

## Essays on Regional Government and Intergovernmental Relations

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# Strengthening the Intergovernmental Grant System: Long-Term Lessons for the Federal–Local Relationship

*This study investigates the longitudinal political and administrative problems associated with federal–local government relations. The findings demonstrate four primary challenges of the system of federal grants-in-aid that hinder the relationship of policy design at the federal level and policy implementation in local communities: the politics of decentralization, subnational capacity, program accountability and program adaptability. A case study of the Community Development Block Grant, as assessed by the Advisory Commission on Intergovernmental Relations and the General Accounting Office between 1974 and the present, is included to demonstrate the application of these problems within the system. Although the “evolution of devolution” can greatly benefit the recipients of public services at the local level, it often operates within an unorganized and ineffective system that public managers at all levels of government must continue to develop.*

Improving the relationship between the federal government and its local counterparts has consistently been cited over the last century as an intergovernmental concern in order to improve the redistribution of federal funding to lower-income segments of American society (Kettl 1979; Lowi 1964; Nathan 1983; Peterson 1995; Rosenfeld 1979). Federal grant-in-aid programs have had a tremendous impact in reducing the plight of low- and moderate-income individuals across our nation despite significant declines in funding for community development programs since the late 1970s.

The intergovernmental grant system has been strengthened in recent years as states and local governments have been awarded federal funds in order to direct them toward concentrated areas and households in need within their localities. The mechanisms utilized within this system are in accordance with Peterson’s functional theory of federalism (1995, 18),

as the federal government has taken responsibility for the redistribution of funding to assist with the social and economic problems of low-income individuals throughout the country. However, there are several problematic aspects of this intergovernmental relationship that must be addressed in order to fully reap the benefits of redistributive programs. These administrative inefficiencies are not specific to the federal grant-in-aid system; in other circumstances, they can be more generally applied to the field of intergovernmental relations. The most critical problems associated with federal–local relations involve (1) decentralization and politics, (2) subnational capacity, (3) program accountability, and (4) program adaptability.

Program decentralization in federal grant programs was designed to incorporate all levels of government in order to achieve an appropriate balance of policy design and program implementation that would effectively meet the needs of states and communities. Unfortunately, grant mechanisms in the last several decades have experienced tremendous changes in

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program priorities, regulations, and subnational involvement, making it difficult to define responsibilities among the various government levels. Subnational capacity has also contributed to an imbalance in the grant system, as federal oversight has been inconsistent across states and communities, thus compounding local problems such as fiscal inequities and administrative inefficiencies arising from a lack of training assistance. Inconsistent federal

oversight has also flawed the system of grantee accountability. Federal agencies have had difficulty holding grant recipients accountable when there has not been a uniform standard for the collection of data across jurisdictions. This has largely limited the

imposition of federal sanctions regarding grant performance and fraud, as frequent changes in program priorities and data-collection mechanisms have made it nearly impossible to accurately document program performance. The problems associated with these three issues have further complicated the ability of both states and localities to adapt to changes in grant requirements. Subnational governments need adequate funding and professional leadership to change directions and to respond to changing federal priorities. Often, the difficulties lie in finding new ways to apply for funding for the “new” problems, which are often the offspring of other crises already in existence.

Unfortunately, these four problems have plagued federal grant programming for the last several decades, causing many programs to be reorganized and re-created in order to streamline intergovernmental grant efforts. The following study evaluates these items as they are applied within the context of the Community Development Block Grant (CDBG) program, one of the longest-running federal grant programs in existence. Although these administrative issues are clearly evident within the case study, the findings also reveal some positive outcomes demonstrating that effective relationships do exist within the intergovernmental grant system. CDBG highlights the efforts of many federal and local officials, as well as other program stakeholders, which have contributed to positive changes in federal agencies that are striving to accomplish their domestic policy goals and improve program operations while surviving the politics of the congressional agenda. The practical implications of the case seek to demonstrate that the coordination of internal and external stakeholders can overcome the perils of politics and improve program effectiveness, thereby benefiting both the grant system and the American citizens who benefit from government programs.

