

Highlights of [GAO-10-1011](#), a report to the Chairwoman, Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

Why GAO Did This Study

The Housing and Community Development Act of 1974 (act) creating the Community Development Block Grant (CDBG) program provides entitlement communities (metropolitan cities and urban counties) and states with significant discretion in how they distribute funds for eligible activities. Because of this discretion, entitlement communities may use a variety of processes to select individual projects and states may also use different methods to distribute funds to non-entitlement communities.

GAO was asked to report on (1) the various methods by which entitlement communities use and distribute their CDBG funds to individual projects within their jurisdictions; (2) the various methods by which states distribute CDBG funds to non-entitlement communities; and (3) HUD's role in overseeing these methods. GAO interviewed CDBG administrators for 20 entitlement communities (the 10 largest by funding and 10 randomly selected) and 5 states (reflecting variety of methods used and geography) and reviewed documents related to their CDBG funding decisions, including the annual action plans for all 50 states. GAO also spoke with CDBG stakeholders, reviewed relevant statutes and regulations, interviewed HUD field office staff and reviewed monitoring documentation.

[View GAO-10-1011](#) or [key components](#).
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COMMUNITY DEVELOPMENT BLOCK GRANTS

Entitlement Communities' and States' Methods of Distributing Funds Reflect Program Flexibility

What GAO Found

Reflecting the program's flexibility, the 20 entitlement communities in GAO's sample distributed CDBG funds by various methods, but most used some level of competition in awarding funds. Distribution priorities and practices were based on various assessments of local needs, and in some communities, the funding decisions were also part of the local budget process. To communicate processes and award decisions to the public, all the communities in GAO's sample held at least two public hearings, more than half formed citizen advisory committees, and a few conducted needs assessment surveys, among other outreach methods. Sampled entitlement communities varied in the level of detailed criteria they used to evaluate applications, but they made the information available to potential applicants through published instructions, workshops, or the Internet.

From a review of all 50 states' methods of distribution described in annual actions plans, GAO found that states used a formula, competition, open application, or a combination of methods to distribute funds to non-entitlement communities. Most states used a combination of competitive and open application processes. Whatever their method of distribution, the five states in GAO's sample evaluated applications to some degree against state priorities, which reflected a variety of needs assessments. States using some competitive distribution processes also incorporated their priorities into the scoring of applicants. All five states communicated their methods of distribution to non-entitlement communities and the public through their required annual plans and additional publications, workshops, and intergovernmental organizations. Of the non-entitlement community officials with whom GAO spoke in 10 localities, all agreed that their states clearly communicated their distribution process.

HUD staff from 17 field offices (which monitor the entitlement communities and states in GAO's sample) reported very few findings or concerns related to methods of distribution. Staff told GAO that the lack of findings was due partly to program design (entitlement communities and states can choose distribution methods) and partly to HUD's risk-based monitoring. Because of the flexibility granted to entitlement communities and states, issues related to distribution methods are not rated high-risk. HUD has focused on higher-risk areas such as ensuring funds were spent on eligible activities. However, because states distribute funds to other government jurisdictions, they are required to describe their distribution methods in their plans. As part of its monitoring review, HUD staff check to ensure that the methods of distribution that state plans described were the methods used. Though few issues arose from the reviews, in a few cases HUD staff recommended that states enhance these descriptions. HUD staff also monitor grantees to ensure that public hearing and notice requirements have been met. Staff noted that none of the complaints to HUD offices had pertained to methods of distribution.