DOCUMENT RESUME

00546 - [A0590613]

Why the Formula for Allocating Community Development Block Grant Funds Should Be Improved. CED-77-2; B-171630. December 6, 1976. 50 pp.

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Assisting Urban Communities to Prevent and Eliminate Blight and Deterioration (2102).
Contact: Community and Economic Development Div.
Budget Function: Community and Regional Development: Community Development (451).
Organization Concerned: Department of Housing and Urban Development; Bureau of the Census; Bureau of Labor Statistics.
Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs; Congress.
Authority: Housing and Community Development Act of 1974 (42 U.S.C. 5301). P.L. 94-521.

A review of the formula used to allocate Community Development Block Grant funds by the Department of Housing and Urban Development (HUD) revealed inequities. In the Block Grants program, funds for the improvement of urban communities were to be allocated according to a "needs formula" based on population, overcrowded housing, and the extent of poverty.
Findings/Conclusions: In determining poverty, which receives a double weight in the formula, HUD does not recognize regional differences in cost of living as authorized by legislation. Proposed allocations by HUD for 1977 are based on 1973 census population estimates and 1970 data on poverty which would lead to a shift of funds to wealthier suburban areas. GAO believes that funds should be distributed on the basis of the latest census data. Recommendations: HUD should revise the methodology used to allocate Community Development Block Grant funds to recognize regional cost of living variations. Congress should amend the Housing and Community Development Act of 1974 to require use of latest census data for the three variables in the allocation formula until methods for updating the variables are developed. (HTW)

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Why The Formula For Allocating Community Development Block Grant Funds Should Be Improved

Department of Housing and Urban Development

The formula used by the Department of Housing and Urban Development to distribute Community Development Block Grants results in inequities in the allocation of funds to communities. That formula should be improved by adjusting for regional cost-of-living differences and by having all elements of the formula referable to the same date.

This report also discusses the allocation of Community Development Block Grant funds between metropolitan and nonmetropolitan areas and the effects of counting poverty twice in the formula.

CED-77-2

DEC. 6, 1976

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-171630

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses inequities caused by the current formula used to allocate Community Development Block Grants by the Department of Housing and Urban Development and suggests ways to improve the formula.

We reviewed the formula to provide the Congress information as to whether the allocations of funds under the program were being made equitably and in accordance with the objectives of the authorizing legislation.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen of the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Banking, Currency and Housing; and the Secretary of Housing and Urban Development.

Elmer B. Staats

Comptroller General
of the United States

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ABBREVIATIONS

CDBG	Community Development Block Grant
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
SMSA	standard metropolitan statistical area

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WHY THE FORMULA FOR ALLOCATING COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS SHOULD BE IMPROVED
Department of Housing and Urban Development

D I G E S T

The Housing and Community Development Act of 1974 replaced several Department of Housing and Urban Development categorical programs with the Community Development Block Grant program. Under the categorical programs, communities competed for available funds which Federal officials allocated.

The Community Development Block Grant allocation system changed this. Funds are to be allocated objectively according to a "needs formula" based on population, overcrowded housing, and the extent of poverty.

The formula used by the Department of Housing and Urban Development in allocating Block Grant funds to communities does not recognize differences in cost of living among regions and areas in determining poverty levels. However, the act permits the Secretary to make adjustments for regional or area variations in cost of living if feasible and appropriate, and this would result in a more equitable allocation of funds to recipient communities.

Differences in cost of living among cities--usually in the range of 25 percent but sometimes as much as 69 percent--and the fact that the extent of poverty receives a double weight as an indicator of need make regional or area adjustments appropriate.

Because no index was available to make such adjustments, GAO developed a cost-of-living index based on the fair market rents developed by the Department of Housing and Urban Development for another housing program. For example, use of the GAO-developed index increases the allocation of Community Development Block Grant funds for New York City by $15.1 million--12 percent--and decreases the New Orleans allocation by $1.6 million--12 percent. (See pp. 4 to 6.)

The 1974 act provides further that the Secretary use the most recent data available for each of the

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three variables in the formula. In its fiscal year 1977 allocations, the Department of Housing and Urban Development plans to use 1973 Bureau of the Census population estimates and 1970 data on the extent of poverty and overcrowded housing because it is the most recent data available.

However, relative to the changes in total population and poverty in standard metropolitan statistical areas, central cities are losing population and gaining poverty while suburban areas are gaining population and losing poverty.

To update only the population data will result in allocating funds on a basis which does not reflect a community's current needs and could result in Block Grant funds being shifted from the poorer central cities to the wealthier suburban areas. GAO believes the funds should be distributed on the basis of the latest census data until a method can be established to periodically update the poverty and overcrowded housing variables.

On October 17, 1976, Public Law 94-521 was enacted providing for an additional census every mid-decade beginning in 1985. Although Census has not yet determined the kind of data it will collect in the mid-decade census, a Census official believed it would collect the data required for the Community Development Block Grant program. (See pp. 13 to 17.)

The 80/20 percent allocation of funds between standard metropolitan statistical areas and other areas, provided for in the act, favors the standard metropolitan statistical areas over the other areas in the allocation of Block Grant funds.

However, the demographic values used by the Department of Housing and Urban Development for the fiscal year 1975 allocations reflect a 66/34 percent split between standard metropolitan statistical areas and other areas in terms of population, poverty and overcrowded housing. (See p. 20.)

The statutorily required double-weighting - instead of single-weighting - of the extent of poverty in the Community Development Block Grant formula generally provides more funds to cities with "high" concentrations of poverty than to cities with "low" concentrations of poverty. Thus, the legislative intent of providing greater assistance to areas with greater poverty is met.

Because of the relationship which exists among the three variables, GAO found that many cities with large levels of poverty actually received less funds than they would have received if poverty had been weighted once instead of twice. Even though New York City had 10.5 percent of the poverty in the 521 standard metropolitan statistical area formula cities, it lost over $2 million by weighting poverty twice instead of once. (See pp. 21 to 23.)

AGENCY COMMENTS

The Department of Housing and Urban Development stated that it will soon conclude a study of the allocation provisions of the Block Grant program and expects to deliver findings and recommendations to the Congress no later than December 31, 1976. The Department of Housing and Urban Development stated further that it is currently examining the feasibility of using section 8 fair market rent data, as well as other available data for developing a cost-of-living index and will consider the points raised in GAO's report in completing their study.

The Bureau of Labor Statistics and the Department of Commerce did not dispute the appropriateness of adjusting poverty levels for cost-of-living differences, nor did they state that such an index was not feasible. More importantly, the Bureau of Labor Statistics and the Department of Commerce stated their willingness to work with the Department of Housing and Urban Development to develop a comparative cost-of-living index. They did, however, state that the GAO-developed index had shortcomings and, without appropriate modifications, should not be used to adjust for cost-of-living differences.

GAO recognizes that its index has shortcomings, principally due to the state of the art and lack of available data. However, the present method of allocating funds without adjusting for cost-of-living differences is clearly inadequate and GAO believes that development of an index warrants further study. (See p. 6.)

The Department of Housing and Urban Development and the Department of Commerce also stated that it was not clear that updating only the population variable in the formula would produce inequities in the distribution of funds. The Department of Housing and Urban Development added that the 80/20 percent split of funds between the standard metropolitan statistical areas and other areas approximated the split of funds under the prior categorical programs and that GAO apparently believed that the double-weighting of poverty should always serve to increase a community's entitlement. GAO does not agree with the Department of Housing and Urban Development and the Department of Commerce comments on these matters. (See pp. 17 and 24.)

GAO is recommending that the Secretary of Housing and Urban Development, with the assistance of the Bureaus of Labor Statistics and the Census, revise the methodology used to allocate Community Development Block Grant funds to recognize regional or area variations in cost of living. (See p. 12.)

RECOMMENDATIONS TO THE CONGRESS

To allocate Community Development Block Grant funds on a more equitable basis the Congress should amend section 102 of the Housing and Community Development Act of 1974 to require the use of the latest census as the source of data for the three variables in the allocation formula until a method can be established to periodically update the poverty and overcrowded housing variables. The Congress should also direct that the Secretary of Housing and Urban Development undertake the necessary research to enable the development of a feasible method of periodically updating the poverty and overcrowded housing formula variables. (See p. 19.)

If the Congress intended to distribute Block Grant funds on the basis of needs, as evidenced by the variables used in the formula, then the Congress should amend section 106 of the act to change the 80/20 percent allocation between standard metropolitan statistical areas and other areas currently established by the act to more closely approximate the actual differences in the demographic values. (See. p. 25.)

If the Congress wanted the areas with higher poverty ratios to receive the most funding then the formula should be revised. One solution would be to amend section 106 of the act to give recipient communities of Community Development Block Grant funds the greater of the amounts from weighting poverty once and twice in the formula--with all allocations then reduced by the same percentage so that total allocations will equal the amount appropriated. (See p. 25.)

CHAPTER 1

INTRODUCTION

The Housing and Community Development Act of 1974 (42 U.S.C. 5301) replaced several Department of Housing and Urban Development (HUD) categorical programs with the Community Development Block Grant program (CDBG). The primary objective of the program is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income. Consistent with this objective, assistance should be directed toward the:

--Elimination of slums and blight.

--Elimination of conditions detrimental to health, safety, and public welfare.

--Conservation and expansion of the Nation's housing stock.

--Expansion and improvement of community services.

