

How to Use CDBG for Public Service Activities

Introduction to Public Service Activities

In this module we will show you how to build an effective public services program to maximize the positive impacts in your community.

We will review how to use CDBG for public services, including grant management and program design considerations, such as how to meet and document a national objective, stay within spending caps, and comply with related requirements. We will also discuss how to determine community needs and design an effective program.

Public services can strengthen communities by addressing the needs of specific populations, and by supporting economic development.

The CDBG regulations allow the use of grant funds for a wide range of public services activities, including, but not limited to:

- Child care,
- Health care,
- Job training,
- Recreation programs,
- Education programs, and many others listed here.

In addition, the cost of operating and maintaining the portion of a facility in which the CDBG-funded public service is located and the lease of furnishings, equipment, or other personal property needed for an eligible public service may be paid for with CDBG funds. Paying for the operation and maintenance of an entire public facility that is only partially used by a CDBG assisted activity is not permitted.

Public services are an integral part of a comprehensive community development strategy. They can address a range of individual needs and can increase the impact of CDBG dollars by complementing other activities.

For example, entitlement grantees and Units of General Local Government, hereinafter referred to as “grantees,” may combine financial counseling services, which can be funded as a public service activity, with housing rehabilitation assistance, to help owners manage finances to maintain the upkeep of their homes.

When using CDBG to fund public services, there are some general rules to keep in mind.

First, grantees cannot use CDBG to replace municipal funds. This means that the service could not have been provided by the municipality in the 12 months prior to submission of the relevant action plan. For example, CDBG funds cannot be used for the salary of a youth services coordinator if the town allocated that salary in its annual budget the year before.

Second, the public service must be a new or expanded service. To qualify as an expanded service, grantees must demonstrate that there has been a quantifiable increase in the service than was delivered in the 12 months prior to the grantees latest action plan. For example, if a grantee wanted to fund an existing meal program for seniors, it likely would not be eligible for CDBG assistance. However, if the grantee wanted to expand the meal program to include a job training component to train people in meal preparation and cooking, then the job training component could be eligible.

To ensure that you comply with these rules, plan early and talk with your municipal leadership and finance department about your planned activities for the year.

Third, certain activities are not eligible. They include:

- Funding for activities already provided by a city or state, ongoing funding for municipal services, and direct payments to individuals (payments must go directly to service providers).
- Continuous income payments or non-emergency payments for more than 3 consecutive months, such as ongoing rent subsidies or heating bills.
- Political or religious activities such as campaigning for legislative reform or for activities that include religious worship, instruction or counseling.

Last, Entitlement grantees must limit their funding obligations to 15% of their annual grant allocation plus program income, and State grantees must limit their expenditures on public service activities to 15% of their annual grant allocation plus program income.

Click the video thumbnails below to learn more about how to use CDBG for public service activities.

Meeting and Documenting a National Objective

In this section we will discuss the different ways public services activities can meet the different national objectives and how to document that you've met one.

There are three CDBG national objectives: Benefit to low and moderate income persons, prevention and elimination of slums and blight, and urgent need. In many cases, public services activities meet the national objective criteria of benefit to low and moderate income persons by satisfying either the Area Benefit or Limited Clientele subcategories. There are two other subcategories – jobs and housing – but these rarely apply to public services.

The area benefit sub category requires that at least 51% of the residents in a service area have low to moderate incomes, and that the services are targeted to individuals living in the qualifying area.

Some examples of CDBG funded activities that are eligible under area benefit include crime prevention activities and community health services.

If using the area benefit national objective, you will need to:

- Identify boundaries of the service area

- Demonstrate that at least 51% of people living in the area have low or moderate incomes by using the CDBG Low and Moderate Income Data Map Application or by conducting an income survey
- Demonstrate that the area is primarily residential through a zoning map

HUD provides several resources and guidance materials on conducting a valid income survey; the CDBG Low and Moderate Income Data Map Application can help define service areas.

The other way to meet the national objective criteria of benefit to low and moderate income persons is through the limited clientele or “presumed benefit” subcategory. In these cases, the activities assist people who have demonstrated that they meet the low or moderate income threshold or are presumed by HUD to have low or moderate incomes.

Under limited clientele, services are targeted to low and moderate income persons or people who are presumed to be low or moderate income regardless of where they live.

Let’s talk about qualifying activities and beneficiaries under limited clientele.

Some examples of CDBG funded public services that could qualify under limited clientele include after school programs for youth and job training programs.

