

If Federal Grant Money Gets Cut, Community Organizations Around the State Face Possible Closure



By Jon Campbell

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The block-grant squeeze.



Mi Casa Family Service and Education Center is one of dozens of groups that receive funding — around \$15,000 last year — from Hartford's Community Development Block Grant program.

The Community Development Block Grant program is one of those grant operations that the left loves and the right loves to hate. It funds all kinds of local programs, and like so many other funding categories, it's on the chopping block this year as Congress tries to deal with a yawning, multi-trillion-dollar deficit.

Commonly known by its initials CDBG — a string of letters that provide instant wonk-credibility if you can rattle them off without stumbling — the money is distributed by the department of Housing and Urban Development to virtually every county, town and city in the United States, which then pass it on to support thousands of local groups, large and small.

The grants are distributed by local government in relatively small chunks, as little as a few thousand dollars at a time, and they're intended to spur "community development." The vague goal is generally interpreted to mean improving the quality of life overall, particularly for low- and middle-income residents, and CDBGs are sometimes characterized as an anti-poverty program.

CDBGs are extremely popular with cities and towns, partly because while most federal money can be used only for very narrowly defined purposes, CDBG gives local agencies a lot of room to decide where the money goes. The grants amount to several million dollars every year in major Connecticut cities, which receive the bulk of the state's share.

The Obama administration's proposed 2012 budget calls for a 7.5-percent reduction in funding to the program, while a proposal from the Republican Study Committee calls for its complete elimination. In Connecticut, that would mean a loss of about \$44 million statewide. The two parties in Washington will have to come to some sort of compromise, and actual cuts will probably fall somewhere in the middle. But while the negotiations are going on at the federal level, local officials and groups are watching closely.

David Panagore, Hartford's Chief Operating Officer, said cuts to CDBG would hurt the community, partly because the funds are used in a wide range of ways.

"The variety of projects [funded by CDBG] is too many to count," says Panagore. "It provides services all over the community ... it helps fund us when there's a fire, and we need to help people relocate, it pays for emergency heating oil ... it winds up being the glue that can hold many programs together."

While CDBG is a relatively small portion of the city's overall spending (Hartford — as well as New Haven — each receive about \$4 million). Panagore says it's particularly important because it allows cities to support programs that are too small, or too locally tailored, to get funding from anywhere else.

On the list of more than 30 mostly nonprofit groups [that received CDBG monies \(PDF\)](#) from Hartford last year there are literacy programs, services for sexual assault victims, arts activities for children, food assistance services and dozens of others. The list from Bridgeport and New Haven, the state's other large CDBG recipients, are equally varied.

Local governments are quick to praise CDBG, and they'll be working hard to defend it. Officials in each of Connecticut's major cities said they'll be working with the U.S. Conference of Mayors to push against steep cuts in the program.

That's fine with Rica Chaparro, a housing counselor who works with Hartford Areas Rally Together, a nonprofit that received \$58,000 in CDBG funds last year. She says losing funding would likely shut down the program, which helps first-time home buyers navigate the real estate market, and ensure that inexperienced buyers "don't get screwed, so to say." An average of 20 families come through the program every month.

In Bridgeport, Kelly McDermott, who heads up the city's grant operations, joins Panagore in praising CDBG's ability to reach overlooked local do-gooders. She also points out another of the program's highlights — CDBG dollars, if used in the right way, can actually multiply.

"One of the important things to mention," McDermott says, "is that CDBG dollars over the past three years have been used to leverage other public funds."

In grant management-speak, what McDermott is saying is that if a city commits to using the block grant funds in certain ways that the federal government really likes, the feds will kick in even more money.

When Bridgeport set aside \$25,000 in block grants for a program to remove lead-based paint in low-income housing units, the feds matched that with an additional \$3 million. The city used those funds to remove hazardous paint from 231 units — a pretty healthy return. The multiplying effect of these grant allocations means that cuts to the program's funding could have exponential effects, McDermott says — losing that \$25,000 could actually mean losing several million.

All of the major city recipients said it was too early to make any firm plans for next year, but all had been communicating with local groups that count on CDBGs, telling them to be prepared for potential reductions. It's also impossible to say what a given cut at the federal level would translate to for local groups. Because the allocation process is different every year, a 7.5 percent cut doesn't necessarily mean that each group would see a 7.5-percent reduction. Some programs may not see any cuts; some may see funding eliminated. It just depends on what elected officials want to do.

