



June 21, 2022

Mr. Kevin Bush

Deputy Assistant Secretary for Grant Programs
Office of Community Planning and Development
United States Department of Housing and Urban Development
451 7th Street, Southwest
Washington, District of Columbia 20410

Dear Deputy Assistant Secretary Bush:

Since the beginnings of the COVID-19 pandemic, state and local community development agencies have undertaken significant steps to respond to economic, health, and social challenges posed by this global crisis. Federal supplemental funding through the CARES Act proved critical support to address wide-ranging needs including limited healthcare personnel and resources, high unemployment, and housing shortages. Among these key resources has been CARES Community Development Block Grant (CDBG-CV) funding. Projects and services supported by CDBG-CV have made a considerable difference in serving vulnerable populations most affected by the pandemic. Moving forward, these important developments in COVID recovery will continue to be facilitated by CDBG-CV.

A timeline is in place for grantees to **expend** supplemental funds through CDBG-CV; grantees are under a HUD-directed deadline to expend 80% of grant funding within three years as established by FR-6218-N-01 (85 FR 51457).¹ To date, approximately a third of these funds have been disbursed (33%).² Many grantees entered into their respective grant agreements in late 2020. In turn, the three-year deadline for these recipients is less than 18 months away.

Several issues have impeded progress in directing funds to eligible activities to “prepare, prevent, and respond to coronavirus.” To ensure effective and accountable use of CDBG-CV funds, we encourage HUD to update this policy and change the requirement to a three-year, 80% **obligation** deadline. The altered requirement ensures grantees demonstrate how funds will be

¹ Federal Register. 85 FR 51457. Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs. Published August 20, 2020. <https://www.federalregister.gov/documents/2020/08/20/2020-18242/notice-of-program-rules-waivers-and-alternative-requirements-under-the-cares-act-for-community>.

² U.S. Housing and Urban Development. Summary Status of FY2020 CARES Act Funds. May 31, 2022. <https://coscda.org/wp-content/uploads/2022/06/Copy-of-Summary-Status-of-FY2020-CARES-Act-funds-as-of-MAY-31-2022.xlsx>.

dedicated to pandemic response. Additionally, this alternative aligns CDBG-CV with the formula program regarding timeliness which is based on obligation of funding. Further, the six-year expenditure deadline maintains funds will be directed in a reasonable timeframe also consistent with the annual formula program. The revision is more conducive to the climate both now and moving forward allowing administrators enhanced ability to act on pandemic-related initiatives.

Barriers posed to states and localities in meeting the current timeline include:

Shifts in pandemic needs and response

Since the national emergency declaration in early 2020, needs have shifted multiple times in meeting public health and safety against COVID-19. As communities experienced varying levels of cases at different times and lockdowns and other measures were implemented, it was difficult for grantees to determine how best to invest CDBG-CV resources. CDBG is often used as gap financing, and adequate planning typically accompany developments known well ahead of time. With COVID-19 however many needs amounted in a short period and changed rapidly as well; as a result, grantees made preparations as best as possible for that particular time. A host of activities made eligible in one phase of the pandemic would not be relevant or useful to recipients as conditions changed in navigating the virus. To emphasize this situation further, the focus of the pandemic response in June 2022 is much different than that of June 2020.

Availability of other federal funding – larger amounts, more flexible, fewer requirements, & shorter timelines

Alongside \$5B made available through CDBG-CV, Congress also directed \$150 billion to states and localities in the CARES Act. Further supplemental funds were enacted for housing assistance in 2020 and 2021. In March of last year, Congress additionally directed \$350 billion in State and Local Fiscal Recovery Funds. The larger amounts of these resources combined with fewer restrictions, shorter timelines, and more flexibilities meant states and localities would prioritize this funding ahead of other available assistance including CDBG-CV.

