COMMUNITY DEVELOPMENT BLOCK GRANTS

Sources of Data on Community Income Are Limited

What GAO Found

The Department of Housing and Urban Development’s (HUD) and states’ primary method for communities to demonstrate eligibility when they disagree with HUD’s eligibility determination is to allow communities to conduct their own local income surveys to show that they meet the Community Development Block Grant (CDBG) income threshold. HUD instructs small communities, known as nonentitlement communities, to use data based on the Census Bureau’s American Community Survey (ACS) to determine whether at least 51 percent of residents in their proposed project service areas are low- and moderate-income persons and are therefore eligible for CDBG funds. However, communities may disagree with their eligibility determination based on ACS data, or they may be unable to use this method because the project’s service area is larger or smaller than the census boundaries. In these cases, HUD and states allow communities to conduct their own local income surveys to demonstrate eligibility. Stakeholders GAO interviewed said it is common for nonentitlement communities to use local income surveys as an alternative to HUD’s ACS-based data, and HUD and states provide guidance on conducting these surveys. However, stakeholders cited costs and other challenges nonentitlement communities face in conducting local income surveys, including resource constraints, administrative burdens, and difficulty in obtaining a sufficient number of survey responses. Other than local income surveys, alternative methods for showing eligibility for CDBG funds are limited. For example, communities may qualify by funding activities that serve populations HUD presumes to be low- and moderate-income, such as the elderly or homeless.

Stakeholders GAO interviewed cited challenges associated with measuring income and limitations associated with alternative data sources that might be used to demonstrate that communities meet the low- and moderate-income requirements. For example, stakeholders cited general challenges associated with measuring income and poverty, such as fluctuations in an individual’s or community’s income over a year. Some stakeholders cited alternative sources of income information that have not been used by communities that disagree with census data to determine CDBG eligibility. However, they noted that these sources would likely have one or more of the following limitations:

- does not fully measure a community’s income;
- is not easily accessible by communities;
- is not available at small geographic levels; or
- is not more precise than ACS.

For example, some sources of income data, such as income tax data, may have limited public availability—limiting their accessibility by communities—and income tax data would not include low-income earners who are not required to file tax returns. Other sources, such as the Supplemental Nutrition Assistance Program and other income-based programs, would not provide data at a small enough geographic level to be useful for this purpose. The Census Bureau is in the process of exploring ways to use external data sources, such as Social Security Administration and Internal Revenue Service data, to supplement ACS to improve the data and expects to make recommendations by March 2017.