The Microfoundations of Policy Inertia: A City-level Analysis of the Community Development Block Grant

Pier Domenico Tortola

Abstract
It is widely acknowledged that a key cause of the Community Development Block Grant (CDBG)’s longevity is its feedback effect on federal policy making via the creation of a large coalition of beneficiaries. Much less is known about the “microfoundations” of this self-perpetuating logic, namely, the city-level mechanisms directing local preferences toward preserving the grant. As a first attempt to fill this gap, this article identifies three such mechanisms and tests them on the cases of Arlington, VA, and Baltimore, MD. The study aims to contribute to a more fine-grained picture of the CDBG’s dynamics and suggest new avenues for the reform of this program.

Keywords
CDBG, Baltimore, Arlington County, community development, policy feedback, urban policy

Introduction
At forty years of age, the Community Development Block Grant (CDBG) is one of the most long-standing federal programs for cities. Created in 1974 to replace a number of “categorical grants” as part of President Richard Nixon’s New Federalism reforms, the CDBG has since stayed unaltered in its basic structure and remained the single largest federal program for community development, notwithstanding a historical erosion of its real value.

To a great extent, the CDBG’s longevity is due to its flexibility and entitlement system, which have generated from the outset a bipartisan and steadily growing base of beneficiaries supporting the program (Lawrence, Stoker, and Wolman 2010; Tortola 2013). In this sense, the block grant is a textbook case of what institutionalists call “positive policy feedback,” namely, the tendency of certain policies to self-perpetuate by generating stakeholders and political coalitions that in turn play a conservative role in policy-making processes (Pierson 2004; Campbell 2012).

The most visible and best known part of the CDBG’s feedback process takes place at the level of federal policy making, where an alliance of cities and their congressional representatives have mobilized on several occasions against plans to reform the grant. An equally important part of the process,
however, occurs at the level of individual cities, where preferences for maintaining the policy status quo—later aggregated nationally—are formed in the first place. The sociopolitical mechanisms contributing to the formation of cities’ preferences can be seen as the “micro-foundations” of CDBG inertia. This aspect of the block grant so far has remained largely neglected despite the volume of city-level CDBG research.

Examining the city-level part of the CDBG’s feedback process not only would contribute to a more complete understanding of the grant’s political dynamics but could also reveal new and more practicable avenues for revamping this instrument. There is widespread agreement that the CDBG has fallen out of line with the needs of American cities. Reform is overdue with regard to its mode of distribution, geographic and social targeting, and federal requirements and monitoring (e.g., Brophy and Godsil 2009; Rich 2014). Yet, as explained, some of the parts that need change are exactly what makes the block grant sticky. In fact, one could even go further and claim that some factors of inertia, like the grant’s wide distribution (both among and within cities), might have contributed to the CDBG’s financial decline by making cuts more diffuse and hence tolerable. A micro-level analysis might help overcome the CDBG’s logic of inertia (and decline) by shedding light on the key mechanisms of city preference formation and therefore highlighting alternative entry points for reform through which city interests vis-à-vis the block grant can be altered rather than confronted head-on.

This article presents a theoretical and empirical study of the CDBG’s city-level feedback mechanisms. After summarizing the CDBG’s regulatory setup, the article examines three local mechanisms arising from the grant’s rules and in turn promoting its inertia: grant dependence, clique formation, and low public salience. The mechanisms are then tested through a “most different case” comparison of Arlington County, VA, and Baltimore, MD. The article concludes by reflecting on the policy implications of its findings.

