



U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

All Secretary's Representatives
All State/Area Coordinators
CPD Division Directors

Notice: CPD 06-12

Issued: November 2, 2006
Expires: November 2, 2007

Cross References: 24 CFR 570

SUBJECT: Timely Distribution of State CDBG Funds

I. Purpose

This Notice replaces CPD Notice 94-26 and reiterates HUD's policy and standards for the timely distribution of Community Development Block Grant (CDBG) funds by States. The Notice also provides a summary report of the states' performance in meeting the timely distribution requirements established by regulation for the five program years 2000 through 2004.

II. Statutory and Regulatory Requirements

The Housing and Community Development Act of 1974 as amended [section 104(e)(2)] requires that HUD determine "whether the State has distributed funds to units of general local government in a timely manner." This is the statutory basis for requiring States to meet a timeliness standard in distributing CDBG funds to units of general local government under their jurisdiction.

HUD regulations as established in 24 CFR 570.494, Timely Distribution of Funds by States, define the state's distribution of CDBG funds as timely if "All of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD." The exclusion for state administration includes both administrative expenses and technical assistance to local governments and nonprofit program recipients. The regulation also encourages states to obligate and announce 95 percent of funds within 12 months of the state signing its grant agreement with HUD.

Recaptured funds and program income must also be expeditiously obligated and announced in order to meet the timeliness requirement. Special attention should be

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directed to program income to ensure that an amount equal to the amount received each year is budgeted for and committed to local governments.

Definitions:

The term “obligated and announced to” means the date on which a state officially announces the selection and award of grants to its units of general local government by means of any official letter, press release, news media announcement, public notice, or official notice of award that the state may use to notify its localities and citizens that a grant has been awarded. The date of such an announcement will be used to measure compliance with the 15-month time period.

III. Action

Field Offices are responsible for monitoring state compliance with the timely distribution requirement. Field Offices will review the total amount of funds obligated and announced to local recipients from the State CDBG program allocation through the end of the 15-month period. Amounts from prior year allocations, recaptured funds and program income are not included in evaluating basic compliance with distributing the annual allocation. Field Offices will continue to monitor the timely distribution of recaptured funds and program income. To demonstrate compliance with the timely distribution requirement, the total funds obligated and announced should equal the total available after subtracting the allowance for state administration and the technical assistance set-aside. The State and Small Cities Division in HUD Headquarters will review data from LOCCS and the Grants Management Process system (GMP) 15 months after the beginning of each state’s program year and request Field Offices to verify that states have obligated and announced funds in compliance with the timely distribution requirement. Note that current plans for IDIS re-engineering include automating the collection of timely distribution data, which will aid in monitoring compliance with this statutory requirement.

Each state must meet the regulatory requirement for timely distribution. States that do not meet the standard of obligating and announcing 100 percent of their grants within 15 months of the HUD award date are in noncompliance and are subject to a finding. However, the required corrective action should be proportionate to the violation incurred. For example, if less than 1 percent of a state’s grant remains undistributed at 15 months and the evidence suggests that this will be committed quickly, it may be appropriate to require no further action. If the Field Office finds that performance is more deficient than this example or the record shows repeated findings of noncompliance in this area, the Field Office will give the state an opportunity to contest the finding and will request a plan for corrective action. Such plan should address how the state will distribute any outstanding prior year’s balance within the current program year as well as how it will fully distribute the current program year’s funds within the timely distribution period.

If the state’s response or corrective plan is not satisfactory to HUD, the Field Office may take additional action as specified in 24 CFR 570.495. If the state fails to adequately respond to any corrective or remedial actions, the regulations at 24 CFR 570.496 provide

for a hearing and the imposition of additional remedies including financial and civil actions.

IV. Report Results

Information provided by HUD Field Offices shows 25 of 50 states met the standard of obligating and announcing 100 percent of their grants to local governments within 15 months of award of funds by HUD for all 5 years from FY 2000 through FY 2004. Six additional states distributed 99% or more of their grant within 15 months in all 5 years. One state failed to meet the 100 percent requirement in all 5 years. Five states distributed less than 90% of their funds in at least 1 year.

The Attachment to this Notice lists the individual performance by states on the timely distribution of funds at the end of the 15 months for grants awarded in federal fiscal years 2000 through 2004. This attachment includes a table summarizing the number of states by percent of their Grant Amount Under Contract 15 months after award.

Please contact James McCann at (202) 708-1322, Extension 2180, should you have any questions regarding this notice.

