CATO POLICY ANALYSIS

January 15, 2026 Number 1010

Ending Community Development Subsidies

By Chris Edwards

EXECUTIVE SUMMARY

The US Department of Housing and Urban Development (HUD) spent more than $20 billion on community development subsidies in fiscal year 2025. The spending flows to state and local governments for housing projects, welfare programs, disaster aid, sidewalk repairs, pickleball courts, business support, grants to nonprofit groups, and many other activities.

Congress launched many community development programs in the 1960s to aid poor inner cities. Federal experts were supposed to skillfully help local officials grow their economies. That was the idea, but today HUD's community development aid is spread widely to both poor and wealthy areas, and experience has shown that aid imposes costly bureaucracy on local investment activities.

The Trump administration has proposed eliminating most of HUD's community development spending. Given the need to reduce federal budget deficits, it makes sense to cut funding for local activities that local governments can fund for themselves.

Also, HUD's community development programs are plagued by intense paperwork, fraud and corruption, and pork-barrel politics. Americans would be better off funding investments such as sidewalk repairs locally, rather than sending their taxes to Washington and hoping that some of it trickles through the bureaucracies and back to their neighborhoods.

Congress should end federal subsidies for community development. Local public services and investments should be funded by local governments and the private sector.

CHRIS EDWARDS occupies the Kilts Family Chair in Fiscal Studies at the Cato Institute.

INTRODUCTION

The US Department of Housing and Urban Development (HUD) spent $21 billion on Community Planning and Development in fiscal year 2025.[1] The main programs within this budget category are Community Development Block Grants (CDBGs), HOME Investment Partnerships, Homeless Assistance Grants, Housing for Persons with AIDS, and the Housing Trust Fund. This group of programs is referred to here as community development (CD) spending.

According to HUD, "Community development activities . . . may address needs such as infrastructure, economic development projects, public facilities installation, community centers, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, code enforcement, homeowner assistance, etc."[2] In practice, HUD CD spending includes just about anything that local governments want to spend tax money on, as recent projects from a sampling of cities and states suggests.

Erie County, New York, spent $1.4 million of federal CD aid on roads, sidewalk repairs, senior centers, a playground, transportation services, and the town hall elevator.[3] Pittsburgh spent $720,000 on support to neighborhood associations.[4] New Hampshire spent $2 million on subsidies for small businesses.[5]

Some other recent CD-funded projects include pickleball courts in Carson City, Nevada; a dog park in Atlantic City, New Jersey; a street mural in Tucson, Arizona; a splash pad in Glendale, California; and a film festival in Newburgh, New York.[6]

Why should the federal government subsidize these local activities?

> "The US Department of Housing and Urban Development (HUD) spent $21 billion on Community Planning and Development in fiscal year 2025."

Some projects are core public investments, such as sidewalk repairs. As such, local governments should prioritize them with funding from their own taxpayers. The Erie County executive said, "CDBG funds serve a critical role in revitalizing our area."[7] But if the projects are indeed "critical" to the county, then the county should be willing to fund them with its own taxes.

Other projects are more dubious, such as business subsidies. If a community lacks small business investment, the local government is probably imposing barriers to entrepreneurs, such as high taxes or restrictive zoning rules. Federal subsidies may simply mask the need for reducing local barriers to investment.

Nonetheless, people have different views about which local projects are worthwhile. The problem with federal funding is that it is "free" to local officials, so they only perceive the benefits and not the costs. Officials can fairly judge a project's worth only if they directly weigh the benefits against the costs. If an official is considering spending on pickleball courts, the need to raise local taxes creates a beneficial hurdle to ensure that the decision is sound.

Aside from severing local benefits from local costs, HUD CD spending suffers numerous other failures, as discussed in the sections below. It undermines constitutional federalism, it is not well targeted to poor areas, it has large bureaucratic costs, and it suffers from fraud and corruption. The Trump administration is right to cut CD spending because, as it notes, "This type of a program is better funded and administered at the State and local level."[8]

COMMUNITY DEVELOPMENT PROGRAMS

In this section I describe the programs within HUD's community development portfolio.

Community Development Block Grants. Congress created the CDBG program in 1974 to replace numerous narrower programs with a broader, more flexible grant.[9] The CDBG program was supposed to simplify federal aid, but it has not done so.

The core CDBG program distributes about $3 billion a year to the states. Seventy percent goes to more than 1,200 local governments called entitlement communities, and 30 percent goes to state governments, which distribute the funds to nonentitlement communities.[10] The entitlement funds are allocated across jurisdictions by formulas; these are contentious because all members of Congress want more money for their districts. Local governments can spend the

CDBG funds on more than two dozen types of activities, which in practice includes just about everything.

Congress has added to core CDBG spending with disaster recovery (DR) packages. Since 2001, Congress has spent more than $109 billion on CDBG-DR packages, with the spending typically distributed long after natural disasters strike.[11] Disaster recovery spending has fluctuated between about $3 billion and $12 billion a year.