In New Haven, Communication Director Adam Joseph said the city is preparing for possible cuts by trying to allocate money in such a way that local programs hopefully won't feel the pinch.

In every city, some CDBG money is set aside for use by the government itself, to offset the costs of administering the program. HUD requires cities to report on how they're spending its grant money, and all that paper-pushing takes up staff time that costs money. The more New Haven can do to reduce those administrative costs, Joseph says, the more money can go to actual programs.

Community Development Block Grants are awarded in a way that can sometimes be confusing. Last year, Greenwich and Fairfield received about a million dollars and \$600,000 respectively, even though those cities are very wealthy. The seeming inequity of the distributions is one source of criticism directed at the program. The Congressional Budget Office labeled the program "ineffective" under the Bush administration, partly because of what it deemed to be nonsensical distribution formulas.

The formula HUD uses to distribute funds to cities is complicated. Actually, there are two formulas, which are both complicated, but each one uses the age of housing stock in a given area as a way to determine need.

HUD Spokesman Brian Sullivan says the current formulas may not be the best way to determine who gets funding. Under the current system, a neighborhood filled with 100-year-old, million-dollar colonial houses could conceivably receive more funding than a neighborhood with lots of row houses from the '70s. The theory is that older housing is an indicator that a neighborhood may need revamping. That makes sense on paper, but the formulas seem a little silly when applied to a town like Old Greenwich. Yes, the houses are old, but no, the neighborhood isn't sinking into decay.

Sullivan says HUD has recommended changing the allocation process to place more emphasis on income levels, but no local government wants to give up funding, so resistance to HUD's suggestions remains.

CDBG cheerleaders love the program for its local flavor and flexibility. CDBG critics, meanwhile, hate the program because of its ... local flavor and flexibility.

Part of that criticism, mostly from the right, is that there's too much local control, and without proper oversight, the program can easily become a way for politicians to reward politically connected friends in the nonprofit sector.

In some cities, individual elected officials have almost free reign to award hundreds of thousands of dollars in grants to whomever they choose, and that leads to charges of cronyism and corruption. There are also perennial cases of funding being used for questionable purposes. The city of Putnam awarded several thousand dollars [to renovate the storefront of a privately owned wine bar](#). That's big-government, limousine-liberal Fox News outrage fodder right there.

At the three large Connecticut recipients, the process is much more tightly controlled than that. Groups have to apply for funds, those applications are then vetted by city staff for general HUD compliance, and then approved by elected officials after public hearings. In Bridgeport, the allocations are examined by a panel of residents, which adds another element of independent oversight.

Aside from potential cronyism and questionable priorities, the very nature of CDBG — the distribution of federal dollars for hyper-local projects — makes it especially ranking to people like Tad DeHaven, a budget analyst with the libertarian Cato Institute.

The problem DeHaven has with CDBG is partly ideological — he doesn't think it's the federal government's role to be funding projects on the local level. The federal government, he argues, should be funding things that are of national concern.

In DeHaven's view, the proper structure of the government is akin to a layer cake — the top layer is federal funding, which should be going toward projects of national concern like interstate highways. Block grants make the funding look more like a marble cake, with federal dollars all mixed together like a delicious pork-flavored pastry of government waste.

His basic point is, provide for your local programs locally. If you want to fund a program that teaches weaving to elderly residents, he says, that's all well and good, but why ask someone in Hawaii to pay for a weaving class in Hartford?

Aside from his ideological bones, DeHaven says the CDBG program just isn't very efficient. Why take money away from local communities in the form of federal taxes, only to re-route it back to local communities?

"Use the example of a Connecticut federal taxpayer," DeHaven says. "He or she sends money to Washington, where the federal

government takes a cut, and then sends it back to the state, which takes a cut, before the money gets to local government or even a nonprofit. All this money has left Connecticut just to go through Washington and then come back.”

For the most part, DeHaven doesn’t quibble with what CDBG money is ultimately spent on, though he can point to some questionable expenditures. He argues, however, that the routing of grant money through the feds can hide the true cost of a given program. Local governments get dollars that they can parcel out to groups in their community, but without having to make a case to constituents about what those dollars fund. They get all the rewards of extra revenue without the pesky task of asking their constituents to pay for it.

“It’s hard to hold local officials accountable if you, as a local citizen, have no idea where the money is coming from,” DeHaven says. “They don’t have to tax people locally to pay for it, and that creates a fiscal illusion.”

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