

# CDBG-DR Labor Policy



**DEPARTMENT OF HOMELAND SECURITY AND  
EMERGENCY MANAGEMENT**

This policy is effective as of 3/20/2026 and may be updated periodically to reflect program implementation and evolving guidance from the U.S. Department of Housing and Urban Development (HUD).

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## Table of Contents

I.	PURPOSE AND SCOPE.....	1
II.	BACKGROUND .....	1
III.	POLICY STATEMENT .....	1
IV.	DEFINITIONS.....	1
V.	SCOPE OF WORK AND EVALUATION CRITERIA.....	2
A.	Cost Classifications for DHSEM Staff.....	2
1.	Program Administration Costs (PACs).....	2
2.	Planning Costs .....	2
3.	Activity Delivery Costs (ADCs) / Project Delivery Costs (PD).....	3
4.	Project Costs .....	3
B.	Cost Classifications for Contractors and Consultants.....	3
1.	Program Administration Costs (PACs).....	3
2.	Planning Costs .....	4
3.	Activity Delivery Costs (ADCs) / Project Delivery Costs (PD).....	4
4.	Project Costs .....	4
5.	Classification Methodology for Contractors and Consultants .....	5
C.	Cost Classifications for Subrecipients .....	5
VI.	ROLES AND RESPONSIBILITIES .....	5
VII.	COMPLIANCE & ENFORCEMENT .....	6
A.	Cost Principles (2 CFR 200 Subpart E).....	6
B.	Monitoring and Compliance .....	6
VIII.	CONFLICTS OF INTEREST AND MODIFICATIONS.....	6
IX.	DOCUMENTATION & RECORDKEEPING.....	7
A.	DHSEM Staff.....	7
B.	Contractors and Consultants .....	8
C.	Subrecipients.....	8
X.	REFERENCES .....	8
XI.	APPENDICES .....	9





## I. PURPOSE AND SCOPE

**Purpose:** To ensure consistent classification and documentation of labor costs under the Community Development Block Grant – Disaster Recovery (CDBG-DR) program in accordance with HUD guidance, Federal Register Notices, and 2 CFR Part 200.

**Scope:** This policy applies to all labor costs incurred by DHSEM and its subrecipients, including employee time, contractor services, and consultant activities (e.g., engineering, audit, and grant administration) funded by CDBG-DR.

## II. BACKGROUND

Following the federally declared 2024 disasters—DR-4795 (South Fork Fire, Salt Fire, and subsequent flooding) and DR-4843 (severe storms and flooding in Chaves County)—the U.S. Department of Housing and Urban Development (HUD) allocated \$137,178,000 in CDBG-DR funding to the State of New Mexico. The New Mexico Department of Homeland Security and Emergency Management (DHSEM) was designated as the lead agency responsible for the administration of this funding. As such, DHSEM is required to ensure consistent documentation and classification of labor costs under the CDBG-DR program in accordance with HUD guidance, Federal Register Notices, and 2 CFR Part 200.

## III. POLICY STATEMENT

This policy ensures consistent classification and documentation of labor costs under the Community Development Block Grant – Disaster Recovery (CDBG-DR) program in accordance with HUD guidance, Federal Register Notices, and 2 CFR Part 200.

## IV. DEFINITIONS

Term	Definition
<b>Activity Delivery Costs (ADCs)</b>	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.
<b>Disaster Recovery Grant Reporting System (DRGR)</b>	An online platform for HUD grantees to manage funds, track performance, and report on disaster recovery projects for programs like CDBG-DR, handling everything from budgets to activity progress.



<b>Program Administration Cost (PACs)</b>	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)).
<b>Project Delivery Costs (PDs)</b>	Costs incurred for direct expenses for implementing specific projects.
<b>Planning Costs</b>	Costs for creating a plan, including data gathering, studies, analysis, and preparation.
<b>Project Costs</b>	Costs that provide direct benefits to CDBG-DR beneficiaries.

## V. SCOPE OF WORK AND EVALUATION CRITERIA

### A. Cost Classifications for DHSEM Staff

Labor costs must be classified into one of the following HUD-defined categories described below.

#### 1. Program Administration Costs (PACs)

General oversight and management of the CDBG-DR grant.

Examples:

- Monitoring and compliance.
- Financial management and DRGR reporting.
- Legal, HR, IT, and audit support.
- Leased office space for general operations.
- Contracted grant administration services (e.g., policy development, reporting, administrative support).

Cap: 5% of the total grant (program income is subject to the same limitation).

#### 2. Planning Costs

Development of plans and strategies related to disaster recovery.

Examples:

- Action Plan development.
- Housing, land use, or economic development plans.
- Feasibility and mitigation studies.



- Professional planning consultant contracts.

