

# **CDBG-DR**

# **Policy Bulletin**

Interchangeability Provisions and  
Other Flexibilities



November 2023

2023-02

## Community Development Block Grant Disaster Recovery

### Interchangeability Provisions and Other Flexibilities

#### INTRODUCTION:

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The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant Disaster Recovery (CDBG-DR) funds to address unmet disaster recovery needs through activities authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 *et seq.*) (HCDA). Authorized activities include those activities related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the “most impacted and distressed” areas resulting from a qualifying major disaster. Recent appropriations authorize flexibilities for CDBG-DR and CDBG-Mitigation (CDBG-MIT) funds to be used interchangeably under certain circumstances.<sup>1</sup> This Policy Bulletin summarizes how and when CDBG-DR and CDBG-MIT funds can be used interchangeably.<sup>2</sup>

#### BACKGROUND:

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This Policy Bulletin discusses the different provisions that allow interchangeability across multiple grants for disasters occurring in 2015 or later. As of June 2019, a grantee may charge an eligible program administration cost to any CDBG-DR or CDBG-MIT grant awarded for a major disaster occurring in 2015 and later. To implement this provision, a grantee must have appropriate financial management policies and procedures to ensure that its expenditures for each grant will not exceed the applicable cap on administrative funds for each grant (i.e., five percent of the grant award plus five percent of program income). This authority is found in the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Pub. L. 116–20) approved June 6, 2019, which authorizes the interchangeability of CDBG-DR and CDBG-MIT funds provided under Public Laws 114–113, 114–223, 114–254, 115–31, 115–56, 115–123, 115–254, 116-20, or future acts, for eligible **administrative** costs without regard to the particular appropriation from which the funds originated.

Next, on September 30, 2021, Congress approved the Disaster Relief Supplemental Appropriations Act, 2022 (Pub. L. 117-43), which allows grantees receiving funds appropriated under Pub. L. 117-43 for a major disaster occurring in 2020 or 2021 that also received CDBG-DR or CDBG-MIT grants under **past or any future acts**, to use its administrative funds (up to

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<sup>1</sup> 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.

<sup>2</sup> CDBG-DR Policy Bulletins are guidance documents created by HUD. As guidance, this document does not create any new requirements. Through this guidance HUD seeks only to clarify existing requirements and provide best practices for grantees receiving CDBG-DR funds.

five percent of each grant award plus up to five percent of program income generated by the grant) for costs of administering any CDBG-DR or CDBG-MIT grant, without regard to the particular disaster or appropriation from which such funds originated. Pub. L. 117-43 expanded the previous flexibility provided under Pub. L. 116-20 explained in the first paragraph, which did not allow grantees to use administrative funds interchangeably for grants before 2015 (i.e., 2014 or earlier).

Additionally, Pub. L. 117-43<sup>3</sup> permits grantees that receive funds appropriated under Pub. L. 117-43 **and** any prior or future appropriations for activities authorized under title I of the HCDA related to unmet recovery needs, to use grant funds interchangeably for the same activities in overlapping HUD-identified or Grantee-identified Most Impacted and Distressed (MID) areas if the activities address unmet needs of both disasters. Note: Because the appropriation states that funds must be used to address the “unmet needs” of both disasters, CDBG-DR grantees cannot use CDBG-MIT funds or CDBG-DR Mitigation Set Aside grant funds interchangeably.<sup>4</sup>

To simplify the terminology used in this Policy Bulletin, the authority to use CDBG-DR and CDBG-MIT funds interchangeably for administrative costs under Pub. L. 116-20 and 117-43 is defined as “PAC Interchangeability.” PAC Interchangeability only applies to eligible program administrative costs and is described in more detail in section II. The authority to use grant funds interchangeably, as long as the MID areas overlap and the activities address the unmet needs of both disasters under Pub. L. 117-43, is defined as “Grant Funds Interchangeability.” Grant Funds Interchangeability applies to any eligible costs (e.g., planning costs, Activity Delivery Costs, activity costs, etc.) and is described in more detail in section III.

Additionally, because there are different cost categories and provisions related to interchangeability, grantees are encouraged to review [CPD Notice 23-06](#). This CPD Notice provides guidance and definitions for the allocation of costs between a Program Administrative Cost (PAC), Activity Delivery Cost (ADC), and (3) planning cost. CDBG-DR grantees should refer to [CPD Notice 23-06](#) to determine which flexibilities apply to which types of costs and to review other tips for strong financial management practices.

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<sup>3</sup> The Continuing Appropriations Act, 2023 (Pub. L. 117-180), approved September 30, 2022, and the Department of Housing and Urban Development Appropriations Act, 2023 (Pub. L. 117-328, Division L, Title II), approved December 29, 2022, provides that funds under either of these acts “may be used for the same purposes and under the same terms and conditions” as Pub. L. 117-43 for major disasters in 2021 or 2022, except that grantees can assist utilities as part of a disaster-related eligible activity under section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)). Therefore, PAC Interchangeability and Grant Funds Interchangeability applies to funds appropriated under Pub. L. 117-43, 117-180, and 117-328 for 2020, 2021, and 2022 disasters.