### **The Community Development Block Grant: A Case Study**

This study employs a historical research approach that follows federal legislation on the CDBG program since 1974, in addition to considering the evaluation of reports cited by the Advisory Commission of Intergovernmental Relations (ACIR) and the General Accounting Office (GAO, now the Government Accountability Office). The relationship between the federal government and its local governments has evolved in its level of complexity over the years, and the CDBG program is no exception in this regard. Because of the program design and its survival as a federal program over the last three decades, the study of CDBG and its development over the years will enable us to better understand the problems of federal policy making coupled with localized program implementation.

### **Historical Background**

The CDBG allocation system was originally designed in 1971 by the Richard M. Nixon administration as a special revenue-sharing project (Dommel and Rich 1987, 553). Its creation in Title I of the Housing and Community Development Act of 1974 made it one of the first major experiments with the block grant structure of intergovernmental aid, as it consolidated six categorical grant-in-aid programs: Urban Renewal, Model Cities, water and sewer facilities, open space, neighborhood facilities, and public facilities loans (Caraley 1977, 142; Rosenfeld 1980, 212; Rosenfeld et al. 1995, 56). Offered as a more streamlined compromise to modify the categorical grant system, the CDBG program was heralded by many municipal leaders as the answer to reducing the program duplication and overlap that had plagued the previous federal grant framework. CDBG was established as a formula-based entitlement program for metropolitan cities (central cities or communities with populations of at least 50,000) and urban counties (populations of at least 200,000) (Rosenfeld et al. 1995, 56). The formula was designed to alleviate the detailed review process previously employed in the categorical grant system.

A unique feature of the CDBG program was the unprecedented degree of local discretion and control over program selection and allocation of funds that it afforded its users (HUD 1995, 1–3). In summary, local administrators had more control over their community development funds, as long as their selection of programs and activities met the federal regulations and national objectives. The intent of this framework was to prevent the fragmentation of grant disbursement that had been extremely problematic in programs of the past. With the added responsibility also came increased accountability; the political pressure of determining how to spend the funds was more directly placed on localities.

Although CDBG was seen as a federal–local compromise, the program did not remain static; as presidential administrations and priorities changed, the original program format experienced a number of adjustments to address basic program operations. Over time, the program would experience varying funding levels, eligible activities, and levels of federal program oversight (see table 1). The program experienced tremendous growth, as indicated by the increase in eligible entitlement communities that would receive CDBG funding within this environment of change as the program was adjusted regularly to better meet the needs of program recipients.

Despite the changes to improve the program, there were long-term inefficiencies cited by agencies such as the GAO and the ACIR, which highlighted the administrative problems associated with the intergovernmental grant program regardless of the political influence and policy revisions that occurred over the years. Table 2

**Table 1** Historical CDBG Funding, 1975–2008

	Entitlement Allocation (millions)	Number of Entitlements (cities and urban counties)
1975	2,219	581
1976	4,582	589
1977	*	*
1978	*	*
1979	*	624
1980	2,700	658
1981	*	593
1982	2,379	*
1983	*	723
1984	*	783
1985	2,388	814
1986	2,053	827
1987	2,059	*
1988	1,097	757
1989	2,053	757
1990	2,019	882
1991	2,203	*
1992	2,344	889
1993	*	*
1994	*	*
1995	*	*
1996	4,650	*
1997	4,604	*
1998	4,675	986
1999	4,750	*
2000	4,800	*
2001	4,900	*
2002	4,399	*
2003	4,436	*
2004	*	*
2005	4,702	*
2006	4,178	*
2007	3,032	*
2008 (est.)	3,037	*

\* = Not available.

Source: Community Development Block Grant Annual Reports to Congress, 1975–2008.

presents a timeline that illustrates the progression of CDBG legislation and policy recommendations as provided by the GAO, the ACIR, and other scholars regarding the issues of political decentralization, subnational capacity, accountability and adaptability in federal–local relations. The case of CDBG clearly indicates how these issues may persist over time and the adverse impact they can have on intergovernmental relations.

