HUD Investments in Impoverished Areas for House Report 116-106 (Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2020)

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Introduction

The House Committee on Appropriations' Report (H. Rept. 116-106) accompanying the 2020 appropriations bill (H.R.3163) requested that Departments and agencies report on the percentage of funds allocated by each program, between fiscal years 2017 and 2020, to two types of impoverished communities: persistent poverty counties and high-poverty areas. The Committee Report defined the two geographies as follows:

- Persistent poverty county: "a county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1990 and 2000 decennial censuses and the most recent Small Area Income and Poverty estimates."
- High-poverty area: "any census tract with a poverty rate of at least 20 percent as measured by the 2013–2017 five-year data series available from the American Community Survey of the Census Bureau."[1]

Using the definitions above, about 13 percent of all counties in the United States are persistent poverty counties and about 25 percent of all census tracts are high-poverty areas. Just under 9 million people live in persistent poverty counties and about 74 million people live in high-poverty areas. There is some overlap between high-poverty areas and the persistent poverty counties—about 13 percent of the census tracts defined as high-poverty areas are located in persistent-poverty counties.

The completeness and usefulness of HUD's response to the Committee Report request depends on the availability of reliable data on HUD program expenditures, geocoded to the county or census tract level, for fiscal years 2017 through 2020. The availability of these data varies from program to program. This report analyzes the following 13 HUD programs, which together represented about 94 percent of HUD's discretionary funding in FY20.[2]

- Housing Choice Voucher – Tenant-based
- Housing Choice Voucher – Project-based
- Public Housing
- Project-Based Rental Assistance
- Supportive Housing for the Elderly (Section 202)
- Housing for Persons with Disabilities (Section 811)
- FHA Mortgage Insurance
- Community Development Block Grant
- Home Investment Partnerships Program (HOME)
- Emergency Solutions Grants (ESG)
- Housing Opportunities for Persons with AIDS (HOPWA)
- Self-Help Homeownership Opportunity Program (SHOP)
- Housing Trust Fund
- Indian Housing Block Grants (IHBG)
- Indian Community Development Block Grant (ICBDG)

For each program, the report discusses the formula or mechanism by which HUD allocates funding to individuals or localities and, where possible, presents estimates of the percentage of funding used in persistent poverty counties and high-poverty areas. These summaries simply describe where HUD program funds are used; however, the data do not permit causal inferences about HUD's investments in an area and its poverty status. For three programs (Housing Trust Fund, IHBG, and ICDBG), there is not

[1] See H. Rept. 116-106, page 6. Although more recent data are available, this report follows the specific request from Congress to use the 2013-2017 data series to determine which census tracts are of interest.
[2] See HUD Fiscal Year 2021 Congressional Justifications and the Further Consolidated Appropriations Act of 2020. FHA mortgage insurance and Housing Trust Fund are not discretionary programs so are not included in the 94%.

enough geocoded administrative data to permit analysis of the percentage of funds flowing to persistent poverty counties or high poverty areas. More information on the data sources and methodology used can be found in the Appendix.

Summary of Findings

Serving households and individuals at the lower end of the income spectrum is a large part of HUD's mission; therefore, it should be expected that a significant percentage of HUD's program funding would be directed towards places with relatively high percentages of low-income households. However, HUD's mission and the individual program requirements are not directly tied to the above definitions of high-poverty areas and persistent poverty counties.

Exhibit 1 presents, by program, the average share of funding between 2017 and 2020 used in high-poverty areas and persistent poverty counties. Across all programs, HUD funding was more likely to be used in high-poverty areas (census tracts) than in persistent poverty counties. For most programs, the share of funding used in persistent poverty counties was in the range of 6 to 10 percent, while the share of funding used in high poverty areas was in the range of 40 to 60 percent. The public housing program had the highest share of funding in persistent poverty counties (13.6 percent) and high-poverty areas (77.3 percent). By contrast, only 2.2 percent of FHA Mortgage Insurance was used in persistent poverty counties and only 12.6 percent was used in high-poverty areas. The different spatial distribution of funding among programs largely reflects different allocation formulae and targeting.

Exhibit 1. Average Share of HUD Funds Used in Persistent Poverty Counties and High-Poverty Areas, by Program, Fiscal Years 2017-20

Program Name	Persistent Poverty Counties	High-Poverty Areas
Housing Choice Voucher – Tenant-based	7.6%	46.6%
Housing Choice Voucher – Project-based	8.9%	58.8%
Public Housing	13.6%	77.3%
Project-Based Rental Assistance	6.1%	54.3%
Supportive Housing for the Elderly (Section 202)	8.8%	45.9%
Housing for Persons with Disabilities (Section 811)	6.2%	41.0%
FHA Basic Home Mortgage Loan Program	2.2%	12.6%
Community Development Block Grant	7.4%	51.3%
Home Investment Partnerships Program (HOME)	7.9%	43.5%
Emergency Solutions Grants (ESG)	6.3%	-
Housing Opportunities for Persons with AIDS (HOPWA)	<1%	-
Self-Help Homeownership Opportunity Program	-	-
Housing Trust Fund	-	-
Indian Housing Block Grants (IHBG)	-	-
Indian Community Development Block Grant (ICBDG)	-	-

Note: These data are either averages across several years or the most recent year of data, whichever is available. A dash means data were not available for this analysis.