> "Under the Constitution, the federal government was assigned specific limited powers, and most government functions were left to the states."

The DR portion of CDBG is particularly complicated. The Congressional Research Service noted that "with potentially varying rules, conditions, and timelines—each allocation introduces additional administrative complexity."[12] Further, "It may take months or even years in some cases before CDBG-DR appropriations rules are published, allocations are made, and funds are obligated."[13]

A final portion of CDBG spending is enacted in regular Economic Development Initiative (EDI) bills. This is pork-barrel spending, where individual members of Congress earmark funds for every specific project. The 2024 EDI packages cost $3.3 billion and included 2,407 earmarked grants.[14] Earmarks are a way for members to directly reward special interests in their districts, and they fuel general overspending in Congress. Further, earmarking for local activities distracts members from focusing on important national issues. The Trump administration is proposing to repeal the CBDG program.[15]

HOME Investment Partnerships. Congress created HOME in 1990 to support affordable housing, and it currently funds the program at $1 billion to $3 billion a year.[16] States can use the funds for rental construction, rental assistance, housing rehabilitation, assistance to homebuyers, and counseling services. Recipients must match each dollar of federal funds with 25 cents from nonfederal sources. The Trump administration is proposing to repeal the HOME program.

Homeless Assistance Grants. Congress enacted HUD's homeless aid in 1987, which currently totals more than $3 billion a year for an array of state grants.[17] The grants subsidize shelters, rental assistance, health care, and other services for the homeless. The Trump administration is proposing to consolidate the programs into a single emergency solutions grant.

Housing Opportunities for Persons with AIDS. Congress created this program in 1990 and currently provides more than $400 million a year in funding.[18] The program provides housing aid for low-income people with HIV/AIDS. The Trump administration is proposing to repeal the program.

Housing Trust Fund. This program provides roughly $500 million a year to the states for affordable housing projects. Congress created the program in 2008, which is funded by a fee on the activities of the housing finance agencies Fannie Mae and Freddie Mac.[19] The fee is essentially a hidden tax on housing borrowers.

FAREWELL TO FEDERALISM

Under the Constitution, the federal government was assigned specific limited powers, and most government functions were left to the states. During most of our nation's history, local services and infrastructure were funded by state and local governments and the private sector, not the federal government.

Federal intervention increased during the 1930s, when Congress launched social welfare and public works programs under the New Deal. Intervention accelerated in the 1960s under President Lyndon Johnson. In 1965, Congress created the Department of Housing and Urban Development, which was tasked with running programs for housing, urban renewal, slum clearing, and community development to revive poor areas in cities.

Many urban aid programs were launched under Johnson, which he claimed would create "cities of spacious beauty and living promise."[20] Experts called the president's interventions "creative federalism," but the new top-down programs dealt a blow to the federalism of the Constitution.[21] Since the 1960s, Congress has acted as if there are no restraints on which local government activities it can subsidize and micromanage.

The idealistic vision of the 1960s—that federal experts can efficiently solve local problems—was naive. By the 1970s, the states were already chafing at the heavy-handed regulations that came with all the new federal subsidies.[22] Also, some of the federal interventions turned out to be disastrous, such as the bulldozing of "slums" and replacement with high-rise public housing projects. The early warning of urbanist Jane Jacobs about such interventions was prescient: "This is not the rebuilding of cities. This is the sacking of cities."[23]

Congress partly responded to concerns about federal intervention with the enactment of the CDBG program in 1974. Block grants were supposed to be a simpler way to subsidize cities, with local policymakers given wider policy discretion.[24] As it has turned out, the CDBG program has become hugely complex and bureaucratic.

HUD community development programs undermine federalism. Federal policymakers are supposed to make decisions on national issues, such as defense and security. It makes no sense for them to also try and act as urban planners, because that is what we have local governments for.

Yet Congress is drawn into local spending activities because policymakers view the federal government as having endlessly deep pockets. The law that created HUD's homeless grants in 1987 stated, "States, units of local government, and private voluntary organizations have been unable to meet the basic human needs of all the homeless and, in the absence of greater Federal assistance, will be unable to protect the lives and safety of all the homeless in need of assistance."[25] But federal assistance comes from taxpayers who live in the 50 states. The more that the federal government takes from their wallets, the less they have to fund their own states or private voluntary organizations.

Federal interventions displace state and local policy solutions. The DR part of the CDBG program is a good example. State, local, and private groups are supposed to lead in natural disaster preparation and response.[26] The Congressional Research Service noted, "The United States takes a 'bottom up' approach to both managing and providing assistance, during and following a disaster."[27] But increasingly, the states, businesses, and homeowners assume that the federal government will bail them out after disasters, and so they do not adequately prepare by using their own resources.

