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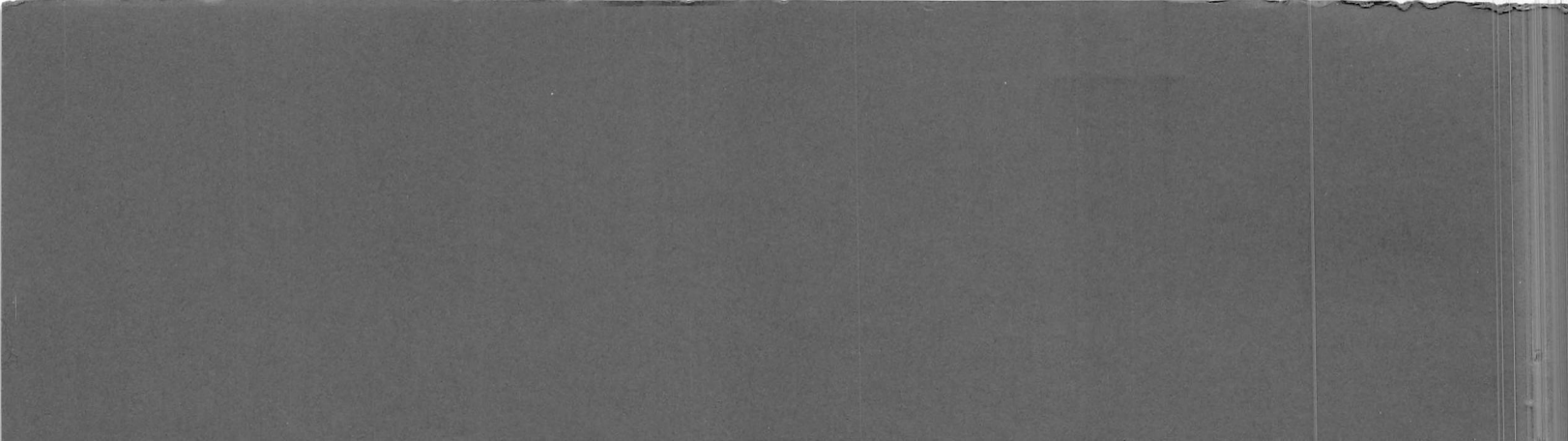
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REDISTRIBUTION EFFECTS OF
SPECIAL REVENUE SHARING
FOR COMMUNITY DEVELOPMENT

by

Richard DeLeon and Richard LeGates

Working Paper # 17

Institute of Governmental Studies

To find theoretically where truth resides, in these matters of equality and justice, is a very difficult task. Difficult as it may be, it is an easier task than that of persuading men to act justly, if they have power enough to secure their own selfish interests. The weaker are always anxious for equality and justice. The strong pay no heed to either.

Aristotle, *Politics*

REDISTRIBUTION EFFECTS OF SPECIAL REVENUE SHARING
FOR COMMUNITY DEVELOPMENT

by

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This work was assisted by a faculty development grant from San Francisco State University. An earlier version of the paper was presented at the Western Political Science Association Annual Meeting, San Francisco, California, April 2, 1976.

Institute of Governmental Studies
University of California, Berkeley
1976

REDISTRIBUTION IMPACTS OF SPECIAL REVENUE SHARING
FOR COMMUNITY DEVELOPMENT

The authors gratefully acknowledge
the assistance of Jennifer Spiegel
and Susan Bain in preparation of this
working paper.

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ABSTRACT

This paper examines redistribution effects caused by the change from the "categorical" to the community development "block grant" (CDBG) system for allocation of federal community development assistance to California cities.

Under the present formula fifteen California cities are receiving community development assistance for the first time; forty-one are receiving an increase over prior program levels; twenty-three will be cut. Resource redistribution favors cities having (1) lower concentrations of households "inadequately housed," of persons below low income level, and of Blacks; (2) lower concentrations of pre-1950 and pre-1939 housing; (3) lower concentrations of overcrowded housing units; (4) lower local real property tax rates and total local taxes per capita; (5) more politically conservative electorates (measured by 1975 party affiliation, vote in the 1970 Reagan/Unruh election, and vote for the 1973 California tax initiative); and (6) a less favorable disposition towards construction of low income housing or racial integration of housing (measured by the vote on statewide initiatives involving these issues).

There is no significant redistribution in relation to fiscal capacity (measured by income per capita and assessed valuation per capita), urban growth (measured by population increase, construction of housing units, or population living on recently annexed lands), or concentration of Spanish-language and Spanish-surnamed population.

The CDBG system distributes resources in roughly the same *pattern* as did the categorical system in relation to all socio-economic variables examined. However, the relationship between resources and most community development needs is *stronger* under the categorical system.

Previously cities now penalized by the CDBG formula tended to seek and receive categorical community development aid directed at fundamental problems (Urban Renewal, Neighborhood Development Program, and the Model Cities Program). Cities now benefitted by the CDBG formula previously tended to seek and receive categorical aid directed at amenity assistance and public works (open space and sewer and water assistance). First year CDBG expenditures show strong differences between activities on which benefitted and penalized cities are choosing to spend CDBG assistance.

Alternative distribution formulae may be readily developed that would alter the distribution of resources and the probable types of activities that would be undertaken by recipients. Calculations under four alternative formulae suggest that it would be easy to achieve better matches between resources and needs than are realized under the current formula.

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INTRODUCTION

In 1973, a year before special revenue sharing for community development was passed into law, many of the persons most intimately involved with categorical grant programs and efforts to restructure the federal system assembled at the Stanford Research Institute to discuss the future. The welter of conflicting theories yielded consensus on three points: (1) the allocation formula for distribution of special revenue sharing funds would have to be designed to direct funds to areas with the most acute needs, (2) empirical monitoring of performance under the new system would be essential, and (3) redesign or refinement of the formula would have to flow from empirical study. (Sneed and Waldhorn, 1975, p. 19).

Special revenue sharing for community development is now law. By this writing, May 1976, cities have had close to a year's experience with the program. This paper is intended to analyze distributional effects of the formula, review local performance during the first year, and to suggest approaches to formula redesign to better meet the stated primary purpose of the act--provision of decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

Special Revenue Sharing Formulae

Special revenue sharing for community development was begun as Title I of the Housing and Community Development Act of 1974.¹ Henceforth federal assistance for "community development" will be distributed to eligible governmental units in accordance with a community development block grant (CDBG) formula based upon (1) population, (2) poverty population double counted, and (3) extent of housing overcrowding.² Funding is automatic unless the Secretary of the United States Department of Housing and Urban Development (HUD) determines that proposed activities are "plainly inappropriate" (thus far an insignificant occurrence).

Cities are required to submit annual applications, a three year summary plan, a Housing Assistance Plan (HAP), and annual performance reports. These reports are brief and federal oversight slight. Localities are free to set their own expenditure priorities from a list of eligible activities including virtually all physical development activities. All metropolitan cities -- any city designated as the central city of a Standard Metropolitan Statistical Area (SMSA) or over 50,000 population -- are eligible for automatic entitlement. Cities, which under the categorical system had a prior program amount higher than their CDBG formula entitlement amount, are "held harmless" (kept at their prior program level amount) for three years and then "phased down" (gradually cut) to their formula entitlement. Cities that are receiving more funding under the CDBG formula are gradually "phased in" (receive gradual increases). By 1980 all cities will receive funding on a pure formula basis. Urban counties that meet certain legal and population size criteria are also eligible for assistance. The act provides the Secretary of HUD with a small amount of discretionary funding.

The authorizations for the act (\$2.5 billion in 1975 with slight annual increases thereafter) represent no significant departure from prior categorical funding levels. Major features of the 1974 Act are described elsewhere (Kushner, 1975; *Housing...Daily*, 1974; Silverman, 1976; *BNA Reporter*, 1974). The origins and political evolution of the act have also been described (*BNA Reporter*; U.S. Congress ...Subcommittee on Housing, 1974; Frieden and Kaplan, 1975; *Congressional Quarterly Almanac*, 1974). Preliminary evaluation material is beginning to appear (HUD, *CDBG Statistical Profile*, 1975; Potomac Institute, 1976). Major evaluation efforts are underway and additional information will be available in the future. (Nathan et al.)

The new approach replaces a system of categorical assistance by which federal funds were previously distributed to localities to undertake community development projects that fell into ten specific categorical programs.³ Under the categorical system cities developed applications and competed for funds with no formula to govern distribution of the assistance.

Analyzing the Change

The change from the categorical system to the block grant system will significantly alter the distribution of funds for community development activity throughout the United States. As an approach to understanding these changes this paper analyzes CDBG redistribution effects in California. A variety of demographic, physical, economic, and political measures of California city characteristics were used to analyze the change.

The data sources and methodology are fully described in the Appendix. All California cities that have a population of more than 25,000 and appear in the federal *Directory of Recipients* (Subcommittee on Housing, 1974) were analyzed--seventy-nine cities (including five cities whose funding will be phased out entirely by 1980). The sample cities are listed in Table 1. All figures and tables refer to the full seventy-nine city sample unless otherwise indicated.

In California there will be very substantial resource shifts by 1980 when the formula of the act becomes fully operative. As indicated below, fifteen cities that never received any categorical urban development aid will receive community development funding (often in significant amounts); forty-one additional "phase-in" cities will receive more assistance than previously; twenty-three "phase-down" cities will receive less assistance than they had under the categorical system.⁴ (See Figures IA and IB).

Funds going to Los Angeles will increase by \$12 million to more than \$50 million--well over one quarter of all CDBG money coming into California metropolitan cities by 1980. Most other large core cities, including San Francisco, Oakland, Richmond, Berkeley, Fresno, and San Jose will receive less funding under the formula than before. Some, notably San Diego and Sacramento, will receive more. Metropolitan cities in urbanized Southern California within the jurisdiction of the Southern California COG will receive more than a 100% increase in funding in 1975 over any previous year and their percentage of total funds will rise still further

FIGURE 1A
SCATTERGRAM OF RELATIONSHIP BETWEEN
1980 CDBG ENTITLEMENTS AND PRIOR
CATEGORICAL SPENDING IN CALIFORNIA
CITIES (LOWER RANGE)