Analysis of Individual Programs

For each program, we discuss how HUD allocates funds and then present available data on the share of funds going to persistent poverty counties and high-poverty areas over time, from 2017 to 2020 (when available).

Public Housing

Public Housing in the United States is funded directly by Congressional appropriation from the annual budget, as well as tenant rent contributions. Families must earn less than 80 percent of the Median Family Income for the area in order to move into a public housing unit and at least 40 percent of new admissions to public housing units must be extremely low-income families.[3] HUD subsidizes the difference between approximately 30 percent of the family's monthly income and the monthly rent. In 2020, HUD served nearly 900,000 families through the public housing program, with an average income of $15,521. The average HUD expenditure was $732 per unit per month.[4]

The Public Housing program is funded through two streams: Public Housing Fund (renamed from the "Public Housing Operating Fund" in FY21) and Public Housing Capital Fund. The Public Housing Fund covers the gap between rent and operating costs, while the Capital Fund supports capital costs like renovation or appliance replacement. Funds from the Public Housing Fund are distributed to public housing agencies (PHAs) across the country through the Operating Fund formula. A PHA's eligibility for grants from the Housing Fund depends on its formula income, the amount collected through tenants' rental payments, and formula expenses, that is the cost of running public housing. Formula income is then subtracted from formula expenses, yielding the level of funding for which a PHA is eligible.

Relation to Persistent Poverty: There is no direct mandate to provide any minimum of funds to counties or areas evidencing high or persistent levels of poverty. However, given that public housing assistance is targeted to families with income below the poverty line, there may be significant overlap between areas experiencing high or persistent poverty and areas with public housing.

Data: As shown in Exhibits 2 and 3, high-poverty areas receive a much higher proportion of public housing funding than persistent poverty counties, although the proportion of funding in persistent poverty counties is higher for public housing than any other program.

Exhibit 2: Percentage and Dollar Amount of Public Housing Funding in Persistent Poverty Counties

Year	Percent of Funding	Dollar Amount
2017	13.4%	$758,947,037
2018	13.5%	$889,698,552
2019	13.7%	$905,337,507
2020	13.9%	$1,019,136,508

Source: HUD tabulations of Picture of Subsidized Households data.
Notes: This table does not include data from PHAs participating in the Moving To Work (MTW) demonstration.

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[3] 42 USC 1437a specifies that extremely low-income families are very low-income families whose income does not exceed the greater of the poverty guidelines or 30% of the median family income for the area and 24 CFR 960.202 specifies 40% of new admissions to PH must be extremely low-income families. Median Family Income levels and Income Limits are published by HUD and vary by location.
[4] Data from HUD Picture of Subsidized Households, 2020 (https://www.huduser.gov/portal/datasets/assthsg.html).

Exhibit 3: Percentage and Dollar Amount of Public Housing Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	76.8%	$4,173,883,213
2018	77.5%	$5,126,250,732
2019	77.4%	$5,146,105,601
2020	77.6%	$5,713,408,150

Source: HUD tabulations of Picture of Subsidized Households data.
Notes: This table does not include data from PHAs participating in MTW.

Housing Choice Voucher Program

The Housing Choice Voucher (HCV) Program is funded by Congressional appropriation in the annual budget. Rental payments couple a tenant rent contribution with a housing assistance payment from the appropriation. Like with Public Housing, HCV funds are distributed to local PHAs that then administer the vouchers to the landlords designated by the beneficiary individuals and families. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must target 75 percent of its voucher new admissions to extremely low-income families.[5] In 2020, HUD served 2.3 million families through the HCV program (including tenant-based and project-based vouchers), with an average income of $15,202. The average HUD expenditure was $834 per unit per month.[6]

Congress has not appropriated funds for significant additional general-purpose vouchers for almost two decades. At present, the vast majority of HCV funding goes to the renewal of existing vouchers and associated administrative fees, with modest amounts of funding for special purpose vouchers. Before 2003, when Congress was still adding vouchers to the existing stock, HUD used a "Fair Share" allocation formula to prioritize relative need according to state. The factors considered were the state's renter population, number of renters below the poverty line, number of renter units with overcrowding, renter housing vacancies, and number of units built before 1940 occupied by renter households.[7] Following use of these formula factors to determine a maximum allotment for each state, PHAs could apply on competitive basis for the number of vouchers allotted to each state.