Also, increased federal intervention through CDBG-DR and other federal agencies has tied natural disaster response and rebuilding in red tape and generated waste and fraud. The Government Accountability Office (GAO) reported, "HUD is one of approximately 30 federal agencies tasked with helping communities respond to, recover from, and mitigate the impacts of disasters."[28]

"Federal policymakers are supposed to make decisions on national issues, such as defense and security. It makes no sense for them to also try and act as urban planners, because that is what we have local governments for."

Instead of this top-down approach with a mess of federal agencies, states prone to hurricanes and wildfires should plan ahead and build rainy day funds to cover their costs during disasters. Also, states, cities, and utilities can—and do—rely on agreements with each other to rush resources to affected areas when disasters strike.

Another example of the displacement problem caused by HUD is the subsidies for low-income housing through CDBG, HOME, and the Housing Trust Fund. Local governments can reduce housing costs on their own by liberalizing zoning and land-use rules. But increasing federal housing subsidies give local governments an excuse not to make those needed reforms. Indeed, the jurisdictions that receive the most HUD subsidies have the tightest zoning restrictions in the nation.[29]

Do HUD CD programs boost local economies as promised? From a federalism perspective, that is not a particularly relevant issue. If programs do not work, they should be cancelled. But if the activities funded by HUD do work to add net value to society, then local governments and businesses should fund and operate them, and they would likely be able do so more efficiently if they were free of all the federal rules and regulations.

As it turns out, HUD researchers concluded in 2024: "Despite HUD's considerable effort, particularly during the past 20 years, data reported from CDBG grantees to HUD often lack the level of detail required to assess the program's effectiveness."[30] So after decades of spending taxpayer dollars, the federal government does not know whether this main CD program has worked.

We should leave it to the states and the private sector to figure out what works—to figure out which local investments to put their own resources into.

POORLY TARGETED

When they were launched in the 1960s and 1970s, community development programs were supposed to help the poorest areas of the nation. Constitutionally, it is not a proper role of the federal government to redistribute income between jurisdictions. And, practically, federal subsidies for communities generate wasteful bureaucracy and displace state and local initiatives.

However, even if geographic redistribution made sense, HUD CD programs do a poor job at it. Every member of Congress wants a share of HUD spending, so it is spread widely, not just to poor areas. The number of CD entitlement communities has doubled since 1975 as less-poor areas have been added to the federal dole.[31] Once an area starts receiving aid, it is allowed to continue receiving it indefinitely, even if the area gentrifies and becomes wealthy.

For the CDBG program, 70 percent of projects are supposed to benefit lower-income people, and projects must be either aimed at lower-income recipients, aimed at slum reduction, or aimed at solving a threat to local health or welfare.[32] In theory, the program is supposed to redistribute—but in practice, not so much.

The GAO said that the CDBG suffered from poor performance in targeting aid to the neediest communities.[33] A Pew Charitable Trust study found that CDBG and other federal programs "designed to direct economic activity to struggling areas frequently end up benefiting wealthier communities."[34] An analysis by *Politico* found numerous inequities, such as San Francisco receiving more per capita CDBG aid than Allentown, Pennsylvania, even though the latter's income is far lower and its poverty rate is far higher.[35]

Urban Institute researchers examined federal programs aimed at aiding poor communities, including HUD's CD programs. They found that "counties in the top (worst) quintile for poverty and unemployment generally received less funding per low-income person (someone living below 200 percent of the federal poverty level) and less funding per small business employee than other counties."[36]

In a 2023 report, HUD researchers Greg Miller and Todd Richardson noted that San Sebastian, Puerto Rico, has a median income of $15,995 and receives $32 in CBDG funds per person in poverty, but Haverford, Pennsylvania, has a median income of $114,554 and receives $461 per person in poverty.[37] Meanwhile, Hattiesburg, Mississippi, has a median income of $36,000 and receives $37 per person in poverty, but Arlington, Massachusetts, has a median income of $125,000 and receives $448 per person in poverty.

> "The programs have generated a flood of regulations, plans, reports, applications, guidebooks, and many other types of paperwork."

In 2024, HUD researchers summarized the findings of a study examining the distribution of CDBG spending: "Greg Miller demonstrates that the CDBG formula does not effectively target the places most in need of revenue sharing. Miller's work is the latest in a long tradition of research that examines the CDBG formula and finds that it is poorly targeted to community development needs."[38]

Some of the higher-income places receiving HUD CD funding are Falls Church, Virginia; Fort Lauderdale, Florida; Martha's Vineyard, Massachusetts; San Jose, California; and Stamford, Connecticut. Shouldn't these places be funding their own sidewalk repairs?

BURDENSOME BUREAUCRACY

HUD's community development spending creates bureaucracies in federal, state, and local governments, as well as bureaucracies in the businesses and nonprofit groups that the aid flows to. The programs have generated a flood of regulations, plans, reports, applications, guidebooks, and many other types of paperwork. Community development spending is supposed to go to the needy, but it requires a costly overhead of well-paid administrators, lawyers, and accountants.