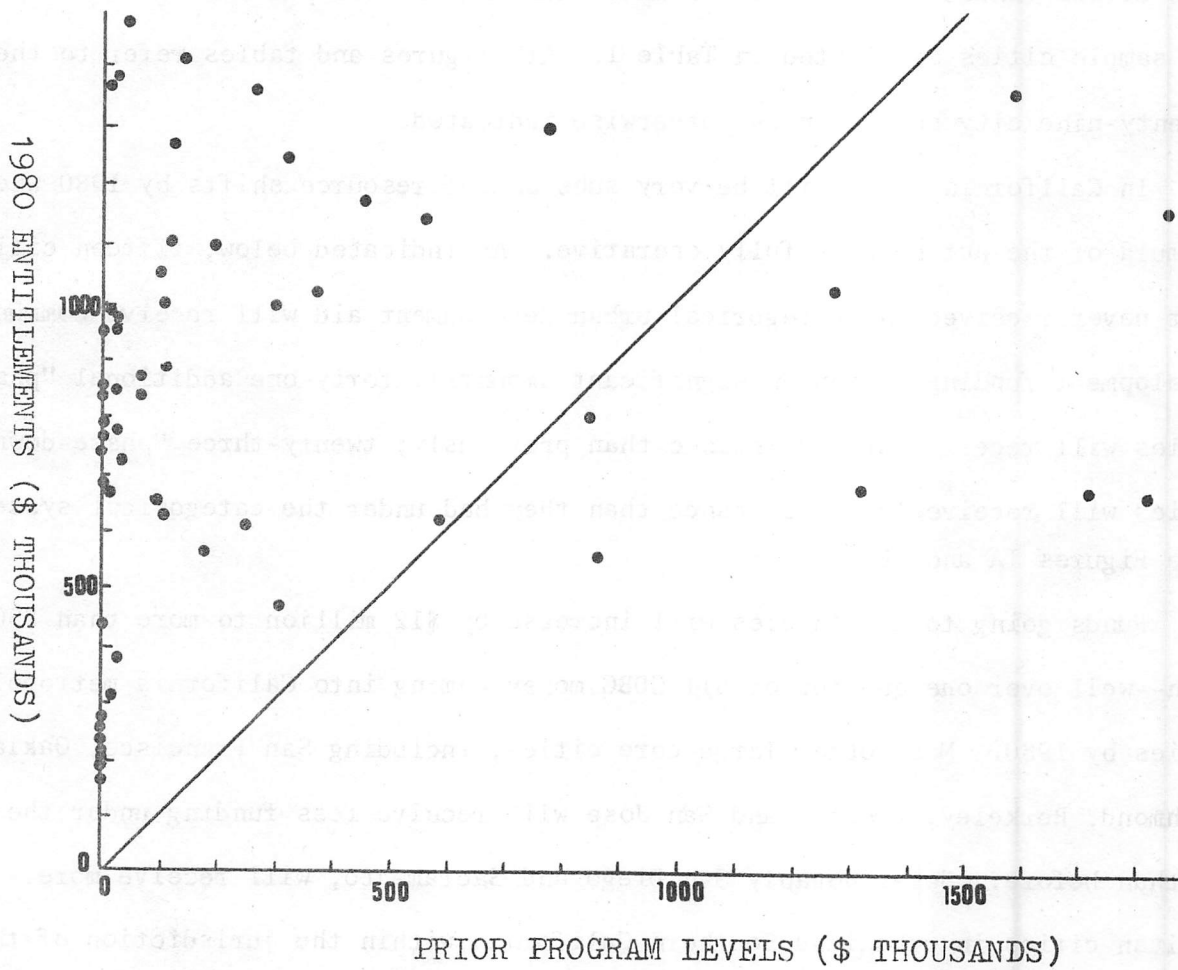
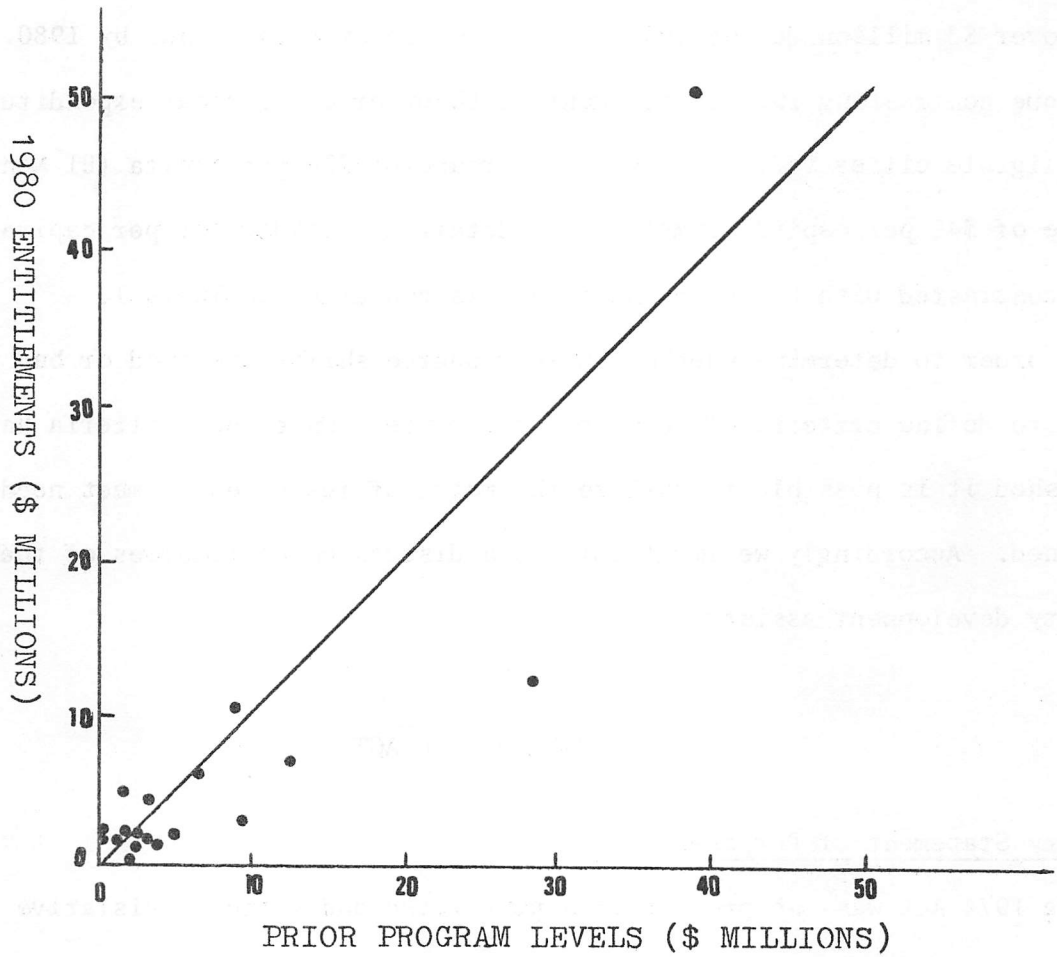


FIGURE 1B
SCATTERGRAM OF RELATIONSHIP BETWEEN
1980 CDBG ENTITLEMENTS AND PRIOR
CATEGORICAL SPENDING IN CALIFORNIA
CITIES (UPPER RANGE)



by 1980 (SCAG, 1975, p. 5). Major beneficiaries of the act are suburbs of over 50,000 population that previously had little categorical funding. Cities with less than 50,000 population that are not SMSA central cities will be ineligible for entitlement monies after 1980 (though they *might* obtain some continuing CDBG money as parts of an urban county). This effect can be quite severe as in the case of Pittsburg, California--a very depressed small city with a large percentage Black population. Pittsburg will drop from an annualized average of categorical aid of over \$3 million during 1968-1972, to no entitlement funds by 1980. Changes in revenue contrasting 1980 entitlements with prior categorical expenditure levels among eligible cities vary between an increase of \$20 per capita (El Monte) to a decrease of \$42 per capita (Compton). A detailed breakdown of per capita revenue change contrasted with key need indicators is contained in Table 1.

In order to determine whether these resource shifts are good or bad it is essential to define criteria of need for assistance. Once need criteria have been established it is possible to analyze the match of resources to meet need, variously defined. Accordingly we first turn to a discussion of theories of the need for community development assistance.

PURPOSES OF THE ACT

Statutory Statement of Purposes

The 1974 Act was the product of a protracted and bitter legislative struggle (Morgan and LeGates, 1973; *Congressional Quarterly Almanac*, 1974). Stated objectives of the act reflect congressional confusion as to what national policy should be and how it should be achieved. The stated primary objective of the act is:

the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

[42 U.S.C. 5301(c)]

TABLE 1

REDISTRIBUTION AND SELECTED CITY CHARACTERISTICS

Percent Inadequate Housing, Dollars Per Capita Gain/Loss, and Percent Families below Poverty Line for Sample Cities Categorized as New Money Phase-in Cities, Other Phase-in Cities, and Phase-down Cities

"NEW MONEY PHASE-IN" CITIES (N = 15)			
City	Percent Inadequate Housing	\$ Gain/Loss per Capita	Percent Families below Poverty Line
Alhambra	21%	+12	5.4%
Bellflower	23	+13	6.4
Buena Park	15	+12	4.2
Costa Mesa	23	+11	6.6
Downey	15	+11	4.5
El Cajon	23	+12	7.6
Fullerton	18	+10	4.3
Glendale	24	+12	5.3
Orange	18	+10	4.9
Palo Alto	24	+11	3.7
Pico Rivera	19	+18	6.9
South Gate	20	+15	7.4
West Covina	10	+10	4.1
Westminster	15	+11	5.4
Whittier	18	+11	4.3

Note: See Appendix for sources for Table 1 and all subsequent tables and figures.

TABLE 1 - CONTINUED

OTHER "PHASE-IN" CITIES (N = 41)			
City	Percent Inadequate Housing	\$ Gain/Loss per Capita	Percent Families below Poverty Line
Alameda	25%	+14	8.9%
Anaheim	19	+10	5.2
Bakersfield	23	+12	11.8
Burbank	19	+11	4.6
Carson	17	+13	5.8
Chula Vista	20	+13	8.0
Concord	15	+9	4.1
Daly City	18	+10	5.1
El Monte	29	+20	10.9
Fairfield	18	+11	9.1
Fremont	11	+8	4.1
Garden Grove	16	+11	4.7
Hawthorne	21	+12	4.6
Hayward	21	+12	6.5
Huntington Beach	13	+5	4.5
Lakewood	9	+10	4.1
Lompoc	26	+14	10.0
Long Beach	29	+11	8.2
Los Angeles	31	+4	9.9
Modesto	21	+10	8.8

TABLE 1 - CONTINUED

OTHER "PHASE-IN" CITIES (N = 41) - CONTINUED			
City	Percent Inadequate Housing	\$ Gain/Loss per Capita	Percent Families below Poverty Line
Monterey	26%	+11	6.4%
Mountain View	26	+9	5.1
Norwalk	17	+15	6.0
Ontario	32	+13	10.3
Pomona	24	+18	9.4
Redwood City	23	+1	4.3
Riverside	22	+2	8.3
Sacramento	26	+3	10.5
Salinas	24	+13	8.4
San Diego	27	+2	9.3
San Leandro	15	+10	4.3
San Mateo	23	+10	4.3
Santa Ana	26	+14	8.1
Santa Barbara	32	+8	9.2
Santa Clara	21	+8	5.2
Santa Cruz	28	+10	10.7
Santa Monica	37	+12	7.2
Simi Valley	8	+5	7.4
Stockton	32	+3	13.5
Sunnyvale	17	+9	3.9
Torrance	16	+4	3.3

TABLE 1 - CONTINUED

"PHASE-DOWN" CITIES (N = 23)			
City	Percent Inadequate Housing	\$ Gain/Loss per Capita	Percent Families below Poverty Line
Berkeley	39%	-6	10.6%
Compton	33	-42	17.1
Corona	19	-11	7.4
Fresno	28	-35	12.9
Inglewood	25	-8	5.3
Menlo Park	25	-2	5.6
Napa	19	-39	7.3
National City	33	-18	10.9
Oakland	32	-16	12.2
Oxnard	26	-3	10.8
Pasadena	28	-8	7.7
Redondo Beach	25	-1	6.3
Richmond	24	-37	10.6
San Bernardino	27	-10	12.8
San Francisco	37	-24	9.9
San Gabriel	18	-6	5.5
San Jose	21	-1	6.4
Santa Maria	22	-9	8.7
Santa Rosa	22	-18	7.8
Seaside	27	-31	14.2
Vallejo	20	-4	8.4
Ventura	19	-10	5.8
Visalia	22	-18	10.1

Seven specific objectives, stated to be consistent with this primary objective, include: elimination of slums and blight; elimination of conditions detrimental to health, safety and welfare; housing conservation; expansion and improvement of community services; rationalization of land and resource utilization; spatial deconcentration of housing opportunities; and historic preservation.⁵ Congress indicated no preference for any given strategy and rejected alternative versions of the legislation introduced by Senator John Sparkman (D. Ala.) and by Congressmen William A. Barrett (D. Pa.) and Thomas L. Ashley (D. Ohio) which would have established clearer standards and more coherent national direction. Academic writers and policy analysts have been less circumspect about urging more focused strategies. A number of paradigms emerge from the literature on types of needs that should be addressed by community development assistance.

Theories of Purposes

(a) *Deprivation Theory*. Some argue that assistance should be directed to areas where physical and social problems are greatest. They favor channeling subsidies to the oldest and most physically deteriorated cities with the highest concentrations of substandard and overcrowded units, poor people, and social problems.⁶

(a) *Minority Enrichment Theory*. A related argument focuses upon the ethnic minority aspect of urban problems. Writers who see urban problems as essentially race problems argue that community development assistance should be channeled to areas of greatest minority concentration.