Cap: Typically 15% (combined with PACs may not exceed 20% for older grants).

### *3. Activity Delivery Costs (ADCs) / Project Delivery Costs (PD)*

Implementation of specific CDBG-DR activities.

Examples:

- Environmental reviews, engineers, surveyors, or construction managers for project-level activities.
- Intake and eligibility screening.
- Marketing and outreach for a specific program.
- Duplication of benefits analysis.

### *4. Project Costs*

Direct benefits to CDBG-DR beneficiaries.

Examples:

- Construction labor.
- Direct service delivery.
- Grants or loans to homeowners or businesses.

## ***B. Cost Classifications for Contractors and Consultants***

To ensure accurate classification of invoices submitted by consultants and contractors under the CDBG-DR program, it is essential that each invoice clearly identifies the nature of the work performed and ties it to a specific cost classification—such as Program Administration Costs (PACs), Planning Costs, Activity Delivery Costs (ADCs), or Project Costs. This clarity allows DHSEM to efficiently track expenditures, verify eligibility, and facilitate timely drawdowns from HUD. Invoices should include detailed descriptions, time allocations, and supporting documentation that align with HUD’s cost principles, enabling the state to maintain compliance and streamline financial reporting.

Therefore, contractors should ensure that invoices clearly state services performed that tie to the below cost classifications.

### *1. Program Administration Costs (PACs)*

Support for oversight and management of the CDBG-DR grant.

Examples:



- Monitoring and compliance services
- Financial management or DRGR reporting services
- Legal, IT, and audit support services
- Contractor leased office space (e.g., intake centers)
- Contracted grant administration services (e.g., policy development, reporting, administrative support).

### *2. Planning Costs*

Development or support of plans and strategies related to disaster recovery.

Examples:

- Action Plan development.
- Housing, land use, or economic development plans.
- Feasibility and mitigation studies.
- Professional planning consultant contracts.

### *3. Activity Delivery Costs (ADCs) / Project Delivery Costs (PD)*

Implementation of specific CDBG-DR activities.

Examples:

- Environmental reviews, engineers, surveyors or construction managers for project-level activities.
- Intake and eligibility screening.
- Marketing and outreach for a specific program.
- Duplication of benefits analysis.

### *4. Project Costs*

Direct benefits to CDBG-DR beneficiaries.

Examples:

- Construction labor.
- Direct service delivery.
- Grants or loans to homeowners or businesses.



### 5. *Classification Methodology for Contractors and Consultants*

All contractor and consultant time invoiced to DHSEM must only be for hours that were in support of the CDBG-DR program and must be properly classified. No allocation of time is permitted or allowed; only actual hours worked.

#### **C. *Cost Classifications for Subrecipients***

A subrecipient in a CDBG-DR program is a public or nonprofit entity that receives grant funds from a grantee (typically a state or local government) to carry out eligible activities. These activities include critical infrastructure damaged by disasters.

Subrecipients may charge labor costs for staff who perform administrative functions related to the CDBG-DR grant. These include:

- Grant management and oversight.
- Preparing reports and budgets.
- Monitoring sub-awardees or contractors.
- Compliance and audit preparation.
- Procurement and contract administration.
- Environmental review coordination.

Staff Positions Commonly Included:

- Program managers.
- Grant administrators.
- Financial analysts.
- Compliance officers.
- Procurement specialists.
- Legal and audit support (if internal).

## **VI. ROLES AND RESPONSIBILITIES**

Stakeholder	Roles & Responsibilities
<b>DHSEM</b>	Accurately code labor costs of all employees. Bill all CDBG-DR costs accurately in DRGR. Monitor staff, contractors, consultants, and subrecipients for accurate labor cost coding and billing.



<b>Contractors and Consultants</b>	Accurately code labor costs of all employees. Provide accurate and timely billing documentation to DHSEM.
<b>Subrecipients</b>	Accurately code labor costs of all employees. Provide accurate and timely billing documentation to DHSEM.

## **VII. COMPLIANCE & ENFORCEMENT**

### ***A. Cost Principles (2 CFR 200 Subpart E)***

All labor costs must be:

- Necessary: Address unmet needs from the qualifying disaster.
- Reasonable: Reflect market rates and prudent decision-making.
- Allowable: Comply with CDBG-DR and federal cost rules.
- Allocable: Assigned to the correct activity using a documented methodology.

### ***B. Monitoring and Compliance***

Financial management will:

- Review contractor and consultant invoices to ensure proper classification and compliance with federal requirements
- Require corrective actions for misclassification or insufficient documentation.
- Disallow costs that do not meet federal standards.