As an indicator of the large bureaucratic overhead, here are page counts of some CD paperwork, using California as an example. None of this bureaucracy would be needed if local activities were funded locally.

- ***Legal Rules.*** The basic federal CD statute is 104 pages in length.[39] Regulations are 150 pages for the CDBG program and 102 pages for the HOME program.[40]
- ***HUD Publications.*** HUD's "national objectives" guide for the CDBG program is 208 pages.[41] Its handbook for subrecipients is 90 pages.[42] Its guide to administrators for a program database is 267 pages.[43] HUD produces many other CD-related reports, guides, notices, spreadsheets, video tutorials, and other resources.
- ***Consolidated Plans.*** States and cities receiving CD funds create consolidated plans every five years. California's plan is 467 pages and Los Angeles's plan is 205 pages.[44]
- ***Action Plans.*** States and cities submit annual CD action plans to HUD. California's plan is 242 pages.[45]
- ***Performance Reports.*** States and cities describe their progress to HUD in annual performance reports. California's report is 95 pages.[46]
- ***Grants Management.*** California's CD Grants Management Manual is a massive 882 pages.[47] There is an additional 159-page appendix covering diversity, equity, and inclusion.[48]
- ***Disaster Rules.*** CDBG-DR rules are layered on top of the regular CDBG rules. The Trump administration's 2025 regulatory changes to CDBG-DR are 180 pages.[49] California's Action Plan for CDBG-DR is 162 pages, and the CDBG-DR add-on for the state's Grants Management Manual is 143 pages.[50]
- ***EDI Rules.*** The pork-barrel CDBG bills called EDI also have add-on rules. HUD produced a 77-page guide for the 2024 EDI bill.[51]
- ***State Distributions.*** States distribute CD funds to nonentitlement jurisdictions. For one $34 million distribution, California issued a 40-page guide for applicants.[52] The agreement between California and Merced County for the use of CD aid is 325 pages.[53]
- ***Local Bureaucracies.*** Jurisdictions receiving CD funds have CD bureaucracies. Davis, California, publishes a 123-page five-year plan and many related items, such as a citizen participation plan, application guides, a program service guide, and spreadsheet templates.[54] Davis is a city of just 67,000 people.
- ***Grantee Compliance.*** Local governments receiving CD money distribute it to businesses and nonprofit groups. San Francisco produces a 33-page administrative compliance handbook for its grantees.[55]

There is additional bureaucracy generated by litigation and lobbying. HUD's CD programs attract litigation when communities feel aggrieved about spending allocations or about the negative effects of projects. For example, activists in Cincinnati are currently challenging the city's allocation of CD grants in its five-year strategic plan.[56] Community development programs attract lobbying by industry groups, such as those in real estate, as well as by specialized groups, such as the National Community Development Association.

> "California's CD Grants Management Manual is a massive 882 pages. There is an additional 159-page appendix covering diversity, equity, and inclusion."

It is inevitable that involving all three levels of government in local projects creates wasteful bureaucracy, as I have explored at length elsewhere.[57] HUD's programs appear to be particularly paperwork-intensive, with the result that much CD spending likely disappears into administrative costs before any poor person is aided or any sidewalk repaired.

FRAUD AND CORRUPTION

As with many federal subsidy programs, HUD's community development programs generate the twin-headed monster of illegal waste: fraud and corruption. Because CD funding is distributed through layers of recipients and spent on a diverse array of projects, it is ripe for abuse.

Let's look at fraud first. HUD's programs attract individuals, businesses, and nonprofit groups who take benefits to which they are not entitled. The GAO reported, for example, that "CDBG-DR is inherently vulnerable to fraud."[58] After a storm in New Jersey, a couple took $79,000 from the program for damage to their vacation home, knowing that aid was only allowed for primary residences.[59] After a storm in West Virginia, a company received $900,000 to write the state's CDBG-DR action plan, and then gained another contract for $18 million without competitive bidding.[60] The state paid the company $6.7 million based on bogus records for work that was not completed.

> "In California, billions of dollars of HUD and state-level homeless aid has not reduced homelessness, and much of it seems to have disappeared on inflated salaries and other misspending by recipient groups."

Nonprofit groups also steal HUD funds. In one recent scam in Honolulu, an employee of a nonprofit that receives HOME funding paid $101,000 to landlords to supposedly support low-income families.[61] But the landlords were fictitious, and the payments went to his associates and were stolen. Meanwhile, in Delaware, two leaders of the Dover Interfaith Mission for Housing—which was funded by HUD CD money—stole $600,000 from the organization.[62] The pair deposited the group's funds into their own bank accounts and spent it on luxury goods, travel, and other personal expenses.

