

# CHAPTER 7: PUBLIC SERVICES



## CHAPTER PURPOSE & CONTENTS

This chapter covers the CDBG-eligible and ineligible public service activities as well as guidance on how to determine the appropriate national objective category for public services, and how to document compliance with the national objective. In addition, this chapter provides information on other Federal requirements for compliance as it relates to public services. This chapter also provides grantees with useful public service program design and project implementation information.

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## 7.1 Eligible and Ineligible Public Service Activities

This section outlines activities that are eligible and ineligible public services under the CDBG program. The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

<b>Key Topics in This Section</b>	<ul style="list-style-type: none"> <li>✓ Eligible Public Services Activities</li> <li>✓ Ineligible Activities</li> </ul>
<b>Regulatory/Statutory Citations</b>	Section 105(a)(8) §570.201(e), §570.207
<b>Other Reference Materials on This Topic</b>	<ul style="list-style-type: none"> <li>✓ CDBG Guide to National Objectives and Eligible Activities               <ul style="list-style-type: none"> <li>◆ Chapter 2</li> </ul> </li> </ul>

### 7.1.1 Eligible Public Service Activities

- ✓ The CDBG regulations allow the use of grant funds for a wide range of public service activities, including, but not limited to:
  - Employment services (e.g., job training);
  - Crime prevention and public safety;
  - Child care;
  - Health services;
  - Substance abuse services (e.g., counseling and treatment);
  - Fair housing counseling;



- Education programs;
  - Energy conservation;
  - Services for senior citizens;
  - Services for homeless persons;
  - Welfare services (excluding income payments);
  - Down payment assistance (also refer to Chapter 4); and
  - Recreational services.
- ✓ CDBG funds may be used to pay for labor, supplies, and material as well as to operate and/or maintain the portion of a facility in which the public service is located. This includes the lease of a facility, equipment, and other property needed for the public service.
  - ✓ To utilize CDBG funds for a public service, the service must be either:
    - A new service; or
    - A quantifiable increase in the level of an existing service which has been provided by the grantee or another entity on its behalf through State or local government funds in the 12 months preceding the submission of the grantee’s Consolidated Plan Annual Action Plan to HUD.
      - An exception to this requirement may be made if HUD determines that any decrease in the level of a service was the result of events not within the control of the local government.
  - ✓ This provision was put into place to ensure that localities did not use CDBG funds to replace local or state monies to fund essential services typically offered by the local government entity.
  - ✓ Specifically, the public services provision applies in the following manner:
    - If a service is new, it may be funded.
    - If a service is existing, determine whether it was provided by or on behalf of the unit of local government with local or state funding.
    - If it was not provided by or on behalf of the local government with funding from the local government, it may be funded,
    - If it was provided by or on behalf of the local government with funding from the State or local government, grantees must determine whether the proposed service will be a quantifiable increase in the level of service. If it can be documented that the service is a quantifiable increase in the level of service, it may be funded.
    - The regulations do not prohibit a grantee from continuing to provide funding to a CDBG-funded public service at the same or decreased level in subsequent program years.

### **7.1.2 Ineligible Public Service Activities**

- ✓ The provision of “income payments” is an ineligible CDBG activity if these payments are provided as a grant.



- Income payments are payments to an individual or family, which are used to provide basic services such as food, shelter (including payment for rent, mortgage, and/or utilities) or clothing.
- However, such expenditures are eligible under the following conditions:
  - The income payments do not exceed three consecutive months; and
  - The payments are made directly to the provider of such services on behalf of an individual or family.
- Income payments that are provided as a loan are permissible within the public services cap.
- ✓ Political activities are ineligible.

## 7.2 Public Services Cap


The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

<b>Key Topics in This Section</b>	<ul style="list-style-type: none"> <li>✓ The public services cap</li> <li>✓ Public services cap exceptions</li> </ul>
<b>Regulatory/Statutory Citations</b>	§570.201(e), §570.207
<b>Other Reference Materials on This Topic</b>	<ul style="list-style-type: none"> <li>✓ CDBG Guide to National Objectives and Eligible Activities                             <ul style="list-style-type: none"> <li>◆ Chapter 2</li> </ul> </li> </ul>

