% weight).

These factors were adjusted by per capita coronavirus case counts as compared to the national average, using the greatest result of three case count methods as of September 2, 2020.

The other 60% of funds in this tranche were allocated based on state share of unemployment as of July 2020, to account for "economic and housing market disruptions." Allocation amounts for grantees within each state were determined based on the Bureau of Labor Statistics' seasonally adjusted Local Area Unemployment Statistics in the following industries impacted by the pandemic:

- mining, quarrying, and oil and gas extraction;
- arts, entertainment, and recreation; and
- accommodation and food services.

This portion of the allocation was further subdivided to target communities in which industry workers live (70%) and communities in which they work (30%). Additionally, HUD adjusted allocations for some grantees in this tranche to correct calculation errors in the first tranche. Similar to the second tranche, insular areas received 0.2% (i.e., $3.9 million) of the allocated funds, due to data availability issues.

District of Columbia

Generally, under the CDBG program, the District of Columbia (DC) is treated as an entitlement community rather than a state. Because of this treatment, DC was not technically eligible for funds in the second tranche. HUD revised its second tranche allocation announcement to account for this issue on May 15, 2020. In the revised version, HUD adjusted allocation amounts and granted $2.4 million to DC, with funds from the third tranche of CDBG-CV funds. This amount was separate from DC's allocation under the third tranche formula.

Targeting of Formula Funds

Given the evolving nature of the pandemic, formula-based models might present challenges for allocating funds based on need. Although the CARES act funds were allocated in different phases, based on emerging data, the efficacy of some formula factors in targeting need may be unclear. For instance, time lags and other potential data limitations for formula factors may generate amounts inconsistent with grantee need at the time of allocation. In the case of the CDBG-CV formula allocations, it is unclear to what extent other data sources and formula factors could have been considered or employed during the design processes. Data limitations are likely inherent in allocation formulas intended to target a wide range of economic and public health needs. On the other hand, formula models—like those used to allocate supplemental appropriations of CDBG funds—allow for timely distribution of funds in a way that approximates need based on the best available data.

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