Some favor minority enrichment in order to allow ethnic minorities ultimately to disperse throughout white society (Downs, 1970, 1972). Others favor subsidization of minority communities to allow them to become economically viable without dispersal (Goldsmith, 1974).

(c) *Growth Support Theory*. Still others argue that assistance should be directed to areas that are spontaneous growth centers. These areas are in need of support for basic infrastructure such as water and sewer facilities and preservation

of amenities such as open space. Market forces have indicated that community development "should" occur there.⁷

(d) *Triage Theory*. The word "triage" originally came from Civil War surgeons' practice of concentrating limited available medical assistance upon the intermediately wounded (leaving for later those with minor injuries and those likely mortally wounded). The word has been used recently to describe the theory of some urbanists that subsidy assistance should be concentrated in declining but still viable areas, rather than in those either better off or beyond hope. While sophisticated authors ordinarily qualify endorsement of such a strategy it is implicit to varying degrees in the arguments of those pressing for maintenance and rehabilitation programs (Frieden, 1964; Phillips and Bryson, 1971; Sternlieb, 1966).

(e) *Fiscal Equalization and Resource Redistribution Theory*. Another argument focuses upon disparities in fiscal capacity between jurisdictions (ACIR, 1973; Netzer, 1967; Schultze et al., 1974; Hill, 1974). Some argue that federal resources should be distributed to cities least able to assist themselves. A related argument is that those making the greatest "effort" in taxing themselves should be rewarded by additional federal assistance.

(f) *Dispersal Theories*. A final argument holds that subsidy assistance should be distributed to relatively affluent communities, particularly suburbs, to underwrite costs of their absorbing a more equitable share of low income housing. Persons advocating this approach favor such a distribution of subsidy funds only insofar as the money is in fact used directly or indirectly to subsidize low income housing construction (Downs, 1970 and 1972; Gruen and Gruen, 1972).

Given the diversity of opinion about what the goals of the CDBG program should be and the type of needs that should be addressed, multi-dimensional analysis is necessary. Only after the redistributive effects of the CDBG program are set against a variety of characteristics of sample cities will it be possible to answer the question: "How well does the CDBG distribution formula match resources to needs,

variously defined?" Accordingly we now turn to detailed analysis of redistribution effects in relation to a range of city characteristics.

REDISTRIBUTION EFFECTS AND CITY CHARACTERISTICS

Race

The formula shifts funds away from areas of Black impaction dramatically, but only very slightly from areas where persons of Spanish language and surname are concentrated. This is illustrated in Table 2.

The most pronounced shift involves Blacks in the "New Money Phase-In Cities." The aggregate 1970 population in these 15 cities was 1,054,118 inhabitants (5.3% of total California population). Only 5,692 (.4%) of these inhabitants were Blacks. Average 1970 population in those cities was 70,275; average Black population was 380. As the table indicates, Spanish-language and Spanish-surnamed persons are neither significantly benefitted nor significantly penalized by the formula.

Economic and Housing Deprivation

Cities that are relatively older, more substandard physically, and overcrowded and with larger concentrations of residents below the poverty line are hurt by the distribution formula. Those relatively newer, more physically sound, and less overcrowded are benefitted. Cities with relatively high percentages of their population living in conditions of housing deprivation--measured by a composite set of census criteria of physical conditions and capacity to pay rent--are disfavored in contrast to those better off. (See Table 3.)

Growth Patterns

There is no clear relationship between measures of urban growth and redistribution under the CDBG formula. In recent years the populations of most favored

TABLE 2

REDISTRIBUTION AND MINORITY CONCENTRATION

Average Percentages: Negro Population 1970 and Spanish Language or Spanish Surnamed Population 1970

Indicator	"New Money Phase-In" Cities (N = 15)	Other "Phase-In" Cities (N = 41)	"Phase-Down" Cities (N = 23)
Percent Negro population 1970	0.6%	3.7%	13.0%
Percent Spanish-language Spanish-surnamed population 1970	14.5%	14.6%	16.2%

Note: The term Negro is used here as employed in the source, the *Census Data Book*.

TABLE 3

REDISTRIBUTION, POVERTY, AND HOUSING DEPRIVATION

Average Percentages: Percent Families below Low Income Level, 1970, Percent Households Inadequately Housed 1970, Pre-1939 Housing Units 1970, Pre-1950 Housing Units 1970 and Overcrowded Housing Units 1970

Indicator	"New Money Phase-In" Cities (N = 15)	Other "Phase- In" Cities (N = 41)	"Phase-Down" Cities (N = 23)
Percent families below low income level 1970	5.4%	7.1%	9.3%
Percent households inadequately housed 1970 (Composite Census Measure)	18.9%	22.0%	25.5%
Percent 1970 housing units pre-1939	13.7%	15.8%	24.6%
Percent 1970 housing units pre-1950	27.5%	28.9%	42.4%
Percent 1970 housing units overcrowded	6.4%	7.1%	9.3%

Note: For this and subsequent tables, terminology is that used in the respective studies.

cities under the formula ("New Money Phase-In Cities") have been slower growing, on the average, than other sample cities. This is also true for growth as measured by percentage of 1970 population living within land annexed between 1960 and 1970. In earlier years, however, phase-down cities were the slower growing in population and construction of new housing units. (See Table 4.)

Fiscal Capacity and Effort

There is relatively little variation in capacity to raise local revenues between cities benefitted or penalized by the act, but strong differences in the extent of local effort. The act shifts funds away from those localities hardest pressed fiscally. (See Table 5.)

Cross Sectional Analysis

Thus far the analysis of redistributive effects of the shift from the categorical to the block grant system has been based upon a tripartite classification of sample cities. Three additional measures of the extent to which the formula benefits or hurts cities were constructed and correlated with demographic information on the cities to permit cross-city comparisons of relative degrees of gain or loss: net dollar gain, per capita dollar gain, and dollar gain as a percentage of total local general expenditures. The results, summarized in Table 6 strikingly confirm that the formula redistributes resources in favor of cities with lower concentrations of Blacks, families below the poverty line, old housing units, overcrowded housing units, and households living in conditions of housing deprivation. It also disfavors those cities that make relatively stronger fiscal efforts. The table also corroborates the findings that cities are neither significantly favored nor disfavored by the formula in relation to concentrations of Spanish-language and Spanish-sumamed persons, growth, and fiscal capacity.

TABLE 4

REDISTRIBUTION AND URBAN GROWTH

Average Percentages: Population Change 1960-1970, Population Change 1970-1975, 1970 Population in Areas Annexed 1960-1970, Housing Units Constructed 1960-1970

Indicator	"New Money Phase-In" Cities (N = 15)	Other "Phase- In" Cities (N = 41)	"Phase-Down" Cities (N = 23)
Percent population change 1960-70	51.0%	80.0%**	41.1%
Percent population change 1970-75	3.0%	6.2%	5.6%
Percent 1970 population in areas annexed 1960-70	5.6%	20.3%	21.8%
Percent increase in year-round housing units constructed 1960-70	48.1%*	80.8%**	39.6%

*N = 14. Imprecise data for one city excluded.

**N = 40. Imprecise data for one city excluded.

TABLE 5

REDISTRIBUTION, FISCAL CAPACITY, AND FISCAL EFFORT

Locally Assessed Valuation Per Capita FY 1974-1975, Per Capita Income 1969, Local Property Tax Rate FY 1974-1975 and Local Taxes Per Capita FY 1973-1974

Indicator	"New Money Phase-In" Cities (N = 14)	Other "Phase- In" Cities (N = 41)	"Phase-Down" Cities (N = 23)
Locally assessed valuation per capita FY 1974-75	\$2843	\$2830	\$2427
Per capita income 1969	\$3877	\$3566	\$3469
Total local property tax rate FY 1974-75	1.0%	1.5%	2.2%
Total local taxes per capita FY 1973-74	\$73.39	\$89.81	\$106.52

TABLE 6

CORRELATIONS BETWEEN THREE MEASURES OF REDISTRIBUTION AND SELECTED CITY CHARACTERISTICS

Coefficients of Correlation between Per Capita Dollar Gain, Net Dollar Gain, and Dollar Gain as Percent of Total General Expenditures FY 1973-1974 Resulting from Shift to CDBG System and Selected Socio-Economic Characteristics***

Selected Characteristics	\$/Capita Gain	Total Gain	\$ Gain as % of Total General Expenditures FY 1973-1974
<u>Race</u>			
Percent Negro of total 1970 population	-.58**	-.40**	-.45**
Percent Spanish-language or Spanish-surnamed of total 1970 population	.06	.03	.15
<u>Economic and Housing Deprivation</u>			
Percent families below low income level	-.51**	-.36**	-.43**
Percent housing units built pre-1950	-.30**	-.41**	-.25*
Percent housing units built pre-1937	-.26*	-.47**	-.21*
Percent housing units with 1.01 persons or more per room	-.19*	-.07	-.02
Percent households inadequately housed (HUD, Inadequate Housing, 1970)	-.31**	-.36*	-.31**
<u>Growth</u>			
Percent population increase 1970-75	.00	.14	.06
Percent 1970 population in areas annexed 1960-70	-.02	.04	-.06
Percent population increase 1960-70	.10	.12	.08
Percent increase in year-round housing	.15	.14	.12
<u>Fiscal Capacity/Effort</u>			
Per capita income, 1969	.21*	.02	.08
Per capita assessed value of property FY 1974-75	.13	-.01	.13
Per capita local taxes FY 1973-74	-.28**	-.66**	-.19*
Local property tax rate FY 1974-75	-.41**	-.74**	-.32**

*p < .05

**p < .01

***N = 78. Los Angeles excluded. Entries are Pearson product-moment correlation coefficients.

In summary, the shift in funds under the present CDBG formula fails to match federal resources to "need" for assistance under any of the principal theories noted earlier. Needs as defined by "deprivation theory" are not met as the formula disfavors older, more overcrowded, poorer areas with high composite measures of housing deprivation. The "minority enrichment theory" definition of need is not met as the formula channels funds away from Black areas and is neutral with respect to areas with concentrations of Spanish-language and Spanish-surnamed population. The formula does not support growth areas or particularly favor declining but viable areas. It is neutral with respect to fiscal capacity but disfavors cities that are presently taxing themselves most heavily.

Apart from our study there are some preliminary indications that CDBG monies are not being used in furtherance of "dispersal" strategies. The United States District Court for the District of Connecticut has enjoined granting of federal assistance under the 1974 Act to seven Hartford suburbs on the basis that they are not seriously addressing the policies of the act that call for dispersal (City of Hartford, 1976). The first published preliminary evaluation of dispersal under the act has concluded that the program is failing to achieve significant dispersal based on a selective nationwide sample regarding first year activities (Potomac Institute, 1976). By redistributing funds on essentially a per capita basis the formula might be regarded as policy neutral if viewed apart from previous history. However, the present system was preceded by the categorical system, which distributed funding selectively in line with "need" under some definitions.

We turn now to comparison of how well the CDBG system matches resources to areas of need compared with the categorical system.

COMPARISON OF FUNDING DISTRIBUTION UNDER
THE CDBG AND CATEGORICAL SYSTEMS

Writers with a variety of theoretical persuasions have concluded that the categorical system worked poorly. (HUD, 1974; Boyer, 1973; Greer, 1965; Hartman and Carr, 1969; Hartman, 1971).

Grantsmanship and excessive bureaucracy, it is argued, have produced misallocation and inequities. As of this writing, May 1976, no studies exist that have sought to contrast the equity or appropriateness of categorical programs, with those of the CDBG program, measured against objective criteria of need.

In order to measure the match of resources to needs under the categorical system, we have examined average annual HUD expenditures in each of the "categories" folded into special revenue sharing for a base period of 1968-1972 for sample cities. In Table 7, categorical expenditures and CDBG block grant entitlements are compared in terms of their relationship to selected indicators of community development needs.

