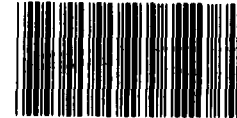


United States General Accounting Office
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Field Operations
Division

OCTOBER 28, 1983

The Honorable Terry Branstad
Governor of Iowa
State House
Des Moines, Iowa 50319



122873

Dear Governor Branstad:

Subject: Iowa's Early Implementation of the Small Cities
Community Development Block Grant Program

Enclosed is our final report which describes Iowa's decisionmaking process in implementing the Small Cities Community Development Block Grant Program as authorized by the Omnibus Budget Reconciliation Act of 1981. It also provides a comparison of 1982 State-funded activities and populations targeted with those of the Department of Housing and Urban Development (HUD) in 1981 and provides local communities' and others' perceptions of the success of Iowa's program. Iowa was one of seven States we visited in order to provide the Congress with up-to-date information on States' progress in implementing their Small Cities Program. We previously sent you a copy of our overall report to the Congress, "States Are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program" (GAO/RCED-83-186, Sept. 8, 1983), which incorporated the results of our work in seven States. The enclosed report details the results of our review in Iowa.

Essentially, we found that the State's 1982 program primarily funded public facilities projects, whereas funding from HUD's 1981 program was split mainly between public facilities and housing rehabilitation projects. The greater emphasis on public facilities projects reflected local communities' funding priorities. The State also had a higher number of applications and grant awards, reflecting its objective to increase program participation and fund more communities. In addition, State-administered program grants were supplemented with almost twice the funds of the HUD-administered program--\$6,490,068 versus \$3,671,011, respectively. (See enc. III.)

Under the 1982 State program, 76 percent of the beneficiaries are expected to be low- and moderate-income persons, compared with 91 percent under the HUD-administered program in

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1981. State and HUD officials said the decrease is not unexpected, given the shift to more public facilities projects under the State program. Although public facilities projects may also serve high percentages of low- and moderate-income persons, these projects are more difficult to target because they often provide area-wide benefits. Furthermore, the data used to compare the State and HUD programs were taken from grantee applications and therefore indicate the expected benefits rather than actual benefits. While Iowa will require grantees to collect and report actual data on benefits to low- and moderate-income persons under the 1982 program, it had not finalized how the data would be reported to HUD. At the time of our visit, the State was waiting for guidance from HUD before preparing its annual performance report for the 1982 program. (See enc. III.)

State, HUD, public interest group, and local community officials generally perceived Iowa's Small Cities Program favorably. For example, 64 percent of the grantees and 72 percent of the unsuccessful applicants said Iowa's program was adequate or more than adequate in addressing community needs. When comparing Iowa's program to HUD's, grantees and unsuccessful applicants said the State's program was equivalent to or better than HUD's in a number of areas, including the burden of application procedures, variety of eligible activities, flexibility in determining population groups to serve, technical assistance, and fairness of the award process. (See enc. IV.)

Iowa's Office for Planning and Programming administered the 1982 program and worked closely with a public advisory group--the Iowa Community Development Council--and consulted with over 200 local officials, 13 councils of government, and 14 State and Federal agencies in establishing the proposed and final program design and administrative rules. During the process, proposed rules were disseminated Statewide to various public and private agencies and officials for review and comment, and five public hearings were held. Comments and suggestions on various program matters were received and considered in finalizing the program. Most community officials said that the communication that took place between them and the State, prior to program implementation, was adequate or more than adequate. HUD area office and public interest group officials said that the State program solicited and responded to public input more effectively than the HUD program had. (See enc. II.)

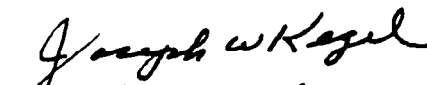
The Director of the Office of Planning and Programming commented on our draft report in a March 2, 1983, letter (see enc. VI). He generally agreed with our portrayal of the Iowa program, pointing out that our study reaffirmed the State's belief that numerous local government officials were successfully involved in the design and operation of the Iowa Small Cities Program. He also made several suggestions for clarifying our presentation, most of which have been incorporated into this final report.

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Enclosure V of this report contains detailed information regarding the objectives, scope, and methodology of our review.

Copies of this report are being sent to Iowa's President of the Senate, Speaker of the House, and U.S. congressional representatives; the HUD regional administrator responsible for the State of Iowa; and other interested parties.

Thank you for the cooperation of and time spent by State officials in assisting us during our review. Without their full cooperation and assistance, we most likely could not have provided early input to the March 1983 Community Development Block Grant Program reauthorization hearings.

Sincerely yours,


Joseph W. Kegel
Regional Manager

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ABBREVIATION

HUD Department of Housing and Urban Development

INTRODUCTION

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) substantially changed the administration of various Federal domestic assistance programs. The act consolidated numerous Federal categorical programs into nine block grants and shifted primary administrative responsibility to the States, with Federal agencies retaining a stewardship role. Of the nine block grants enacted, four related to health services, two to social services, and one each to low-income energy assistance, education, and community development. Six of the block grants were newly created, and three involved changes to existing ones. Under the provisions of the act, States are provided greater discretion, with certain legislative limits, to determine programmatic needs, set priorities, allocate funds, and establish oversight mechanisms. Since passage of the act, a great deal of interest has been expressed by the Congress, as well as the public and private sectors on what impact the new approach to block grants is having on services provided to the people.

We are reviewing the Small Cities Community Development Block Grant Program, and the other eight block grants to provide the Congress with detailed information on the States' implementation of the programs. This report provides information on the Small Cities Community Development Block Grant Program in the State of Iowa. Specifically, it describes the decisionmaking process used to design the State program, including how the State met its public participation certifications; the State process of selecting local funding recipients in 1982; a comparison of State funding of community development activities in 1982 with Department of Housing and Urban Development (HUD) funding in 1981; and local communities' and others' perceptions of how Iowa is administering the 1982 Small Cities Program compared with how HUD administered the previous program.

HISTORY OF THE SMALL CITIES PROGRAM

The Small Cities Program began with the passage of the Housing and Community Development Act of 1974 (Public Law 93-383). Title I of this act created the Community Development Block Grant Program. It replaced several former categorical grant and loan programs under which communities applied for funds on a case-by-case basis. The primary objective of title I was the development of viable urban communities by providing decent housing and suitable living environments and by expanding economic opportunities, principally for low- and moderate-income persons.