### **Program Decentralization**

In order to address devastating societal issues such as elder health care, poverty, and homelessness, it is vitally important that subnational government units participate in both policy formulation and policy implementation to reduce policy fragmentation. In programs such as CDBG, we have seen a historical shift of program responsibility and decision making to the lower government levels, thereby reducing federal involvement. The inclusion of state and local administrators in policy making is supported by arguments that they have a direct view of local needs and priorities and therefore will be more efficient in the implementation of policies with direct local implications. A policy disconnect may occur when federal programs

that delegate responsibility to lower levels of government do not account for the administrative problems and local politics that will inevitably alter policy implementation. Thus, an inclusive policy process for federal programs is needed to avoid disconnects between the federal and local levels as policies that affect the lives of local citizens are put into practice.

The CDBG design was hailed as an instrument for devolution and provided tremendous oversight for local governments as they took responsibility for providing services to their constituents. The program was intended to reduce a number of intergovernmental inconsistencies noted in the mid-1970s by the ACIR. Problems included a fiscal imbalance in the American federal system, the need to restructure the maze of local government, and the need to achieve consistency in the federal role for urban problem solving (ACIR 1976b, 15–25). These arguments illustrated the need for a complementary relationship that would balance the strengths and needs of the national, state, and local levels of government. The ACIR recommended making incremental changes, such as providing federal technical assistance and oversight to facilitate the devolution of responsibility to the local government level.

In the years following the implementation of the CDBG program, another intergovernmental administrative problem involved the definition of “who benefits” from programs such as CDBG. According to Rosenfeld et al. (1995), early studies of the CDBG program concluded that local program implementation was running contrary to the goal of the U.S. Department of Housing and Urban Development (HUD) to target low- and moderate-income people. Although the program regulations specified a targeted group of beneficiaries, local influences were misguiding funds from their intended uses. Often, programmatic plans were “hastily developed to spend the new urban aid,” while many communities also “completed previously developed urban renewal activities” (Rosenfeld et al. 1995, 58). Local administrators seemed to be focused primarily on how they could obtain the most grant money as quickly as possible, while also shoring up the transition from revenue sharing into the new grant system. Therefore, the freedom to disburse funds at the local level soon became a federal programmatic matter requiring additional oversight to ensure that federal priorities were not being distorted.

This issue of targeting grant funds (or the lack thereof) was noticed by several scholars during the early implementation of the CDBG program (Rosenfeld 1979; Kettl 1979; Rich 1989). Pressures from local neighborhood groups and associations often prompted city officials to divert grant funding to many neighborhoods across their jurisdictions in an

**Table 2** Timeline of CDBG Legislation and Reporting

CDBG Legislation	ACIR Findings	GAO Findings	Other Studies
<b>1974</b> —Housing and Community Development Act of 1974: CDBG created.	<b>1974</b> —Call for local governmental reorganization	<b>1982</b> —Concerns regarding accountability and targeting funds. Also questioned how to define LMI benefits. Cited weak federal oversight.	<b>1972</b> —M. Reagan—The grant system is a great way to solve local financial problems with federal aid.
<b>1977</b> —Housing and Community Development Act of 1977: Emphasis on targeting of federal funds, increased HUD oversight and monitoring requirements, dual formula implemented for grant awards and eligibility requirements.	<b>1976</b> —Call to resolve the intergovernmental imbalance, clarify roles and functions of each level of government.	<b>1991</b> — <b>1999</b> —Cited weak management controls at HUD, call for federal grant oversight.	<b>1974</b> —Cole and Caputo—Accountability: is it acceptable for one level of government to expend funds raised by another level?
<b>1984</b> —HUD legislation: Defined low- to moderate-income (LMI) benefits, required grantees to complete a plan.	<b>1980–1986</b> —Call for decongestion of federal system, resolving system overload and clarifying responsibility and accountability.	<b>1995</b> —Cited problems with defining performance in HUD’s Annual Report to Congress	<b>1979</b> —Rosenfeld; Ketti; Nathan—Identified local political interests as overriding the block grant service mission. Ketti—long-term local capacity is threatened by political short-term actions.
<b>1985</b> —Consolidated Omnibus Reconciliation Act of 1985: Grandfather clauses approved.	<b>1984</b> —Regulatory federalism emphasized, recommended defining LMI benefits as performance measurements.		<b>1989</b> —Rich—CDBG funding disseminated to relatively well-off places, not targeted as intended.
<b>1987</b> —Housing and Community Development Act of 1987: Increased of percentage spent on LMI benefits to 60 percent for grantees.			
<b>1993</b> —Government Performance and Results Act of 1993: Program Effectiveness Rating Tool required for agencies and grantees.			

