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**STATE RURAL DEVELOPMENT POLICY:  
THE ROLE OF THE COMMUNITY DEVELOPMENT  
BLOCK GRANTS**

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**ABSTRACT**

## INTRODUCTION

Defined broadly, rural development policy includes the collection of public programs to enhance, improve, and revitalize non-urban and non-metropolitan areas. Rural *community* development policy, then, focuses on the identification, implementation, and evaluation of public efforts to address issues relating to the economic and social development, viability, and the sustainability of rural communities. Issues affecting rural communities include aging housing stock, the loss of jobs and employment opportunities, lack of new business development, a crumbling and outdated public infrastructure, loss of community capital, and population outmigration, just to name a few.

Since the 1980s only a handful of researchers have systematically examined characteristics of rural community development policy. Most notably, Gary P. Green, Jan L. Flora, Cornelia Flora and Frederick E. Schmidt (1990) inventoried the local development strategies of rural communities; Dewitt John, Sandra S. Batie, and Kim Norris (1988) conducted a comprehensive examination of factors that influence the development of rural communities; Larry F. Leistritz and Rita R. Hamm (1994) compiled a bibliography of sources on rural community development programs and research; David W. Sears and J. Norman Reid (1995) edited a basic text on strategies and the development process for rural communities; Ron Shaffer and Glen Pulver (1987) commissioned researchers to examine various aspects of rural revitalization for communities; and Norman Walzer (1991) edited a collection of readings on the topic of rural community economic development. While the research noted above provides a fine description of many of the elements important to rural community development, and identifies and critiques development strategies, there appears to be a lack of a critical analysis of specific programs and policies. Are there state or federal goals for rural community development policy? What programs exist to meet the goals of rural community development policy? How do states and the federal government partner in rural community development policy? Are programs addressing the needs of rural communities?

This study adds a new dimension to the body of research literature on rural community development policy by attempting to answer the above questions. First, the authors briefly describe some rural community development programs. Then they examine the implementation of a federally funded block grant program focused on the development of rural communities. They collected data on awards made by one state, Nebraska, to small communities for a variety of

development projects over a period of more than ten years. By collecting and aggregating information on the allocation of a large amount of funds over a long period of time, including types of projects funded and types of communities awarded, the authors detected patterns and trends in the implementation of state rural development policy. This information should be helpful to local, state, and national government policy makers formulating and evaluating development policies intended to benefit rural communities. Finally, this research will contribute to emerging policy debates. The 2006 budget proposed by the Bush Administration appears poised to reorganize dramatically the funding and implementation of community and economic development resources to the states, so this study will help policy makers understand the federal-state-local partnership for rural community development.

### **Rural Community Development Policy**

Since agriculture or extractive industries like forestry and mining provides the economic base for many rural communities, one would surmise that the U.S. Department of Agriculture (USDA) would function as the foundation and primary advocate for rural community development policy. That of course appears to be the case. USDA delivers a collection of loans, guarantees, and grant programs directly to rural communities. The USDA Rural Development's Office of Community Development administers the Rural Community Development program that promotes efforts to achieve community sustainability. USDA also provides funds to rural communities for housing development, business assistance, and the construction of a range of community facilities. The Department of Agriculture maintains a physical and employee presence in each state to manage its array of state programs for rural communities. USDA often works closely with state officials on rural community development policy and programming, but the programs are delivered through USDA.

Federal rural development policy, though, and USDA in particular, has traditionally focused resources on agricultural and food production concerns (Browne 2001). While the USDA assists rural community and economic development, that effort pales in comparison to USDA resources devoted to production agriculture and related trade and marketing issues. In FY 2004, for instance, the budget outlays for Rural Development programs in USDA totaled \$3.29 billion, about 5 percent of total budget outlays for the whole Department (USDA 2006 Budget Summary, 2005). Even though USDA provides extensive resources to small and rural communities, production agriculture issues remain the thrust of the Department.

The formulation and direct delivery of rural development policy by federal agencies is one approach to implementing rural community development. In the current political environment of policy devolution, the federal government has increasingly given more of the tasks of developing and implementing many domestic policies to the states. This leaves the states, then, with significant responsibilities for crafting and implementing policies to address issues affecting their communities. States, therefore, adopt many policies and engage in a range of activities to accomplish various goals for rural community development. The states fund many of these initiatives themselves, other programs are funded by agencies of the federal government, including the USDA. One federally funded program, however, provided to all states, and because of its significant level of resources, its constant flow of dollars over the years, and the flexibility the states have in distributing funds, plays a pivotal role in implementing rural community economic development policy. *The USDA does not fund this program.*

#### **The Small Cities Community Development Block Grant Program**

The Community Development Block Grant (CDBG) Small Cities Program (now also known as the non-entitlement or state administered program), housed within and financed by the U.S. Department of Housing and Urban Development (HUD), serves as a critical source of funds for community development in rural areas. In the spirit of the devolution of domestic policy, HUD employs block grant methods for this small community development program. Under block grants, states receive their funds from HUD through a federal allocation formula and then redistribute the CDBG dollars to communities to carry out development activities. (Larger, entitlement cites receive their funds directly from HUD.) Units of local government apply through a state managed competitive process to gain CDBG funding. Projects funded under this program must meet locally identified needs; commit local resources; benefit a high percentage of low- to moderate-income persons; and/or eliminate slums and blight. CDBG projects include housing, water and wastewater, streets, planning, tourism, and economic development. In the current system of devolved federal policy, each state decides annually how the funds are distributed to individual communities.

States have three major responsibilities in this program: formulating community development objectives, determining local government recipients for funds that meet state community development objectives, and monitoring local development activities. While the small cities CDBG program is smaller in size nationally than the USDA Rural Development program, the block grant format enables the states to be

flexible in their formulation and delivery, as long as they meet the basic federal program goals noted above. In other words, the states can fashion the HUD program to meet their own community and rural development policy objectives. The small cities CDBG program, then, serves as an example of a federal-state partnership for rural community development. Funding comes from Washington; allocation decisions are made by the states.