--More rational utilization of land and other natural resources.

--Reduction of the isolation of income groups within communities.

--Preservation of historic properties.

One of the biggest differences between the categorical programs and the CDBG program is the method by which funds are allocated to recipients. Under the categorical programs recipients competed for and Federal officials determined allocations of the available funds. This element of uncertainty in obtaining funds under the categorical programs added to the recipients' difficulty in planning realistically for their development needs.

The CDBG allocation system changed this. Funds are objectively allocated according to a "needs formula" based on population, extent of overcrowded housing, and the extent of poverty.

THE CDBG FORMULA

In fiscal year 1975, 521 metropolitan cities and 73 urban counties were "formula" communities. Formula communities are

(1) metropolitan cities within a standard metropolitan statistical area (SMSA) which are central cities of the SMSA or which have a population of 50,000 or more or (2) urban counties within an SMSA which have a population of 200,000 or more and which are authorized under State law to undertake community development activities. These communities were allocated $1.78 billion (including hold harmless)1/ or 70 percent of the total $2.55 billion of CDBG funds available. In addition, $227 million or 9 percent were allocated to small hold harmless communities and for discretionary grants in SMSAs. The remaining $546 million or 21 percent were allocated to hold harmless communities in non-SMSAs and for other discretionary grants.

HUD distributed the funds to the formula communities by the use of the following allocation formula which it derived from the Community Development legislation.

$$X = Y\left(\frac{A + 2B + C}{4}\right), \text{ where the:}$$

X = amount of funds to be allocated to a recipient.

Y = total amount of funds to be allocated to SMSAs.

A = ratio of a recipient's population to the total population of all recipients.

B = ratio of a recipient's extent of poverty to the total poverty of all recipients.

C = ratio of a recipient's extent of overcrowded housing to the total overcrowded housing of all recipients.

The formula double weights the poverty variable (B) relative to the other two variables and thus fulfills the intent of the law.

HUD receives the data used in the formula from the Bureau of the Census. According to the act, population means the total resident population of a recipient community, extent of poverty means the number of persons below the poverty level

1/ If a community's allocated amount under the formula is less than the average funding level under prior HUD programs, the community receives the higher amount for a period of 3 years. This is considered to be holding the community harmless and is intended to phase a community into its formula amount without abrupt changes in funding levels.

pursuant to criteria provided by the Office of Management and Budget (OMB), and extent of overcrowded housing means the number of housing units with 1.01 or more persons per room.

A HUD official advised us that the CDBG formula is the joint product of HUD, the Congress, and OMB. The development of the formula began about January 1971 and continued until the community development legislation was enacted in August 1974.

According to the HUD official, the three variables finally included in the formula represent a need of the recipients to receive CDBG funds. Poverty was given double weight because it was considered the most important of the variables and was most readily relatable to the purposes of the act.

HUD used 1970 data furnished by Census for the fiscal year 1975 fund allocation. This data included annexation as well as boundary and new incorporation changes for 1971 and 1972. Population growth and changes in poverty levels and overcrowded housing were not taken into account.

In 1975 Census provided 1973 population estimates to HUD. However, the data arrived too late for use in HUD's fiscal year 1976 CDBG allocations. Also, HUD advised that these estimates were preliminary data, incomplete, and not in a format readily usable by HUD's computers. HUD has subsequently obtained complete 1973 population estimates and plans to use the data in its fiscal year 1977 CDBG allocations.

SCOPE OF REVIEW

We used statistical analysis techniques--correlation and regression analysis--in reviewing effects of the CDBG formula and data on the formula allocations of $1.12 billion for the 521 metropolitan cities in SMSAs. We did not include the hold harmless amounts for the 521 cities in our analysis because they do not specifically relate to the working of the formula. Also, by 1980 the hold harmless provision of the legislation will no longer be in effect.

We also reviewed applicable legislative history and HUD documents and interviewed HUD headquarters and Census officials.

CHAPTER 2

NEED TO ADJUST THE POVERTY VARIABLE

FOR VARIATIONS IN COST OF LIVING

Section 102(a)(8) of the Housing and Community Development Act of 1974 provides that the Secretary of Housing and Urban Development may take into account and make adjustments to the poverty levels set by the Office of Management and Budget for regional or area variations in cost of living if such adjustments are feasible and appropriate. According to a HUD official, the House of Representatives originally included in the act the cost-of-living adjustments to the poverty levels. However, when HUD indicated that it did not have a cost-of-living index for a fine enough geographical breakdown, the House of Representatives gave HUD, in the act, the responsibility for deciding whether cost-of-living adjustments would be used or not.

We believe that adjustments to recognize regional or area variations in cost of living are appropriate and would provide a more equitable allocation of Community Development Block Grant funds to recipient communities. The great differences--usually in the range of 25 percent but as much as 69 percent--in cost of living among cities and the importance placed on the poverty variable as an indicator of need by the Congress which gave it double weight in the formula make such adjustments appropriate.

ADJUSTMENTS ARE APPROPRIATE

The formula does not recognize differences in regional or area cost of living and uses the same criteria for determining poverty levels in all communities. Accordingly, cities with low costs of living will have their poverty count overstated while cities with high costs of living will have their poverty counts understated. The cities with low costs of living will therefore receive relatively more funds than cities with high costs of living unless the differences in costs of living among communities are taken into account.

The number of persons whose incomes are below the poverty level can be more accurately measured when income levels are adjusted to account for the real value of goods and services that can be purchased in different areas. For example, a $5,000 income in 1974 had the purchasing power of only $4,660 in the New York urban area, but the purchasing power of $5,600 in Austin, Texas, when the income is adjusted by the Bureau of Labor Statistics' cost-of-living index. In terms of real income, the family in Austin has about 20 percent more purchasing power per dollar than the family in New York. Application of a comparative cost-of-living index would more equitably define the level of poverty for that particular region or area.

The CDBG formula was designed to allocate funds on the basis of communities' needs according to the communities' population, poverty, and overcrowded housing. The Congress clearly emphasized the importance of the poverty variable as an indicator of need in allocating CDBG funds by giving it double weight in the formula. Because of the significant differences in cost of living among communities, and the legislative intent of allocating funds in terms of communities' needs, we believe that adjustments for regional or area differences in cost of living should be made in allocating CDBG funds.

Because no index was available that would provide for such cost-of-living adjustments, we attempted to construct an index to provide for these adjustments by using certain data that was available within HUD.

Such an index could possibly be developed based on the fair market rents published by HUD for their section 8 leased housing program. Under the program, HUD provides financial assistance to lower-income families to enable them to lease decent housing on the private market. HUD has established fair market rent levels for about 3,100 areas throughout the Nation. Fair market rents could possibly be used to develop a cost-of-living index because, (1) housing costs make up a large portion of the total consumption of lower budget families, (2) section 8 fair market rents are up to date and computed by HUD, and (3) section 8 fair market rents are available for most metropolitan and nonmetropolitan areas in the Nation.

We constructed a comparative cost-of-living index for the 521 formula cities using HUD established fair market rents. This was done by taking the fair market rent for each city and dividing by the mean (average) fair market rent. We compared this index with the cost-of-living estimates the Bureau of Labor Statistics makes for 40 urban areas (Urban Family Budgets and Comparative Indexes for Selected Urban Areas). We found there was a good statistical relationship between the Bureau of Labor Statistics' index and the index based on fair market rents for the 40 urban areas. The relationship was weak for small cities (under 100,000 population) when the exceptionally high cost city of Anchorage, Alaska was excluded from the analysis. However, the small cities were allocated only 23.5 percent of the funds going to the 521 cities. Because the overall statistical relationship between the fair market rent index and the Bureau of Labor Statistics cost-of-living index was good, we believe a comparative cost-of-living index based on fair market rents could possibly provide a good estimate of costs of living for all cities in the CDBG program.

For example, as illustrated in the schedule on page 7, recognition of differences in the cost of living could result in an increase of CDBG funds of over $15.1 million or 12 percent for New York City and in a decrease of $1.6 million or 12 percent for New Orleans. By not recognizing differences in cost of living, approximately 368,000 persons in New York City are not counted as being poor who should be and, as a result, New York loses $15.1 million. On the other hand, New Orleans gains $1.6 million in CDBG funds because approximately 25,000 persons are considered poor that should not be.

The need for a federally developed regional or area cost-of-living index becomes more important with the increasing use of formulas as a basis for distributing funds to the communities. For example, about $1.6 billion were allocated in fiscal year 1975 under the Comprehensive Employment programs by a formula which included a poverty variable. The list is expected to grow according to the current Administration's fiscal year 1977 budget which seeks to consolidate 59 Federal grant programs into four block grant programs for health, education, social services and child nutrition. The fiscal year 1977 budget for the four proposed block grant programs would be about $18 billion.

CONCLUSIONS

Because of the signficant differences in cost of living among communities, we believe that CDBG funds would be more equitably allocated if such differences were recognized by HUD in its computation of the amount of funds to be allocated to individual communities. We believe that HUD, in conjunction with the Bureaus of Labor Statistics and Census, should work to develop an index to adjust for cost-of-living differences in the allocation of CDBG funds.

AGENCY COMMENTS AND OUR EVALUATION

HUD, the Bureau of Labor Statistics and the Department of Commerce commented on our fair market rent index as an estimator of regional or area cost-of-living differences.

