



September 2024

RURAL DEVELOPMENT

Actions Needed to Improve Assistance to Southwest Border Communities Known as Colonias

GAO Highlights

Highlights of [GAO-24-106732](#), a report to congressional committees

Why GAO Did This Study

Colonias generally refer to rural communities in the border regions of Arizona, California, New Mexico, and Texas that are characterized by substandard housing and lack of access to adequate water and wastewater infrastructure. The Joint Explanatory Statement accompanying the Consolidated Appropriations Act, 2023 includes a provision for GAO to review the conditions of colonias and issues related to federal assistance available to them.

This report examines conditions in colonias, the federal assistance available to them, and challenges they may face in obtaining and using federal assistance. GAO analyzed American Community Survey data and reviewed USDA and HUD program documentation and funding data for fiscal years 2020–2023. GAO also interviewed representatives of federal agencies, state governments, and interest groups. GAO made physical observations and conducted interviews with local officials during site visits to 24 colonias in the four U.S.-Mexico border states.

What GAO Recommends

Congress should consider revising the population requirement for colonias to receive CDBG set-aside funding given population growth in the Southwest. GAO is also making two recommendations to USDA, including that it develop procedures to identify applications for Single Family Housing assistance for projects in colonias. USDA agreed with both recommendations.

View [GAO-24-106732](#). For more information, contact Jill Naamane at (202) 512-8678 or naamanej@gao.gov.

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Actions Needed to Improve Assistance to Southwest Border Communities Known as Colonias

What GAO Found

Colonias—predominately rural, Hispanic communities near the U.S.-Mexico border—face a range of economic, infrastructure, and environmental challenges. For example, regions with colonias have poverty rates 3 to 9 percentage points higher than other border regions. Further, housing values in areas with colonias are generally lower than those in the other border regions of each state, while the vacancy rates are generally higher.

Five Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) programs provide grants and loans targeted specifically to colonias to improve water and wastewater systems and housing. However, USDA's Single Family Housing programs do not have a process for identifying applications for projects in colonias. As a result, the agency does not have reliable data on the extent to which its programs are benefiting colonias, and aligning with agency and statutory goals for supporting these communities.

Many colonias face challenges in obtaining and using federal assistance. For example, local governments may not have the staff capacity to apply for some federally funded programs. In addition, the rural nature of these communities often makes it expensive to connect to existing infrastructure. To help address these challenges, HUD and USDA offer technical assistance and grants.

Due to population changes, nearly 60 percent of colonias will likely become ineligible in the future for certain targeted financial assistance. By statute, U.S.-Mexico border states must set aside a percentage of their HUD Community Development Block Grant (CDBG) funding for colonias located within metropolitan statistical areas of 1 million persons or less. However, many colonias are now part of areas that likely will soon exceed this threshold. This would render them ineligible for the set-aside, even though many of these areas continue to have rural characteristics. Revising the population requirement could help preserve eligibility for many communities that were originally intended to benefit from the set-aside.

A Colonia No Longer Eligible for Department of Housing and Urban Development Funding Remains Rural and Faces Poor Housing Conditions



Farm fields near a colonia in Pinal County, Arizona, and poor-quality housing that shows significant deferred maintenance. Source: GAO. | [GAO-24-106732](#)

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Abbreviations

CDBG	Community Development Block Grant
EPA	Environmental Protection Agency
HUD	Department of Housing and Urban Development
MSA	metropolitan statistical area
USDA	U.S. Department of Agriculture

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September 19, 2024

The Honorable Brian Schatz
Chair
The Honorable Cindy Hyde-Smith
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and
Related Agencies
Committee on Appropriations
United States Senate

The Honorable Steve Womack
Chairman
The Honorable Mike Quigley
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and
Related Agencies
Committee on Appropriations
House of Representatives

Colonias have historically been characterized as rural communities with a majority Hispanic/Latino population and high rates of poverty. Although there is no universally accepted definition of “colonias,” in the United States the term generally refers to communities along the U.S.-Mexico border with substandard housing and lack of access to adequate water and wastewater infrastructure.¹ According to the Department of Housing and Urban Development (HUD), as of 2010 there were over 2,000 communities designated as colonias across Arizona, California, New Mexico, and Texas.²

Several pieces of legislation were enacted in the early 1990s to help address conditions in colonias. For example, the Cranston-Gonzalez National Affordable Housing Act directed the U.S.-Mexico border states to set aside a percentage of their annual state Community Development

¹In this report, the U.S.-Mexico border region refers to the area of the United States within 150 miles of the border between the United States and Mexico.

²These data were the most current available.

Block Grant (CDBG) allocation to fund community development and housing activities in colonias, as defined by law.³

The Joint Explanatory Statement to the Consolidated Appropriations Act, 2023 includes a provision for us to review conditions of and federal assistance for colonias, along with how federal agencies define colonias.⁴ This report (1) describes conditions in colonias, (2) examines federal assistance available to colonias, and (3) examines challenges that may affect colonias in obtaining and using federal assistance and federal efforts to mitigate those challenges.

To address all objectives, we visited 24 colonias in Arizona, California, New Mexico, and Texas to observe conditions and projects funded by federal programs. Within each state, we selected colonias that were in both incorporated and unincorporated areas and that reflected a variety of types and amounts of federal funding, among other criteria. Information we obtained from these site visits is not generalizable to all colonias. Additionally, we interviewed federal, state, and local government officials and representatives from national and local nonprofit organizations who work in colonias.

For our first objective, we analyzed 2010 HUD and University of New Mexico geospatial data on colonias and 2020 Census Bureau data to determine in which census tracts colonias were located. We then analyzed data from the 2017–2021 American Community Survey to compare economic and housing conditions in these census tracts with others in the border regions of each state. Additionally, we analyzed data sets from relevant federal agencies to describe the environmental risk of heat, wildfires, flooding, and hurricane storm surge in census tracts with colonias.⁵

³Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, § 916, 104 Stat. 4079, 4396-4397 (1990) (codified as amended at 42 U.S.C. § 5306 note).

⁴U.S. Congress, Joint Explanatory Statement of the Committee on Appropriations, House of Representatives, 117th Congress, 2d Session, Washington D.C. 2023, Book 2, Divisions G-N, pp. 2863-2864, accompanying Pub. L. No. 117-328.

⁵All these data sources represented the most recent available data. To assess the reliability of these data, we interviewed federal officials knowledgeable about the data, reviewed existing information on the data and the system that produced them, and reviewed a GAO data reliability assessment for another report using the data, among other things. We found these data to be sufficiently reliable for the purposes of describing conditions in colonias.

For our second objective, we reviewed laws and regulations and agency materials. We then established and applied criteria to determine which federal programs provided targeted assistance to colonias. For each targeted program, we analyzed agency documentation on how funds can be used and obtained annual obligations from fiscal years 2020 through 2023.⁶ We also analyzed legislation, regulations, and additional agency information on eligibility criteria for each program and summarized site visit observations of projects funded with targeted programs. In addition, we assessed U.S. Department of Agriculture (USDA) Single Family Housing processes against statutory and agency requirements.

For our third objective, we reviewed relevant literature and interviewed the parties described above, as well as recipients of funding from programs that provide targeted assistance to colonias. We also observed evidence of challenges faced by colonias, as well as actions that had been undertaken to address these challenges. To determine the potential effect of population changes on communities' eligibility for targeted programs, we reviewed statutory and regulatory eligibility requirements that apply to colonias for HUD and USDA programs, and we analyzed geographic data from HUD on the communities that are currently eligible as colonias under its definition. In the interviews described above, we discussed federal efforts to collaborate across agencies and with local governments and to mitigate challenges to obtaining funding.

See appendix I for more detailed information on our scope and methodology.

We conducted this performance audit from March 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶An obligation is a definite commitment that creates a legal liability of the United States government for the payment of goods or services, or a legal duty on the part of the United States government that could mature into a legal liability. An agency incurs an obligation, for example, when it signs a grant or loan agreement,

Background

Development of Colonias

The history of the development of colonias varies among the border states, with some colonias dating back over a century. For example, some colonias in New Mexico began as settlements associated with early U.S. military forts and Catholic missionary activities. Colonias in California were established before 1929, when subdivision laws went into effect in the state, according to one study.⁷

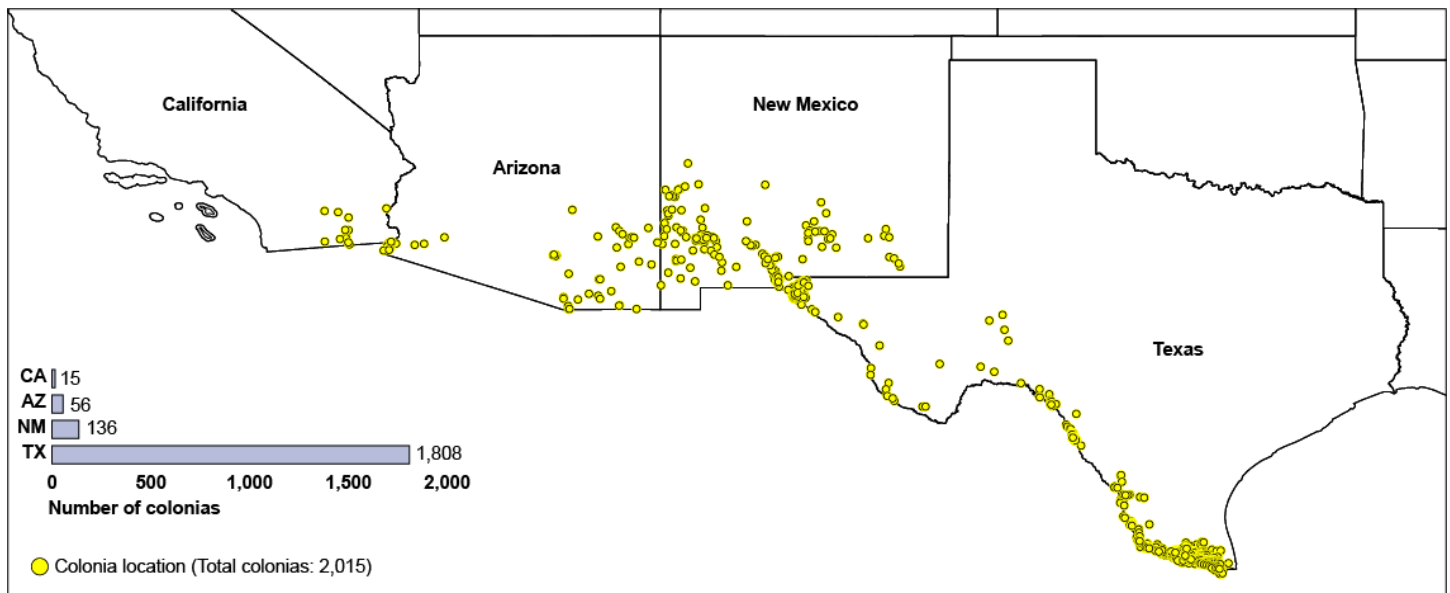
However, the development of colonias began to accelerate in the mid-20th century. For example, colonias emerged in Texas around the 1950s, when developers began subdividing agriculturally valueless land in unincorporated areas and selling it to individuals looking for affordable housing. These developers could subdivide and sell this land as residential without providing basic infrastructure because, at the time, county governments in Texas could not regulate the subdivision of land outside the jurisdiction of city governments, according to a government report.⁸ Additionally, colonias referred to as “wildcat subdivisions” emerged in Arizona in the 1950s, established by individuals who did not understand or wish to follow government regulations.

Present-day colonias are communities of all types and sizes, both incorporated and unincorporated. They include high-poverty subdivisions, retirement communities, and tribal reservations. These communities are found throughout the border region, with the majority concentrated in Texas (see fig. 1). Communities are designated as colonias via a process that varies by state and generally involves an act of local government, such as a resolution by a County Board of Commissioners.

⁷Vinit Mukhija and Paavo Monkkonen, “Federal Colonias Policy in California: Too Broad and Too Narrow,” *Housing Policy Debate*, vol. 17, no. 4 (2006): 755–780.

⁸Department of the Interior, U.S. Geological Survey, *CHIPS: A New Way to Monitor Colonias Along the United States-Mexico Border*, Open-File Report 2007-1230 (Reston, Virginia: 2007).

Figure 1: Location of Colonias in Arizona, California, New Mexico, and Texas, as of 2010



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development, and University of New Mexico data. | GAO-24-106732

Note: The figure reflects the location of colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

Federal Assistance to Colonias

Legislation in the early 1990s established a set-aside and preference within new and existing federal programs for colonias. This targeted assistance is administered by HUD and USDA. For example, the Cranston-Gonzalez National Affordable Housing Act, as amended, established a set-aside for colonias that directs HUD to provide grants to colonias using funds that may be made available through the CDBG State Program. In addition, legislation established targeted assistance for colonias through USDA’s Rural Development grant and loan programs.

To be eligible for the targeted assistance through these programs, a community must meet the applicable program’s specific definition of a colonia, which can vary. However, all of these programs require that a community demonstrate lack of potable water systems, adequate sewage systems, and safe and sanitary housing.

Areas with Colonias Generally Face Economic, Infrastructure, and Environmental Challenges

Areas with Colonias Tend to Be Economically Disadvantaged Compared with Other Border Regions

According to our analysis, areas with colonias were generally more economically disadvantaged than other border regions of each state in 2017–2021.⁹

- **Poverty.** In all four border states, the percent of families in areas with colonias living below the poverty level was about 3 to 9 percentage points higher than in the other border regions.¹⁰
- **Employment.** In California and Texas, unemployment rates of the population age 16 and older in areas with colonias were about 2 to 3 percentage points higher than in the other border regions of these

⁹These estimates are based on the American Community Survey's 2017–2021 5-year data. In our analysis, unless otherwise stated, areas with colonias are all census tracts in each border state that contain one or more colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010. The other border regions of each state are all census tracts within 150 miles of the U.S.-Mexico border excluding census tracts that contain one or more colonias or are in metropolitan statistical areas with a population exceeding 1 million.

¹⁰The Census Bureau uses money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the associated income threshold, then that family and every individual in it are considered to be in poverty.

states.¹¹ In Arizona and New Mexico, unemployment rates were not statistically different than in the other border regions.¹²

- **Educational attainment.** In all four border states, the percent of the population age 25 and older with less than a high school education was about 7 to 15 percentage points higher in areas with colonias than in the other border regions. Research has found that lower educational attainment is generally correlated with both lower earnings and higher unemployment rates.¹³

See figure 2 for more information on how areas with colonias compare with other border regions and the state overall in terms of these economic characteristics.

¹¹According to the Bureau of Labor Statistics, individuals age 16 and older are considered employed if they have worked at least 1 hour in the last 4 weeks for themselves or as a paid employee or were temporarily on leave, and unemployed if they are not working but have actively looked for work within the last 4 weeks.

¹²The unemployment rate of communities with low labor force participation may not reflect the true rate of unemployment because certain populations are not counted as unemployed—such as individuals not participating in the labor force. To be considered participating in the labor force, an individual must either be employed or have been actively looking for work within the last week. We found that in areas with colonias, the percentage of the population age 16 and older who were in the labor force was 3 to 23 percentage points lower than in other border regions, and that labor force participation in areas with colonias was statistically different from other border regions in all four border states. Individuals in low-income communities generally face greater barriers to employment—such as lack of transportation and childcare—that may discourage them from pursuing employment opportunities. See Kelly Edmiston, “Why Aren’t More People Working in Low- and Moderate-Income Areas?,” *Economic Review* (Federal Reserve Bank of Kansas, 2019).

¹³Bureau of Labor Statistics, “Education Pays, 2022,” *Career Outlook* (May 2023), accessed June 7, 2024, <https://www.bls.gov/careeroutlook/2023/data-on-display/education-pays.htm>.

Figure 2: Selected Economic Characteristics in Areas with Colonias, 2017–2021



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development and University of New Mexico data; GAO (icons). | GAO-24-106732

^aAreas with colonias are census tracts that contain one or more colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

^bOther border regions are census tracts within 150 miles of the U.S.-Mexico border in each state that do not contain one or more colonias.

Housing Characteristics Generally Differ between Areas with Colonias and Other Border Regions

According to our analysis, certain housing characteristics in areas with colonias differed from those in the other border regions of each state in 2017–2021:¹⁴

- Housing type.** In all four border states, the percent of housing units that were mobile homes was about 7 to 22 percentage points higher

¹⁴These estimates are based on the American Community Survey's 2017–2021 5-year data.

in areas with colonias than in the other border regions.¹⁵ Mobile homes may be more common in these areas because they are generally more affordable than site-built housing.¹⁶ See figure 3 for examples of housing types we observed on our site visits to the four border states.