<sup>4</sup> Pub. L. 117-43 states that...the Secretary is authorized to approve the use of amounts made available under this heading in this Act or a prior or future Act for activities authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) related to unmet recovery needs in the most impacted and distressed areas resulting from a major disaster in this Act or in a prior or future Act to be used interchangeably and without limitation for the same activities in the most impacted and distressed areas resulting from other major disasters assisted under this Act or a prior or future Act when such areas overlap and when the use of the funds will address unmet recovery needs of both disasters...

## I. APPLICABILITY OF PROVISIONS

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A grantee cannot use CDBG-DR funds interchangeably until there are funds appropriated and allocated to the grantee for a qualifying disaster (i.e., published in a Federal Register notice). Once HUD allocates funds to an existing grantee, a grantee may use PAC Interchangeability for its existing grant(s) for the administration of funds for the new disaster, even if HUD and the grantee have not yet entered into a grant agreement for the new grant. However, whether Grant Funds Interchangeability applies to the use of funds allocated for the new disaster will depend on the requirements in the appropriation for that disaster.



For example, an existing grantee has a CDBG-DR grant for a 2018 disaster. HUD has announced the allocation of CDBG-DR funds for a 2022 disaster to the grantee in an Allocation Announcement Notice (AAN), published in the *Federal Register*. Once the AAN is published in the *Federal Register*, a grantee may begin using its 2018 CDBG-DR funds for eligible Program Administrative Costs related to the 2022 disaster.

However, a grantee cannot use Grant Funds Interchangeability for activities for a recent disaster until certain conditions are met. Continuing the example above, the grantee must amend its action plan for the 2018 disaster through a substantial amendment to begin using its 2018 disaster funds for the same activities in overlapping MID areas of the 2022 disaster, provided the activities address unmet needs of both disasters. Similarly, the grantee cannot use its 2022 disaster funds to address unmet recovery needs related to the 2018 disaster until HUD approves the action plan for the 2022 disaster as substantially complete and a grant agreement for the new grant is executed.

Additionally, all waivers and alternative requirements associated with a CDBG-DR grant apply to the use of the funds provided by that grant, regardless of which disaster the funded activity will address (i.e., the rules follow the money). For example, if a grantee is receiving funds for a disaster occurring in 2021 and the MID areas for the 2021 disaster overlap with the MID areas for a disaster that occurred in 2017, the grantee may choose to use the funds allocated for the 2021 disaster to address unmet needs of both the 2017 disaster and the 2021 disaster. In doing so, the grantee must follow the rules and requirements for the 2021 disaster grant. However, if the grantee chooses to use its CDBG-DR grant awarded due to a disaster that occurred in 2017 to address unmet needs of both that disaster and the 2021 disaster, the grantee must follow the rules and requirements outlined in the *Federal Register* notices applicable to its CDBG-DR grant for 2017 disasters.

## II. PAC INTERCHANGEABILITY

### A. Requirements

PAC Interchangeability may be limited, depending on the authority provided in the appropriation. For example, Pub. L. 116-20 limits PAC Interchangeability to funds awarded for 2015 or later disasters. Therefore, funds appropriated under Pub. L. 116-20 cannot be used interchangeably for administrative costs with CDBG-DR funds awarded for a disaster that occurred prior to 2015 (e.g., a grantee may use PAC Interchangeability for administrative funds for a 2015 disaster and 2018 disaster, but not for a 2015 disaster and 2013 disaster).

However, Appropriations Acts beginning with Pub. L. 117-43, allow administrative funds to be used interchangeably with any prior or future acts, without regard to the disaster and appropriation. Note, this change only applies to funds under these appropriations (e.g., disasters occurring in 2020, 2021, and 2022) and does not apply generally to any or all past grants. For example, a grantee **cannot** use PAC Interchangeability for administrative funds awarded for a 2004 disaster with administrative funds awarded for a 2008 disaster. However, this grantee may use PAC Interchangeability for a 2020 disaster and 2004 disaster or a 2020 disaster and 2008 disaster. Please see the table below to determine the application of PAC Interchangeability by disaster year.