Effect of Cost-of-Living Adjustments

City	Poverty level (note a)	Adjusted poverty level	Persons below poverty level: Before adjustment	Persons below poverty level: After adjustment (note b)	Persons below poverty level: Difference (note c)	1975 Fund Allocation: Before adjustment	1975 Fund Allocation: After adjustment	1975 Fund Allocation: Difference	Percentage difference
						(000 omitted)			
New York City	$3,968	$5,238	1,150,685	1,519,000	368,000	$124,209	$139,260	15,051	12.1
Chicago	3,968	5,238	481,842	636,000	154,000	51,050	57,353	6,303	12.3
New Orleans	3,968	3,333	155,938	131,000	-25,000	13,604	11,995	-1,609	-11.8
San Francisco	3,968	5,000	97,094	122,000	25,000	10,175	11,161	986	9.7
Amarillo	3,968	2,540	15,036	9,600	5,400	1,606	1,301	-305	-19.0

[a] Bureau of the Census' national average for a nonfarm family of four in 1970.

[b] Adjusted poverty levels are determined by multiplying the poverty level before adjustment by the cost-of-living index we developed based on fair market rents established by HUD for its section 8 leased housing program. (See p. 5.)

[c] Rounded.

HUD stated that it is currently examining the feasibility of using Section 8 Fair Market Rent data, as well as other available data for developing a cost-of-living index.

The Bureau of Labor Statistics and the Department of Commerce did not dispute the appropriateness of adjusting poverty levels for cost-of-living differences in the CDBG program, nor did they state that such an index was not feasible. More importantly, they stated their willingness to work with HUD to develop a comparative cost-of-living index. They did, however, state that the sample index we prepared had shortcomings and, without appropriate modifications, should not be used to adjust for cost-of-living differences.

We feel it is necessary to address the specific criticisms leveled against our fair market rent index. We recognize that our index has shortcomings, principally due to the state of the art and lack of available data. However, the present method of allocating funds without adjusting for cost-of-living differences is inadequate and we believe that development of an index warrants further study.

Department of Housing and
Urban Development

HUD stated that it worked jointly with other agencies and officials of the Library of Congress and developed a regional cost-of-living index for the four major Census regions. However, because the regional index did not adequately compensate for the variations in cost of living among cities, they found that making adjustments using the regional index was not appropriate. HUD stated that there were greater variations in cost of living and income within each region than there were among the regions. They also concluded that adjustments are not feasible in the absence of a cost-of-living index which reflects differences across a much lower level breakdown of geographical areas or governmental units than the four regions. However, HUD stated that it is currently examining the feasibility of using Section 8 Fair Market Rent data, as well as all other available data within the Bureau of Labor Statistics, for developing a cost-of-living index that could be used in allocating CDBG funds. HUD expects to report the results of their efforts to the Congress by December 31, 1976. (See p. 30.)

Bureau of Labor Statistics and
the Department of Commerce

Both the Bureau of Labor Statistics and the Bureau of the Census, Department of Commerce, cite deficiencies in the fair market rent series developed by HUD which they believe make the rent series inadequate as an estimator of cost-of-living differences. The Bureau of Labor Statistics states that the fair market rent series is not a good measure of market rents. Census maintains that HUD procedures for determining fair market rents would have deficiencies for cities or areas with a population of less than 250,000 because their rents had to be developed from the data of the four census regions.

We are aware that a nonmarket determined rent cannot be a perfect reflection of actual market rents, and a soon to be released GAO report lists some deficiencies in HUD's fair market rent series. However, we believe that correction of these deficiencies would result in fair market rents being a better reflection of geographic differences in market rents. The Census claim about fair market rents for areas under 250,000 is only half the story. According to a HUD official, counties with a population under 250,000 are grouped together until 250,000 is exceeded. Fair market rents for these grouped counties are then based upon samples taken from the counties and the rent then applies to all counties in the group. The fair market rents for areas under 250,000 are not, therefore, based upon regionwide data which would not reflect geographic cost-of-living differences, as implied by Census.

The Bureau of Labor Statistics also stated that there are statistical limitations in its family budget series which we tested our fair market rent index against and that our index was not statistically tested for stability and forecasting power. We recognize that there are limitations in the Bureau of Labor Statistics' family budget indexes, but it is the only statistical series which exists for geographic cost-of-living differences and therefore the only series we could test our index against. The alternative would be to have not tested our index at all, which is clearly less desirable than the tests we made. Also, the only year for which both fair market rents and the family budget indexes exist is 1975. This fact prohibited us from estimating the degree of reliability and the stability over time of our fair market rent index. A similar reason--the absence of any cost-of-living data for the other 481 cities for 1975--did not allow us to test the forecasting power of our index.

The Bureau of Labor Statistics further stated that irrespective of the limitations of their family budget indexes, no conceptual framework is offered in our report on which a relationship between fair market rents and cost-of-living differences could be based. While an explicit framework was not offered in the report, we chose to use an index based on fair market rents, as an example of the data available, because we believe such a relationship exists for the following reasons.

Population size--Larger cities have land sites whose relative rents, and thus fair market rents, tend to be higher than rents in smaller cities, given the same population density.

Barriers to expansion--The presence of topological barriers (such as mountains, lakes, and oceans) to the expansion of a city's residential areas also increases land rents and thus fair market rents.

Change in population--A city that experiences large population growth in a short period of time will have relatively higher prices for many goods (especially housing which takes a relatively long time to plan and build) until the suppliers of those goods have time to adjust to the new demands.

Geographic region--Due to low levels of unionization, a large potential supply of underemployed labor and minimal public welfare experditures, the South tends to have lower labor costs than the rest of the Nation. This affects the labor costs of constructing, operating, and maintaining housing units, which in turn affects market rents.

Climate--Cold temperatures and snow imposes greater heating, insulation, and structural expenses in colder areas. In contrast, high summer temperatures and humidity leads to additional expenses of owning and operating air-conditioning units in warmer areas. Both of these factors affect the cost of constructing, operating, and maintaining housing which in turn affects fair market rents.1/

Census stated that our conclusion is opposite to that of an interagency report, The Measure of Poverty, April 1976, which says that there is no known way to make satisfactory geographic cost-of-living adjustments to the poverty levels.

1/ For a more detailed exposition of these points see C. T. Haworth and D. W. Rasmussen, "Determinants of Metropolitan Cost-of-Living Variations," Southern Economic Journal, vol. 40, October 1973, pp. 183 to 197.

However, the staff director responsible for the preparation of the poverty report told us that the report had not considered using fair market rents as an estimator of geographic differences in the cost of living. Also, the poverty report points out directions for further study and research which could possibly solve the problems in measuring cost-of-living differences. We believe, at the least, that fair market rents, alone or in combinations with other variables, should be fully evaluated as a means of adjusting for cost-of-living variations in the CDBG program.

Census also stated that in testing our index against the Bureau of Labor Statistics' family budget index we were testing only against the largest cities and would not be able to generalize to small cities with populations under 100,000. The family budget index is comprised of cities with populations ranging from 58,000 to over 7 million. HUD distributes funds to central cities and to cities with populations over 50,000 in SMSAs. The Bureau of Labor Statistics' family budget index of cost-of-living differences therefore contains a wide enough range of city sizes to enable generalization to all entitlement cities.

The Office of the Chief Economist, Department of Commerce, stated that the fair market rent index was a crude index based upon only one budget expense and would result in too much variation in the estimated cost-of-living differences among cities. Our fair market rent index does produce a larger variation in estimated cost-of-living differences because it is based on a single budget expense--housing rents--rather than all budget expenses. Since we have only suggested the use of fair market rents as an example of the type of data available, we agree that a combination of fair market rent data with Bureau of Labor Statistics' data, or other data sources may be more appropriate than the techniques illustrated in this report.

The Office of the Chief Economist further stated that even though exact data are not available for each of the more than 500 areas, regional averages of cost of living would be a better guide to the distribution of CDBG funds than just using the original, legislated plan. HUD, however, has found that use of such regional averages was not appropriate because there were greater variations in costs of living among cities within each of the Census regions than there were among the regions themselves. (See pp. 36 and 38.)

RECOMMENDATION

We recommend that the Secretary of Housing and Urban Development, with the assistance of the Bureaus of Labor Statistics and the Census, revise its methodology for allocating Community Development Block Grant funds to recognize regional or area variations in cost of living.

CHAPTER 3

DATA FOR COMMUNITY DEVELOPMENT BLOCK

GRANT FORMULA VARIABLES SHOULD BE

REFERABLE TO SAME POINT IN TIME

Section 102(a) of the Housing and Community Development Act of 1974 provides that the Secretary of Housing and Urban Development use the most recent data available for each of the three variables in the CDBG formula. Consistent with this provision, HUD plans to use, in its fiscal year 1977 CDBG allocation, 1973 Bureau of the Census population estimates with 1970 poverty and overcrowded housing data because it is the most recent data available. However, many central cities of SMSAs are experiencing a relative decrease in population and a relative increase in the number of persons at or below the poverty level. Conversely, many suburban areas are experiencing a relative increase in population and a relative decrease in the number of persons at or below the poverty level. The updating of just the population variable in these circumstances results in allocating funds on a basis which does not reflect a community's current needs and could result in CDBG funds being shifted from the poorer central cities to the wealthier suburban areas. Accordingly, we believe funds should be distributed on the basis of the latest census data until a method can be established to periodically update the other two variables--poverty and overcrowded housing.