Attachment

Notices are available online at:

<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/index.cfm>

State	% of Funds Distributed after 15 months				
	FY2000	FY2001	FY2002	FY2003	FY2004
ALABAMA	99.50%	100.00%	100.00%	100.00%	100.00%
ALASKA	89.72%	100.00%	100.00%	100.00%	100.00%
ARIZONA	100.00%	100.00%	100.00%	100.00%	100.00%
ARKANSAS	100.00%	100.00%	100.00%	100.00%	100.00%
CALIFORNIA	100.00%	100.00%	100.00%	100.00%	100.00%
COLORADO	100.00%	100.00%	121.92%	100.57%	100.27%
CONNECTICUT	100.00%	100.00%	97.60%	100.00%	100.00%
DELAWARE	100.00%	100.00%	100.00%	100.00%	100.00%
FLORIDA	100.00%	100.00%	100.00%	101.15%	98.67%
GEORGIA	98.41%	100.00%	98.85%	99.25%	99.90%
IDAHO	100.00%	100.00%	100.00%	100.00%	100.00%
ILLINOIS	100.00%	100.00%	95.21%	100.00%	100.70%
INDIANA	100.00%	100.00%	100.00%	100.00%	102.44%
IOWA	100.00%	100.00%	100.00%	100.00%	100.00%
KANSAS	96.44%	100.00%	95.09%	100.00%	99.60%
KENTUCKY	100.00%	100.00%	100.00%	100.00%	100.00%
LOUISIANA	100.00%	100.00%	97.55%	100.00%	100.00%
MAINE	100.00%	100.00%	100.00%	101.85%	100.00%
MARYLAND	100.00%	100.00%	100.00%	100.00%	100.00%
MASSACHUSETTS	no report	97.88%	97.29%	100.00%	100.00%
MICHIGAN	95.96%	100.00%	100.00%	85.03%	99.60%
MINNESOTA	99.12%	99.98%	100.00%	100.00%	100.00%
MISSISSIPPI	100.00%	100.00%	100.00%	100.00%	100.00%
MISSOURI	98.62%	100.00%	100.00%	100.00%	100.00%
MONTANA	100.00%	100.00%	100.00%	100.00%	100.00%
NEBRASKA	100.00%	100.00%	100.00%	100.00%	100.00%
NEVADA	100.00%	100.00%	99.95%	100.00%	96.24%
NEW HAMPSHIRE	100.00%	100.00%	no report	100.00%	100.00%
NEW JERSEY	95.15%	99.09%	100.00%	100.00%	100.00%
NEW MEXICO	100.00%	100.00%	100.00%	99.71%	99.93%
NEW YORK	100.00%	100.00%	100.10%	90.03%	79.84%
NORTH CAROLINA	100.00%	100.00%	100.00%	100.00%	100.00%
NORTH DAKOTA	100.00%	100.00%	100.00%	100.00%	100.00%
OHIO	98.22%	99.70%	97.64%	99.16%	99.28%
OKLAHOMA	100.00%	100.00%	100.00%	100.00%	100.00%
OREGON	100.00%	100.00%	100.00%	100.00%	100.00%
PENNSYLVANIA	100.00%	100.00%	100.00%	100.00%	100.00%
PUERTO RICO	100.00%	100.00%	100.00%	100.00%	100.00%
RHODE ISLAND	100.00%	100.00%	100.00%	98.76%	98.67%
SOUTH CAROLINA	100.00%	100.00%	88.35%	92.73%	100.00%
SOUTH DAKOTA	100.00%	100.00%	27.88%	63.42%	81.65%
TENNESSEE	100.00%	100.00%	100.00%	100.00%	100.00%
TEXAS	100.00%	100.00%	100.00%	100.00%	100.00%
UTAH	100.00%	100.00%	100.00%	100.00%	100.00%
VERMONT	99.14%	99.48%	100.00%	100.00%	100.00%
VIRGINIA	100.00%	100.00%	100.00%	100.00%	100.00%
WASHINGTON	100.00%	100.00%	100.00%	100.00%	100.00%
WEST VIRGINIA	100.00%	100.00%	100.00%	100.00%	100.00%
WISCONSIN	100.00%	100.00%	98.48%	100.00%	100.00%
WYOMING	99.83%	100.00%	99.68%	99.84%	99.97%

Percentage distribution achieved by states by FY:						
	2000	2001	2002	2003	2004	
100%	38	43	37	41	38	
99%	4	6	2	4	7	
95-98%	6	1	8	1	3	
90-94%	0	0	0	2	0	
80-89%	1	0	1	1	1	
Under 80%	0	0	1	1	1	
No data	1	0	1	0	0	
	50	50	50	50	50	
Achieved 100% standard all 5 years:						25
Failed 100% standard in at least 1 yr:						25
Failed 100% standard all 5 years:						1
Distributed under 90% in at least 1 yr:						5
Distributed under 90% all 5 years:						0

Note: Some states have included Program Income in their reports resulting in amounts distributed greater than 100%. Shaded entries are below 100%. Shaded entries shown as 100% are actually slightly less but display as 100% due to rounding.