¹⁵While the term “mobile home” is often used colloquially, HUD has used the term “manufactured home” since 1980 to refer to a “mobile home.” See Pub. L. No. 96-399, § 308(c)(4), 94 Stat. 1641 (1980), amending Pub. L. No. 106-569, 88 Stat. 700 (1974) (modifying the term “mobile home” to “manufactured home” in the National Manufactured Housing Construction and Safety Standards Act of 1974, which established federal construction and safety standards for mobile homes). To be considered a manufactured home (formerly a mobile home), the dwelling must meet federal manufactured home construction and safety standards, which are regulated and enforced by HUD. 42 U.S.C. §§ 5401-5426, 24 C.F.R. pts. 3280, 3282.

¹⁶Site-built housing is constructed at permanent locations, whereas a manufactured home (i.e., a mobile home) is prefabricated housing that is assembled in factories and then transported to sites of use. According to the Census Bureau, the average sales price of a new manufactured home in 2023 was around \$124,300, while the average sales price of a new site-built home was \$514,000.

Figure 3: Examples of Different Housing Types in Colonias



The photos above illustrate several housing types we observed in colonias: (clockwise from top left) single family, multifamily, recreational vehicle, and mobile.

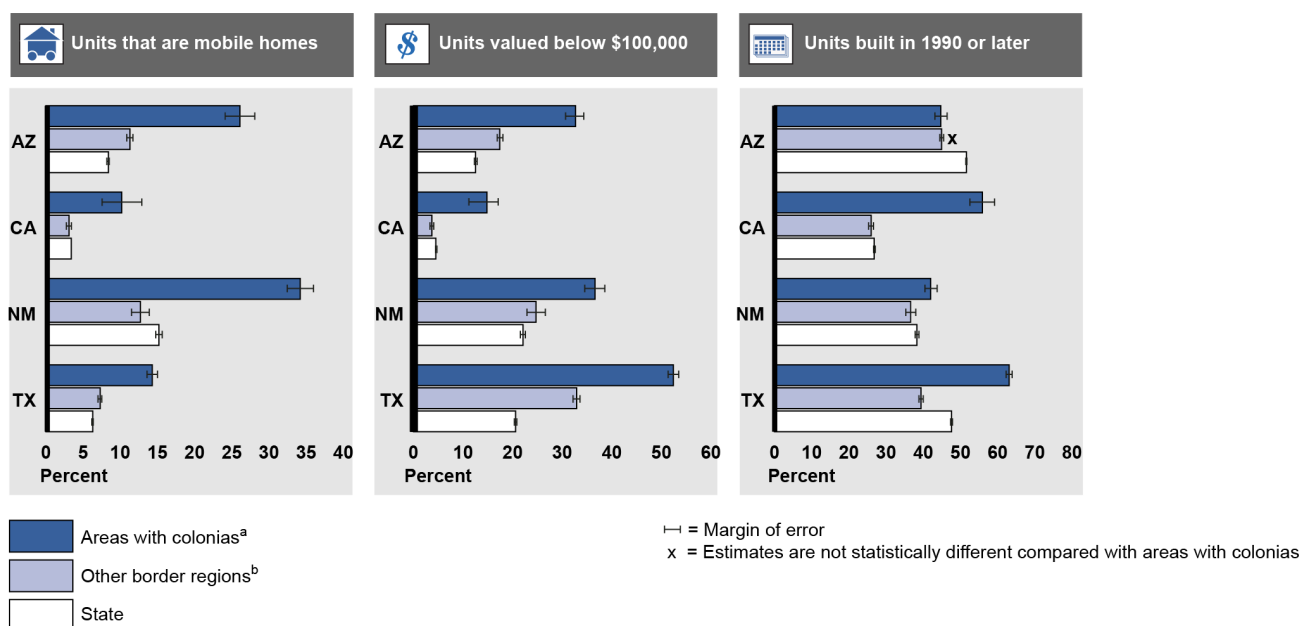
Source: GAO. | GAO-24-106732

- **Housing value.** In all four border states, the percent of housing units valued below \$100,000 was about 11 to 20 percentage points higher in areas with colonias than in the other border regions. This difference may be explained, in part, by areas with colonias having a higher percentage of inexpensive housing types, such as mobile homes.

- Housing age.** In California, New Mexico, and Texas, the percent of housing units built in 1990 or later was about 5 to 30 percentage points higher in areas with colonias than in the other border regions of these states. In Arizona, the percent of housing units built in 1990 or later in areas with colonias was not statistically different from the other border regions. Targeted federal assistance to colonias started to become available in the early 1990s, which may help explain an increase in development in these areas.

See figure 4 for additional information on housing characteristics in areas with colonias.

Figure 4: Selected Housing Characteristics in Areas with Colonias, 2017–2021



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development and University of New Mexico data; GAO (icons). | GAO-24-106732

^aAreas with colonias are census tracts that contain one or more colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

^bOther border regions are census tracts within 150 miles of the U.S.-Mexico border in each state that do not contain one or more colonias.

Certain occupancy characteristics of housing in areas with colonias also differed from those in the other border regions in each state in 2017–2021:¹⁷

- **Owner-occupancy.** In all four border states, the percent of owner-occupied housing units was about 5 to 15 percentage points higher in areas with colonias than in the other border regions. Research has found that residents of colonias may use unconventional financing—such as contracts for deed—to buy a home because low-income individuals often do not qualify for conventional financing.¹⁸
- **Vacancy.** In Arizona, California, and New Mexico, the percent of vacant housing units was about 5 to 16 percentage points higher in areas with colonias than in the other border regions in each state. In Texas, the percent of vacant housing units in areas with colonias was not statistically different from the border regions.¹⁹ In colonias, properties may be vacant for various reasons—for example, a property owner may have moved but not have sold the property due to a lack of available financing in these areas.²⁰
- **Overcrowding.** In Arizona and Texas, the percent of housing units that were overcrowded was about 2 to 5 percentage points higher in areas with colonias than in the other border regions.²¹ In California and New Mexico, overcrowding in areas with colonias was not statistically different than in the border regions. Research has found that overcrowding often stems from a lack of affordable housing. For

¹⁷These estimates are based on the American Community Survey's 2017–2021 5-year data.

¹⁸Some colonia residents have purchased their homes through an unconventional financing mechanism called a contract for deed. Through a contract for deed, the purchase of a property is financed by the seller, rather than through a third-party lender such as a commercial bank. Under this arrangement, the buyer takes immediate possession of the property, often paying little or nothing down, but the seller retains the legal title to the property until the buyer has paid off the purchase price. See Peter M. Ward, Heather K. Way, and Lucille Wood, *The Contract for Deed Prevalence Project: A Final Report to the Texas Department of Housing and Community Affairs* (August 2012).

¹⁹According to the American Community Survey, a housing unit is considered vacant if no one is living there at the time of the interview.

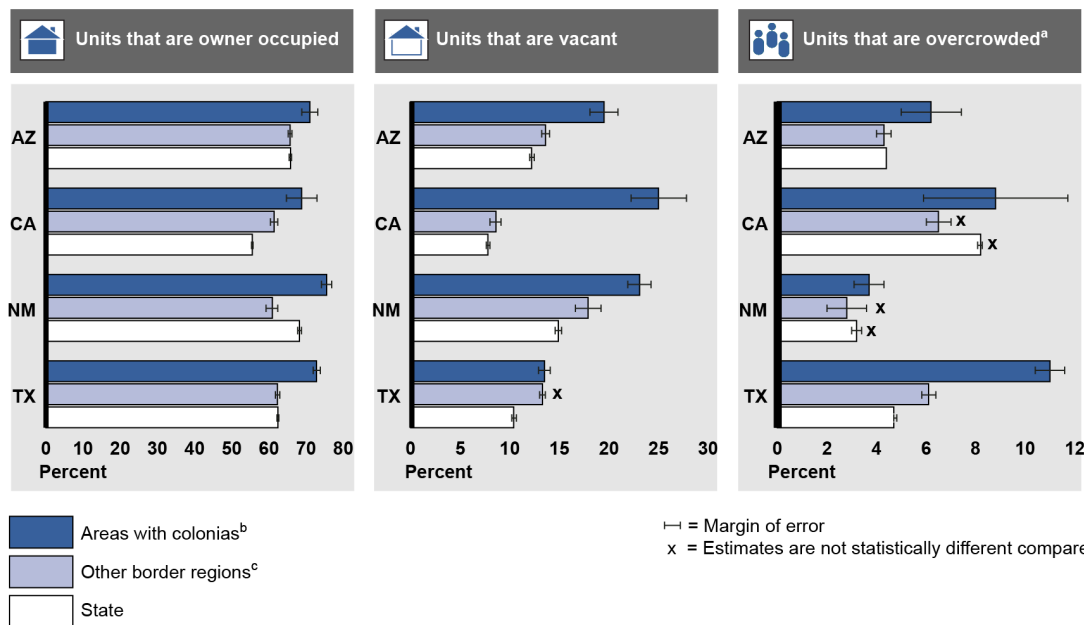
²⁰Noah J. Durst and Peter M. Ward, "Lot Vacancy and Property Abandonment: Colonias and Informal Subdivisions in Texas," *International Journal of Housing Policy*, vol. 15, no. 4 (2015), 377–399.

²¹We defined overcrowding as more than one person per room. See Kevin S. Blake, Rebecca L. Kellerson, and Aleksandra Simic, *Measuring Overcrowding in Housing* (Department of Housing and Urban Development, 2007).

example, individuals or families may share housing with others when they cannot afford housing on their own.²²

See figure 5 for additional information on occupancy characteristics of housing in areas with colonias.

Figure 5: Selected Occupancy Characteristics of Housing in Areas with Colonias, 2017–2021



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development and University of New Mexico data; GAO (icons). | GAO-24-106732

^aWe defined overcrowding as more than one person per room. See Department of Housing and Urban Development, *Measuring Overcrowding in Housing* (2007).

^bAreas with colonias are census tracts that contain one or more colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

^cOther border regions are census tracts within 150 miles of the U.S.-Mexico border in each state that do not contain one or more colonias.

Many Colonias Are Connected to Water and Wastewater Systems, but Infrastructure Needs Remain

Colonias have historically lacked access to adequate infrastructure and services, such as water and wastewater. Colonias were often built in unincorporated areas where developers were able to sell property as residential without providing basic infrastructure. In the early 1990s, federal efforts began to address the infrastructure needs of these communities.

²²Molly K. Richard et al., “Quantifying Doubled-Up Homelessness: Presenting a New Measure Using U.S. Census Microdata,” *Housing Policy Debate*, vol. 34, no. 1 (2022).

The majority of colonias in the four border states are now served by some form of water and wastewater infrastructure. According to a federally funded needs assessment conducted by the Rural Community Assistance Partnership in 2015, about 95 percent of these colonias were served by some form of water infrastructure (i.e., a public water system or a private well). About 71 percent were served by some form of wastewater infrastructure (i.e., a public or private sewer or septic system).²³

However, not all the colonias served by water and wastewater infrastructure had adequate service. The 2015 needs assessment found that about 12 percent of colonias had inadequate water service and about 17 percent had inadequate wastewater service.²⁴ Local officials we spoke with in all four states also highlighted inadequacies of the water and wastewater infrastructure serving some colonias in their regions. For example, local officials in California stated that water infrastructure serving colonias is often connected to more households than it is designed to serve, leading to insufficient water supply to these communities.

²³Rural Community Assistance Partnership, *U.S.-Mexico Border Needs Assessment and Support Project: Phase II Assessment Report* (2015). This study was a follow-up to an initial report by USDA and the Environmental Protection Agency that assessed the water and wastewater needs of selected colonias by analyzing publicly available data. The initial report assessed counties with 10 or more colonias—which together contained more than 95 percent of designated colonias—as well as selected counties in each state with fewer than 10 colonias. See U.S. Department of Agriculture and Environmental Protection Agency, *U.S. Mexico Border Needs Assessment and Support Project: Phase 1 Scoping Assessment Report* (2014).

In 2014, USDA awarded the Rural Community Assistance Partnership with a grant to conduct the follow-up report that would validate the findings of the initial report by conducting an in-depth assessment of the water and wastewater infrastructure in these selected colonias. The colonias assessed in this follow-up report may not be the same as the colonias that we analyzed for our report because the follow-up report assessed (1) communities that met the definition of colonias under USDA regulation, whereas we analyzed colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010, and (2) only colonias in selected counties, whereas we analyzed all colonias included the Department of Housing and Urban Development or University of New Mexico data as of 2010.

²⁴The needs assessment defines a colonia with inadequate access to water infrastructure as a community served by a public water system, private wells, or a combination of both, but with inadequate quantity or quality of source water. It defines a colonia with inadequate access to wastewater infrastructure as a community served by a public sewer, private sewer, onsite septic system, or combination thereof, but where Rural Community Assistance Partnership staff determined that the service was inadequate.

Additionally, the 2015 needs assessment found that about 5 percent of colonias did not have any access to water infrastructure and about 29 percent did not have any access to wastewater infrastructure.²⁵ During our site visits, we observed several colonias that were unserved by either water or wastewater infrastructure. For example, we observed a colonia in Texas where residents obtained water by hauling and storing it in a cistern on their property (see fig. 6). A county official stated it was not economically feasible to extend water infrastructure to some colonias, given their distance from existing water systems.

²⁵The needs assessment defines a colonia with no access to water infrastructure as a community where Rural Community Assistance Partnership staff could not identify a water source, or whose residents are known to haul water. It defines a colonia with no access to wastewater infrastructure as a community where Rural Community Assistance Partnership staff could not identify any permitted wastewater infrastructure.

Figure 6: Cistern at a Home in a Texas Colonia



The residents of this colonia in southwestern Texas get their water delivered to their homes and store it in cisterns on their property. Local officials told us the water stored in these cisterns is often not properly treated and can lead to health risks.

Source: GAO. | GAO-24-106732

Local officials in all four states also noted other infrastructure and services that were either inadequate or unavailable in some colonias. Officials from three states stated that inadequate stormwater drainage infrastructure was a concern. Local officials also said some colonias lacked streetlighting, sidewalks, animal control, and trash service. For example, a local official in Texas said many colonia residents lacked municipal trash service, which could make trash difficult to dispose of and lead to illegal dumping by residents and local businesses (see fig. 7).

Figure 7: Example of Illegal Dumping in a Texas Colonia



Tires that have been illegally dumped along the side of the road in a colonia in southeastern Texas, according to local officials.

Source: GAO. | GAO-24-106732

Colonias' Environmental Concerns Include Water Contamination and the Effects of Natural Hazards

Local officials in all four states expressed concern that some colonias' sources of drinking water may be at risk of contamination for the following reasons:

- **Failing infrastructure.** Officials from all four states said some colonias were at risk of water contamination because of water or wastewater infrastructure that was failing due to age or poor

maintenance. For example, officials from Arizona, New Mexico, and Texas said that septic systems—which many colonias rely on for wastewater service—are often poorly or improperly maintained and can risk contaminating groundwater if the tanks begin to leak.

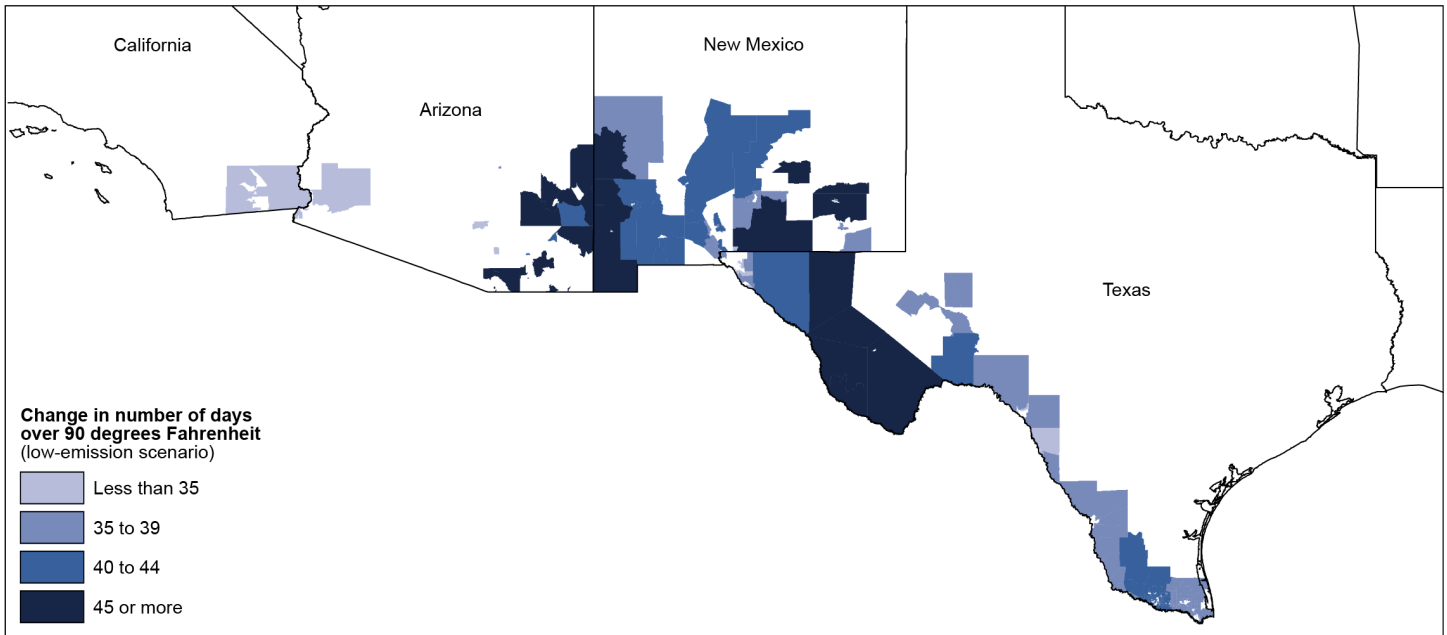
- **Industry.** Officials from Arizona and New Mexico said some colonias experienced groundwater contamination from local industry, such as agriculture and mining. For example, groundwater in several New Mexico colonias was contaminated by the release of hazardous substances from nearby copper and iron mines.
- **Runoff from Mexico.** Officials from Arizona and California said colonias in their state that are close to the border are at risk of water contamination from Mexico. For example, the Salton Sea—around which several of California’s colonias are located—is routinely contaminated by agricultural runoff and untreated waste carried in from Mexico on the New River.

