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Office of the Assistant Secretary for Policy Development and Research
U.S. Department of Housing and Urban Development

Attention: Docket No. FR-6337-N-02

Comments of Taxpayers for Common Sense on the Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula

Dear Assistant Secretary:

Taxpayers for Common Sense (TCS) appreciates the opportunity to comment on the Department of Housing and Urban Development's notice regarding the formula used to allocate Community Development Block Grant Disaster Recovery (CDBG-DR) funds. Since 1995, TCS has served as a national, nonpartisan budget watchdog working to ensure that federal resources are managed responsibly and taxpayer dollars are spent transparently and effectively.

CDBG-DR provides flexible funding for long-term recovery needs that remain after insurance, FEMA assistance, and other resources have been accounted for. The program's recent authorization gives HUD an opportunity to replace an *ad hoc* allocation process with a faster and more predictable system. The decisions HUD makes now will also shape how much taxpayers spend after future disasters and whether that spending reduces the risk of paying for the same losses again.

TCS supports a simpler and more transparent formula that gets assistance to communities more quickly. But speed should not come at the expense of accurately measuring need, rebuilding in ways that leave communities safer, or directing mitigation funds where they can reduce future federal costs.

TCS recommends that HUD:

1. Test major formula assumptions against data from past disasters and publish the data, calculations, and results.
2. Account for the cost of rebuilding more safely and explain any changes to the standard formula.
3. Use repetitive-loss and future-risk data to direct mitigation funding where it can reduce future losses, rather than simply providing more funding to communities with repeated damage.
4. Consider both the scale and concentration of unmet needs when setting thresholds for catastrophic disasters.

1. Test Major Formula Assumptions Against Evidence

Questions 1(a) and 1(c): HUD asks whether it should replace FEMA's infrastructure estimates with a percentage based on housing needs.

This approach could help HUD make funding decisions sooner, but it assumes that damage to public infrastructure generally rises and falls with damage to housing. Infrastructure needs include the cost of repairing public facilities such as roads, bridges, water systems, and schools. Housing needs only reflect damage to homes. A disaster can cause extensive damage to one without causing a similar level of damage to the other. A wildfire may damage thousands of homes, while a flood may destroy fewer homes but severely damage roads, utilities, or public water systems.

HUD's current approach tries to account for these differences. For 2023 and 2024 disasters, HUD used FEMA estimates for permanent Public Assistance projects, which repair or replace damaged public infrastructure. HUD estimated the share of those costs that would remain after FEMA assistance, generally the amount state and local governments would otherwise have to cover. When FEMA's estimates were incomplete, HUD assumed infrastructure needs were at least 10 percent of estimated unmet housing needs.[1]

TCS supports HUD's effort to get long-term recovery funding to communities more quickly. Data that arrive too late cannot help HUD make timely allocations. But replacing infrastructure estimates entirely with a housing-based formula could trade one problem for another. HUD reports that planned infrastructure spending has ranged from 9 percent to 31 percent of CDBG-DR allocations, with a median of 22 percent. That range suggests there is no single, consistent relationship between housing damage and infrastructure needs.[2]

The fiscal risk runs in both directions. A percentage that is too high could send scarce federal dollars to places without comparable infrastructure needs. While a percentage that is too low could leave major recovery costs unaddressed, delay rebuilding, or lead communities to seek additional federal assistance later. In either case, taxpayers would be funding decisions based on a shortcut that may not reflect the damage.

Before adopting this approach, HUD should test several percentages against past disasters for which more complete FEMA and CDBG-DR data are available. The analysis should compare what each formula would have estimated at the time with what was later learned about actual needs and spending. HUD should publish the methodology and results,

[1] U.S. Department of Housing and Urban Development, "Allocations for Community Development Block Grant Disaster Recovery and Implementation of the CDBG-DR Consolidated Waivers and Alternative Requirements Notice," 90 Fed. Reg. 4759, Jan. 16, 2025.
[2] HUD, "Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula," 91 Fed. Reg. at 52315. HUD reports that planned infrastructure expenditures across major CDBG-DR appropriations ranged from 9 percent to 31 percent, with a median of 22 percent.

including whether a percentage consistently overstates or understates needs for certain hazards, regions, or types of communities.

HUD should apply the same test to other major assumptions in the formula. No formula will capture every recovery need exactly. Still, HUD should compare its early estimates with the fuller information that becomes available as recovery proceeds. If an assumption repeatedly produces large errors, HUD should revise it. A faster formula protects taxpayers only if it remains a reasonable measure of the costs the federal government is being asked to cover.[3]

2. Account for the Cost of Rebuilding More Safely

Question 5: HUD asks how its formula should determine reasonable rebuilding costs, including whether state and local building requirements make those costs unreasonably high.