*Table 1: Differences in PAC Interchangeability*

Disaster Year	Use of PAC Interchangeability	Public Law Reference
<b>Prior 2015</b>	N/A	Refer to individual public laws for each allocation
<b>2015-2019</b>	CDBG-DR or CDBG-MIT grants for 2015, 2016, 2017, 2018, 2019, and future CDBG-DR grant that may be received	Pub. L. 114-113, 114-223, 114-254, 115-31, 115-56, 115-123, 115-254, 116-20
<b>2020-2022</b>	For any CDBG-DR or CDBG-MIT grant, including prior to 2015 grants and any future CDBG-DR grant that may be received	Pub. L. 117-43, 117-180, 117-328

To apply PAC Interchangeability to the use of funds, the grantee must:

- 1. Have appropriate financial controls to ensure that the amount of program administration expenditures for each grant will not exceed the appropriate caps.**
  - Since administrative funds are limited, grantees are advised to establish policies to confirm that costs are categorized correctly (e.g., is staff time an administrative cost or an activity delivery cost?).
  - For example, grantees may forecast their budget for administration to cover the lifecycle of their grant to ensure they do not exceed the appropriate cap.
- 2. Review and modify its financial management policies and procedures regarding the tracking and accounting of administration costs, as necessary.**
  - Grantees are advised to establish appropriate timekeeping processes to record administrative costs across all of their grants, while relying on forecasts and projections to ensure that each grant remains below the appropriate cap.

**3. Address the adoption of this treatment of administrative costs in the applicable portions of its Financial Management and Grant Compliance submissions (as described in relevant *Federal Register* notices)<sup>5</sup>.**

- For example, has the grantee revised its financial management policies and procedures that were certified to address its use of PAC Interchangeability?

Grantees may use up to five percent of each grant award for eligible administrative costs, plus up to five percent of program income generated by the grant. To ensure compliance, grantees are advised to:

- Establish mechanisms within its financial operating procedures for each CDBG-DR award so that the caps will not be breached.
- Include how the grantee's staff will monitor its financial management systems for compliance and conduct regular quality assurance/quality control reviews in its operating procedures.
- Identify roles and responsibilities in its Implementation Plan to demonstrate to HUD that it has proper processes and staffing to maintain compliance with this provision and other applicable requirements.

Additionally, grantees must have financial management policies and procedures to verify that CDBG-DR expenses are necessary, reasonable, allowable, and allocable in accordance with 2 CFR Part 200. Grantees should implement policies and procedures to ensure that funds that are categorized and expended as administrative costs are eligible before drawing down CDBG-DR funds. Correctly categorizing costs is especially important because PAC Interchangeability of CDBG-DR funds was not permitted prior to the enactment of Pub. L. 116-20. Therefore, a grantee should update its financial management system so that it can identify, track, manage, and record administrative costs and reallocate or adjust costs as needed.

*NOTE: The availability of PAC Interchangeability does not negate the otherwise available option for a grantee to use existing non-Federal funds to incur eligible administrative costs before an agreement is signed and to subsequently be reimbursed from the new grant funds for such eligible costs. A grantee can reimburse itself, its recipients, or subrecipients for otherwise allowable costs incurred on or after the incident date of the covered disaster. When a grantee chooses to reimburse itself for pre-award activities, the grantee must include the pre-agreement activities in the action plan.*

**Key Takeaways for PAC Interchangeability:**

To successfully adopt PAC Interchangeability, grantees are encouraged to:

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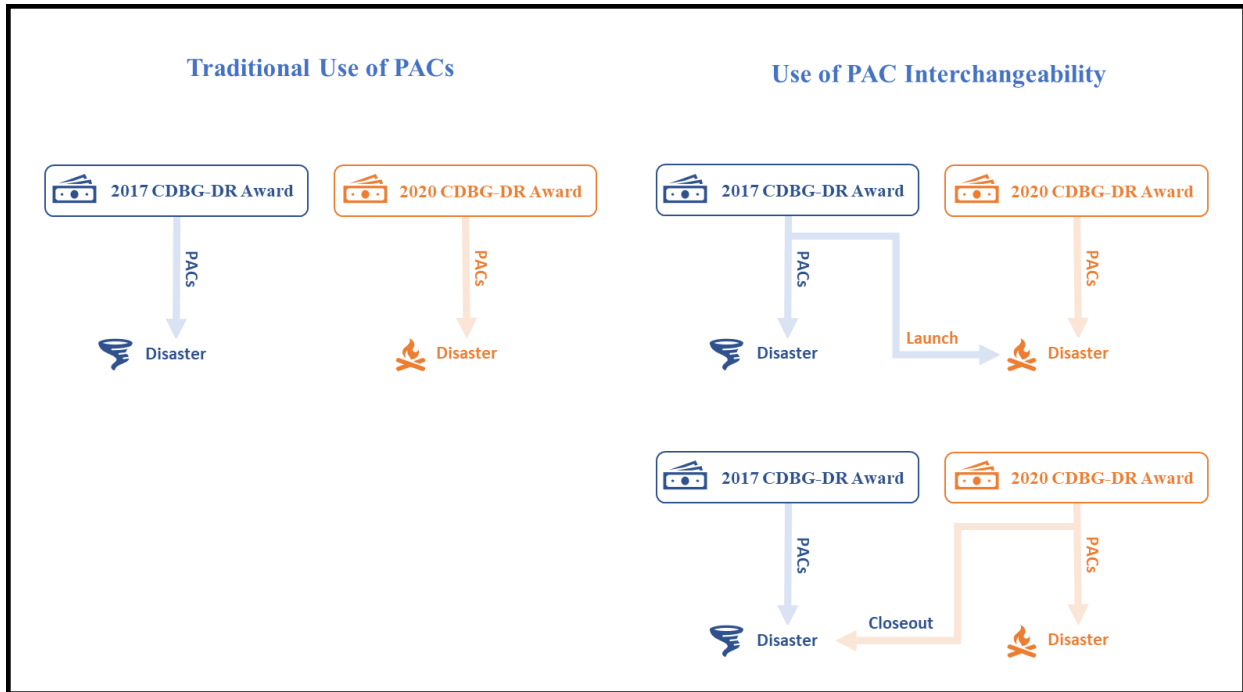
<sup>5</sup> Typically, the Appropriations Act requires the Secretary to certify that the grantee has proficient financial controls in place. To make this determination, each grantee must complete the applicable Certification Checklist and/or Addenda, which can be found at [https://www.hud.gov/program\\_offices/comm\\_planning/cdbg-dr/regulations](https://www.hud.gov/program_offices/comm_planning/cdbg-dr/regulations).