Additionally, areas with colonias in all four states are at risk of being affected by certain natural hazards:

- **Heat and drought.** According to our analysis of federal climate data, areas with colonias in the four border states are projected to experience an average of between 39 to 48 more days annually with a high temperature above 90 degrees Fahrenheit by midcentury (see fig. 8).²⁶ Extreme heat can have negative effects on human health, such as temperature-related illnesses and death, and these effects can be particularly acute for populations without access to air conditioning. For example, a state official in California said there have been heat-related deaths in colonias because residents either did not have air conditioning or could afford to run it.

²⁶This estimate refers to the projected change in annual number of days with a maximum temperature over 90 degrees Fahrenheit by midcentury (i.e., 2036–2065), using both a low-emission and a high-emission scenario for projected climate change from the U.S. Global Change Research Program’s fourth National Climate Assessment.

Figure 8: Increase in Annual Number of Days with a Maximum Temperature over 90 Degrees in Areas with Colonias by Midcentury



Source: GAO analysis of U.S. Census Bureau, U.S. Global Change Research Program, Department of Homeland Security, Department of Housing and Urban Development and University of New Mexico data. | GAO-24-106732

Note: This figure represents the projected change in annual days with a maximum temperature over 90 degrees Fahrenheit by midcentury (i.e., 2036–2065) using a low-emission scenario for projected climate change from the U.S. Global Change Research Program’s fourth National Climate Assessment. The figure represents these estimates only for census tracts that we identified as containing one or more colonias.

Higher average temperatures may also exacerbate other natural hazards, such as drought.²⁷ Since 2000, the southwestern United States has been experiencing its driest period in the last 1,200 years, and these conditions have contributed to reduced surface and groundwater availability, according to a 2023 study.²⁸ An official in Texas told us that colonias have experienced water service disruptions when water levels of the Rio Grande River—the area’s sole surface-water source—have become too low due to drought.

²⁷We did not analyze drought data because we were unable to identify national-level geospatial data that were both relevant to areas with colonias and sufficiently reliable for our purposes.

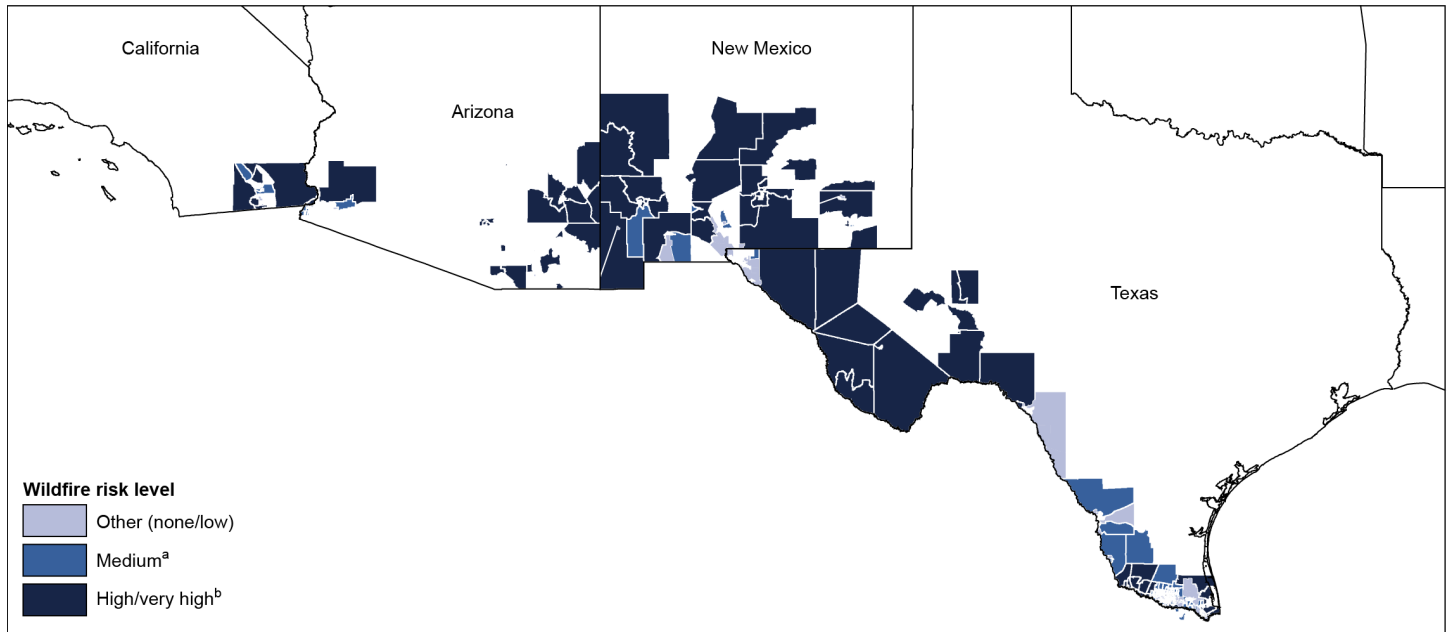
²⁸U.S. Global Change Research Program, *Fifth National Climate Assessment* (Washington, D.C.: 2023).

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- **Wildfire.** Increasing temperatures and drought conditions also contribute to increases in wildfire frequency. According to our analysis of U.S. Forest Service data, about 61 percent of areas with colonias across all four border states are at some level of risk of wildfire, with about 26 percent having a high or very high risk (see fig. 9).²⁹ Around 1,300 colonias are in areas at some risk of wildfire, with about 400 in areas at high or very high risk, according to our analysis.

Wildfires can directly endanger people and property, as well as indirectly affecting human health by degrading water and air quality. County officials in Arizona stated that fire services face challenges extinguishing fires quickly in some colonias because they are remote or do not have fire hydrants.

²⁹The Forest Service maps wildfire hazard potential based on landscape conditions and other observations. These maps include an index of wildfire hazard potential for the United States, based on, among other factors, annual burn probabilities and potential intensity of large fires. The Forest Service categorizes the wildfire hazard potential index into five classes: very low, low, moderate, high, and very high. The Forest Service designates as “high” those areas with a wildfire hazard potential index from the 85th to the 95th percentile, and as “very high” those areas above the 95th percentile. For this analysis, we combined the high and very high wildfire hazard potential categories.

Figure 9: Risk of Wildfire in Areas with Colonias



Source: GAO analysis of U.S. Census Bureau, U.S. Forest Service, Department of Homeland Security, Department of Housing and Urban Development, and University of New Mexico data. | GAO-24-106732

The U.S. Forest Service maps wildfire hazard potential based on landscape conditions and other observations. This figure represents these estimates only for census tracts that we identified as containing one or more colonias.

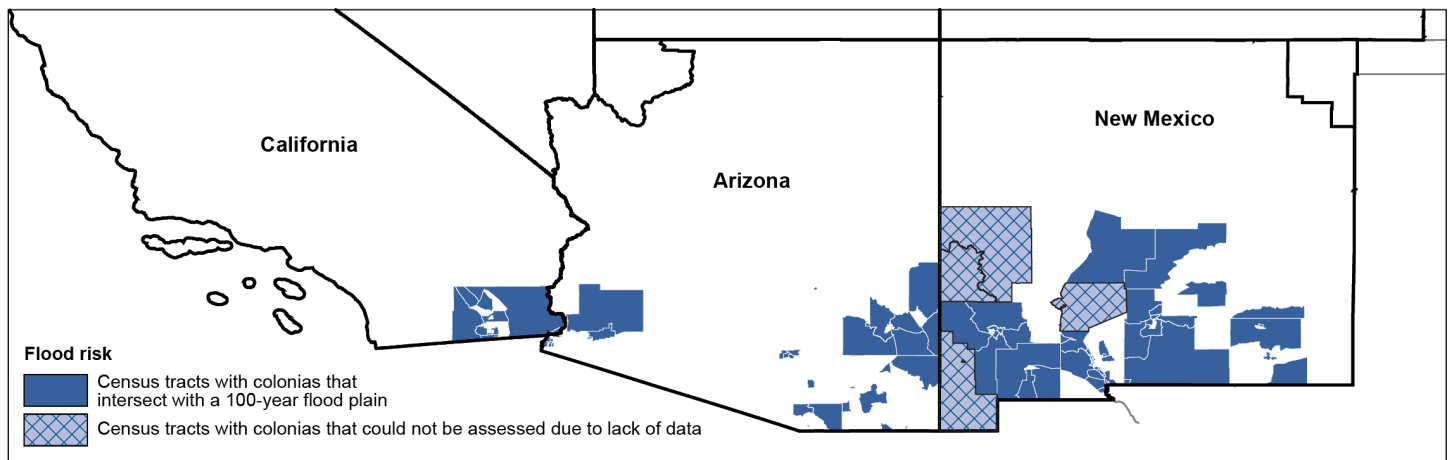
^aThe Forest Service designates as “medium” those areas with wildfire hazard potential index from the 68th to the 84th percentile.

^bThe Forest Service designates as “high” those areas with wildfire hazard potential index from the 85th to the 95th percentile, and as “very high” those areas above the 95th percentile.

- **Flooding.** According to our analysis of Federal Emergency Management Agency data, about 95 percent of areas with colonias in Arizona, California, and New Mexico are at high risk of flooding (see fig. 10).³⁰ All the areas with colonias that were at low risk of flooding were in California. About 173 colonias were in areas at high risk of flooding, according to our analysis.

³⁰We analyzed Federal Emergency Management Agency data from 2023. For our analysis, high flood hazard corresponds to areas in 100-year floodplains (areas with a 1 percent or higher annual chance of flooding). In New Mexico, we were unable to map five census tracts due to lack of intersecting flood plain data. Tracts were excluded if 90 percent of the tract did not have floodplain coverage.

Figure 10: Risk of Flooding in Areas with Colonias



Source: GAO analysis of U.S. Census Bureau, Federal Emergency Management Agency, Department of Homeland Security, Department of Housing and Urban Development, and University of New Mexico data. | GAO-24-106732

Note: This figure represents these estimates only for census tracts that we identified as containing one or more colonias.

There was not sufficient data on flood hazards along the U.S.-Mexico border in Texas for us to analyze the overall flood risk to colonias.³¹ However, local officials in Texas told us that flooding was a concern for colonias in their region. For example, in Cameron County, Texas—which is bordered by the Rio Grande River in the south and the Gulf of Mexico to the east—170 of the county’s 174 colonias are in areas at high risk for flooding.

Flooding can cause damage to property and infrastructure, water quality concerns, and human health hazards. For example, local officials from a city adjacent to the U.S.-Mexico border told us that flash flooding can bring stormwater laden with trash and other pollutants into Arizona from Mexico. They said this runoff affects the entire city, including many colonias.

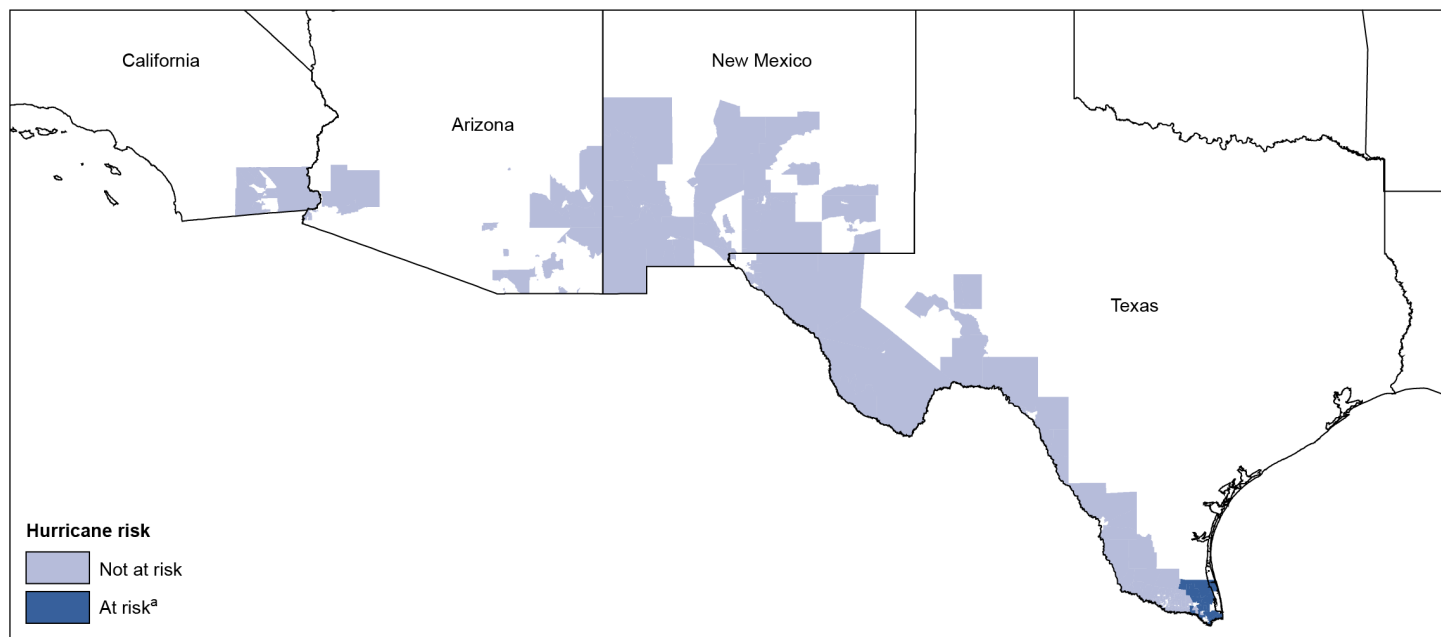
- **Hurricanes.** According to our analysis of National Oceanic and Atmospheric Administration data, about 9 percent of areas with colonias across all four border states are at risk of a hurricane. All of

³¹We did not assess flood risk in Texas because over 50 percent of tracts in Texas did not intersect with any flood hazard areas, which means we could not assess the extent to which they were at risk of flooding.

the areas at risk were in the Gulf Coast area of Texas (see fig. 11).³² About 126 colonias were in this area, according to our analysis.

High winds from hurricanes can cause damage to property and infrastructure, and the storm surge from hurricanes can cause flooding. County officials in Texas noted that some colonias are built in low-lying areas that are particularly prone to flooding, and that these communities are especially vulnerable to natural hazards such as hurricanes.

Figure 11: Risk of Storm Surge from a Hurricane in Areas with Colonias



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development, National Oceanic and Atmospheric Administration and University of New Mexico data. | GAO-24-106732

This figure represents areas at risk of exposure to hurricane storm surge. The National Oceanic and Atmospheric Administration's Sea, Lake, and Overland Surges from Hurricanes model estimates storm surge heights resulting from various categories of hurricanes. The figure represents these estimates only for census tracts that we identified as containing one or more colonias.

^aAreas at risk of exposure to a storm surge from a Category 1, 4, or 5 hurricane.

³²Our analysis of National Oceanic and Atmospheric Administration storm surge data is based on a model that estimates the maximum extent of storm surge at high tide. The agency provides estimates of hurricane storm surge using a model called Sea, Lake, and Overland Surges from Hurricanes. This model includes hypothetical hurricanes under different storm conditions, such as landfall location, trajectory, and forward speed.

Additionally, many colonias have certain socioeconomic characteristics—such as a higher prevalence of poverty, unemployment, and low educational attainment—that may affect their ability to prepare for and respond to natural hazards.³³

For additional information on economic, housing, and environmental characteristics in areas with colonias in each state, see appendix II.