The program allowed communities two types of grants--discretionary and entitlement. Small communities in metropolitan areas and communities in nonmetropolitan areas were eligible to receive annual discretionary grants. These communities were made up largely of cities having populations of under 50,000 that

could receive funding only through a competitive process. Funds were awarded at HUD's discretion after it considered applicant proposals. Known initially as the discretionary grant program, the program evolved into the current Small Cities Program. Annual entitlement grants were made to communities with populations of over 50,000, central cities of standard metropolitan statistical areas, and some urban counties with populations of over 200,000.

Subsequent amendments to title I of the act made a number of changes to the program. For example, the Housing and Community Development Act of 1977 (Public Law 95-128) redesignated the discretionary grants portion of the program to what is known today as the Small Cities Program. This act also authorized HUD to make two types of programs available to small cities-- comprehensive and single-purpose grants. Comprehensive grants involve commitments for periods of up to 3 years to carry out two or more activities that address a substantial portion of community development needs within a reasonable period of time. Single-purpose grants are for one or more projects that consist of one or a set of activities to meet a specific community development need.

Before passage of the Omnibus Budget Reconciliation Act of 1981 on August 13, 1981, two States--Kentucky and Wisconsin-- participated in a HUD-authorized demonstration to test States' ability to administer the Small Cities Program. The demonstration was undertaken to determine whether an expanded role for States in the Small Cities Program would increase the effectiveness of the program in meeting the needs of distressed areas and low- and moderate-income people. Kentucky and Wisconsin were selected from a pool of nine States which applied to participate in the demonstration, primarily because they had the staff and resources to carry it out and had a record of State activities compatible with the objectives of the Small Cities Program. According to HUD, the results of the demonstration indicated that the States had the capacity to administer a Federal community development program and to do so with the cooperation of small communities.

Title III of the Omnibus Budget Reconciliation Act of 1981 resulted in substantial revisions to the Small Cities Program. Although the primary objective of carrying out community development activities that principally benefit low- and moderate-income persons remains unchanged, HUD regulations (24 CFR Part 570) on the State-administered program state that this overall objective is achieved through a program where the projected use of funds has been developed to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The projected use of funds may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a

serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

The 1981 act put State and local officials more clearly at the center of the decisionmaking process and reduced the discretionary power that HUD held over program decisions. States are given the option to assume primary administrative responsibility for the Small Cities Program, including distributing funds under a State-developed program. States are free to develop purposes and procedures for distributing funds as State and local priorities dictate, subject to the objectives and other requirements of the act.

In lieu of preparing a block grant application, the Omnibus Budget Reconciliation Act of 1981 requires each State electing to administer the program to prepare a statement of community development objectives and its projected use of the funds. The projected use of funds shall consist of the method by which the State will distribute funds to units of local government. The act provides that each State must certify, among other things, that the projection of how funds will be used has been developed in a way that gives maximum feasible priority to benefiting low- and moderate-income families or preventing slums and urban blight. The projected use of funds may also include activities that the State certifies have been designed to meet community development needs of particular urgency because existing conditions pose a threat to the health and welfare of the community and other financial resources are not available to meet those needs. The act also sets forth specific requirements to permit public examination and appraisal of the proposed and final statement of objectives and projected use of the funds, to enhance the public accountability of the States, and to facilitate coordination of activities with different levels of government. Each State is required to certify to HUD that it has met these requirements.

If a State elects not to accept primary responsibility for administering the program or if it fails to submit the required certifications, small communities would continue to be eligible to receive small cities grants from the HUD-administered program.

In fiscal year 1982, 36 States and Puerto Rico elected to assume responsibility for administering the Small Cities Program. As of August 1983, 46 States and Puerto Rico have elected to administer the program. Hawaii, Kansas, and Maryland have decided not to administer the program, while New York needs approval of its legislatures before notifying HUD of its intention to administer the program.

As structured under the Omnibus Budget Reconciliation Act of 1981, 30 percent of the funds appropriated to the Community Development Block Grant Program are allocated to the Small Cities

Program after deducting funds allocated to the Secretary's Discretionary Fund. After determining the amount of funds available for the Small Cities Program, grants to individual States are calculated on the basis of two formulas that existed under prior law. One formula takes into consideration poverty, population, and overcrowded housing. The other formula considers poverty, population, and age of housing stock. The allocation to each State is based on whichever formula yields a higher level of funds.

In fiscal year 1982, \$1.019 billion was allocated among the 50 States and Puerto Rico for the Small Cities Program compared with about \$926 million in fiscal year 1981.

OVERVIEW OF STATE PROGRAM

On December 8, 1981, Iowa accepted responsibility for administering the Small Cities Program. The principal reason for this decision was the local communities' overwhelming support for the State to administer the program. For fiscal year 1982, HUD awarded Iowa a Small Cities Program grant of about \$24.9 million.

The Iowa Office for Planning and Programming designed and administered the 1982 Small Cities Program. The office established a public advisory group--the Iowa Community Development Council--to review design proposals and administrative rules and to help obtain broad public participation in the decisionmaking process.

During program design, HUD provided Iowa with financial and technical assistance. According to the Area Director for Community Planning and Development, HUD gave Iowa a grant to help it prepare to administer the 1982 Small Cities Program. Iowa also requested HUD's assistance on issues such as financial management, labor and civil rights standards, and general program management. HUD provided regulations, allowed State personnel to review program files and management systems, and trained State personnel in various areas including grantee audits, fair housing and equal opportunity, environmental standards, labor and relocation regulations, and general program management.

The primary goal of the Iowa program is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income. The State also established objectives to involve local officials in program decisions, address community priorities, increase the number of grant recipients, simplify application procedures, and ensure equal treatment of all applications.

In 1982, Iowa awarded 96 grants--79 new grants totaling about \$15.5 million and 17 grants for about \$7.8 million to honor prior HUD's multiyear commitments. In addition, three imminent

threat grants¹ were awarded totaling about \$500,000. Iowa's awards ranged from \$14,025 to \$770,000 for projects lasting from 1 to 3 years.

¹Imminent threat grants are grants whereby the State certified to HUD that the funds are needed to meet community development needs of particular urgency because existing conditions pose a threat to the health and welfare of a community and other financial resources are not available to meet those needs.

DESCRIPTION OF STATE AND
LOCAL DECISIONMAKING PROCESS

In designing the 1982 Small Cities Program, Iowa certified that it would furnish its citizens with program funding information, allow public participation in program design and rules, and hold at least one public hearing. Iowa established and worked closely with a public advisory group in designing the 1982 program and obtaining public participation in the decisionmaking process. As a result, the final design established procedures to increase program participation and award grants to more communities than the previous HUD-administered program. Most community officials said that the communication that took place between them and the State, prior to program implementation, was adequate or more than adequate. HUD area office and public interest group officials said that the State program solicited and responded to public input more effectively than the HUD program had.