Most households assisted through the HCV program receive tenant-based vouchers (TBVs), which they can use to lease any unit that meets the program's eligibility criteria and has a landlord willing to participate. However, about 230,000 HCV families (as of 2020) have project-based vouchers (PBVs), which they use to rent units specified by the PHA. PHAs can project-base up to 20 percent of their authorized units, plus an additional 10 percent for units that meet certain criteria, one of which is location in a census tract with a poverty rate of 20 percent or less.[8]

Relation to Persistent Poverty: Much of the HCV funding that is renewed each year was originally allocated to states using the "Fair Share" formula that considered, at the state level, the number of renter households with annual incomes at or below the poverty level. However, the local allocation of vouchers among PHAs within a state involved a competitive application process with no explicit

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[5] HCV income targeting is specified at 24 CFR 982.201.
[6] Data from HUD Picture of Subsidized Households, 2020 (https://www.huduser.gov/portal/datasets/assthsg.html).
[7] See CFR 791.402: https://www.govinfo.gov/content/pkg/CFR-1997-title24-vol4/pdf/CFR-1997-title24-vol4-sec791-402.pdf.
[8] See PIH Notice 2017-21 (HA), available at: https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2017-21.pdf.

consideration of geographic areas of persistent poverty. PHAs then distribute most vouchers to eligible households (targeting extremely low-income families) to use wherever they want, with some PHAs reserving a modest share of vouchers (PBVs) for use in locations the PHA has selected.

Data: Due to the size of the programs, TBVs (approximately 90 percent of the HCV program) and PBVs (approximately 10 percent of the HCV program) may be analyzed separately. Exhibits 4 and 5 show that an average of 46.7 percent of TBV funding was used in high-poverty areas between 2017 and 2020, while an average of 8.5 percent of TBV funding was used in persistent poverty counties. Exhibits 6 and 7 show the distribution of PBV funds in the areas of interest, with an average of 58.9 percent of PBV funding used in high-poverty areas and an average of 8.8 percent used in persistent poverty counties.

Exhibit 4: Percentage and Dollar Amount of Tenant-Based Voucher Funding in Persistent Poverty Counties

Year	Percent of Funding	Dollar Amount
2017	7.8%	$88,713,020
2018	7.7%	$95,948,116
2019	7.5%	$105,070,596
2020	7.5%	$99,722,444

Source: 3rd quarter extracts from PIC database.
Notes: This table does not include data from PHAs participating in MTW.

Exhibit 5: Percentage and Dollar Amount of Tenant-Based Voucher Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	46.7%	$535,482,668
2018	46.6%	$586,984,874
2019	46.5%	$654,552,389
2020	46.6%	$628,889,399

Source: 3rd quarter extracts from PIC database.
Notes: This table does not include data from PHAs participating in MTW.

Exhibit 6: Percentage and Dollar Amount of Project-Based Voucher Funding in Persistent Poverty Counties

Year	Percent of Funding	Dollar Amount
2017	7.8%	$5,519,790
2018	8.5%	$8,065,176
2019	9.6%	$12,072,662
2020	9.6%	$11,349,530

Source: 3rd quarter extracts from PIC database.
Notes: This table does not include data from PHAs participating in MTW.

Exhibit 7: Percentage and Dollar Amount of Project-Based Voucher Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	57.8%	$36,375,575
2018	58.5%	$56,022,606
2019	59.7%	$75,496,050
2020	59.4%	$70,662,237

Source: 3rd quarter extracts from PIC database.
Notes: This table does not include data from PHAs participating in MTW.

Project-Based Rental Assistance (PBRA)

In the PBRA program, HUD enters into contracts with private landlords to create subsidized rental units in multifamily properties. These contracts are renewed annually. Eligibility for the PBRA program is limited to low-income households and targeted to those with very low and extremely low incomes. Depending on the date the project became available, 75 to 85 percent of units must go to families that are very low-income. In addition, in any given year, not less than 40 percent of the assisted units in each development that become available must go to extremely low-income families.[9] As with the public housing and HCV programs, HUD subsidizes the difference between approximately 30 percent of the household's income and the monthly rent. In 2020, HUD served 1.2 million households through the PBRA program, with an average income of $12,279. The average HUD expenditure was $867 per unit per month.[10]

Relation to Persistent Poverty: As with other housing subsidy programs, PBRA does not include poverty as a factor in where the units are located or created. While the program is targeted to very low-income families, the relationship between the program and high poverty areas or persistent poverty counties is incidental.

Data: Exhibits 8 and 9 show the distribution of PBRA funds to persistent poverty counties and high-poverty areas. An average of 54.6 percent of funding went to high-poverty areas, while an average of 6.2 percent of funds went to persistent poverty counties.

Exhibit 8: Percentage and Dollar Amount of PBRA Funding in Persistent Poverty Counties

Year	Percent of Funding	Dollar Amount
2017	6.2%	$45,790,976
2018	6.1%	$53,047,381
2019	6.0%	$58,677,867
2020	5.9%	$62,249,369

Source: 3rd quarter extracts from TRACS database.