1. Determine if the interchangeability of funds is limited to future grants, or if it can be used for prior *and* future grants (allocations for disasters prior to 2015 are not eligible unless the appropriation of the future grant allows it)
2. Develop policies and procedures to implement interchangeability.
3. Update financial management policies and procedures to track administrative costs between the grants.
4. Train staff, subrecipients, or other partners that will administer funds to properly classify, track, and account for administrative costs (See [CPD Notice 23-06](#) to build comprehension of different cost categories)
5. Update Certification Checklists, as applicable, to adopt this treatment of funds.

#### B. Example Using PAC Interchangeability

PAC Interchangeability should allow grantees to expedite recovery after a disaster because the grantee can use administrative funds from previous CDBG-DR awards to fund eligible administrative costs related to the new disaster. As an example, a grantee may use PAC Interchangeability to prepare for and launch its recovery from a recent disaster that receives CDBG-DR funds. In this example, a grantee receives CDBG-DR funds for disasters occurring in 2017 and 2020. This grantee may use its 2017 administrative funds to hire staff to write the 2020 disaster's action plan and manage the 2020 disaster grant. If the grant for the 2017 disaster is nearing the 5 percent administrative cap, the grantee may use its 2020 disaster grant's administrative funds to close out the 2017 disaster grant. Other eligible administrative costs that could be used interchangeably are costs related to accounting and financial management, marketing and outreach for the action plan, internal auditor costs, and other personnel and human resource costs that cannot be related to a specific CDBG-DR activity.

