



Grant Funds Interchangeability Checklist

Community Development Block Grant Disaster Recovery

August 2024

INTRODUCTION

Interchangeability is a provision of recent Appropriations Acts which allows grantees the flexibility to use Community Development Block Grant Disaster Recovery (CDBG-DR) funds allocated under different appropriations (as applicable) interchangeably under certain circumstances. It is important for grantees to understand how to use the flexibility provided through interchangeability provisions to their advantage to streamline recovery and align the different requirements found across appropriations.

Interchangeability provisions cover two concepts, known as grant funds interchangeability and program administrative costs interchangeability, both of which are defined below.

- **Program Administrative Costs (PAC) Interchangeability:** The authority to use CDBG-DR and CDBG-MIT funds interchangeably for administrative costs.
- **Grant Funds Interchangeability¹:** The authority to use grant funds interchangeably, as long as the most impacted and distressed (MID) areas overlap and the activities address the unmet needs of both disasters (e.g., planning costs, Activity Delivery Costs, activity costs, etc.).

This checklist focuses on **grant funds interchangeability** and is designed to give grantees a quick reference tool to understand various interchangeability requirements and offer best practices to assist in establishing interchangeability processes, policies, and procedures. Grantees should view this tool as simplified guidance for establishing interchangeability, while keeping in mind all the necessary policies and procedures.

Before using this checklist, please review [CDBG-DR Policy Bulletin 2023-02: Interchangeability Provisions and Other Flexibilities](#) for comprehensive guidance and examples. Additionally, consider watching the [2023 Interchangeability Overview Webinar](#) to gain further context. With this background, grantees can use the checklist as a practical tool, which is designed to support the information provided in both the Policy Bulletin and the Webinar.

For more detailed guidance on cost categories and provisions for the allocation of Program Administrative Costs, Activity Delivery Costs, and Planning Costs, please refer to [CPD Notice 23-06](#) and the [Allocating Costs](#) webinar.

¹ Note, Grant Funds Interchangeability is not applicable to CDBG-Mitigation funding.

GRANT FUNDS INTERCHANGEABILITY CHECKLIST

- Verify that funds were appropriated for qualifying disaster ([published in a *Federal Register* notice](#)) and take note of the Allocation Announcement Notice and corresponding Public Laws for each allocation.

Allocation Announcement Notice: _____
 Disaster Year & Public Law: _____

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- Using the Public Laws for each allocation allocated, ensure that may be used interchangeably (See Table 2).

Table 2. Use of Grant Funds Interchangeability

Disaster Year	Use of Grant Fund Interchangeability	Public Law Reference	Interchangeability with funds awarded in 2019 or earlier?	Interchangeability with funds awarded in 2019 or later?
2019 or earlier*	N/A	Refer to individual public laws for each allocation.	Only when paired with a grant allocated in 2020 or later.	Only when paired with a grant allocated in 2020 or later.
2020 – 2023**	For any CDBG-DR grant, including prior to 2015 grants and any future CDBG-DR grant that may be received.	Pub. L. 117-43, 117-180, 117-328	Yes	Yes

*Congress first authorized interchangeability in the use of CDBG-DR and CDBG-MIT funds allocated in response to Hurricanes Matthew and Florence under the Additional Supplemental Appropriations for Disaster Relief Act, 2019, Pub. L. 116-20, (2019 Appropriations Act). This law allowed the grantees of North Carolina and South Carolina to use CDBG-DR funds allocated for Hurricanes Matthew and Florence interchangeably for the same activities in the most impacted and distressed areas. Likewise, the 2019 Appropriations Act authorized grantees that received an allocation for mitigation funding provided by Pub. L. 115-123 in response to Hurricane Matthew to use the CDBG-MIT funds for the same activities, consistent with the requirements of the CDBG-MIT grant, in the most impacted and distressed areas related to Hurricane Florence.

**For any CDBG-DR funds appropriated after Pub. L. 117-328 (2022), grantees should verify that the act allows funds to be used interchangeably and should consult the applicable *Federal Register* notice.