### The CDBG: Entitlement and Flexibility

The CDBG’s yearly cycle begins in the fall, when the U.S. Department of Housing and Urban Development (HUD) allocates the grant appropriation to beneficiaries according to a statutory formula. To access funds, cities must submit an action plan (AP) detailing how the CDBG will be used for the year. This step is mostly a formality not only because cities are entitled to federal funds (as opposed to competing for them) but also due to the freedom enjoyed by grantees in spending CDBG dollars. Save for a few ineligible items (such as lobbying and housing construction), cities can use the grant for anything consistent with its three national objectives—assisting low and moderate income people, eliminating slums and blight, and tackling emergency situations—with no cofinancing obligations, and with the only conditions that at least 70 percent is used for the first objective and no more than 20 percent and 15 percent are spent on administration and public services, respectively (HUD–Office of Block Grant Assistance 2014).

Flexibility is high also with regard to procedures, that is, grantees can choose any decision-making method to decide how to use CDBG funds they see fit so long as it meets some minimum citizen participation requirements. The main distinction here is between executive- and council-dominated models. In both cases, however, bureaucracies have unsurprisingly a key role. Cities are also free to decide how much of the grant is spent through public agencies and how much through private and nonprofit actors. In any case, the CDBG works on a reimbursement basis supported by a heavy reporting regime and integrated by periodic and mostly paperwork-oriented monitoring visits by HUD (HUD–Office of Block Grant Assistance 2014).

### Three Mechanisms of Policy Inertia

The CDBG’s entitlement and flexibility give rise to a number of sociopolitical dynamics within each receiving city that in turn steer its
preferences toward maintaining the grant in its present form. These dynamics can be summarized as the following three key mechanisms: grant dependence, clique formation, and low public salience.

**Grant Dependence**

The entitlement system gives grantees an indefinite funding horizon, that is, cities know that, barring exceptional circumstances, they will receive a similar amount of money every year. This predictability encourages local officials to use CDBG dollars for activities carried out on a regular or long-term basis rather than short-term or one-off projects (Kettl 1979; Dommell, Rich, and Rubinowitz 1983; Rosenfeld et al. 1995). While this enables cities to support services that may be very important for local communities, it also makes them dependent on the grant for the provision of such services. Grant dependence—and the resulting preference for the continuation of the federal program—is all the greater whenever activities are financed mostly or entirely by the CDBG or when the grant supports parts of projects that are harder to fund with other sources.

Operationally, dependence is hence measured first as the part of CDBG used by cities to support regular activities, and second as the portion of such activities covered by the block grant itself. Finally, these two indicators should be complemented by a more qualitative assessment of how replaceable the CDBG is as a source of funding for these projects.

**Clique Formation**

In addition to funding the same activities, local officials are also incentivized to sub-grant to the same providers every year. This is straightforward in the case of public sub-grantees, who are either monopolist in their field or treated preferentially over competitors. As for the other providers, primarily nonprofits, continuity results from two CDBG aspects: one is the entitlement system that creates a context for the establishment of long-term sub-granting relationships based on trust and reliability rather than competition and innovation. As Maier and Nachmias (1990, 586), for example, note, “once funded, programs are rarely defunded and the longer the program is funded the less likely defunding becomes.”

The other aspect is the grant’s heavy yet standardized application and reporting requirements. On the nonprofit side, CDBG bureaucracy encourages those who are in the sub-granting system to remain in it by dramatically lowering administrative costs and increasing application skills after a short time, while it discourages outsiders by making initial learning costs often too high for the money at stake. On the administrators’ side, red tape provides one more reason to prefer old over new sub-grantees, as the former requires less coaching and are less likely to cause problems with HUD. The overall result of this web of incentives is the creation of CDBG “cliques” that further anchor the policy status quo by extending its benefits to a stable network of local providers.

Clique formation can be operationalized through measures of sub-grantee turnover (to quantify fixity in the sub-granting process) complemented by qualitative data on the presence of clique dynamics—most notably the preponderance of logics of trust and reliability—in local sub-granting practices.