At the local level, grantees said they received help from individual citizens, citizen groups, councils of governments, and consultants in formulating plans for specific Small Cities Program projects. Also, 72 percent of the grantees said they conducted formal needs assessments before applying for funding under the Small Cities Program.

Iowa divided its funds between two basic population groups--small communities and larger communities--allocating 35 percent of the funds to small communities and 65 percent to larger ones. Grantees were selected on a competitive basis using communitywide and project-specific factors. Applicants competed only in their group, e.g., smaller cities competed with other smaller cities. Our review showed that Iowa distributed funds and selected grantees in accordance with the procedures outlined in its statement of objectives which was submitted to HUD.

IOWA DESIGNED ITS PROGRAM
EMPHASIZING PUBLIC PARTICIPATION

Title III of the Omnibus Budget Reconciliation Act of 1981 requires each State to certify, among other things, that it:

- furnished citizens information about the amount of funds available for proposed community development and housing activities and the range of activities that may be undertaken;
- allowed affected citizens or, as appropriate, units of local government the opportunity to examine and comment on proposed statements of community development objectives and projected use of funds;

--held at least one public hearing to obtain the views of citizens on community development and housing needs; and

--made the final statement available to the public.

How public participation requirements were met

Iowa used a variety of methods to meet its public participation certifications. Iowa's Office for Planning and Programming drafted proposed administrative rules after consulting with the Community Development Council and over 200 local officials, 13 councils of government, and 14 State and Federal agencies. The proposed rules were sent to all areawide planning organizations, State university area extension field offices, community action agencies, regional libraries, and to all eligible municipalities and counties. After the proposed rules were distributed for public comment, public hearings were held at different locations throughout the State. Local community governments and the public provided comments and offered suggestions on issues such as funds distribution, grant ceilings, low- and moderate-income standards, multipurpose and multiyear grants, in-kind resources as local effort, and eligible and ineligible activities. The program staff also met twice with the legislature's Administrative Rules Review Committee to obtain comments on the proposed rules. The council reviewed public comments and offered suggestions as the program office completed the final program design and administrative rules.

The Office for Planning and Programming furnished citizens with information on all aspects of the program. Program staff contacted local officials in over 30 communities and met with various associations having local government members and 12 area-wide planning organizations to discuss and solicit comments on the design of Iowa's Small Cities Program. In addition, the State published and sent newsletters on the program's status, rules, and procedures to all eligible communities. The rules were also distributed to all areawide planning organizations, community action agencies, State university area extension field offices, and regional libraries.

Iowa held five public hearings on the program at various locations throughout the State. Public comments received at hearings and written testimony mailed to the State were used in designing Iowa's program.

Communities received copies of the proposed and final program rules and had the opportunity to review and comment on program options, including eligibility, application requirements, selection criteria, funding methods, and administrative procedures. Our questionnaire results show that 97 percent of the grantees and 85 percent of the unsuccessful applicants said the State informed them of its intention to have a program before

providing information on procedures and requirements for public participation. Responding communities said they were primarily notified of the Small Cities Program by meetings and mailings, as illustrated in the following table:

<u>Communication method</u>	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Meetings	59	60
Mailings	83	83
Individual communication	14	20
Other	31	15

According to grantees and unsuccessful applicants, the State provided them with the following program information.

<u>Information provided</u>	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
Program goals	80	77
Eligibility requirements	86	94
Grant awards process	86	83
Administrative requirements	66	77

Eighty-two percent of the grantees and 61 percent of the unsuccessful applicants said that the State asked them for suggestions concerning the way the Small Cities Program should be carried out. Of those, 52 percent of the grantees and 57 percent of the unsuccessful applicants said they provided the State with suggestions.

Fifty-four percent of the grantees and 63 percent of the unsuccessful applicants said the State sent them proposed draft procedures and/or regulations for comment. Thirty-three percent of the grantees and 43 percent of the unsuccessful applicants said they provided comments.

The majority of the respondents said that the communication regarding the program that took place between them and the State, prior to program implementation, was adequate or more than adequate. The following table shows communities' characterization of this communication:¹

¹Percentages of respondents may not total 100 percent due to rounding.

<u>Communication</u>	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
More than adequate	10	6
Adequate	72	66
Less than adequate	10	17
Much less than adequate	-	6
No basis to judge	7	6

HUD area office and public interest group officials told us that public participation--soliciting and responding to public input--was better and more effective under the State-administered program than under the previous HUD-administered program.

How local communities designed their programs

Our questionnaire results indicated that 72 percent of the grantees conducted or had conducted a formal assessment of their needs before applying for funds under the State-administered Small Cities Program. Fifty-nine percent of these communities said that the needs assessment was conducted by the community government, 21 percent by a consultant or contractor, and 3 percent by the county government. According to respondents, the following procedures were most often included in the needs assessment:

<u>Procedures</u>	<u>Grantee</u>
	(percent)
Survey of households	66
Visual inspection of community conditions	48
Review of community statistical data	41
Review of U.S. Census data	35

In responding to our questionnaire, about 93 percent of the grantees stated persons outside their community governments helped develop plans for carrying out projects and activities under the Small Cities Program. Grantees most frequently cited the following groups as contributors to the development of local plans.

<u>Groups</u>	<u>Grantee</u>
	(percent)
Councils of governments	66
Consultants or contractors	48
Individual citizens	38
Citizen groups	21

Grantees cited the following factors as important in selecting projects and activities for inclusion in the community's funding application under the Small Cities Program.

<u>Factors affecting selections</u>	<u>Grantee</u> (percent)
General knowledge of community officials	96
Comments from individual citizens	89
Needs assessments	82
Previously prepared master plan	61
Comments from citizen groups	60

IOWA ADHERED TO ITS FUNDING DISTRIBUTION METHOD AND SELECTION CRITERIA

Iowa distributed Small Cities Program funds and selected grantees in accordance with its statement of objectives and projected use of funds submitted to HUD. Funds were distributed to two groups--large and small communities--and new grantees were competitively selected, on the basis of a point rating system. Points were awarded in two categories--communitywide (400 points) and project-specific (600 points). Iowa's statement of objectives provided to HUD said it would distribute funds on a competitive basis to eligible communities, establish grant ceilings, honor previous HUD commitments, and fund imminent threat grants.