Patterns of Correlation

The first conclusion drawn from Table 7 is that the overall *pattern* of correlation between resources and need is virtually identical for the categorical and CDBG systems. For both systems the strongest linkage is between federal assistance and fiscal effort, followed by weaker though still significant relationships with most measures of economic and housing deprivation in cities. Both systems also provide federal assistance in rough proportion to the concentration of Blacks in urban areas. Neither system favors cities with smaller fiscal capacities, rapid growth rates, higher levels of crowded housing conditions, or concentrations of Spanish-language and Spanish-surnamed populations. Under various theories of need taken separately, in those areas where the categorical system was successful in matching resources to need, the CDBG system also is relatively successful; where the categorical system appears to have failed, the CDBG system also fails.

TABLE 7

CITY CHARACTERISTICS, CATEGORICAL EXPENDITURES, AND CDBG ENTITLEMENTS

Coefficients of Correlation between Selected Socio-Economic Variables and Average Annual Total Categorical Expenditures 1968-1972 and Community Development Block Grant Entitlements 1980***

Selected Characteristics		Categorical Expenditures 1968-1972	1980 Entitlement
Race	Percent Negro population	.38**	.27**
	Percent Spanish-language and Spanish-surnamed population	-.03	-.03
Economic and Housing Deprivation	Percent population below low income level	.36**	.28**
	Percent households inadequately housed	.43**	.39**
	Percent units pre-1937	.53**	.47**
	Percent units pre-1950	.44**	.36**
	Percent units 1.01 or more persons/room	.06	.03
Growth	Percent population increase 1970-1975	-.15	-.13
	Percent increase in year-round housing units 1960-1970	-.15	-.11
	Percent population increase 1960-1970	-.12	-.10
	Percent 1970 population in areas annexed 1960-1970	-.07	-.09
Fiscal Capacity and Effort	Income per capita, 1969	.00	.02
	Assessed valuation per capita	.07	.11
	Tax rate	.70**	.57**
	Taxes per capita	.78**	.64**

**P < .01

***N = 78. Los Angeles excluded. Entries are Pearson product-moment correlation coefficients.

Matching Resources to Needs

The more important conclusion to be drawn from Table 7 is that in comparative terms the CDBG system does a poorer job of matching resources to needs than did the categorical system. Coefficients of correlation for categorical expenditures are consistently stronger than those obtained for CDBG entitlements in the seven areas of need having statistically significant relationships with federal assistance. The process for distributing categorical aid may have been less *efficient* than the current CDBG system, but the evidence here indicates that categorical spending was more *effective* in targeting resources to needs.

To formulate a truly conclusive answer to the question of how well either the categorical system or the CDBG system has done in fitting resources to different kinds of needs requires both consensus upon normative definitions and careful micro level analysis. Existing evidence points to the conclusion that neither system achieved a very good fit of resources to needs. Implicit in critiques of the "inequitable" nature of the categorical system is the idea that the categorical system failed to match resources to need for *any specific category* (HUD, 1974; studies summarized in Frieden and Kaplan, 1975). This may be illustrated in the case of California by the fact that categorical urban renewal funds were concentrated in San Francisco beyond any justifiable explanation of proportional need; Federally Assisted Code Enforcement (FACE) assistance was never allocated in anything approaching rational correlation with the location of the pre-1950 and/or pre-1937 housing inventory; and the distribution of housing subsidies matches neither the Census composite index of Inadequate Housing Conditions in the state (HUD, 1970) nor draft regional "fair share" plans thus far developed by COGs. First year CDBG expenditures for specific items poorly match gross need indicators from a state-wide perspective.

COMPARISON OF CATEGORICAL AND BLOCK
GRANT EXPENDITURE PATTERNS

Categorical Expenditures of "Phase-In" and "Phase-Down" Cities

"Phase-in" and "phase-down" cities under the CDBG system previously chose to spend money they received under the categorical system in significantly different ways. Data on the average percentage expenditure on each of the categorical programs by city type for the years 1968-1972 are presented in Table 8.

Those cities being penalized by the shift to the CDBG system were previously investing much more heavily in urban renewal, the neighborhood development program, and Model Cities activities; those being benefitted were previously investing much more heavily in open space and in water and sewer facilities. Penalized cities were apparently seeking the type of federal assistance set aside for amelioration of basic physical and social problems; benefitted cities the type of federal assistance set aside for environmental amenities and basic infrastructure. This is not to say that penalized cities were necessarily using available funds wisely. To the contrary, available evidence suggests that much conventional urban renewal in California, as elsewhere, was ineffective or even massively damaging (Hartman, 1974). It does strongly suggest that as a result of the redistributive effects of special revenue sharing, there will be less activity (positive or negative) directed at fundamental physical and social urban problems. This conclusion is supported by preliminary evidence on the types of activities in which different types of cities are choosing to invest their first year CDBG funding.

Caveats Concerning 1975 CDBG Expenditure Data

Statements about the "actual use" made of CDBG funds must be extremely tentative at this time. Until completion of the Brookings Institution study of community development (Nathan et al.), no detailed breakdown of actual expenditures by

TABLE 8
REDISTRIBUTION AND CATEGORICAL EXPENDITURES

Average Percentages: Categorical Expenditures 1968-1972 by Category

City Type	Urban Renewal	Model Cities	Water and Sewer	Rehabilitation	Open Space	Neighborhood Facilities	Neighborhood Development Program	Public Facilities Loans	Contingencies
Phase-In (N = 41)	14.7%	2.9%	21.4%	2.6%	43.0%	4.6%	7.7%	0.0%	0.5%
Phase-Down (N = 23)	32.2%	10.9%	5.9%	2.6%	3.8%	2.7%	37.6%	0.0%	0.0%

localities reviewed on an independent, consistent, and rigorous basis exists. Available data suffer from three main deficiencies.

First, only 1975 data are available as of this writing (May 1976). The first program year is heavily influenced by prior categorical experience, the housing moratorium, and disarray as localities go through political reorganization to adapt to the new system. There are undoubtedly unusual expenditures associated with closing out partially completed categorical programs, and planning new ones. A true picture of shifts in priorities must be based on some years' experience.

Second, HUD data are collected in general categories that do not permit either a detailed understanding of how funds are being used, or cross-comparison with categorical expenditures.⁸

Finally, reported use information is likely to be inaccurate. A recent thorough study of fiscal impact of general revenue sharing on California cities concluded:

Actual Use Reports clearly do *not* provide reliable estimates of the fiscal impact of GRS funds. It can easily be demonstrated that, in many cases, reliance on such data leads to absurd conclusions. This finding casts grave doubt on the validity of studies based on Actual Use Reports (Lovell and Korey, 1975, p. 37).

Interviews with responsible HUD officials corroborate that CDBG information filed by the cities is highly inaccurate.

1975 CDBG Expenditures

The following information, derived from 1975 CDBG budget sheets tabulated by HUD Region IX staff, presents the best available city-level data at this time. Even treated provisionally and with precision discounted, the data are highly suggestive. Basic findings are presented together with the findings of three other studies of "actual use" of first year CDBG funds available as of this writing.

(See Table 9.)

TABLE 9
 REDISTRIBUTION AND CDBG EXPENDITURES
 Average Percentages: 1975 CDBG Expenditures by Type of Expenditure

City Type	Urban Renewal	Open Space	Streets	Water and Sewer	Neighborhood Facilities	Code Enforcement	Rehabilitation	Public Services	Planning and Management	Model Cities Activities	Other*
New \$ (N = 15)	3.1%	16.4%	2.1%	3.4%	17.4%	6.2%	13.2%	2.6%	23.9%	0.0%	11.6%
Phase In (N = 41)	5.1%	10.2%	9.0%	2.0%	7.5%	20.0%	8.6%	7.5%	18.4%	0.4%	9.3%
Phase Down (N = 23)	30.2%	8.8%	6.2%	2.5%	4.2%	12.4%	12.1%	3.9%	10.8%	0.4%	8.6%

*Other: Historical Preservation, General, Removal of Architectural Barriers, Local Share, Relocation, Citizen Participation, and Contingency.

The Southern California Association of Governments (SCAG) prepared a thorough tabulation and penetrating analysis regarding first year CDBG expenditures in the area of their jurisdiction--urbanized Southern California (SCAG, 1975). Staff of HUD Regional Office for Region IX prepared a statistical profile of first year CDBG expenditures in the jurisdiction of the San Francisco Area Office of HUD--essentially Northern California (HUD *CDBG Profile*, 1975).⁹ The U.S. Department of Housing and Urban Development published a provisional report on the CDBG program based upon a national sample of one hundred twenty-eight cities (HUD *CDBG Program*, 1975). The two California studies were based upon material submitted by local jurisdictions to HUD with their first year applications; the national HUD study made use of a separate questionnaire. Each survey took material from submitted budget and/or program sheets and supporting documentation.

Planning, Studies, and Administration

Planning, studies, and administration appears as the single largest expenditure category, with significantly more such funding being allocated for this purpose by "New-Money" cities.¹⁰ SCAG concluded that such expenses were the largest single category for their region, totaling approximately 20% of all CDBG funding in Southern California (SCAG, 1975, p. 30). The other two studies concluded that this type of activity consumed in the vicinity of 10 - 12% of CDBG funding (HUD *CDBG Program*, 1975, pp. 71 and 72; HUD *CDBG Profile*, 1975, pp. 23-27). The apparent discrepancy may be accounted for by the fact that cities in the SCAG region will be receiving more than a 100% increase in funding and may be investing an unusually large proportion of the initial funding in "gearing up" activities in contrast to Northern California cities and national trends.

Urban Renewal

Urban renewal activities are heavily concentrated in "phase-down" cities, accounting for an average of nearly one-third of all such CDBG first year investment in such cities. Little first year CDBG funding is being invested in urban renewal in other cities. Closer analysis shows that the urban renewal investment is heavily concentrated in relatively few cities--primarily large urban core cities--and is being used almost exclusively to close out existing urban renewal projects at this time. These conclusions are supported by all three studies (HUD *CDBG Program*, 1975, pp. iv, 66; HUD *CDBG Profile*, 1975, pp. 2-4; SCAG, 1975, pp. 35 and 40). Whether or not the cities that previously had invested heavily in urban renewal will continue to do so once their existing projects are closed out remains an open question.

Infrastructure

Infrastructure investment is a significant expenditure category, though its extent is difficult to determine from HUD budget sheet information.¹¹ Table 9 shows significant, but modest amounts of first year CDBG money invested in streets and little in water and sewer facilities. The other studies reached widely varying conclusions regarding the extent of investment in infrastructure depending upon their definitions and the extent to which they reinterpreted data submitted to HUD. Both the HUD national study and the SCAG study reported very extensive investment in infrastructure. SCAG concluded that the largest amount of funding in the region aside from planning and administration (15%) was being so invested (SCAG, 1975, p. 31).

The HUD *CDBG Program* report (1975, p. 70) concluded that in their sample cities 25.6% of all funds were being used for street improvements, public works, and sewers. In contrast the HUD *CDBG Profile* (1975, pp. 7-10) concluded that only 6% of first year

CDBG funds were being invested in water and sewer, utility, and street projects. Apparently a significant percentage of the funding lumped under urban renewal, neighborhood facility, and public service investment can be recharacterized as infrastructure investment.

Rehabilitation

Rehabilitation emerges as a significant expenditure category consuming an average of 8 to 13 percent of CDBG funds in different category cities. The Northern California profile concluded with respect to local housing expenditures under the act: "The clear focus of local efforts is on the rehabilitation of neighborhoods and the existing stock" (HUD *CDBG Profile*, 1975, p. 14). The other studies also concluded (1) that a relatively large amount of CDBG funding is being set aside for rehabilitation activities; (2) the amount represents a significant increase over the amounts so used under categorical programs; and (3) reliance on rehabilitation is widely proposed rather than concentrated in a relatively few cities.