**Low Public Salience**

If entitlement communities are scarcely constrained from above (i.e., HUD) in their use of the block grant, even less interference should be expected to come from below, namely, the local public. The CDBG is likely to have low public salience in the first place due to its federal origin, which diminishes local taxpayers’ interest the grant’s uses—more so recently, given the steady decline in its real value. One should add to this HUD’s minimalistic requirements for citizen participation, which do not encourage local administrators and politicians to go out of their way to increase public involvement in the CDBG process. As a consequence, the latter is likely to remain mostly a matter for cozy groups of local actors working...
directly with the grant and, for the reasons illustrated above, supporting the continuation of the program as is. This is consistent with the findings in Peterson, Rabe, and Wong (1986), Wang and Loo (1998), and Handley and Howell-Moroney (2010).

Public salience is harder to measure directly than the previous two mechanisms. A good proxy, however, is the amount of coverage received by the block grant in the local media. Combined with hard data on the relative size of the CDBG in local finances and qualitative evidence, this should provide a faithful picture of the grant’s overall importance for the local public.

A Most Different Case Comparison: Arlington County and Baltimore

The three propositions presented above—that is, that the CDBG produces, respectively, grant dependence, sub-grantees cliques, and low salience—will be tested on the cases of Arlington County, VA, and Baltimore, MD. Being located at the extremes of the urban spectrum in many respects, these two cases are ideal candidates for a “most different case” comparison. Unlike the more common “most similar” method, most different comparisons control for confounding factors by juxtaposing cases that are dissimilar in all relevant characteristics except for the independent variable of interest, so as to isolate and observe the effects of the latter on the dependent variable(s). Thus, a hypothesis is confirmed if the dependent variable has similar and expected values in both cases, while it is disconfirmed if the dependent variable has different or unexpected values (Przeworski and Teune 1970; King, Keohane, and Verba 1994).

Supplemental Table 1 summarizes Arlington and Baltimore’s key socioeconomic and institutional traits. As the table shows, the two grantees have little in common besides being faced with the same CDBG rules. Arlington is a wealthy and mostly white midsized city with some pockets of deprivation in an otherwise rather good overall picture. Baltimore, on the other hand, is a much larger and predominantly African American city, plagued by widespread economic distress and a vast array of social and infrastructural problems caused by decades of postindustrial decline. The two grantees’ different levels of need are reflected in their annual CDBG allocation, that is, approximately US$1.5–2 million for Arlington and US$20–25 million for Baltimore. Finally, the two cities have different governmental systems based on different modes of representation (at large vs. district based).

From the foregoing, it follows that the presence of grant dependence, cliques, and low salience in both cases will support the proposition that the three mechanisms result from the CDBG’s institutional setup. Their absence in one or both cases will, on the contrary, disprove the hypotheses. The following analysis covers roughly the past fifteen years and is based

<table>
<thead>
<tr>
<th>Principal activity areas</th>
<th>Arlington</th>
<th>Baltimore</th>
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<tbody>
<tr>
<td>Affordable housing, home ownership assistance, microenterprise loans, job training, homeless assistance, minority education, code enforcement</td>
<td></td>
<td>Housing rehab, clearance, home ownership assistance, social services (e.g., anticrime, HIV, substance abuse, teenage pregnancy), Section 108 payments, code enforcement</td>
</tr>
<tr>
<td>Average CDBG coverage</td>
<td>45.4%</td>
<td>36.22%</td>
</tr>
<tr>
<td>Median CDBG coverage</td>
<td>40.4%</td>
<td>29.75%</td>
</tr>
</tbody>
</table>

Source: Arlington County and Baltimore Action Plans; Arlington County and Baltimore budgets; Internal Revenue Service; author’s interviews; author’s calculations.
mostly on primary documents—most notably Consolidated Plans and APs—and thirty-six elite interviews (twelve in Arlington and twenty-four in Baltimore) selected through a mix of positional criteria and subsequent snowballing.