Iowa's process for distributing funds and selecting grantees

Cities and counties were divided into two groups on the basis of population. One group included cities with populations of under 2,500 and counties with rural populations of under 6,800. The other group included cities and counties with populations in excess of these levels. The smaller communities were to compete for 35 percent of the Small Cities Program funds while the larger communities were to compete for 65 percent. The 35/65-percent fund allocation by community size was based upon the approximate population within each group.

Grant ceilings were established in order to fund more applications. For communities with populations of under 2,500, a \$1,000-per-capita limit was imposed with a \$200,000 ceiling. Communities with populations of 2,500 to 14,999, and 15,000 to 49,999 had grant ceilings of \$350,000 and \$500,000, respectively.

The Office for Planning and Programming developed a 1,000 point rating system for selecting grantees. Points were awarded in two categories--communitywide distress factors (400 points) and project-specific factors (600 points) as follows:

<u>Activity</u>	<u>Points</u>
<u>Communitywide distress</u>	
Percent of community below poverty level (defined by HUD)	200
Housing distress (including overcrowding and no plumbing) as defined by 1980 census data	100
Change in tax base (change in city's or county's taxable valuation for the most recent 5-year period)	100
<u>Project-specific</u>	
Magnitude of need (identified by applicant)	100
Project impact (identified by applicant)	200
Percent of project funds benefiting low- and moderate-income persons (HUD Section 8 income guidelines)	200
Local effort (identified by applicant)	<u>100</u>
Total	<u><u>1,000</u></u>

The Small Cities Program manager and two staff members rated all 349 applications in 1982. The staff first rated and scored each application independently. They then compared scores and resolved discrepancies before making final score recommendations to the program manager. The program manager reviewed all scores and rater worksheets. When the raters disagreed, the program manager discussed the application with them to arbitrate a final score. The program office ranked all applications in each category--small and large communities. Funds were awarded in each category beginning with the highest scoring application and moving down the list until all funds were awarded.

In 1982, Iowa awarded its Small Cities Program funds as follows. About \$15.5 million was competitively awarded to 79 new grantees and \$7.8 million to 17 grantees with prior HUD commitments. Large communities received about \$15.1 million, or 65 percent of the funds, and small communities received about \$8.2 million, or 35 percent of the funds. In addition, Iowa awarded about \$500,000 for three imminent threat grants. Awards did not exceed the per-capita limit and grant ceilings.

Review of Iowa's selection criteria

In its statement of objectives, the State said it would review and rank all applications using a rating system consisting of project-specific and communitywide factors. A review of the applications from our sample of 30 successful and 40 unsuccessful applicants showed that they contained the required data on project-specific factors such as a statement identifying a need for the proposed project, how the project affects the need, and the percentage of funds benefiting low- and moderate-income persons. The State's final ranking of applications showed that awards were made to the communities that were most competitive in all communitywide and project-specific factors including the percentage of the community below the poverty level, the project's impact on identified community needs, the percent of funds benefiting low- and moderate-income persons, and the amount of local effort. We did not attempt to independently verify the application data.

For its 1983 program, Iowa will again rank applications on the basis of project-specific and communitywide factors. In addition, 50 bonus points will be awarded to small communities that did not receive a 1982 grant. Also, the State will accept multiyear applications from larger counties (exceeding 6,800 rural population) and multipurpose applications that may include both communitywide and neighborhood projects.

CONCLUSIONS

To meet its public participation certifications, Iowa consulted with numerous local officials, public interest groups, and State and Federal agencies; held public hearings; and distributed materials to local communities, areawide planning agencies, State university extension offices, community action agencies, and regional libraries. Iowa's public participation efforts were judged as favorable by State, HUD, local, and public interest group officials.

Our questionnaire results showed that local governments also emphasized public participation. Ninety-three percent of the grantees said that persons outside their government provided input to help identify community development projects and activities. Seventy-two percent of the grantees also said formal needs assessments were part of community development planning.

Iowa distributed its funds (65 percent to larger communities and 35 percent to smaller communities) and competitively selected new grantees. In doing so, Iowa followed its selection procedures as outlined in the program statement it gave to HUD.

COMPARISON OF HUD- AND STATE-FUNDED
ACTIVITIES AND POPULATION TARGETED

In 1982 Iowa funded Small Cities Program projects in accordance with its program objectives and local communities' priorities. In comparison to the HUD-administered program, the State mainly funded public facility projects, whereas HUD's 1981 program was split between public facilities and housing rehabilitation projects. In addition, the State received more applications and awarded more grants than HUD did, reflecting its objective to increase program participation and fund more communities. Under the State's 1982 program, about six times as many grants were supported by local funds as under HUD's program.

Both programs emphasized that projects should primarily benefit low- and moderate-income persons. In 1981, under the HUD Small Cities Program, applications showed that 91 percent of those expected to benefit would be of low- and moderate-income, while in 1982, under Iowa's program, 76 percent of the beneficiaries were expected to be of low- and moderate-income. Although the data cited showed expected beneficiaries, Iowa will require grantees to collect and report actual data on benefits to low- and moderate-income persons. At the time of our review, the State was waiting for guidance from HUD before finalizing its annual performance report on the 1982 program which will be submitted to HUD.

MAJOR ACTIVITIES FUNDED UNDER HUD'S 1981
PROGRAM AND THE STATE'S 1982 PROGRAM

No major differences existed between HUD and the State in the types of activities and projects funded. However, Iowa's 1982 funding as a percentage of total funds awarded shifted from housing rehabilitation, which decreased 31 percent, primarily to public facilities. Other differences included the number of applications received, awards made, size of awards, and amount of funding supporting State grants. The following table compares the two programs.

Comparison of 1981 HUD and 1982 State Grants

	<u>HUD 1981</u>	<u>State 1982^a</u>
Number of grants	60	79
Average size of award	\$374,965	\$196,149
Average community size	8,996	3,249
Grants supported by other funds:		
Number	17	66
Source and amounts:		
Local	\$1,664,211	\$6,390,068
Private	100,000	100,000
Federal	<u>1,906,800</u>	<u>0</u>
Total	<u>\$3,671,011</u>	<u>\$6,490,068</u>

Percentages and dollar awards by activity:^b

	<u>HUD 1981</u>		<u>State 1981</u>	
Housing rehabilitation	40%	\$ 9,106,947	9%	\$ 1,379,107
Public facilities	40	8,990,576	84	13,050,430
Economic development	6	1,382,700	4	560,650
Property acquisition and clearance	8	1,903,839	1	203,666
Other	<u>5</u>	<u>1,113,838^c</u>	<u>2</u>	<u>301,907</u>
Total funds awarded	<u>99%</u>	<u>\$22,497,900</u>	<u>100%</u>	<u>\$15,495,760</u>

^aThese figures do not include three imminent threat grant awards totaling about \$500,000. Also, for the purpose of our comparisons we did not include \$7.8 million that was part of the State's allocation but were committed to past HUD-approved, multiyear grants because the State did not have control over the money. States had to agree to fund the multiyear grants as a condition to taking over the Small Cities Program.