Figure 1: Comparison of Traditional Use of PACs to PAC Interchangeability



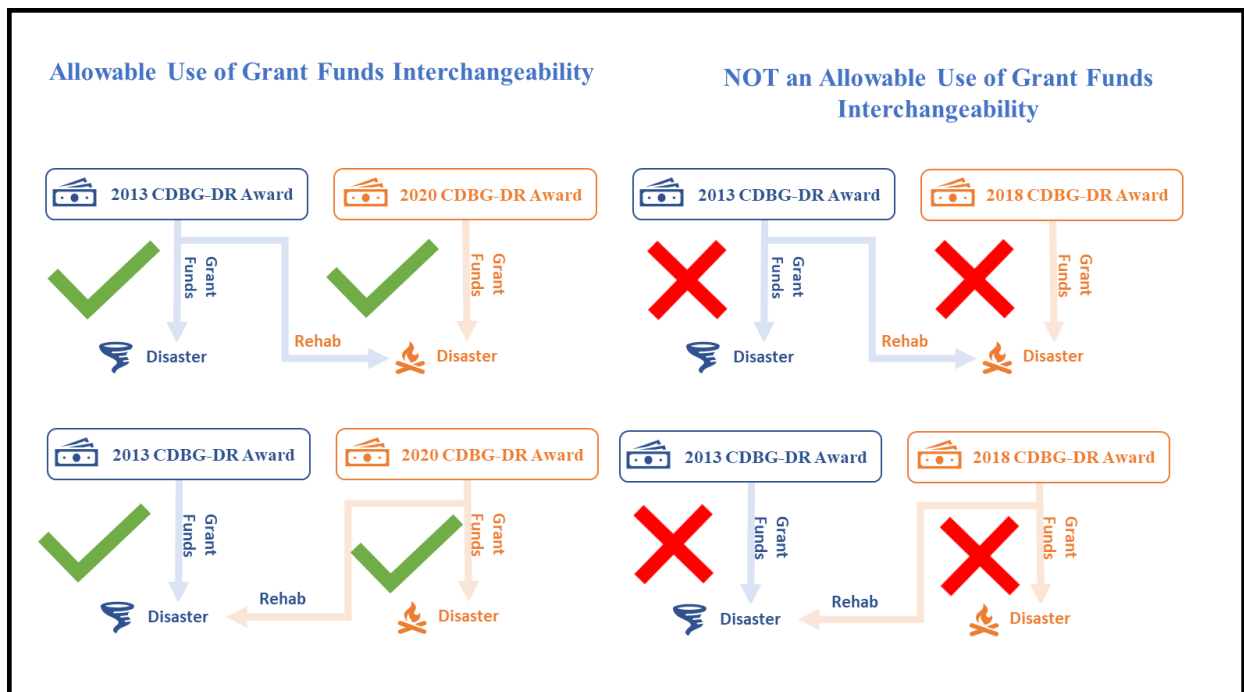
### III. GRANT FUNDS INTERCHANGEABILITY

#### A. Requirements

Grant Funds Interchangeability (e.g., ADCs, planning costs, activity costs, etc.) permits the use of funds from more than one appropriation for the same activities in the MID areas resulting from a major disaster, as long as the MID areas overlap, and the activities address the unmet recovery needs of both disasters. Therefore, to use this provision the grantee’s action plans for both disasters must identify the same use of funds and describe how these same uses address the unmet needs for long-term recovery, restoration of infrastructure and housing, or economic revitalization for both disasters in the overlapping MID areas. Note: a grantee cannot use Grant Funds Interchangeability between any CDBG-DR grant and can only use the provision with a grant that has explicit statutory authority to do so. For example, a grantee can use Grant Funds Interchangeability between a 2020 and 2013 CDBG-DR grant but cannot use Grant Funds Interchangeability between a 2013 and 2018 CDBG-DR grant as demonstrated in the figure below.



Figure 2: Understanding how to Use Grant Funds Interchangeability



HUD will evaluate whether the use of funds in the overlapping MID areas will address unmet recovery needs of both major disasters at the **highest reasonable level**. For CDBG-DR grants, this will be evaluated at the action plan level (not by evaluating unmet needs of individual beneficiaries). Accordingly, before using funds for a disaster other than the major disaster for which the funds were awarded, a CDBG-DR grantee must describe in its action plan that governs the use of the funds how the combined use of all funds under both appropriations will address unmet recovery needs of both major disasters.<sup>6</sup>

To meet this requirement, the grantee must demonstrate that each activity is connected to the specific recovery need for which the funds were appropriated (i.e., “tie-back”), but not that each activity is connected to the same specific recovery need of both disasters. As unmet recovery needs are generally developed at the MID-area, “tie back” is generally developed at the activity-level. While the specific recovery needs do not have to be the same for both disasters to use Grant Funds Interchangeability, the activities must be the same. For example, if a 2018 disaster caused wind damage and a 2020 disaster caused flood damage, the grantee may use CDBG-DR grant funds for the 2018 disaster and 2020 disaster for the same activity – housing rehabilitation – to address the damage (caused by wind or flood) and unmet recovery needs of both disasters.

<sup>6</sup> Note, the Federal Register Notice published on June 21, 2022 ([87 FR 36869](#)) describes how HUD interprets this requirement to be consistent with congressional intent to increase the speed of recovery and ease administrative burdens.

If a grantee expands the eligible beneficiaries of activities in an approved action plan to use Grant Funds Interchangeability, the grantee must submit a substantial amendment to the approved action plan. Typically, a grantee must submit a substantial amendment to an action plan when there is a change in program benefit or eligibility criteria; an addition or deletion of an activity; a proposed reduction in the overall benefit requirement<sup>7</sup>; or the allocation or reallocation of a monetary threshold specified by the grantee in their action plan. Using funds for a disaster to address the unmet needs of a different disaster results in a change in program benefit of one or both grants, depending on how the grantee uses Grant Funds Interchangeability, especially when there is a significant amount of time between the two disasters. A change in program benefit or eligibility criteria for the assistance in the activity requires a substantial amendment to one or both action plans for the use of funds from one or both grants.

