

## Community Development Block Grants (CDBG) Allocation Formula

**Broadly, the CDBG formula can be summarized as population + poverty rate + rates of housing instability.**

- If populations are equal, the community with higher levels of poverty and housing instability will receive more aid.

**Treasury will follow this process, which the U.S. Department of Housing and Urban Development (HUD) calculates annually:**

For the Entitlement funds for cities with more than 50,000 residents, there are two formulas: "A" and "B". HUD calculates the amount of funds that each entitlement grantee would receive under each of the two formulas.

- Formula A calculates funds to a jurisdiction based on its metropolitan area's share of 3 factors across all US metropolitan areas. The factors are:
  1. population, weighted at 25 percent;
  2. people in poverty, weighted at 50 percent; and
  3. overcrowded units, weighted at 25 percent
- Formula B also calculates funds to a jurisdiction based on its metropolitan area's share of 3 factors across all US metropolitan areas, but the factors are somewhat different. The Formula B factors are:
  1. population growth lag since 1960, weighted at 20 percent;
  2. people in poverty, weighted at 30 percent; and
  3. pre-1940 housing units, weighted at 50 percent.

After HUD runs the calculations using the two formulas, it allocates the grantee the larger amount of the two. Because HUD uses the larger amount, when it adds all of the grantees' allocations together the total is higher than the amount of CDBG funding available for the Entitlement program. HUD then recalculates the figures using a pro-rata reduction to reduce the total to the funding level provided by Congress.

**For the Non-entitlement funds for municipalities with less than 50,000 residents, the formula that determines the amount each state will receive to pass to small cities and towns is the same except Formula B uses population instead of growth lag**

- As with entitlement communities, HUD calculates the amounts for each state under each formula, then assigns the larger of the two grants. To bring the total grant amount to states within the appropriated amount, HUD uses a pro rata reduction.

**Under the reconciliation bill, the final amount will be allocated to all non-entitlement communities within the state on a per capita basis**