

ICF Podcast Series Navigating COVID-19 Aid—FAQs

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Episode 5: Community Development Block Grant Coronavirus Response (CDBG-CV)

1 What community development funding resources are available for COVID-19 response?

A: The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided more than \$12 billion in funding to the U.S. Department of Housing and Urban Development (HUD) for a wide range of programs, including \$5 billion for CDBG. HUD is referring to this \$5 billion in funding as CDBG-CV.

2 How much funding is currently available?

A: \$2 billion of the \$5 billion CDBG-CV funding was appropriated as supplemental funding to the Fiscal Year (FY) 2020 CDBG funds to be allocated based on the FY 2020 CDBG formula methodology. HUD announced these amounts in mid-April, and grant agreements are in process. All this information is available on [HUD.gov](https://www.hud.gov).

At this time, information on how the other \$3 billion will be allocated is pending, as this funding will use COVID-19-specific formula factors as outlined in the CARES Act. \$2 billion of this amount will have a specific formula allocation, and the remaining \$1 billion will have a formula based on other factors related to COVID-19 to determine how it will be allocated.

3 What are some of the specific regulatory waivers and flexibilities that have been granted to date?

A: The CARES Act eliminated the 15% cap on expenditures for public services. Removing this cap opens up a lot of options to grantees. HUD also shortened the public comment period to amend action plans to five days and is allowing virtual public hearings in support of social distancing. The action plan outlines for HUD how the grantees plan to use the funds. This flexibility applies to CDBG-CV and FY 2019–2020 CDBG funds. HUD has also provided some flexibilities related to the environmental review process.

HUD will be publishing a Federal Register notice that will include the requirements, waivers, and alternative requirements for CDBG-CV and FY 2019–2020 CDBG funds.

4 What types of activities would be eligible under CDBG-CV to aid in state and local response to COVID-19?

A: Grantees may use CDBG funds for a range of eligible activities that prevent and respond to the spread of infectious diseases. Examples include the following:

- Acquisition, rehab, or construction of facilities for testing, diagnosis, or treatment

- Grants or loans to businesses to prevent job loss and provide working capital to create jobs
- Grants or loans and technical assistance (TA) to microenterprises
- Provision of new or quantifiably increased public services on a wide range of items like job training, meal deliveries, provision of supplies, and testing or treatment services, including assistance with rent, mortgages, or utilities for a period of up to three months
- Planning, capacity building, and TA, as needed, to effectively carry out these activities

Grantees should look for the pending *Federal Register* notice for any additional waiver or flexibilities around eligible activities.

5 Do grantees need to wait until they execute a grant agreement for the CDBG-CV funds to incur COVID-19-related expenses?

A: No, grantees may use CDBG-CV funds to reimburse costs to prevent, prepare for, and respond to COVID-19 regardless of the date on which such costs were incurred provided those costs comply with CDBG requirements. However, this flexibility does not apply to FY 2019–2020 regular CDBG funds.

6 Are there any significant new requirements that apply to the CDBG-CV funds?

A: Yes, Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) duplication of benefits (DoB) requirements apply. This is a fairly complex topic, but put simply, grantees must ensure CDBG-CV is not duplicating insurance or other forms of disaster assistance. In other words, any person, household, business, or other entity assisted must not receive more than they need. There is [existing detailed guidance on DoB](#), but grantees are advised to seek assistance in understanding and implementing the DoB requirements.

7 Where can someone find more information on CDBG-CV?

A: COVID-19-related HUD information and resources can be found at hud.gov and hudexchange.info.

8 Are the CDBG Disaster Recovery (DR) funds allocated for disaster recovery eligible for COVID-19 assistance?

A: Unfortunately, no—CDBG-DR, CDBG National Disaster Resilience (NDR), and CDBG Mitigation (MIT) funds have been specifically allocated to address prior disaster impacts or are targeted to increase resiliency and/or mitigate risks of future disasters.

9 Is COVID-19 impacting current disaster and mitigation grants? If so, have any flexibilities been offered?

A: Yes, COVID-19 requires a massive coordinated response from states and local communities. Many staff members (especially those typically called upon to manage disasters, such as emergency management and HUD disaster management staff) have been tapped to assist with COVID-19. As a result, HUD has extended the submission date of several pending action plans for CDBG-DR and CDBG-MIT by 90 days.

Office of Management and Budget (OMB) guidance and HUD's FAQs allow programs and projects that are currently active to continue to pay salaries and other operating costs. However, the entity administering the funds must have written policies that allow paying salaries under unexpected circumstances; this is critical for getting reimbursed by HUD. Grantees need to immediately review their policies and add these terms if they are not already a part of their operation procedures. Other eligible costs can include the cost to resume activities if the activities were put on hold due to the pandemic. It is very important to maintain supporting documentation to justify the necessary and reasonable costs of salaries, operation costs, and other costs related to the interruption of the activity.