- ✓ The total amount of CDBG funds **obligated** for public services activities must not exceed 15 percent of the annual grant allocation **plus** 15 percent of program income received during the prior program year.
  - The only exception to this rule is for grantees that obligated more than 15 percent of their fiscal year 1982 or 1983 funds for public services.
- ✓ Public services carried out by subrecipients **are subject to** the 15 percent public services cap.
- ✓ Because the public services category covers numerous important activities but is limited by the 15 percent cap, grantees should make efforts to see if a service type activity meets another CDBG eligibility category. For example, removing graffiti from public buildings is a public service. However assisting private properties with graffiti removal may be better categorized as eligible property rehabilitation activities.
- ✓ In addition, the CDBG regulations offer flexibility in using CDBG for certain public services, particularly services designed to increase employment opportunities, **outside** of the 15 percent cap. The eligibility options include:
  - Provision of assistance to microenterprises as a separate eligible activity. This includes technical assistance, business support services, and other similar services to owners of microenterprises or persons developing microenterprises;
  - Certain job training and job placement services are considered to be an activity delivery cost if provided in connection with eligible economic development projects under 570.203;



- Job training, job placement and other employment support services that are carried out by a qualified Community-Based Development Organization (CBDO), as part of certain types of projects, and which are specifically designed to increase economic opportunities including peer support programs, child care, counseling, transportation and other similar services; and
- Any type of services carried out by a qualified CBDO, as part of certain types of projects, pursuant to a strategy as part in a HUD-approved NRSA.
- ✓ Economic development services carried out **in connection with** special economic development activities are eligible under that category (570.203) and do **not** count against the 15 percent cap. These services include:
  - Outreach efforts to market available assistance;
  - Screening of applicants;
  - Reviewing and underwriting applications for assistance;
  - Preparation of all necessary agreements;
  - Management of assisted activities; and
  - Screening/referral/placement of applicants for jobs generated by CDBG-eligible economic development activities, including training for those persons filling positions.

 <b>Public Services Cap Calculation Example</b>	
CDBG Entitlement grant amount	\$1,000,000
<i>Plus</i> program income (prior year)	<u>+ 100,000</u>
<i>Equals</i> amount subject to cap	\$1,100,000
<i>Multiplied by</i> 15%	<u>x 0.15</u>
<i>Equals</i> maximum funds that can be obligated for public services	\$165,000



## 7.3 Documenting National Objectives

The following is a summary of the topics in this section, applicable statutory and regulatory citations, and other reference materials available from HUD.

<b>Key Topics in This Section</b>	<ul style="list-style-type: none"> <li>✓ LMI Benefit National Objective</li> <li>✓ Slum/Blight National Objective</li> <li>✓ Urgent Needs National Objective</li> </ul>
<b>Regulatory/Statutory Citations</b>	Section 101(c), Section 104(b), Section 105(c) §570.208
<b>Other Reference Materials on This Topic</b>	<ul style="list-style-type: none"> <li>✓ CDBG Guide to National Objectives and Eligible Activities                             <ul style="list-style-type: none"> <li>♦ Chapter 3</li> </ul> </li> </ul>

### 7.3.1 National Objective Summary Chart

- ✓ The following chart summarizes the national objective options related to public services. The text below provides additional details. For a complete copy of the matrix codes and national objectives chart, please see the IDIS chapter of this manual.



National Objective Codes (N = Not Allowed)									
<b>HUD Matrix Code</b>	<b>Activity</b>	<b>LMA</b>	<b>LMC</b>	<b>LMH</b>	<b>LMJ</b>	<b>SBA</b>	<b>SBS</b>	<b>SBR</b>	<b>URG</b>
5	Public Services (General)			N	N		N	N	
03T	Operating Costs of Homeless/AIDS patients programs	N		N	N		N	N	
05A	Senior Services	N		N	N		N	N	
05B	Handicapped Services	N		N	N		N	N	
05C	Legal Services			N	N		N	N	
05D	Youth Services	N		N	N		N	N	
05E	Transportation Services			N	N		N	N	
05F	Substance Abuse Services			N	N		N	N	
05G	Battered and Abused Spouses	N		N	N		N	N	
05H	Employment Training			N	N		N	N	
05I	Crime Awareness			N	N		N	N	
05J	Fair Housing Activities (Subject to Pub. Services Cap)			N	N		N	N	
05K	Tenant/Landlord Counseling	N		N	N		N	N	
05L	Child Care Services	N		N	N		N	N	
05M	Health Services			N	N		N	N	
05N	Abused and Neglected Children	N		N	N		N	N	
05O	Mental Health Services			N	N		N	N	
05P	Screening for Lead Based Paint/Lead Hazards	N		N	N		N	N	
05Q	Subsistence Payments	N		N	N		N	N	
05R	Homeownership Assistance (not direct)	N	N		N		N	N	
05S	Rental Housing Subsidies	N	N		N		N	N	
05T	Security Deposits	N	N		N		N	N	
05U	Housing Counseling								