To date, little research has been conducted in this public policy area in which annually millions of dollars are redistributed to thousands of small and rural communities across the United States. In FY 2004 the CDBG budget for the small cities program for non-entitlement communities (those with populations less than 50,000) was \$1.3 billion, or 30 percent of the total CDBG budget of \$4.33 billion (HUD Community Development Allocations and Appropriations 2005). The remaining 70 percent went to the separate CDBG entitlement communities program. The entire CDBG program comprised 15 percent of the total HUD budget in FY 2004 (HUD 2006 Budget Summary, 2005).

A key study on this topic was published in 1986, just as this federal-state partnership took hold: *From Nation to States: The Small Cities Community Development Block Grant Program* (Albany: State University of New York Press). This study looked at the differing implementation strategies in several states. A 1995 RUPRI Working Paper also briefly explored the block grant approach to rural community development policy (Rural Policy Research Institute: *Block Grants and Rural America* 1995). The RUPRI study concluded that while the CDBG program provided significant resources for community and economic development, rural communities were not “entitled” to the federal funds like the urban cities, and this created major barriers to rural development. This finding was backed up by a study of four states that showed significant barriers, including institutional and transaction costs to rural communities in obtaining CDBG funding (Collins and Gerber 2004). Other research on this CDBG program can be found in a wide range of federal documents and HUD research reports.

## **METHODS**

Since each state designs and implements its own categorical distribution of award dollars for the small cities CDBG program, an examination of a specific state program provides insight on community and rural development policy in action. Accordingly, this research takes a case study approach by examining the implementation of the small

cities CDBG program in a state with a widely dispersed and sizeable rural population: Nebraska<sup>1</sup>. While case studies have limited generalization, they do provide valuable information and give policy makers insights to the factors that influence the formulation and implementation of policies.

Clearly, Nebraska makes a good case for the study of rural community development policy. It meets the definition of a rural state. Nebraska is a large state geographically and has a relatively small population, 1.7 million in 2000, distributed over 530 communities. Much of the population is concentrated in two metropolitan centers, Omaha and Lincoln, which are not eligible for the small cities CDBG program. The third largest city has just over 40,000 people and only 30 other communities have populations that exceed 5,000 residents<sup>2</sup>.

Eligibility to participate in the small cities CDBG program is based on city size, with the cutoff being a maximum city size of 50,000 residents. Eligibility is not determined by the community's proximity to a metropolitan center. Among Nebraska's 93 counties, there are nine metropolitan counties, which contain 84 communities eligible for the small cities CDBG program. The two metropolitan centers of Omaha and Lincoln, each having more than 50,000 residents are not eligible for the small cities CDBG program. (Cities with more than 50,000 residents participate in the entitlement communities program.) Approximately 770,000 people (45 percent of Nebraska's population) live within the state's 84 non-metropolitan counties. These counties contain 444 non-metropolitan communities, in which the median community size is only 333 residents.

The research team collected and compiled information on Nebraska's Community Development Block Grant Program for fiscal years 1993 to 2004<sup>3</sup>. While information before 1993 was available, the documents were harder to obtain and somewhat less reliable. Nebraska was one of the first states to elect to manage its CDBG program in the early 1980s (Jennings, et al 1986), confirming its selection as a case study with a long history of experience in this program delivery. Data sources include: Annual Performance Reports from the Department of Economic Development (DED) for years 1996 through 2003; DED Special Reports for 1993-1995; the DED year-to-date database for years 1995-2002; and press releases. The authors and a graduate student assistant gathered and classified the data into several categories, including year awarded, community or county awarded, and type of grant, and then compiled the records into a single data base for analysis.

Defining a rural community is a critical methodological issue of this study. Rural communities do not have uniform characteristics or definitions. Rural and urban communities anchor opposite ends of a continuum that measures the dimensions of cities. This lack of exactness in definitions emerges as a special concern in the examination of rural community development policy, since “the way rural areas are defined for the purposes of policymaking and research has important ramifications for policy design, implementation, and outcome” (Rural Policy Research Institute: “Rural Policy Context” 2003). The small cities CDBG program not only funds specific types of eligible development projects, these projects take place in specific communities or rural places. Defining place takes on added importance when examining public policies, like the small cities CDBG program, across a range of community sizes and characteristics.

In order to interpret the nature and types of rural places or communities to which the State of Nebraska distributed its CDBG funds, the authors modified a classification system for defining rural communities. The system merged measurement concepts used by the Census Bureau, in particular its newly employed micropolitan counties, and the Urban Influence Codes used by the USDA Economic Research Service (Rural Policy Research Institute: “Rural Policy Context” 2003). Like the Census Bureau, this classification scheme is based on county characteristics. This Modified Urban Influence Code used in this Nebraska study includes six classification categories, with code 1 representing the most urban counties and code 6 corresponding to the more rural counties:

Code 1: Metropolitan core county (contains city with more than 50,000 residents);

Code 2: Metropolitan outlying county;

Code 3: Micropolitan core county (contains city with more than 10,000 residents);

Code 4: Micropolitan outlying county;

Code 5: County with largest town having between 2,500 and 9,999 residents; and

Code 6: County with largest town having fewer than 2,500 residents.

See Map 1 for the geographical distribution of the six codes. The classification scheme first determined whether the county had metropolitan or micropolitan status and then analyzed the size of the



largest town in non-metropolitan and non-micropolitan counties. Of Nebraska's 93 counties, 84 meet the definition of a non-metropolitan county: 20 exist within a micropolitan area, either core or outlying; 21 counties have a city with 2,500 to 9,999 people; and 43 counties do not have a city with at least 2,500 residents.

## **RESULTS**

This study focuses on "awards" as the primary measure of policy activity. An award consists of the actions by the state department of economic development and endorsed by the governor to commit funds to an entity that has applied for support for an eligible project according to CDBG guidelines and application procedures. Only units of local governments may apply for CDBG funding. While the final disbursement for each project likely differs from the initial commitment by the state by the time the project is completed, awards constitute the first policy action, indicating intent in terms of policy objectives.

