CDBG-DR Grants Financial Report – Updated Methodology

January 21, 2022

In January 2022, HUD implemented changes to how it identifies Community Development Block Grant disaster recovery (CDBG-DR) grantees as either "on pace" in the expenditure of recovery funds or as "slow spenders." In response to the potential impact of the COVID-19 pandemic on recovery activities and recognizing the need to review its methodology, HUD suspended publication of the CDBG-DR Grants Financial Report. HUD will now resume publication of this monthly report, using a revised methodology. These changes in the methodology more accurately reflect State and local government long-term disaster recovery efforts.

Background

The CDBG-DR Grants Financial Report was initially modelled using recent grantee spending patterns by activity (e.g., housing, infrastructure), to inform HUD and the public if a grantee was "on pace" to meet its statutory or administrative spending deadline for a grant or if a grantee was a "slow spender." The prior methodology, however, did not adequately account for how recovery actually occurs on the ground - particularly in the first three years of a grant's lifecycle. The "burn-rate" model used in the prior methodology assumed a linear pattern of grantee spending that did not fully reflect actual grantee spending patterns.

HUD's recent review of the overall spending pattern of CDBG-DR grantees show that expenditures reflect an S-shaped (or sigmoidal) curve. This S-shaped curve is a result of the three phases of the CDBG-DR grant lifecycle: launch, implementation, and movement to closeout. Therefore, a new methodology that reflects the reality of these spending patterns was needed to more accurately evaluate CDBG-DR grantee expenditure rates.

New Methodology: Best-fit model

HUD's revised methodology uses a "best-fit" model, which employs an S-shaped formula that incorporates the spending patterns of every grant with an identical expenditure deadline to calculate a best fit line. Therefore, each unique expenditure timeline has a distinctive best fit line calculated by grant age (in months).

Once the best fit was identified, the methodology needed to account for some variability in grantee spending on a monthly basis. By taking the trendline and applying a standard deviation, the model allows grantees slightly above or below the best fit trendline to remain within the normal expenditure range and sets a threshold that more accurately identifies a "slow spender."

Using the best-fit methodology, the Department will be able to more accurately reflect if a grantee is on pace to meet spending deadlines while also considering the spending patterns typical of grantee recovery. The new report also includes the Amount Behind Pace column which notes the amount of funds the grantee must spend to be categorized as "on pace."