Open Space

Open space emerges as a strong local priority, particularly in "new money" cities. SCAG ranked open space expenditures as the third most popular activity--after planning/administration and investment in infrastructure--representing 8% of funding for the region (p. 35). The Northern California profile placed open space expenditures at 6% of first year CDBG funding, but noted that this amount was more than double what had been expended for open space in the last year that categorical open space grant monies were available (HUD *CDBG Profile*, 1975, pp. 4-7). Nationally open space was responsible for a smaller percent (3.7) of CDBG funding (HUD *CDBG Program*, 1975, p. 70).

Neighborhood Facilities

Neighborhood facilities received significant funding particularly in "new money" cities.¹² The reports all conclude that this is a category receiving much more now than previously. Four percent of funding in the SCAG region went to such centers (SCAG, 1975, p. 37); the same percentage went to such centers in Northern California--approximately a fourfold increase over expenditures for neighborhood facilities in the last year of the categorical system (HUD *CDBG Profile*, 1975, pp. 10-12). Nationally the figure was set at 2.6% (HUD *CDBG Program*, 1975, p. 70).

Social Programs

Data on "soft" social programs¹³ are difficult to obtain from the HUD budget sheets. The studies concluded that in both Southern and Northern California a majority of such funding was occurring in cities that had previously had Model Cities Programs, apparently as a hold-over from previous Model Cities activities (SCAG, 1975, p. 37; HUD *CDBG Profile*, 1975, pp. 19-20). While every city with a Model Cities program expended some CDBG monies for such activities, more than 75% of non-Model Cities cities in each area chose to expend no funds at all for such activities (SCAG, 1975, p. 36; HUD *CDBG Profile*, 1975, p. 19). The Northern California Report noted four small, middle income communities that decided to invest significantly (19 - 28% of all funds) in such activities (HUD *CDBG Profile*, 1975, p. 19).

Relocation

Relocation is not taking place to a significant extent, according to our information and all three studies. There is consensus with the HUD report's conclusion that cities are "avoiding displacement of families and businesses and excessive clearance." (HUD *CDBG Program*, 1975, p. iv). Expenditures for relocation were set at 1% in Northern California, 2.8% in the SCAG region, and 3.5% nationally (HUD *CDBG Profile*, 1975, Appendix p.1; SCAG, 1975, p. 22; HUD *CDBG Program*, 1975, p. 71).

Citizen Participation

Citizen participation is also receiving little funding according to our information and all three studies. More than four-fifths of all cities in the SCAG and Northern California samples were expending no money on citizen participation activities (SCAG, 1975, p. 38; HUD *CDBG Profile*, 1975, p. 28). Most citizen participation expenditures were in former Model Cities areas as a carry-over from that program. While the HUD report concludes that citizen participation *increased* as a result of the act (HUD *CDBG Program*, 1975, p. v) that conclusion is based upon crude measures of participation such as numbers of groups or persons "participating" in some form or number of hearings held. A more sophisticated understanding of the effects of the act upon citizen participation must await the detailed findings of major "process" studies now underway (Nathan, et al.; Waldhorn; Browning, Tabb and Marshall).

Questionable Allocations

Some expenditure of funds for activities little related to solving problems of poverty and housing deprivation appear in the above surveys. Alhambra is expending most of its first year amount on a golf course (SCAG, 1975, p. 23). Some Northern California cities have expenditures such as basketball and tennis courts in Fairfield, and a swimming pool in Santa Clara (HUD *CDBG Profile*, 1975, p. 5).

Summary

In summary, as of May, 1976, it appears that the change to the CDBG system is causing significant shifts in the type of activity being undertaken. "New money" cities are concentrating expenditure on planning and administration, infrastructure investment, acquisition of open space, neighborhood facilities, and rehabilitation. They are investing almost no money in "soft" social service programs, urban renewal, relocation, or citizen participation activities.

"Phase-down" cities are concentrating expenditure on closing out existing urban renewal projects, rehabilitation and code enforcement and to a modest extent

on open space, street and neighborhood facilities. They also are expending little money on relocation or citizen participation.

While the above findings are suggestive of the directions of change the CDBG system will bring about, expenditure patterns are still in flux. Major unanswered questions are: How will "new money" cities use their money once the "gearing up" phase is past? Will they move to more complex strategies (such as urban renewal) once they have built local capacity? Will their priorities change as local interest groups realize the implications of the program and mobilize to make demands upon it? In "phase-down" cities will the heavy investment in urban renewal continue once existing projects are closed out? What bare bones priorities will emerge after 1978 when budgets are progressively cut?

Another set of questions turns on whether the funds now are and in the future will be used to meet the housing needs of low income and minority groups. Detailed case study analysis will shed light on these issues in the future. Pending such analysis, the best predictive measure is to look at the political disposition of the local governments into whose hands increased decision-making power has been placed. We turn now to that analysis.

REDISTRIBUTION AND LOCAL POLITICAL DISPOSITION

The way in which community development funding will be used *within* local communities is ultimately a political question. The change from the categorical to the block grant system shifts the areas of decision-making dramatically away from the federal-local government-sublocal government authority-neighborhood organization model to vest effective power in local chief executives and local governing bodies. Thus it significantly divests federal, sublocal authority, and community groups of power.¹⁴

The question of how funds are likely to be deployed will turn principally on the political disposition of the local chief executive and governing body of local governments--attitudes that are in turn determined by the political disposition of the

voters. Those jurisdictions with liberal local governments, politically disposed to address housing and community development needs of low income and minority persons will likely use the funds for physical construction related to housing rehabilitation, continuation of Model Cities efforts, projects for the elderly, social service programs, and renewal supportive of low and moderate income housing. Politically conservative jurisdictions, with little or no disposition to assist low income and minority households will likely use the funds for physical construction little related to social problems: sewer and water installation, acquisition of open space, construction of curbs and gutters, commercial and industrial redevelopment, and cosmetic capital improvements (Morgan and LeGates, 1973; Hirshen and LeGates, 1975).

The degree to which cities are favored or disfavored by the formula is consistently correlated with indicators of political disposition. More politically conservative jurisdictions are favored; the more liberal are less favored or hurt.

Measures of General and Housing-Related Political Disposition

Three indicators were used to measure the general political disposition of sample cities: percent registered Republicans in 1975, percent vote for Ronald Reagan in the 1970 California gubernatorial election, and the percent vote in favor of the 1973 California tax initiative. The 1970 California gubernatorial election represented a clear choice between Ronald Reagan running on a strongly conservative platform and Jesse Unruh running on an explicitly liberal platform. The 1973 tax initiative was Ronald Reagan's major attempt to place constitutional limitations on the amount of local government taxing power in order to limit government. A "YES" vote on the tax initiative is considered a strong measure of political conservatism.

In addition to indicators of general political disposition, two prime indicators of the political disposition of California cities towards racial integration

of housing and towards construction of low income housing were used. Proposition 15 on the 1974 ballot proposed elimination of Article XXXIV of the California Constitution, which requires a referendum approval before any low income housing can be constructed in a locality. Article XXXIV has been a principal deterrent to construction of low income housing in California. A "YES" vote on Prop. 15 is a strong measure of liberalism in regard to low income housing.

Proposition 14 on the 1964 ballot proposed an amendment to the California Constitution prohibiting enactment of any form of fair housing legislation in California. The amendment passed, but was subsequently overturned by the U.S. Supreme Court as violative of the equal protection clause of the XIV amendment. All federal housing assistance to the state was suspended while Proposition 14 was in effect. A "YES" vote on Proposition 14 is a strong measure of conservatism in regard to housing integration.

Findings

Data on registered Republicans in 1975 and on the voting on the above measures are presented in Table 10.

TABLE 10

REDISTRIBUTION AND POLITICAL DISPOSITION

Mean Average Percentages: Percent Registered Republicans, 1975; Percent Vote for Reagan, 1970; Percent Vote "YES" on Tax Initiative, 1973; Percent Vote "YES" on Proposition 15, 1974; Percent Vote "YES" on Proposition 14, 1964

Indicator	"New Money Phase-In" Cities (N=15)	Other "Phase- In" Cities (N=41)	"Phase-Down" Cities (N=23)
Percent Registered Republicans 1975	43.6%	36.6%	33.4%
Percent Vote for Reagan 1970	60.6%	53.6%	48.0%
Percent Vote "Yes" on tax initiative 1973	54.4%	45.7%	40.2%
Percent Vote "Yes" on proposition 15, 1974	34.2%	38.5%	43.4%
Percent Vote "Yes" on proposition 14, 1964	76.7%	68.8%	61.8%

Table 10 indicates a strong shift in funding towards cities that are more politically conservative, both in their "general" political disposition and in their attitude toward low income housing construction and open housing. Tables 11 and 12 show correlation confirming this basic finding.

The empirical findings of this paper strongly suggest that the way in which CDBG funds will be used at the local level is largely predetermined by the physical, economic, and social characteristics of the locality and by the political disposition of the local government. The present CDBG formula is redistributing funding in favor of cities with relatively less need for the funds under any major theory and towards those least politically disposed to use the money to further the stated primary objective of the act. If the stated goal of the act is to be furthered, it is essential to modify the allocation formula so as to channel funding to cities with greatest needs and disposition to use the funds to good advantage. (Such a change is necessary, but not sufficient: Past abuses of the categorical system suggest that clear performance standards and rigorous monitoring are required to assure that funds are used in furtherance of national goals.)

A full analysis of the redistributive consequences of a range of simulations, set against socio-economic and physical characteristics of cities is needed for redesign of the allocation formula. A "best" formula can only be designed against clear definitions of need and clear normative judgments. Alternative formulae may be readily devised that would shift available funds more in line with one or more theories of need. In order to illustrate the directions future research might take, we now turn to illustrative simulations measured against indicators of need for CDBG funding in California.

CRITIQUE OF PRESENT FORMULA

A city's allocation using the current CDBG formula is almost completely determined by a single factor: total population. The present formula in effect

TABLE 11

CORRELATIONS BETWEEN THREE MEASURES OF REDISTRIBUTION AND POLITICAL DISPOSITION

Coefficients of Correlation between Per Capita Dollar Gain, Net Dollar Gain, and Dollar Gain as Percentage of Total General Expenditure FY 1973-1974 Resulting from Shift to CDBG System and Selected Political Characteristics***

	\$/Capita Gain	Net Gain	\$ Gain as % of Total General Expenditures FY 1973-1974
Percent Republican Total Registered Voters, 1975	.32**	.30**	.13
Percent Reagan Vote, 1970	.44**	.37**	.29**
Percent "Yes" 1973 Tax Initiative	.49**	.38**	.39**
Percent "Yes" Prop. 15	-.39**	-.32**	-.35**
Percent "Yes" Prop. 14	.44**	.37**	.49**

**P < .01

***N = 78. Los Angeles excluded.

TABLE 12

CORRELATION BETWEEN POLITICAL DISPOSITION, CATEGORICAL
EXPENDITURES, AND CDBG ENTITLEMENTS

Coefficients of Correlation between Selected Political Variables and Average Annual Total Categorical Expenditures 1968-1972 and Community Development Block Grant Entitlements 1980***

	Categorical Expenditures	1980 Entitlement
Percent registered Republicans 1975	-.27**	-.17
Percent vote for Reagan 1970	-.35**	-.24*
Percent vote "Yes" 1973 tax initiative	-.34**	-.21*
Percent vote "Yes" Prop. 15	.27**	.14
Percent vote "Yes" Prop. 14	-.33**	-.21*

*P < .05

**P < .01

***N = 78. Los Angeles excluded.

distributes resources on a *per capita* basis. Figures 2A and 2B show the extremely close association between 1970 total population and 1980 CDBG entitlements.

By 1980, when the formula is fully operative, a formula allocating funds to eligible cities at the rate of \$18.00 *per capita* minus a fixed amount would produce essentially the same results as the actual three-factor formula.¹⁵ Any city characteristic strongly dependent on total population size--*tons* of solid waste, *number* of poor, *number* of persons in overcrowded housing units, *number* of women--if used as the formula's sole allocation base, would produce similar results.