When using Grant Funds Interchangeability, it is also important for grantees to remember that the “rules follow the money.” Each CDBG-DR appropriation provides terms and conditions specific to the appropriation. HUD imposes these terms and conditions and grant requirements, including waivers and alternative requirements, on the use of funds from a particular appropriation in the applicable *Federal Register* notices. This means that the requirements for a specific CDBG-DR grant imposed in the applicable *Federal Register* notices continue to apply to those grant funds, regardless of whether those funds are used interchangeably to address a recovery need of a different disaster. For example, if a grantee is receiving funds for a disaster occurring in 2021 and the MID areas for the 2021 disaster overlap with the MID areas for a disaster that occurred in 2017, the grantee may choose to use the funds allocated under this notice to address unmet needs of both the 2017 disaster and the 2021 disaster. In doing so, the grantee must follow the rules and requirements outlined in the notice that applies to the specific disaster grant. If the grantee chooses to use its CDBG-DR grant for a disaster that occurred in 2017 to address unmet needs of both the 2017 disaster and the 2021 disaster, the grantee must follow the rules and requirements outlined in the *Federal Register* notices applicable to its CDBG-DR grant for 2017 disasters, even though the funds are addressing the needs of the 2021 disaster.

Grantees are reminded that they may request additional waivers and alternative requirements from the Department, as needed, to address a disaster’s specific needs. Requesting waivers that create consistency between grants may be especially helpful for a grantee using Grant Funds Interchangeability. A grantee that has CDBG-DR funds for two disasters may request additional waivers for the funds of one disaster to align with requirements for the funds for the other disaster to ease administrative burden and expedite recovery. For example, CDBG-DR funds for 2021 disasters have a waiver of section 414 of the Stafford Act,

*...to the extent that [section 414] would apply to real property acquisition, rehabilitation, or demolition of real property for a CDBG-DR funded project commencing more than one year*

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<sup>7</sup> A proposed reduction in the overall benefit requirement is a new criterion for a substantial amendment. This requirement was introduced in the Consolidated Notice, which can be found in Appendix B of the Federal Register Notice published on February 3, 2022 ([87 FR 6364](#)), May 24, 2022 (87 FR 31636), January 18, 2023 (88 FR 3198), and other future grants that will be covered by the Consolidated Notice.

*after the date of the latest applicable Presidentially declared disaster untaken by the grantees, or subrecipients, provided that the project was not planned, approved, or otherwise underway before the disaster.*

In this example, the grantee may wish to request a waiver of section 414 for its funds for the 2013 disaster so the funds for the 2013 disaster and funds for the 2021 disaster are operating under the same waiver of section 414 of the Stafford Act.

As a best practice, any grantee requesting a waiver for one grant to align with the requirements of another grant should submit a waiver request (e.g., section 414 of the Stafford Act) and a substantial amendment of the action plan for the corresponding grant funds at the same time. HUD will review the waiver request and substantial amendment concurrently and will make a determination for approval or disapproval. In the approval of a substantial amendment, HUD will include language that only conditionally approves the amendment<sup>8</sup>, until HUD can formally approve the waiver request. The approval of the waiver request, if granted, will come after the amendment. This submission sequence should allow a grantee to begin modifying its program operations as soon as a waiver request is approved. All grantees should work with the assigned CPD representative or Grant Manager to develop and request any additional waivers or alternative requirements from HUD headquarters.

### **Key Takeaways for Grant Funds Interchangeability:**

To successfully adopt Grant Funds Interchangeability, grantees are encouraged to:

1. Develop procedures to verify that the funds have the authority to use the provision.
2. Identify recovery needs of both disasters (e.g., rehabilitation, rental assistance, buyouts).
3. Update each action plan to include the expanded beneficiaries (e.g., beneficiaries impacted by both disasters).
4. Limit the use of interchangeability to the overlapping MID areas.
5. Track outcomes separately in DRGR.
6. Train staff, subrecipients, or other partners that administer the funds to understand which set up rules apply (e.g., the “rules follow the money”).

### **B. Example Using Grant Funds Interchangeability**

As an example, a grantee receives funds under Pub. L. 117-43 for a disaster occurring in 2021. The MID areas for the 2021 disaster overlap with the MID areas for a disaster that occurred in 2018. The grantee may use the 2021 disaster funds to address the unmet needs of both disasters. In doing so, the grantee must follow the rules and requirements outlined in the *Federal Register* notices applicable to its CDBG-DR grant for 2021 disasters. When the grantee

