



Responding to the COVID-19 Outbreak with Community Development Block Grant (CDBG) Authorities

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In response to the economic impact of the COVID-19 pandemic, some in Congress have suggested using the [Community Development Block Grant \(CDBG\)](#) program as a vehicle for providing financial relief to states and communities. Congress has regularly instituted a special variant of CDBG for long-term disaster recovery, known as CDBG-Disaster Recovery (CDBG-DR). This Insight considers the potential role of CDBG and CDBG-DR as economic development countermeasures to the coronavirus outbreak. For more information on the health and epidemiological aspects of COVID-19, see CRS products [R46219](#) and [IF11421](#).

About CDBG

CDBG is a flexible community and economic development program administered by the Department of Housing and Urban Development (HUD) that provides formula-based block grant funding to “entitlement communities”—broadly, cities with populations of 50,000 or greater, or urban counties of 200,000—which makes up approximately 70% of CDBG spending, and to the states and territories, which sub-allocate funds to non-entitlement communities. The [primary goal](#) of the CDBG program is “the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.”

As a condition for receiving funds, the program’s authorizing statute requires states and local governments to certify that proposed CDBG activities meet one of the program’s three national objectives. Eligible activities must:

- principally benefit low- and moderate-income persons defined as families and individuals whose household incomes do not exceed 80% of a jurisdiction’s median income;
- aid in the prevention or elimination of slums or blight; or

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- meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.

Title I of the [Housing and Community Development Act of 1974](#) identifies the categories of eligible activities that may be undertaken with CDBG funds. Generally, program activities fall into [six broad categories](#): planning and administrative activities; public works and public facilities; housing-related activities; public services; economic development; and acquisition, demolition, and disposition of real property.

CDBG Authorities for Disaster Recovery (CDBG-DR)

CDBG authorities are regularly used to respond to unmet long-term recovery needs in disaster-affected areas. The standing CDBG program can be employed to respond to and/or recover from emergencies or disasters either through (1) recipients planning for and obligating future funds in service of these objectives, or (2) recipients reprogramming existing funds by amending their consolidated plans in coordination with HUD.

However, existing CDBG funds may be insufficient to address the needs of long-term recovery from some disasters. In such instances, Congress has enacted supplemental appropriations under CDBG authorities to provide additional resources for unmet needs of affected communities—typically, but not exclusively, in areas with [federal emergency or disaster declarations](#) under the Stafford Act—which has come to be known as CDBG Disaster Recovery, or CDBG-DR.

CDBG-DR is not a standing program, but an adapted expansion of the CDBG program, newly authorized via an appropriations act. Because each CDBG-DR supplemental appropriation tends to include different directive language, according to the range of national needs Congress is addressing, HUD often develops new rules once it receives a CDBG-DR supplemental appropriation. It then engages in risk analyses pursuant the Office of Management and Budget’s [Uniform Grant Guidance \(UGG\)](#), and negotiates grant agreements with grantees. The typical CDBG-DR timeline from enactment to allocation to obligation of funds can take many months, and in some cases years. As such, CDBG-DR is generally not considered as a mechanism for responding rapidly to disaster events, but rather as a way to address long-term unmet disaster needs.

Congressional Considerations: CDBG as COVID-19 Countermeasure

Existing CDBG entitlement or state funds [may be used](#) to meet the urgent needs of grantees. In response to the COVID-19 pandemic, some U.S. localities have announced efforts to support [community services](#) and [small businesses](#) with existing CDBG funds. More states and communities may [make use of CDBG authorities](#) as a part of the federal response to the effects of the COVID-19 pandemic, such as through reprogramming existing CDBG funds or designating future funds as part of long-term social welfare and economic development recovery efforts. In addition, Congress may consider making use of supplemental appropriations to provide additional funding for the conventional CDBG program, which could accelerate the funding process and provide flexible funding for states and localities nationwide.

A fiscal expansion of the preexisting conventional CDBG program would not require additional HUD rulemaking or separate agreements with grantees. Additionally, the human and accounting infrastructure already exists among current CDBG grantees without the need to engage in broad-based capacity building, extended risk analyses, and establishing compatible accounting systems, as has sometimes been the case with past CDBG-DR efforts.

Increased CDBG funding could be utilized by grantees to address a wide variety of needs in response to the COVID-19 pandemic, including:

- Grants or revolving loan funds for small and medium enterprises;
- Supporting community non-profits performing essential services;
- Workforce development and training services for displaced workers;
- Retrofitting community facilities for medical or quarantine uses;
- Supporting food and other essential supply deliveries to elderly and other vulnerable populations; and
- Supporting various interrupted or at-risk core governmental functions.

Given the scale of the challenges posed by the pandemic, Congress could consider authorizing the Housing Secretary to waive the CDBG national objective that requires 70% of funds must principally benefit low- or moderate-income persons, and to issue broad dispensations to make use of the urgent need national objective, an [option that Congress has employed in the past](#).

Another potential challenge is ensuring availability of funding to non-entitlement communities. Most states sub-allocate CDBG funds to non-entitlement communities through competitive processes, but such a process may not be practicable given the urgency of the crisis. Alternatively, as some states already practice, state grantees could be directed to sub-allocate funds more systematically, such as through a formula process, to ensure non-entitlement communities receive rapid assistance.

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