

MEMORANDUM**CDBG Policy Guidance**

This Policy remains effective until it is amended, superseded, or rescinded.

MEMO: 19-01

Date: March 18, 2019

Nebraska Department of Economic Development, 301 Centennial Mall South, Lincoln, NE 68509, opportunity.nebraska.gov

SUBJECT: Low- and Moderate-Income Summary Data Updates, including Income Survey Methodology and Use

This policy memorandum provides guidance on geographic datasets used for compliance purposes with CDBG, specifically low- and moderate-income (LMI) summary data, and updates Nebraska Department of Economic Development (DED) guidance and technical assistance tools related to income survey methodology and use.

Incorporated with this policy memorandum is the U.S. Department of Housing and Urban Development (HUD) Community Planning and Development *Notice CPD 19-02: Low- and Moderate-Income Summary Data Updates*, published on February 14, 2019. The notice is attached to this memorandum and also available on the HUD Exchange, www.hudexchange.info. Not all sections of CPD 19-02 are applicable to units of local government seeking CDBG funding through DED programs; however, the Notice is provided in its entirety to avoid ambiguity.

This memorandum shall be effective April 1, 2019, and any prior statements, positions, or policies by the Department that conflict with this memorandum are hereby superseded by the policies contained herein. As enumerated by HUD, the following sections are included in CPD 19-02 as they relate to units of local government (UGLG) seeking CDBG funding through DED programs:

- I. **PUBLICATION.** Announces the publication of the low- and moderate-income summary data (LMISD) based on the American Community Survey 2011-2015 5-year estimates (2015 ACS). These data will replace the prior LMISD based on the American Community Survey 2006-2010 5-year estimates (2010 ACS) for the purposes of demonstrating compliance with the CDBG National Objective of providing benefit to low- and moderate-income persons on an area basis ("Area Benefit" or LMA) and other purposes discussed this Notice;
- II. **EFFECTIVE DATE AND TRANSITION POLICY.** Announces an effective date of April 1, 2019, for use of the 2015 ACS LMISD to qualify LMA activities; and, provides a transition policy for circumstances when prior 2010 ACS LMISD may continue to be used;
- III. **HOW TO USE THE LMISD.** Explains the geographic format of these data and how to use the LMISD to demonstrate compliance for LMA activities; and,
- IV. **MARGIN OF ERROR.** Announces the publication of margin of error (MOE) data for all geographies in the LMISD, including all census places and block groups, and provides instructions for use. Additionally, this Notice describes guidance regarding the confidence interval and acceptable MOE for local income surveys, based on the LMISD MOE.

DISCUSSION

I. **What impact does this information have on existing projects having received Notice of Approval?**

As mentioned above, HUD created a transition plan. Please review the four-part test within CPD 19-02, DED may require grantees to provide additional information. If so, DED will provide written notice.

a. Projects funded using the prior 2010 ACS LMISD

As long as the Notice of Approval date precedes April 1, 2019, no further action is required. However, if contract amendments are necessary, additional action may be required.

b. Projects involving income surveys

In most cases, because the recommended confidence level is now decreased from 95 to 90, the income survey is still acceptable for meeting the national objective for those project activities as described in the Notice of Approval, CDBG Contract, and subsequent Release of Funds correspondence.

II. **What if an income survey is already complete or underway?**

Prior DED guidance allowed for an UGLG to use income surveys for a period of four years from the program year from which the applicant seeks funding. This provision is revised to account for MOE requirements: where MOE is available, an income survey must comply with CPD 19-02 and once DED funds an activity, the *income survey may be acceptable for up to four years*. DED reserves the right to rescind any acceptance of an income survey based on HUD guidance or where its methodology is determined unsound.

Where DED funded activities using said income survey in the last four years or where an income survey is underway, the UGLG must review and provide DED with documentation of its compliance with CPD 19-02, specifically as it relates to MOE: the maximum allowable MOE of the local survey must be the lesser of 10 percent or the MOE of the HUD-provided data for the equivalent geography.