Five Federal Programs Provide Assistance to Colonias; Two USDA Programs Have Data Reliability Weaknesses

Five Programs Target Assistance to Colonias

Five federal programs provided targeted funding to colonias from fiscal years 2020 through 2023 for water, wastewater, and housing needs. The funds were provided to colonias via a dedicated funding set-aside, a funding preference, or both. As seen in table 1, these programs were HUD’s CDBG and USDA’s Water and Waste Facility Loans and Grants to Alleviate Health Risks; Individual Water and Wastewater Grants; Direct Home Loans; and Home Repair Loans and Grants.

³³The Centers for Disease Control and Prevention’s Agency for Toxic Substances and Disease Registry uses the following 16 American Community Survey variables to determine a community’s vulnerability to hazardous events: below 150 percent of the poverty level, unemployed, housing cost burden, no high school diploma, no health insurance, age 65 and older, age 17 and younger, civilian with a disability, single-parent households, English language proficiency, racial or ethnic minority status, multiunit structures, mobile homes, crowding, no vehicle, and group quarters.

Table 1: Federal Programs That Provide Targeted Assistance to Colonias

Agency/program	Description	Requirements to assist colonias	Recipients of targeted assistance to colonias
HUD			
Community Development Block Grant (CDBG) colonias set-aside	Provides grants for projects in colonias, including those related to water, sewage, or housing needs.	The U.S.-Mexico border states must set aside up to 10 percent of their annual state CDBG allocation for projects in colonias. ^a	State governments, which disburse funds to local governments.
USDA			
Water and Environmental Programs			
Water and Waste Facility Loans and Grants to Alleviate Health Risks	Provides grants and loans for water supply and waste disposal facilities and services that serve communities facing significant health risks due to inadequate water supply systems or waste disposal facilities.	Applicants serving colonias receive a preference for a loan or grant. ^b	State and local governments, nonprofit organizations, and federally recognized Tribes
Individual Water and Wastewater Grants	Provides grants to connect water supply and waste disposal systems to individual residences and install plumbing and related fixtures.	Applicants residing in colonias receive a preference for a loan or grant. ^c	Individuals residing in colonias
Single Family Housing Programs			
Direct Home Loans	Provides loans to acquire, build, repair, renovate, or relocate dwellings in eligible rural areas.	USDA must set aside 5 percent of annual lending authority for designated rural housing programs, giving priority to colonias. ^d	Eligible residents in colonias
Home Repair Loans and Grants	Provides (1) loans to repair and rehabilitate a property and (2) grants to remove health and safety hazards or make the unit accessible.	USDA must set aside 5 percent of annual lending authority for designated rural housing programs, giving priority to colonias. ^e	Eligible homeowners in colonias (loans) and eligible homeowners age 62 and older in colonias (grants)

Source: GAO analysis of Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) information. | GAO-24-106732

^a42 U.S.C. § 5306 note. Currently, Arizona, New Mexico, and Texas set aside 10 percent, while California sets aside 5 percent.

^b7 U.S.C. § 1926c(c)(1). According to USDA, annual appropriations for grants through the Water and Waste Facility Loans and Grants to Alleviate Health Risks program are also provided specifically to benefit colonias; accordingly, colonias have a dedicated grant funding source to benefit water and waste disposal projects.

^c7 U.S.C. § 1926c(c)(2). According to USDA, funds for Individual Water and Wastewater grants are transferred to and administered by Single Family Housing through the Home Repair Loan and Grants Program, and such funding is exclusively provided to households in eligible colonias.

^d42 U.S.C. § 1479(f)(4).

^e42 U.S.C. § 1479(f)(4).

For information on other federal programs that may benefit colonias but do not provide targeted funding and for information on Congressionally Directed Funding or Community Project Funding to colonias, see appendix III.

CDBG Set-Aside

HUD provides annual allocations of CDBG funds to states for the purpose of assisting vulnerable communities.³⁴ Since fiscal year 1991, U.S.-Mexico border states have been required to set aside up to 10 percent of their CDBG funding for activities that address the water, sewage, and housing needs of colonias.³⁵ This funding is referred to as the CDBG colonias set-aside. From fiscal years 2020 through 2023 (the period of our review), Arizona, New Mexico, and Texas set aside 10 percent, and California set aside 5 percent, of state CDBG funding for colonias. Each state develops priorities for funding colonias and criteria for selecting grantees. See table 2 for obligations to projects in colonias for fiscal years 2020 through 2023.

Table 2: Annual Obligations to Projects in Colonias from HUD Community Development Block Grant Colonias Set-Aside, Fiscal Years 2020–2023

Program	Annual obligations			
	2020	2021	2022	2023
Community Development Block Grant colonias set-aside	\$10,568,690	\$10,739,032	\$10,640,889	\$10,546,966

Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-24-106732

In all four border states, we visited projects that officials said were funded by the CDBG colonias set-aside. For example, in Arizona we observed rehabilitated single-family homes, sidewalks, streetlights, and water and wastewater infrastructure projects. In California, we observed a cooling center to help colonia residents take shelter from extreme temperatures. In New Mexico, we observed drainage and infrastructure repairs in a colonia (see fig. 12). Texas allocated a portion of its set-aside to fund

³⁴The CDBG colonias set-aside is part of the funding provided to states to distribute to nonentitlement areas. Nonentitlement areas are generally smaller communities that do not qualify as entitlement communities. Entitlement communities generally are principal cities of metropolitan statistical areas, other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of 200,000 or more (excluding the populations of entitlement cities).

³⁵Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, § 916, 104 Stat. 4079, 4396-4397 (1990) (codified as amended at 42 U.S.C. § 5306 note). For fiscal year 1991, the set-aside was 10 percent. For each succeeding fiscal year, the set-aside was a percentage, not to exceed 10 percent, as set by the Secretary of Housing and Urban Development.

Colonia Self-Help Centers, one of which we visited (see fig. 12).³⁶ These centers provide colonia residents with assistance and education related to housing, community development activities, and infrastructure improvements.

Figure 12: Projects in Arizona and Texas Funded with Community Development Block Grant (CDBG) Colonias Set-Aside Funds



Drainage infrastructure funded by the CDBG colonias set-aside in an Arizona colonia.

Source: GAO. | GAO-24-106732



The El Paso County Self-Help Center, which serves five colonias in El Paso County, Texas.

³⁶Counties in Texas can also apply to use colonias set-aside funds for planning and construction in colonias.

USDA's Water and Environmental Programs

Two USDA programs offer loans and grants to assist low-income rural areas whose residents are experiencing a significant health risk due to limited access to adequate water and wastewater systems. For these programs, USDA is required to give preference to applicants residing in colonias or to entities providing designated services to the residents of colonias.³⁷

- **Water and Waste Facility Loans and Grants to Alleviate Health Risks.** Through this program, USDA provides loans and grants for potable water and waste disposal facilities that serve communities whose residents face significant health risks due to a lack of adequate affordable water supply systems or waste disposal facilities. According to USDA officials, these projects generally fix issues found in a water system, such as contamination, or after a water or wastewater system fails. This program is administered by the Water and Environmental Programs office of the Rural Utilities Service, within USDA's Rural Development Agency.
- **Individual Water and Wastewater Grants.** Through this program, USDA provides grants to homeowners residing in communities facing significant health risks due to a lack of adequate affordable water supply systems or waste disposal facilities.³⁸ These grants are to connect water supply and waste disposal systems to individual residences or to install plumbing and related fixtures that facilitate the use of these systems. According to USDA, only residents of a colonia are eligible for these grants. While this program is funded through USDA's Water and Environmental Programs, agency officials indicated it is administered by USDA's Single Family Housing's Home Repair Loans and Grants program.

³⁷In 2009, we recommended that USDA revise its process for determining eligibility to ensure that the agency only provides Section 306C Water and Waste Disposal Loans and Grants program funds for projects that benefit colonias, as defined in federal statute, and to revise its priority process to better target limited funds to those projects meeting statutory preference criteria. In July 2012, USDA fully implemented this recommendation by modifying its regulations to allow for additional priority points to projects serving areas with colonias that lack access to water or waste disposal systems and face significant health problems. GAO, *Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region*, [GAO-10-126](#) (Washington, D.C.: Dec. 18, 2009).

³⁸7 U.S.C. § 1926c(b)(1). See also 7 U.S.C. § 1926c(a)(1). According to USDA, annual appropriations for these grants are specifically for the purpose of supporting grants to colonias. Loans and grants may be made directly to individuals or to individuals via a designated entity, such as a rural water supply corporation. 7 U.S.C. § 1926c(b)(2). Furthermore, pursuant to 7 U.S.C. § 1926c(c), USDA must give preference to individuals who reside in colonias.

See table 3 for obligations to projects in colonias for these programs for fiscal years 2020 through 2023.

Table 3: Annual Obligations to Colonias and Residents for Selected USDA Water and Environmental Programs, Fiscal Years 2020–2023

Program	Annual obligations			
	2020	2021	2022	2023
Water and Waste Facility Loans and Grants to Alleviate Health Risks	\$27,330,790	\$26,231,430	\$32,895,461	\$25,395,891
Individual Water and Wastewater Grants	\$89,735	\$122,160	\$131,635	\$87,900

Source: GAO analysis of U.S. Department of Agriculture (USDA) data. | GAO-24-106732

In all four border states, we visited projects that were funded by the Water and Environmental programs and serve colonias. For example, in Arizona, we visited a project that addressed contaminated water supplies and extended water services to colonias. In California, we visited a project that is installing a new water pipeline and pumps to meet the water needs of multiple communities. In New Mexico, we visited a water treatment facility that removes arsenic contamination from a colonia’s water supply (see fig. 13). In Texas, we visited a project to treat water and wastewater.

Figure 13: Project in New Mexico Funded by the U.S. Department of Agriculture’s Water and Waste Facility Loans and Grants to Alleviate Health Risks Program



A water treatment facility to provide clean water to a colonia.

Source: GAO. | GAO-24-106732

USDA’s Single Family Housing Programs

To support underserved communities, including colonias, USDA is required to set aside 5 percent of its annual lending authority for certain rural housing programs, and colonias are to receive priority for these

funds.³⁹ These programs are administered by USDA's Rural Housing Service, within its Rural Development Agency.

- **Direct Home Loans.** Through this program, USDA provides loans to eligible homeowners to acquire, build, repair or renovate, or relocate homes in eligible rural areas.⁴⁰
- **Home Repair Loans and Grants.** Through this program, USDA provides loans to eligible very low-income homeowners to repair or improve their homes. In addition, this program provides grants to homeowners age 62 or older to remove health and safety hazards or to make the home accessible to household members with disabilities.⁴¹

USDA estimated that it obligated about \$103 million to projects in colonias from fiscal years 2020 through 2023 (see table 4). USDA provided estimates—rather than exact values—for these obligations because it did not have reliable information from its loan and grant origination system.⁴² (See below for discussion of data reliability issues for these programs.) To estimate obligations to projects in colonias,

³⁹This set-aside for targeted underserved areas applies to the USDA programs under sections 502, 504, 514, 515, and 524 of the Housing Act of 1949, 63 Stat. 434, as amended, according to USDA's interpretation of 42 U.S.C. § 1479(f)(4)(A). According to the statute, priority for set-aside funding will be given to any application for assistance that services the residents of a colonia and will be given in, or in close proximity to, these communities located in eligible states. 42 U.S.C. § 1479(f)(4)(B). According to USDA, the section 514, 515, and 524 programs did not award funding to colonias between fiscal years 2020 and 2023. The section 514 and 515 programs are administered by the Rural Housing Service's Multifamily Housing programs, and the section 524 program is administered by Single Family Housing programs. For more information on these programs see app. III.

⁴⁰USDA's Direct Home Loans program is also known as Single Family Direct Home Loans, the Section 502 Direct Loan Program, or Rural Home Loans. This program is authorized by section 502 of the Housing Act of 1949, 63 Stat. 434 (codified as amended at 42 U.S.C. § 1472), and is implemented by 7 C.F.R. pt. 3550.

⁴¹USDA's Home Repair Loans and Grants is also known as Single Family Housing Repair Loans and Grants, or the Section 504 Home Repair program. This program is authorized by section 504 of the Housing Act of 1949, 63 Stat. 434 (codified as amended at 42 U.S.C. § 1474), and is implemented by 7 C.F.R. pt. 3550.

⁴²USDA uses the same systems to originate its loans and grants for the Direct Home Loan and Home Repair Loan and Grant programs. USDA's Dedicated Loan Origination and Servicing System, or origination system, expedites loan-making, standardizes information collection and recordkeeping, and facilitates communication between field offices and the Servicing and Asset Management Office. The system tracks loans from application through servicing using two interconnected systems: UniFi and LoanServ.

USDA digitally compared maps of areas where colonias are located with loan and grant recipient addresses.

Table 4: Estimated Annual Obligations to Colonia Residents from Selected USDA Single Family Housing Programs, Fiscal Years 2020–2023

Program	Annual obligations			
	2020	2021	2022	2023
Direct Home Loans	\$16,501,337	\$19,657,745	\$33,383,802	\$25,723,481
Home Repair Loans and Grants	\$2,032,341	\$1,662,298	\$2,164,116	\$2,125,919

Source: GAO analysis of U.S. Department of Agriculture (USDA) data. | GAO-24-106732

We also visited colonias that received funding from USDA’s Single Family Housing programs. For example, in Arizona, we observed a project where, according to officials, 10 lots will be redeveloped using USDA funds. We also viewed single-family homes that, according to officials, had received USDA assistance in Arizona and New Mexico (see fig. 14).

Figure 14: Project in an Arizona Colonia Funded by the U.S. Department of Agriculture’s Single Family Housing Programs



Source: GAO. | GAO-24-16732

The Definition of a Colonia Differs among HUD and USDA Programs

To be eligible for targeted funding to colonias through HUD’s and USDA’s programs, a community must meet the definition of a colonia, as shown in table 5. Definitions of colonias vary between programs, but generally include criteria relating to location, population size of the surrounding area, infrastructure conditions, and the date of recognition as a colonia. In addition, applicants must meet agency standards and program qualifications to receive funding.⁴³

⁴³For example, to qualify for USDA Single Family Housing loans, applicants must be unable to obtain a loan from other sources, meet certain income requirements, and use the loan only on eligible properties.

Table 5: Definitions of Colonias for Programs with Colonias-Targeted Funding

Community requirements	Description	HUD Community Development Block Grants colonias set-aside	USDA	
			Water and Environmental programs	Single Family Housing
Location	Within 150 miles of the United States and Mexico border and in Arizona, California, New Mexico, or Texas	✓	✓ ^a	✓
	Within a metropolitan statistical area with a population of 1 million or less	✓	—	✓
Infrastructure conditions ^b	Lack of potable water systems, adequate sewage systems, and safe and sanitary housing	✓	✓	✓
	Lack of adequate roads and drainage	—	✓	—
Official designation	State or county government designation as a colonia	—	✓ ^c	—
Date	Colonia must have existed before a certain date ^d	Nov. 28, 1990	Oct. 1, 1989	Nov. 28, 1990

✓ = Colonia eligibility requirement; — = Not a colonia eligibility requirement.

Source: GAO analysis of statutes, regulations, and information from the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA). | GAO-24-106732

^aEligible areas include the entire county where more than half of the area of the county is within 150 miles of the U.S.-Mexico border. Additionally, the definition of a colonia in 7 C.F.R. § 1777.4 does not specifically require the community be located in Arizona, California, New Mexico, or Texas.

^bThe statutes governing HUD’s CDBG colonias set-aside and USDA’s Single Family Housing require that a community be determined a colonia on the basis of objective criteria, which include but are not limited to the infrastructure conditions identified here.

^cColonias eligible for USDA Water and Environmental programs can also be designated as colonias by a federally recognized Tribe.

^dNov. 28, 1990 was the date of enactment of the Cranston-Gonzalez National Affordable Housing Act, Pub. L. No. 101-625, which is the date used in the statutory definitions of a colonia for the HUD CDBG program and USDA Single Family Housing programs. 42 U.S.C. § 5306 note, 42 U.S.C. § 1479(f)(8). USDA’s Water and Environmental programs use a different date as part of the definition of a colonia. 7 C.F.R. § 1777.4.

Eligibility requirements differ across the targeted programs due to differences in statutory and regulatory definitions of a colonia; however, the definitions of a colonia do have some similarities. For example, HUD’s CDBG colonias set-aside and USDA’s Single Family Housing programs both require colonias to be located within a metropolitan statistical area

(MSA) with a population of 1 million or less.⁴⁴ In contrast, there are no MSA-related population requirements in the colonia definition used by USDA's two Water and Environmental programs.⁴⁵

USDA's Single Family Housing Programs Do Not Have Reliable Data on Assistance to Colonias

USDA did not have reliable information on actual obligations to colonias through its Single Family Housing programs, as noted above.⁴⁶ To determine why this information was unreliable, we reviewed USDA's processes to identify, record, and track assistance provided to colonias and found areas for improvement.

