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COMMENTARY

Looking Back and Looking Ahead:
CDBG and the Future of Federal Urban Policy

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The 40th anniversary of the federal Community Development Block Grant (CDBG) program has inspired a healthy re-analysis, in this special issue and elsewhere, of how and why the program came into being and how well it performs on a number of dimensions. Would that there were also some spirited public debate about this program and the larger question of what federal investments in urban vitality can and should look like in the years to come.

CDBG has been, as a variety of observers note, remarkably resilient to political and economic change. It has survived 40 years, seven presidential administrations, and many inflection points in federal policy. Yet, the program’s dramatic shrinkage in real terms—to roughly a quarter of its early scale, adjusted for inflation (Orlebeke & Weicher, this issue)—together with the ongoing lack of consensus about any well-defined policy priorities, suggests two less acknowledged points: CDBG is a loosely defined revenue-sharing program that is now on life support, and its inertia is one more sign of the gridlock and cross purposes that thwart federal support for more equitable local development.

That perspective on “CDBG at 40” is all the more urgent in the context of the sweeping demographic, fiscal, and other changes reshaping America—as well as the durable patterns that appear insensitive to these changes. The outlines are familiar even if the implications are not broadly understood. America is fast becoming more racially and ethnically diverse, and its population is growing faster than other high-income nations, mainly through the migration of high-skilled as well as less-skilled workers from the developing world. The nation is aging rapidly, thanks largely to advances in healthcare and coverage. And income and wealth inequality have increased sharply since CDBG was created. Yet, our dominant pattern of spatial development continues to be “containment plus sprawl,” that is, a model that disperses and subsidizes most new development, primarily for middle- and upper-income people, while sharply concentrating the disadvantaged in the places often least equipped to serve them (Briggs, 2005). Finally, we continue to rely on market-led, neoliberal responses to economic restructuring—working, with few exceptions, in piecemeal, small-bore ways to tackle the big challenge of inclusion in the “next” economy. It is an economy led by high skills and innovation but not yet—at least not in America—delivering broad access to those skills or to good jobs. If anything, it is an economy that is sharply dividing places, as well as workers, into the well

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positioned and the left farther behind, just as the Industrial Revolution did, until inclusive institutions were developed to change that (Levy & Temin, 2007; Moretti, 2012).

In this context, the CDBG program is a small yet precious part of the most vulnerable of federal budget categories—nondefense, discretionary spending—that must compete with the much larger and more staunchly defended categories of defense and major entitlements (Medicare, Medicaid, and Social Security). As the past few fiscal years underscore, it is no longer enough that CDBG is “mayor’s money,” defended by that vocal, visible, and widely dispersed group of elected officials who are closest to the voters. The existential issue is a question: What urgent purpose does CDBG serve as the nation rethinks the size, purposes, and priorities of the federal government as a whole?

Engaging that question poses risk but also the possibility for renewal, beyond incremental fixes to patch a community development program over this or that political cycle. There may be a strong constituency, in the years ahead, for place-based and well-targeted redistribution of federal tax dollars. But the lack of consensus on clear priorities is doubly worrisome in the context of a dramatic fiscal squeeze. How do we get behind a renewed CDBG program if we don’t know what we are “solving for,” let alone how to pursue it most effectively?

I agree with the editors and (most) contributors to this issue that CDBG should be expanded, and made more progressive in the targeting of people and places, and made more effective as well. And I share their sense of the political challenges to real reform. To address these hopes and challenges, I focus, in this brief essay, on the current context of federalism, particularly as expressed through spending priorities, and I offer two main arguments. The first is that a real policy debate about CDBG’s purpose in a changing and regionally diverse nation, and not just a “food fight” over allocation formulas or targeting standards, is long overdue and should consider a variety of purposes. The second argument is that real reform is unlikely to hinge on the policy analyst’s familiar approach: considering the program’s performance, to the extent that we can assess it, in the light of broad values, such as social equity or even efficiency and effectiveness. Rather, the pathway to reform demands that we figure out the “sustainable deal,” in political terms, that corresponds to a reasonably coherent and effective program.

My references to the contributors below refer specifically to their articles in this special issue, unless otherwise noted or cited.