When qualifying beneficiaries of these programs, grantees must document the income of the persons assisted by the service and demonstrate that at least 51% of the clientele are persons whose household income does not exceed the LMI income limit. Each person assisted must go through an income qualification process and provide documentation, such as pay stubs, bank statements and income tax returns, to certify that their income meets the low or moderate income threshold. Grantees can use the CPD Income Eligibility Calculator on the HUD Exchange to help qualify applicants. To establish income qualification, grantees may also accept income certifications or document that a beneficiary is eligible by verifying that they previously qualified under another program at least as restrictive as the LMI income limit.

Like all activities, grantees must maintain accurate and complete records for each person receiving direct assistance.

As already mentioned, HUD presumes certain groups of people have low and moderate incomes. They are: persons who are elderly, severely disabled, victims of domestic abuse, abused children, illiterate adults, people who are homeless, migrant farm workers, and persons living with AIDS.

Some examples of CDBG funded public services under presumed benefit include health services at an AIDS clinic and mental health counseling for people experiencing homelessness.

A common question is: at what age is someone considered elderly? With regard to public services activities, HUD does not define the term “elderly,” and therefore allows grantees to use local, prevailing definitions in meeting a national objective. The selected definition needs to be used consistently. Note that for CDBG Housing activities, the definition for “elderly” differs.

Presumed benefit also applies if the service is of a nature and offered in a location such that one may conclude that the beneficiaries are low and moderate income. For example, childcare services in a women's domestic violence shelter.

When meeting this subcategory, grantees must demonstrate that their program design targets populations presumed to be low and moderate income and establish policies and procedures to ensure that the program strictly serves that population. Grantees do not need to collect and document income information, rather they need to document that the person fits into one of the presumed benefit categories.

While most public service activities meet the national objective of benefit to low and moderate income people using either area benefit or limited clientele, some activities can meet other national objectives, including Elimination of Slums and Blight and Urgent Need.

Examples of these types of services include:

- Provision of crime prevention counseling to residents of a designated slum/blight area.
- Provision of additional police protection to prevent looting in an area damaged by a tornado.

Let's look to an example to illustrate how grantees can design public services programs to meet a CDBG national objective and meet a CDBG eligible activity:

Jonesville is a US city with a growing senior population. The number of elderly residents in Jonesville, USA increased 15% since the last U.S. Census. Mrs. Roberts, the Senior Center Director, has been getting an increasing number of requests from seniors and their families for services to help them continue to live independently in their homes. These services include food delivery, ride services, home health care and financial counseling services. Mrs. Roberts, overwhelmed by the demand, calls Mr. Fredrick, Jonesville's community development director, for help. Mr. Frederick is happy to help. He knows that whatever service they'd design they would serve seniors -- a presumed low to moderate income population—and will meet the national objective of benefiting low and moderate income people. They just need to make sure the activity is CDBG eligible and that it is a new or expanded service that has not been funded with CDBG or municipal funds in the last 12 months. Also, they will need to ensure that funding the new activity will not displace previously allocated municipal funds. Mr. Fredrick reviews the available community services and verified that food delivery, home health care, and financial counseling would all be new services in their community. Ride services were previously available, but only offered on an ad-hoc basis to limited locations. He and Mrs. Roberts plan to expand ride services to a regular, more frequent schedule and to a greater number of destinations, so this is also an eligible service.

Thanks for watching! Click the video thumbnails below to learn more about how to use CDBG for public service activities.

Designing a Public Service Program

We are now going to review considerations for designing a public service program. These considerations include how to maintain compliance with spending rules, how to design your program for effective implementation, and how to ensure you are addressing the defined need.

As mentioned in the previous section, there are spending rules that each grantee must abide by. These rules differ for Entitlement Grantees and States and there are some exceptions. Let's walk through these in detail.

Entitlement grantees cannot OBLIGATE more than 15% of the annual grant allocation PLUS 15% of program income received during the prior program year.

State spending limits are based on the total amount of CDBG funds EXPENDED by Units of General Local Government for public service activities and must not exceed 15 percent of the state's yearly allocation of funds PLUS 15 percent of program income received during the current program year. The spending cap applies to the entire state allocation, not to the amount of funds allocated by the state to any one Unit of General Local Government, known as an UGLG. It is a state's responsibility to ensure that its overall allocation is within the cap.