### **Award Categories**

Table 1 shows the yearly CDBG awards allocated by the Nebraska Department of Economic Development among five categories of development functions: economic and business development, community development, housing, planning, and tourism. Economic and business development consists of grants and loans to facilitate the growth and expansion of jobs and businesses<sup>4</sup>. Community development includes grants to improve public infrastructure: streets, sewers, water systems, various community buildings/structures, and waste water facilities. The housing category funds a variety of projects to replace, improve, and develop housing stock. Planning funds support a range of studies and strategic plans for economic, housing and community development. Finally, tourism includes grants to facilitate tourism as an economic development strategy.

Since each state formulates its own allocation policy for CDBG funds, the amounts and percentages for each category of development will vary each year. Table 1 shows that priorities in community rural community development policy have changed over time. Over the 12 year period covering fiscal years 1993 to 2004, CDBG awards in Nebraska totaled nearly \$175 million. This equates to an average of slightly less than \$15 million per year. The economic/business development category received the largest amount of awards dollars, at more than 40 percent of the total distributed. Community development and housing awards each totaled more than \$40 million and represented approximately 30 and 25 percent of total awards respectively.

Substantially fewer dollars went to the planning and tourism development categories, each totaling closer to \$5 million and representing less than 3 percent of overall awards.

Planning awards tended to be small in size, averaging less than \$20,000 per award. For comparison, the average award in all other categories was more than \$100,000, with the average economic/business development award being for greater than \$300,000. Thus, even though the largest number of awards was granted for planning (290), the total awards in the planning category were relatively low. Only a handful of tourism development awards were granted each year, making it the category receiving the lowest number of awards (36), influencing the level of total awards in this category. Overall, Nebraska granted nearly 1,000 CDBG awards during 1993-2004.

Table 1 shows that the level and percentage of award dollars in the housing category has diminished in recent years. Besides the initial 1993 data year, housing award dollars had been more than \$3 million every year until 2002. Thus, the 2002 level of \$2.78 million was relatively low but housing awards in 2003 and 2004 were only approximately half that amount, at less than \$1.5 million per year. Between 2002 and 2004, housing awards represented 13.4 percent of all awards after ranging between 24.1 to 35.1 percent during 1994-2001.

The decline in housing awards dollars is in part due to the amount set aside for housing projects. Each year a categorical distribution of the awards dollars is devised. The 2003 and 2004 categorical distribution for housing was slightly less than \$2 million, after being more than \$3 million for all other years after 1993. Thus, housing awards, being bounded by the level determined in the categorical distribution, have diminished in part from the lower dollar level allocated to housing projects.

### **Recipients of Awards**

The applicants for CDBG funds have tended to be communities (cities, towns, villages, etc.), but counties have also been award recipients. Awards have not been allocated to a regional venture or cluster of counties, nor does the CDBG program implement projects with a statewide focus. While CDBG awards go to municipalities or counties, these units of local governments can and have contracted with area economic development districts, local community development corporations or other community-based organizations, financial institutions, and area businesses to receive funding for eligible community and economic development projects. In order to compare the

relative levels of CDBG award dollars being distributed with a focus on certain geographies, the recipients were classified as either being at the city (community) level or county level. Nebraska CDBG awards have overwhelmingly been received by cities, at more than 90 percent of awards distributed. (Table 2)

When analyzing award categories, some variance exists in the proportion of awards being attained at the city versus county level. Nearly all awards for community development and housing have gone to cities (more than 97 percent each) while counties have received a relatively large share of tourism awards at more than 30 percent. These distributions seem logical as community development and housing awards go for specific projects within communities and would not typically be applied to the county as a whole. Conversely, the impact of tourism and bringing tourists into an area would likely affect more than one city as the tourists would attain goods and services not only at their specific destination but throughout their travels (sightseeing) in the area. One tourism award went to improve the county fairgrounds, which benefited residents of each community in the county who would attend events there, rather than only the residents of the city where the fairgrounds were located.

The total awards attained by cities tended to be fairly evenly distributed between the economic/business development, community development, and housing categories. Counties, however, received a large majority of their awards dollars for economic/business development (79 percent). While counties received a relatively high percent of tourism dollars when compared to cities, the amount of tourism award dollars was minute compared to the awards received for economic/business development purposes.

### **Urban Influence Classification Scheme**

Tables 3a and 3b show the total distribution of CDBG funds by award category and according to the Modified Urban Influence Scheme described previously. These tables provide information on the allocation of rural development resources according to the county type of the award recipient.

Primarily non-metropolitan areas received CDBG funds. Non-metropolitan areas received more than 85 percent of CDBG dollars allotted, nearly matching the percentage of Nebraska counties that had a non-metropolitan designation. Metropolitan core counties did not receive a large amount of funding primarily because their core cities of Omaha and Lincoln were ineligible for dollars allocated through the small cities

program. Metropolitan outlying counties, however, received a relatively large percentage of total dollars (13.7 percent) given that only 7.5 percent of Nebraska counties had this classification.

Micropolitan areas received the largest dollar amounts of CDBG awards. The vast majority of these dollars went to micropolitan core counties versus the micropolitan outlying counties. The level of CDBG awards was roughly equal among micropolitan core counties, counties with their largest town having 2,500-9,999 residents, and counties with no town having more than 2,500 residents.

Map 2 illustrates the total dollar amount of CDBG awards received by county. In general, counties receiving larger dollar amounts tended to be counties with relatively large populations. Most counties containing Nebraska's micropolitan cities such as Hall, Buffalo, Dodge, Lincoln, Madison, Platte, and Scotts Bluff were in the largest awards category (shown in darkest shade). The two largest awards categories also contained every metropolitan outlying county and most non-metro/micro counties with a largest town of 2,500-9,999 residents. Micropolitan outlying counties tended to be in the lower total awards categories.

By award category, variation is seen in the type of awards various non-metropolitan areas received. More populated areas such as counties with a town of at least 2,500 residents and micropolitan core counties tended to receive more economic/business development and tourism awards. (Table 3a) However, counties without a town of 2,500 residents received the largest amounts of community development, housing, and planning awards. Hence, the type of county influenced the types of grants needed and applied for, as well as the ultimate amount of dollars received.