## **VIII. CONFLICTS OF INTEREST AND MODIFICATIONS**

To maintain the highest standards of integrity, all stakeholders, including DHSEM staff, subrecipients, contractors, and partners, must adhere to strict conflict of interest guidelines and the Conflict of Interest Policy.

The CDBG-DR Labor Policy is subject to continuous evaluation and refinement to adapt to changing legal requirements and community needs. Annual reviews, based on comprehensive feedback from stakeholders and affected communities, facilitate necessary modifications to enhance policy effectiveness. Modifications are implemented in a structured manner, ensuring alignment with both federal mandates and local objectives. All changes are documented, disseminated across all levels of involvement, and incorporated into subsequent training sessions, preserving the policy's integrity and responsiveness to emerging challenges.



## IX. DOCUMENTATION & RECORDKEEPING

### A. DHSEM Staff

All labor costs must be:

- Clearly documented and tied to a CDBG-DR eligible activity.
- Supported by appropriate records and attribution methods.

Cost Type	Documentation Examples
<b>PACs</b>	<ul style="list-style-type: none"> <li>• Employee timesheets showing hours spent on grant management</li> <li>• Invoices for legal/accounting services</li> <li>• Contractor invoices – detailed with hours and time description</li> <li>• Lease agreements for office space</li> <li>• DRGR system activity logs</li> <li>• Internal audit reports</li> <li>• Development of policies and procedures</li> </ul>
<b>Planning Costs</b>	<ul style="list-style-type: none"> <li>• Consultant contracts for feasibility studies</li> <li>• Meeting minutes and agendas for planning sessions</li> <li>• Drafts and final versions of Action Plans</li> <li>• GIS maps and data analysis reports</li> <li>• Timesheets for staff working on planning deliverables</li> </ul>
<b>ADCs / PD</b>	<ul style="list-style-type: none"> <li>• Intake forms and eligibility screening logs</li> <li>• Environmental review reports</li> <li>• Engineering/design invoices</li> <li>• Outreach materials and campaign logs</li> <li>• Timesheets for staff assigned to specific program tasks.</li> </ul>
<b>Project Costs</b>	<ul style="list-style-type: none"> <li>• Construction contracts and invoices</li> <li>• Payroll records for field labor</li> <li>• Inspection reports</li> <li>• Payment vouchers to beneficiaries</li> </ul>



	<ul style="list-style-type: none"> <li>• Equipment usage logs</li> </ul>
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***B. Contractors and Consultants***

All labor costs for consultant and contractor invoices must be:

- Clearly documented and tied to a CDBG-DR eligible activity.
- Supported by appropriate records and attribution methods.

***C. Subrecipients***

To properly document administrative costs, subrecipients should:

- Track Time and Labor: maintain timesheets and payroll records for staff working on grant administration.
- Use Cost Allocation Plans: clearly separate administrative costs from project delivery and construction costs.
- Follow Federal Guidelines: ensure costs are allowable, reasonable, and allocable under 2 CFR Part 200.
- Report Regularly: submit financial and performance reports to the grantee as required.

**X. REFERENCES**

Executive Order, Federal and State Laws and Regulations	Description
<b>HUD CPD Notice 23-06</b>	Provides updated guidance for grantees of CDBG-DR, Mitigation (CDBG-MIT), and National Disaster Resilience (CDBG-NDR) funds, clarifying how to classify costs into Program Administration, Activity Delivery, and Planning Costs.
<b>2 CFR 200 Part 200 Subpart E – Cost Principles</b>	Provides detailed rules for non-Federal entities (like states, universities, non-profits) on what costs are allowable, allocable, and reasonable when spending federal grant money, covering basic concepts (reasonableness, direct vs. indirect costs) and specific items like travel, salaries, equipment, and entertainment.
<b>24 CFR 570.206</b>	Defines "Program administrative costs" for the CDBG program, allowing funds for reasonable expenses related to planning, managing, and executing CDBG activities,



	including salaries, office space, legal/audit services, and public information, capped at a percentage of the total grant.
<b>Section 105(a)(13) of the Housing and Community Development Act (HCDA) (42 USC 5305(a)(13))</b>	Allows for using funds for reasonable administrative costs for planning, managing, and overseeing community development activities, including administering the HOME program, enterprise zones, and providing public information/resources for community projects, but it doesn't cover general government expenses or costs for unrelated programs like HMIS administration.

## XI. APPENDICES

The appendix contains supplementary material which forms a part of this document but is not essential for its completeness, containing supporting information and will appear in this section.

Form Name, Process Map Name, OR Document Name	Link to Document
<b>HUD CDBG-DR Toolkit</b>	<a href="https://www.hudexchange.info/programs/cdbg-dr/toolkits/">https://www.hudexchange.info/programs/cdbg-dr/toolkits/</a>