In California, billions of dollars of HUD and state-level homeless aid has not reduced homelessness, and much of it seems to have disappeared on inflated salaries and other misspending by recipient groups.[63] In one scandal, a company called Shangri-La received millions of dollars of grants in cities across the state to build housing for the homeless, but the firm had sham financial statements and the owner appears to have pocketed much of the cash.[64]

HUD's Office of Inspector General (OIG) noted recently that CD and other HUD spending is susceptible to fraud because it flows through many layers:

> Many of HUD's grant programs are operated under this decentralized structure, and OIG and others have identified challenges not only with monitoring grantees, but also with how well grantees are monitoring subrecipients. Additionally, HUD's capacity limitations, notably with staff, technology, and reporting requirement deficiencies, make it difficult for the Department to identify when HUD grantees are not effectively monitoring subrecipients.[65]

The OIG has criticized numerous jurisdictions for their poor management of HUD funding. The auditors testified that California's agency that handles CD funding "was not adequately prepared to manage fraud risks and lacked a focus on these issues in the design of its internal controls."[66] Similarly, the OIG testified to Congress that Puerto Rico's housing agency "was reactive in managing fraud risks and did not have many key processes in place to mitigate those risks."[67] Congress dumped more than $20 billion in CDBG-DR funds on Puerto Rico after a 2017 hurricane, even though its "fraud risk management program is at the lowest state of maturity," according to the OIG.[68]

How much fraud is there in HUD's CD programs? We do not know overall. Stephen Begg, HUD's acting inspector general, testified recently that many of the programs "do not capture data for activities carried out by contractors and grant subrecipients. . . . Without sufficient data, HUD struggles to monitor and assess whether taxpayer dollars are misspent and if the programs produce the intended results for the beneficiaries."[69]

Further, Begg noted:

> Many of HUD's programs have significant exposure to fraud because of their size, complexity, and heavy reliance on tens of thousands of grantees and non-federal participants who administer the programs on the ground. . . . HUD OIG has consistently found that HUD grantees have immature fraud risk management programs and are not prepared to prevent, detect, or respond to fraud risks within their programs.[70]

The other part of the illegal waste monster is corruption, which means government officials stealing program funds or steering funds to their chosen recipients in return for bribes.[71] Bribes can include cash, campaign support, jobs for family members, or other benefits. Because CD money flows through layers of bureaucracy, there are opportunities for numerous officials to exploit it.

The nation's public housing agencies—funded by HUD—have suffered from corruption for decades.[72] But HUD's CD programs have also been abused by administrators for personal gain.

> "The federal government feeds fraud and corruption by pouring billions of dollars from HUD on to state and local governments, businesses, and nonprofit groups for diverse and often ill-defined purposes."

In Texas, Amarillo city employee Vanessa Robinson was recently found guilty of stealing $465,111 from HUD's homelessness grant programs.[73] Robinson created a fictitious landlord, clients, and lease agreements to grab emergency rental payments from the program. The government payments went into a personal bank account that she controlled.

In the Virgin Islands, the head of the territorial government's housing authority was recently convicted of taking a $107,000 kickback for awarding a CDBG-DR contract for post-storm rebuilding.[74] The contract went to coconspirators who headed a scam building supply business, and who have been charged for illegally pocketing hundreds of thousands of dollars of federal disaster monies.[75]

The federal government feeds fraud and corruption by pouring billions of dollars from HUD on to state and local governments, businesses, and nonprofit groups for diverse and often ill-defined purposes. By contrast, when local spending is funded locally, it simplifies management and accountability and reduces the opportunities for abuse.

CONCLUSION

With the federal government running large deficits, it can no longer afford to fund community development projects. Congress has no special knowledge about how to develop local economies, and top-down interventions tend to misallocate resources and encourage waste.

Only local leaders and businesses using their own funds can make sound tradeoffs on local spending projects. When local funds are used, officials have an interest in ensuring that the benefits of projects outweigh the tax costs. But when the federal government provides the funding, local officials have less incentive to reduce fraud and other inefficiencies.

HUD's CD programs were supposed to aid poor areas, but much of the spending these days goes to wealthy areas. Furthermore, HUD's CD programs are extraordinarily bureaucratic. California's management guide for the programs is more than 1,000 pages in length, suggesting that a huge administrative apparatus is consuming funds before any public benefits are realized.

Congress should repeal HUD's community development spending and allow local governments to fund their own local services and infrastructure. Advocates may worry that federal cuts would harm local activities, but HUD CD spending represents just 0.8 percent of total state and local tax revenues.[76] If the spending is really needed, the states could fund it with their own revenues, and without all the federally imposed bureaucracy.

NOTES

1. "Budget of the United States Government, Fiscal Year 2026: Appendix," Government Publishing Office, 2025. From estimates in the Department of Housing and Urban Development section.

2. "Community Development," US Department of Housing and Urban Development, undated.