Aggregate *categorical* expenditures were also highly correlated with total population.¹⁶ Nevertheless, more than 20% of cross-city differences in categorical spending can only be explained by differences not directly related to population size¹⁷: e.g., varying degrees of grantsmanship skill, differences in fiscal burdens, political system characteristics, *intensity* levels of problem-specific needs for federal assistance.

While there is little consensus on how best to allocate resources to meet community development needs, few would argue for allocation on a strict *per capita* basis. Alternative formula concepts built upon indicators of need not adequately measured by population size *per se* are in order.

ALTERNATIVE FORMULAE

To demonstrate that it is possible to design allocation formulae that improve the match between resources and local needs, the results of computer simulations employing four alternative formulae are presented below. These simulations involve only modest deviations from the assumptions and measures contained in the current allocation formula. No attempt was made in this preliminary study to incorporate measures of fiscal effort, racial concentrations or age of the housing stock--all of which are appropriate for examination for possible inclusion in a more effective formula.

FIGURE 2A
SCATTERGRAM OF RELATIONSHIP BETWEEN
1980 CDBG ENTITLEMENTS AND 1970 TOTAL
POPULATION IN CALIFORNIA CITIES
(LOWER RANGE)

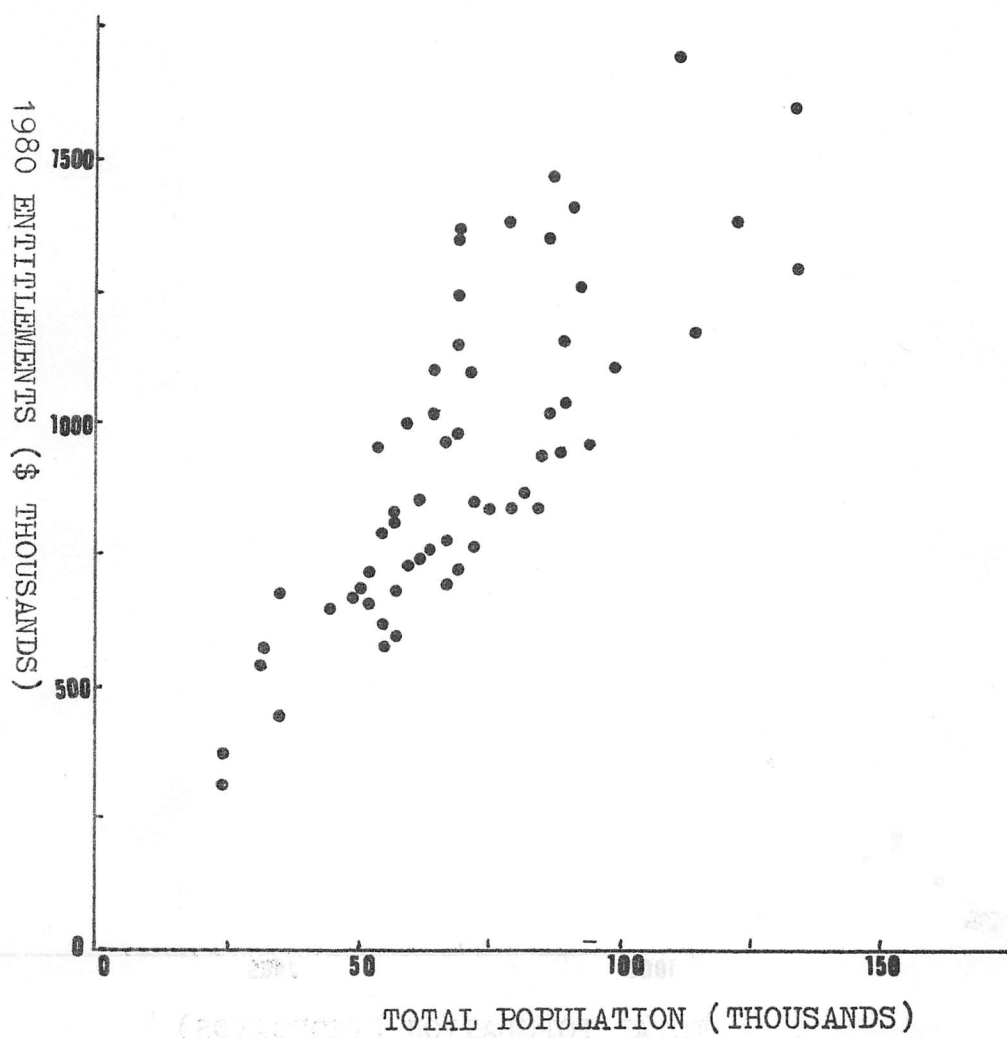
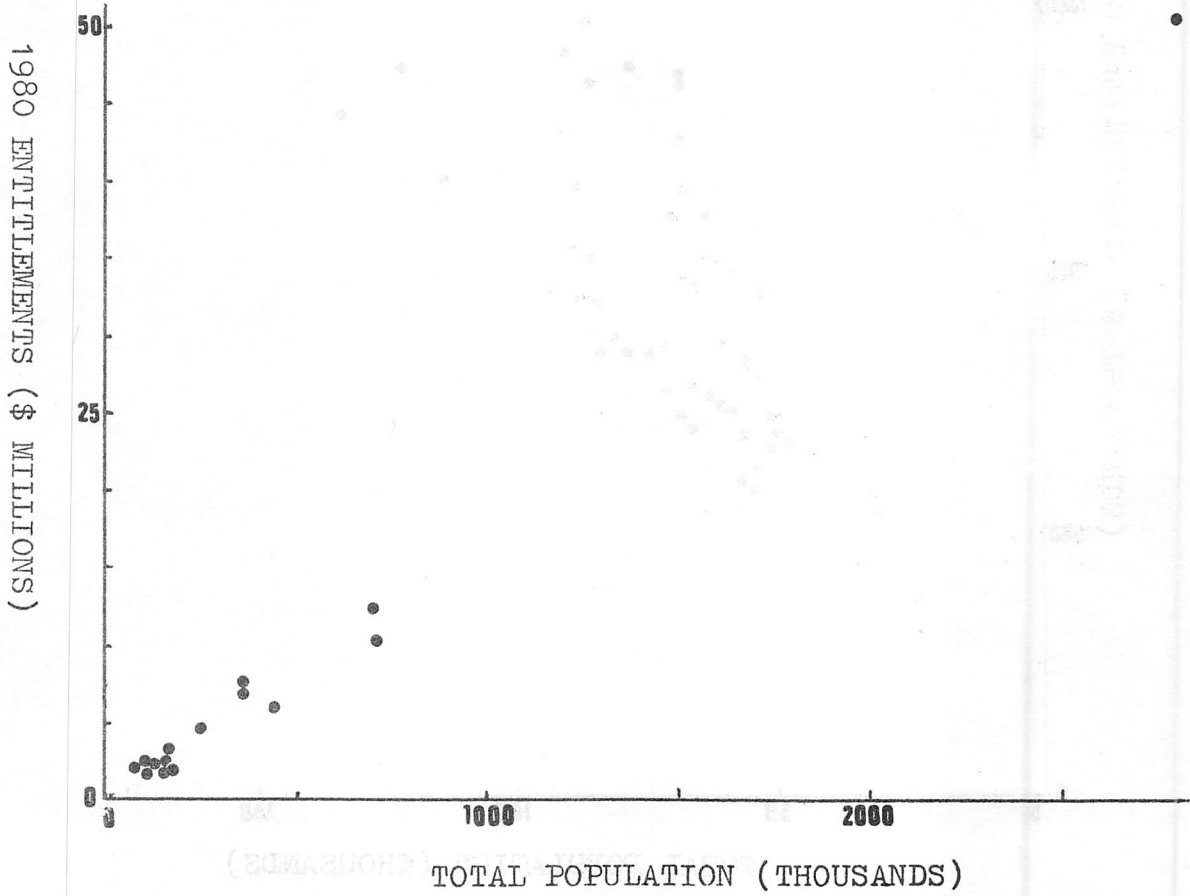


FIGURE 2B
SCATTERGRAM OF RELATIONSHIP BETWEEN
1980 CDBG ENTITLEMENTS AND 1970 TOTAL
POPULATION IN CALIFORNIA CITIES
(UPPER RANGE)



Formula Components

The first (Formula X20) is identical to the present formula except that the poverty component is weighted 20 times.¹⁸ The second (Formula A) substitutes a composite index of inadequate housing for the overcrowding measure and concentrates resources in cities having concentrations of poverty and housing overcrowding above the median for all cities.¹⁹ The third (Formula B) introduces sliding weight factors for the poverty and inadequate housing components of Formula A.²⁰ The weight factors for each city are determined by the proportion of a city's own population afflicted by poverty or inadequate housing. The fourth (Formula C) is the same as Formula B except that the population size component is dropped and the remaining sum is divided by 2.²¹

Redistribution Effects and Complexities

The simulated 1980 entitlements generated by formula X20, A, B, and C are shown in Table 13, along with each city's prior categorical expenditures and actual 1980 CDBG entitlements. Although the correlations between simulated and actual 1980 entitlements are very strong (Pearson r ranging from a high of .995 for Formula X20 to a low of .965 for Formula C)²², the redistribution of entitlement dollars is in some cases quite substantial. Formula X20 produces the most negligible redistribution, Formula C the most substantial. The results for Formula X20 clearly suggest that even "dramatic" alterations of constant weight factors in the existing formula will produce only very small changes in funding--the possible *symbolic* impacts of such alterations notwithstanding. Simulated entitlements using Formula C show major funding cuts for most "New-Money phase-in" cities and at least partial restoration of categorical level funding for many "phase-down" cities. One "phase-down" city, Berkeley, receives not only full restoration but a significant supplement to prior categorical funding. *Most* "phase-down" cities also receive *less* money under Formula C than from actual 1980 entitlements.

TABLE 13

SIMULATED 1980 ENTITLEMENTS--ALTERNATIVE FORMULAE

Simulated 1980 CDBG Entitlements (\$000) Using Four Alternative Formula Concepts -- Compared with Categorical Expenditures (1968-72) and Actual 1980 CDBG Entitlements*

CITY	Average Categorical Funds 1968-72	CDBG Entitlements 1980	FORMULA SIMULATIONS			
			Formula X20	Formula A	Formula B	Formula C
("New-Money Phase-In")						
Alhambra	0	745	709	323	673	526
Bellflower	0	687	605	572	600	492
Buena Park	0	763	520	328	498	255
Costa Mesa	0	855	801	798	826	671
Downey	0	966	782	458	724	399
El Cajon	0	724	696	843	645	560
Fullerton	0	946	767	447	770	484
Glendale	0	1606	1519	1483	1568	1316
Orange	0	841	698	402	696	441
Palo Alto	0	581	542	622	622	501
Pico Rivera	0	959	678	283	560	416
South Gate	0	820	764	589	645	526
West Covina	0	707	487	351	464	170
Westminster	0	734	565	311	498	280
Whittier	0	773	660	379	656	416

*Excluded from this table are the non-metro cities of San Gabriel, Corona, National City, Menlo Park and Visalia.