Exhibit 9: Percentage and Dollar Amount of PBRA Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	54.1%	$404,213,100
2018	54.4%	$476,008,039
2019	54.4%	$537,941,091
2020	54.5%	$581,228,570

Source: 3rd quarter extracts from TRACS database.

Supportive Housing for the Elderly (Section 202)

The Section 202 program is funded by Congressional appropriation in the annual budget. These appropriations are used to fund several key programmatic activities, including Project Rental Assistance Contracts (PRACs), capital advances for new housing construction, service coordinator grants, the ongoing Integrated Wellness in Supportive Housing (IWISH) demonstration, and expenses related to

[9] For PBRA income eligibility, see 42 U.S.C. §1437n(c).

[10] Data from HUD Picture of Subsidized Households, 2020 (www.huduser.gov/portal/datasets/assthsg.html).

inspections. In 2020, this program served around 122,000 households who had an average income of $14,109. The average expenditure by HUD was $442 per unit per month.[11]

Following appropriation, HUD facilitates a competitive grant process to distribute funds. The competition is open to nonprofit organizations and nonprofit consumer cooperatives that meet certain eligibility requirements.

Relation to Persistent Poverty: Any relationship between the allocation of Section 202 and persistent poverty is indirect.

Data: Exhibits 10 and 11 show the percentage of Section 202 funds in persistent poverty counties and high-poverty areas. An average of 46 percent of funding went to high-poverty areas, while an average of 8.8 percent of funds went to persistent poverty counties.

Exhibit 10: Percentage and Dollar Amount of Section 202 Funding in Persistent Poverty Counties

Year	Percent of Funding	Dollar Amount
2017	8.6%	$3,419,165
2018	8.5%	$3,977,188
2019	8.6%	$4,468,167
2020	9.5%	$5,209,650

Source: 3rd quarter extracts from TRACS database.

Exhibit 11: Percentage and Dollar Amount of Section 202 Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	45.7%	$18,336,949
2018	45.8%	$21,720,888
2019	45.9%	$24,085,052
2020	46.3%	$25,588,111

Source: 3rd quarter extracts from TRACS database.

Supportive Housing for Persons with Disabilities (Section 811)

The Section 811 program is funded by Congressional appropriation and, to a lesser extent, tenant rent contributions that go to participating projects. In 2020, this program served around 32,000 households who had average incomes of $12,279. The average HUD expenditure for these households was $477 per unit per month.[12]

HUD’s Section 811 appropriations are used primarily to fund a) interest-free capital advances to nonprofit sponsors to help finance the development of rental housing and b) the Project Rental Assistance program, in which state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies can apply for Section 811 Project Rental Assistance for new or existing affordable housing developments funded by LIHTC, HOME, or other sources of funds.

Section 811 funds are distributed by a competitive grant process. This grant process begins with HUD publishing a Notice of Funding Availability (NOFA). The 2020 Section 811 NOFA states, “Any housing

[11] Data from HUD Picture of Subsidized Households, 2020 (www.huduser.gov/portal/datasets/assthsg.html).
[12] Data from HUD Picture of Subsidized Households, 2020 (https://www.huduser.gov/portal/datasets/assthsg.html).

agency currently allocating LIHTC under Section 42 of the Internal Revenue Service Code of 1986 (IRC), any applicable participating jurisdiction allocating and overseeing assistance under the HOME Investment Partnerships Act (HOME), and/or a similar federal or state program are eligible to apply."[13] Similarly, eligible applicants "may also be a state, regional, or local housing agency or agencies; or a partnership or collaboration of state and local/regional housing agencies. To be eligible, the applicant must have an Interagency Partnership Agreement with the State Health and Human Services/Medicaid agencies."[14]

Applicants are judged based on the following factors:

- Rating Factor 1: Applicant and State Health and Human Service/Medicaid Agencies Relevant Experience, Capacity, and Readiness (33 percent)
- Rating Factor 2: Need/Using housing as a platform for improving of life (5 percent)
- Rating Factor 3. Soundness of Approach/Implementation Plan (55 percent)
- Rating Factor 4: Achieving Results, Program Innovation and Evaluation (7 percent)

Relation to Persistent Poverty: Any relationship between Section 811 funding allocation and persistent poverty is indirect.

Data: Exhibits 12 and 13 show the show the percentage of Section 811 funds in persistent poverty counties and high-poverty areas. An average of 41.2 percent of funding went to high-poverty areas, while an average of 6.3 percent of funds went to persistent poverty counties.

Exhibit 12: Percentage and Dollar Amount of Section 811 Funding in Persistent Poverty Counties

Year	**Percent of Funding**	**Dollar Amount**
2017	6.3%	$680,811
2018	6.1%	$786,029
2019	6.3%	$934,842
2020	6.3%	$979,322

Source: 3rd quarter extracts from TRACS database.