### 7.3.2 LMI Benefit National Objective

- ✓ CDBG-funded public service activities are typically categorized under the LMI Benefit National Objective as either Area Benefit or Limited Clientele activities. As shown in exhibit 7-1 below, the distinguishing factor between the two categories is whether the service will be offered to **all** residents of a particular LMI income area **or** to a particular group of LMI residents in the entire community.
- ✓ Under the Area Benefit criteria, the public service must be available to **all** residents of an area where at least 51 percent of the residents are LMI. The area must be clearly delineated by the grantee and must be primarily residential.



- ✓ To document qualification of public service activities under this objective:
  - Maintain records of the boundaries of the service area;
  - Document that the area is primarily residential (e.g., zoning map); and
  - Document the income characteristics of households in the service area (i.e., Census/American Community Survey data).
- ✓ Limited Clientele activities benefit a specific targeted group of persons of which at least 51 percent must be LMI. In order to meet the LMI Limited Clientele criteria, the activity must:
  - Serve at least 51 percent LMI, as evidenced by documentation and data concerning beneficiary family size and income;
  - Have income-eligibility requirements which limit the service to persons meeting the LMI income requirement, as evidenced by the administering agency’s procedures, intake/application forms, income limits, and other sources of documentation;
  - Serve a group primarily presumed to be LMI such as abused children, battered spouses, elderly persons, severely disabled adults, homeless persons, illiterate adults, persons living with AIDS and migrant farm workers; or
  - Be of such a nature and in a location that it may be concluded that the activity’s clientele are LMI.

**Exhibit 7-1  
Determining if a Public Service Activity Qualifies  
As an Area Benefit or Limited Clientele Activity**

<b>Issue for Consideration</b>	<b>If an Area Benefit Activity...</b>	<b>If a Limited Clientele Activity...</b>
Who will the service be provided to?	All residents of a LMI area (i.e., area with at least 51 percent LMI residents)	A limited group of persons, either LMI or presumed to be LMI, regardless of where they live
Where will the service be provided?	In a particular neighborhood	Not specific; could be offered to more than one neighborhood or city- or county-wide
What are the income levels in the area where the service will be delivered?	At least 51 percent LMI residents in area	Not applicable; eligibility based on clients served (but generally at least 51% must be LMI)

**7.3.3 Slum/Blight National Objective**

- ✓ Public service activities that aid in the prevention or elimination of slums or blight in a designated area may qualify under the Slum/Blight National Objective (Area Basis). However, this category is rarely used for public service activities due to the fact that the activity must meet the following qualifying criteria:
  - The area in which the activity occurs must be designated as slum or blighted. The following tests apply:



- The delineated area in which the activity occurs must meet a definition of a slum, blighted, deteriorated or deteriorating area under state or local law;
- The area must also meet either one of the two conditions specified below:
  - At least 25 percent of the properties throughout the area exhibit the following:
    - (a) Physical deterioration of buildings/improvements;
    - (b) Abandonment of properties;
    - (c) Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings;
    - (d) Significant declines in property values or abnormally low property values relative to other areas in the community; or
    - (e) Known or suspected environmental contamination.
  - Public improvements throughout the area are in a general state of deterioration.
- The activity must address one or more of the conditions that qualified the area
- Documentation must be maintained by the grantee on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualification

### **7.3.4 Urgent Needs**

- ✓ It is possible for public service activities to qualify under this National Objective if the public service is designed to alleviate existing conditions that pose a serious and immediate threat the health or welfare of the community and following conditions are met:
  - The conditions are of recent origin or recently became urgent (generally within the past 18 months);
  - The grantee is unable to finance the activity on its own; and
  - Other sources of funding are not available.