3. "Poloncarz Announces 2025 Community Development Block Grant Awards," Erie County Executive Mark C. Poloncarz, news release, February 7, 2025.

4. "Previous Neighborhood Economic Development Grants," City of Pittsburgh, Office of Neighborhood and Economic Development. This is the total for 2024.

5. "CDFA Awards Nearly $2 Million to Organizations Delivering Technical Assistance to Small Businesses

throughout New Hampshire," New Hampshire Community Development Finance Authority, news release, September 12, 2025.

6. In order, the sources are: Kelsey Penrose, "Supervisors Approve Funding, Construction Contract for New Pickleball Courts at Mills Park," CarsonNOW (Carson City, Nevada), November 8, 2024; "City of Atlantic City Opens New Park for Dogs, Owners to Enjoy the Outdoors," City of Atlantic City, Office of the Mayor, news release, June 26, 2025; "New Tucson Thrive in the 05 Mural Celebrates Sugar Hill Neighborhood," City of Tucson, Housing and Community Development Department, news release, November 21, 2024; "Pacific Park Shade And Water Play Feature," City of Glendale, California, Community Services and Parks Department, June 25, 2025; and "FY 2024 Community Development Block Grant (CDBG): Consolidated Annual Performance and Evaluation Report (CAPER)," City of Newburgh, New York, March 2025.

7. "Poloncarz Announces 2024 Community Development Block Grant Awards," Erie County Executive Mark C. Poloncarz, news release, January 5, 2024.

8. Russell T. Vought, Director of the Office of Management and Budget, Letter to Senator Susan Collins, Chair of the Senate Committee on Appropriations, May 2, 2025, p. 26.

9. Enacted by the Housing and Community Development Act of 1974 (Pub. L. No. 93-383).

10. Joseph V. Jaroscak and Daniela E. Lacalle, "Trends in CDBG Program Funding and Grantee Participation," Congressional Research Service, IN12426, September 19, 2024.

11. "Disaster Recovery Division: Biannual Report: October 2024 to March 2025," Office of Inspector General, US Department of Housing and Urban Development, April 11, 2025, p. 4.

12. Michael H. Cecire and Joseph V. Jaroscak, "The Community Development Block Grant's Disaster Recovery (CDBG-DR) Component: Background and Issues," Congressional Research Service, R46475, August 3, 2020, p. 17.

13. Michael H. Cecire and Joseph V. Jaroscak, "The Community Development Block Grant's Disaster Recovery (CDBG-DR) Component: Background and Issues," Congressional Research Service, R46475, August 3, 2020, p. 15.

14. "FY2024 Economic Development Initiative—Community Project Funding Grants," US Department of Housing and Urban Development, January 27, 2025.

15. For a description of Trump's proposals, see Alyse N. Minter, "Department of Housing and Urban Development (HUD): FY2026 Budget Request Fact Sheet," Congressional Research Service, R48567, June 12, 2025.

16. Enacted by the Cranston-Gonzalez National Affordable Housing Act (Pub. L. No. 101-625).

17. Enacted by the Stewart B. McKinney Homeless Assistance Act (Pub. L. No. 100–77).

18. Enacted by the Cranston-Gonzalez National Affordable Housing Act (Pub. L. No. 101-625).

19. Enacted by the Housing and Economic Recovery Act of 2008 (Pub. L. No. 110–289).

20. Quoted in Steven Malanga, "America's Worst Urban Program," *City Journal*, Spring 2005.

21. Thomas Yatsco, "Creative Federalism," Center for the Study of Federalism, 2006.

22. Donald F. Kettl, "Can the Cities be Trusted? The Community Development Experience," *Political Science Quarterly* 94, no. 3 (Autumn 1979): 437–51.

23. Jane Jacobs, *The Death and Life of Great American Cities* (Random House, 1961), p. 4.

24. Paul Joice et al., "The Community Development Block Grant at 50," *Cityscape* 26, no. 3 (2024): 3–12.

25. Stewart B. McKinney Homeless Assistance Act (Pub. L. No. 100-77), Title I, Section 102, July 22, 1987.

26. Chris Edwards, "The Federal Emergency Management Agency: Floods, Failures, and Federalism," Cato Institute Policy Analysis no. 764, November 18, 2014.

27. Jared T. Brown and Bruce R. Lindsay, "Congressional Primer on Responding to Major Disasters and Emergencies," Congressional Research Service, R41981, September 13, 2018.

28. "Disaster Block Grants: Factors to Consider in Authorizing a Permanent Program," Government Accountability Office, GAO-21-569T, May 19, 2021.

29. Vanessa Brown Calder, "Zoning, Land-Use Planning, and Housing Affordability," Cato Institute Policy Analysis

no. 823, October 18, 2017.

30. Paul Joice et al. "The Community Development Block Grant at 50," *Cityscape* 26, no. 3 (2024): 10.

31. Joseph V. Jaroscak and Daniela E. Lacalle, "Trends in CDBG Program Funding and Grantee Participation," Congressional Research Service, IN12426, September 19, 2024.