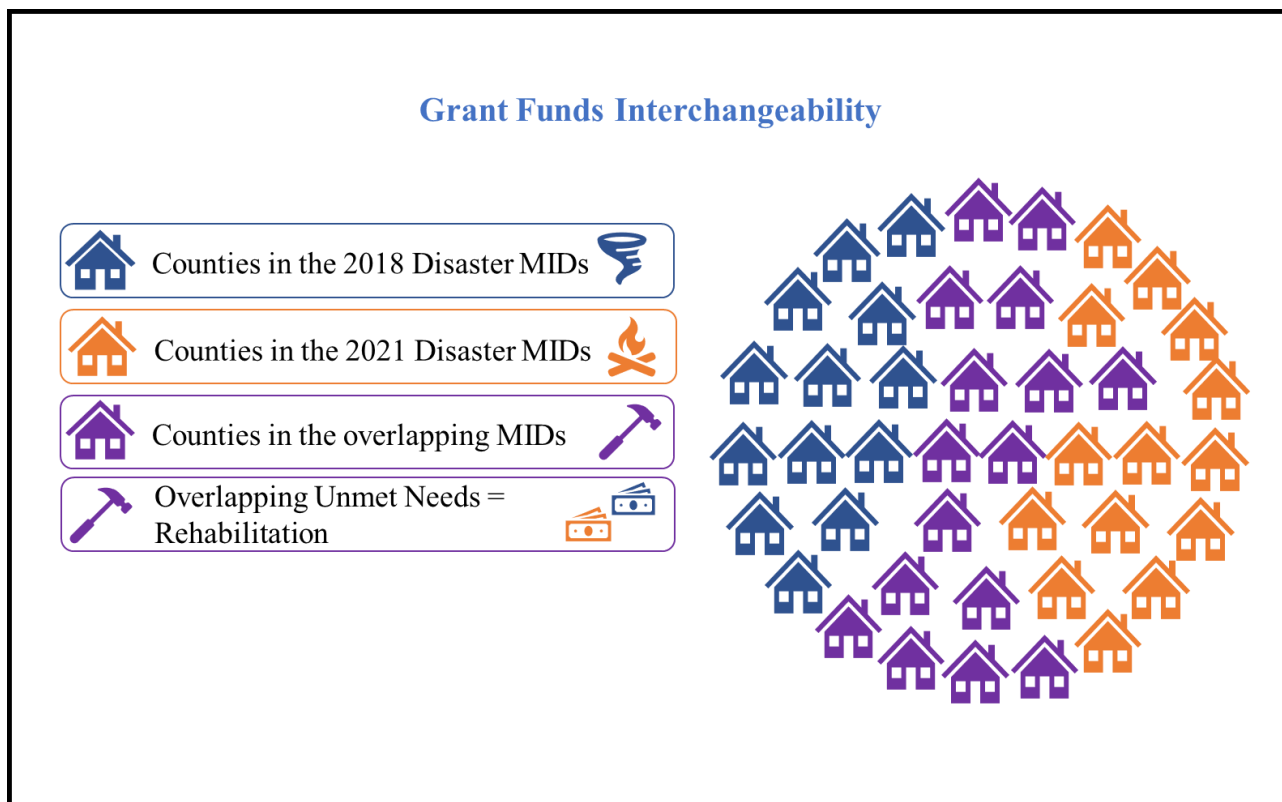
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<sup>8</sup> In this context, a conditional approval of the action plan means that the waiver request is not effective until HUD formally approves the waiver (e.g., in a *Federal Register* notice, a memorandum, a letter, etc.). This process promotes public transparency so that the public understands how a grantee is proposing to use its funding.

develops its action plan for its funds for the 2021 disaster, the grantee must note that eligible beneficiaries and activities will cover both disasters in the overlapping MID areas.

If the grantee uses its 2018 disaster funds to address the unmet needs of both disasters, the grantee must follow the rules and requirements outlined in the *Federal Register* notices applicable to its CDBG-DR grant for 2018 disasters. If the grantee anticipates using its funds for the 2018 disaster to meet the needs of the 2021 disaster, the grantee must first submit a substantial action plan amendment to its 2018 action plan before it may use the funds interchangeably. The amendment must acknowledge the change in program benefit resulting from the expanded beneficiaries. See figure 3 below, which illustrates this example.

Figure 3: Use of Grant Funds Interchangeability in a residential area



#### IV. DISASTER RECOVERY GRANT REPORTING (DRGR) SYSTEM CONSIDERATIONS FOR GRANT FUNDS INTERCHANGEABILITY

To facilitate the proper management of Grant Funds Interchangeability in DRGR, grantees must ensure their Public Action Plans and DRGR Action Plans (Projects and Activities) are updated and approved in the system. To use Grant Funds Interchangeability for funds from a new grant and an earlier grant, the funds must be used for the same DRGR activity types (i.e., CDBG-DR eligible activity) in the overlapping portions of the MID areas of the disasters and address unmet recovery needs of both disasters. Grantees should document how the activity meets the requirements for unmet recovery needs in their DRGR Public Action Plans for new

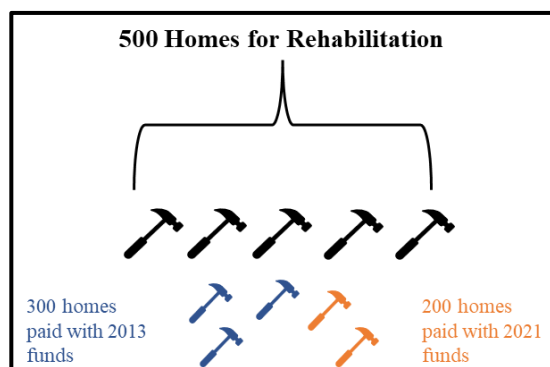
grants subject to the Consolidated Notice or their “published” action plans for grants prior to the Consolidated Notice<sup>9</sup>.