In general, areas with larger populations tended to receive fewer CDBG awards dollars on a per capita basis. Counties with the smallest towns (less than 2,500 residents) received the largest per capita awards (\$271), followed by counties with somewhat larger towns of 2,500-9,999 residents (\$221). (Table 3b) The final major non-metropolitan classification of "micropolitan" received substantially less than the previously mentioned types of counties (\$149) versus having the largest amount of overall awards. Comparing micropolitan subcategories, the more sparsely-populated outlying counties received more dollars per capita (\$215) than the more populous core micropolitan counties (\$140).

The trends by award category described for total awards also were apparent when analyzing per capita award values. More populated counties received larger economic and business development awards

while non-metro/micro counties containing a largest town of fewer than 2,500 residents received the largest per capita awards in the community development, housing, and planning categories. Community development awards, often consisting of large grants for public works projects such as streets, sewers, and buildings, had high importance and the largest per capita values in the lowest populated classifications (micropolitan outlying, non-metro/micro with largest town 2,500-9,999, and non-metro/micro with largest town less than 2,500). Metropolitan classifications received a relatively low level of per capita awards in the housing category.

### **Awards by City Size**

Comparing the awards received by cities and towns and their respective population provides additional insight. Tables 4a and 4b show total and per capita CDBG awards among seven city size categories. Cities in the largest size category (10,000+ residents) received the most awards dollars followed closely by places with 800-2,499 residents. The latter had by far the largest awards in the housing and planning categories while the former primarily received economic/business development awards. The level of economic/business development awards grew at each successive category of increasing city size. Conversely, the largest levels of community development awards went to cities in the smallest two size classifications.

Smaller cities and towns received more CDBG awards on a per capita basis. With one exception, per capita awards decreased at each successive category of increasing city size. This trend holds for the community development, housing, and planning categories. Per capita community development awards were more than 50 times greater in the smallest size category of fewer than 250 residents versus the largest size category of greater than 10,000 residents. The largest per capita economic/business development awards were in the relatively large size categories of 2,500-4,999 and 5,000-9,999 residents. Thus, a divergence has emerged in that smaller towns have primarily received community development (improvement) awards while larger towns have focused on business growth and economic development.

Map 3 illustrates this pattern, showing each county's highest category of awards received. Most of the counties containing a micropolitan city (Dodge, Lincoln, Platte, Scotts Bluff) received the most awards dollars in the economic/business development category. Also included in this classification are counties with cities having developing industry such as Washington, Otoe, Dawson, Dakota, and Gage.

However, several exceptions exist. Buffalo, Cass, and Seward Counties containing the cities of Kearney, Plattsmouth, and Seward had the most awards in the community development category. Hall and Madison Counties containing Grand Island and Norfolk have focused on housing needs. Housing awards cluster primarily in northeast and north central Nebraska counties. Counties with the largest awards in the community development category were primarily in central or eastern Nebraska; approximately half of these counties were non-metro/micro counties that did not have a town of more than 2,500 residents.

### **Awards by Median Household Income**

Part of the CDBG design recognizes the needs of low- to moderate-income areas. As such, a tabulation of awards among income categories provides insight into the distribution of award dollars.

Tables 5a and 5b show total and per capita CDBG awards by various county median household income categories. Total awards vary partly because the number of counties in each category is different. The counties with the highest levels of household income received the most total awards and by far the largest awards in the economic/business development category. Counties having a median household income of \$29,000-\$32,499 received the largest awards in the housing and tourism categories as well as ranking second in community development and planning. Counties in the lowest income category received the fewest total award dollars.

On a per capita basis, however, areas with lower incomes received a higher level of awards. Per capita total awards declined substantially as the per capita income category increased. This trend followed in the community development, housing, and planning categories. The per capita awards in the economic/business development and tourism categories were roughly equal in the various income categories.

### **Nebraska's Rural Development Policy**

Since states formulate their own reallocation of CDBG funds to non-entitlement cities, as mentioned above, a comparison of these efforts to established state rural development policies will give us an indication of the consistency of connection between policy and programming. In 1997 the Nebraska Legislature enacted legislation providing policy goals for the state's rural community economic development policy. The policy is found in Nebraska State Statutes Chapter 70-625.01: Rural areas; legislative findings and declarations.

The Legislature finds and declares that:

(1) There are rural areas in the state which are experiencing declines in economic activity and the outmigration of rural residents which is eroding the tax base of those rural areas and undermining the ability of the state and local governments to provide essential public services;

(2) Rural economic development efforts can increase the productivity of economic resources, create and enhance employment opportunities, increase the level of income and quality of life for rural residents, assist in slowing or reversing the outmigration of rural residents, and help maintain essential public services to the advantage not only of those rural areas but also of the state as a whole and the electric utilities serving those rural areas;

(3) Funds may be available from the United States Department of Agriculture or other federal agencies to suppliers of electricity in rural areas to promote economic development and job creation projects;

(4) It is the policy of this state to promote economic development and job creation projects in rural areas through the use of federal funds and other funds which may be available as authorized in subsection (3) of section 70-625;

(5) Public power districts operating in rural areas of this state are uniquely situated through their boards of directors to know and understand the need to promote economic development and job creation projects in their service areas; and

(6) Involvement by publicly owned electric utilities operating in rural areas in such economic development activities serves a public purpose and it is the public policy of this state to allow public power districts to promote economic development and job creation projects in rural areas as provided in subsection (3) of section 70-625. Source: Laws 1997, LB 658, § 7.

While programs and policies of other departments in state government naturally affect the development of rural communities (like the Departments of Roads, Education, or Agriculture for example), a primary task and statutory responsibility of the Department of Economic Development is the development of small and rural communities in the state. According to Nebraska State Statutes 81-1201.16:

The Community and Rural Development Division shall provide technical and financial assistance to communities for the

preparation of community-based community needs assessment and development strategies. The division shall develop a program to assist communities in finding solutions to the problems identified within the community needs assessment. Source: Laws 1986, LB 965, § 16; Laws 1989, LB 639, § 6.

The Community and Rural Development Division of the Department of Economic Development implements the CDBG small cities program in the state. We can then interpret the allocation of CDBG funds and assess how well the state addressed its stated rural development policies.