The Changing Context of Fiscal Federalism

As Orlebeke and Weicher document, CDBG gestated in a very distinct moment for federalism, and this had fiscal and political dimensions. In fiscal terms, the nation was still flush in the late 1960s—thanks to decades of economic growth and also a relatively progressive tax structure—but many of its central cities were growing poorer and less fiscally healthy, thanks to a population shift to the suburbs, disinvestment, a drop in land values, and heavy reliance on property taxes. This structure made the United States virtually unique among the world’s advanced economies. Most transfer far more generously from the national to the local, service-providing level of government to support educational quality, economic restructuring, health, and other national priorities (although there has been some convergence in our direction since). Moreover, none subsidized a suburban boom as aggressively as we did.

In terms of political forces, CDBG reflected the dual imperative of responding to “the urban crisis” that was recognized as such in the late 1960s and emphasizing local, rather than federal, direction over how and on whom to spend. These were the foundations for Nixon’s New Federalism.
Forty years on, local governments still vary widely in fiscal capacity, will, and policy priorities, and they remain highly dependent on property tax revenues—a feature that tends to favor “growth machine” development priorities over inclusion of the disadvantaged (Fainstein, 2010; Logan & Molotch, 1987). But the national picture has been transformed. The federal government is chronically in deficit spending, while support for redistributive spending has declined sharply. Since the Johnson Administration, the nation has run a budgetary surplus in only a handful of years (U.S. Office of Management and Budget, 2013). Many factors, on both the revenue and spending sides of the ledger, have contributed to this. But broad and progressive support for the federal role, reflected in the tax structure, has eroded in a particularly significant way since Nixon’s time, and especially since Reagan took office. Republicans and Democrats alike have largely worked within this fiscal framework.

It is beyond my scope to offer a meaningful look at the countervailing increases, since 1974, in certain kinds of federal spending to benefit poor people, including those concentrated in poor places. That growth includes healthcare and selected cash transfer programs (e.g., the Earned Income Tax Credit). Nor can I examine here the indirect, and in some cases unintended, effects of large-scale federal investment in local facilities and infrastructure, such as military bases, research and development clusters, and new transit capacity. In the long run, those geographically concentrated investments may have more powerful effects on local development than very widely dispersed CDBG spending—what budgeteers in Washington call “spreading the peanut butter.” Setting those place-based federal investments aside for the moment, transfers to local government specifically for community development—programs that come with discretion to drive local strategies for more equitable development and, on a good day, enhance the adaptive capacity of local governments—are dramatically smaller than they were 40 years ago. CDBG, as Orlebeke and Weicher show, is but one element of this shrinkage.

That big downshift is not surprising, in light of the very different context of federalism now. Shrinkage reflects the proverbial “death by a thousand cuts,” both cuts in the nominal amounts requested or appropriated for CDBG—most significantly under Reagan but also under other presidents, including the two most recent—and the long-run erosion of the program’s spending power by inflation. In political Washington, there is virtually no discussion of that erosion, and this is not unique to CDBG; budgets and “pay-fors” (revenue sources) are routinely debated in nominal terms only, from one year to the next, and chronic deficits, combined with the “natural increase” in the costs of many programs, creates strong pressure to flat-fund or cut programs such as CDBG.

In the budget of the Department of Housing and Urban Development (HUD), for example, increases in the cost of assisting a stable number of extremely-low-income households through the rental voucher program can easily run to the hundreds of millions of dollars from one year to the next (particularly when the job economy is weak for less-skilled workers and rent inflation is substantial in many local housing markets). Low-income-housing advocates would quickly remind us that only about one in four eligible households receives such assistance. And under a given budget ceiling, that money must be found in other programs, such as CDBG—generally after even more vulnerable programs, such as discretionary grants for elderly or supportive housing, have been trimmed. Note that this has the effect of partially indemnifying CDBG in a shrinking-pie scenario that cuts more defined and targeted programs first and, in proportional terms, more severely.1 This is in spite of the fact that those other programs can typically offer more credible evidence on results than CDBG can.
Taking the long view, it is hard to imagine that broadly defined revenue sharing for community development would have survived the shift in fiscal federalism without well-mobilized mayors consistently pressing to protect their CDBG formula money—both from conservatives eager to shrink government and from progressives eager to promote well-targeted new initiatives (which compete for the same limited funding).

But again, recent years have overwhelmed even that geographically broad-based political force. And the question remains: What exactly was the federal government protecting, other than a bit of budget headroom for localities?