Identifying and Recording Applications from Colonias

USDA does not have agency-wide or state-specific guidance that directs staff to identify if a Single Family Housing program loan or grant application is for a property in a colonia. As described above, for a community to meet the legal definition of a colonia, several criteria must be met. One criterion is that the community must be identified as a "colonia" based on objective criteria, and according to USDA officials, the Single Family Housing program relies on state and local governments to make this determination. However, USDA does not have guidance for the Single Family Housing programs to help staff determine whether a community has been designated as a colonia by the state or local government. Rather, the agency relies on its state and field staff to use their local knowledge and professional judgment to try to discern if a community has been designated as a colonia by local officials, according to USDA officials. USDA has issued no guidance to field staff to facilitate this identification. In absence of guidance, USDA lacks assurance that applications from colonias are being consistently or correctly identified by staff.

⁴⁴To be eligible as a colonia for USDA's Single Family Housing set-aside for targeted underserved areas, the community cannot be in an MSA with a population exceeding 1 million. However, if an applicant is not located in a colonia, as statutorily defined, and is, therefore, not eligible for the set-aside, the remaining funding for USDA Single Family Housing programs (i.e., the remaining 95 percent) may be available to these applicants. These applicants are required to meet all eligibility criteria for the program to which they applied, including the requirement that the project be located in a rural area as defined in 42 U.S.C § 1490.

⁴⁵USDA's two Water and Environmental programs are subject to agency regulations specifying that funding may go only to rural areas with a population of 10,000 or fewer people.

⁴⁶We determined that the obligation data from HUD for the CDBD colonias set-aside and from USDA for its Water and Environmental programs were reliable for the purpose of describing annual assistance provided to colonias for fiscal years 2020–2023.

Further, while USDA's system for processing loans and grants has a field for staff to record if an application is from a colonia, USDA officials told us that staff do not consistently use this feature. For this reason, USDA's loan and grant applications are not consistently identified or recorded as being from colonias. As a result, USDA is not collecting reliable data on the extent to which colonias have been assisted and may not be capable of ensuring that the agency is fulfilling the set-aside and priority for colonias.

USDA's Strategic Plan for fiscal years 2022–2026 states that the agency will implement and administer programs in a way that increases access and program participation for underserved communities.⁴⁷ It also states that USDA will use data to understand who benefits from its programs and to ensure that its investments are directed to persistently poor, socially vulnerable, or high-need places. Furthermore, USDA is required to prioritize set-aside funding for any application for assistance that services residents of colonias and will be used in, or in close proximity to, these communities located in eligible states.

Although USDA has indicated that the level of funding received annually has been sufficient to fund all applications for colonias, therefore enabling USDA to meet its statutory obligations, there is no guarantee that funding will remain at such levels. By developing procedures that direct staff to identify and record whether Single Family Housing program applications are for properties located in colonias, USDA would have greater assurance that its programs are making investments in colonias in keeping with the agency's goals to assist high-need places. Furthermore, such a process would help USDA ensure it is meeting its statutory directive to prioritize funding for projects in colonias as part of the set-aside for targeted underserved areas.

Tracking Assistance to Colonias

USDA has not been tracking the extent of its assistance to colonias through the Direct Home Loan and Home Repair Loans and Grants programs. For example, USDA officials initially provided us with data that showed a steep decline in obligations to colonias through these programs from fiscal years 2020 through 2023. When asked to provide a reason for the decline, USDA officials determined that the data, which were from their loan and grant origination system, were incorrect and likely

⁴⁷As part of its 2022–2026 Strategic Plan's Goal 5, USDA lists reducing barriers to access as a priority for improving the quality of life in rural and tribal communities. U.S. Department of Agriculture, *Strategic Plan Fiscal Years 2022–2026* (Washington, D.C.: March 2022).

undercounted obligations to colonias. They also told us that staff do not consistently record whether applications were for properties in colonias, as discussed above. Because USDA could not use its origination system to reliably account for loans and grants to colonias, the agency produced estimated obligations to colonias, which were four times higher compared with the data they initially provided.

USDA's Strategic Plan for fiscal years 2022–2026 states that the agency will use data to understand who benefits from USDA programs and services.⁴⁸ However, USDA's lack of awareness of its data reliability issues for these programs indicates that the agency has not been using its data to track the extent of its assistance to colonias and manage the programs. Although USDA officials indicated that they met their statutory requirements related to colonias, the agency lacks a process for using data to ensure that it is meeting its objectives. Without such a process, USDA cannot understand the extent to which its programs are benefiting colonias.

Colonias Face Challenges in Obtaining and Using Federal Assistance, and Many May Soon Become Ineligible

Challenges Relate to the Characteristics of Colonias, Project Costs, and Capacity Issues

Colonias face several challenges in both accessing and subsequently using federal assistance.⁴⁹ These challenges relate to the characteristics of colonias, project costs and requirements, and local government

⁴⁸As part of its 2022–2026 Strategic Plan's Goal 5, USDA lists investing in underserved communities as a priority for improving the quality of life in rural and tribal communities. Using data to understand who benefits from USDA programs and services is an approach to ensure that USDA investments and services are directed to persistently poor, socially vulnerable, or high-need places. U.S. Department of Agriculture, *Strategic Plan*.

⁴⁹The observations in this section are based on our site visits to all four border states where we visited colonias that had been defined as such according to USDA's or HUD's definitions.

capacity. Not all of these problems are unique to colonias, and many are consistent with problems faced by rural communities more generally.

Characteristics of Colonias

Rural or remote areas. Colonias are often located in rural areas that are far away from existing infrastructure, particularly water and wastewater infrastructure. As a result, it may not be cost effective to connect them to existing infrastructure. Studies have shown that for many colonias, private wells and on-site wastewater treatment are necessary.⁵⁰ Advocacy groups and some local officials also told us that because of the remoteness, contractors may not be willing or able to work in these areas, which can increase costs.

For example, during a site visit near El Paso, Texas, we visited a colonia located approximately 10 miles from existing water and wastewater infrastructure. Local officials told us that connecting the community to existing services was unlikely ever to be cost-effective. We also visited a New Mexico colonia that relied solely on wells for its water because it was separated from existing water infrastructure by a mountain range.

Language barrier and lack of trust in government. In most areas with colonias, residents are overwhelmingly of Hispanic origin, and many speak Spanish as their primary language. Local officials in all four states told us that residents may face difficulties in communicating their needs to government officials. They also may be concerned about potential negative effects from interacting with the government, such as adverse actions against undocumented family members.

Competing needs. A 2015 report by the Rural Community Assistance Partnership found that many communities had multiple competing infrastructure needs, including for housing and adequate water and wastewater services.⁵¹ In addition, according to advocacy organizations, colonias often lack the resources or expertise to apply for funding themselves, so county governments typically take the lead. According to local officials, the county often must prioritize which among its colonias it will help apply for funding and administer projects.

⁵⁰For example, see Rural Community Assistance Partnership, *U.S.-Mexico Border Needs Assessment* (2015), and U.S. Department of Agriculture and Environmental Protection Agency, *U.S. Mexico Border Needs Assessment* (2014).

⁵¹Rural Community Assistance Partnership, *U.S.-Mexico Border Needs Assessment* (2015).

Project Costs and Requirements

Infrastructure costs. Infrastructure projects, especially water- and wastewater-related projects, tend to be expensive, particularly in relation to available federal funding. During our site visits, officials in all four states told us that increasing costs have made it challenging to complete infrastructure projects for colonias. For example, in New Mexico, the estimated cost of one flood-control project had increased from \$12.7 million when originally designed in 2019 to \$42 million in 2023, according to local officials. In addition, members of water boards and local government officials told us that infrastructure projects take years to plan. As a result, initial budgets may be outdated by the time work begins. Officials said this may result in the need to seek additional funding. For example, a water board we visited in Arizona was in the process of obtaining additional USDA funding to cover a project's rising prices.

Build America, Buy America Act requirement. Provisions of the Build America, Buy America Act have increased costs or led to delays, according to local officials we spoke with in all four border states.⁵² The act states that all federal financial assistance can only be obligated for a project if all iron, steel, manufactured products, and construction materials used in the project are produced in the United States.⁵³ Items meeting these requirements, such as domestically produced manhole covers, often cost significantly more or require significant lead time, the officials said.

Capacity Limitations

Staff capacity. Grant programs can be complex, and local government officials in all four border states told us they do not have the capacity to apply for or administer all funding that may be available to assist colonias. For example, officials at one county government said they did not have sufficient staff to apply for available USDA funding because so many staff resources were devoted to CDBG compliance. Officials at another locality

⁵²The Build America, Buy America Act was enacted under Division G, Title IX of the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429, 1294-1309 (2021).

⁵³Pub. L. No. 117-58, § 70914(a), 135 Stat. 429, 1298 (2021). The act defines these requirements as a Domestic Content Procurement Preference. Pub. L. No. 117-58, § 70912(2), 135 Stat. 429, 1296 (2021). Waivers of the domestic content procurement preference may be available. Pub. L. No. 117-58, § 70914(b), 135 Stat. 429, 1298 (2021). Furthermore, section 70911(15) of the act states that domestic content procurement preference policies apply to all federal government procurements and to various federal-aid infrastructure programs as of the date of enactment. Additionally, federal agencies have a responsibility under the act to identify all domestic content procurement preferences applicable to federal financial assistance. Pub. L. No. 117-58, §§ 70911(15), 70912(2), 70913(b), 135 Stat. 429, 1295-1296, 1298 (2021).

similarly cited lacking sufficient staff to apply for additional federal projects and comply with complex agency requirements.

Predevelopment costs. Local government officials in all four states noted that certain predevelopment costs may not be eligible for grant funding. For example, officials in one state told us that while CDBG projects require environmental planning, CDBG funds cannot be used to pay for such studies.⁵⁴ As a result, local governments may need to finance these costs themselves or pursue additional grants.

Federal Agencies Have Taken Steps to Mitigate Some of These Challenges

Federal agencies have taken steps to mitigate certain challenges that colonias face in accessing and using federal assistance. For example:

- **Coordination to leverage funds.** To help address challenges related to project costs, some federal agencies have coordinated on projects to leverage one another's funds. For example, USDA has partnered with the Environmental Protection Agency to jointly provide funding for wastewater projects through the Closing America's Wastewater Access Gap Program. Further, USDA sometimes provides additional grant and loan funds to assist with cost overruns in projects it originally funded, according to USDA and local officials.⁵⁵
- **Technical assistance or additional grants.** To help address issues related to lack of capacity or resources for predevelopment, federal agencies have also provided technical assistance or grants. For example, recipients of USDA funding in all four states said USDA staff offer assistance in filling out applications for federal funding. These recipients also noted they had effective working relationships with HUD, USDA, and other federal agencies. They also cited the agency staffs' willingness to answer questions or provide technical assistance. Further, USDA provides technical assistance by funding a Technical Assistance and Training program. This program helps communities identify and plan for community needs and subsequently prepare applications for financial assistance. Recipients also

⁵⁴According to HUD officials, environmental planning costs are not disallowed from CDBG funding. However, many states do not allow these costs to be funded using CDBG funds because the environmental planning process may reveal that a project cannot move forward.

⁵⁵During a site visit in New Mexico, we learned that there had been some delays in USDA's processing of applications that would allow colonias that had USDA Water and Environmental Program loans to obtain additional assistance from other parties. However, the agency subsequently took actions to address this issue, such as ensuring local officials had necessary authority to approve these applications and establishing a new formal tracking system for such requests.

discussed obtaining grant funding from one agency, such as the Economic Development Administration, to prepare studies required by another agency, such as HUD.

- **Networks to provide local assistance.** To improve infrastructure and community development in rural areas, the federal government established the Rural Partners Network in 2022. This network consists of federal staff placed in more than 25 rural communities, including several located in areas with colonias. These staff are to work with local officials to help them navigate and access federal resources across multiple agencies. For example, in southern New Mexico, the Rural Partners Network identified local needs, such as for improved flood control and water and wastewater services, that affect colonias. The Rural Partners Network has also hosted events in other states where it brought stakeholders together to discuss federal funding opportunities.
- **Collaboration with states.** USDA and HUD have ongoing collaboration activities to help identify key needs and facilitate access to federal assistance for states and stakeholders. For example, HUD provides feedback to states on their consolidated plans, which are created every 3 to 5 years, and their annual action plans. These plans are used to identify state priorities for CDBG funds. HUD also meets annually with the border states to learn about the key needs of their colonias, according to HUD officials. HUD has ongoing monitoring activities to determine whether CDBG funds are being used to help address these needs. USDA collaborates with the states through initiatives like the Rural Partners Network and Closing America's Wastewater Access Gap, a joint program with the Environmental Protection Agency, to identify states' challenges and coordinate federal assistance to address them.⁵⁶

⁵⁶The Closing America's Wastewater Access Gap program provides no-cost technical assistance to communities with failing septic systems or without existing wastewater infrastructure. As part of this effort, the program conducts a community wastewater assessment, which brings together state, tribal, and local collaborators and technical experts to assess the current status of wastewater infrastructure in participating communities.

Many Communities Will Soon Become Ineligible for the CDBG Colonias Set-Aside under the Current Statutory Definition of a Colonia

Population growth in the Southwest has led to a situation where certain communities have or will become ineligible for the CDBG colonias set-aside under the current CDBG definition of a colonia.⁵⁷ As previously noted, to meet the definition of a colonia and be eligible for the program, a community must be located within an MSA of 1 million people or less.⁵⁸ Population growth has resulted in some MSAs with colonias exceeding this population threshold.

For example, colonias in Pinal County, Arizona, immediately south of Phoenix, were eligible for the CDBG colonias set-aside in 1990, according to local officials. However, local officials stated that in 2000 the county was included in the Phoenix MSA, whose population exceeds 1 million. As a result, Pinal County became ineligible for the CDBG colonias set-aside despite having several communities that otherwise met the statutory definition of a colonia and were designated as such by the local government, according to local officials. During our site visit, we observed that these communities were in rural areas and shared similar needs and characteristics of communities we visited that still met the CDBG definition of colonia.

Some communities in the Tucson, Arizona, MSA will also soon lose eligibility for CDBG colonias set-aside funding. That MSA exceeded 1 million people in the 2020 Census, and HUD officials stated they are currently in the process of decertifying it for future awards.⁵⁹ According to

⁵⁷USDA's Single Family Housing programs, which contain a set-aside and colonia priority for such funding, includes a similar MSA requirement in its colonia definition. Accordingly, certain communities will become ineligible for the colonia priority over the next several years given the Southwest's population growth. According to USDA, however, this program has been historically undersubscribed, and loans in areas with colonias are frequently funded without the need for set-aside funds or use of the colonias priority. Therefore, colonias are not at risk of losing Single Family Housing Program funds at this time. If demand were to increase for this program, the MSA requirement could present limitations, as we discuss herein.

⁵⁸As relevant here, one criterion required to meet the CDBG statutory definition of "colonia" is that the community be in the "United States-Mexico border region." The statute defines the United States-Mexico border region as "the area of the United States within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1,000,000." 42 U.S.C. § 5306 note.