effort to maintain political popularity, instead of targeting a more generous amount of funding to core low-income areas. Nathan et al. found evidence of local politics in at least one northeastern city; an associate reported that “there was an explicit desire on the part of the mayor’s office to provide some visible artifact in each neighborhood of the allocation of these funds” (1997, 222), which meant a wide distribution of local funds. Later, in 1979, Kettl identified other local CDBG administrators relying on the “nifty idea, I’m for that” approach to program planning. As a result, the projects that were usually funded were those “sufficiently attractive to build necessary political support” (1979, 441). This trend of disseminating funds without targeting the most crucial needs of the community continued into 1980s (Rich 1989, 205).

In response to the lack of targeting to meet community needs, the Jimmy Carter administration encouraged entitlements to designate Neighborhood Strategy Areas within jurisdictions and to focus a larger percentage of the grant funds on these areas (HUD 1995, 1–6). This was implemented in the Housing and Community Development Act of 1977, along with other requirements increasing federal oversight to ensure that communities were not succumbing to local interests as they spent CDBG funds.

Unfortunately, President Carter’s efforts were not successful. The regulatory changes occurring in programs, including CDBG, during the 1980s were decongesting the federal grant system. The flexibility that had been built into the program was now threatening its stability. The ACIR found “the [CDBG] grant mechanism often unnecessarily complicates the administration of the program, confuses political and program accountability, reduces effectiveness, interferes with economic efficiency, and rarely achieves equity goals” (1982, 129). The inconsistent and ever-changing mandates were emphasized as a major barrier that hampered the success of federal programming (ACIR 1984, 253). To that end, efforts to reexamine intergovernmental roles and the federal grant system were revisited.

Throughout the 1990s, the GAO also cited major concerns with HUD monitoring controls over the CDBG program and argued that weak management controls at the federal level were “compromising the integrity of grant programs” (GAO 1999). The weak-

nesses in management controls at HUD were leading to further concerns, notably the fact that HUD would not have the ability to “ensure that management problems are not detected” and that the limited resources provided for HUD were not being utilized properly (GAO 1991, 1). In response, HUD made efforts to increase the targeting of funds for the benefit of low- and moderate-income individuals and households. In the Housing and Community Development Act of 1987, HUD specified that block grant recipients were required to document that at least 60 percent of their grant funding specifically benefited low- and moderate-income areas within their jurisdictions. This regulation was a major step toward reducing the political dissemination of funding and increasing the targeting of funds to meet cities’ major revitalization needs.

The 1990s also saw a major attempt to enhance and implement economic development activities in the cities receiving CDBG funding, even as regulations were revised several times to adjust the levels of assistance provided by the federal government and HUD in order to maintain some program responsibility. However, using mandates to “encourage” spending in one program area was directly in contrast to the flexibility component of the program. This gray area in program decentralization still exists, as finding the appropriate balance for program benefits and expenditures cannot be attributed to a specific formula for programmatic success.

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The federal programs implemented in the 1960s and 1970s were designed to address very crucial issues facing cities in American society, and they did in fact make a significant impact in the decades between 1960 and 1990. However, defining the degree of program “impact” and success in accomplishing governmental goals was a major problem within the federal grant system.