The demographic data used in the CDBG formula has changed considerably since the 1970 census. The table on page 14, based on data from the Bureau of the Census, shows the changes in population and poverty for central cities and suburban areas relative to the changes in total population and poverty in standard metropolitan statistical areas for the period 1970-74.

Relative Changes in Population and Poverty

SMSAs	Population					Poverty				
	Amount (note a)		Percent of total		Percent change (note b)	Amount (note a)		Percent		Percent change (note b)
	1970	1974	1970	1974		1970	1974	1970	1974	
Total	137,058	142,044	100.0	100.0	-	15,372	13,759	100.0	100.0	-
Central cities	62,876	61,650	45.9	43.4	-5.39	9,365	8,594	60.9	62.5	2.53
Suburban areas	74,182	80,394	54.1	56.6	4.57	6,007	5,165	39.1	37.5	-3.93
1 million or more	79,488	81,059	58.0	57.1	-1.60	N/A	N/A	N/A	N/A	N/A
Central cities	34,322	33,012	25.0	23.2	-7.19					
Suburban areas	45,166	48,047	33.0	33.9	2.65					
Less than 1 million	57,570	60,985	42.0	42.9	2.21	N/A	N/A	N/A	N/A	N/A
Central cities	28,554	28,638	20.8	20.2	-3.23					
Suburban areas	29,016	32,347	21.2	22.7	7.57					

a/ Source: Social and Economic Characteristics of the Metropolitan and Non-Metropolitan Population: 1974 and 1970, Series P-23, No. 55, Bureau of the Census, Tables E and S.

b/ $\frac{\%1974 - \%1970}{\%1970} \times 100$

For all SMSAs, relative changes in population and poverty for central cities and suburban areas are in opposite directions. Relative to changes in total population and poverty, central cities lost 5.4 percent of their population and gained 2.5 percent in poverty over the 4-year period. In the same manner, suburban areas gained 4.6 percent in population and lost 3.9 percent of their poverty. Central cities in SMSAs of 1 million population or more experienced an even greater relative decline in population; during the 4 years their relative loss in population was 7.2 percent. Suburban areas in SMSAs of less than 1 million population gained the most population, a relative increase of 7.6 percent.

Migration patterns, developed by Census, also support these opposing changes in population and poverty between central cities and suburban areas. During the 4-year period from March 1970 to March 1974, central cities of SMSAs experienced a net outmigration of 5,889,000 persons 4 years old and over. This is about 9 percent of central cities' population in 1970. Suburban areas had a net gain of 4,045,000 during this period. Census also reported that the mean income in 1973 of families who moved out of central cities was about $14,200 compared to about $12,900 for families who moved into cities. The mean income of single persons who moved out of central cities was about $7,099 compared to $6,092 for single persons who moved into central cities.

The result of the net outmigration and the differences in income of those moving in and out was that, in 1974, there was about $29.6 billion less income available to families and single persons in central cities than there would have been if no migration had taken place.

Formula recipients in SMSAs receive funds based on the ratios of their population, poverty, and overcrowded housing to the totals for all SMSAs. The relative decline in population of central cities would lower their CDBG allocations; their relative increase in poverty would raise their allocations. The relative rise in population of suburban areas would raise their allocations; their relative decline in poverty would decrease their allocations. Because poverty is given double weight in the formula, a 1 percent relative increase in poverty in central cities would tend to offset the effects on allocations of a 2 percent relative drop in population. Conversely, the effect on allocations to suburban areas of a 1 percent relative increase in population would tend to offset a 1/2 percent relative decline in poverty.

HUD's use of only updated population data in fiscal year 1977 and beyond will not reflect the actual conditions or needs of the CDBG formula recipients. CDBG funds will be shifted from central cities to suburban areas because, (1) the suburban areas' gains in population will be recognized but their losses in poverty will not and (2) the central cities' losses in population will be recognized but their gain in poverty will not. This shift will become greater and greater if central cities continue to lose population and suburban areas continue to gain population because population data is being updated annually or biannually. However the allocations between central cities and suburban areas would remain about the same if both sets of data were updated because the trends in population and poverty indicate that the changes taking place would tend to offset the impact of each on the fund allocations.

The Secretary of HUD has recognized the problem created by updating only one variable and in a letter to the Office of Management and Budget, dated October 1, 1975, stated that the use of population estimates will create an "unavoidable anomaly" in that the population data would be more current than the 1970 census figures but without corresponding estimates for persons in poverty and units of overcrowded housing. The Secretary also said that the subject is under discussion with the Census as "to approaches toward possible solutions."

Our discussions with HUD and Census officials indicated that, short of a full-scale census, there is no means of updating the poverty and overcrowded housing figures for the individual recipients. The basic problem, according to a Census official is the lack of a data base and sources of information to update the base.

In updating population figures, Census relies mainly on birth and death records and data on income tax forms which it obtains from the Internal Revenue Service. However, tax returns could not be used for updating poverty and overcrowded housing because:

--Many low-income persons are not required to file income tax returns.

--Many families file separate returns.

--Income such as social security and many types of welfare payments are not taxable and therefore not included on tax returns.

--Family size is not given on tax returns.

--The number of rooms in a residence is not included on tax returns.

On October 17, 1976, Public Law 94-521 was enacted providing for an additional census every mid-decade beginning in 1985. Although the Census has not yet determined the kind of data it will collect in the mid-decade census, a Census official believed it would collect the data required for the CDBG program.

CONCLUSIONS

The data used for the three variables in the CDBG formula should be taken from the same time period to provide the fairest and most equitable distribution of CDBG funds. The updating of just one variable--population--as HUD plans to do in its fiscal year 1977 and subsequent CDBG fund allocations will not reflect real community needs because central cities of SMSAs are losing population and gaining poverty while suburban areas are gaining population and losing poverty. CDBG funds will therefore be shifted from the poorer central cities to the wealthier suburban areas if just the population variable is updated. Accordingly, we believe funds should be distributed on the basis of the latest census data until a method can be established to periodically update the other two variables--poverty and overcrowded housing.

AGENCY COMMENTS AND OUR EVALUATION

Department of Housing and Urban Development

In commenting on the need for a uniform base period for the formula variables, HUD stated that:

--OMB considers the latest available data for determining the number of SMSAs which HUD must recognize for purposes of allocating CDBG funds.

--Over time, new cities would cross the 50,000 population threshold for eligibility and it would be difficult for HUD to withhold entitlement status for them.

--It is not conclusive that the larger cities which have lost population have gained in the amount of persons in poverty and that therefore it seems inappropriate to conclude that the updating of population data alone would produce clear inequities for the larger cities.

The first two points raised by HUD pertain to the question of which cities will be eligible to receive CDBG funds, not what data will be used in the formula to distribute the funds.

The two questions are not the same. For instance, HUD could use updated population data to determine which cities will be eligible to receive CDBG funds and then use 1970 census data for the three variables in the formula to distribute the funds. It is the updating of only the population data in the formula which produces inequities in the allocation of funds, not the determination of which cities will be eligible. If all three variables were updated together then the eligibility of cities and the distribution of funds could be based upon the same data. However, until all three variables are updated together, we believe the use of the latest census data for all three variables would be appropriate. In this way the inequity of shifting CDBG funds from the poorer central cities to the wealthier suburban areas caused by updating only the population variable would be eliminated.

The third point raised by HUD fails to recognize that it is the relative changes in the variables between central cities and suburban areas which are pertinent, not the absolute changes in the variables. It makes no difference whether, in total, poverty, population or overcrowded housing are increasing, decreasing or remaining the same. (See p. 30.)

Department of Commerce

Census stated that the source of our data for changes in poverty is not the best source, and it is the absolute number of persons in poverty which is important, not the proportion of the total population in poverty.

In analyzing our source and Census' suggested source for relative changes in poverty between central cities and suburban areas we found that even though the data differs in the number of persons in poverty and in the direction of the changes in total poverty, both data sources show virtually the same change in the relative distribution of poverty between central cities and suburban areas.

	Alternative Poverty Measure				
	1970		1974		
	Number (note a) (000)	Percent	Number (note a) (000)	Percent	Percent change (note b)
Central cities	7,993	61.1	8,594	62.5	2.24
Suburban areas	5,091	38.9	5,165	37.5	-3.52
Total SMSAs	13,084	100.0	13,759	100.0	-

a/ Source: Current Population Reports, Series P-60, No. 102, Table 3, Bureau of the Census, alternate source of changes in poverty proposed in Bureau of the Census comments.

b/ $\frac{\%1974 - \%1970}{\%1970} \times 100$

Comparing this alternative measure of changes in poverty, as suggested by Census, with our original measure (see p. 14) shows no significant differences between the two. The alternative measure shows a relative gain in poverty in central cities of 2.24 percent while our table shows a gain of 2.53 percent. Also, the alternative measure shows suburban areas had a relative loss of poverty of 3.52 percent while our table shows a loss of 3.39 percent. Both sets of data show the relative changes in poverty between central cities and suburban areas to be in the same direction and of the same magnitude. On this basis the inequity caused by updating only the population variable would remain.

The second point raised by Census confuses the ratio of a city's poverty to its population with the ratio of its poverty to total poverty. It is the second ratio which is important and is used in the CDBG formula. Therefore, it does not matter, for purposes of the formula, how a city's poverty changes in relation to its population as Census stated.