Let's pause for a minute to walk through some examples:

Suppose an Entitlement grantee receives \$1,000,000 in CDBG funds each year and received \$20,000 in program income in the prior year. The grantee could obligate 15% of the sum of \$1,000,000 plus \$20,000 for public services activities:

Suppose a State grantee receives \$15,000,000 in CDBG funds each year and received \$300,000 in program income the current year. The State could expend 15% of the sum of \$15,000,000 plus \$300,000 for public services.

In terms of spending, also keep in mind spending rules about funding over multiple years. Sometimes grantees will want to fund a public service for multiple years from one CDBG allocation. A grantee might award \$50,000 over two years, but fund the activity at \$30,000 the first year. In that case, the obligation would show as \$50,000, and the grantee would have \$20,000 in funds from prior years, or unliquidated obligations. The grantee will need to factor in unliquidated obligations when determining whether or not it has complied with the public service cap.

Now that we've explained the cap, you should know that there are some activities that are not subject to the 15% Cap. These include:

- General support services provided to microenterprises,
- Some homeownership assistance programs, and

- Economic development services carried out in connection with special economic development activities.
- For entitlement grantees, these also include employment support services carried out by community based development organizations, and for states, qualified nonprofit development organizations which are part of larger projects designed to increase economic opportunities.

Refer to the CDBG Entitlement Guide and Basically CDBG for States for more information.

As you work through the design of your program, remember the process is integrative. Be sure to make adjustments to your design as you learn more about what may work and what impacts you can reasonably expect to achieve.

Key elements in the program design process include four C's:

1. **C**haracterize the type of public service needed in your community;
2. **C**onsult with key players;
3. Assess **C**apacity to have a positive impact; and
4. Identify **C**osts and ways to cover them

Let's talk about the first "C". You will want to "Characterize" the public service need that you are trying to address through analyzing data. You can do this by reviewing prior plans and studies and updating any previously collected data to understand current trends.

Some of the first places to look for documented need are in the Consolidated Plan, Annual Action Plans, Comprehensive Plans and other plans, such as those to address homelessness. These plans are available at both the state and local jurisdictional levels.

These planning documents, by design, define community needs and detail the public engagement and data analysis processes that helped to identify the need. The following data sources can help you analyze and update data:

- Census/ACS
- State and federal government websites (like labor, Public Health, elder affairs)
- Point-In-Time homeless counts
- A community's anti-poverty strategy
- Surveys and waiting lists from existing programs
- Annual reports and websites of provider agencies and foundations

Not all data is reliable. Make sure the data that you use to justify and build your program is from a trusted, recognized source.

The second "C" is to "Consult". You will want to consult with those who know about the nature and extent of the need first-hand. Grantees will want to ensure they are filling needed gaps in public services, and not duplicating efforts. Talk to beneficiaries, the community, and stakeholders. Some ways to do this are:

- to conduct surveys & focus groups
- to hold regular check in meetings with partners, and
- to talk regularly with other municipal departments

Include the following stakeholders in your discussions:

- Existing partners
- Non-profit service organizations
- Schools and Universities
- Hospitals and health centers
- Faith-based organizations, and
- Other governmental entities.

As much as possible, learn from prior beneficiaries and use their feedback to inform program design. Include potential beneficiaries in the planning process and look for opportunities to learn from other's experiences in the community, especially when there are shared concerns and goals.

The third "C" is to assess "Capacity."

Make sure you have capacity so that your activities have positive impacts. To do so:

Evaluate past performance: Look at what you've been able to achieve in the past. Who are your strong partners? Why are they successful? Measure your results and evaluate them. The information you gather on existing programs can help you identify which approaches work well in your community and which do not.

Maximize impact: You will want to fund and work with organizations that have strong capacity to implement programs and have a proven track record. Make sure you design your program to capitalize on their strengths and help others learn from their successes.

Calculate return on investment: Both on an individual activity level and an overall program level, you want to make sure that you are getting the best return on your investment. This means taking a second look at activities that have very high administrative costs for little results. It may also mean doing what you can to achieve economies of scale: funding fewer organizations at higher levels than several at lower amounts.

The fourth and final "C" is cost.

You will need to identify the costs of the service and resources to cover them.

Factors to consider include:

- Cost to deliver services
- Total budget to address need

- Other resources available

Let's take a quick look at each of these:

Cost to deliver services: Public services activities have a range of costs. Sometimes a little bit of money can go a long way and other times, the costs to deliver services exceed the direct benefit to the client. For example, a home heating assistance program that provides one-time emergency payments could assist a lot of people with a low household benefit cost. However, that same program may be cost-heavy on the administrative and delivery side. Through program design, there can be different ways to achieve cost savings. One may be to qualify individuals for more than one program at a time, and another may be to group activities in a few agencies, rather than have each agency offer its own complement of services.

