

GAO

Testimony

Before the Subcommittee on Human Resources and  
Intergovernmental Relations, Committee on Government  
Reform and Oversight, House of Representatives

---

For Release on Delivery  
Expected at  
9 a.m. EDT  
Thursday  
August 3, 1995

COMMUNITY  
DEVELOPMENT

Challenges Face  
Comprehensive  
Approaches to Address  
Needs of Distressed  
Neighborhoods

Statement of Judy A. England-Joseph,  
Director, Housing and Community Development Issues,  
Resources, Community, and Economic Development Division



064266/154872

---

---

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to participate in your hearing on the Local Empowerment and Flexibility Act of 1995, whose purpose is to create increased flexibility for local governments and private nonprofit organizations using federal programs to assist communities and their residents. The act would, among other things, create a council composed primarily of cabinet-level officials to review and approve local plans that could include requests to waive federal requirements.

Our testimony is based primarily on our February 1995 report on community groups that are using a multifaceted--or comprehensive--approach that relies on residents' participation to address housing, economic, and social service needs in distressed neighborhoods.<sup>1</sup> Comprehensive efforts are often begun out of the frustration of residents regarding neighborhood conditions and the dissatisfaction of assistance providers with the results of more limited approaches. In our February report we examined (1) why community development experts and practitioners advocate this approach, (2) what challenges they see to its implementation, and (3) how the federal government might support comprehensive approaches. The report incorporated information obtained during our review of four organizations that are applying a comprehensive approach for improving their respective communities.<sup>2</sup>

In summary, we reported that community development experts advocate comprehensive approaches to address the problems of distressed neighborhoods because such complex, interrelated problems are better addressed in tandem than individually. The comprehensive approach was endorsed by the Department of Housing and Urban Development (HUD) in March 1994. Several national foundations--frustrated with the results of programs they previously funded--have begun funding organizations that are taking a comprehensive approach.

Multiple challenges confronted the four organizations we studied. The organizations had to, among other things, piece together a complex web of funding from several private and public sources to cover program and administrative costs. Overall, the groups relied on public funding--often with conditions and/or

---

<sup>1</sup>Community Development: Comprehensive Approaches Address Multiple Needs but Are Challenging to Implement (GAO/RCED/HEHS-95-69, Feb. 8, 1995).

<sup>2</sup>The four organizations we studied were (1) the Core City Neighborhoods in Detroit, Michigan, (2) the Dudley Street Neighborhood Initiative in Boston, Massachusetts, (3) the Marshall Heights Community Development Organization in Washington, D.C., and (4) the Neighborhood Housing Services in Pasadena, California.

restrictions on its use--for 30 to 60 percent of their budgets. The organizations also faced the onerous task of managing a diverse set of concurrent housing, economic development, and social service programs.

The federal government assists distressed urban communities and their residents through a complex system involving at least 12 federal departments and agencies.<sup>3</sup> Together, these agencies administer hundreds of programs in the areas of housing, economic development, and social services. These agencies have tended not to coordinate their efforts with one another because they have separate missions and have been concerned about losing control over their own resources. In addition, the federal efforts to coordinate that have been undertaken have had few successes, leaving community organizations--such as the ones we reviewed--with the burden of trying to piece together programs to serve their communities.

### BACKGROUND

Despite overall economic growth in the United States during the 1980s, the economic and social health of many cities declined. While crime, poverty, and the physical and social deterioration of urban neighborhoods increased, intergovernmental aid to cities declined between 1980 and 1993 by about 19.4 percent in constant dollars. Meanwhile, the out-migration of many middle-income residents and businesses has caused city tax bases to shrink, hampering the ability of local governments to assist economically and socially distressed areas suffering from a mix of interrelated problems.

Over the past several decades, the public and private sectors have tried different strategies to assist people living in distressed communities. Some of these efforts have focused on improving the chances for individuals in these areas to obtain the education, social services, and other support that they need in order to leave their neighborhoods. Others have focused on improving the neighborhoods' physical environment through affordable housing or economic development. Still others have combined aspects of both approaches by addressing the needs of residents and their environment. These latter efforts are referred to as comprehensive by community development experts because they

---

<sup>3</sup>The Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, Transportation, and the Treasury; the Environmental Protection Agency; and the Small Business Administration operate programs available to distressed communities. Other agencies, such as the Department of Defense, also operate programs that may be regarded as assisting distressed urban communities under certain circumstances.

consider the housing, economic development, and social service needs of communities and are considered community-based because they focus on specific geographic areas and involve the residents in the planning and implementation. Comprehensive community-based efforts have often begun within communities in response to neighborhood conditions--rather than in response to a federal program--and are operated by local nonprofit organizations.