32. "About the Community Development Block Grant (CDBG) Program," US Department of Housing and Urban Development, undated.

33. "Community Development Block Grant Formula: Targeting Assistance to High-Need Communities Could Be Enhanced," Government Accountability Office, GAO-05-622T, April 26, 2005.

34. "How States Can Direct Economic Development to Places and People in Need," Pew Charitable Trusts, February 2, 2021.

35. Lorraine Woellert, "The Federal Program That Can't Be Killed—or Fixed," *Politico*, July 8, 2017.

36. Brett Theodos and Eric Hangen, "Tracking the Unequal Distribution of Community Development Funding in the US," Urban Institute, January 2019.

37. Greg Miller and Todd Richardson, "An Evaluation of the CDBG Formula's Targeting to Community Development Need: 2023," US Department of Housing and Urban Development, Office of Policy Development and Research, November 2023, p. vii.

38. Paul Joice et al., "The Community Development Block Grant at 50," *Cityscape* 26, no. 3 (2024): 11.

39. Housing and Community Development Act of 1974, (Pub. L. No. 93–383).

40. Code of Federal Regulations, Title 24, Part 570, Community Development Block Grants; and Code of Federal Regulations, Title 24, Part 92, HOME Investment Partnerships Program.

41. "Community Development Block Grant Program: Guide to National Objectives & Eligible Activities for Entitlement Communities," US Department of Housing and Urban Development, 2024.

42. "Playing by the Rules: A Handbook for Subrecipients on Administrative Systems," US Department of Housing and Urban Development, December 2021.

43. "IDIS for CDBG Entitlements: Activity Processing," US Department of Housing and Urban Development, 2008.

44. "Public Comment Draft : State of California 2025–2029 Federal Consolidated Plan," California Department of Housing and Community Development, February 7, 2025; and "2023–2028 Housing and Community Development Consolidated Plan for the Los Angeles Urban County: Draft Report," Los Angeles County Development Authority, May 2023.

45. "State of California 2020–2024 Federal Consolidated Plan, Annual Action Plan, One Year Use of Funds Fiscal Year 2023–2024," California Department of Housing and Community Development, May 15, 2023.

46. "State of California 2020–2024 Federal Consolidated Plan, Consolidated Annual Performance and Evaluation Report Fiscal Year 2024–2025," California Department of Housing and Community Development, September 9, 2025.

47. "Community Development Block Grant Program (CDBG)," California Department of Housing and Community Development, 2025. This is a page count of just the PDF sections, not the Word sections. Click "Grants Management Manual" to see links to the sections.

48. "Appendix B: The Equity and Belonging Toolkit," California Department of Housing and Community Development, September 2024.

49. "Revisions to the Common Application, Waivers, and Alternative Requirements for Community Development Block Grant Disaster Recovery Grantees: The Universal Notice," US Department of Housing and Urban Development, Office of Disaster Recovery, March 2025.

50. "State of California Community Development Block Grant Disaster Recovery 2023/2024 Approval Action Plan," California Department of Housing and Community Development, 2024; and "Community Development Block Grant—Disaster Recovery: Grant Administration Manual," California Department of Housing and Community Development, updated November 2025.

51. "FY2024 Economic Development Initiative—Community Project Funding: Grant Guide," US Department of Housing and Urban Development, Office of Community Planning and Development, August 19, 2024.

52. "2024 Community Development Block Grant Program Notice of Funding Availability," California Department of

Housing and Community Development, August 30, 2024.

53. “Standard Contract Agreement Between the Department of Housing and Community Development and the County of Merced,” State of California, February 16, 2023.

54. “Program Years 2025–2030, Five-Year Consolidated Plan, Citizen Participation Plan, Year One Annual Action Plan,” City of Davis, April 8, 2025.

55. “Grantee Handbook: Administrative Compliance, Fiscal Year 2025–2026,” San Francisco Mayor’s Office of Housing and Community Development, 2025.

56. Sydney Franklin and Victoria Moorwood, “‘Communities Under Siege’: Cincinnati Accused of Using Federal Housing Funds to Segregate,” *Cincinnati Enquirer*, updated March 23, 2024.

57. Chris Edwards, “Restoring Responsible Government by Cutting Federal Aid to the States,” Cato Institute Policy Analysis no. 868, May 20, 2019.

58. “Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grant Fraud Risks,” Government Accountability Office, GAO-21-177, May 2021, p. 39.

59. “Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grant Fraud Risks,” Government Accountability Office, GAO-21-177, May 2021, p. 19.

60. “Mississippi Firm to Pay $1,207,600 to Resolve Disaster Recovery Claims,” US Attorney’s Office, Southern District of West Virginia, news release, April 16, 2025.