^bPercentages may not total 100 because of rounding.

^cThe \$1,113,838 "Other" funds HUD awarded in 1981 included \$1,113,438 for administrative costs and planning, as well as \$400 which we could not readily attribute to specific activities.

Major activities funded

In 1981 housing rehabilitation and public facilities each accounted for about 40 percent of the funding awarded under the Small Cities Program. In 1982, under Iowa's administration, public facilities accounted for 84 percent of the funds awarded

excluding HUD-approved, multiyear funding, while housing rehabilitation accounted for 9 percent. As noted by the Director of Iowa's program in a March 2, 1983 letter commenting on our draft report, when multiyear commitments are included, 72 percent of the funds went to public facility activities and 18 percent to housing rehabilitation.

The greater emphasis on public facilities projects in Iowa's program reflected local communities' priorities and the State's project rating system. The number of applications for public facilities projects far exceeded any other type of project and thus received the most grant awards. The program manager said that the State's project rating system changed some factors in HUD's system that tended to favor housing project applications. For example, in HUD's project rating system, the most competitive applications were those that demonstrated that all project beneficiaries were low- and moderate-income persons. This could most readily occur with housing projects, since they are generally direct beneficiary projects. Under Iowa's system, applications were considered most competitive if only two-thirds of the beneficiaries were low- and moderate-income persons. Thus, areawide beneficiary projects, such as public facilities, had an equal chance of funding.

For 1983, Iowa has changed its project rating system in order to increase the benefit to low- and moderate-income persons. To be most competitive, applications must show that 75 percent of the beneficiaries are low- and moderate-income persons.

Communities eligible for funding

The number of communities eligible for funding under both Iowa's and HUD's program were the same although the communities were categorized differently. Under both programs 947 cities and 99 counties were eligible for funds. Under the State program, cities and counties were divided into two groups on the basis of population, as discussed on page 10. Under the HUD program, cities and counties were classified as being metropolitan or non-metropolitan. Classification was based on a community's proximity to Standard Metropolitan Statistical Areas rather than its population size. According to the Program Manager of the Iowa Small Cities Program, two groups were established to allow communities to compete for program funds with communities of a similar size.

Number of applications and awards

Despite the same number of potential applicants in both programs, the State program received many more applications. In 1982, the State received 349 applications; HUD received 190 applications the previous year. The Program Manager of Iowa's Small Cities Program attributed the increase to greater public

awareness of the program and program design changes that encouraged more applications for smaller grant award amounts.

In accordance with its program objective, Iowa awarded more grants, and generally smaller grants, than HUD did the year before. In 1982, Iowa awarded 97 grants--79 new grants, 17 grants to honor prior HUD multiyear commitments, and 3 imminent threat grants. In 1981 HUD awarded 60 grants. The 79 new grants, which the State awarded competitively, averaged \$196,000, whereas HUD's average award was \$375,000. The following table compares the 1982 new grant awards made by the State and the 1981 HUD awards:

<u>Range of awards</u>	<u>Number of State grants</u>	<u>Number of HUD grants</u>
Less than \$100,000	21	1
\$100,000 to \$249,000	33	15
\$250,000 to \$499,999	24	28
\$500,000 and more	<u>1</u>	<u>16</u>
Total	<u>79</u>	<u>60</u>

Iowa's \$1,000 per-capita limit on awards and generally lower grant ceilings contributed to the State's smaller grants. HUD's program considered, but did not limit, per-capita expenditures. Iowa's maximum single-year grant amount was \$500,000, whereas HUD allowed grants of up to \$800,000.

Grants with other funding sources

State-administered program grants were supplemented with almost twice the funds of the HUD-administered program--\$6,490,068 versus \$3,671,011, respectively. Furthermore, six times as many grants had local funding sources under Iowa's program than under HUD's program. This increase may be attributable to Iowa's award process, which placed more emphasis on communities providing local funds to supplement grant awards. For example, Iowa's rating system gave up to 10 percent of the maximum total score to communities that provided local effort compared with 2.5 percent under HUD's program.

BENEFITS TARGETED TO LOW- AND MODERATE-INCOME PERSONS UNDER THE 1982 STATE PROGRAM VERSUS THE 1981 HUD PROGRAM

Both the State and HUD established objectives and project selection procedures to assure that the programs primarily benefited low- and moderate-income persons. Under each project selection system, low- and moderate-income beneficiaries were a significant factor for ranking applications for awards.

Under the 1982 State program, 76 percent of the beneficiaries are expected to be low- and moderate-income persons, compared with 91 percent under HUD's 1981 program. State and HUD officials said this decrease is not unexpected, given the shift from housing rehabilitation projects to more public facilities projects under the State program. Although public facilities projects may also serve high percentages of low- and moderate-income persons, these projects are more difficult to target because they tend to benefit all persons in particular geographical areas rather than specific individuals. On the other hand, housing rehabilitation projects can more easily be targeted to benefit only low- and moderate-income persons.

The data used to compare the State and HUD programs were taken from grantee applications and indicate the percentage of low- and moderate-income persons expected to benefit from the program, rather than how many actually benefited. However, Iowa will require grantees to collect and report actual data on benefits to low- and moderate-income persons. At the time of our review the State was waiting for guidance from HUD before preparing its annual performance report.

CONCLUSIONS

Iowa's 1982 Small Cities Program mainly funded public facilities projects, whereas HUD's 1981 program was split between public facilities and housing rehabilitation. This shift is primarily attributed to the local governments' opportunity to express community priorities.

Another difference between the programs was that in 1981, HUD received 190 applications, whereas Iowa received 349 applications in 1982. Furthermore, HUD awarded 60 grants, whereas Iowa awarded 79 grants. These changes reflected the State program's objective to increase program participation and fund more communities. In addition, Iowa's award process placed more emphasis on communities providing local funds to support Small Cities Program grants. More than six times as many grants were supported by local funds under the State program as under the HUD program.