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### ***Subnational Capacity for Grant Programming***

Elazar writes that the first of the contemporary federal–local grants established during the New Deal and after World War II were “at the peak of their performance in American society” as larger metropolitan areas, “facing problems of urban reconstruction” (1984, 98), turned to the federal government for monetary assistance. He goes on to say that “these great cities . . . were politically able to make their influence felt in Washington,” and they were “organizationally strong enough to handle the complexities of administering cooperative programs without state assistance” (98). By the 1970s, the federal–local ties had been “institutionalized” (99), as the composition of federal grants-in-aid exploded from \$2.3 million in 1950 to \$49.8 million in 1975 (Hale and Palley 1981, 13). The federal programs implemented in the 1960s and 1970s were designed to address very crucial issues facing cities in American society, and they did in fact make a significant impact in the decades between

1960 and 1990. However, defining the degree of program “impact” and success in accomplishing governmental goals was a major problem within the federal grant system. As a result, CDBG emerged as the grant frontrunner when many other programs were eventually cut from federal appropriations. In many cases, it was determined that the appropriate goals or benchmarks cited for the program were not being met, and there were little, if any, data available to measure the impacts of the programs. Part of the problem can be attributed to local government capacity issues over the years.

In the early 1970s, as CDBG was being newly implemented, the ACIR placed a high priority on the need for local governmental reorganization (ACIR 1974, 146). Within the federal grant system, the ACIR was concerned about the lack of structured decision-making processes that existed at the lower levels of government. It reported that “at the sub-state regional level (with some notable exceptions) no formal arena or familiar political process exists to even grapple with . . . issues (such as efficiency, equity, and political accountability) and the countless specific policy questions that relate to them” (1974, 146).

Thus, local government capacity issues were a precursor to the implementation of CDBG. In order to solve these problems at the local level, the ACIR asserted that program functions must operate in consideration of economic efficiency, fiscal equity, fiscal accountability, and administrative effectiveness (ACIR 1976a, 68). This would encourage the selection of jurisdictions as grantees that would be willing and able to provide services and administer grant programs appropriately to maximize the benefits to citizens.

The changes enacted by the Housing and Community Development Act of 1977 were in response to the ACIR’s recommendations. The 1977 act transferred partial responsibility back to the federal government by increasing HUD monitoring requirements and oversight of funds, which would bring balance to the system and increase local targeting of grant funds to low- and moderate-income areas. The changes appeared to produce positive results, as there was a reported increase in the percentage of funds reaching poor households and areas (Rich 1993, 38–40), while the program’s operational framework was strengthened. Ultimately, new leadership in the White House meant the pendulum would swing in a different direction, but the 1977 act did serve to tighten legislative oversight and control in order to increase benefits to the low- and moderate-income population within urban communities, thereby enhancing the ability of local grant recipients to perform more effectively.

Although CDBG was making positive adjustments in its program, other studies determined that the pro-

gram continued to be threatened by long-term local capacity issues. Donald Kettl conducted an examination of four cities in the first years of the CDBG program in which he concluded that cities were primarily “politically equipped to deal with scattered, short-term, neighborhood-based problems” (1979, 451). This suggested that the short-term benefits of program flexibility were not producing results in consideration of problems that “demand longer commitments . . . (as a result) redistribution of income to the poor, or concentration of funds in a narrow functional area, lie beyond local political capacity” (451). Furthermore, Rosenfeld (1979, 449) stressed that the program design and federal monitoring strategies did not help cities solve their problems; instead, they reinforced an overall dependence on local officials to solve their own problems. There was a call for additional responsibility and accountability to ensure that cities were utilizing the monies to meet long-term needs instead of paying to meet their short-term political goals. This call for subnational units of government to step forward and strengthen their capacity to serve local needs and solve long-term problems continues to be a contemporary programmatic issue that is being addressed in CDBG programs across the country.

### **Program Accountability**

Governmental accountability has a significant impact on the intergovernmental grant system when considering financial and programmatic responsibility, especially when it is shared among several levels or units of government. Break discussed a problem related to the local use of unconditional grants (such as block grants) known as the “principle of financial responsibility,” whereby jurisdictions are not as conscientious with spending when the money is provided by “outsiders” (1967, 139). This problem remains in existence today, implying that there is a greater chance of fraud and waste with the additional grant revenues that flow into a city’s accounts from outside sources, as the funds are not directly raised by the citizens within the jurisdiction. In this instance, federal program regulations and monitoring are the keys to preventing fraud and enforcing local accountability.

In the early 1980s, the GAO reported concerns about program accountability, targeting, program evaluation, and administrative costs (GAO 1982). These items were evaluated in regard to the strength and flexibility of congressional oversight in the intergovernmental block grant programs.