#### COMPLEX PROBLEMS CALL FOR COMPREHENSIVE APPROACHES

According to the experts we consulted, comprehensive approaches enhance the chances of improving conditions in distressed neighborhoods because the problems in these areas are complex and interrelated. Addressing these problems in tandem, the experts believe, makes long-term results possible. In addition, the experts said that comprehensive approaches are more viable now than they were in the past because community organizations have gained experience and an infrastructure has evolved to provide funding and technical assistance. However, the experts cautioned that conditions in distressed neighborhoods cannot be quickly reversed and that the outcome of much of the work these groups do--community outreach, counseling, and referral services--is hard to quantify, making evaluation of the results difficult. The comprehensive approach was endorsed by HUD in March 1994 in a publication in which the Secretary wrote, "We believe the best strategy to community empowerment is a community-driven comprehensive approach which coordinates economic, physical, environmental, community, and human needs." Dissatisfied with the results of previous single-focused approaches to community revitalization, national organizations and foundations have begun funding organizations that are taking a comprehensive approach.

#### COMPREHENSIVE APPROACHES ARE DIFFICULT TO IMPLEMENT

Multiple challenges confronted the four organizations we studied. All experienced substantial difficulty organizing residents, gaining their trust, and maintaining their involvement. All four organizations said that residents needed to see a tangible result--rehabilitated housing or a cleaner neighborhood--before they wanted to participate. Obtaining financial support and managing a diverse set of concurrent programs also presented significant challenges. The four organizations relied on a myriad of public and private funding sources, such as federal block grant and program-specific funding, foundation grants, and corporate donations. Overall, the organizations relied on public funding--often with conditions and/or restrictions on its use--for 30 to 60 percent of their budgets. After obtaining funds, the organizations faced the challenge of concurrently managing multiple programs, each with several separate funding sources, application requirements, and reporting expectations.

The four organizations we studied responded to the challenges confronting them in a variety of ways. They obtained residents' support by including residents in their planning and decision-making. They also used the multiple funding sources and collaborations to leverage resources that could then be applied over a wide range of needs in the communities. In addition, each organization had access to some relatively flexible funding--either public block grants or private foundation funds--that enabled it to set priorities consistent with its community's needs. Finally, the organizations built a cadre of experienced staff to administer and manage the array of programs.

#### FRAGMENTATION OF FEDERAL PROGRAMS IS BURDENSOME TO COMMUNITIES

The federal government assists distressed urban communities and their residents through a complex system involving at least 12 federal departments and agencies. Together, these agencies administer hundreds of programs in the areas of housing, economic development, and social services. For example, we reported that there are at least 154 employment and training assistance programs, 59 programs that could be used for preventing substance abuse, and over 90 early childhood development programs.<sup>4</sup> Considered individually, many of these categorical programs make sense. But together, they often work against the purposes for which they were established, according to a National Performance Review report.

In addition, there has traditionally been little coordination among the many federal departments and agencies with the responsibility for administering the programs that can be used to assist distressed communities. Agencies have tended not to coordinate efforts with one another because they have been protective of their own resources and separate organizational missions.

The proliferation of federal programs and the lack of coordination among agencies impose a burden on local organizations that attempt to piece together programs to serve their communities. The neighborhood organizations we studied found it burdensome to manage multiple programs with individual funding streams, application requirements, and reporting expectations. In addition, one organization reported that it had strained its managerial and financial systems to meet federal record-keeping and accounting standards for several funding sources. While the organization implemented the necessary procedures to comply with the standards,

---

<sup>4</sup>See Multiple Employment Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994), Drug Use Among Youth: No Simple Answers to Guide Prevention (GAO/HRD-94-24, Dec. 29, 1993), and Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994).

officials said that the administrative burdens nearly forced the organization to reduce the scope of its services.

We see the potential for ongoing efforts to make federal programs more accessible to community organizations. As you know, the Empowerment Zone and Enterprise Community program allowed communities to request waivers to federal requirements.<sup>5</sup> In addition, the President established the Community Enterprise Board to, among other things, assist with the implementation of the program. In their applications for this program, urban applicants requested over 1,000 waivers. Almost 60 percent of the requests will require statutory changes. The Local Empowerment and Flexibility Act of 1995 includes provisions for a similar board to review and approve local plans for flexibility and requests for waivers. If such a board is to fulfill its mission, it will require the commitment of high-level agency officials and open dialogue among the agencies.