10 Can these grants cover costs that are normally not allowable?

A: Yes, this has been allowed as noted in OMB’s guidance and HUD’s FAQs. Costs do not have to meet the standard test for allowability, reasonableness, or allocability under 2 C.F.R. 200 if the activity would have been eligible without the disruption. For example, as many of us experienced, flights, meetings, and conferences have been cancelled; if those costs were eligible to charge to the grant, they are still eligible—even though the activities themselves have been cancelled. Again, maintaining documentation to justify the original activity’s eligibility and the justification for why it was changed will be critical for reimbursement.

11 Do any of the changes under the CARES Act apply to CDBG-DR, CDBG-NDR, or CDBG-MIT?

A: Yes, but only the CDBG-MIT funds. These grantees are allowed to use the virtual public hearing option provided under the CARES Act.

12 Any other thoughts regarding the various impacts of the CARES Act?

A: The regular state and entitlement CDBG grantees will have to factor in compliance with the Stafford Act and be very diligent about not duplicating benefits across funding sources. This is not typically something these grantees deal with unless they have also been managing CDBG-DR, CDBG-NDR, or CDBG-MIT funds. The good news is that HUD has provided guidance over the years for completing a duplication of benefits review, and those requirements will apply to CDBG-CV funds. The challenge will be identifying all the other potential sources of funding that could also cover an activity targeting the use of CDBG-CV funds and ensuring the funds are not duplicating the other funding source.

13 What advice and considerations would you offer to grantees as they look to follow the procurement requirements of the federal grant funding to ensure reimbursement?

A: It is critical to maintain knowledge and understanding of the required procurement practices from state or local agencies along with federal funding flow-down requirements. Both 2 C.F.R. 200.300 and one’s own local or state procurement requirements must be followed. Further, when there are multiple funding sources, it is important to pay close attention to the procurement rules and regulations for each—they are often different. When there are conflicts in any areas, one should follow the most stringent requirements.

The Stafford Act declaration has increased the acquisition thresholds for cost/price analysis requirements:

- i. The micro-purchase threshold has been raised from \$10,000 to \$20,000.
- ii. The simplified acquisition threshold has been raised from \$250,000 to \$750,000.
- iii. Use of simplified acquisition procedures for commercial item buys are now up to \$13 million.

In managing any acquisitions under these grants, one should keep records in sufficient detail regarding the history of the selection of supplier, the rationale of the method of the procurement, the selection of the contract type, and the basis for the price. It is critical to ensure all invoices are paid in accordance with the contract terms and to modify the contract when changes occur. Proper documentation and history are needed for all modifications as well. Being prepared for the likelihood of audits from the federal Office of Inspector General (OIG) will serve the grantee well and will mitigate concerns for later withholdings or disallowances of costs by the funding agency.

14 What contracting vehicles can grantees use to simplify their procurement of materials and services?

A: With the declaration of the public health emergency, grantees can leverage all federal General Services Administration (GSA) Multiple Award Schedules (MAS) for procurement of a wide range of commercial products and services. Many grantees might be aware of the usual flexibility to procure using the GSA Information Technology Schedules, but with the public health emergency declaration, they now have

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For more information and insights on COVID-19, visit:

<https://www.icf.com/insights/covid-19>

access to all schedules. Using pre-existing and pre-qualified suppliers expedites response and recovery and helps meet the grant requirements for doing fair market research. Prices under the GSA Schedules are established, but grantees must still complete a price reasonableness review, which can include completing their own independent estimate. And grantees should remember that pricing on the GSA schedules are ceiling prices, so grantees are free to negotiate a lower price than what is listed. Cost reasonableness and adequate documentation still apply in these cases.

GSA contracts do not include the necessary grant contract provisions required to be flowed down to suppliers and contractors, so grantees should use the GSA eBuy system, where they can upload and submit additional terms and conditions. Grantees are responsible to ensure these additional terms do not conflict with the GSA MAS contract.

15 What other flexibilities in procurement efforts are available under the federal regulations to grantees?

A: The Federal Emergency Management Agency (FEMA) has published a new fact sheet (dated March 17, 2020) that provides guidance to nonstate entities such as local governments, tribal governments, and educational institutions for procurements using federal grant monies under emergency and exigent circumstances. It specifically reminds such entities of the flexibility in the current federal procurement standards of 2 C.F.R. 200.320 that allows such entities to issue noncompetitive contracts under certain emergency and exigent circumstances. This allows local governments and other such entities to take immediate action and engage contractors for urgent assistance or relief using funds from federal grants. The fact sheet specifically notes that FEMA recognizes that noncompetitive procurements may be necessary to save lives, protect health, and ensure public safety, as well as lessen or avert the threat of a catastrophe. FEMA includes reminders in their fact sheet that OIG will closely review any such procurement actions. Thus, as noted previously, it is important that grantees follow all requirements of the federal regulations and thoroughly document the efforts of their contractual actions.

Please note that state governments do not necessarily have the specific allowances provided in the federal regulations for noncompetitive actions because they are required to follow their own procurement procedures as well as Federal Acquisition Regulations provisions. It will only be allowed if one's state procurement regulations have similar allowances for emergency or exigent circumstances.