Both programs emphasized that projects should primarily benefit low- and moderate-income persons. While both programs benefited mostly low- and moderate-income persons, preliminary data show that a lower percentage of such persons will benefit under the State program. This difference has been attributed to the shift towards public facilities projects that tend to benefit all persons in an area rather than just low- and moderate-income persons.

PERCEPTIONS: COMPARISON OF STATE-
AND HUD-ADMINISTERED PROGRAM

State, HUD, and public interest group officials generally perceived Iowa's Small Cities Program favorably. In particular, officials pointed to Iowa's encouragement of public participation and its responsiveness to community needs as indications of the program's success.

For the most part, grantees and unsuccessful applicants responding to our questionnaire believed that the State's program was adequate or more than adequate. For instance, the majority said that Iowa's program was adequate or better in addressing community needs. Of those who received State technical assistance in preparing their grant applications, the majority said the assistance was helpful. Furthermore, most respondents characterized Iowa's award process as being fair.

When comparing Iowa's program with HUD's, most respondents said the State's program was equivalent to or better than HUD's in most areas, including the burden of application procedures, variety of eligible activities, flexibility allowed in determining population groups to serve, provision of technical assistance, consistency of priorities with community needs, and fairness of the award process. However, the majority of respondents said that Iowa's eligibility requirements were equally as difficult as HUD's, and 40 percent of the grantees said Iowa's reporting requirements were more burdensome. Furthermore, of those who said they were able to judge the promptness of Iowa's reimbursement process, most thought the State was less prompt.

STATE, HUD, AND OTHER VIEWS ON
STATE AND FORMER HUD PROGRAM

State and public interest group officials believe the Iowa program is better than the previous HUD program. They said the State program more effectively meets local community needs, allowing communities to determine their own priorities, increasing the number of grantees, and allowing greater public participation in designing the program. While HUD area office officials agreed that the State program allowed greater public participation and increased the number of grantees, they said the HUD program also allowed communities to determine their own needs.

State views

According to the Program Manager of Iowa's Small Cities Program and his staff, the State program is better than the previous HUD program. For example:

- The State program equally considers all applications for public facilities, housing, or other projects. This prompted communities to apply for projects that met their needs rather than to apply for projects they felt had a better chance of being funded. Under the HUD program, the project selection system favored housing projects; therefore, communities tended to apply for them to increase their chances of getting funds.
- Lower grant ceilings, a \$1,000-per-capita limit on Small Cities Program grants, and increased emphasis on local effort in the application rating system resulted in more communities participating in the program, thus, meeting more community needs.
- Under the State program, the public had more opportunity to help design the program. The State program office actively solicited public input on all aspects of program design and implementation.

HUD views

According to the HUD Area Office Director for Community Planning and Development, both the HUD-administered and State-administered programs allowed local communities to determine their own needs. Under the State program all applications, whether for public facilities or housing, had an equal chance of funding. However, under the HUD program, housing projects had a greater chance of funding. Communities realized this and tended to apply for housing projects. The director added that public participation increased under the State program through input on program design and administration and an increased number of grant awards.

Public interest group views

According to the Executive Directors of the League of Iowa Municipalities and State Association of Counties, the State program was better than the previous HUD program, and their constituents would benefit more under the State-administered Small Cities Program. The directors compared the State-administered program with the previous HUD-administered program and indicated the following aspects of Iowa's program were better than HUD's:

- Soliciting public input.
- Responding to public input.
- Selecting grantees.
- Meeting the community development needs of small cities in the State.
- Determining the types of activities eligible for funding.

The Executive Director of the League of Iowa Municipalities said that the technical assistance provided by the State to small cities was about equal to the HUD program, and that the State's targeting of populations for services was better. The Executive Director of the State Association of Counties thought that Iowa's targeting was equal to HUD's.

VIEWS OF GRANTEEES AND UNSUCCESSFUL APPLICANTS

Grantees and unsuccessful applicants identified strong aspects in the State's program, such as better communication with communities and greater flexibility in determining needs. Unsuccessful applicants also identified some program shortcomings, such as too much emphasis on income level and points for local efforts that discriminated against small communities. The majority of the respondents said that Iowa's program was adequate or more than adequate in, among other things, meeting local needs and fairness of award decisions. Views comparing Iowa's program with HUD's were generally favorable, with most respondents saying the State program was equal to HUD's or better in allowing flexibility in determining population groups, having priorities which are consistent with local needs, and having a fair award process.

Views on State program strengths

Forty-six percent of the grantees and 23 percent of the unsuccessful applicants who responded to our questionnaire said that Iowa's program had particularly strong aspects regarding its design, award process, and regulation. Furthermore, some of these respondents provided comments on specific strengths of the State program. Some of these comments follow:

Program design

- The State program is more flexible, which allows local communities to meet needs.
- The State's in-kind effort for cities with populations under 2,500 makes them more competitive.
- The State program has good communication between the State and local communities.

Award process

- The State process is anonymous and unbiased.
- The process places emphasis on benefits to low- and moderate-income persons.
- Very little political influence was involved in making awards.

Program regulations

- The State's program rules are consistent with Federal administrative intent.
- The State rules are brief and easy to understand.

Views on State program shortcomings

Grantees' and unsuccessful applicants' views differed on the State program's shortcomings. Ninety-six percent of the grantees believed the program had no significant shortcomings in its design, award process, and regulations, but 56 percent of the unsuccessful applicants believed it did. The following are some examples of particular shortcomings identified by respondents.

Program design

- Too much emphasis is placed on low- and moderate-income groups.
- Counties are not allowed multiyear grants.
- Large communities receive most of the block grant funds.

Award process

- Awarding points for local efforts discriminates against small communities.
- Too much emphasis is placed on a person's income level.

Program regulations

- Large areas get most of the block grant funds.

As illustrated below, the majority of the grantees and unsuccessful applicants responding to our questionnaire believed the State program had about as many or fewer shortcomings than other State or Federal programs:¹

¹When presenting questionnaire results, percentages of respondents may not total 100 because of rounding.

	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
Many more	-	6
More	-	6
About as many	29	34
Fewer	36	24
Many fewer	7	9
No basis to judge	29	21

How adequately does State
program meet local community
development needs?

As the following table shows, most grantees believed Iowa's program adequately addressed local community development needs. Fifty-one percent of the unsuccessful applicants believed the State program adequately or more than adequately addressed these needs:

	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
Much more than adequate	18	-
More than adequate	21	18
Adequate	54	33
Less than adequate	-	31
Much less than adequate	-	6
No basis to judge	7	12

Did communities receive State
assistance in preparing
grant applications?