**Grant Dependence**

The first row of Table 1 summarizes the main areas in which the CDBG (plus program income) was used by the two grantees in 2000–2013. In both cases, these activity types account for roughly three-fourths of the block grant allocation and virtually its entire operational (i.e., nonadministrative) part. While it is clear that the two grantees concentrate on different areas due to their different community development needs—for instance, Baltimore spends much more than Arlington on housing rehab, clearance, and social services—it is just as evident that in both cases the grant is used mostly for activities with an indefinite time horizon.

The rest of the table assesses dependence more precisely by showing the extent to which CDBG-supported long-term activities (both publicly and nonprofit provided) were covered by the block grant itself over the two most recent funding rounds (2013 and 2014). In Arlington, almost half of each activity was paid for, on average, by the CDBG. The figure is lower in Baltimore where, however, coverage was still well over one-third. In both cases, median values are somewhat lower than the means, indicating a slight skew to the right of the distribution due to the presence of some activities entirely covered by the block grant. Overall, these values are quite revealing of the CDBG’s significant weight in the community development projects to which it contributes in both cities.

The above figures, however, do not exhaust the topic of grant dependence. The latter is also a function of how easy it would be to replace the CDBG with other sources of funding—an aspect that can only be assessed qualitatively. When asked the question, the vast majority of interviewees (all but one in Arlington and two in Baltimore) stated that the interruption of their CDBG funding would either lead to the cancellation of the supported activities or at least cause significant disruptions and changes in them. In a few extreme cases involving small nonprofits, a hypothetical termination of the grant was indicated as an existential threat to the organization. Interestingly, replies of this kind were frequent also among providers whose activities are funded only in small part by the CDBG, due to the fact that the block grant often covers items that are ineligible for other funding programs (like salaries and overhead) and, more generally, plays a pivotal role in multisource projects. This demonstrates that, thanks to its flexibility, the CDBG can engender relationships of dependence that go well beyond the block grant’s sheer size.

**Clique Formation**

Table 2 compares data on sub-grantee turnover in Arlington and Baltimore. As shown in the second row, in both cases, the average sub-grantee was funded for roughly half of the observed period. Even more interesting, however, is the distribution underlying these mean

### Table 2. Sub-grantee Turnover Indicators (2003–2013).

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<tr>
<th>Indicator</th>
<th>Arlington</th>
<th>Baltimore</th>
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<tbody>
<tr>
<td>Average number of sub-grantees</td>
<td>17.18</td>
<td>74.64</td>
</tr>
<tr>
<td>Average years of funding per sub-grantee</td>
<td>5</td>
<td>6.24</td>
</tr>
<tr>
<td>Permanent/long-standing sub-grantees</td>
<td>7/13</td>
<td>38/55</td>
</tr>
<tr>
<td>Yearly sub-grantee turnover rate</td>
<td>12.96%</td>
<td>8.96%</td>
</tr>
</tbody>
</table>

*Source: Arlington County and Baltimore Action Plans; author’s calculations.*

*Note: Permanent sub-grantees: funded every year in the observed period; long-standing sub-grantees: funded for eight or more years.*
values, which is characterized in both cities by a considerable presence of long-standing or even permanent sub-grantees. Setting a minimum threshold of eight years of funding (three-fourths of the observed period) for long-standing sub-grantees reveals the presence of thirteen such organizations in Arlington and fifty-five in Baltimore. Of these, seven in Arlington and thirty-eight in Baltimore—respectively, 41 percent and 51 percent of the two cities’ average number of sub-grantees—were funded every single year. The last indicator measures turnover on an annual basis by averaging the percentage of new sub-grantees compared to the previous year. Every year, Arlington funds on average some two new groups, while the number for Baltimore is around seven. As it can be deduced from the above data, yearly turnover is not cumulative, that is, many of the groups excluded at some point return later on. Taken together, all these figures denote a significant degree of fixity in both cities’ sub-granting process.