- ❑ Ensure that planned expenses are eligible and meet the definitions of **Activity Delivery Costs (ADC)** and/or **Planning Costs**, or other activity costs incurred.
 - **Activity Delivery Costs (ADC):** *Allowable costs incurred for implementing and carrying out eligible CDBG-DR activities. All ADCs must be allocable to a CDBG-DR activity. ADCs include direct costs integral to the delivery of the final CDBG-DR assisted activity. In some circumstances, ADCs may include indirect costs ([CPD Notice 23-06](#)).*
 - **Planning Costs:** *Costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans ([CPD Notice 23-06](#)).*
- ❑ Identify recovery needs for both disasters and ensure that:
 - ❑ The envisioned activities are the same (e.g., housing rehabilitation);
 - ❑ The activities are conducted in and limited to overlapping most impacted and distressed (MID) areas (i.e., HUD or grantee identified MID areas for both disasters); and
 - ❑ The activities address unmet recovery needs from both disasters (i.e., unmet needs at the CDBG-DR action plan level – not unmet needs of individual beneficiaries).
- ❑ If necessary, request waivers and alternative requirements to align requirements and create consistency between grants.
 - ❑ Review and compare *Federal Register* notices to identify inconsistent requirements and potential administrative burdens. Examples of inconsistencies may include different provisions, different eligible activity types, and different requirements for activities under each individual *Federal Register* notice.
 - ❑ Submit a waiver request to HUD (e.g., section 414 of the Stafford Act).
 - ❑ Complete a substantial amendment to your CDBG-DR action plan(s).
- ❑ For new allocations: Develop CDBG-DR action plans governing the CDBG-DR grant (note, a substantial amendment will be required for existing grants). CDBG-DR action plans must include the following:
 - ❑ Identification of overlapping portions of the MID areas where interchangeability is limited to;
 - ❑ Eligible beneficiaries from both disasters;
 - ❑ The recovery activities that are the same (e.g., rehabilitation, rental assistance, buyouts);
 - ❑ How the combined use of all funds will address unmet recovery needs from both disasters; and
 - ❑ How each activity is connected to the specific recovery need for which the funds were appropriated (i.e., tie-back).

- ❑ Submit a CDBG-DR substantial amendment to a previously approved CDBG-DR action plan when any of the following occur:
 - There is a change in program benefit or eligibility criteria (e.g., Pool of eligible beneficiaries of an activity is expanded);
 - There is an addition or deletion of an activity;
 - There is a proposed reduction in the overall benefit requirement;
 - There is an allocation or reallocation of a monetary threshold specified by the grantee in the action plan;
 - A waiver and/or alternative requirement is requested that impacts any of the above.
- ❑ Outline the rules and requirements for each grant established in applicable *Federal Register* notices (e.g., the “rules follow the money,” so if a grantee is using its 2017 CDBG-DR funds to address the needs of a 2021 disaster, the grantee must follow the requirements established in the *Federal Register* notice(s) for the 2017 disaster).
- ❑ Train staff, subrecipients, and/or other partners who administer funds to understand which rules apply to which grant.
- ❑ Update the CDBG-DR action plans in the Disaster Recovery Grant Reporting (DRGR) system (i.e., Public Action Plan and DRGR Action Plans (Projects and Activities)²).
- ❑ Establish performance measures for DRGR activities.
- ❑ Begin using CDBG-DR funds interchangeably and tracking program outcomes.
- ❑ Report on use of funds for each grant under the applicable activity in the DRGR system.
 - ❑ Ensure the activity outcomes are reported under the applicable activity in DRGR (See [CDBG-DR Policy Bulletin 2023-02: Interchangeability Provisions and Other Flexibilities](#) for examples).

² HUD created the Public Action Plan in DRGR, which is a function that allows grantees to develop and submit their action plans for disaster recovery directly into DRGR. The Public Action Plan is different from the DRGR Action Plan (Projects and Activities), which is a comprehensive description of projects and activities in DRGR. This requirement was established in the Consolidated Notice and applies to grants prospectively. All CDBG-DR grants executed before the Consolidated Notice continue to follow the “published” action plan process where the action plan is submitted and approved outside of DRGR.