Census also stated that data is available for overcrowded housing and provided a table on changes in overcrowded housing for the period 1970-74 for central cities and suburban areas of SMSAs. We used the data provided by Census in conjunction with the population and poverty variables to determine the effect on our analysis. We found that the inclusion of the overcrowded housing variable did not alter our conclusion that the updating of just one variable--population--would shift funds from the poorer central cities to the wealthy suburban areas. (See p. 38.)

RECOMMENDATIONS TO THE CONGRESS

The Congress should amend section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5301) to require the use of the latest census as the source of data for the three variables in the allocation formula until a method can be established to periodically update the poverty and overcrowded housing variables.

The Congress should also direct that the Secretary of Housing and Urban Development undertake the necessary research to enable the development of a feasible method of periodically updating the poverty and overcrowded housing formula variables.

Suggested language for revising the act to achieve our recommendations is included as app. I.

CHAPTER 4

POSSIBLE IMPROVEMENTS TO THE 80/20

PERCENT ALLOCATION AND DOUBLE-WEIGHTING POVERTY

According to the Department of Housing and Urban Development, the Community Development Block Grant formula allocates funds on the basis of needs according to a recipient's amount of population, poverty, and overcrowded housing. However, the Housing and Community Development Act of 1974 provided that, (1) 80 percent of the amount of funds be distributed to standard metropolitan statistical areas and 20 percent to non-standard metropolitan statistical areas and (2) poverty be given double weight in the CDBG formula. The 80/20 percent allocation of funds between SMSAs and non-SMSAs is not consistent with the extent of population, poverty, and overcrowded housing which exist in SMSAs versus non-SMSAs.

In addition, our analysis of the formula revealed that many cities with large levels of poverty received less than they would have received if poverty had been weighted only once instead of twice.

THE 80/20 PERCENT ALLOCATION

The 80/20 percent allocation of funds between SMSAs and non-SMSAs, as provided for in section 106 of the act, favors SMSAs over non-SMSAs in the allocation of CDBG funds. The demographic values used by HUD for the fiscal year 1975 allocations do not reflect an 80/20 percent division of population, poverty, and overcrowded housing between SMSAs and non-SMSAs as shown in the following table.

SMSA/Non-SMSA Percentages for Three Variables

	SMSA	Non-SMSA
	(percent)	
A. Population	73	27
B. Poverty	60	40
C. Overcrowded housing	69	31
D. Weighted average $\left(\frac{A + 2B + C}{4}\right)$	66	34

Source: Community Development Block Grant Program: First Annual Report, Department of Housing and Urban Development, Table B.1.

The table shows that using any of the three variables or combination of the variables to divide the funds between SMSAs and non-SMSAs will lower the amount of funds going to SMSAs, relative to the 80 percent mandated in the law. For instance, if all variables were combined as in the formula, SMSAs would receive 66 percent of the funds or a reduction of 17.5 percent, while non-SMSAs would get 34 percent of the funds or an increase of 70 percent.

EFFECTS OF DOUBLE- VERSUS SINGLE-WEIGHTING POVERTY

The CDBG formula, by double- instead of single-weighting poverty, generally gives more funds to cities with "high" concentrations of poverty than to cities with "low" concentrations of poverty thus meeting the legislative intent of providing greater assistance to areas with greater poverty.

In fiscal year 1975, by double-weighting poverty, the formula allocations for 212 cities were greater by an average of $109,000 each, the allocation for 305 cities were less by an average of $75,500 each, and the allocations for 3 cities remained the same.

The 212 cities which "gained" by double-weighting poverty had more poverty than the cities that "lost" funds. The 212 cities contained 53.5 percent of the total poverty in the 521 metropolitan cities; the 306 cities which lost funds contained 46.3 percent of the total poverty.

Another indication that double-weighting poverty shifts funds to high poverty areas, as intended by the act, is the mean (average) poverty level in each group as shown below.

Cities	Mean poverty level
212 gained	27,600
306 lost	16,600
All cities	21,000

While the mean poverty level for all cities was 21,000, the cities which lost funds had a mean poverty level of 16,600 and the cities which gained had a mean poverty level of 27,600. Thus, the mean poverty level of the cities which gained was 67 percent greater than the mean poverty level of the cities which lost funds.

However, many cities with large levels of poverty received less funds than they would have received if poverty had been weighted once instead of twice. For instance, New York City, even though it has 10.5 percent of the poverty in 521 SMSA cities, lost over $2 million by weighting poverty twice instead of once. Conversely, San Juan, Puerto Rico, with only 2 percent of the total poverty, gained over $2 million through double-weighting poverty.

As shown in the following schedule, the 10 cities which gained the most from double-weighting poverty ($8.4 million) had only 12.5 percent of the total poverty of the 521 metropolitan cities; however, the 10 cities which lost the most from double- instead of single-weighting poverty ($6.7 million) had 22.6 percent of the total poverty.

The Largest Gainers and Losers When Double-Weighting Instead of Single-Weighting Poverty

Fiscal Year 1975 Formula Allocation

City	Poverty twice	Poverty once	Gain or loss	Percent of total poverty (note a)
Cities that gained		(000 omitted)		
San Juan, P.R.	$ 16,029	$ 13,865	$2,164	2.0
Ponce, P.R.	7,079	6,001	1,078	0.9
Philadelphia, Pa.	27,163	26,183	980	2.7
New Orleans, La.	13,604	12,809	795	1.4
Baltimore, Md.	14,831	14,179	652	1.5
Bayamon, P.R.	5,164	4,525	639	0.6
Mayaguez, P.R.	[illegible]	3,080	599	0.5
Caguas, P.R.	[illegible]	3,393	527	0.5
Cleveland, Ohio	11,57[illegible]	11,049	522	1.2
Memphis, Tenn.	11,689	11,223	466	1.2
Total	$114,729	$106,307	$8,422	12.5
Cities that lost				
New York, N.Y.	$124,209	$126,283	$-2,074	10.5
Honolulu, Ha.	9,135	10,384	-1,249	0.5
Los Angeles, Calif.	40,254	41,177	- 923	3.3
Chicago, Ill.	51,050	51,599	- 549	4.4
Indianapolis, Ind.	8,725	9,215	- 490	0.6
Warren, Mo.	1,521	1,828	- 307	0.1
San Jose, Calif.	4,875	5,181	- 306	0.4
Miami, Fla.	7,886	8,180	- 294	0.6
Phoenix, Ariz.	7,717	7,982	- 265	0.6
Houston, Tex.	18,296	18,526	- 230	1.6
Total	$273,668	$280,355	$-6,687	22.6

a/ Mean (average) percent of poverty of the 521 SMSA cities is 0.19 percent.

This result is due to the nature of the formula. Cities with amounts of poverty greater than the mean (average) poverty level will not necessarily have their funding increased when poverty is given double instead of single weight. The following illustrates how this anomaly in the formula works for a hypothetical city:

Factors	Ratios: Poverty counted once	Ratios: Poverty counted twice
Population	.10	.10
Poverty	.06	2(.06)
Overcrowded housing	.08	.08
Total	.24	.30
Divide by number of ratios	3	4
Ratio used to allocate funds	.08	.075

The determining factor of whether a city's funding will be increased is the relationship between its poverty ratio and the average of the ratios developed for population and overcrowded housing. If its poverty ratio is higher than the average of the other two, it will gain funds; if its poverty ratio is lower than the average of the other two, it will lose funds.

Thus, New York City lost funds because its poverty ratio was less than the average of its population and overcrowded housing ratios; San Juan gained funds because its poverty ratio was greater than the average of its population and overcrowded housing ratios.

One solution to this problem of double-weighting poverty may be to adopt the method used by the State and Local Fiscal Assistance Act of 1972 (Revenue Sharing). The act provides two formulas which are used to compute different amounts of funds to be allocated to a State. The act directs that the State be first allocated the greatest amount as computed by the two formulas. Then the allocations for all States are added together to determine by what percentage the sum of the allocations must be reduced to equal the amount appropriated. Each State's allocation is then reduced by that percentage.

The same procedure could be used in the CDBG fund allocation to enable all communities to receive equitable benefits from the poverty variable. For each community, HUD could compute two allocations--one with poverty counted once and the other with poverty counted twice--and assign each community the greatest amount. The allocations would then be added together and each allocation reduced by the percentage required to reduce the total allocations to the amount appropriated.

This revised allocation method causes the 10 cities which gained by double-weighting poverty (see p. 22) to lose a total of $2.3 million of their $8.4 million gain. The 10 cities which lost by double-weighting poverty (see p. 22) gained back $1 million of their $6.7 million loss.

CONCLUSIONS

The 80/20 percent allocation of CDBG funds between SMSAs and non-SMSAs is not consistent with the actual distribution of population, poverty, and overcrowded housing in those areas. If the funds were distributed based upon the actual amounts of population, poverty, and overcrowded housing in SMSAs and non-SMSAs, the funds would be distributed between the two areas in a 66/34 percent split, based upon the data used in the fiscal year 1975 allocations.

In addition, we noted that many cities with large levels of poverty lose funds when poverty is double- instead of single-weighted. This is due to the nature of the formula. However, to enable all communities to receive equitable benefits based on the poverty variable, each community could be assigned the greater of the allocations from weighting poverty once and twice in the formula. All communities' allocations could then be reduced by the percentage required to reduce the sum of the computed allocations to the amount appropriated.