Forty-one percent of the grantees and 47 percent of the unsuccessful applicants said they received assistance from the State when preparing their applications for Small Cities Program funding. All respondents who received assistance said it was at least of some help, and the majority found it to be of great help. The following table provides more detailed respondent information.

	<u>Grantee percent</u>	<u>Unsuccessful applicant percent</u>
	(percent)	
Very great help	17	6
Great help	67	50
Moderate help	17	13
Some help	-	31

Of those who indicated they received State assistance, 75 percent of the grantees and 57 percent of the unsuccessful applicants said they were offered this assistance without requesting it.

Fairness of State's award process

Ninety-three percent of the grantees and 73 percent of the unsuccessful applicants said they were familiar with the State's grant award process. As shown below, the majority of the respondents believed the State's award decisions were fair.

	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
Very fair	19	-
Fair	69	52
Neither fair/unfair	12	28
Unfair	-	16
Very unfair	-	4

Applicants' comparison of State program with former HUD program

Fifty-four percent of the grantees and 57 percent of the unsuccessful applicants said they previously participated in HUD's Small Cities Program. In most areas about which we inquired, respondents generally said Iowa's program was equivalent to or better than HUD's.

Data on comparison issues that follow were obtained only from those respondents who said they had previously participated in HUD's Small Cities Program.

Application procedures

Sixty-percent of both respondent groups said that Iowa's application procedures were less burdensome than those of the HUD program, and only 5 percent of the unsuccessful applicants said the State's procedures were more burdensome. The following table provides a breakdown of respondents' perceptions on this issue:

	<u>Grantee</u>	<u>Unsuccessful applicant</u>
	(percent)	
State much more burdensome	-	5
State equally burdensome	40	35
State less burdensome	40	55
State much less burdensome	20	5

Eligibility requirements

The majority of both respondent groups believed Iowa's Small Cities Program eligibility requirements were equally or less difficult than HUD's Small Cities Program requirements. Eighty percent of the grantees and 55 percent of the unsuccessful applicants thought the programs' requirements were equally difficult. Thirteen percent of the grantees and 30 percent of the unsuccessful applicants said the State's eligibility requirements were less difficult than HUD's, and 7 percent of the grantees and 15 percent of the unsuccessful applicants said they were more difficult.

Reporting requirements

Forty percent of the grantees said that Iowa's reporting requirements were more burdensome than HUD's. Thirty-three percent said they were equally burdensome, and 27 percent said they were less burdensome.

Variety of activities

Seventy-three percent of the grantees and 84 percent of the unsuccessful applicants said that Iowa allowed about the same or a wider variety of activities under its program as HUD did. Twenty percent of the grantees and 5 percent of the unsuccessful applicants said the State allowed a narrower variety of activity, and 7 percent of the grantees and 11 percent of the unsuccessful applicants said they had no basis to judge.

Flexibility in determining population groups

Eighty percent of the grantees and 68 percent of the unsuccessful applicants believed that they had equal or more flexibility under the State program as they did under HUD's program in determining population groups to be served by Small Cities Program funds. No grantees and only 16 percent of the unsuccessful applicants thought the State gave them less flexibility, while 20 percent of the grantees and 16 percent of the unsuccessful applicants said they had no basis on which to judge.

Technical assistance

Sixty-four percent of the grantees said that Iowa's technical assistance was more helpful than the assistance previously provided by HUD. Seven percent found it equally helpful and 7 percent found it less helpful. Twenty-one percent said they had no basis on which to judge.

State priorities

Sixty-four percent of the grantees and 72 percent of the unsuccessful applicants said that Iowa's program priorities were just as consistent with their community needs as HUD's program. Fourteen percent of the grantees and 17 percent of the unsuccessful applicants believed the State's program was more consistent with their needs, and none of the respondents said the State was less consistent. Twenty-one percent of the grantees and 11 percent of the unsuccessful applicants said they had no basis on which to make this judgment.

Grant award process

Sixty-four percent of the grantees and 72 percent of the unsuccessful applicants said the State's method for granting awards was as fair as HUD's, and 21 percent and 17 percent, respectively, believed the State's process was more fair. Only 11 percent of the unsuccessful applicants said the State was less fair. Fourteen percent of the grantees said they had no basis on which to judge.

State reimbursements

The majority of grantees (60 percent) said they had no basis for comparing the promptness of Iowa's reimbursements, payments, or drawdowns with HUD's. However, 33 percent said the State was less prompt, and only 7 percent said it was more prompt.

CONCLUSIONS

The State's 1982 program is generally perceived to be equal to or better than the prior HUD program. State and Federal program administrators, as well as public interest groups believe the State's program design and grant ceilings encouraged greater participation and thus were responsive to more communities' needs.

Generally, grantees and unsuccessful applicants said the State program was adequate or more than adequate in meeting local needs, providing technical assistance, and using a fair award process. Respondents also compared Iowa's Small Cities Program with the program previously administered by HUD. While Iowa's reimbursement process was often seen as being slower than HUD's, and its eligibility and reporting requirements were generally not viewed as being better than HUD's, the majority of the respondents believed Iowa's program was equivalent to or better than HUD's in most areas about which we inquired. Among these were the burden of its application procedures, provision of technical assistance, consistency of program priorities with community needs, and fairness of the award process.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objectives of this work were to provide the Congress with a report on State implementation of the Small Cities Community Development Block Grant Program, as authorized by the Omnibus Budget Reconciliation Act of 1981, and to provide input to the 1983 reauthorization process on the block grant legislation. This work is part of our ongoing effort¹ to keep the Congress informed of the progress being made in implementing the block grant aspects of the Omnibus Budget Reconciliation Act of 1981.

When we conducted our fieldwork--December 1, 1982, through January 15, 1983--most States were in the early stages of implementing the Small Cities Program. While essentially all States had selected their 1982 recipients, some States were just completing grant agreements with local communities, and only one had started its monitoring work. Accordingly, our work was directed towards reviewing the State decisionmaking process through the selection of grantees, concentrating on the following issues:

- How did States meet their public participation requirements?
- How did States decide to use and distribute Small Cities Program funds and how did that method compare with what they told HUD in their statement of objectives and projected use of funds?
- What projects and activities did the State fund in 1982 and how did they compare with the 1981 HUD-administered Small Cities Program?
- What were the successful and unsuccessful applicants' perceptions on how well a State-administered program meets local needs compared with a federally administered program?