61. “Semiannual Report to Congress,” Office of Inspector General, US Department of Housing and Urban Development, 2022, p. 21; and “Oversight Hearing—Inspectors General of the Department of Housing and Urban Development and Department of Transportation,” *Testimony Before the US House of Representatives, Committee on Appropriations, Subcommittee on Transportation, and Housing and Urban Development, and Related Agencies*, 118th Cong., 1st sess. (March 28, 2023) (statement of Rae Oliver Davis, Inspector General, US Department of Housing and Urban Development).

62. “Former Dover Interfaith Mission for Housing Employees Plead Guilty to Stealing Federal Funds,” Office of Inspector General, US Department of Housing and Urban Development, news release, August 11, 2025.

63. James Reinl, “San Francisco Homeless Nonprofit was ‘Irresponsible’ with $240 Million of Taxpayer Money, Showering Staff with Pay Bumps, in Latest Scandal to Rock California’s Charity Housing Sector,” *Daily Mail*, April 29, 2024; and “United States Attorney Bill Essayli Announces Criminal Task Force to Investigate Fraud and Corruption Involving Homelessness Funds,” Internal Revenue Service, news release, April 8, 2025.

64. Carlos Granda, “2 LA County Developers Charged in Fraud Cases Involving Funds Earmarked for Homeless Housing,” ABC7 Eyewitness News, October 17, 2025.

65. “Top Management Challenges Facing the US Department of Housing and Urban Development,” Office of Inspector General, US Department of Housing and Urban Development, Fiscal Year 2025, p. 17.

66. “Decades of Dysfunction: Restoring Accountability at HUD,” *Testimony Before the US House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations*, 119th Cong., 1st sess. (April 8, 2025) (statement of Stephen M. Begg, Acting Inspector General, US Department of Housing and Urban Development), p. 4.

67. “Decades of Dysfunction: Restoring Accountability at HUD,” *Testimony Before the US House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations*, 119th Cong., 1st sess. (April 8, 2025) (statement of Stephen M. Begg, Acting Inspector General, US Department of Housing and Urban Development), p. 4.

68. “Top Management Challenges Facing the US Department of Housing and Urban Development,” Office of Inspector General, US Department of Housing and Urban Development, Fiscal Year 2025, p. 24.

69. “Decades of Dysfunction: Restoring Accountability at HUD,” *Testimony Before the US House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations*, 119th Cong., 1st sess. (April 8, 2025) (statement of Office of Inspector General, US Department of Housing and Urban Development), p. 4.

70. “Decades of Dysfunction: Restoring Accountability at HUD,” *Testimony Before the US House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations*, 119th Cong., 1st sess. (April 8, 2025) (statement of Office of Inspector General, US Department of Housing and Urban Development), p. 4.

71. For an overview on types of corruption, see Chris Edwards and Yasmeen Kallash-Kyler, “Local Government Corruption: 15 Case Studies,” *Cato at Liberty* (blog), Cato

Institute, June 3, 2025.

72. Recently, New York City's Housing Authority made headlines with 70 of its employees being prosecuted for bribe-taking on maintenance contracts. More than 60 have been found guilty as of December 2025. See Chris Edwards, "New York City Corruption," *Cato at Liberty* (blog), Cato Institute, April 22, 2025.

73. "Former Amarillo Employee Sentenced to 18 Months in Federal Prison for Embezzling HUD Program Funds," Office of Inspector General, US Department of Housing and Urban Development, news release, August 6, 2025.

74. Kit MacAvoy, "Darin Richardson Convicted in First Woodpile Case," *The St. Thomas Source* (US Virgin Islands), March 5, 2025.

75. "Virgin Islands Government Officials Charged in $4 Million Dollar HUD Fraud Scheme," US Attorney's Office, District of Virgin Islands, press release, June 13, 2024.

76. Total state and local tax revenues in 2024 were $2.5 trillion.

RELATED PUBLICATIONS FROM THE CATO INSTITUTE

Cutting School Food Subsidies by Chris Edwards, Policy Analysis no. 993 (March 25, 2025)

Reviving Federalism to Tackle the Government Debt Crisis by Chris Edwards, Briefing Paper no. 172 (January 25, 2024)

Cutting International Food Aid by Chris Edwards, Colin Grabow, and Krit Chanwong, Briefing Paper no. 170 (October 26, 2023)

SNAP: High Costs, Low Nutrition by Chris Edwards, Briefing Paper no. 163 (September 1, 2023)

Cutting Federal Farm Subsidies by Chris Edwards, Briefing Paper no. 162 (August 31, 2023)

Restoring Responsible Government by Cutting Federal Aid to the States by Chris Edwards, Policy Analysis no. 868 (May 20, 2019)

CITATION

Edwards, Chris. "Ending Community Development Subsidies," Policy Analysis no. 1010, Cato Institute, Washington, DC, January 15, 2026.

CATO INSTITUTE