AGENCY COMMENTS AND OUR EVALUATION

SMSA/non-SMSA split of funds

HUD observed that the CDBG program is aimed principally at development of urban communities and that the 80/20 percent split closely approximates the split of funds between SMSAs and non-SMSAs under the prior categorical programs.

These observations may be correct. However, the formula, according to HUD, allocates CDBG funds according to needs based upon a city's extent of population, poverty, and overcrowded housing. The 80/20 split of funds does not seem to be based upon such a needs determination. It is for this reason the Congress may wish to consider changing the 80/20 percent allocation between SMSAs and non-SMSAs. (See p. 30.)

Single- versus double-weighting of poverty

HUD states that our report seems to imply that the double-weighting of poverty should always increase a community's entitlement. We disagree that this is implied in the report. However, persons unfamiliar with the way the formula works would tend to believe that cities with large amounts of poverty, such as New York City, would have their entitlement increased by double-weighting poverty. We are pointing out that this is not necessarily true.

HUD says the reason New York City lost funds by double-weighting poverty is that they have a greater proportional amount of the Nation's overcrowded housing than they do of its poverty. As we pointed out on page 23, it is the relationship of a community's poverty ratio to the average of its population and overcrowded housing ratios which determines whether a community will gain or lose funds by double-weighting poverty. Therefore, New York City lost funds by double-weighting poverty not because its overcrowded housing ratio was greater than its poverty ratio, as HUD states, but because the average of its population and overcrowded housing ratios are greater than its poverty ratio. If New York City's population ratio was low enough to bring this average below its poverty ratio, then, even though its overcrowded housing ration was greater than its poverty ratio, it would gain funds by double-weighting poverty, not lose funds as HUD claims. (See p. 30.)

RECOMMENDATIONS TO THE CONGRESS

If the Congress intended to distribute Community Development Block Grant funds on the basis of needs, as evidenced by the variables used in the Community Development Block Grant formula, then the Congress should change the statutory 80/20 percent funding allocation between standard metropolitan statistical areas and non-standard metropolitan statistical areas and permit the Department of Housing and Urban Development to allocate funds on a basis which approximates the actual differences in the demographic values between the standard metropolitan statistical areas and non-standard metropolitan statistical areas.

If the Congress wanted the areas with higher poverty ratios to receive the most funding then the formula should be revised. One solution would be to assign recipient communities of Community Development Block Grant funds the greater of the amounts from weighting poverty once and twice in the formula--with all allocations then reduced by the same percentage so that total allocations will equal the amount appropriated.

Suggested language for revising the act to achieve our recommendations is included as app. I.

SUGGESTED REVISIONS TO TITLE I OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

1. Section 102 of the Housing and Community Development Act of 1974, Public Law No. 93-383, 88 Stat. 633, 637, is amended by (1) inserting at the end of the first sentence of subsection (b), "(except as provided in subsection (d))"; and by (2) adding a new subsection (d) as follows:

> "The Secretary, in cooperation with the Bureau of the Census and the Office of Management and Budget, shall attempt to develop reliable methods of estimating both the 'extent of poverty' as defined in subsection (a)(8) and the 'extent of housing overcrowding' as defined in subsection (a)(9), between censuses. Unless such methods are developed and used for determining both 'extent of poverty' and 'extent of housing overcrowding,' those determinations and the determination of 'population' (as defined in subsection (a)(7)) shall all be referable to the time of the most recent census; provided that the data used in determining 'population,' 'extent of poverty,' and 'extent of housing overcrowding,' however derived or determined, shall be referable to the same point or period in time."

2. Section 106 of the Housing and Community Development Act of 1974, Public Law No. 93-383, 88 Stat. 633, 642, is amended by:

(a) Deleting the first sentence of subsection (a) and substituting the following:

> "Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a)(2) and 107), the Secretary shall determine the amount to be allocated to metropolitan areas, based on his estimate in each year of the relative needs of metropolitan areas and other areas. In making this estimate, the Secretary shall consider, in addition to any other relevant demographic criteria, the population, the extent of poverty, and the extent of housing overcrowding in metropolitan areas relative to other areas."

(b) Deleting paragraph (b)(4) and redesignating paragraph (b)(5) as (b)(4).

(c) Substituting for the last sentence of subsection (d) the following:

"In computing amounts under paragraph (2), there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (i)."

(d) Deleting in the first sentence of subsection (f)(1) "20 per centum" and substituting "the amount remaining after the allocation in subsection (a) for grants to metropolitan areas".

(e) Substituting for the last sentence of subsection (f)(1) the following:

"In computing amounts under subparagraph (B), there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (i)."

(f) Redesignating subsections (g), (h), (i), (j), (k), and (l), as subsections (h), (i), (j), (k), (l), and (m), respectively.

(g) Adding a new subsection (g) as follows:

"(g) The computations of the averages of ratios under paragraphs (b)(1), (b)(2), (b)(3), and (d)(2), and subparagraph (f)(1)(B), shall be made counting the ratio involving the extent of poverty once and again counting that ratio twice. In each instance, grant amounts or allocations shall be determined using the average of ratios which will result in the larger grant or allocation. In the case of computations of grant amounts under paragraphs (b)(2), (b)(3), (d)(2), and subparagraph (f)(1)(B), if the total amount available under a paragraph or subparagraph is not sufficient to pay the total of grant amounts computed as prescribed in this subsection, the Secretary shall reduce proportionately each grant amount payable under that paragraph or subparagraph."

3. Section 106, as amended by section 2 above, is further amended as follows:

APPENDIX I

(a) Delete "(g)" and substitute "(h)" in the secord sentence of subsection (a); the first sentence of subsection (c); and in subsection (d)(1).

(b) Delete "(g)(1)" and substitute "(h)(1)" in subsection (i)(1).

(c) Delete "(g)(2)" and substitute "(h)(2)" in subsection (i)(2).

(d) Delete "(h)" and substitute "(i)" in subsection (b)(4); in subsection (d)(1); in paragraph (f)(1)(A); and in subsection (j) and (k).

(e) Delete "(b)(5)" and substitute "(b)(4)" ir subsections (j) and (k).

4. Section 116 is amended by deleting "(h)" and substituting "(i)" in subsections (b), (f), and (g).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

IN REPLY REFER TO:

Mr. Henry Eschwege
Director, Resources and Economic
Development Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

I appreciate the opportunity to review the draft version of the report to the Congress on the results of your study efforts aimed at improvements needed in the formula used to allocate Community Development Block Grant program funds.

As you know, we too are carrying out a study of the effects of the allocation provisions in the Act, including the allocation formula. Although the statute requires that we deliver the report of our findings and recommendations to the Congress by March 31, 1977, we expect to provide it not later than December 31 of this year. We realize that the schedule requirements of new Congressional Budget Control legislation make the March delivery too late to allow consideration of the report in time for authorizing legislation for Fiscal Year 1978.

At this point in time, of course, we have not reached the stage in our study where we can make findings, so our comments on your study efforts cannot reflect much of our own work. However, we can and will consider the points you raise in your final report as we complete our work in this area.

I would like to briefly describe here the basic approach we are using in conducting our study and then make some specific comments about the four areas you touch on in your draft report.

Departmental Study

The Department's study is being carried out by the Office of Policy Development and Research, supported under contract by the Brookings Institution. The plan is that the study findings will be available for review in mid- to late-August, enabling the formulation of specific recommendations during the months of September, October and November.

The study will focus on the distributional effects resulting from the current allocation provisions - the formula as well as hold harmless - and will also look at several alternative formulae. The approach involves development of a "needs" index for each of the current metro cities, and then measuring the degree of correlation between the size of such index for cities with the per-capita amount of funds which the various allocation mechanisms being studied would provide to the cities. It is expected that this will serve as a means of assessing the degree of equity each mechanism would produce, with "equity" defined as a high, positive correlation between the amount of "needs" present and the amount of funds allocated, among individual cities.

Comments on Concerns Expressed in GAO Draft Report

I. Adjusting Poverty for Cost-of-Living

The current Act requires that data reflecting extent of poverty take into account and make adjustments, "if feasible and appropriate and in the sole discretion of the Secretary", for regional or area variations in income and cost of living. Also, in its report, the Conferees directed that HUD "develop or obtain data with respect to the extent of poverty by SMSA's and submit such data to the Congress as part of the March 31, 1977 report". We have taken this to mean that they wish us to determine a way to make adjustments to poverty data such that they will reflect variations between SMSA's in cost-of-living and income and to have completed this effort in time for use by Fiscal Year 1978.

In your draft report, you state that HUD had previously indicated it did not know how to develop a cost-of-living index for this purpose. As a matter of fact, HUD had developed such an index, working jointly with other Agencies and with officials from the Library of Congress. However, that index was only able to be developed for the four major Census regions. Analysis of the effects from the use of this index revealed, both to HUD and the Congress, that the adjustments made to individual cities did not adequately compensate for the variations among the cities, since there were greater variations in cost-of-living and income between cities within each of the Census regions than there were between the regions themselves. (The basic problem, as you too have pointed out, is that data showing variations in cost-of-living have not been found to be available for a fine enough geographical breakdown.)

Accordingly, I have found that making such adjustments are not appropriate based on the currently available index, and that they are further not feasible in the absence of a cost-of-living index which reflects differences across a much lower level breakdown of geographical areas or governmental units.