We reviewed the programs of seven States--Alabama, Delaware, Iowa, Kentucky, Massachusetts, Michigan, and Utah. These seven States were allocated \$150.1 million of fiscal year 1982

¹In August 1982 we provided the Congress an initial look at States' implementation of the 1981 legislation in our report entitled "Early Observations on Block Grant Implementation" (GAO/GGD-82-79). Also, on the basis of the preliminary results of this review on March 9, 1983, we provided a statement for the record before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs, on our views of States' early implementation of the Small Cities Program.

Small Cities Program funding. This represents approximately 15 percent of the fiscal year 1982 funds available for small cities and 20 percent of the total funds allocated to those States that elected to administer the program in 1982.

We selected these States on the basis of the progress they had made in implementing the Small Cities Program--we excluded those States that had not essentially completed their selection of recipients by December 1, 1982. We initially based our selection on the 13 States included in our prior review. See footnote 1 on p. 26.) However, 6 of those 13 States--California, Colorado, Florida, New York, Vermont, and Texas--chose not to administer the program in fiscal year 1982. Three others--Mississippi, Pennsylvania, and Washington--although electing to administer the program, had not completed their selection process by December 1. Therefore, to obtain additional audit coverage and geographic balance, three States were added--Alabama, Delaware, and Utah.

In Iowa, we met with the officials responsible for developing, designing, and implementing the Small Cities Program to obtain information and their views on (1) the State's decision-making process and (2) the State's administration of the program as opposed to HUD's administration of the program. We reviewed documents concerning the State's design of the program, public participation efforts, and all grantee applications to obtain detailed data on how local communities were planning to use the Small Cities Program funds.

We took statistical samples of both the grantee and unsuccessful applicant universes in Iowa to determine if the State distributed funds and selected grantees in accordance with procedures outlined in its statement of objectives and in accordance with the criteria it set up for that purpose. We reviewed the applications, supporting documentation, and the steps Iowa took to select the grantees over the unsuccessful applicants.

We also sent two questionnaires to the sample groups--30 of the 79 grantees and 40 of 270 unsuccessful applicants--to obtain perceptions from the local communities on the HUD- and State-administered programs. In order to provide input in the reauthorization hearings on the Community Development Block Grant Program, we conducted our audit work over a short time-frame. Consequently, we decided to structure our samples to yield the most precise estimates for the total grantees and unsuccessful applicants in the seven States included in our review, thus accepting less precise estimates for grantees and unsuccessful applicants in each individual State. The sampling errors for the total grantee sample and unsuccessful applicant sample are no greater than plus or minus 6 percent and 7 percent, respectively, at the 95-percent confidence level. The sampling errors for the majority of questionnaire data in this report are no greater than plus or minus 11 percent for the grantee sample and 12 percent for the unsuccessful applicant

sample, and the largest sampling errors are 14.5 percent and 15.2 percent, respectively, all at the 95-percent confidence level. This means the chances are 19 out of 20 that if we had reviewed all of the grantees and unsuccessful applicants in Iowa, the results of the review would not have differed from the estimates obtained from our sample by more than the sampling errors reported. The results presented in this report represent responses weighted to reflect the responses of the populations sampled. The response rates for Iowa's grantees and unsuccessful applicants were 97 percent and 90 percent, respectively.

The successful applicant questionnaire was designed to obtain information on the local community's input into the State decisionmaking process in designing its program; the way in which the community planned for, applied for, and is using the funding it received; and the community government's views on the way in which the State conducted the program compared with the past HUD-administered program. We asked that the views expressed be those of the highest level government official familiar with the community's experience under the program.

The unsuccessful applicant questionnaire was also designed to obtain information on the local community's input into the State's decisionmaking process in designing its program, the way in which the community applied for funds, and the community government's views on the way the State conducted the program compared with the past HUD-administered program. We also asked unsuccessful applicants questions concerning the State's decision not to fund their projects. As in the successful applicant questionnaire, we asked that the views expressed be those of the highest level of government official familiar with the community's experience under the program.

In Iowa, we also met with the Executive Directors of the State Association of Counties and League of Iowa Municipalities to determine their participation in the design of the State program and to obtain their views on the program and its administration.

In addition to visiting the seven States, we conducted our review at HUD headquarters and the HUD regional and area offices that were responsible for administering the 1981 Small Cities Program in the seven States.

At HUD headquarters, we reviewed the Community Development Block Grant Program's legislative history; HUD regulations, handbooks, and notices; and other HUD documents and analyses. We also interviewed office directors and other staff members involved with the Small Cities Program under HUD's Assistant Secretary for Community Planning and Development.

At the HUD regional and area offices in Kansas City, Missouri, and Omaha, Nebraska, respectively, we interviewed community planning and development officials and reviewed appropriate documents to gather information on HUD's role in assisting Iowa in designing its Small Cities Program and to obtain views on the advantages and disadvantages of State administration of the Small Cities Program versus HUD administration. We also gathered detailed information from all of the successful applications HUD funded in 1981. These data were summarized along with the 1982 successful applicant data and used to show how the funds were used under the State's decisionmaking process versus HUD's decisionmaking process.

Our review was made in accordance with generally accepted government auditing standards.



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TERRY E. BRANSTAD
Governor

EDWARD J. STANEK, PhD
Director
March 2, 1983

Mr. Frederick A. Wiener
Regional Block Grant Coordinator
U.S. General Accounting Office
10 West Jackson Boulevard
5th Floor
Chicago, IL 60604

Dear Mr. Wiener:


I have reviewed your preliminary summary of facts and observations on the Iowa 1983 Small Cities Community Development Block Grant program.

Overall, I am pleased with the positive portrayal of the Iowa program. Your study reaffirms our belief that numerous local government officials were successfully involved in the design and operation of our program. It is gratifying to note that applicants were pleased both with assistance given by the Office for Planning and Programming and with the essential fairness and objectivity of our system.

Comments from the U.S. Government Accounting Office will be important to us for review as we proceed into the next years of the program. We would also like to acknowledge the assistance of the HUD Area Office in Omaha in making the transition from a federal-to state-run program.

I have provided detailed comments on the preliminary draft, which are attached to this letter. If you have any questions on this material, please contact Lane Palmer of my staff.

Sincerely,



Edward J. Stanek, Ph.D.
Director

EJS/lp/cc

Attachments

GAO note: The attachments included several suggestions for clarifying our presentation, most of which have been incorporated into this final report.