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Community Development Block Grants for Disaster Recovery: A Primer

In response to some disasters, Congress has provided supplemental funding for long-term disaster recovery and other related purposes under the Community Development Block Grant (CDBG) program’s statutory authority (42 U.S.C. §§5301 et seq.). Administered by the Department of Housing and Urban Development (HUD), this assistance is commonly referred to as CDBG-DR funding.

Since FY1993, Congress has appropriated, and HUD has allocated, more than \$111 billion in CDBG-DR funds. Roughly \$65 billion of this total has been provided since FY2016. During this period, Congress also began to provide dedicated supplemental CDBG appropriations for certain mitigation activities, which are included in the totals.

Overview

CDBG-DR funding is intended to support needs unmet by other forms of federal disaster assistance, including Federal Emergency Management Agency (FEMA) grants and Small Business Administration loans. Typically, Congress directs HUD to allocate CDBG-DR funds for use in the “most impacted and distressed areas” in jurisdictions with major disaster declarations under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. §§5121 et seq.; Stafford Act)—see for example P.L. 118-158.

CDBG-DR is not a program with its own standing authorization or regulations. Instead, CDBG-DR funds, generally, are subject to the conventional CDBG program’s statutory authority and regulatory requirements. The text of CDBG-DR supplemental appropriations typically include specific statutory directives and authorize HUD to establish waivers and alternative requirements as circumstances may require, which can make each instance of CDBG-DR appropriations unique.

Grants Management Process

Although directives in appropriations acts and aspects of HUD’s grant administration may vary, the CDBG-DR funding and disbursement cycle typically follows a common series of general steps governed by congressional requirements and overarching HUD regulations. The basic steps in the CDBG-DR funding and disbursement process are listed below:

1. Congress provides funding through a supplemental appropriations act, which defines eligibility and may include specific guidelines for the use of funds;
2. HUD sets allocation amounts and establishes rules for the use of funds

provided in the corresponding CDBG-DR supplemental appropriations act;

3. Eligible grantees (i.e., states, localities, U.S. Territories, or federally recognized tribes) draft CDBG-DR action plans and certifications, engage in public participation, and submit the documents to HUD;
4. HUD reviews and approves action plans and certifications, negotiates grant agreements, and obligates funds;
5. Grantees implement action plans and expend CDBG-DR funds; and
6. HUD monitors grantee program activities and expenditures.

Eligible Activities and Requirements

Broadly, eligible uses in the conventional CDBG program’s statute and regulations (42 U.S.C. §5305 and 24 C.F.R. §570.201) establish the baseline of eligible CDBG-DR activities. Provisions in supplemental appropriations acts or HUD rulemaking could modify eligible activities and associated requirements.

Typically, grantees need to demonstrate that a proposed CDBG-DR activity has a direct “tie-back” or connection to the disaster for which funds were provided. Additionally, CDBG-DR activities must meet one of the conventional CDBG program’s three national objectives:

1. to principally benefit low- and moderate-income (LMI) persons;
2. to aid in the prevention or elimination of slums or blight; or
3. to provide an urgent need for the purposes of health or safety.

In general, grantees are required to utilize 70% of their funds for activities that principally benefit LMI populations. In some cases, HUD has relaxed the LMI requirement to 50%, typically pursuant to authority provided by Congress in a supplemental appropriations act. For the purposes of CDBG-DR, LMI is defined as at or below 80% of the area median income.

Oversight Findings

The ad hoc nature of the CDBG-DR process, some argue, has allowed Congress and HUD to adapt grant requirements to the specific needs of affected communities. Some analysis indicates that it may have also contributed to coordination and planning challenges.

The Government Accountability Office (GAO) has reported instances of protracted CDBG-DR rulemaking periods, inconsistent administrative time frames, and funding delays. Some grantees have also expressed concern to GAO regarding the administrative burden of simultaneously managing multiple CDBG-DR grants with differing sets of requirements. Additionally, GAO has highlighted ongoing fraud risk associated with CDBG-DR funds.

Some HUD Office of Inspector General (HUD-OIG) audits have identified potential deficiencies in HUD’s grantee guidance, monitoring processes, and grantee data collection, which may pose risks related to improper payments and challenges with preventing or identifying waste, fraud, and abuse.