In our approach to attempt to provide the poverty data as directed by the Conferees, we have thus far:

a) participated in an Interagency Task Force studying a broad set of problems involving the concept of poverty, including regional variations in cost-of-living; and,

b) met with congressional staff members to discuss their concerns in this area and to solicit suggestions for approaches to be explored.

As a result of the above, we are currently engaged in examining the feasibility of using the Section 8 Fair Market Rent data as a proxy for variations in cost-of-living, as well as undertaking a review of all other data available within the Bureau of Labor Statistics which might also be used for this purpose.

We expect to provide complete information on our efforts in this regard as part of the report to be delivered to the Congress in December, and, if found to be feasible, we will include a recommended approach to make adjustments to poverty data for use in allocating block grant funds.

II. Use of Uniform Base Period for All Formula Factors

We have for some time realized the anomalies which can result from the use of a different time base for the data elements used in the formula. Even during the House Subcommittee markup sessions, when it was known that the Census Bureau was developing estimated population figures to be based on 1973, it was assumed that such estimated figures would be substituted in the CDBG formula for the 1970 population data. Based on our discussions with Subcommittee members and staff personnel at that time concerning this situation, it is our understanding that they realized the implications this would have among those large cities where it was generally known that they were losing population.

As you know, the Act is constructed so as to require that we use the latest data available for each individual formula factor. Thus, without legislative change, we do not have the discretion to elect not to use the 1973 population data.

In considering the points you raise as justification for not updating the factors until all three can be moved uniformly, I would like to call to your attention the following:

a) The OMB considers the latest data available (including the Census population estimates) in making revisions to the SMSA configurations. Thus, there are a number of new SMSA's which have been derived from the 1973 estimates and which HUD must recognize for purposes of allocating CDBG funds.

b) The Census population estimates are being used in the allocation of General Revenue Sharing funds. For those cities whose population has crossed the 50,000 threshold in the 1973 data base, it would be difficult to withhold formula entitlement status from them under CDBG.

c) There is a possibility that Census can determine a way to update the 1970 poverty data to coincide with the base period used in their population estimates. We have had some discussions with Census officials on this matter. We are waiting for the results of their efforts to determine the feasibility of updating certain 1970 poverty data for the Office of Education (HEW), since they use poverty in a formula for allocating education funds. If this works out, there is a good possibility that they could produce the information we would need for use in the CDBG formula.

d) Even though it is the conventional wisdom that the larger cities which have lost population have actually gained in the amount of persons in poverty over the period since 1970, this has not been clearly validated to our knowledge. Furthermore, it is even possible that, while losing population, these cities may have reduced the extent of housing overcrowding. In the absence of some more specific information concerning both of these points, it seems inappropriate to conclude that the updating of population data alone will produce clear inequities for the larger cities.

SMSA/Non-Metro Split of Funds

Your report suggests that an 80% - 20% split of CDBG funds between SMSA's and non-metro areas, respectively, may be inequitable. This position appears to stem primarily from the knowledge that the relative amount of population, poverty and overcrowded housing in non-metro areas substantially exceeds 20%. We are aware of this apparent imbalance and believe you should consider that there are two principal reasons why the 80/20 split was used in this legislation:

a) Since this program is aimed principally at development of urban communities, there should be a heavier emphasis of funding for use in SMSA's which have a much larger proportion of urban areas than do their non-metro counterparts; and,

b) the 80/20 split more closely approximates the actual distribution of funds between these geographical categories under the prior categorical programs.

You may wish to change your draft report to reflect these points.

Single vs. Double Weighting of Poverty

I consider this portion of your draft report to be most confusing. You seem to imply that the Congress intended that the funds should be allocated based almost entirely on the amount of poverty a city has. Following this line of reasoning, then, you believe that double weighting of poverty should always serve to increase a community's entitlement.

The other two factors (population and overcrowded housing), however, must each play a role in this process, too. In the case of New York City which you cite, the reason they "lose" entitlement by doubling poverty's weight is that they have a greater proportional amount of the nation's overcrowded housing than they do of its poverty. If each of these factors were evenly weighted, New York would receive more funds, not because of its poverty, but because of its overcrowded housing.

During the initial stages of developing this new legislation, poverty had been weighted equally with the other factors in the proposed formula. Computer runs were made on this basis and were compared with other runs which were made later to assess the effects of double weighting of poverty.

Since these runs were made available to and used by the Congress at that time, I can only assume that they fully intended to produce the very effects which your draft report treats as anomalous.

Sincerely,

David O. Meeker, Jr. FAIA, AIP
Assistant Secretary

U.S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
Washington, D.C. 20212

Date: July 16, 1976

Reply to
Attn of: BL

Subject: BLS Review of "Improvements Needed in the Formula Used to Allocate Community Development Block Grant Funds"

To: Mr. Fred Clark

My staff and I have reviewed the above titled draft report, which proposes several changes in the funds allocation formula of the HUD Community Development Block Grant program. The only change that falls within the scope of BLS expertise is a proposal to adjust the formula to account for interarea differences in living costs.

[See GAO note on p. 37.]

Perhaps more important is the fact that there are conceptual and statistical limitations in the family budget indexes as measures of cost-of-living differentials. In fact, in 1971, former BLS Commissioner Moore attempted to discontinue the series for these technical reasons. Also, the BLS budgets have no relationship to the poverty threshold. (See "The Measure of Poverty, a Report to Congress as Mandated by the Education Amendments of 1974" for a discussion of these issues.) In addition, it is our understanding that there are some limitations in the fair market rent series as a measure of market rents.

Irrespective of the limitations of the two data sets, no conceptual framework is offered in the report on which a relationship could be based. The correlation could in fact be spurious. In addition, testing of the forecasting power and stability of the statistical model is absent.

Although we don't agree that this report has demonstrated the feasibility of constructing interarea living cost measures at this time, we would be willing to provide some technical assistance to the staff of another agency, such as GAO or HUD, if they were to attempt further work in constructing such a measure.

W. JOHN LAYNG
Assistant Commissioner
Prices and Living Conditions

cc: Madeline Coleman
Norwood
Gillingham
Jacobs/Chron
Layng
Budget

GAO note: The deleted comments relate to matters in the draft report which are not discussed in the final report.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D.C. 20230

Mr. Victor L. Lowe
Director, General Government Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

This is in reply to yo' etter of May 27, 1976, requesting comments on the draft rep t entitled "Improvements Needed In The Formula Used To Allocate Community Development Block Grant Funds."

We have reviewed the enclosed comments of the Deputy Chief Economist and the Director, Bureau of the Census, and believe they are responsive to the matters discussed in the report.

Sincerely,

Joseph E. Kasputys
Assistant Secretary
for Administration

Enclosure

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

UNITED STATES DEPARTMENT OF COMMERCE
Chief Economist for the Department of Commerce
Washington, D.C. 20230

June 30, 1976

MEMORANDUM FOR: Maynard S. Comiez
Deputy Chief Economist

From: Leslie W. Small
Economist

Subject: G.A.O.'s Report on Changes in the Method of Allocating Community Development Block Grants

This memorandum is in response to GAO's request for the views of this office on the proposed report concerning improvements needed in the formula used by HUD in the allocation of CDBG funds. Their report identifies four improvements that are necessary to improve the efficient and equitable allocation of CDBG funds:

1. The definition of poverty should be adjusted to reflect real costs of living in the recipient community.

2. The base year data used should be for the same year. The use of differing base year data would lead to inequitable distribution.

3. The formula which weights poverty twice as importantly as population and overcrowded housing sometimes adversely affects the distribution of funds. The recommended change is to include a formula in which each of the three criteria is equally weighted. The actual allocation to the recipient community would depend upon the higher amount determined by the two formulas.

4. The congressional mandate that 80 percent of the appropriated funds be allocated to SMSAs should be reevaluated by Congress because too few funds are made available to non-SMSAs according to the 66/34 split in terms of the three criteria.

APPENDIX IV

The method by which the poverty level is adjusted is inappropriate. The purpose of adjusting is to allocate the available funds in the most equitable manner with regard to the actual cost-of-living in an area. The means of fulfilling this purpose are limited since there is no cost-of-living index for each of the recipient areas. As an approximation, the authors develop an index of the cost-of-living based solely on the fair market rents in each area, for which information is available. The authors state, "We found there was a good statistical relationship between the Bureau of Labor Statistics (BLS) index and the index based on fair market rents for the 40 urban areas." The test seems inadequate and apportionment of funds on such a crude index would result in an inequitable distribution.

Presumably a regression technique was used to test the hypothesis that if rent is relatively higher in one area compared to another, its cost-of-living index would also be higher. The coefficient of determination is not specified so the authors' assertion that the fit is "good" must be accepted or rejected. There seems to be ample ground for rejection.

One reason for rejection is that the cost-of-living comprises many items, and housing costs are not the largest portion of them. An examination of BLS data on Urban Family Budgets shows that, for the areas surveyed, rent is 12 - 14 percent while food-at-home represents 25 - 28 percent. Total housing costs are 18 - 20 percent while the total food costs are more than 30 percent of the family budgets. Additionally, in some areas less energy is needed for warmth and light, and it can be purchased at lower unit costs than in other areas. Fewer warm clothes are needed in some areas than others, and changes in clothing costs disproportionately affect living expenses. For all these reasons, a cost-of-living index based on a single expense is inadequate and its utilization to adjust the definition of poverty would result in a new, different, set of biases.