TABLE 13 - Continued

CITY	Average Categorical Funds 1968-72	CDBG Entitlements 1980	FORMULA SIMULATIONS			
			Formula X20	Formula A	Formula B	Formula C
(Other "Phase-In")						
Alameda	4	983	1008	1211	968	900
Anaheim	34	1927	1575	866	1545	1019
Bakersfield	322	1246	1450	1353	1245	1324
Burbank	98	1051	864	458	849	586
Carson	119	1100	857	407	724	475
Chula Vista	25	972	925	713	770	628
Concord	17	841	613	441	656	323
Daly City	20	778	589	345	589	365
El Monte	15	1376	1342	1392	1262	1350
Fairfield	94	645	626	470	504	416
Fremont	207	1090	755	521	702	272
Garden Grove	19	1385	1040	628	1013	577
Hawthorne	14	664	474	277	521	365
Hayward	121	1269	1100	481	1013	798
Huntington Beach	460	1171	907	600	860	390
Lakewood	62	880	609	430	555	187
Lompoc	25	376	389	447	368	357
Long Beach	1513	5265	5668	6723	5761	5849
Los Angeles	38957	50527	51916	56907	52646	57077

TABLE 13 - Continued

CITY	Average Catego- rical Funds 1968-72	CDBG Entitle- ments 1980	FORMULA SIMULATIONS				
			Formula X20	Formula A	Formula B	Formula C	
(Other "Phase-In" cont'd)							
Modesto	112	886	980	730	843	755	
Monterey	2	311	285	306	317	272	
Mountain View	112	623	515	634	628	518	
Norwalk	141	1421	980	470	832	543	
Ontario	295	1115	1142	1302	1217	1324	
Pomona	45	1476	1536	1590	1324	1307	
Redwood City	585	623	497	611	577	433	
Riverside	1657	2034	2080	1551	1788	1596	
Sacramento	3586	4450	5050	5042	4578	4864	
Salinas	89	1001	918	1013	826	781	
San Diego	9151	10461	10889	12637	10582	10449	
San Leandro	28	729	603	357	560	306	
San Mateo	61	836	720	860	826	628	
Santa Ana	112	2596	2319	2716	2184	2063	
Santa Barbara	558	1153	1296	1443	1347	1477	
Santa Clara	371	1026	815	447	849	603	
Santa Cruz	179	563	726	690	702	806	
Santa Monica	265	1364	1459	1856	1811	2029	
Simi Valley	249	596	424	311	396	127	
Stockton	1778	2172	2505	2462	2518	2920	
Sunnyvale	28	962	687	498	787	433	
Torrance	783	1305	867	702	1030	492	

TABLE 13 - Continued

CITY	Average Catego- rical Funds 1968-72	CDBG Entitle- ments 1980	FORMULA SIMULATIONS			
			Formula X20	Formula A	Formula B	Formula C
("Phase-Down")						
Berkeley	2836	2207	2888	2892	3424	4244
Compton	4998	2084	2108	1884	2133	2589
Fresno	9430	3210	3899	3610	3684	4236
Inglewood	1854	1167	1017	1030	1092	934
Napa	2244	459	481	385	413	323
Oakland	12504	7004	8087	8036	8200	9482
Oxnard	1584	1362	1311	1347	1183	1222
Pasadena	2581	1698	1820	2105	1783	1791
Redondo Beach	849	804	656	656	696	594
Richmond	4115	1389	1453	1460	1256	1273
San Bernardino	3108	2007	2267	2184	2071	2275
San Francisco	28601	12784	13683	15783	16072	18539
San Jose	6472	6043	5608	4556	5054	3998
Santa Maria	860	542	532	379	447	416
Santa Rosa	1821	673	776	572	673	620
Seaside	1724	673	705	713	651	696
Vallejo	1277	1026	1031	781	866	739
Ventura	1325	683	646	300	589	433

*Excluded from this table are the non-metro cities of San Gabriel, Corona, National City, Menlo Park, and Visalia.

The "allocation problem" of community development revenue sharing requires a more subtle solution than restoration of the categorical *status quo ante* or mechanical re-allocation of funds from "phase-in" winners to "phase-down" losers. The data in Table 13 indicate that certain cities (e.g., Glendale, Alameda, Pomona) elected not to seek (and/or were not granted) federal categorical assistance to satisfy demonstrable needs in their communities. A number of more "aggressive" cities (e.g., Fresno, San Jose and San Francisco) were successful in acquiring a disproportionate share of categorical assistance. Simulations suggest that partial restoration of funding is warranted in some cases, not in others. Finally, the formula simulation results suggest that a number of "phase-in" and "phase-down" cities are receiving entitlements more or less proportional to levels of need.

These remarks do not alter the general line of argument developed thus far. They do underline the complexities involved in studying the redistributive effects of revenue sharing and the dangers of drawing simplistic or expedient inferences from this research.

Comparisons

Table 14 provides a comparison of coefficients obtained from correlating the results of each formula simulation with the need criteria examined earlier in this paper. The pattern revealed by the comparison is clear: FORMULA C allocations yield *consistent* improvements in the match of resources to needs over what is produced by the current formula (see Table 7 above) and by the other three formula simulations.

One reason for the evident superiority of Formula C is that the allocation effects of population size per se are least dominant in this formula as compared with the others. This conclusion is supported by Table 15, which shows for each formula the correlation with 1970 total population and the cross-city variation in allocations unexplained by population size alone.

TABLE 14

CORRELATION BETWEEN SIMULATED ENTITLEMENTS AND CITY CHARACTERISTICS

Coefficients of Correlation between Simulated Entitlements and Selected Socio-Economic Characteristics of Cities***

Selected Characteristics	Formula X20	Formula A	Formula B	Formula C
<u>Race</u>				
Percent Negro of total 1970 population	.30**	.29**	.29**	.33**
Percent Spanish-language or Spanish-surnamed of total 1970 population	-.01	-.03	-.03	-.03
<u>Economic and Housing Deprivation</u>				
Percent families below poverty line	.36**	.36**	.33**	.38**
Percent housing units built pre-1950	.45**	.47**	.47**	.51**
Percent housing units built pre-1937	.54**	.55**	.56**	.60**
Percent housing units with 1.01 persons or more per room	.03	.02	.03	.02
Percent households inadequately housed (HUD, Inadequate Housing, 1970)	.47**	.50**	.48**	.54**
<u>Growth</u>				
Percent population increase 1970-75	-.15	-.16	-.17	-.20*
Percent population increase 1960-70	-.12	-.13	-.13	-.14
Percent increase in year-round housing units 1960-70	-.15	-.16	-.15	-.17
Percent 1970 population in areas annexed 1960-70	-.07	-.07	-.09	-.08
<u>Fiscal Capacity/Effort</u>				
Per capita income, 1969	.02	.04	.06	.04
Per capita assessed value of property FY 1974-75	.06	.08	.09	.08
Per capita local taxes FY 1973-74	.59**	.61**	.64**	.67**
Local property tax rate FY 1974-75	.68**	.69**	.71**	.75**

*P < .05

**P < .01

***N = 73. Non-metro cities and Los Angeles are excluded.

TABLE 15

ALTERNATIVE FORMULAE AND EFFECTS OF POPULATION SIZE

Coefficients of Correlation between Total 1970 Population and Simulated Plus Actual 1980 CDBG Entitlements***

Formulae	Total 1970 Population	Variance in Entitlements "unexplained" by population size
Actual 1980 Entitlements	.98	4%
FORMULA X20	.96	8%
FORMULA A	.95	10%
FORMULA B	.95	10%
FORMULA C	.91	17%

***N = 73. Excludes non-metro cities and Los Angeles.

Conclusion

We conclude that any revision of the existing formula should: (a) incorporate a broader range of need criteria; (b) dampen the allocation effects of population size *per se*; (c) weight the *magnitude* of a city's needs (measured in terms of numbers of persons affected) by the *intensity* of need (measured against the base of the city's own population), and (d) produce a demonstrable match of federal resources with local needs.

Formidable issues confront policy makers attempting to devise an effective federal community development grant system, and continued value clashes are inevitable. This study demonstrates how changing to the CDBG system has had significant redistributive effects, and provides empirical information on these effects. No approach to designing a better formula can be effective if it overlooks such effects and avoids rigorous empirical analysis of their consequences.

While normative judgments will vary, this study strongly suggests that there are negative aspects to the present formula. Finally, and most hopefully, the simulation results indicate that formulae may be readily devised that improve allocation of federal resources to meet local community development needs.

where E_i = the enrichment level in dollars received by the i th city
 A = the total amount of OMB funds appropriated for the fiscal year
 N = the proportion (< 1.0) obtained by comparing the population of the i th city to the sum of all city populations (statewide), and overall population in the sum of all city populations. The average ratio of the population of the i th city to the total population of the state is 0.08 x 100 = 8%.
 E_i = the i th city's share of total federal funds. This share is calculated as the weighted ratio yielded by multiplying each city's population by the average ratio (statewide) and over-crowded population with that of the sum of all city cities.

$$E_i = \frac{N_i}{\sum_{i=1}^N N_i} \cdot A$$

where N_i = total number of inhabitants in the i th city
 N = total number of persons with income below poverty level in the i th city
 H = total persons living in housing with an average of more persons per room in the i th city
 I = 1, 2, 3, ... total number of cities in the state
 In formula simulations presented, we used the 1980 Census data for California cities and counties. Our formula regarding OMB funding in 1980 is those simulations. "total enrichment" (statewide) is:

$$\sum_{i=1}^N E_i$$

NOTES

¹P.L. 93-383, 93rd Cong., Second Sess., 42 U.S.C. 5301.

²The basic formula for allocating 1980 CDBG funds to "metro cities" (any city designated as the Central City of an SMSA or having a population of 50,000 or more) is:

$$E_i = S_i K (.784A),$$

where E_i = the entitlement level in dollars received by the i th metro city;

A = the total amount of CDBG funds appropriated for the fiscal year;

K = the proportion (< 1.0) obtained by comparing the population, low income population (double-weighted), and overcrowded population in the sum of all metro cities with that in the sum of all SMSA's. The average ratio (K) this comparison yields is applied against the basic SMSA Fund (which equals 80% of the total appropriations remaining after reserving 2% for the Secretary's Fund--or $.80 \times .98A = .784A$). Thus $K (.784A)$ is the amount of funds to be divided among metro cities.

S_i = the i th metro city's share of total metro city funds. This share is calculated as the average ratio yielded by comparing a city's population, low income population (double-weighted), and overcrowded population with that of the sum of all metro cities. Thus:

$$S_i = \left(\frac{P_i}{\sum_{i=1}^N P_i} + \frac{2L_i}{\sum_{i=1}^N L_i} + \frac{H_i}{\sum_{i=1}^N H_i} \right) \frac{1}{4},$$

where P_i = total number of inhabitants in i th city;

L_i = total number of persons with income less than poverty level in the i th city;

H_i = total persons living in housing with 1.01 persons or more per room in the i th city;

$i = 1, 2, \dots, N$, where N = total number of metro cities.

In formula simulations presented later in this paper, $N = 74$, comprising the 74 California metro cities in our sample receiving CDBG entitlements in 1980. In those simulations, "total metro city funds" equals:

$$\sum_{i=1}^{74} E_i, \text{ where } E_i = 1980 \text{ entitlements for the } i\text{th}$$

California metro city as reported in the *Federal Directory of Recipients*. The same procedure is applied to summations of P., L., and H., using data provided in HUD *Revenue Sharing Update 122*. A full description of the formula is contained in HUD, *Title I Description* (undated).

³The Community Development Program replaces the following ten development programs administered by the Department of Housing and Urban Development: the Public Facilities Loan Program authorized by Title II of the Housing Amendments of 1955; the Open Space Program authorized by Title VII of the Housing Act of 1961; the Planning Advance Program authorized by Sec. 702 of the Housing Act of 1954; the Water-Sewer, Neighborhood Facilities and Advanced Land Acquisition Programs authorized under Title VII of the Housing and Urban Development Act of 1965; the Urban Renewal, Code Enforcement and Neighborhood Development Programs authorized by Title I of the Housing Act of 1949; and the Model Cities Program authorized by Title I of the Demonstration Cities and Metropolitan Development Act of 1966.

⁴"Phase-in" cities will receive in the first year the greater of one-third of their basic grant amount or their prior program level; in the second year the greater of two-thirds of their basic grant or their prior program level; and in the third year their full basic entitlement grant amount.

"Phase-down" communities eligible for "hold harmless" funding will receive their full prior program level for the first three years of the program. In the fourth and fifth years, their hold harmless payment will be reduced by one-third and two-thirds respectively. In the sixth year, entitlement level will be determined solely by the basic grant formula.