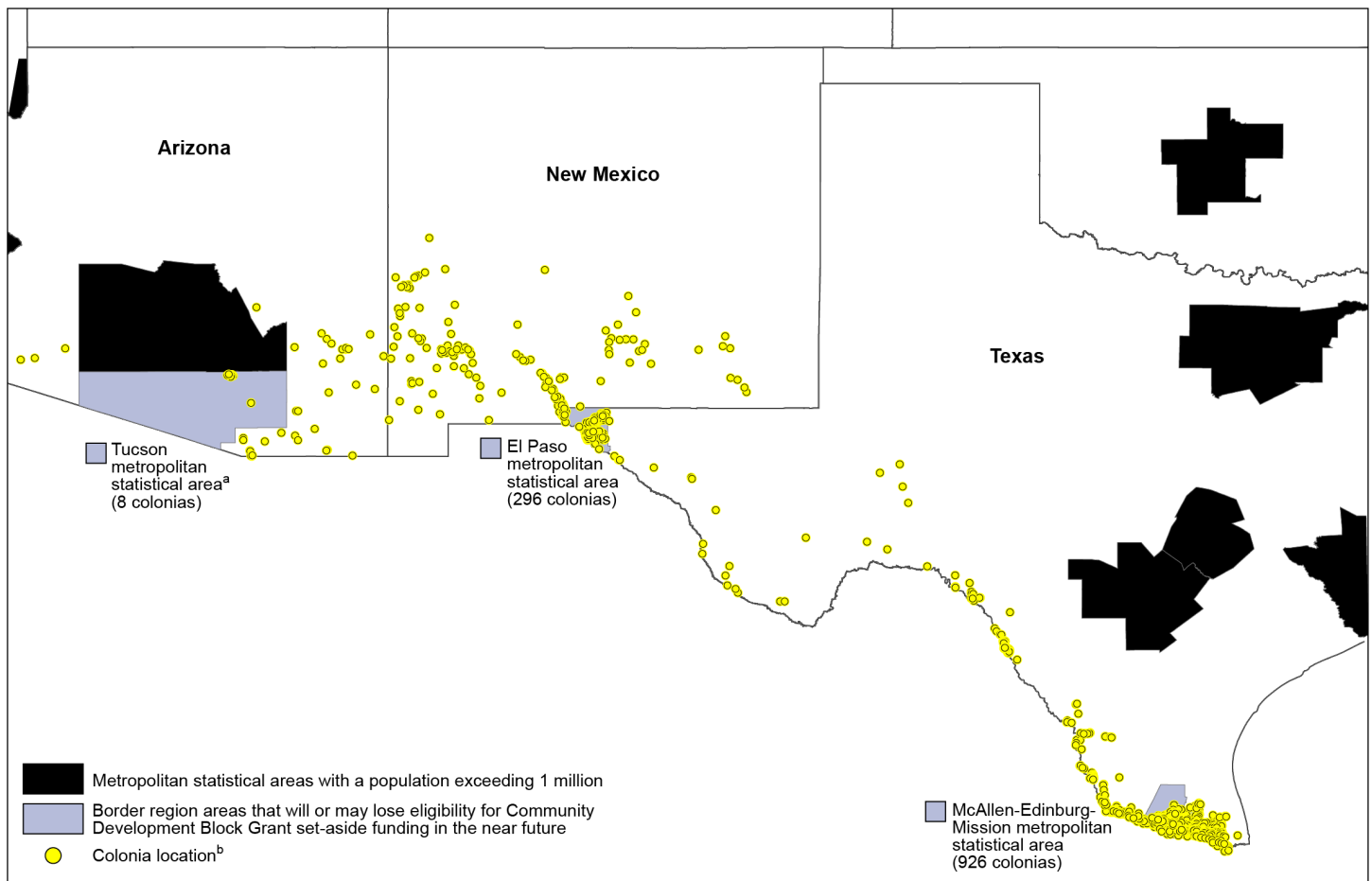
⁵⁹HUD relies on the states to certify communities as colonias. HUD is currently developing a process to review the populations of MSAs after each census to determine if the population of an MSA exceeds 1 million. If it does exceed this threshold, HUD will send a letter to the state stating that CDBG awards to colonias in that MSA will no longer count toward the CDBG colonias set-aside.

HUD officials, the agency explored legal interpretations that would allow the eight communities otherwise meeting the colonia definition to remain eligible. However, HUD officials concluded that the Cranston-Gonzalez National Affordable Housing Act, which established the colonia definition for the CDBG set-aside, does not allow these communities to remain eligible.

HUD officials expect that the El Paso and McAllen MSAs, both in Texas, will exceed 1 million in the future. These two MSAs contain some of the highest numbers of colonias. We estimate that a total of 1,222 colonias will become ineligible over the next few years in these two MSAs. This represents nearly 60 percent of all the colonias that HUD has identified.⁶⁰ Figure 15 illustrates the border region areas that have lost or will likely lose eligibility for CDBG set-aside funding in the near future. Importantly, these communities will still be eligible to apply for CDBG funds, but will no longer be eligible for the targeted set-aside.

⁶⁰This analysis is based exclusively on the inability of communities to meet the requirement of being in an MSA of 1 million or less. Existing colonias could be decertified for other reasons, such as no longer meeting additional definitional criteria for a colonia.

Figure 15: Colonias That May Lose Eligibility for Community Development Block Grant (CDBG) Colonias Set-Aside Funding



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development, and University of New Mexico data. | GAO-24-106732

^aThe Tucson, Arizona, metropolitan statistical area exceeded 1 million people in the 2020 Census, and the Department of Housing and Urban Development is currently in the process of decertifying it for future CDBG colonias set-aside awards.

^bThis figure reflects the location of colonias included in Department of Housing and Urban Development and University of New Mexico data as of 2010.

We have previously reported limitations of using MSAs to define rural or urban areas.⁶¹ Specifically, we reported that MSAs were not intended to provide the basis for urban and rural classifications, and that MSAs can contain both urban and rural areas. We noted that MSA eligibility requirements had resulted in dissimilar determinations for what appeared to be similar areas. This finding is consistent with our observations that locally designated colonias in Pinal County, Arizona, were similar to those we observed in other areas that remain eligible as colonias for other targeted assistance. Specifically, the Pinal County colonias we observed are located in a rural area surrounded by farmland, and they appeared to have significant needs, such as poor-quality housing, deferred maintenance, and drainage issues (see fig. 16).

Figure 16: Conditions in and around a Colonia in Pinal County, Arizona, That Is Included in the Phoenix Metropolitan Statistical Area



Farm fields near a colonia in Pinal County, Arizona, and poor-quality housing that shows significant deferred maintenance.

Source: GAO. | GAO-24-106732

⁶¹GAO, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations*, [GAO-05-110](#) (Washington, D.C.: Dec. 3, 2004). In this report, we recommended that Congress consider eliminating the MSA criterion for Rural Housing Service housing programs and that Congress recommend that the Rural Housing Service use density-based measures as a basis for its eligibility decisions. This matter for congressional consideration was implemented.

We also previously noted that there are alternatives to using MSAs to identify rural and urban areas.⁶² These include alternative measures such as the Census Bureau’s urbanized areas and urban clusters definitions. These are density-based measures that provide finer-scale information. These measures do not necessarily follow political boundaries and they define an area as rural by exclusion—that is, the measures view all areas not already identified as urbanized areas or urban clusters as “rural.” At the time of that 2004 report, we observed that this definition greatly increased the number of people who were defined as residing in a rural area compared with using a determination based on an MSA.

HUD officials expressed additional concerns about the CDBG statutory definition of a colonia. For example, HUD officials stated the definition was limited because it excludes communities that did not exist prior to 1990 but have other relevant characteristics, such as water, sewer, and housing challenges. HUD officials also noted the definition excludes communities located outside of the border region. This view was shared by one advocacy organization, whose representatives noted that there are many areas of the country facing housing conditions similar to those of colonias. We did not evaluate the effect of statutory provisions other than those related to the MSA in which a colonia is located.

When the Cranston-Gonzalez National Affordable Housing Act was enacted in 1990, the statute made many colonias with significant needs eligible for targeted assistance through CDBG set-aside funding. However, the MSA requirement, necessary to meet the CDBG definition of colonia, has not been updated since the set-aside’s enactment in 1990, and the population in the Southwest has changed significantly since that time.⁶³ Colonia communities that lose targeted funding will remain eligible for CDBG entitlement funds (funds that are not part of the colonias set-aside), but they will no longer have access to funds that were designated to address their specific needs.⁶⁴

⁶²[GAO-05-110](#).

⁶³As described above, the MSA requirement is contained in the definition of “United States-Mexico Border Region” in 42 U.S.C. § 5306 note. Thus, changes to the MSA requirement could be addressed through a change to the definition of “colonia,” the definition of “United States-Mexico Border Region,” or through other methods.

⁶⁴The CDBG program provides funding directly to metropolitan cities and urban counties, known as entitlement communities, and to states for distribution to nonentitlement communities. However, these funds are to be used to address needs throughout the municipality and are not specifically targeted to colonias.

Given the limitations in using MSAs as a measure of rurality and the increases in population in the Southwest since 1990, the MSA criterion that is part of the CDBG definition of a colonia may no longer be an appropriate measure of the needs of these communities. Without updated legislation, colonias that currently have needs and circumstances similar to what they had in 1990 may not have access to targeted CDBG assistance, which may be inconsistent with Congress's original intent.

Conclusions

Congress enacted legislation in the early 1990s to address conditions in colonias by providing targeted funding, including CDBG funds. But with shifts in population since that time, many colonias soon will no longer meet the CDBG statutory definition of a colonia, which requires a community to be located in an MSA with a population of 1 million or less. Revising this MSA requirement by, for example, adopting some other measure of rurality could help preserve the eligibility of many communities that were originally intended to be served by the set-aside.

In addition, USDA has been legislatively tasked with helping colonias, including through targeted funding in its Single Family Housing programs, and the agency has set corresponding goals. However, due to the agency's inability to consistently identify which applications are for colonia projects, it does not have reliable information on the program's effect on these communities. By implementing procedures to identify and record applications related to properties in colonias, USDA will be better able to ensure its investments align with agency goals and statutory requirements. Further, using data to track program usage in colonias would enhance the agency's understanding of how effectively these programs serve colonias and inform management to aid decision-making in support of these communities.

Matter for Congressional Consideration

Given population growth in the Southwest, Congress should consider revising the statutory requirement that, in order to be a colonia eligible for the CDBG set-aside, an identifiable community be located within an MSA with a population of 1 million or less. (Matter for Consideration 1)

Recommendations for Executive Action

We are making the following two recommendations to USDA:

The Secretary of Agriculture should ensure that the Rural Housing Service Administrator develops and implements procedures for identifying and recording whether applications for Single Family Housing programs are for properties in colonias. (Recommendation 1)

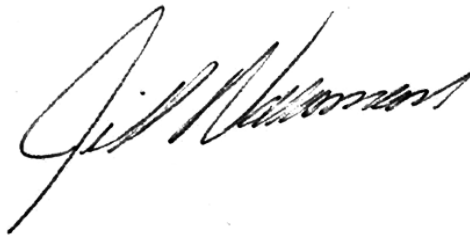
The Secretary of Agriculture should ensure that the Rural Housing Service Administrator uses data to track the extent to which Single Family Housing programs serve colonias and to inform its management of the programs. (Recommendation 2)

Agency Comments

We provided a draft of this report to HUD and USDA for review and comment. Both agencies provided us with technical comments, which we incorporated as appropriate. USDA said it generally agreed with our findings and recommendations.

We are sending copies of this report to the appropriate congressional committees, the Acting Secretary of Housing and Urban Development, the Secretary of Agriculture, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact Jill Naamane at (202) 512-8678 or naamanej@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



Jill Naamane
Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report (1) describes conditions in colonias, (2) examines federal assistance available to colonias, and (3) examines challenges that may affect colonias in obtaining and using federal assistance and federal efforts to mitigate those challenges.

To address all objectives, we visited 24 colonias in Arizona, California, New Mexico, and Texas to observe conditions and projects funded by federal programs. We identified these colonias by reviewing lists of projects funded by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) during fiscal years 2020–2023 to identify local governments and other entities that had recently obtained funding for colonias. We then judgmentally selected 24 colonias that (1) reflected a mix of incorporated and unincorporated areas, (2) reflected a mix of types and amounts of federal funding, (3) had been identified in our interviews with state officials and other stakeholders, and (4) had received recent federal funding.

During site visits, we conducted interviews with local government officials, grant recipients, local advocacy organizations (if available), and USDA field staff to discuss conditions in colonias, federal assistance to these communities, and challenges to receiving federal assistance. We also made physical observations of completed and ongoing federal projects, and we observed conditions in the wider community. Information we obtained from these site visits is not generalizable to all colonias. In addition to site visits, we also interviewed the following to learn about conditions in colonias, federal assistance to these communities, and challenges to receiving federal assistance:

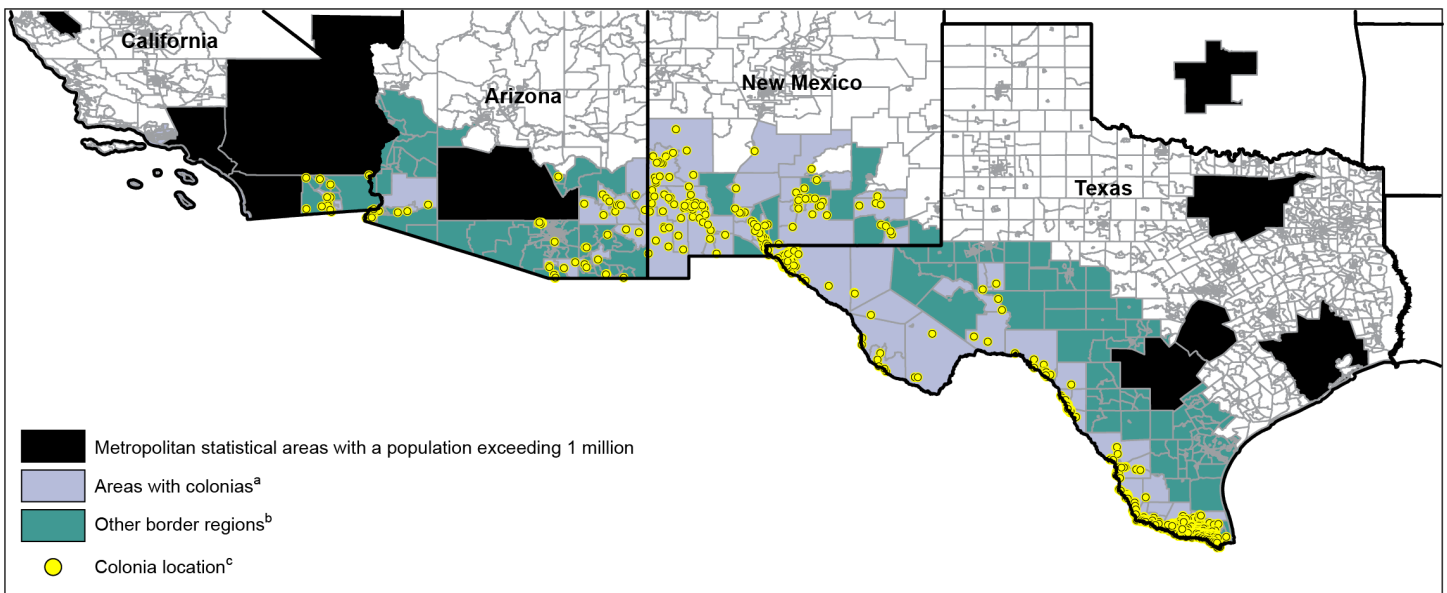
- federal agencies, including HUD, USDA, the Environmental Protection Agency (EPA), and the Federal Housing Finance Agency;
- state offices, including the Arizona Department of Housing, California Department of Housing and Community Development, New Mexico Department of Finance and Administration, and the Texas Department of Agriculture;
- local government officials, including officials from Arizona in Pinal County, Nogales, Yuma, and Bisbee; from California in Imperial County; from New Mexico in the Southwest New Mexico Council of Governments and Grant and Luna Counties; and from Texas in Cameron, Hidalgo, and El Paso Counties; and
- representatives from national and local nonprofit organizations such as the Council of State Community Development Agencies, the Housing Assistance Council, and the Rural Community Assistance

Partnership, and representatives from Proyecto Azteca who work in colonias.

For our first objective, we performed a geographic analysis of local and national-level data sets. Specifically, to identify the geographic location of colonias, we analyzed HUD geospatial data as of 2010, which were the most recent available data.¹ Similar geospatial data were not available for colonias eligible for assistance through USDA programs. The dataset from HUD included XY coordinates of these colonias but did not include the specific boundaries of these communities. We verified these data through interviews with HUD officials and corroboration of locations with data from the University of New Mexico. Due to these limitations, we used these data to identify the census tracts in which colonias were located, and we used these census tracts as our geographic unit of analysis (i.e., areas with colonias) (see fig. 17).

¹HUD officials told us they collected these data from the relevant state agencies in Arizona, California, New Mexico, and Texas in 2009 and 2010. Officials said this dataset would not reflect any communities that were designated as colonias in these states after 2010.

Figure 17: Groups of Census Tracts Used as Units of Analysis



Source: GAO analysis of U.S. Census Bureau, Department of Homeland Security, Department of Housing and Urban Development and University of New Mexico data. | GAO-24-106732

^aAreas with colonias are census tracts that contain one or more colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

^bOther border regions are census tracts within 150 miles of the U.S.-Mexico border in each state that do not contain one or more colonias, as identified in Department of Housing and Urban Development or University of New Mexico data as of 2010.

^cThis figure reflects the location of colonias included in Department of Housing and Urban Development or University of New Mexico data as of 2010.

To describe economic and housing conditions in areas with colonias, we analyzed data from the Census Bureau’s American Community Survey 2017–2021 5-year estimates. We also analyzed these data for the other border regions in each state and the state overall to provide context for our analysis.²

Because the American Community Survey is an ongoing survey based on a probability sample, we accounted for sampling error associated with these survey estimates by using the standard errors provided with these estimates. When deriving new estimates based on American Community Survey estimates—such as by combining census-tract-level estimates or obtaining percentages or ratios of estimates—we obtained the standard

²Other border regions included census tracts in each state that were within 150 miles of the U.S.-Mexico border, were not located within a metropolitan statistical area whose population exceeded 1 million, and did not contain any colonias.

errors in one of two ways. We used American Community Survey variance replicate tables when they were available, and otherwise we used American Community Survey approximation methodology. To determine whether estimates differed, we conducted statistical tests at the 95 percent confidence level based on each estimate's standard error.

