



Guidance on CDBG-DR Costs

Important Note for Grantees

These resources are generally applicable as guidance to grantee years covered under the Consolidated Notice and for prior disasters (i.e., disasters occurring in 2019 or earlier).



Because grant requirements have changed over time since resources in the CDBG-DR Toolkit were originally developed, **grantees should consult Federal Register Notice requirements specific to their disaster year.**

Guidelines for state and local government grantees allocating staff costs covered under CDBG-DR, CDBG-MIT, and CDBG-NDR funds apply to three cost categories. Grantees must understand the difference between these cost types in order to correctly classify costs.

COST TYPES

The table below provides guidance on each cost type. Note that cost types depend on the use of funds and who incurs them. There are caps and limitations on the use of each cost type to ensure that CDBG-DR funds are appropriately allocated. For example, **Activity Delivery Costs (ADCs)** can count towards meeting the overall LMI benefit requirements. See the table for a full description of eligible costs and caps.

Refer to [Notice CPD-2023-06: Allocating Costs between Program Administration Costs, Activity Delivery Costs, and Planning Costs for CDBG Grantees](#), which explains how to allocate costs for CDBG-DR, CDBG-MIT, and CDBG-NDR Grantees.

Summary of Cost Types

Program Administration Costs (PACs)

Costs incurred for the general management, oversight, and coordination of the grant, as eligible under 24 CFR 570.206 (for local governments) and section 105(a)(13) of the HCDA (42 USC 5305(a)(13)). Examples of PACs are included in [CPD Notice 23-06](#).

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none">Compliance and monitoring activitiesLeased office space for general CDBG-DR program overhead operationsStaff time and/or contracted services to manage the funds and CDBG-DR program overallAdministrative, legal, accounting, internal auditing, IT, and human resources supportFinancial management and DRGR related activities	5% of total appropriation plus 5% of any program income generated by the grant. Grantees should reference applicable <i>Federal Register</i> notices to confirm the applicable administrative costs cap for their grant	Grantees and subrecipients. All costs must be related to CDBG-DR program.



Planning Costs

Costs for creating a plan, including data gathering, studies, analysis, and preparation. Examples included in [CPD Notice 23-06](#).

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none">• Comprehensive plans• Community development plans• Some costs associated with developing the Action Plan• Functional plans for housing/land use/economic development/open space• Feasibility studies• Mitigation plan or disaster resiliency plan	For earlier grants, administration and planning cannot exceed 20% of appropriation so if 5% is allocated to administration, planning activities cannot exceed 15%. For more recent grants, the cap on planning is 15% outright.	Grantees and subrecipients.



Activity Delivery Costs (ADCs)

Costs incurred by a grantee or subrecipient directly related to delivery of a specific CDBG-DR project or service to a beneficiary. Not required to be tied to a specific address but must be tied to delivering specific CDBG-DR activities. Examples included in [CPD Notice 23-06](#).

Examples	Cap	Who can incur these costs
<ul style="list-style-type: none"> Development of program policies and procedures necessary to implement program Duplication of benefits review and analysis Project-specific environmental reviews, design, and engineering Conducting underwriting or applicant selection Marketing and outreach to applicants and contractors for a specific activity Monitoring and oversight for a specific activity Applicant intake/eligibility screening for a specific program 	None but all costs must be reasonable.	Grantees and subrecipients.

COST PRINCIPLES AND REQUIREMENTS

To classify and document costs correctly, be aware of the following requirements.

Meet cost principles. As outlined in [2 CFR 200 Subpart E](#), all costs must meet four criteria:

- **Necessary:** CDBG-DR funding will fill a necessary gap to address an unmet need that cannot be filled by another funding source. This is demonstrated by conducting a duplication of benefits analysis and calculation for each activity.
- **Reasonable:** Costs do not exceed what a prudent person would incur under similar circumstances as demonstrated by the market price for comparable goods and services. For contracted work, you should conduct an independent cost estimate to establish cost reasonableness.
- **Allowable:** Costs must be allowable under CDBG-DR rules and regulations and under 2 CFR 200 Subpart E. Some costs such as lobbying, entertainment, and alcohol are never allowed under any circumstances.
- **Allocable:** Costs must be clearly allocated, meaning the cost is assigned to a CDBG eligible activity with a methodology for determining where to attribute cost.

Document staff time and contractor and subrecipient costs. All costs must be clearly documented and attributed to a CDBG-DR eligible activity. Staff CDBG-DR costs must include a time card, time sheet, or other time keeping mechanism that demonstrates that the time was spent on the eligible CDBG-DR activity. With respect to determining the amount of staff costs to charge to program administration, grantees have two options:



- Include the entire salary, wages, and related costs of each person whose *primary* responsibility involves program administration assignments (e.g., executive director position); or
- Determine the *pro rata* share of each person's salary, wages, and related costs whose job includes *any* program administration assignments such as staff that work on CDBG-DR, FEMA, and HOME programs.

For contracted and subrecipient costs, the costs must be documented via invoices, receipts, and documents demonstrating proof of payment.

Tie to qualifying disaster events. All costs must be related to recovery from the disasters covered by the appropriation and can only be spent in the areas outlined in the FR Notice authorizing the appropriation. For example, to demonstrate that a housing unit or building was damaged during the qualifying disaster, the program could require an insurance adjuster's estimate of damage resulting from the event, FEMA damage documentation, or a local inspector's certification of disaster related damage. All PACs must be used for administering the CDBG-DR program and cannot be used to run other housing or HUD programs.