### **DISCUSSION**

By examining the implementation of the small cities Community Development Block Grant program in one state—Nebraska, the authors attempted to answer several questions regarding a state rural development policy. Are there state or federal goals for rural community development policy? What programs exist to meet the goals of rural community development policy? How do states and the federal government partner in rural community development policy? Are programs addressing the needs of rural communities? A number of observations and implications can be concluded from this study.

As this study indicates, two federal agencies primarily fund rural community development policy: the Department of Agriculture and the Department of Housing and Urban Development. At this time, states play a more important role in the delivery of HUD funds since that agency employs a block grant format. States make decisions on how these funds are distributed to small and rural communities. Maybe the most important conclusion from this study is that Nebraska, and likely other rural states, have taken a program intended to support the development of smaller communities, the HUD CDBG program, and modified it to also address rural community development policy issues and needs. While the micropolitan core and outlying counties (with core communities having more than 10,000 people) received the largest share of CDBG funds (33.8 percent of awards) among all classes of counties, and communities with less than 50,000 residents in metropolitan core and outlying counties received 14.3 percent of the total awards, Nebraska still awarded 51.9 percent of its funds to more rural counties, those non-metro/micro counties having a largest town of less than 10,000 residents.

Since the data show that Nebraska devoted more than half of its CDBG funds to the smallest and most rural counties during this time period, a comparison to stated rural development policy will indicate program and policy agreement and consistency. Nebraska's rural



development policy is based on enhancing the quality of life in rural communities by improving employment opportunities, reducing out migration, increasing income levels, and maintaining essential community services. As this study shows in Table 1, business and economic development projects account for the largest single category of awards (41.7 percent) and that appears consistent with rural policy that emphasizes growth in jobs and income. Community development projects that fund essential services like community infrastructure place second at 29.2 percent of total.

Nebraska's CDBG allocation strategy not only funds rural communities with populations under 2,500, the state also provides extensive support in housing and community development to the smallest communities. For instance, during the study's timeframe, Nebraska allocated 25.4 percent of its funds granted specifically to cities to projects in communities with 2000 Census populations of less than 500 people (Table 4a). While helping to maintain community services in the state's smallest communities may meet rural development criteria, it does raise the concern if the benefits received by a relatively small number of residents are the most effective use of scarce community development resources.

In summary, this research shows how the Nebraska Department of Economic Development has allocated CDBG dollars in a variety of development areas while striving to reach objectives contained in state rural development policy. The small cities CDBG program demonstrates the viability and effectiveness of a federal-state partnership for rural community development policy. Given the proposed changes in federal budget allocations and federal reorganization of the programs used to fund and implement community and economic development resources in the states, this report will help policy makers understand the federal-state-local partnerships for rural community development and illustrates the patterns in funds distribution within Nebraska.

## NOTES

<sup>1</sup> Nebraska's non-entitlement allocation was about 1.1 percent of the national total in FY 2004 (HUD Community Planning and Development Program Formula Allocations 2005).

<sup>2</sup> Ogallala is one of these 30 communities. Ogallala's 2000 Census population of 4,930 was later adjusted upward to 5,107 for the April 1, 2000 Census Estimates Base.

<sup>3</sup> 2004 awards, based on press releases as of February 15, 2005, do not cover the entire 2004 fiscal year.

<sup>4</sup> Awards are reported separately for the business development and economic development categories. However, no business development awards have been granted since 1999. Given their similar focus, these categories were combined.

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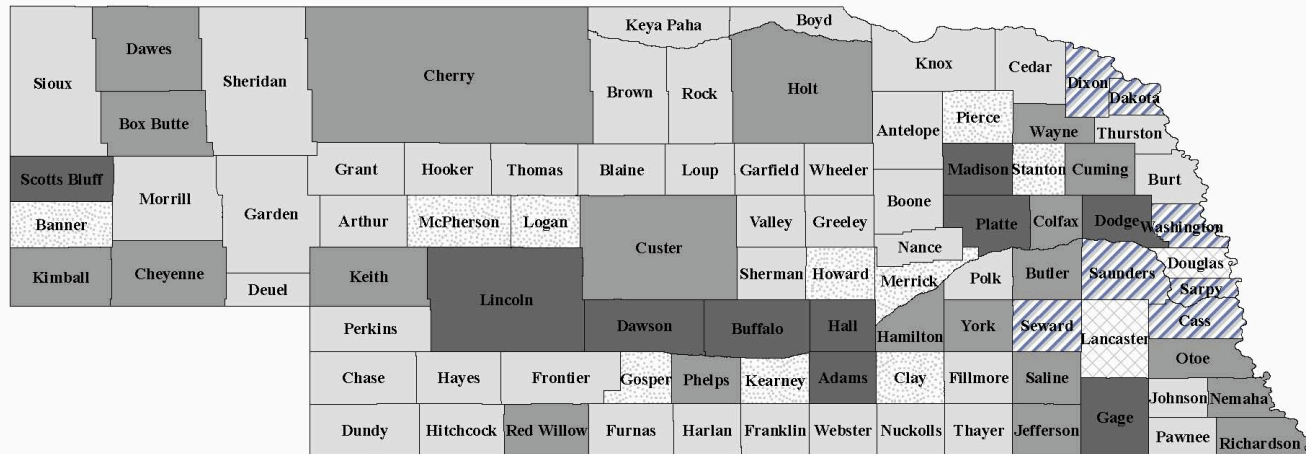
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
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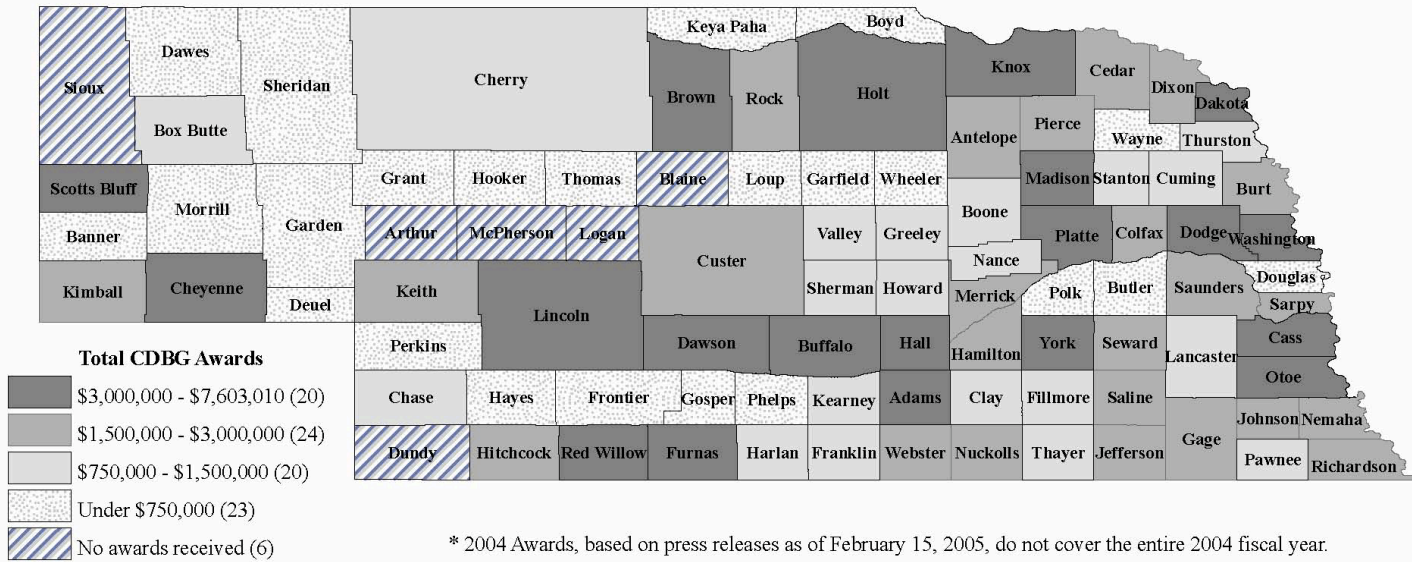
**Map 1: Nebraska Counties Classified by Modified Urban Influence Code**