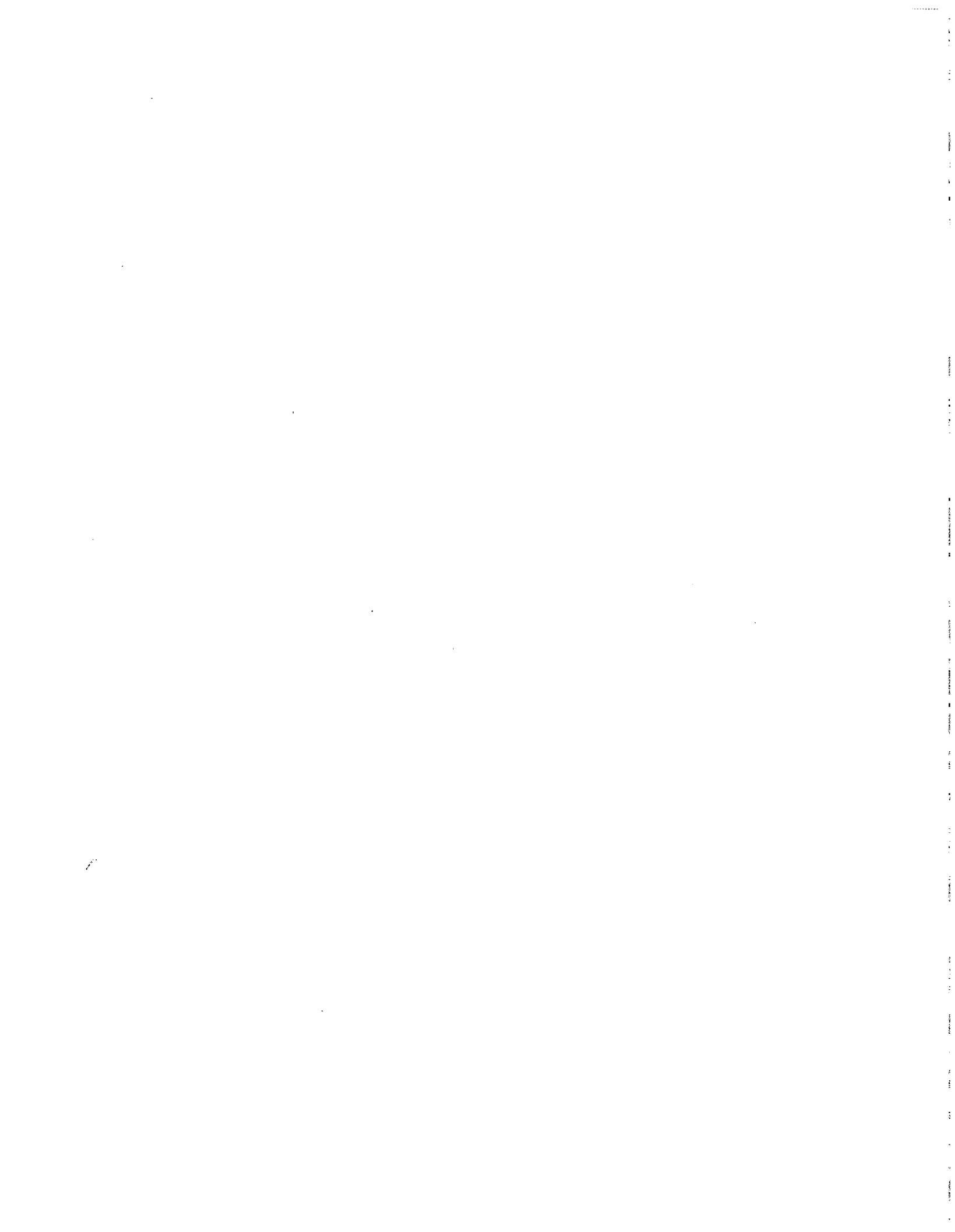
- - - - -

Mr. Chairman, this completes my prepared statement. I would be pleased to respond to any questions that you or Members of the Subcommittee may have.

(385495)

---

<sup>5</sup>The Empowerment Zone and Enterprise Communities (EZ/EC) program was adopted in 1993 under the Omnibus Budget Reconciliation Act. This program promotes the comprehensive revitalization of distressed communities by funding broad, community-based strategic plans.





---

---

### Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**Orders by mail:**

U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20884-6015

**or visit:**

Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC

Orders may also be placed by calling (202) 512-6000  
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---