One major accountability issue cited by the GAO involved the lack of uniform reporting in the CDBG program, which increased confusion within the grant system. In the pre-1981 block grants, the “amount of flexibility grantees had under the grants differed from block to block” (GAO 1982a i), creating significant problems with the large number of requirements issued

and thereby discounting program accountability in entitlement communities. In addition, the increased legislation cited in the various Housing and Community Development Acts for reporting requirements increased the complexity in federal programs, thereby creating a much larger issue of nonconformity in federal programming (GAO 1982, 75). For example, the Housing and Community Development Act of 1977 added a second funding formula to determine grant award amounts for grantees, creating the dual formula system that was in effect for approximately 30 years. The factors making up the original formula to determine the amount a grantee would receive in federal aid were the jurisdiction's population, the amount of overcrowded housing, and the extent of poverty (Bunce and Goldberg 1979, 83; HUD 1975, 5). The second formula cited in the 1977 act included items such as the extent of population growth lag, the extent of poverty, and the age of housing. The addition of this formula transformed the program into a dual system in which eligible entitlements were evaluated with both formulae, and they would receive the block grant allocation equaling the greater of the two formula amounts (Bunce and Goldberg 1979, 3). Because of the incomparable data created through these types of legislative mandates, the GAO warned that this inconsistent, retrospective approach to evaluating grantees would "affect the Federal Government's ability to ascertain progress toward its national objectives" and mission of alleviating poverty in America (GAO 1982, 75).

Accountability in the form of meeting formula eligibility standards was another problem that was not addressed in the program. Legislation included in the Consolidated Omnibus Budget Reconciliation Act of 1985 "continued the eligibility of twenty-five metropolitan cities that had lost their central city designation or had their population decline below 50,000" (HUD 1987, 2). In other words, the program was continuing to provide funding to cities that no longer met the population requirements of at least 50,000 residents to maintain program eligibility. These communities were "grandfathered" in, and they continued to receive funds, in addition to the newly eligible entitlement cities that received program funding. Under the formula grant system, the continued maintenance of cities that were no longer eligible was harming the overall design of the program and dissolving the accountability function for cities that no longer met the eligibility criteria. Caraley asserts that "since the total distributions for any particular year

were a fixed number of dollars, such unmerited distributions decreased the size of the pot from which other, more needy local governments can draw" (1977, 141).

Problems related to federal grant oversight were a third concern reported by the GAO during the 1990s. The GAO questioned HUD's ability to "ensure that management problems are not detected" and emphasized concerns that the limited resources provided for HUD were not being utilized properly (GAO 1991, 1). Site-specific GAO case studies reinforced their concerns, as the agency found that files were not being reviewed by supervisors and that on-site monitoring was rarely provided by regional HUD offices (GAO 1991, 3-4). These inactions further demonstrated the loose network of success in obtaining uniform data and measuring program effectiveness.

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### **Program Adaptability**

The intergovernmental grant system primarily operates within a "top-down model" of federalism, in which subnational governments are focused on maintaining compliance with a federally controlled system. "When intergovernmental programs appear to lack an overall intergovernmental strategy—evidenced by confusing legislative enactments, overlapping program authority, uncertain responsibility, and duplication of effort—the easiest solution is for the federal government to man-

age by enforcing or requiring coordination" (Agranoff and McGuire 2001, 673). Thus, subnational governments must adapt to changes in federal policy and control in order to remain in compliance or else risk the threat of losing federal funds.

As recently as 2005, the CDBG program demonstrated an ability to adapt to changes in the federal policy environment in order to keep the program in operation. Long-term problems associated with program decentralization, subnational capacity, and accountability for performance prompted the George W. Bush administration to recommend a policy reorganization whereby CDBG would be restructured through the U.S. Department of Commerce as a new program called the Strengthening America's Communities (SAC) initiative. This initiative would have reduced existing grant levels from \$5.31 billion in 18 grant programs to \$3.71 billion for community development programming, as it proposed to shift the emphasis in community development to economic development and the implementation of strong accountability standards. As a result, the CDBG program

