

# Community Development Block Grants and the CARES Act

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The U.S. Department of Housing and Urban Development's (HUD's) Community Development Block Grant program (CDBG) can be employed by states and local units of government to support economic and community development efforts in response to the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act ([P.L. 116-136](#)) includes \$5 billion for the Community Development Fund, enabling additional HUD support for CDBG grantees. This Insight provides an overview of the conventional CDBG program, considers how CDBG funds may be used to support community and economic development efforts in response to the COVID-19 pandemic, and discusses provisions in the CARES Act pertaining to CDBG.

## Community Development Block Grant Program Overview

CDBG is a flexible program administered by HUD that provides formula-based block grant funding to states and eligible localities. CDBG authorities are regularly used to respond to unmet long-term recovery needs in disaster-affected areas. In some 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 have come to be known as CDBG Disaster Recovery, or CDBG-DR.

## CDBG Formula Allocation

[CDBG funds generally are allocated](#) through two separate formula processes. Approximately 70% of the program funds are granted to general units of local government under the [CDBG Entitlement Program](#). Eligible grantees in the entitlement program are (1) principal cities of Metropolitan Statistical Areas; (2) other metropolitan cities with populations of at least 50,000; and (3) qualified urban counties with populations of at least 200,000 (not including entitlement city populations). About 30% of CDBG program funds are granted to states based on a separate formula allocation, for disbursement to communities that do not qualify for entitlement funds. States have broad discretion in disbursing funds to nonentitlement communities.

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## National Objectives and Eligible Activities

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
- 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.

## Community Development Block Grant Program and COVID-19

The scope and objectives of the CDBG program enable activities that may support state and local responses to the COVID-19 pandemic. For instance, 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 economic effects of the COVID-19 pandemic. Grantees might consider reprogramming existing CDBG funds or designating future funds as part of long-term social welfare and economic development recovery efforts.

For more information on CDBG and COVID-19, see CRS Insight IN11277, *Responding to the COVID-19 Pandemic with Community Development Block Grant (CDBG) Authorities*, by Michael H. Cecire and Joseph V. Jaroscak

## Community Development Block Grant Provisions in the CARES Act

The CARES Act builds on features of the conventional CDBG program as well as precedents set by CDBG-DR supplemental appropriations in response to disasters. It appropriates \$5 billion for HUD's Community Development Fund and directs HUD to allocate the funds in various ways. Of the total, \$2 billion is to supplement the conventional CDBG program. The act directs HUD to distribute these funds pursuant to Section 106 of the Housing and Community Development Act of 1974 (42 U.S.C. 5306) and calls for [HUD to allocate](#) the funds to CDBG grantees—including eligible [local governments](#), [states](#), and [insular areas](#)—proportional to their FY2020 CDBG allocation, as [published by HUD in April 2020](#).

The act directs HUD to allocate \$1 billion of the total appropriation to states and insular areas outside of the standard formula. This funding is intended “to prevent, prepare for, and respond to coronavirus ... including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and

economic and housing market disruptions.” HUD announced [allocation amounts](#) for this second tranche of funds on [May 11, 2020](#).

The act directs that the remaining \$2 billion be distributed to states and units of local government, at the discretion of the Secretary, with formula factors defined by HUD. Up to \$10 million of these funds may be used to supplement existing awards or to provide additional technical assistance to current CDBG grantees. HUD published the [allocation methodology and amounts](#) on September 11, 2020.

The CARES Act grants authority to the [Secretary to waive or specify alternative requirements](#) for the CDBG funds provided in the CARES Act and two other recent appropriations measures—[P.L. 116-94](#) and [P.L. 116-6](#). This waiver authority provided in the CARES Act is similar to that generally granted under CDBG-DR supplemental appropriations. The provision does not authorize waivers or modifications from requirements related to fair housing, nondiscrimination, labor standards, or environmental considerations. Additionally, the act sets forth expedited procedures for grantees to prepare, propose, modify, or amend their planned activities for appropriated CDBG funds in the act and those in the same heading in [P.L. 116-94](#) and [P.L. 116-6](#). The act also waives program limits on public service activities that relate to COVID-19.

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