Another reason exists for rejecting the simple index based on rents. Analysis reveals that the authors' method of adjustment tends to distort the "adjusted poverty level." The BLS data on Urban Family Budgets were used to adjust the poverty level. Using the methodology of the authors, by taking the annual costs of a lower budget for a four person family for each city and dividing by the mean urban U.S. total, a different adjusted poverty level can be obtained as identified in the following example:

1 City	2 Poverty Level	3 GAO's Adjusted Poverty Level	4 Adjusted Poverty 1/ Level - BLS Data
New York	$3,968	$5,238	$4,193
Chicago	3,968	5,238	4,074
New Orleans 2/	3,968	3,333	3,536
San Francisco	3,968	5,000	4,245
Amarillo 3/	3,968	2,540	3,494

1/ Data used are for autumn 1974 because GAO adjustments were based on 1974 data according to page 8. However, autumn 1975 data are available.

2/ New Orleans data are not readily available to this office. Data for Baton Rouge, Louisiana were substituted.

3/ Data for Amarillo are unavailable. This adjustment is based on budget data for nonmetropolitan southern areas.

SOURCE: Columns 1 - 3; Draft Report to Congress, page 9. Column 4 is calculated as described.

The use of budget data makes a substantial difference. The disproportion between high-rent and low-rent areas is reduced because other living costs are included. For example, the index used by the authors shows that rents were the same in Chicago and New York. Yet the inclusion of other data on costs of living led to a 3 percent difference in the adjusted poverty level. The difference between the highest and lowest adjusted poverty level for the five cities fell to 20 percent rather than the over 100 percent difference cited by the authors.

The Bureau of Labor Statistics has data for 40 metropolitan areas and averages data for regional areas. There has been significant regional variation in the changes in the cost of living since the CDBG program was enacted. Even though exact data are not available for each of the more than 500 areas, regional averages of cost of living are a better guide to the distribution of funds than just using the original, legislated plan.

I believe that the use of BLS data on Urban Family Budgets is more appropriate than the techniques recommended in the report, even though the latter is based on more timely data. The latest Urban Family Budget data are contained in DL #75-190, released on May 5, 1976. The substitution of cost-of-living data for nearby urban areas would lead to less distortion of the adjusted poverty level than rent data.

UNITED STATES DE‹ .RTMENT OF COMMERCE
Bureau of the Census
Washington, D.C. 20233

OFFICE OF THE DIRECTOR

JUN ? ;97(

MEMORANDUM FOR John W. Kendrick
Chief Economist
for the Department of Commerce

From: Vincent P. Barabba
Director
Bureau of the Census

Subject: "Improvements Needed in the Formula Used to Allocate Community Development Block Grant Funds"

Attached are draft comments made by the Bureau of the Census on the above General Accounting Office draft report.

Comments were made individually by the Population Division and the Housing Division, and are so noted. Questions on the Population Division comments may be directed to Mr. Meyer Zitter on 763-7646. Housing Division questions may be directed to Mr. Arthur Young on 763-2863.

Attachments: (1) Comments
(2) The Measure of Poverty, HEW, April 1976
(3) Characteristics of the Population Below the Poverty Level: 1974 (P-60, No. 102)

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

APPENDIX IV

Comments of "Improvements Needed in the Formula Used to Allocate Community Development Block Grant Funds"

Chapter 1, page 4, paragraph 4

The boundary and annexation changes recognized in the data are those recognized by the Office of Revenue Sharing (ORS) for general revenue sharing. That is, that the annexation was at least 250 persons and 5 percent of the 1970 census of population count. In addition, any city with a population of about 50,000 was checked to determine if an annexation could have put it over a 50,000 population mark. (Population Division)

Chapter 1, page 4, paragraph 5

The preliminary data provided to Housing and Urban Development (HUD) were the same data the Bureau supplied to ORS and to a number of other agencies. HUD was unable to use the data in our standard form and requested that a special tape with additional geographic detail be prepared for them. This special tape was prepared and delivered on March 15, 1976. The data reflected current Standard Metropolitan Statistical Area (SMSA) definition and qualifying boundary and annexation changes to January 1, 1975. (Population Division)

Chapter 2

In view of the recent publication of a major report, The Measure of Poverty, by the Department of Health, Education, and Welfare (HEW) which includes an analysis of the adjustment of poverty levels for variation in the cost of living, this chapter should be reworked. The conclusion of the General Accounting Office (GAO) report is opposite to the conclusion of the HEW report.

See page 82, The Measure of Poverty (copy attached). "The conclusion of the extension analysis is that although there may be geographic differences in the cost of living, there is no known way to make satisfactory geographic adjustments to the poverty cutoffs."

The conclusion of the GAO report on the adjustment of the poverty index is apparently based on regression analysis tested against the 40 urban area Per Capita Income (PCI) indexes published by Bureau of Labor Statistics (BLS). These are the largest cities and to generalize, as GAO does, to the cities under 100,000 may not be appropriate. (Population Division)

Chapter 2, pages 10 and 11

We believe that the geographic cost of living variations determined by the use of the "fair market rent" procedure would have deficiencies. Our brief inquiry into HUD procedures for establishing "fair market rents," found the following: HUD uses a subset of rental units (recent movers with all plumbing and kitchen) from the 1-percent public use tape to determine the median rent for two-bedroom apartments. This median rent is given an across the board percent increase or decrease to determine the fair rents for 0 bedroom, 1 bedroom, and 3 or more bedroom units, and then, finally, is adjusted by the BLS cost of living index. As the 1970 census public use data only identify areas of 250,000 or more, the fair market rents for all smaller areas must be developed from the data of the four census regions. (Housing Division)

[See GAO note on p. 49.]

Chapter 3, page 13, paragraph 1

The statement on the relative shifts of population and poverty between central cities and balance of Standard Metropolitan Statistical Areas (SMSA's) is not as clear as the GAO report indicates. Based on the data available, it does not follow necessarily that updating only population would be inequitable.

The particular report (P-23, No. 55) is not the best source of data to determine the change in the number of persons in poverty. The report uses Current Population Survey (CPS) data for the current data and sample data (1-in-100 sample) from the 1970 census. The change in poverty indicated by the data is heavily affected by the different levels of poverty reported in census and CPS. A better source of data for the present purpose is to use CPS dat for both 1970 and 1974. The data, published in Current Population Reports, Series P-60, No. 102, Table 3, show that the overall level of poverty went up for both central cities and suburban areas for the 1969-1973 period. Consequently, we believe it would be ill-advised to modify the legislation based on the earlier report. Rather, the issue needs to be much more carefully researched if equity is to be served.

It is the absolute number of persons in poverty which is important, not the proportion of the total population in poverty. Consequently, with respect to persons in poverty, a relative increase of the proportion of persons in poverty for a city could be caused by a decline in the total population while the number of persons in poverty stayed the same or even decreased. (Population Division)

Chapter 3, page 13, paragraph 2

Data are available on changes between 1970 and 1974 for "overcrowding." Such data are available from the Annual Housing Survey as follows:

Percent of Occupied Housing Units with
More than One Person per Room

Area	1970	1974	Percent change in overcrowding 1970-1974*
In SMSA--------------	7.5	5.0	33.33
In central city------	8.2	5.6	31.70
In suburb------------	6.9	4.4	36.23

$* \frac{\% 1970 - \% 1974}{\% 1970}$

(Housing Division)

Chapter 3, page 14, Table

The table on page 14 should be footnoted as to the source. There is apparently a percent change in two percentages. This could be confusing. At least the numbers on which the percentages are based should be given. Apparently Table E, Current Population Reports, Series P-23, No. 55, is the source of the population data, and Table R is the source of the poverty data. (Population Division)

Chapter 3, page 17, Conclusion

Based on the above, it would seem appropriate to modify the conclusion. The data currently available are inconclusive as to the change in relative distribution of poverty.

Since there is no doubt that there has been a shift of total population to the suburban rings relative to central cities, and since the data shifts in poverty are inconclusive, equity may be better served by updating total population and continuing to use 1970 census poverty data in the absence of more current data to the detail needed by HUD.

Also, the statement in the conclusion that central cities are gaining poverty while suburban areas are losing persons in poverty is incorrect. The P-23, No. 55, report shows both central cities and suburban rings losing poverty in absolute terms. However, the preferred CPS data series for both years show both central cities and suburban rings gaining poverty. (Population Division)

Chapter 4, page 18

The 80/20 split of the funds between SMSA/non-SMSA's was determined by the Congress; therefore, we have no comments on it. The analysis of the demographic and economic variables is correct. However, presumably, it was legislative intent to favor SMSA's over non-SMSA's. The GAO report should indicate the source of the data on page 18. (Population Division)

<u>Chapter 4, page 19</u>

The question of double weighting poverty would also seem to be a question of legislative intent. (Population Division)

Bureau of the Census
June 29, 1976

GAO note: The deleted comments relate to matters in the draft report which are not discussed in the final report.

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
Secretary of Housing and Urban Development:		
Carla A. Hills	Mar. 1975	Present
James T. Lynn	Feb. 1973	Feb. 1975
Assistant Secretary for Community Planning and Development:		
David O. Meeker, Jr.	Mar. 1973	Sep. 1976
Warren H. Butler (acting)	Nov. 1976	Present