was forced to use the mechanism of co-optation (Selznick 1966, 13) as stakeholders quickly absorbed new elements into the existing framework of the program in order to survive. CDBG and HUD officials scrambled to make major improvements to the program to address many of the criticisms made over the years, and they succeeded in keeping the program in operation through 2008. Significant changes as a result of the proposed CDBG Reform Act of 2006 included combining the dual formula into a single formula for grants allocated to both cities and states eligible for the program, establishing performance measures and requiring grantees to submit a performance plan outlining their plans for measuring their accomplishments, and implementing a competitive grant program providing incentives for timely accomplishments and limited funding in the case of poor performance. The CDBG Reform Act was not passed but will be reintroduced in 2008 in a continued effort to improve the effectiveness of the CDBG program. Both the efforts of HUD to revise program standards and the long-running political success of the program inevitably contributed to its short-term survival. As Selznick warns, however, coercive methods of change are “not effective as an enduring instrument” (1966, 13); thus, the coming years will determine how the coordination achieved by CDBG administrators will influence the long-term future of the program.

### Program and Policy Implications

The implications of this study for today’s intergovernmental system will resonate with both practitioners and students of academic research in the attempt to improve the intergovernmental grant system. Governmental units are faced with crises such as the war on terrorism, with limited exposure of community development issues on the congressional agenda. Meanwhile, funding for CDBG has declined from \$5.1 billion in 2001 to an estimated \$2.9 billion in 2008 (National Housing Conference 2007), so competition for grant funding is an acute reality in present and future years.

Practitioners in the field of community development are well aware of the long-term threats to funding that have persisted for several decades. The case of CDBG provides a useful example of lingering problems that can dissolve program effectiveness, in addition to serving as a model for intergovernmental communication with positive outcomes that have kept the program in operation. Specific implications of CDBG for practitioners include the following:

- Political popularity may not override poor performance. Despite the reputation of being a “friend to cities,” CDBG eventually was threatened by its inability to address decades of problematic data collection and inadequate federal oversight.
- Imbalances in the intergovernmental system continue to defer to federal authority. Despite

efforts to devolve responsibility to subnational units in grant programs, ultimate authority rests in the executive as a foundation of the intergovernmental grant system.

- Subnational capacity is improving, with the help of benchmarks and best practices that are being shared across entitlement communities.
- HUD is responding to the need for subnational technical assistance, as demonstrated by the revised performance measurement structure and funding for training.
- Further efforts to leverage private and nonprofit assistance can assist local efforts to accumulate extra funding for community projects. This expansion is now a critical reality in the contemporary form of program and policy devolution.
- Accountability for performance is the new standard, which appears to be supported by a new intolerance for subpar data collection and failure to accomplish program goals.

In conjunction with these practical implications, there are also implications for academic research within the field of intergovernmental grants and community development:

- The political decentralization of grant programs requires control and a centralized presence at the federal, state, and local levels of government in order to maintain communications between policy formulation and program implementation.
- The communication of best practices in community development programs is recommended to enhance adaptability; thus, the research should include more case studies of successful grant programs for the benefit of practitioners and scholars.
- Examples of federal regulatory power should be highlighted in the literature, to demonstrate effective ways the federal government has rewarded high performers and assisted low performers, as well as penalized cases of funding abuse.
- An evaluation of the revisions to the CDBG program within the next five years is recommended. This will determine whether the recent revisions to save the program will have an impact on lower-income segments of American communities and guarantee its success as more than just a political tool with limited effectiveness in program implementation.

### Conclusion: Assessment and Next Steps for Research

This analysis of consistent intergovernmental problems within the CDBG program clearly illustrates that finding a balance in federal–local programming is no easy task. In the coming decade, inevitable cuts to domestic grant programs, along with an unstable political environment, will further complicate the intergovernmental grant system. Efforts to enhance the