HUD's waivers for CDBG-CV as well as FY2019 and 2020 annual program funds were certainly meaningful and needed to accommodate use of program funds for pandemic response. However, once Treasury funds were made available, programs were created to direct this funding source to particular needs. Rental assistance for example would be covered by a source dedicated to this purpose instead of CDBG-CV.

Navigating needs and activities supported by CDBG-CV

COVID-19 proved to be an unprecedented event with many harmful effects to communities and individuals. CDBG - though flexible to meet varying social, economic, and health needs - involves deliberate planning and actions even during an emergency crisis. The activities funded with CV resources though are not necessarily aligned with activities usually supported by a

grantee's CDBG program. At the onset of COVID-19, emerging needs were presented including housing and food assistance. Both activities were strongly funded early on however tapered off as other resources became available as well as moratoriums established to keep residents in their homes. Recently, grantees have pivoted to other activities including infrastructure development. While grantees consistently use annual CDBG funds for infrastructure-related activities, the tie-back to COVID means the same type of projects cannot be funded with CDBG-CV such as water and sewer improvements. Instead, grantees are standing up new projects and services outside of their annual platforms such as job training for healthcare workers, community health facilities, and assistance to specific businesses. Considerable time and effort are involved to advance these activities inconsistent with a grantee's usual investment priorities.

The clearest evidence of this predicament is increased support to public services. The annual rate of expenditures on public services remains around 10% in a given year.³ Due to the lift on the public services cap and increasing needs around subsistence payments and related activities, nearly 68% of CV expenditures in 2021 were directed to this category; though \$653 million supported subsistence payments, youth services, food banks, and other activities under public services, the concentration of funds to this category meant grantees had to establish and maintain programs typically not funded through annual funds. Due to changes in pandemic needs, grantees initially offering public services as eligible activities are now directing their efforts to other causes. PY2022 will likely show a reduction of investment to public services as state and local priorities are focused elsewhere.

Capacity limitations and increased costs

Perhaps the most significant barrier at present and likely in the near term are capacity issues related to carrying out activities with a tie-back to COVID-19. Not only are program administrators experiencing internal staffing constraints but the network of sub-recipients and grantees continue to fall short of both accessing and implementing CV activities. Beyond grantee limitations, contractor availability is also a significant issue. Labor shortages have reduced contractor availability to even bid much less complete projects supported by CV funding. Ongoing supply chain issues and cost increases for both labor and materials have inhibited project completion as well. On projects underway for both annual and CV funds, administrators consistently report cost overruns. With few solutions available, many projects have to be reduced in scope to meet budget demands. A combination of these factors lessens the ability for CDBG-CV to be applied as initially intended and in the anticipated timeframe.

NCDA and COSCDA recognize HUD's intent to install the existing timeline on grant expenditures in August 2020. However, circumstances largely outside of administrators' control persist and interfere with state and local implementation of CV resources. We instead offer a prudent alternative in updating the three year, 80% deadline from expenditure to obligation of

³ U.S. Housing and Urban Development. CDBG National Expenditure Report – FY2001-21. Accessed June 17, 2022. https://www.hudexchange.info/onecpd/assets/File/CDBG_Expend_NatAll.xlsx.

funds. Through an obligation standard, grantees would still remain accountable to communicating how funds are being directed. Further, the six-year expenditure deadline for all funds ensures timely distribution of funds overall. Precedent already exists for this revision as HUD recently adopted a renewed policy on CARES Act Emergency Solutions Grants (ESG-CV) funding; the update involved removing one deadline for grantees to expend 80% of funds and extending the final expenditure deadline by one year. The alternative requirement for CDBG-CV would better accommodate use of these resources and allow greater opportunity for grantees to respond to specific and current needs in their respective communities.

We welcome an opportunity to engage directly on this request. If action is underway on revising this policy, we urge announcement as soon as possible to allow both HUD and grantees to adjust accordingly. Please reach out at your convenience and we look forward to connecting in the future.

Sincerely,



Vicki Watson
Executive Director
National Community Development Association



Dianne E. Taylor
Executive Director
Council of State Community Development Agencies