To analyze exposure to natural hazards in areas with colonias, we selected four of the seven natural hazards identified in a prior GAO report as being likely to be exacerbated by climate change in the United States.³ The four hazards are heat, wildfires, flooding, and storm surges from hurricanes.⁴

For our selected hazards, we used national-level data from federal agencies that we determined to be the most appropriate.⁵ Data sources for each of the hazards we analyzed are as follows:

- **Heat.** To analyze exposure to heat, we used data from the fourth National Climate Assessment on the projected annual exposure to maximum temperatures in the midcentury (i.e., 2036–2065).⁶

³GAO, *Nuclear Power Plants: NRC Should Take Actions to Fully Consider the Potential Effects of Climate Change*, [GAO-24-106326](#) (Washington, D.C.: Apr. 2, 2023). To identify and select national-level datasets in this report, we used information from the fourth National Climate Assessment. The fifth National Climate Assessment was released on Nov. 14, 2023, after we had obtained and analyzed the hazard datasets. We reviewed relevant sections from the fifth National Climate Assessment and did not identify major differences in the predicted or projected trends for the selected natural hazards. U.S. Global Change Research Program, *Fifth National Climate Assessment* (Washington, D.C.: 2023), and *Fourth National Climate Assessment* (Washington, D.C.: 2018).

⁴The three natural hazards we excluded from our analysis were cold, sea level rise, and drought. We did not analyze data on (1) cold because the National Climate Assessment stated that the areas with colonias either already had or will see a reduction in extreme cold events, so we chose to focus our analysis on heat; (2) sea level rise because a relatively small percentage of the areas with colonias are coastal; and (3) drought because we were unable to identify national-level geospatial data that were both relevant to areas with colonias and sufficiently reliable for our purposes.

⁵To identify the best available federal-level hazard data, we relied on a prior GAO report.

⁶Specifically, we analyzed the projected change in the annual number of days with a maximum temperature greater than 90 degrees Fahrenheit. These projections are based on both low- and high-emission scenarios that incorporate different assumptions about future reductions in greenhouse gas emissions.

- **Wildfire.** To analyze exposure to wildfire hazard, we used 2023 Wildfire Hazard Potential data from the U.S. Forest Service.⁷ For reporting purposes, we grouped wildfire hazard potential into two categories: medium and high/very high.⁸
- **Flooding.** To analyze exposure to flood hazard, we used 2023 data from the Federal Emergency Management Agency’s National Flood Hazard Layer. For reporting purposes, a census tract is at high risk if it intersects with a 100-year flood plain and medium risk if it intersects with a 500-year flood plain. We did not assess flood risk in some tracts because we found that they did not intersect with any flood hazard data, which meant we could not assess their flood risk. These tracts included five in New Mexico (because 90 percent of these tracts did not have flood plain data) and all tracts in Texas (because over 50 percent of tracts in Texas did not intersect with any flood hazard areas).
- **Hurricane storm surge.** To analyze exposure to hurricane storm surge, we used 2022 data from the National Oceanic and Atmospheric Administration’s Sea, Lake, and Overland Surges from Hurricanes model. For reporting purposes, we grouped hurricane risk into two categories: at risk and not at risk.

We assessed the reliability of the fourth National Climate Assessment climate projections data we used to analyze heat exposure by (1) interviewing National Oceanographic and Atmospheric Administration officials knowledgeable about the data and (2) reviewing existing information about the data and the system that produced them. We determined the data to be reliable for our purposes.

To assess the reliability of the Federal Emergency Management Agency’s National Flood Hazard Layer, the National Oceanographic and Atmospheric Administration’s data on Sea, Lake, and Overland Surges from Hurricanes, and the U.S. Forest Service’s Wildfire Hazard Potential data, we reviewed a prior GAO data reliability assessment for a report using the same data.⁹ We determined the data to be reliable for the purpose of describing the risk of heat, wildfire, flooding, and hurricane

⁷The primary intended use of the data on wildfire potential is to identify priority areas where wildfire may be difficult to contain. The data do not explicitly show wildfire threat or risk.

⁸“High” and “very high” wildfire hazard potentials correspond to areas at the 85 percentile or greater of wildfire hazard potential.

⁹[GAO-24-106326](#).

storm surge to areas with colonias. Then, through interviews and email correspondence with officials from the National Oceanographic and Atmospheric Administration, the Federal Emergency Management Agency, and the U.S. Forest Service, we ensured that these data remained appropriate and reliable, considering any subsequent updates or changes made to the data.

To describe the conditions of water and wastewater infrastructure in colonias, we reviewed academic literature and government reports. To identify existing literature and reports, we conducted searches of various databases, such as ProQuest, EBSCO, Scopus, and Dialog, for studies describing access to water and wastewater infrastructure in colonias published in the previous 10 years. A GAO methodologist reviewed methodologies of selected studies to assess the overall quality of the studies' findings.

For our second objective, we reviewed relevant literature, laws and regulations, and agency materials to identify federal programs that provided assistance to communities with colonias. We reviewed materials from 14 agencies, including EPA, the Federal Housing Finance Agency, and the Department of the Treasury. We then established and applied criteria to determine which programs provided targeted assistance to colonias. Our criteria required that programs had to set aside a portion of funding for projects in colonias or prioritize funding to projects in colonias.¹⁰ The programs had to be active in all four border states between fiscal years 2020 and 2023. For each targeted program, we then analyzed legislation, agency regulations, and agency documentation on how funds can be used and program eligibility requirements. In appendix III, we describe federal programs with special features that may benefit colonias; these programs met some but not all of our criteria for targeted funding.

From HUD and USDA, we obtained data on annual obligations to colonias from fiscal years 2020 through 2023 for each of the five targeted programs we identified. We assessed the reliability of the data by reviewing relevant documentation, interviewing knowledgeable agency officials, and performing manual data testing. We determined the data from HUD's Community Development Block Grant program and USDA's

¹⁰Funding may be prioritized to colonias by requiring the agency to review and process applications for projects to colonias before other applications or by adding additional points for application scoring to projects from colonias.

Water and Environmental programs were sufficiently reliable for the purpose of describing obligations for targeted programs.

In response to our follow-up questions, USDA officials determined that the initial Single Family Housing program obligation data they provided to us from their origination system were unreliable, as discussed in this report. Subsequently, USDA estimated obligations to colonias by comparing digital maps of areas with colonias to the addresses of loan and grant recipients. We determined the estimated Single Family Housing program data were sufficiently reliable for the purpose of describing obligations to colonias. In addition, due to data reliability concerns, we assessed USDA Single Family Housing processes to identify and track data against statutory and agency requirements, such as USDA's Strategic Plan for Fiscal Years 2022–2026.¹¹

In addition, we also obtained data from HUD, USDA, and EPA on Congressionally Directed Funding and Community Project Funding to colonias (described in app. III).¹² HUD provided data on Congressionally Directed Funding/Community Project Funding to counties with colonias, and USDA and EPA provided data on funding specifically to colonias. We determined the Congressionally Directed Funding and Community Project Funding data from HUD, EPA, and USDA were sufficiently reliable for the purpose of describing this funding.

For our third objective, we reviewed relevant literature and interviewed the parties described above. To determine the potential effect of population changes on communities' eligibility for targeted programs, we reviewed the statutory eligibility requirements for colonias for HUD and USDA programs, analyzed geographic data from HUD on the communities that, according to HUD, are currently eligible as colonias under its definition, and reviewed relevant legislation. We discussed federal efforts to mitigate challenges to obtaining funding during the interviews described above.

¹¹U.S. Department of Agriculture, *Strategic Plan Fiscal Years 2022–2026* (Washington, D.C.: March 2022).

¹²As part of the fiscal year 2022 and 2023 appropriations processes, Members of Congress could request provisions designating an amount of funds to a particular recipient—such as a local government or nonprofit organization—for a specific project. These provisions are called “Congressionally Directed Spending” in the U.S. Senate and “Community Project Funding” in the House of Representatives.

**Appendix I: Objectives, Scope, and
Methodology**

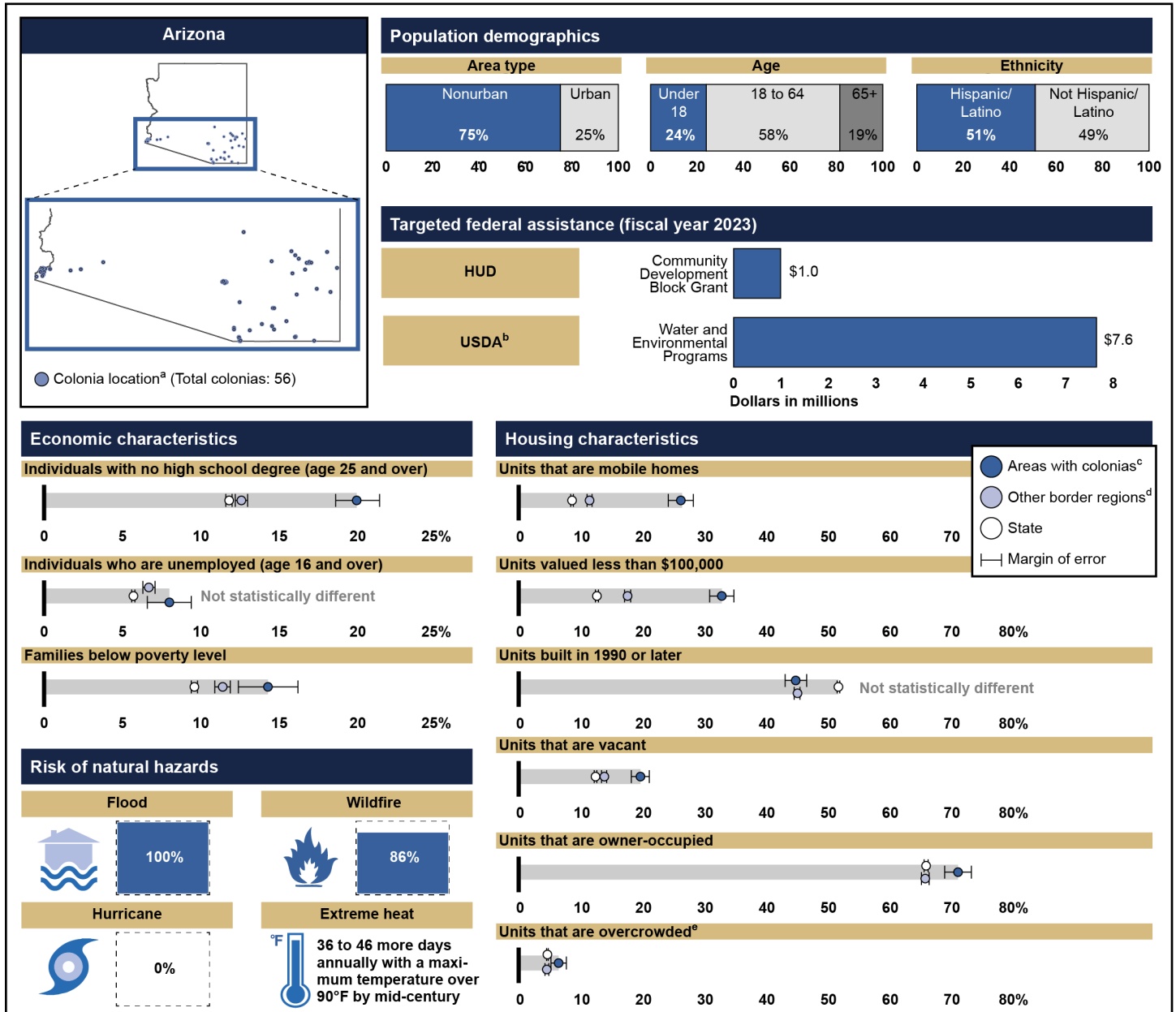
We conducted this performance audit from March 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

This appendix provides information on selected characteristics of colonias and areas with colonias in Arizona, California, New Mexico, and Texas (see figs. 18–21).

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

Figure 18: Selected Characteristics of Colonias and Areas with Colonias in Arizona



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), Federal Emergency Management Agency, U.S. Forest Service, U.S. Global Change Research Program, and National Oceanographic and Atmospheric Administration data; GAO (icons). | GAO-24-106732

Totals may not equal 100 percent due to rounding.

^aThis figure reflects the location of colonias included in HUD data as of 2010.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

^bWe did not include the amount of targeted assistance provided to colonias through USDA's Single Family Housing programs because we found that USDA's records for actual obligations to colonias were not reliable.

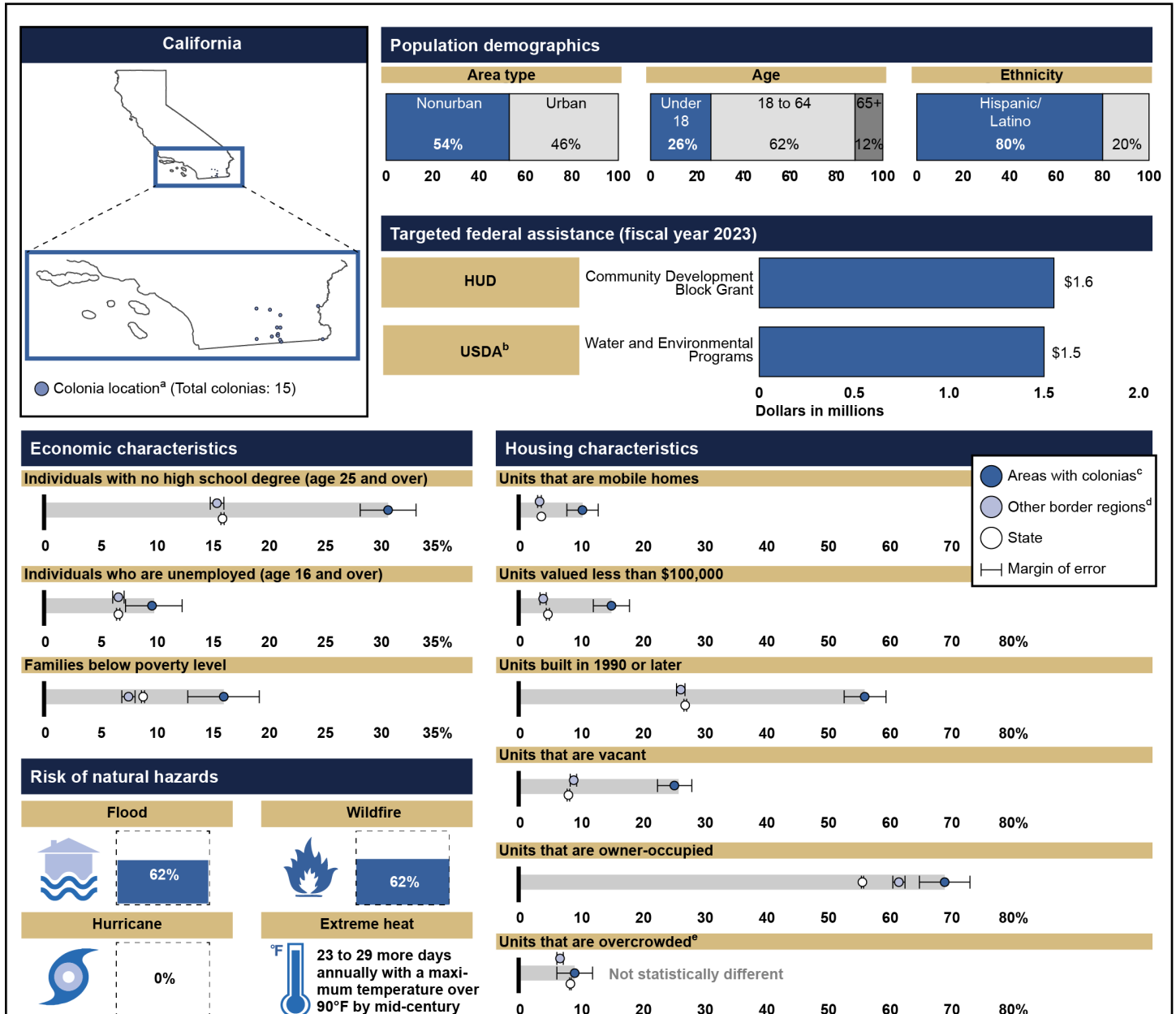
^cAreas with colonias are census tracts that contain one or more colonias included in HUD data of 2010.

^dOther border regions are census tracts within 150 miles of the U.S.-Mexico border that do not contain one or more colonias, as identified in HUD data as of 2010.