Exhibit 13: Percentage and Dollar Amount of Section 811 Funding in High-Poverty Areas

Year	**Percent of Funding**	**Dollar Amount**
2017	40.7%	$4,448,500
2018	41.0%	$5,300,109
2019	41.3%	$6,123,663
2020	41.2%	$6,493,968

Source: 3rd quarter extracts from TRACS database.

FHA Basic Home Mortgage Loan Program (Section 203b Mortgage Insurance)

The Federal Housing Administration (FHA) provides mortgage insurance on loans made by FHA-approved lenders throughout the United States. This insurance incentivizes these leaders to originate

[13] See FY2019 NOFA for Section 811 at https://www.hud.gov/sites/dfiles/SPM/documents/FY19_NOFA_PRAforSection811.pdf
[14] Ibid.

mortgages by guaranteeing that FHA will pay a claim to the lender for the unpaid principal balance of a defaulted mortgage.

Most mortgages come with requirements regarding loan-to-value ratios, income, and down payment percentages. These requirements can make it difficult for households with limited resources to qualify for a mortgage, even if they have steady income, due to their perceived riskiness as borrowers. FHA insurance reduces that risk and makes homeownership more accessible for more people.

However, mortgage insurance is not a universal entitlement; applicants must satisfy some basic conditions to secure insurance for their mortgage. These conditions include FICO scores, debt to income ratio limits, and proof of employment, although they are not as onerous as mortgage terms without FHA insurance. In addition to these requirements, the home in question must fall within established purchase limits set by the FHA. However, the FHA specifies that there are no universal income limits and any such limits will vary by specific program.

Relation to Persistent Poverty: Any relationship between FHA single family mortgage insurance requirements and areas of persistent and/or high poverty is indirect. While there is no upper limit for who can apply for FHA-insured mortgages, the minimum requirements involving debt, credit score, financial history, and access to an approved lending servicer preclude many low-income individuals from securing insured loans, including those living in areas of high and/or persistent poverty.

Data: Exhibits 14 and 15 show how the percentages of mortgages insured through the Section 203b program (also known as the Basic Home Mortgage Loan) are distributed in persistent poverty counties and high poverty areas. Section 203b is the core single-family mortgage insurance program run by FHA. Rather than program funding, which does not apply to FHA operations, we used the value of FHA-insured Section 203b mortgages to analyze how HUD resources were used in these geographies. FHA does not insure a high share of mortgages in persistent poverty counties or high-poverty areas. An average of 2.2 percent of the total mortgage value insured through Section 203b was in persistent poverty counties and 12.6 percent of the total mortgage value was in high-poverty areas.

Exhibit 14: Percentage and Dollar Value of FHA-Insured Mortgages in Persistent Poverty Counties

Year	Percent of Mortgage Value	Dollar Amount of Mortgage Value
2017	2.2%	$3,941,135,913
2018	2.2%	$4,562,451,566
2019	2.2%	$4,729,800,295
2020	2.2%	$6,722,627,102

Source: HUD tabulations of FHA Single-Family Data Warehouse data.

Exhibit 15: Percentage and Dollar Amount of PBRA Funding in High-Poverty Areas

Year	Percent of Funding	Dollar Amount
2017	11.7%	$21,042,646,126
2018	12.6%	$26,042,789,693
2019	12.9%	$27,506,178,344
2020	12.7%	$39,027,463,098

Source: HUD tabulations of FHA Single-Family Data Warehouse data.

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program is funded directly by Congressional appropriation and specified in the annual budget. The FY2020 appropriation for CDBG was $3.4 billion (this excludes the additional $5 billion in CDBG funds appropriated through the CARES Act). Prior to disbursement, either a set dollar amount or percentage of the total appropriated funds specified in the appropriations bill is set aside for the Indian Community Development Block Grant (ICDBG) and Insular Areas.

Following the subtraction of Indian CDBG and Insular Areas funds from the total allotment, the remainder of CDBG funds are distributed into the Entitlement and State programs: The Entitlement Program is for larger cities and urban counties and gets 70 percent of the total funds available. The State CDBG Program gets the remaining 30 percent and provides CDBG dollars through states which fund smaller cities and rural areas that are not eligible to participate in the Entitlement Program.

Entitlement Program: For the Entitlement Program, there are two formulas: "A" and "B". HUD calculates the amount of funds that each entitlement grantee would receive under each of the two formulas.

Formula A calculates funds to a jurisdiction based on its metropolitan area's share of 3 factors across all US metropolitan areas. The factors are:

1. population, weighted at 25 percent;
2. people in poverty, weighted at 50 percent; and
3. overcrowded units, weighted at 25 percent

Formula B also calculates funds to a jurisdiction based on its metropolitan area's share of 3 factors across all US metropolitan areas, but the factors are somewhat different. The Formula B factors are:

1. population growth lag since 1960, weighted at 20 percent;
2. people in poverty, weighted at 30 percent; and
3. pre-1940 housing units, weighted at 50 percent.