HUD Administrative Reforms

HUD has instituted some measures to standardize CDBG-DR processes within the current framework. For example, on January 8, 2025, HUD published a “Universal Notice” in the *Federal Register* to standardize and clarify the CDBG-DR rulemaking process. According to HUD, the Universal Notice is a uniform rulemaking document designed to accompany an Allocation Announcement Notice (AAN) when Congress provides supplemental appropriations and rulemaking authority for CDBG-DR. The Universal Notice outlines waivers and alternative requirements for three key phases of the grants management process, carried out by CDBG-DR grantees:

1. Action Plan development;
2. financial certification and oversight of funds; and
3. implementation.

HUD’s stated intent in establishing a Universal Notice is to “provide grantees and the public with increased transparency, consistency, and more timely access to CDBG-DR funds, helping to minimize program delays and accelerate recovery.”

The first AAN subject to the Universal Notice requirements was published on January 16, 2025, and provided allocations for disasters occurring in 2023 and 2024 pursuant to P.L. 118-158. HUD amended the Universal Notice on March 19 and March 31, 2025. According to HUD, the amendments were intended to conform with several executive orders and a presidential memorandum issued between January 20 and February 19, 2025, on subjects pertaining to cost of living and diversity, equity, and inclusion practices. HUD also announced a 60-day extension for CDBG-DR grantees that were subject to the initial Universal Notice requirements.

Prior to establishment of the Universal Notice, HUD took initial steps to standardize CDBG-DR processes by including a “consolidated notice” as an appendix of allocation announcements in the *Federal Register*. HUD adopted this practice for disasters occurring in 2020, 2021, and 2022, as well as selected 2023 disasters. The consolidated notice—and its accompanying guidance—outlined uniform CDBG-DR processes and requirements for grantees covered by these allocations and rulemaking.

Recent Proposed Legislation

GAO has recommended congressional action on authorization of a federal unmet needs disaster recovery program. HUD’s Congressional Budget Justifications (CBJs) for FY2023-FY2025 expressed support for congressional authorization of CDBG-DR. HUD’s FY2026 and FY2027 CBJs did not include such language.

In the 119th Congress, some Members of Congress have proposed legislation that would authorize CDBG-DR within HUD or establish a similar new program to provide for unmet disaster recovery needs in another agency.

Reforming Disaster Recovery Act

A version of a Reforming Disaster Recovery Act has been included in two housing-related legislative packages that were agreed to in the Senate during the 119th Congress (S.Amdt. 4308 and S. 2296 Division I, Title LV, Section 5505). The bill would formalize HUD’s role in disaster response and recovery. Specifically, it would authorize CDBG-DR as a standing program, establish a dedicated fund for the program within the Treasury, and create the Office of Disaster Management and Resiliency within HUD’S Office of the Secretary to oversee and coordinate the agency’s disaster preparedness and response functions.

Natural Disaster Recovery Program Act

A Natural Disaster Recovery Program Act of 2025 (H.R. 316) would establish a dedicated fund in the Treasury and authorize FEMA to provide assistance for unmet disaster recovery needs of states and tribal governments, among other provisions.

Considerations for Congress

Past congressional hearings on CDBG-DR have addressed HUD’s role in the disaster recovery process. Topics have included the efficacy of CDBG-DR assistance and considerations pertaining to potential authorization.

Permanently authorizing CDBG-DR would designate HUD as a principal disaster management agency, with a more direct and official role in disaster management. Although HUD does currently have disaster management responsibilities, including its administration of CDBG-DR, permanent authorization could formally broaden HUD’s scope in this policy area. This could require further consideration on HUD’s staffing and technical capacity to carry out potentially expanded and formalized functions pertaining to disaster mitigation, response, and recovery.

If Congress authorizes CDBG-DR or another form of unmet needs assistance into a standing disaster recovery and mitigation program, it would face consideration of what the best agency is to administer it. HUD or another economic development-focused agency may be a potential choice, depending on the priorities of the authorization legislation, or an agency with more regular disaster management responsibilities.

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