**Modified Urban Influence Classification**

-  Code 1: Metropolitan core county (small metro -- fewer than 1 million residents) (2)
-  Code 2: Metropolitan outlying county (7)
-  Code 3: Micropolitan core county (contains a city of at least 10,000 residents) (10)
-  Code 4: Micropolitan outlying county (10)
-  Code 5: County with largest town of 2,500-9,999 residents (21)
-  Code 6: County with largest town having less than 2,500 residents (43)

**Map 2: Total CDBG Awards Granted to Cities and Counties Aggregated and Mapped by County: 1993 - 2004\***







**Table 1: Yearly Community Development Block Grant Awards and Percent of Awards by Award Category**

Total CDBG Awards Given to Nebraska Cities, Towns, and Counties: 1993 to 2004\*

Awards figures in Dollars

| Year  | Total Awards (\$) |                       |                          |            |           |           | Percent of Awards (%) |                          |         |          |         |
|-------|-------------------|-----------------------|--------------------------|------------|-----------|-----------|-----------------------|--------------------------|---------|----------|---------|
|       | Total Awards      | Economic/<br>Business | Community<br>Development | Housing    | Planning  | Tourism   | Economic/<br>Business | Community<br>Development | Housing | Planning | Tourism |
| 1993  | 15,355,759        | 8,411,059             | 5,104,700                | 1,840,000  | 0         | 0         | 54.8                  | 33.2                     | 12.0    | 0.0      | 0.0     |
| 1994  | 12,788,112        | 5,787,588             | 3,424,400                | 3,328,500  | 247,624   | 0         | 45.3                  | 26.8                     | 26.0    | 1.9      | 0.0     |
| 1995  | 14,686,600        | 5,041,150             | 4,474,600                | 4,723,000  | 447,850   | 0         | 34.3                  | 30.5                     | 32.2    | 3.0      | 0.0     |
| 1996  | 10,666,831        | 3,006,758             | 3,723,600                | 3,542,998  | 393,475   | 0         | 28.2                  | 34.9                     | 33.2    | 3.7      | 0.0     |
| 1997  | 14,462,058        | 6,622,726             | 1,900,300                | 4,643,127  | 464,100   | 831,805   | 45.8                  | 13.1                     | 32.1    | 3.2      | 5.8     |
| 1998  | 11,165,913        | 5,142,500             | 1,476,600                | 3,923,895  | 450,818   | 172,100   | 46.1                  | 13.2                     | 35.1    | 4.0      | 1.5     |
| 1999  | 21,573,044        | 9,036,251             | 5,678,412                | 5,481,114  | 748,517   | 628,750   | 41.9                  | 26.3                     | 25.4    | 3.5      | 2.9     |
| 2000  | 12,494,527        | 2,985,000             | 5,110,600                | 3,005,982  | 542,945   | 850,000   | 23.9                  | 40.9                     | 24.1    | 4.3      | 6.8     |
| 2001  | 18,851,974        | 8,300,524             | 4,158,000                | 5,687,450  | 337,600   | 368,400   | 44.0                  | 22.1                     | 30.2    | 1.8      | 2.0     |
| 2002  | 16,709,668        | 8,542,118             | 4,805,400                | 2,778,000  | 434,150   | 150,000   | 51.1                  | 28.8                     | 16.6    | 2.6      | 0.9     |
| 2003  | 13,598,631        | 5,069,400             | 6,271,306                | 1,374,925  | 544,800   | 338,200   | 37.3                  | 46.1                     | 10.1    | 4.0      | 2.5     |
| 2004  | 11,749,652        | 4,736,000             | 4,714,400                | 1,468,202  | 458,550   | 372,500   | 40.3                  | 40.1                     | 12.5    | 3.9      | 3.2     |
| Total | 174,102,769       | 72,681,074            | 50,842,318               | 41,797,193 | 5,070,429 | 3,711,755 | 41.7                  | 29.2                     | 24.0    | 2.9      | 2.1     |
| Mean  | 14,508,564        | 6,056,756             | 4,236,860                | 3,483,099  | 422,536   | 309,313   | Same as previous line |                          |         |          |         |

\* 2004 figures, based on press releases as of February 15, 2005, do not cover the entire 2004 fiscal year.