After HUD runs the calculations using the two formulas, it allocates the grantee the larger amount of the two. However, because HUD uses the larger amount, when it sums the grantees' allocations the total is higher than the amount of CDBG funding available for the Entitlement program. So, HUD must recalculate the figures using a pro-rata reduction to reduce the total to the funding level for the Entitlement Program.

State Program: The State CDBG Program works similarly to the Entitlement Program in that HUD calculates the state allocation using two formulas and uses the result that is the greater of the two.

The formulas are almost identical, but the state Formula B has Population as a variable instead of Growth Lag. The States determine how they will distribute CDBG funds to their small cities: usually through a competitive grant process. Additionally, four border states are required by law to set aside up to 10 percent of their funds for Colonias, areas with great needs in housing and infrastructure.

Relation to Persistent Poverty: Poverty is a large factor for the State and Entitlement CDBG programs. It is not a factor, however, for Insular and Tribal areas concerning the award of CDBG funds.

Data: The information collected by HUD on CDBG funds does not always reflect the final destination of the funding. For example, an activity can be attributed to City Hall rather than the actual location of the activity. This makes it difficult to attribute activities to particular geographies. Based on data that HUD was able to geocode to the tract and county level, we estimate that between 2017 and 2020, 7 percent of CDBG funding was used in persistent poverty counties and 51 percent was used in high-poverty areas.

HOME Investment Partnerships

HOME funds are allocated using a formula designed to reflect relative housing need. Forty percent of the funds are allocated to states, and 60 percent is allocated to units of general local government that are known to the program as participating jurisdictions (PJs). Appropriated funds for HOME in FY2020 totaled just over $1.1 billion.

HUD allocates a share of HOME funds to PJs and states with a mathematical formula that measures the relative need for affordable housing. Demographic factors, which are derived primarily from the most recent decennial census, represent the relative need:

(1) Low vacancy and poor renters (10 percent)

(2) Deficient rental housing (20 percent)

(3) The pre- 1950 rental units occupied by low-income households (20 percent)

(4) Number of units from item 2 multiplied by a figure that measures the cost of producing housing (20 percent)

(5) The number of families in poverty (20 percent)

(6) Multiplying the population of a jurisdiction by net per capita income (PCI) index (10 percent)

The same formula is used to compute allocations for all three funding pots: local PJs (60 percent); states based on non-PJ communities (32 percent); and states based on total data (8 percent). There are two steps in the allocation process. First, compute an initial formula share based on the funds available for the pot, the assigned weights, the factors for the PJ, and the total factors for all PJs competing for the pot of funds. Second, adjust to meet the legislative requirements that the funds be fairly distributed and sufficiently large for each community to carry out the HOME activities.

Relation to Persistent Poverty: Poverty is a large factor in the HOME formula, affecting criteria #1, #3, #5, and #6 (above). However, other factors such as vacancies, population, and housing quality are also key formula considerations.

Data: Analysis of a cumulative dataset that includes HOME activities from FY2017 through FY2020, we estimate that 7.9 percent of HOME funding was used in persistent poverty counties and 43.5 percent was used in high-poverty areas, a similar distribution to the CDBG program.

Emergency Solution Grant (ESG) Program

The Emergency Solutions Grant (ESG) Program is a formula grant program administered by HUD's Office of Community Planning and Development (CPD). Eligible grantees consist of metropolitan cities, urban counties, territories, and states. In FY2020, the ESG Program received $290 million in appropriated funds.

Metropolitan cities, urban counties, and territories may subgrant ESG funds to private nonprofit organizations. States must subgrant their ESG funds to units of local government and/or private nonprofits. All grantees must consult with local Continuums of Care when determining how to allocate ESG funds.

Relation to Persistent Poverty: The ESG program includes poverty as a key factor in its allocation formula. However, current allocations appear to be based mainly on those of the previous year. In any case, due to the long-term nature of persistent poverty, it is likely that original formula emphasis on poverty is captured in current allocations.

Data: In 2018, the most recent data available, 6.3 percent of ESG funding was allocated to either metropolitan areas within persistent poverty counties or to urban counties that met the persistent poverty definition. Data were not available at the census tract level.

Housing Opportunities for Persons with AIDS (HOPWA)

HOPWA funding helps ensure that the most vulnerable people living with HIV/AIDS have housing and access to medical and other supports needed to manage their HIV. Communities are provided with funding to support rental assistance; operating costs for housing facilities; short-term rent, mortgage, and utility payments (STRMU); permanent housing placement; housing information services; and supportive services including housing-based case management. The FY2020 funding for HOPWA was $410 million.