Once HUD estimates the damage caused by a disaster, it must decide what rebuilding costs count as reasonable. Building codes, floodplain standards, and land-use rules can increase initial recovery costs by requiring stronger materials, elevated structures, or limits on rebuilding in the most hazardous locations. But those requirements should not be treated as wasteful simply because they cost more than restoring a property to its previous condition.

The cheapest repair is not always the least expensive option for taxpayers. Rebuilding a home, road, or public facility to a same or earlier vulnerable standard may reduce the cost of the current allocation while increasing the likelihood of another federal payout after the next flood, fire, or storm. The relevant question is not only what rebuilding costs today, but whether that spending reduces the government's long-term exposure.

TCS has made the same point in its recommendations for FEMA reform. Federal disaster policy is heavily weighted toward paying for damage after it occurs, even when earlier investments could reduce future losses. Some estimates suggest that each dollar invested in mitigation can save as much as $13 in later disaster costs. TCS has therefore urged federal agencies to support resilient rebuilding, stronger building codes, and risk-informed land-use decisions when those measures provide lasting benefits.[4]

HUD's formula should account for the reasonable additional cost of rebuilding to current hazard-resistant standards. This should not mean accepting every local requirement without review. HUD should consider whether the added cost responds to a documented

[3] U.S. Department of Housing and Urban Development, "Request for Information Regarding Community Development Block Grant Disaster Recovery Formula," 87 Fed. Reg. 77855, Dec. 20, 2022.
[4] Taxpayers for Common Sense, "FEMA Reform: Building a Disaster System That Reduces Risk and Protects Taxpayers," July 17, 2026, https://www.taxpayer.net/deep-dives/fema-reform-2/.

hazard and is reasonably expected to reduce future damage. That approach would distinguish genuine resilience investments from unrelated expenses while avoiding a formula that favors the cheapest short-term repair regardless of its long-term cost.

HUD should also examine whether communities are adopting and enforcing the standards used to justify higher rebuilding costs, including areas that are zoned to be unacceptable risks. Taxpayers should not pay more for resilient construction on paper if projects are later built or maintained in ways that leave the same risks in place. Clear standards and reporting would help HUD determine whether the additional federal investment produced the promised protection.

Rebuilding safely after the current disaster is only part of the answer. HUD should also use what is known about repeated losses and future hazards to direct mitigation funding toward the places where it can prevent the next federal recovery bill.

3. Use Repetitive Loss and Future Risk Data to Target Mitigation

Question 8: HUD asks what data should determine the amount provided for mitigation and how repetitive-loss information and damage to critical infrastructure should factor into the allocation formula.

Rebuilding more safely addresses the property damaged by the current disaster. Mitigation funding should go a step further by reducing the losses most likely to occur next. HUD is considering whether CDBG-DR allocations should include a mitigation addition of up to 18 percent, depending on the type of disaster.[5] These funds are intended for projects that reduce future harm, such as elevating buildings, improving drainage, hardening public infrastructure, or acquiring properties in repeatedly flooded areas.

TCS strongly supports using repetitive-loss data to direct funding where it can reduce future costs. Under the National Flood Insurance Program a repetitive-loss property is one that has received two or more flood-damage claims of $1,000 or more in a ten-year period. A Severe Repetitive Loss property has received at least four or claims over $5,000 or two claims where the total exceeds the value of the structure. These records identify places where taxpayers and policyholders have repeatedly paid for damage and could be asked to pay again.

FEMA already requires local hazard mitigation plans to estimate the number and types of repetitive-loss and severe repetitive-loss properties in each jurisdiction.[6] Used at an appropriately aggregated level, these data can reveal concentrations of recurring risk without disclosing information about individual households. They can also help HUD

[5] HUD, "Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula," 91 Fed. Reg. at 52316.
[6] Federal Emergency Management Agency, *Local Mitigation Planning Handbook*, May 2023, p. 76, https://www.fema.gov/sites/default/files/documents/fema_local-mitigation-planning-handbook_052023.pdf.

distinguish between a community experiencing an unusual loss and one where repeated federal payments point to a continuing exposure.

HUD should not simply increase a community's basic recovery allocation because it contains many repetitive-loss properties. That could reward a history of rebuilding in the same vulnerable places without requiring any reduction in risk. Repetitive-loss data should instead guide the mitigation share of an allocation and, where appropriate, the conditions attached to rebuilding in areas with demonstrated recurring hazards.

HUD asks how repetitive-loss data could be incorporated into the allocation formula but does not identify a particular source. One possible source is the National Flood Insurance Program, which maintains claims histories showing where insured properties have received payments for flood damage more than once. Those records could help HUD identify areas where federal dollars have repeatedly paid for similar losses and where mitigation investments might reduce future costs.

But NFIP claims would provide only part of the picture. They do not capture uninsured flood damage, losses from wildfires or other hazards, or federal spending through programs outside the NFIP. HUD should combine aggregated claims information with data on current damage, expected future losses, risks to essential infrastructure, and steps communities have taken to reduce their exposure.