⁵The text regarding the seven purposes is as follows:

- (1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;
- (2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;
- (3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;
- (4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;
- (5) a more rational utilization of land and other natural resources and the better arrangement of residential, com-

mercial, industrial, recreational, and other needed activity centers;

- (6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and
- (7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons. 42 U.S.C. 5301 (c).

⁶See the statements of Mayor John Lindsay and other big city mayors in the Ribicoff Committee Hearings (Lindsay, 1966). The position is to some extent shared by conservatives (Banfield, 1970), liberals (Harrison, 1974), and radicals (Tabb, 1971).

⁷This is a position often derived from the description of urban reality developed by J. Forrester (Forrester, 1968) though not explicitly stated by him.

⁸There are two main HUD data sources: Each locality is required to file a Program Summary and a Budget Summary, OMB Form No. 63 - R171. These forms have categories that: (a) are not parallel to each other, (b) are not parallel to categorical expenditures, and (c) lump expenditures together under very general headings.

⁹The jurisdiction of the San Francisco Area office includes Nevada, Hawaii, and Guam in addition to Northern California.

¹⁰Types of activities included under this heading varied. SCAG was most explicit and detailed; they included planning activities, management development, preparation of plans or plan elements, design activities, studies, preparation of the Block Grant application, and administration of housing and community development activities (SCAG, 1975, p. 29).

¹¹Types of activities included under this heading varied. SCAG included: street repairs, street lights, curbs and gutters, storm drains, sidewalks, sewers, water lines, treatment plant modification, and removal of architectural barriers for the elderly and the handicapped. (SCAG, 1975, p.30).

¹²Types of activities included under this heading varied. SCAG included: all monies allocated for land acquisition, construction, repair or addition of equipment or provision of staff for community centers, neighborhood facilities, elderly or youth centers, and multi-service centers. (SCAG, 1975, p. 36).

¹³Types of activities included under this heading varied. SCAG included programs in: child care, health care, employment training and placement, crime pre-

vention, crisis intervention, special services for the elderly or handicapped, and youth programs. (SCAG, 1975, p. 36).

¹⁴Major CDBG "political process" research is being undertaken by the Brookings Institution under the direction of Richard Nathan, Stanford Research Institute under the direction of Steven Waldhorn, and the San Francisco State University with University of California at Davis under the direction of Rufus Browning, David Tabb and Dale Marshall.

¹⁵The best-fitting regression equation for the scatter shown in Figures 2A-2B:

$$Y = -339,810 + 18.0 X, \quad (r^2 = .995)$$

where Y = city's 1980 CDBG entitlements;

X = city's total 1970 population.

The reason why population size alone has such predictive power is that the coefficients of correlation among the three components of the present formula are all above .99.

¹⁶Pearson $r = .89$, $N = 64$ with the 15 "New Money Phase-In" cities excluded.

¹⁷Population size can explain an additional 3 - 4% variance employing an equation of the form $Y = a + bX - cX^2$, where Y = city's categorical expenditures (1968-72) and X = total population in 1970. This suggests that the effects of population numbers on categorical spending *diminished* with increasing population size.

¹⁸Using Formula X20, each city's simulated share of the 74-city total 1980 CDBG entitlements is calculated as follows:

$$S_i = \left(\frac{P_i}{\sum_{i=1}^{74} P_i} + \frac{20L_i}{\sum_{i=1}^{74} L_i} + \frac{H_i}{\sum_{i=1}^{74} H_i} \right) \quad 22$$

See note 2, above, for discussion of the general procedure followed here and for definitions of the key terms P_i , L_i , and H_i .

¹⁹Each city's share using Formula A is:

$$S_i = \left(\frac{P_i}{\sum_{i=1}^{74} P_i} + \frac{L_i}{\sum_{i=1}^{74} L_i} + \frac{I_i}{\sum_{i=1}^{74} I_i} \right) \quad 3$$

where $L_i = 0$ if $\frac{L_i}{P_i} < 9.39\%$ (=74-city median);

$I_i = 0$ if $\frac{IN_i}{HH_i} < 22.47\%$ (=74-city median);

and $I_i = \frac{IN_i}{HH_i} P_i$, an estimate of the i th city's population inadequately housed,

and IN_i = number of households inadequately housed (HUD, Inadequate Housing, 1970) in i th city;

HH_i = total number of households in i th city.

²⁰ Formula B is:

$$S_i = \left(\frac{P_i}{74} + \frac{L_i^*}{74} + \frac{I_i^*}{74} \right) \quad 3,$$

where $L_i^* = \frac{L_i}{P_i} L_i$,

and $I_i^* = \frac{IN_i}{HH_i} I_i$.

²¹ Formula C is:

$$S_i = \left(\frac{L_i^*}{74} + \frac{I_i^*}{74} \right) \quad 2.$$

²² The five non-metro cities and Los Angeles are excluded from the correlation analysis.

APPENDIX

DATA SOURCES AND METHODOLOGY
USED FOR FIGURES AND TABLES

Figs. 1A-1B. 1980 CDBG Entitlement amounts are from Congress, Subcommittee on Housing, *Directory*, 1974, pp. 22-32. The Prior Program Level figure is the Mean Annual Average figure for the total of all categorical programs folded into the CDBG program. This amount is from *ibid.*, Subcommittee *Directory*, 1974, pp. 22-32.

Figs. 2A-2B. Population figures are 1970 Census figures from *County and City Data Book*, 1972, (hereafter *Data Book*) Table 6. 1980 CDBG entitlement amounts are from *op. cit.* Subcommittee, *Directory*, 1974, pp. 22-32.

Table 1. Per capita dollar gain is calculated by subtracting prior program funding level from 1980 CDBG entitlement and then dividing that result by estimated 1975 population. The source for prior program spending and 1980 entitlements is Subcommittee, *Directory*, 1974, pp. 22-32. The source for projected 1975 population is California State Finance Department, Population Research Unit, Report 75 E--May 9, 1975 *Population Estimates of California Cities and Counties, January 1, 1974 and January 1, 1975*. (Sacramento: 1975).

Percent household inadequately housed is derived from United States Department of Housing and Urban Development, Office of Technical and Credit Standards, MPMC-FHA, Economic and Market Analysis Division, *Inadequate Housing Conditions, 1970: Special Tabulations. Selected Characteristics of Households from the 1970 Census. California Cities*. Vol. 1, S.F. Area Office Jurisdiction, State of California; Vol. 2, Los Angeles Area Office Jurisdiction. The following households were classed as living under inadequate conditions: (1) households occupying units lacking some or all plumbing, (2) households with more than 1.25 persons per room, (3) tenant households paying more than 25 percent of their income for rent, (4) owner households occupying housing more than 30 years old and valued at less than \$10,000 for urban areas or \$7,500 for rural areas. The special tabulations combine into one statistic all households living under inadequate conditions. They do not indicate the type of housing deficiency.

Percent families below low income level is from *Data Book*, 1972, Table 6.

Table 2. Total Negro population 1970 is from *op. cit.*, *Data Book*, 1972, Table 6. Percent Negro of total population is computed from that figure and total population from the same source. Total Spanish-language and Spanish-surnamed population 1970 is from U.S. Census, *1970 Census of Population*, PC(1)-B6, Tables 96 and 112. Percent Spanish-language and Spanish-surnamed population 1970 of total population is computed from that figure and total population from *Data Book*, 1972, Table 6.

Table 3. Percentage population below low income level is from *Data Book*, Table 6.

Percent population inadequately housed is from HUD, *Inadequate Housing...1970*.

Table 4. Percent population change, 1960-1970, is derived from *Data Book*, 1972, Table 6.

Percent population change, 1970-1975, was computed from total population, 1970, from *Data Book*, 1972, Table 6 and op. cit. California Department of Finance, *Population Estimates*, Report 75 E-1, Population Research Unit, May 9, 1975.

Percent 1970 population in areas annexed between 1960 and 1970 was computed from *Data Book*, Appendix H, "Population in 1970 of Places of 25,000 Inhabitants or More Affected by Annexations Between 1960 and 1970," and total population from *Data Book*, 1972, Table 6.

Percent of 1970 housing units built prior to 1939 from U.S. Census, *1970 Census of Housing*, Tables 43 and 53.

Percent of 1970 housing units built prior to 1950 is from *Data Book*, 1972, Table 6.

Percent of housing units overcrowded is from *Data Book*, 1972, Table 6. The census uses more than 1.01 persons per room as the indicator of overcrowding.

Table 5. Locally assessed valuation per capita FY 1974-1975 is computed from California, Office of the Controller, *Annual Report...FY 1973-1974*, Table 19A.

"Grand Total Locally Assessed Value of Property Subject to Local Tax Rate Projected to 1975," *ibid.*

Estimated 1975 population figures, op. cit. California, *Population Estimates*.

Income per capita is from *Data Book*, 1972, Table 6, 1969 income.

Total local taxes per capita FY 1973-1974 is from *Data Book*, Table 2, "Summary of General City Revenues for Fiscal Year Ended June 30, 1974."

Estimated 1975 population figures are from op. cit., California. *Population Estimates*, and total local property tax rate FY 1974-1975 is from Table 19A.

Table 6. Per capita dollar gain is calculated by subtracting prior program funding level from 1980 CDBG entitlement and then dividing that result by estimated 1975 population. The source for 1980 entitlement is from Subcommittee, *Directory*, 1974, pp. 22-32. The source for projected 1975 population is California, *Population Estimates*.

The total dollar gain is calculated by subtracting prior program funding level from 1980 CDBG entitlements in Subcommittee, *Directory*, 1974, pp. 22-32.

The dollar gain as a percent of total general expenditures FY 1973-1974 was calculated by subtracting prior program funding level from 1980 CDBG entitlement, and then dividing that result by total general city expenditures FY 1973-1974. Sources: Subcommittee, *Directory*, 1974, pp. 22-32 and California Controller, *Annual Report*, Table 3, "Summary of General City Expenditures for Fiscal Year Ended June 30, 1974."

Table 7. Data sources are same as Table 5. Additionally, categorical assistance and 1980 entitlement amounts are from Subcommittee, *Directory*.

Table 8. Computed from U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Office of Evaluation, *Revenue Sharing Update* No. 122 (undated). Figures are derived from annualized average HUD categorical expenditures for 1968-1972 of all programs folded into the CDBG program for all sample cities.

Table 9. Computed from U.S. Department of Housing and Urban Development, Region IX, *CDBG Statistical Profile* (1975). Figures are derived from a HUD tabulation (and interpretation) of information submitted on HUD CDBG Program Budget Sheets for 1975 for all sample cities.

Table 10. Percent Republicans of Total Voter Registration, 1975 is computed from figures in California, Secretary of State, *January 1975 Report of Registration*, pp. 95-106.

Percent voting for Reagan of total vote for Governor, General Election, November 3, 1970, was computed from California, Secretary of State, *Supplement to Statement of Vote ...November 3, 1970*, pp. 71-83.

Percent voting "yes" on Proposition 1 (Tax and Expenditure Limitations), November 6, 1973, was computed from California, Secretary of State, *Statement of Vote ...November 6, 1973* (undated).

Percent voting "yes" on Proposition 14 (repeal of Article XXXIV of the California Constitution) computed from figures in California, Secretary of State, *Statement of Vote...November 5, 1974*.

Percent voting "yes" on Proposition 14 (whose passage repealed the Rumford Fair Housing Statute in California) computed from State of California, Office of the Secretary of State, *Supplement...November 3, 1964*.

Table 11. Data are from sources used for Table 8, above.

Table 12. Data are from sources used for Table 8, above.

Table 13. Data on categorical funds and CDBG entitlements are from Subcommittee on Housing, *Directory*, 1974. The composite measure of inadequate housing is from HUD, *Inadequate Housing...1970*.

Table 14. Data are from sources used for Table 8, above, and from simulation results reported in Table 12.

Table 15. Data are from *Data Book 1972*, and Subcommittee, *Directory*, 1974.

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