**Table 3** Long-Term Lessons for Federal–Local Relations, 1974–2007

Item of Concern	Problems	Practical Recommendations	Policy Implications
Political decentralization	Imbalance in intergovernmental grant system Local politics alters program/policy implementation	Target geographic areas for neighborhood revitalization Leverage private and nonprofit funding to expand local resources	Federal authority overrides the system An inclusive process for involving subnational governments is critical for successful policy formulation and implementation Federal recognition of top performers should be published regularly; funding should be provided to assist with information sharing with these entitlements
Subnational capacity	Ineffective and inefficient local administrations	Local “best practices” more recognized and shared	Program success increases with incentives provided to entitlements that adhere to policy standards demonstrate ability to accomplish goals effectively measure accomplishments
Program accountability	Lack of federal guidance Lack of federal grant oversight	Increase federal technical assistance to clarify regulations Consistent and uniform federal monitoring and oversight	Program success increases with incentives provided to entitlements that adhere to policy standards demonstrate ability to accomplish goals effectively measure accomplishments
Program adaptability	No uniform performance measurements required Inadequate balance between too many and too few federal regulations Unclear goals and objectives Outdated standards and definitions Inadequate performance measures	Punish grantees for failure to comply Provide incentives for model cities Inclusive intergovernmental assessment of goals/objectives Communication with subnational levels to revisit appropriate standards of success Technical assistance for performance measures	Long-term success must be measured by policy makers Programs that adapt must have both short and long term plans and be rewarded accordingly.

effectiveness of intergovernmental grants, especially for community development, will be critical within the current political environment to maintain funding levels and to ensure that performance measurements are adequately structured and implemented.

The research evaluated in this case demonstrates evidence of a notable pattern of complications that must be considered. Table 3 provides a summary of these problems, as well as their implications for both practitioners and the academic research on the subject. Further explanation of the recommendations is provided below:

- Political decentralization of programming may tend to create loose implementation strategies at the local level. Some degree of local centralization should occur to prevent the further dissemination of funding and program effectiveness at the hands of local politics.
- Local governments must actively participate in civic networks to communicate and learn from each other so as to strengthen local capacity. Geographic and regional similarities can be emphasized so that sharing information is productive.
- Federal regulatory power must be enforced to maintain program accountability and thereby produce greater results and program successes. Grandfather clauses, for example, have their place in the political arena; however, to achieve the desired results, enforcement must occur, and adequate funding is needed for the federal bureaucracy to carry out its strategies.
- The provision of federal technical assistance is a programmatic necessity, but historically it has not been enough to bridge the gap and strengthen local governments’ efforts to generate program success.
- Adaptability is a proven characteristic that grant programs must acquire in order to achieve long-term funding success and thereby increase their positive impact on the problems they are designed to diminish.

Beneficial areas of research on the federal grant system include further evaluation of federal regulatory provisions and oversight. The CDBG program provides evidence of inadequate federal oversight as regulations are revised in order to improve programming. Grant programs inevitably rest in the control of the funding source—the federal government—and assessing the ways in which programs have incorporated feedback from subnational grant recipients, as well as utilized technology to share best practices and models for other grantees, is a next step that will help promote effective balance and change in the system.

Research on the CDBG program is also highly valued and needed because of the tenure of the program on the congressional agenda. Both scholars and practitioners will benefit from an evaluation of how the recent revisions to the program have affected program

performance, especially the collection of uniform data and effective measurements to identify impacts to local communities. Furthermore, if the CDBG Reform Act is passed, the policy changes should create a much different environment compared to past CDBG programs. In addition, an assessment of CDBG from the local perspective is encouraged in order to communicate priorities and problems from the communities that are charged with the implementation of programs within an environment of local politics.

The CDBG case may in reality provide an extreme case of intergovernmental struggles because of the length of time the program has been in place. However, at a time when performance measurement in government is a national priority, it is especially important to transform ideas into practice so that program dollars are wisely spent and demonstrate their need for continued federal allocations. Nevertheless, the lessons learned from HUD's critics over the last three decades are suggestive of a national audience that seeks to have federal programs succeed in achieving their objectives.

Highlighting ways to maximize effectiveness at both the federal and the local level will ultimately shrink the communication gap and provide effective services according to local needs and demands. It is of some consolation to note that HUD and Congress do listen to other federal agencies that have a stake in the success of federal programming, and policies have changed over the years to increase the benefit for lower-income households. It is also refreshing to illustrate that there are cooperative relationships within the realm of federal policy that have the potential to make an even greater difference in the lives of Americans.

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