^eWe defined overcrowding as more than one person per room.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

Figure 19: Selected Characteristics of Colonias and Areas with Colonias in California



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), Federal Emergency Management Agency, U.S. Forest Service, U.S. Global Change Research Program, and National Oceanographic and Atmospheric Administration data; GAO (icons). | GAO-24-106732

Totals may not equal 100 percent due to rounding.

^aThis figure reflects the location of colonias included in HUD data as of 2010.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

^bWe did not include the amount of targeted assistance provided to colonias through USDA's Single Family Housing programs because we found that USDA's records for actual obligations to colonias were not reliable.

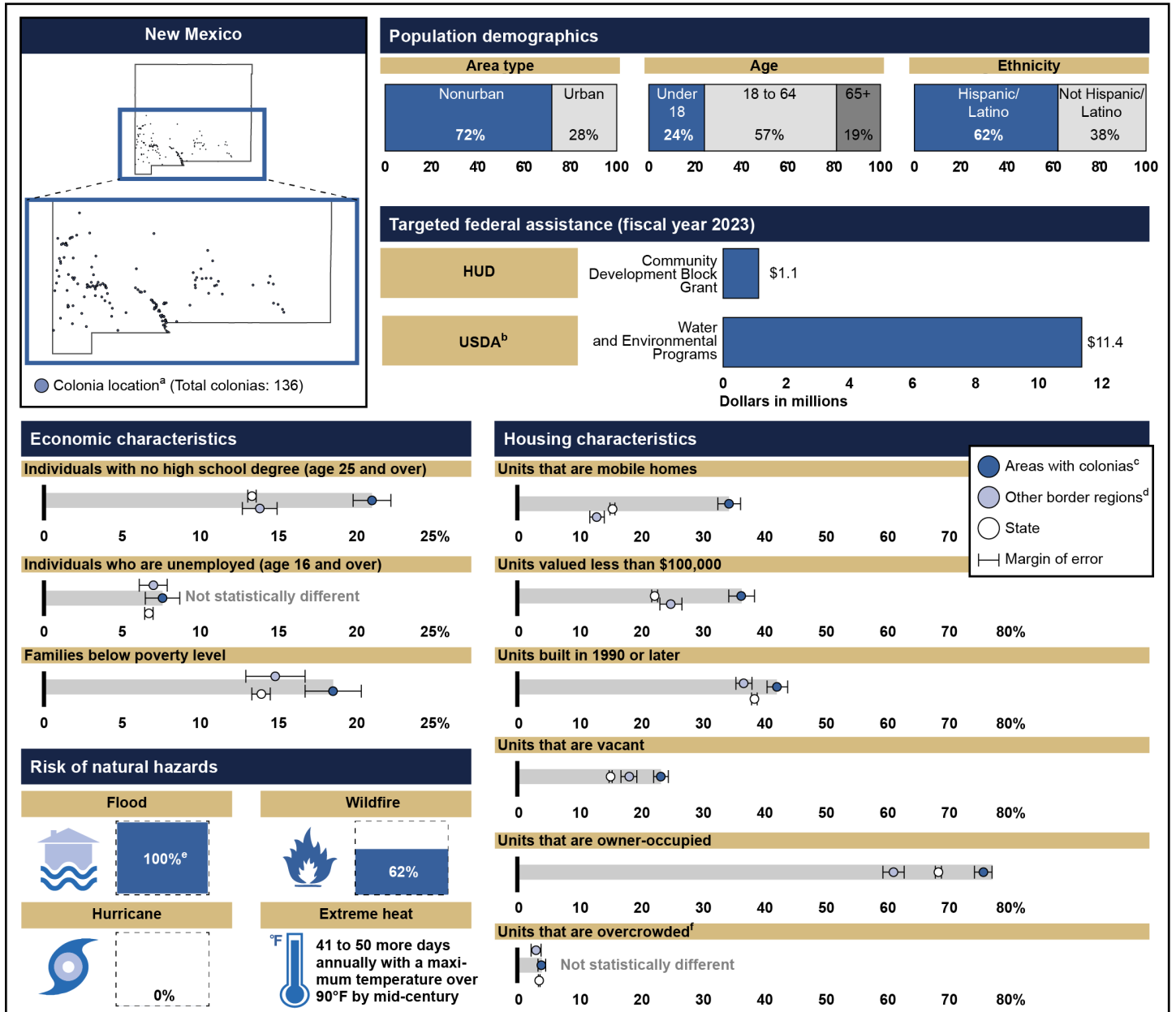
^cAreas with colonias are census tracts that contain one or more colonias included in HUD data as of 2010.

^dOther border regions are census tracts within 150 miles of the U.S.-Mexico border that do not contain one or more colonias, as identified in HUD data as of 2010.

^eWe defined overcrowding as more than one person per room.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

Figure 20: Selected Characteristics of Colonias and Areas with Colonias in New Mexico



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), Federal Emergency Management Agency, U.S. Forest Service, U.S. Global Change Research Program, National Oceanographic and Atmospheric Administration, and University of New Mexico data; GAO (icons). | GAO-24-106732

Totals may not equal 100 percent due to rounding.

^aThis figure reflects the location of colonias included in HUD or University of New Mexico data as of 2010.

**Appendix II: Selected Characteristics of
Colonias and Areas with Colonias in Each of
the Four Border States**

^bWe did not include the amount of targeted assistance provided to colonias through USDA's Single Family Housing programs because we found that USDA's records for actual obligations to colonias are not reliable.

^cAreas with colonias are census tracts that contain one or more colonias included in HUD or University of New Mexico data as of 2010.

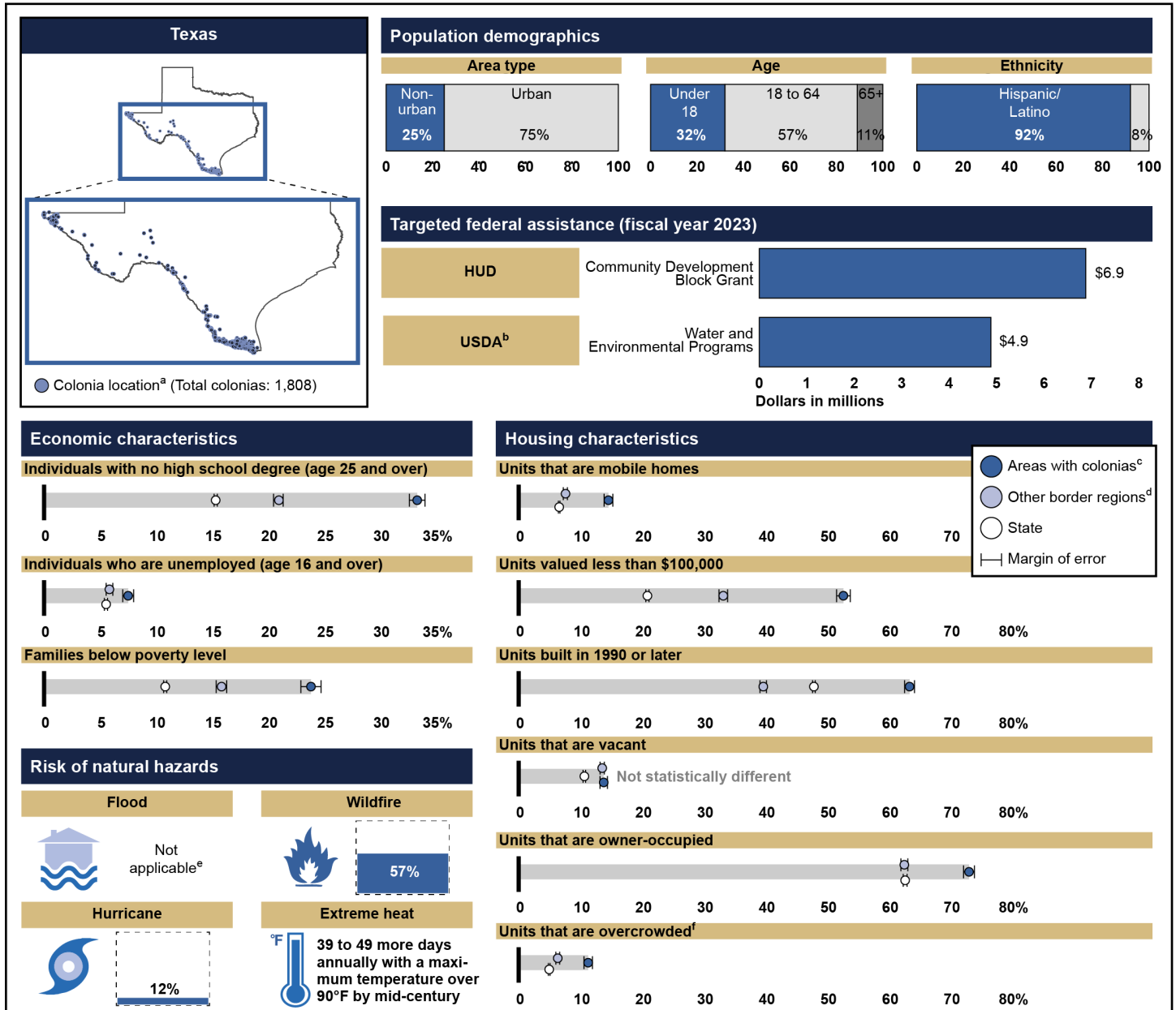
^dOther border regions are census tracts within 150 miles of the U.S.-Mexico border that do not contain one or more colonias, as identified in HUD or University of New Mexico data as of 2010.

^eWe excluded five census tracts with colonias that did not intersect with any flood hazard data, which meant we could not assess their flood risk.

^fWe defined overcrowding as more than one person per room.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

Figure 21: Selected Characteristics of Colonias and Areas with Colonias in Texas



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), U.S. Forest Service, U.S. Global Change Research Program, and National Oceanographic and Atmospheric Administration data; GAO (icons). | GAO-24-106732

Totals may not equal 100 percent due to rounding.

^aThis figure reflects the location of colonias included in HUD data as of 2010.

Appendix II: Selected Characteristics of Colonias and Areas with Colonias in Each of the Four Border States

^bWe did not include the amount of targeted assistance provided to colonias through USDA's Single Family Housing programs because we found that USDA's records for actual obligations to colonias are not reliable.

^cAreas with colonias are census tracts that contain one or more colonias included in HUD data as of 2010.

^dOther border regions are census tracts within 150 miles of the U.S.-Mexico border that do not contain one or more colonias, as identified in HUD data as of 2010.

^eWe did not assess flood risk in Texas because over 50 percent of census tracts with colonias in Texas did not intersect with any flood hazard areas, which meant we could not assess their flood risk.

^fWe defined overcrowding as more than one person per room.

Appendix III: Other Federal Programs That May Assist Colonias

This appendix describes federal assistance to colonias through Congressionally Directed Spending or Community Project Funding, as well as through programs with special features that benefit colonias and programs reported to be useful for colonias.

Congressionally Directed Spending/Community Project Funding

In fiscal years 2022 and 2023, according to agency data, Congressionally Directed Spending or Community Project Funding provided \$91 million for grants to areas with colonias.¹ These grants were administered by the Environmental Protection Agency, the Department of Housing and Urban Development, and the U.S. Department of Agriculture (USDA). Grants ranged from about \$100,000 to \$4 million for projects that included water and wastewater improvements, home improvements, and community development.

Programs with Special Features for Colonias

Table 6 lists federal programs with special features for colonias or certain communities that include colonias.² These features may include prioritizing colonia projects in competitive applications or reserving a portion of funding for technical assistance to colonias. All the identified programs with these characteristics are USDA programs. According to USDA officials, between fiscal years 2020 through 2023, the Circuit Rider Program provided technical assistance to colonias. The Regional Food Business Centers program was launched in 2022. The Broadband Technical Assistance and ReConnect Loan and Grant Program introduced special features for colonias in fiscal year 2023. The Farm Labor Housing Program (Section 514), Rural Housing Site Loans (Section 524), and Rural Rental Housing New Construction Program (Section 515) did not award funding to colonias during this period, according to USDA information.

¹As part of the fiscal year 2022 and 2023 appropriations processes, Members of Congress could request provisions designating an amount of funds to a particular recipient—such as a local government or nonprofit organization—for a specific project. These provisions are called “Congressionally Directed Spending” in the U.S. Senate and “Community Project Funding” in the House of Representatives. GAO, *Tracking The Funds: Agencies Have Begun Executing FY 2022 Community Project Funding/Congressionally Directed Spending*, [GAO-23-106318](#) (Washington, D.C.: Sept. 28, 2023).

²Table 6 does not include five programs that provided targeted assistance to colonias that were the focus of this report: the Department of Housing and Urban Development’s Community Development Block Grant program and USDA’s Water and Waste Facility Loans and Grants to Alleviate Health Risks; Individual Water and Wastewater Grants; Direct Home Loans; and Home Repair Loans and Grants.

Appendix III: Other Federal Programs That May Assist Colonias

Table 6: USDA Programs with Special Features for Colonias

Program	Program description	Assistance for colonias
Broadband Technical Assistance	Provides funding to eligible entities to receive or deliver broadband technical assistance and training, and to support the development and expansion of broadband cooperatives.	According to the agency, project applicants receive additional points in a competitive application process for projects benefiting certain communities, including colonias.
Circuit Rider Program Technical Assistance for Rural Water Systems	Provides technical assistance to rural water systems that are experiencing operational, financial, or managerial issues.	Ten percent of technical assistance is reserved for certain communities, including colonias.
Farm Labor Housing Program (Section 514)	Provides loans and grants to nonprofit organizations and state, local, and tribal governments for financing farm labor housing.	There is a 5 percent set-aside and funding preference for colonias per 42 U.S.C. § 1479 (f)(4).
ReConnect Loan and Grant Program	Provides loans and grants for the construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas.	A 100 percent grant with no match requirement is available to projects benefiting certain communities, including colonias.
Regional Food Business Centers	Supports food producers by providing localized assistance to access a variety of markets, including linking producers to wholesalers and distributors.	Colonias were identified by USDA as a high-priority area for service as part of Regional Food Center selection.
Rural Housing Site Loans (Section 524)	Loans to nonprofit organizations to acquire and develop sites for low- or moderate-income families.	There is a 5 percent set-aside and funding preference for colonias per 42 U.S.C. § 1479(f)(4).
Rural Rental Housing (Section 515)	Offers direct loans to eligible borrowers to provide affordable housing and related facilities for low- and moderate-income households, elderly households, and persons with disabilities living in rural areas.	There is a 5 percent set-aside and funding preference for colonias per 42 U.S.C. § 1479(f)(4).

Source: GAO analysis of U.S. Department of Agriculture (USDA) information. | GAO-24-106732

Federal Programs That May Be Useful for Colonias

Table 7 lists federal programs that do not target colonias through funding or special features but were identified in interviews with state or local government officials and nonprofit representatives as being useful to colonias.³

³The Coronavirus State and Local Fiscal Recovery Funds program, authorized by the American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4, 223-228, was also noted as helpful to colonias by local government representatives from Texas and Arizona. We did not include it on our list because it was a one-time funding program. In addition, the Department of Housing and Urban Development provides information on programs for residents of colonias on its website at <https://www.hud.gov/groups/hudprograms>.

Appendix III: Other Federal Programs That May Assist Colonias

Table 7: Selected Federal Programs Useful to Colonias

Agency	Program	Program Description
Environmental Protection Agency	U.S.-Mexico Border Water Infrastructure Grant Program	This binational program provides grants to water and wastewater facilities within 62 miles of the border. Most funds are allotted to the North American Development Bank to implement project development activities and construction.
U.S. Department of Agriculture	Emergency and Imminent Community Water Assistance Grants	This program helps eligible communities prepare for an imminent emergency or recover from an emergency that threatens the availability of safe, reliable drinking water.
	Section 523 Rural Housing Site Loan program	Section 523 loans are used to acquire and develop sites for housing to be constructed using the Self-Help method, in which families build each other's homes.
Department of Housing and Urban Development	HOME Investment Partnerships Program	This program provides formula grants to state and local governments to produce and maintain affordable rental and homeownership housing and provides tenant-based rental assistance for low-income households.

Source: GAO analysis of Department of Housing and Urban Development, Environmental Protection Agency, and U.S. Department of Agriculture information. | GAO-24-106732

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Jill Naamane at (202) 512-8678 or naamanej@gao.gov.

Staff Acknowledgments

In addition to the contact above, Lisa Moore (Assistant Director), Robert Lowthian (Analyst in Charge), Lauren Capitini, Breanne Cave, Amor Chambers, Colleen Moffatt Kimer, Jill Lacey, Moira Lenox, Grant Mallie, John Mingus, Marc Molino, Bryan Riccardi, and Jennifer Schwartz made key contributions to this report.

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