Rethinking CDBG’s Purpose

Given the major demographic and economic trends reshaping the country, as well as the radical shift in fiscal federalism, a real policy debate about CDBG’s purpose—and not just its performance against established hopes and standards—is long overdue. That debate should consider the starkly uneven development patterns we observe within regions (across municipalities and neighborhoods) and also between them. We should have a serious and imaginative discussion about the suburbanization of poverty, the extent of municipal bankruptcy and related fiscal problems, the implications of aging in place, and the special functions supplied by immigrant gateway communities. Through education and human services, those localities invest in, while the federal government reaps the largest fiscal benefits from, the economic contributions of new Americans (Myers, 2007; Smith & Edmonston, 1997).

None of these important issues get attention when all the energy is invested in protecting current funding levels or mitigating the harm of substantial cuts, let alone when there is a protracted “food fight” among state and local jurisdictions over changing CDBG’s allocation formula or targeting standards. Nor do we have any serious discussion about allocating a shrinking pie of community development dollars in one direction while much larger spigots of federal and state infrastructure spending continue to flow the other way: subsidizing sprawling, inequitable, and environmentally unsustainable patterns of development.

For half a century now, our problem has not simply been that our approach to uneven development and concentrated disadvantage is “fragmented,” implying a clumsy, uncoordinated way of pursuing some important goal. Our more serious problem is that we undermine the pursuit of that goal via investment programs and other policies that work—often with greater intensity and more political support—at cross purposes. Historian Alice O’Connor (1999) has shown that this pattern in the way the federal government conceives of and responds to urban “distress” predates the creation of CDBG by at least several decades.

In this context, a number of purposes are imaginable for a next-generation CDBG. I outline three below as distinct policy directions, not complete proposals, and acknowledge that a number of the elements could be combined in myriad ways. These are not mutually exclusive directions, therefore, but the differences, in my view, are worth taking seriously:

1. Strategic capacity and catalytic investment: Focus intensively on making the least capable local governments adaptive and responsive to economic and demographic change. This direction would be particularly appealing from the standpoint of vertical equity, as Brooks and Sinitsyn emphasize, and could segment and respond to potential grantees along the lines suggested by Collinson’s analysis of three main kinds of “community development need.” A capacity-building-tied-to-investment
focus could emphasize pragmatic, well-structured investments in equitable development, not Band-Aids, particularly in the form of large-scale real estate and economic-development projects. There are healthy precedents in the United States, Europe, the developing world, and elsewhere. Capacity building tends to be most effective when tied to specific, challenging projects, and projects make the most lasting impact when they help develop local capacity to support ongoing learning and innovation. In terms of current federal initiatives, the forerunner or pilot for this approach is not the well-known place-based programs, in particular Promise Zones and Choice Neighborhoods, but Strong Cities, Strong Communities—a bootstrap inter agency effort, launched by the White House and led by HUD, to spend smarter and target low-capacity places (some of which are sitting on already-appropriated federal dollars that they cannot plan and administer properly) both creatively and intensively. Race to the Top—not as an education program but as a different kind of federalism—also points the way. The federal government can offer more than a clunky, compliance-heavy, “customer service” model to local grant seekers. The feds can set evidence-driven standards for outcomes and, by demanding vital local reforms as a condition of eligibility, provide air cover to local change agents to achieve those reforms. Reform-contingent aid offers the extra benefit of spurring change even in the “lottery loser” communities in any given grant cycle. And it shifts expectations about what federal support is for, given how many budgetary demands are competing at that level. Finally, efforts by HUD in recent years to distinguish weak and strong housing markets—Detroit versus Boston, say—for different approaches to affordable housing supply, rather than to sustain one-size-fits-all standards, likewise point in this direction.

2. **Critical services tied to national policy imperatives:** Use the programmatic infrastructure created by CDBG—local planning guided by federal standards, flexible funds allocated by formula among jurisdictions and by policy discretion within them, and administration led by local agencies with expertise in the built environment—to support specific and urgent policy goals. One example would be tackling the housing components of the social and structural determinants of health that disproportionately affect the poor (and poorly housed), such as lead-based paint removal and the mitigation of indoor air-quality hazards that trigger asthma and other costly health problems (Arcaya & Briggs, 2011; Corburn, 2009). A strong case could be made for focusing on the health and well-being of low-income children and the low-income elderly, perhaps tied to prevention-oriented efforts supported by Community Transformation Grants and other elements of the Affordable Care Act. If run as a block grant tied to area-based planning, such a program would be the first large-scale effort to tackle housing determinants of health nationwide. It could be tied to incentives for measurable improvements in health outcomes and for leveraging funds from insurers, philanthropy, and other sources.