HOPWA funding originates from annual Congressional appropriations. The amount appropriated by Congress to HUD for HOPWA is then distributed according to both a formula and competitive grant (NOFA). The statutory formula allocates 90 percent of the funds to qualifying states and metropolitan areas, while 10 percent is used to fund competitive grants. The former allocation methodology was amended by the Housing Opportunity Through Modernization Act in 2016.[15]

Eligible HOPWA formula grantees include cities that are the most populous unit of general local government in an MSA with more than 500,000 people and more than 2,000 persons living with HIV or AIDS and States with more than 2,000 persons living with HIV or AIDS outside of eligible MSAs Seventy-five percent of formula funds are allocated to a particular MSA or State based on the area’s share of the total number of individuals living with HIV or AIDS in all such eligible areas. The remaining 25 percent is split in half, with 50 percent allocated to “eligible MSAs and States based on share of total two-bedroom Fair Market Rent weighted for persons living with HIV or AIDS” and 50 percent to “eligible MSAs and States based on share of poverty rate weighted for persons living with HIV or AIDS in all such eligible areas.”[16]

Relation to Persistent Poverty: Area poverty rate is included as a factor for half of the 25 percent portion of the statutory allocation, making HOPWA only very slightly related to high or persistent poverty areas.

[15] See https://www.hudexchange.info/news/hopwa-in-focus-hopwa-formula-modernization/.
[16] CPD Notice-17-12, issued November 8, 2017.

Data: In 2018, the most recent data available, less than one percent of HOPWA formula funding was allocated to metropolitan areas within persistent poverty counties. Data were not available at the census tract level.[17]

Self-Help Homeownership Opportunity Program (SHOP)

The Self-Help Homeownership Opportunity Program is managed by the Office of Rural Housing and Economic Development. It provides competitive grants to support national and regional nonprofits that facilitate self-help housing opportunities. Households that purchase homes through this program are required to contribute to the construction of their homes. The program also requires community participation in the form of volunteers who assist in the construction. Past grantees include Habitat for Humanity, Tierra Del Housing Corporation, and Housing Assistance Council.

Relation to Persistent Poverty*:* SHOP is slightly related to persistent poverty. The program funds must be used for "low-income families and individuals", which is defined in the program NOFA as households that have annual incomes that do not exceed 80 percent of the median income for their area.[18]

Data: There are currently no data available at the tract or county level for SHOP.

Housing Trust Fund (HTF)

The Housing Trust Fund is a mandatory program authorized by the Housing and Economic Recovery Act of 2008 and funded through assessments from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The program began operations in FY 2016, providing funds to states for the development, rehabilitation, and preservation of affordable housing for extremely low-income households.

States and state-designated entities are eligible grantees for the Housing Trust Fund. HUD allocates HTF funds annually by a formula that considers the availability of rental units affordable to extremely and very low-income renters, the share of renters living in substandard housing, the share of renters who are cost burdened, and a construction cost factor.[19]

Relation to Persistent Poverty: Poverty is not a consideration in the Housing Trust Fund formula. Funds are disbursed at the state and/or regional level rather than targeted to census tracts or metropolitan areas experiencing persistent poverty.

Data: HUD does not collect data on the counties or Census tracts where HTF funds are used.

Indian Housing Block Grant (IHBG)

Indian Housing Block Grant (IHBG) funds are appropriated by Congress in the annual budget. In turn, funds appropriated by Congress for the IHBG are made available to federally recognized Indian tribes or

[17] State allocations were not considered in this analysis as the funds allocated at the state level cannot be associated with either counties or tracts, while the metropolitan funds can be associated with counties.
[18] The FY20 NOFA for SHOP is available at https://www.hud.gov/sites/dfiles/SPM/documents/fy20_SHOP_FR-6400-N-19.pdf.
[19] HUD's implementing regulations for the HTF program are codified at 24 CFR part 93. See Subpart B for the allocation formula.

their tribally designated housing entity (TDHE)[20] through a formula with four components: Need, Formula Current Assisted Stock, 1996 Minimum, and Undisbursed IHBG funds factor.

- The Need component considers population, income, and housing conditions.
- The Formula Current Assisted Stock component reflects housing developed under the United States Housing Act (the predecessor of the IHBG program) which is owned and/or operated by the IHBG recipient and provides funds for ongoing operation of the housing.
- The 1996 minimum provides adjustments when an Indian tribe is allocated more or less funding under the IHBG formula than it received in FY 1996 for operating subsidy and modernization.
- The Undisbursed IHBG funds factor provides adjustments for tribes with an initial allocation of $5 million or more and has undisbursed IHBG funds in an amount greater than the sum of the prior three years' initial allocation calculations.

Additionally, some IHBG funding is carried out through a competitive grants program that may be used to develop, maintain, and operate affordable housing in safe and healthy environments on Indian reservations and in other Indian areas, and carry out other affordable housing activities. Grant funds must be used to primarily benefit low-income Indian families.

Relation to Persistent Poverty: If measured by income, poverty is one of several indicators used in the IHBG formula.