**Table 2: Comparison of CDBG Awards Received by Nebraska Cities and Towns Versus Nebraska Counties by Category: 1993 to 2004**

| CDBG Award Received by a: | Total Awards (\$) |                   |                       |                     |             |             |
|---------------------------|-------------------|-------------------|-----------------------|---------------------|-------------|-------------|
|                           | Total Awards      | Economic/Business | Community Development | Housing Development | Planning    | Tourism     |
| Nebraska City or Town     | 158,917,669       | 60,753,924        | 49,542,318            | 41,677,193          | 4,367,629   | 2,576,605   |
| Nebraska County           | 15,185,100        | 11,927,150        | 1,300,000             | 120,000             | 702,800     | 1,135,150   |
| Nebraska Total Awards     | \$174,102,769     | \$72,681,074      | \$50,842,318          | \$41,797,193        | \$5,070,429 | \$3,711,755 |

| CDBG Award Received by a: | Percent of Awards within Category (%) |                   |                       |                     |          |         |
|---------------------------|---------------------------------------|-------------------|-----------------------|---------------------|----------|---------|
|                           | Total Awards                          | Economic/Business | Community Development | Housing Development | Planning | Tourism |
| Nebraska City or Town     | 91.3                                  | 83.6              | 97.4                  | 99.7                | 86.1     | 69.4    |
| Nebraska County           | 8.7                                   | 16.4              | 2.6                   | 0.3                 | 13.9     | 30.6    |
| Nebraska Total Awards     | 100.0                                 | 100.0             | 100.0                 | 100.0               | 100.0    | 100.0   |

| CDBG Award Received by a: | Percent of Awards within Area Received (%) |                   |                       |                     |          |         |
|---------------------------|--|-------------------|-----------------------|---------------------|----------|---------|
|                           | Total Awards                               | Economic/Business | Community Development | Housing Development | Planning | Tourism |
| Nebraska City or Town     | 100.0                                      | 38.2              | 31.2                  | 26.2                | 2.7      | 1.6     |
| Nebraska County           | 100.0                                      | 78.5              | 8.6                   | 0.8                 | 4.6      | 7.5     |

**Table 3a: Total CDBG Awards Aggregated By County By Class of County: 1993 to 2004**

| Class of county                          | Number of Counties | Total Awards (\$) |                   |                       |                     |             |             |
|--|--------------------|-------------------|-------------------|-----------------------|---------------------|-------------|-------------|
|  |                    | Total Awards      | Economic/Business | Community Development | Housing Development | Planning    | Tourism     |
| Metropolitan                             | 9                  | 24,901,195        | 13,537,554        | 6,712,635             | 3,866,819           | 710,687     | 73,500      |
| Metropolitan core county                 | 2                  | 1,134,458         | 832,558           | 250,000               | 0                   | 51,900      | 0           |
| Metropolitan outlying county             | 7                  | 23,766,737        | 12,704,996        | 6,462,635             | 3,866,819           | 658,787     | 73,500      |
| Nonmetropolitan                          | 84                 | 149,201,574       | 59,143,520        | 44,129,683            | 37,930,374          | 4,359,742   | 3,638,255   |
| Micropolitan                             | 20                 | 58,930,754        | 28,396,453        | 14,137,783            | 14,024,974          | 1,122,989   | 1,248,555   |
| Micropolitan core county                 | 10                 | 48,786,888        | 26,241,953        | 9,318,883             | 11,096,692          | 900,805     | 1,228,555   |
| Micropolitan outlying county             | 10                 | 10,143,866        | 2,154,500         | 4,818,900             | 2,928,282           | 222,184     | 20,000      |
| County with largest town of 2,500-9,999  | 21                 | 46,990,403        | 22,221,951        | 12,886,100            | 9,118,777           | 1,340,375   | 1,423,200   |
| County with largest town less than 2,500 | 43                 | 43,280,417        | 8,525,116         | 17,105,800            | 14,786,623          | 1,896,378   | 966,500     |
| Totals                                   | 93                 | \$174,102,769     | \$72,681,074      | \$50,842,318          | \$41,797,193        | \$5,070,429 | \$3,711,755 |

**Table 3b: Per Capita CDBG Awards Aggregated By County By Class of County: 1993 to 2004**

| Class of county                          | 2000 Population | Per Capita Awards (\$ per person) |                   |                       |                     |          |         |
|--|-----------------|-----------------------------------|-------------------|-----------------------|---------------------|----------|---------|
|  |                 | Per Capita Awards                 | Economic/Business | Community Development | Housing Development | Planning | Tourism |
| Metropolitan                             | 326,915         | 76.17                             | 41.41             | 20.53                 | 11.83               | 2.17     | 0.22    |
| Metropolitan core county                 | 98,288          | 11.54                             | 8.47              | 2.54                  | 0.00                | 0.53     | 0.00    |
| Metropolitan outlying county             | 228,627         | 103.95                            | 55.57             | 28.27                 | 16.91               | 2.88     | 0.32    |
| Nonmetropolitan                          | 768,760         | 194.08                            | 76.93             | 57.40                 | 49.34               | 5.67     | 4.73    |
| Micropolitan                             | 396,206         | 148.74                            | 71.67             | 35.68                 | 35.40               | 2.83     | 3.15    |
| Micropolitan core county                 | 348,933         | 139.82                            | 75.21             | 26.71                 | 31.80               | 2.58     | 3.52    |
| Micropolitan outlying county             | 47,273          | 214.58                            | 45.58             | 101.94                | 61.94               | 4.70     | 0.42    |
| County with largest town of 2,500-9,999  | 212,641         | 220.98                            | 104.50            | 60.60                 | 42.88               | 6.30     | 6.69    |
| County with largest town less than 2,500 | 159,913         | 270.65                            | 53.31             | 106.97                | 92.47               | 11.86    | 6.04    |
| Totals                                   | 1,095,675       | \$158.90                          | \$66.33           | \$46.40               | \$38.15             | \$4.63   | \$3.39  |