3. **Narrow and consolidate:** Consolidate CDBG and the HOME program, anchoring the program to HOME’s well-defined policy goals, well-understood implementation strategies, and relatively resilient capacity-building infrastructure. Focus the discussion about affirmatively furthering fair housing—at least within HUD programs—on a single, area-based, planning-driven development finance target. Current CDBG-supported activities that are not housing related—water and sanitation infrastructure and small business finance—could be phased into appropriate federal programs, and the role of federal support reexamined in the process. No one imagines HUD to be the federal government’s expert on all of these
areas, let alone an active coordinator of disparate investments to support coherent local redevelopment strategies. It is simply that CDBG, by design, was a broad resource channel—a way to consolidate myriad legacy grant programs that benefited localities, as Orlebeke and Wiecher detail.

In any of these policy directions, the return on federal investment would be much easier to understand and defend than is the case for CDBG now. And in general, I would place more stock, in any grand fiscal bargain scenario, on purposeful transformation of CDBG than on retroactively adding more stringent requirements to the established, broadly defined revenue-sharing model. Any transformational reform could be ramped up alongside a multiyear tapering off of the current CDBG formula grants to avoid disruptions (particularly in critical services such as code enforcement) at the local level. The same phased-in reform could—at last—make certain wealthy jurisdictions, which qualify for CDBG funding because of formula quirks, take care of their own community development needs.

**Conclusion: Toward a Sustainable Deal**

Arguably, there are two major lessons of history with regard to sustaining support for programs that serve the poor or otherwise disadvantaged. More precisely, since our nation’s institutions have developed along distinct paths that reflect our history, these are lessons specific to America’s “variety of capitalism” (Hall & Soskice, 2001). First, programs may be scaled up and enjoy robust support over time when they enable “targeting within universalism,”—that is, provide greater benefits to the disadvantaged but within a framework of universal eligibility and access (Skocpol, 1991, 1992). Programs that are not means tested, such as Social Security and many veterans’ benefits, offer the classic and best-documented examples.

Second, programs may create significant benefits for the disadvantaged, though struggle over time to sustain support, where they serve a variety of interests, particularly at the stage of enactment. Subsidized housing programs that create substantial benefits for the real estate industry and building trades, but also help preserve housing affordability for low-income people, are one example (Marcuse, 1978). Two aspects of the second category are noteworthy: that the benefits served are contingent on economic cycles and other timing factors and that advocates may need to reinvent and repurpose the programs over time to renew and broaden support. This would seem to be the case for public housing and also for CDBG.

But note: The discussion above concerns political support for programs—for recognizing their legitimacy and spending on them—and not necessarily factors that promote their effectiveness. Promoting effectiveness is another important reason to reimagine and renew programs over time, whether to account for changing circumstances and new opportunities or simply to remedy weaknesses in the original design. On all of these dimensions, CDBG would appear to be a worthy candidate.

In this essay, I have argued first that a real debate about CDBG’s purpose—what important purpose the program exists to serve today, as opposed to 40 years ago—is long overdue. I have also suggested some possibilities for repurposing and transitioning the program rather than tweaking it within a dubious program architecture. Building on that argument, in this final section, I have offered evidence toward a second argument, which hinges on the distinction between a debate among policy analysts and one among political interests. The pathway to reform, and specifically to sustaining what is valuable about federal support for equitable local development, demands that we figure out the “sustainable deal,” in political terms, that corresponds to a reasonably coherent and effective program.
That deal might reflect the imperative of cost avoidance and the potential of place-based interventions in the health domain, of moving local development beyond wasteful “attraction” strategies that do little to position communities for the next economy, of tackling structural shortages of affordable housing in the most economically innovative—and brutally high-cost—metro areas, or other goals. These are urgent needs, richly deserving of creatively delivered federal support. If we want something to celebrate 10, 20, or more years from now, the important thing is that the deal reflect something more than a mixed and dated legacy—or what the larger body politic views as a tired set of debates.

Note

1. Technically, I am referring here to the CDBG formula grant program (for consistency with the other contributors to this issue), not the variety of competitive and set-aside grant programs funded under the CDBG title.

Notes on Contributor

Xavier de Souza Briggs is Vice President for Economic Opportunity and Assets at The Ford Foundation and a faculty member, on leave, at the Massachusetts Institute of Technology’s Department of Urban Studies and Planning. He served as associate director of The White House Office of Management and Budget under President Obama and headed the policy development and research office at the Department of Housing and Urban Development under President Clinton.

References