Data: Data are not currently available for assessing the percentage of IHBG funding used in persistent poverty counties or high poverty areas. The geographic areas used to determine allocation of funds are negotiated annually by tribal leaders, which makes it very difficult to match allocations to Census geographies like counties or census tracts. However, many reservations and tribal lands have high rates of poverty relative to the United States' average and are likely areas where poverty is persistent.[21]

Indian Community Development Block Grant (ICDBG)

Under Section 106 of the Housing and Community Development Act of 1974, one percent of the Title I CDBG appropriation, excluding amounts appropriated for use under Section 107, is allocated for grants to Indian tribes. In FY2020, the amount of funding that went to ICDBG was about $65.5 million.

This regional allocation, which goes to the Area Offices of Native American Programs (ONAP) responsible for the program, consists of a base amount plus a formula share of the balance of the Indian CDBG program funds. The funds are distributed by the six regional ONAP Offices to Indian tribes and Alaska Native Villages on a competitive basis, according to selection criteria set forth in a regulation and Notice of Funding Availability. Informed by 24 CFR 1003.101, the NOFA from FY2015 listed population (40 percent), poverty (40 percent), and overcrowding (20 percent) as key criteria for the competitive grant awards.

See above section on CDBG for further information.

[20] Some tribes recognized by states are also eligible.
[21] According to the 2019 1-year ACS estimates, the overall poverty rate for Native American and Alaska Natives was 23% while the national rate was 12.3%.

Relation to Persistent Poverty: Poverty is one of several factors utilized in the award of competitive grant funds for tribal communities seeking ICDBG funds.

Data: Data are not currently available for the ICDBG program assessing the percentage of IHBG funding used in persistent poverty counties or high poverty areas. Additionally, the use of tribal geographies in ICDBG funding allocation complicates any attribution of funding allocation to county or census tract, as does the fact that funding can be used to serve households that live outside the tribe's defined areas. However, as noted above, many reservations and tribal lands have high rates of poverty relative to the United States' average and are likely areas where poverty is persistent.

Appendix: Data Sources and Methodology

Various data sources were used to provide the tables in this report. Methodology varied according to the nature of the data. Below we provide the detail for each program analyzed.

Public Housing

The data source for the analysis of public housing funding is HUD's Picture of Subsidized Households dataset. Picture provides information on HUD expenditures per household, geocoded to the household's location. To produce estimates of funding for persistent poverty counties and high-poverty areas, we aggregated the HUD expenditures data in Picture to the county and Census tract level.

The Picture dataset is a public dataset. When there are fewer than 11 data points in an individual geography (census tract, county, etc.), those data are suppressed for privacy issues. Exhibit 16 shows how this suppressed data relates to the analyses of public housing funding. In any given year, we are unable to determine the percentage of funding used in high poverty areas or persistent poverty counties for up to 10 percent of that year's funding.

Exhibit 16. Suppressed Picture Data and Public Housing Funding in Census Tracts

Year	Suppressed data at the Census tract level as a percentage of total public housing funding	Suppressed data at the county level as a percentage of total public housing funding
2017	10%	7%
2018	6%	6%
2019	7%	7%
2020	7%	7%

HCV

The data source for the analysis of HCV funding is HUD's Public Housing Information Center, now IMS/PIC. IMS/PIC provides household-level data on the monthly Housing Assistance Payments (HAPs) that PHAs make on behalf of HCV-assisted households, geocoded to where each household lives. HUD produces quarterly extracts of IMS/PIC data for analysis. For this analysis, we used the third quarter extract (September) for each year. We aggregated the HAP amounts to the county and Census tract level to produce estimates of the percentage of HUD funding used in persistent poverty counties and high poverty areas, analyzing tenant-based vouchers and project-based vouchers separately.

PBRA, Section 202, and Section 811

The data source for the analysis of PBRA, Section 202, and Section 811 funding is HUD's Tenant Rental Assistance Certification System (TRACS). TRACS provides household-level data on the monthly amount paid by HUD to the owner, geocoded to where each PBRA-assisted household lives. We used the third quarter extract of TRACS data for the listed years to calculate funding amounts aggregated to Census tracts and counties.

FHA Mortgage Insurance

The data source for the analysis of FHA mortgage insurance is the Single-Family Data Warehouse (SFDW). The SFDW contains detailed data on FHA activity, none of which is publicly available. The data used in this report comprises all transactions in the Section 203b program from 2017 to 2021. We totaled the value of the mortgages by county and census tract (separately) and then by persistent poverty counties or high-poverty areas (census tracts).

CDBG, HOME, ESG, and HOPWA

The data source for the analysis of the CDBG and HOME programs is the Integrated Disbursement and Information System (IDIS). IDIS collects data on the grant programs administered by HUD's Office of Community Planning and Development. The quality of the data varies according to reporting requirements, and not all data can be attributed to the same geographies. In the case of programs where the funding could only be attributed to metropolitan areas (HOPWA and ESG), we used GIS software to associate the funding information with the enclosing county.