

CDBG-DR Expenditure Reporting and Status Designations: Updated Methodology

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In January 2022, the U.S. Department of Housing and Urban Development (HUD) published a new version of its monthly expenditure report on [Community Development Block Grants for Disaster Recovery \(CDBG-DR\)](#). The [Monthly CDBG-DR Grants Financial Report](#) provides a snapshot of grant amounts, unexpended balances, and spending status (“on pace” or “slow spender”). Prior to the January publication, HUD had [postponed publication of monthly reporting on expenditure status](#) since [April 2020](#), citing potential effects of the COVID-19 pandemic on grantee administration and implementation of CDBG-DR projects. With the January report, [HUD unveiled an updated methodology](#) for designating grant spending status, with the intent to “more accurately reflect State and local government long-term disaster recovery efforts.”

This Insight reviews CDBG-DR monthly financial reporting and expenditure status designations. It also describes HUD’s recent methodological change for assessing expenditure status and concludes with some observations for congressional consideration. For more background information on CDBG-DR, see CRS Report R46475, *The Community Development Block Grant’s Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Joseph V. Jaroscak.

CDBG-DR Financial Reports

Under 2 C.F.R. §200, HUD is required to [monitor and track grantee performance](#). HUD uses the monthly reports to track the status of individual grants based on the amount of funds expended and the rate of expenditure. The [Monthly CDBG-DR Grants Financial Report](#) currently includes data on six descriptive components and four analytical components. The descriptive data components are:

1. grantee name;
2. grant identification code;
3. grant award amount;
4. unexpended balance amount;
5. disaster year; and
6. grant age in months.

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The analytical components included in the monthly CDBG-DR financial reports are:

1. anticipated spending percentage;
2. percent of funds drawn down;
3. spending status (i.e., “on pace” or “slow spender”); and
4. amount behind pace.

These analytical components provide the basis for HUD’s assessment of grantee capacity in carrying out CDBG-DR activities and expending funds in a timely manner.

Methodological Change

Previously, HUD assessed CDBG-DR grant expenditure using a “linear-burn rate” methodology which compared a [grantee’s three-month rolling average of expenditure](#) to the rate of expenditure necessary to meet its target grant closeout date (i.e., the [unexpended balance divided by the remaining months until the target closeout date](#)). Since 2015, CDBG-DR grant agreements have [required grantees to expend their entire allocation within six years](#) (unless extended).

A 2019 [analysis by the U.S. Government Accountability Office](#) (GAO) indicated potential discrepancies between “slow spender” designations published in the monthly reports and HUD’s internal assessments and documentation of grantee status. More recently, HUD’s Office of Inspector General (HUD-OIG) [published a report](#)—during the postponement—that included recommendations for improvements to a range of HUD tools for CDBG-DR grant monitoring, including the *Monthly CDBG-DR Grant Financial Report*. Regarding the monthly reporting, [HUD-OIG observed fluctuations](#) in spending status for some grantees, month-to-month, under the previous methodology. The analysis indicated that such fluctuations might have limited the efficacy of HUD’s monthly financial reporting as a tool for assessing and projecting long-term grantee performance, needs, and risk. In its report, [HUD-OIG acknowledged](#) that HUD’s Office of Community Planning and Development (HUD-CPD) was in the process of updating its methodology at the time of publication.

[The updated methodology](#) adopts a “best-fit” model, which accounts for actual grantee spending patterns at different [stages in a grant period](#), by calculating a baseline expenditure rate using data from all grants with the same target closeout date. Recognizing that a variety of factors may contribute to the pace of grant expenditure, the methodology allows for some variance, but establishes a threshold below the baseline at which a grantee would be designated as a “slow spender.” Based on its reporting on the updated methodology, HUD anticipates that this new approach will be more predictive of a grantee’s ability to spend funds in a timely manner, on a long-term basis.

The final monthly spending report published with the previous methodology, [for March 2020](#), identified approximately 65% of active grants in the slow spender category. In [HUD’s February 2022 report](#)—the second monthly report using the revised methodology—about 30% of grants were designated as slow spenders.

Concluding Observations

[HUD analysis](#) of past CDBG-DR grants indicates that the majority of grant funds are expended within three to four years, and the majority of recovery activities are completed after six years. Furthermore, HUD has concluded that new activities related to the covered event are unlikely [eight or ten years](#) after the disaster. Analysis from a [2021 GAO report](#) suggests that the length of time CDBG-DR grants typically remain open may contribute to potential fraud risks. To that end, accurate reporting on CDBG-DR

spending status plays an important role in HUD's ability to assess and mitigate potential fraud risk, as well as performance and capacity.

In addition to methodological changes for the *Monthly CDBG-DR Grants Financial Report*, [HUD-OIG has identified recommendations](#) to enhance several of HUD's CDBG-DR monitoring tools. [HUD-CPD responded](#) to HUD-OIG with actions that it has taken or plans to take to address most of the recommendations. However, [HUD-CPD also expressed concern](#) that the recommendations are not tied to regulations, allowing for potential discrepancies in interpretation and challenges in implementation.

CDBG-DR, unlike other federal recovery assistance programs provided by the Federal Emergency Management Agency and the Small Business Administration, is not permanently authorized. Consistent with [GAO's recommendation](#), some Members of Congress have introduced legislation that would permanently authorize CDBG-DR or a similar program. For example, the Reforming Disaster Recovery Act of 2021 (H.R. 4707 and S. 2471), introduced in the 117th Congress, would authorize CDBG-DR as a standing program and set in place a series of statutory requirements for grantee performance and reporting. Under the bill, grantees would be required to meet [annual spending thresholds](#) set by the HUD Secretary. In the 116th Congress, a substantially similar bill, H.R. 3702, was passed by the House. Another bill introduced in the 117th Congress, H.R. 2809, the Natural Disaster Recovery Program Act of 2021, would establish a separate program to address unmet needs of states and tribal entities in disaster recovery.

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