Federal agencies already use tools that can inform this work. FEMA's National Risk Index estimates expected annual losses using exposure, hazard frequency, and historical loss data.[7] And FEMA's benefit-cost analysis compares the expected value of a project's future risk reduction with its cost.[8] HUD does not need to copy either tool directly into the allocation formula. They show, though, that mitigation funding can be based on more than the label attached to a disaster.

In 2019, GAO developed its Disaster Resilience Framework in response to rising disaster losses and the federal government's growing financial exposure. The framework was intended to help federal agencies and congressional overseers assess whether government policies were helping communities withstand future disasters. GAO concluded that those efforts should rest on reliable risk information, coordination across programs, and incentives for investments that reduce future losses. [9]

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[7] Federal Emergency Management Agency, *National Risk Index Technical Documentation*, https://www.fema.gov/flood-maps/products-tools/national-risk-index.
[8] Federal Emergency Management Agency, "Benefit-Cost Analysis," https://www.fema.gov/grants/tools/benefit-cost-analysis.
[9] U.S. Government Accountability Office, *Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters*, GAO-20-100SP, Oct. 23, 2019, https://www.gao.gov/products/gao-20-100sp.

HUD should apply those principles when deciding how to distribute CDBG-DR mitigation funding. The agency should therefore base mitigation additions on a transparent combination of past losses and forward-looking risk. The purpose is not to give a community more money because it has suffered the same damage repeatedly. It is to invest where a mitigation dollar has a reasonable chance of preventing taxpayers from paying that bill again.

HUD should also measure what those investments accomplish. FEMA uses benefit-cost analyses and post-disaster studies to estimate losses avoided by some mitigation projects, and GAO has called for broader evaluation and sharing of those results.[10] HUD should similarly examine whether CDBG-DR mitigation projects reduced later damage and federal spending. It should publish the findings and use them to improve future allocation decisions.

4. Reserve CDBG-DR for Genuinely Catastrophic Needs

Questions 3, 4, and 7: HUD asks how CDBG-DR should define a catastrophic disaster, account for the concentration of damage, and set appropriate thresholds for metropolitan, nonmetropolitan, and Tribal areas.

After HUD estimates current needs and future risks, it must decide when those needs are large enough to warrant an additional federal commitment. CDBG-DR should serve as a backstop for long-term recovery costs that cannot reasonably be met through insurance, existing federal programs, and state, local, or Tribal resources. It should not become an automatic supplement after every federally declared disaster.

HUD is considering two ways to define a catastrophic housing need. One would look for a large absolute number of homes with serious unmet needs. The other would look for a high concentration of significantly damaged homes within a smaller area.[11]

TCS supports using both measures. A national threshold based only on the number of damaged homes would tend to favor populous areas. It could exclude a small town, rural county, or Tribal community where fewer homes were damaged in absolute terms but the disaster destroyed a large share of the local housing stock. Separate thresholds for metropolitan, nonmetropolitan, and Tribal areas can account for these differences while preserving an objective standard.

The thresholds also protect taxpayers by limiting CDBG-DR to disasters whose remaining costs exceed what other programs and levels of government can reasonably cover. If HUD

[10] U.S. Government Accountability Office, *Disaster Resilience: FEMA Should Take Additional Steps to Streamline Hazard Mitigation Grants and Assess Program Effects*, GAO-21-140, Feb. 2, 2021, https://www.gao.gov/products/gao-21-140.
[11] HUD, "Notice on Community Development Block Grant Disaster Recovery (CDBG-DR) Formula," 91 Fed. Reg. at 52315.

defines catastrophic too broadly, the program could become a routine source of federal funding and weaken incentives to insure property, plan for hazards, and maintain state and local recovery capacity. If the thresholds are too strict, communities facing overwhelming losses may be left without a workable path to recovery.

HUD should test several threshold options against historical disasters before choosing one. The analysis should show which disasters and jurisdictions would have qualified under each option and whether the results differ unexpectedly by geography or type of hazard. Publishing this work would allow HUD, Congress, affected communities, and taxpayers to judge whether the standard directs federal resources to genuinely catastrophic needs.

HUD should also publish the data and calculations used for each future eligibility decision. The public should be able to understand why similar disasters received similar treatment and why a disaster that did not meet the threshold was excluded. Clear rules will make the program more predictable, reduce pressure for case-by-case exceptions, and help preserve federal resources for the recovery needs that communities cannot reasonably meet on their own.

Conclusion

The authorization of CDBG-DR gives HUD an opportunity to make disaster recovery faster and more predictable while protecting the taxpayers who fund it. That begins with a formula grounded in evidence about actual recovery costs. It continues with rebuilding standards and mitigation investments that reduce future losses. It also requires clear thresholds that reserve this federal backstop for genuinely catastrophic needs. Each CDBG-DR allocation should meet a real need and reduce the chance that taxpayers will pay for the same damage again.