Total budget to address need: Like other CDBG funded activities, with public services there is the question of how much to spend on a particular activity and how far those funds will go toward addressing community need. This is usually a tough question to answer and most communities never have enough funds. Unlike other activities, the public service spending cap limits what grantees can spend on public services which helps put parameters on spending.

Other resources available: As with other CDBG activities, leveraging resources is essential. Many public services activities have high administration and delivery costs and yield better results when combined with other activities. For example, combining home heating assistance with weatherization activities can help meet both the immediate and long term needs of the household assisted.

Note: CDBG rules allow grantees to charge nominal fees for the provision of services.

After designing your program, it is essential to set up systems that will enable you to measure results and evaluate performance.

There are many ways to do this and it is important for grantees to know what they seek to accomplish prior to implementing programs. It is also essential for grantees to know what will need to be reported in IDIS and the Consolidated Annual Performance and Evaluation Report or Performance and Evaluation Report.

Some of the things you will want to measure are:

- Proportion of grant funds allocated to public services activities
- Amount of other funds leveraged
- Number and characteristics of people assisted
- Indirect benefits to people beyond those receiving direct assistance, and
- Organizational capacity developed.

Be sure to design your program operations so you collect the information you need to measure results.

Identify specific data to be collected during implementation. Determine what you need to collect at intake (for example, beneficiaries' age, disability, race, and income status), and what to collect during and post implementation (for example, spending rates, number of people assisted, and client satisfaction levels), as well as tangible results, such as number of employed clients, and their salaries, benefits, and duration of employment. One way to collect this information is to conduct exit interviews with them; this information can be vital to improve future programs.

Let's look at an example to see how state grantees used CDBG funds to respond to job training needs.

This particular state lost more than 7,000 manufacturing jobs over a five year period as the state's economy shifted away from manufacturing to support the high tech and health care industries. As the economy transitioned, unfortunately many of the people who had lost their manufacturing jobs could not find work in the rising industries due to a mismatch in skills. After several failed attempts to solicit new manufacturers, the state accepted that its economy had shifted permanently.

Later, when the state held public meetings for its Five Year Consolidated Plan, residents complained that the state and local governments were not doing anything to help them find good-paying jobs and that they were increasingly unable to pay their bills and support their families.

As a result, the State set aside \$5,000,000 in its CDBG Method of Distribution to fund job training programs. The state would publish a Notice of Funding Availability for application by UGLGs that formed partnerships with local agencies to provide job training and skill development programs.

In applying for funds, local government staff needed to make sure they had a good understanding of the need and how it played out in their community. Since many people had approached the local governments for help with finding new jobs, staff were already well aware that there was a high demand for job training programs. They further consulted with local and regional agencies to learn more about specific needs and the costs of running programs.

Once awarded funds by the state, the local CDBG staff issued a request for proposals to job training service providers. As part of the request, applicants were asked to demonstrate that residents in their service area had been significantly impacted by the loss of manufacturing jobs and to describe how their program would complement other local and regional services. Furthermore, applicants had to show a proven track record in running similar programs and demonstrate how they could operate their program cost-effectively.

During implementation, many UGLGs further built their capacity and ensured the job training programs were producing results and operating cost-effectively by holding quarterly meetings to discuss their progress, troubleshoot challenges, and assess costs. This enabled them to evaluate the impacts of their programs on an ongoing basis and make needed adjustments to increase the number of job placements.

By working to evaluate the effectiveness of the programs during implementation and making necessary

modifications to the program design, the UGLGs ensured their success. By the end of the first program year, the state was happy to report that over 800 displaced workers had been hired in new positions through the UGLS' programs.

Thanks for watching! Click the video thumbnails below to learn more about how to use CDBG for public service activities.

Summary

Public services are an essential component to a comprehensive community development strategy. Public services activities not only provide direct benefits to those assisted, but also can serve to link other CDBG investment, such as economic development, public facilities and housing activities, together for a stronger impact.

Making the most of public services dollars is important to any grantee. To do so, grantees must comply with the rules that surround public services spending and should work to design programs that are cost-effective and deliver results.

When successful, public services improve quality of life and promote social and economic stability, having a lasting impact on direct beneficiaries and the community as a whole.

Thanks for watching this series on how to use CDBG for public service activities. For more about CDBG, visit the [Explore CDBG](#) page on the HUD Exchange. Check out the [Project Profiles](#) page for examples and to create your own project profile.