What is behind such fixity? Interviews confirm that trust and reliability are the key principles guiding sub-granting in both cities. As an Arlington Official (2010) puts it, “we have some very dependable partners that we are not looking to change.” A Baltimore counterpart elaborated further on the same idea, “it takes time to build good relationships with the nonprofits. You have to think of this as a partnership [whose members] need to have a certain level of mutual confidence to create a win-win situation for us, them, and HUD” (Baltimore City Official 2010).

Once such a relationship of trust is established, sub-granting becomes almost a routine matter in which nonprofits can generally expect to be funded from one year to the other. Of course, the funding regimes so created rest on the behavior of providers as much as grant administrators. Of the twenty-nine sub-grantee representatives interviewed (eight in Arlington and twenty-one in Baltimore), all invariably complained about the amount and tediousness of CDBG reporting; but at the same time, all deemed these costs worth bearing for the benefits that the grant affords them not only financially but also in terms of connections with the local authorities and credibility vis-à-vis other funders. What results in both cases is the formation of “CDBG circles” that can be quite exclusive. In the words of a Baltimore Nonprofit Officer (2010), “the CDBG is like a club: you get in and as long as they think you are a good member you remain in the club. How to get in the club is a mystery.”

In Arlington, the CDBG sub-granting process includes a third player in addition to administrators and nonprofits, that is, the Community Development Citizen Advisory Committee (CDCAC), which advises the County’s Housing Division (HD) on grant allocation. While in theory the CDCAC could be disruptive to the sub-granting dynamics just described, in practice this hardly ever happens. Being for the most part appointed by the County Board, the CDCAC is usually aligned with the preferences of both administrators and existing sub-grantees—some of which, oddly, sit in the committee itself. In addition, there seems to be in the CDCAC a tendency to conformism that further strengthens existing practices. As a former member (Arlington—Former CDCAC Member 2010) noted:

> if you sit on [the CDCAC] for a year or two . . . it is very easy for biases to be apparent—and people definitely have biases. Because of that we are having some kind of difficulties in saying “should we let new providers in the CDBG program or should we stay with the people we know and who are our friends?” So there was definitely a tension, and when I came on board and proposed to turn over some money to new activities somebody else told me it was obvious that I had not done this for very long.

### Low Public Salience

Table 3 summarizes media coverage of the block grant in Arlington and Baltimore by showing the results of a series of searches for “Community Development Block Grant” and a number of benchmark terms in the full-text online archives of each city’s two main newspapers. The CDBG emerges from these data...
clearly as a very low salience issue in both cases. This is true absolutely as well as in relative terms—with the only partial exception of “Section 8” in Arlington, probably attributable to the county’s high income levels.

The block grant’s low salience is confirmed by qualitative information on the CDBG’s mandatory public hearings. Taken together, interviews and available documents (such as hearing minutes and reports on citizen comments) paint a picture of scarce citizen involvement in the CDBG process: hearings are usually ill attended, and feedback tends to be reactive rather than proactive, marginal, and generally not too effective. An Arlington Non-profit Officer (2010) described the situation thus, “there are a lot of ways in which you can get your two cents into [the CDBG process] . . . What they do for the AP is that they draft it and they go to these hearings where you can change it maybe a little, but you have to be really aggressive. It is not easy.”

The CDBG’s low salience results, in the first place, from the fact that the grant is too small to elicit people’s interest. This is particularly true of Arlington, whose allocation is tiny in the context of local finances (around 0.09 percent of the County’s budget in 2013) but big enough to constitute one-third to a half of what the city spends on community development. At least as important as the size of the grant is its federal origin, which as many interviewees noted, renders the CDBG a remote matter in the eyes of citizens; one which is handled essentially at the intergovernmental level and does not concern them directly.