When projecting and reporting performance measures in the system at the DRGR Activity level and using Grant Funds Interchangeability, again, it is important for grantees to remember that the “rules follow the money.”

#### A. Housing Example in DRGR

Using the following scenario as an example, a CDBG-DR grantee has a grant for a disaster occurring in 2013 and now receives CDBG-DR funds for a disaster occurring in 2021. The grantee is funding the same activity, a housing program, for overlapping MID areas under its 2013 and 2021 DRGR Action Plans (Projects and Activities). The grantee intends to serve 500 households under its housing rehabilitation programs, using both 2013 and 2021 disaster grant funds. The National Objective is LMI – Households (LMH) and the Activity Type is “Rehabilitation/reconstruction of residential structures” for the applicable activity under the grantee’s DRGR Action Plans (Projects and Activities) for the 2013 and 2021 disaster grants. The grantee will use its 2013 disaster grant to rehab or reconstruct 300 units and will use its 2021 disaster grant to rehabilitate or reconstruct 200 units in the same MID areas.

In this case, the grantee would not report all 500 units in each grant, but instead would be “following the money” to report, for each grant, only the units that were funded with that grant. This prevents double counting units. Accordingly, projected Performance Measures for the DRGR Activities under the grantee’s 2013 and 2021 DRGR Action Plans would be: 300 households and 200 households, respectively.



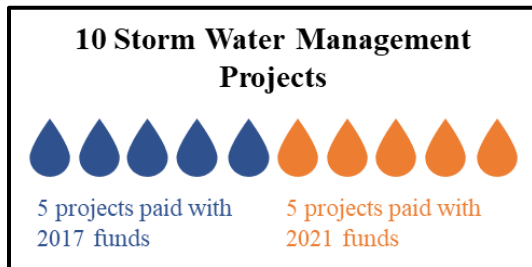
#### B. Infrastructure Example in DRGR

Using the following scenario as an example, a CDBG-DR grantee has a CDBG-DR grant for a disaster occurring in 2017. HUD awards CDBG-DR funds to the same grantee for a disaster occurring in 2021. The grantee uses its funds for the same infrastructure programs serving the same MID areas under its 2017 and 2021 DRGR Action Plans (Projects and Activities). A subrecipient unit of local government has 10 storm water management projects and plans to use its 2017 CDBG-DR funds and 2021 CDBG-DR funds for the reconstruction<sup>10</sup>. All of the projects will repair damage and improve flood mitigation in LMI areas. The National

<sup>9</sup> 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.

<sup>10</sup> CDBG-MIT funds were first made available under Pub. L. 115-123 for mitigation activities proportional to the amounts that CDBG-DR grantees received for qualifying disasters in 2015, 2016, and 2017. Then, Pub. L. 117-43 and 117-180 required HUD to include with any final CDBG-DR allocation for the total estimate of unmet need, an additional 15 percent for mitigation activities. These mitigation activities will reduce risks in the MID areas and are known as the CDBG-DR Mitigation Set-aside.

Objective is LMA, and the Activity Type is “Public Facilities and Improvements – Non Covered Projects” for activities under the grantee’s 2017 and 2021 DRGR Action Plan. Since the National Objective and the Activity Type are shared by all the storm water projects, all 10 projects will be reported in DRGR under the applicable 2017 DRGR Activity and 2021 DRGR Activity, dependent on which grant funded each project.



For this example, the grantee provides CDBG-DR funds for the 2017 disaster to pay for half (50 percent) of the storm water management project and CDBG-DR funds for the 2021 disaster for the other half (50 percent). The total project Performance Measures for the 10 storm water management projects are: 10 storm water projects implemented, 20,000 cubic feet of storm water management area constructed, and

15,000 linear feet of streams restored.

Due to the grantee using Grant Funds Interchangeability, the projected Performance Measures for this example are: 5 storm water projects implemented, 10,000 cubic feet of storm water management area constructed, and 7,500 linear feet of streams restored under its 2017 DRGR Activity and 5 storm water projects implemented, 10,000 cubic feet of storm water management area constructed, and 7,500 linear feet of streams restored under its 2021 DRGR Activity. Again, this prevents double counting by the grantee.

The ability to use funds interchangeably is a new flexibility provided to CDBG-DR grantees. Therefore, it is important that grantees develop appropriate financial management, recordkeeping, and reporting policies to comply with the requirements. When choosing to use PAC Interchangeability and/or Grant Funds Interchangeability, grantees are advised to work with their assigned CPD Representative or Grant Manager for additional guidance and technical assistance to ensure compliance.