**Table 4a: Total CDBG Awards Given to Nebraska Cities and Towns By Size of City or Town: 1993 to 2004**

| Size of city or town      | Number Receiving Awards | Total Awards (\$) |                       |                          |                        |             |             |
|---------------------------|-------------------------|-------------------|-----------------------|--------------------------|------------------------|-------------|-------------|
|                           |                         | Total Awards      | Economic/<br>Business | Community<br>Development | Housing<br>Development | Planning    | Tourism     |
| Under 250 persons         | 79                      | 17,511,358        | 1,103,440             | 10,340,285               | 5,327,493              | 413,440     | 326,700     |
| 250-499 persons           | 75                      | 22,821,358        | 2,581,021             | 12,187,156               | 7,017,431              | 770,750     | 265,000     |
| 500-799 persons           | 49                      | 15,428,860        | 2,913,380             | 7,561,500                | 4,355,422              | 598,558     | 0           |
| 800-2,499 persons         | 72                      | 32,216,519        | 6,733,674             | 9,906,500                | 13,571,600             | 1,457,245   | 547,500     |
| 2,500-4,999 persons       | 14                      | 11,888,501        | 7,337,611             | 1,339,200                | 2,664,581              | 297,109     | 250,000     |
| 5,000-9,999 persons**     | 16                      | 25,716,935        | 18,719,479            | 3,197,000                | 2,823,631              | 413,055     | 563,770     |
| 10,000 or more persons    | 14                      | 33,334,138        | 21,365,319            | 5,010,677                | 5,917,035              | 417,472     | 623,635     |
| Total of all cities/towns | 319                     | \$158,917,669     | \$60,753,924          | \$49,542,318             | \$41,677,193           | \$4,367,629 | \$2,576,605 |

**Table 4b: Per Capita CDBG Awards Given to Nebraska Cities and Towns By Size of City or Town: 1993 to 2004**

| Size of city or town      | 2000 Population | Per Capita Awards (\$ per person) |                       |                          |                        |          |         |
|---------------------------|-----------------|-----------------------------------|-----------------------|--------------------------|------------------------|----------|---------|
|                           |                 | Per Capita Awards                 | Economic/<br>Business | Community<br>Development | Housing<br>Development | Planning | Tourism |
| Under 250 persons         | 11,821          | 1,481.38                          | 93.35                 | 874.74                   | 450.68                 | 34.98    | 27.64   |
| 250-499 persons           | 26,718          | 854.16                            | 96.60                 | 456.14                   | 262.65                 | 28.85    | 9.92    |
| 500-799 persons           | 31,497          | 489.85                            | 92.50                 | 240.07                   | 138.28                 | 19.00    | 0.00    |
| 800-2,499 persons         | 94,215          | 341.95                            | 71.47                 | 105.15                   | 144.05                 | 15.47    | 5.81    |
| 2,500-4,999 persons       | 49,563          | 239.87                            | 148.05                | 27.02                    | 53.76                  | 5.99     | 5.04    |
| 5,000-9,999 persons       | 106,509         | 241.45                            | 175.75                | 30.02                    | 26.51                  | 3.88     | 5.29    |
| 10,000 or more persons    | 309,582         | 107.67                            | 69.01                 | 16.19                    | 19.11                  | 1.35     | 2.01    |
| Total of all cities/towns | 629,905         | \$252.29                          | \$96.45               | \$78.65                  | \$66.16                | \$6.93   | \$4.09  |

**Table 5a: Total CDBG Awards Given to Nebraska Cities, Towns, and Counties Aggregated By County By 1999  
County Median Household Income: 1993 to 2004**

| 1999 median household income of county | Number of Counties in Category | Total Awards (\$) |                       |                          |                        |             |             |
|--|--------------------------------|-------------------|-----------------------|--------------------------|------------------------|-------------|-------------|
|  |                                | Total Awards      | Economic/<br>Business | Community<br>Development | Housing<br>Development | Planning    | Tourism     |
| Under \$29,000                         | 22                             | 19,091,960        | 4,288,300             | 7,069,100                | 6,583,757              | 772,303     | 378,500     |
| \$29,000-\$32,499                      | 26                             | 47,633,915        | 14,666,088            | 16,077,400               | 14,006,272             | 1,394,885   | 1,489,270   |
| \$32,500-\$35,999                      | 20                             | 33,353,641        | 13,440,080            | 9,872,235                | 8,347,502              | 1,260,124   | 433,700     |
| \$36,000 or more                       | 25                             | 74,023,253        | 40,286,606            | 17,823,583               | 12,859,662             | 1,643,117   | 1,410,285   |
| Totals                                 | 93                             | \$174,102,769     | \$72,681,074          | \$50,842,318             | \$41,797,193           | \$5,070,429 | \$3,711,755 |

**Table 5b: Per Capita CDBG Awards Given to Nebraska Cities, Towns, and Counties Aggregated By County By 1999  
County Median Household Income: 1993 to 2004**

| 1999 median household income of county | 2000 Population | Per Capita Awards (\$ per person) |                       |                          |                        |          |         |
|--|-----------------|-----------------------------------|-----------------------|--------------------------|------------------------|----------|---------|
|  |                 | Per Capita Awards                 | Economic/<br>Business | Community<br>Development | Housing<br>Development | Planning | Tourism |
| Under \$29,000                         | 56,318          | 339.00                            | 76.14                 | 125.52                   | 116.90                 | 13.71    | 6.72    |
| \$29,000-\$32,499                      | 193,278         | 246.45                            | 75.88                 | 83.18                    | 72.47                  | 7.22     | 7.71    |
| \$32,500-\$35,999                      | 180,552         | 184.73                            | 74.44                 | 54.68                    | 46.23                  | 6.98     | 2.40    |
| \$36,000 or more                       | 665,527         | 111.23                            | 60.53                 | 26.78                    | 19.32                  | 2.47     | 2.12    |
| Totals                                 | 1,095,675       | \$158.90                          | \$66.33               | \$46.40                  | \$38.15                | \$4.63   | \$3.39  |