Given the above, it does not help that neither Arlington nor Baltimore do much more than what strictly is necessary to interest citizens in the grant. This is more evident in Baltimore, where available resources and the size of the program make it difficult to go beyond the bare minimum of what is prescribed by HUD. The Arlington HD does make some additional efforts (for instance, by publishing a CDBG Bulletin), which however remain marginal. The CDCAC too can be seen as a further way for Arlington’s authorities to increase citizen participation. However, as shown, the extent to which the CDCAC truly represents the interests of the citizens as opposed those of local institutions and sub-grantees is questionable to say the least. On the whole, these initiatives do not seem sufficient to alter the CDBG’s status as a niche topic in which very few individuals and groups with a specific interest in the program and enough time on their hands participate effectively. In Arlington as well as Baltimore, these often coincide with the part of civil society already working with the CDBG. Consequently, as widely acknowledged by the interviewees, in both cases hearings and other

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<tr>
<td>“Community development block grant”</td>
<td>3</td>
<td>4</td>
<td>81</td>
</tr>
<tr>
<td>“Housing and urban development”</td>
<td>50</td>
<td>17</td>
<td>1,091</td>
</tr>
<tr>
<td>“Section 8”</td>
<td>7</td>
<td>9</td>
<td>447</td>
</tr>
<tr>
<td>“No child left behind”</td>
<td>46</td>
<td>79</td>
<td>1,285</td>
</tr>
<tr>
<td>“Medicare”</td>
<td>141</td>
<td>196</td>
<td>3,440</td>
</tr>
<tr>
<td>“Property taxes”</td>
<td>156</td>
<td>56</td>
<td>1,927</td>
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Source: The Baltimore Sun online archives; Newslibrary.com.

Table 3. Articles Mentioning the CDBG and Benchmark Terms.

Downloaded from slg.sagepub.com at Università di Torino on March 18, 2015
participation instruments end up being little more than additional communication channels between institutional and societal members of the CDBG circle, ultimately reinforcing the block grant’s clique dynamics and adding to its inertia.

Conclusion
This article has compared CDBG implementation in Arlington and Baltimore in light of what have been called three mechanisms of policy inertia, that is, local sociopolitical dynamics arising from the institutional setup of the grant and in turn directing cities’ preferences toward the maintenance of the program as is. The analysis has shown the presence of all three mechanisms in the past fifteen years or so in two otherwise very different local contexts. These results are encouraging as the beginning of a broader attempt to reconnect the federal and local parts of the CDBG’s feedback process. To be exhaustive, such a study should not only be as deep to cover the grant’s entire feedback loop and wide enough to include a significant sample of recipients but also trace the process over an extended period of time to prove its path-dependent nature.

This study has also highlighted some aspects of the CDBG that, if confirmed, could have important policy implications. By casting light on some key mechanisms of local preference formation, the foregoing analysis suggests a number of ways in which cities’ stance vis-à-vis the CDBG can be altered, so as to weaken the grant’s self-perpetuating logic and ultimately create a more favorable environment for a revamping of this program. A few examples of this micro-focused approach to CDBG reform can be sketched here. Requiring that a certain quota of the annual grant allocation support new activities or providers, for instance, could help divert funding from permanent to more short-term projects, so preventing activities (and cities) from becoming too dependent on the grant. This measure would also hinder the emergence of longstanding sub-grantee cliques interested in the perpetuation of the grant. Clique formation might also be curbed by cutting CDBG red tape so as to reduce learning costs for providers and hence increase competition and turnover in the sub-granting process. Finally, raising the block grant’s salience and citizens’ involvement in it (perhaps by promoting better use of web information tools) might challenge established spending regimes and make local authorities more open to change. While no panacea, indirect measures of this sort could provide federal policy makers with a way to tackle CDBG reform that is (or is perceived as) less confrontational toward cities and, therefore, more likely to result in a truly effective update of this instrument.

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Note
1. While formally a county, Arlington has all the social, economic, and physical characteristics of a city. Further, Virginia’s territorial exclusiveness between counties and independent cities gives Arlington the same range of competences—and hence possibilities to allocate CDBG funds—as a municipal government.

Supplemental Material
The online data supplements are available at http://slg.sagepub.com/supplemental.

References

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