III. **Where can I find guidance on conducting an income survey?**

In addition to the new guidance provided within CPD 19-02 related to MOE, guidance for conducting a methodologically sound income survey is found within *CPD 14-013: Guidelines for Conducting Income Surveys* available on the HUD Exchange, <https://www.hudexchange.info/resources/documents/Notice-CPD-14-013-Guidelines-for-Conducting-Income-Surveys-LMI-CDBG-Activity.pdf>.

Where an income survey is completed, sound reasoning is required and explanation thereof, which may include documentation, submitted at the time of application for CDBG funds or as otherwise directed by your program representative. Upon review of materials, DED reserves the right to reject an income survey if methodology is determined unsound (e.g., where bias is found, incorrect process or procedures, etc.). A sample survey instrument is available within the appendices of the CDBG Administration Manual available on the DED CDBG administration page, <https://opportunity.nebraska.gov/program/community-development-block-grant/#administrators>.

CONCLUSION & BEST PRACTICES

As a best practice, use of the current LMISD is encouraged, where income surveys are deemed necessary, they should be conducted within 6-8 months of the application deadline. Keep in mind that the policy contained herein reduces the cost and level of effort associated with conducting income surveys.

For projects that are currently underway, awardees and subawardees do not need to stop construction or progress on the project, but rather they should take reasonable efforts to comply with this guidance prior to submitting a new application.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Community Planning and Development

Special Attention of:

NOTICE: CPD-19-02

All CPD Division Directors

Grantees and Program Managers of the following CPD programs:

Entitlement CDBG, State CDBG, Nonentitlement CDBG Grants in Hawaii,
Insular Area CDBG, Disaster Recovery (CDBG-DR) and the
Neighborhood Stabilization Programs (NSP1, NSP2, NSP3)

Issued: February 14, 2019
Expires: Until Superseded

Updates: CPD Notices 14-10, 14-11,
and 15-05.

Cross References: 24 CFR 570.208(a), 24 CFR 570.483(b)(1) and CPD Notice 14-013.

SUBJECT: Low- and Moderate-Income Summary Data Updates

APPLICABILITY: The Community Development Block Grant Program (CDBG) program, including Entitlement CDBG Grantees, State CDBG Grantees, Nonentitlement CDBG Grantees in Hawaii, and the U.S. Insular Area CDBG Grantees; as well as CDBG-Disaster Recovery (CDBG-DR) Grantees, and Neighborhood Stabilization Program Grantees (NSP1, NSP2, and NSP3).¹

SUMMARY: This Notice provides guidance on geographic datasets used for compliance purposes with CDBG, CDBG-DR and NSP grant requirements. The following sections are included in this Notice:

- I. **Publication.** Announces the publication of the low- and moderate-income summary data (LMISD) based on the **American Community Survey 2011-2015 5-year estimates** (2015 ACS). These data will replace the prior LMISD based on the American Community Survey 2006-2010 5-year estimates (2010 ACS) for the purposes of demonstrating compliance with the CDBG National Objective of providing benefit to low- and moderate-income persons on an area basis (“Area Benefit” or LMA) and other purposes discussed this Notice;²

¹ This Notice refers to Low- and Moderate-Income (LMI) persons pursuant to 24 CFR 570.3; however, the NSP Program (NSP1, NSP2 and NSP3) allowed for National Objective compliance based on Low-, Moderate- and **Middle-Income** (LMMI) persons. For the purposes of this Notice, reference to LMI persons also includes middle-income persons where NSP grantees are concerned.

² The LMA National Objective is described at 24 CFR 570.208(a)(1) and 570.483(b)(1). Grantees have the option of utilizing HUD’s LMISD data, or survey data that are methodologically sound, for determination of an activity’s LMA compliance. CPD Notice 14-013 provides guidance on methodologically sound surveys.

- II. **Effective Date and Transition Policy.** Announces an effective date of **April 1, 2019**, for use of the 2015 ACS LMISD to qualify LMA activities; and, provides a **transition policy** for circumstances when prior 2010 ACS LMISD may continue to be used;
- III. **How to Use the LMISD.** Explains the geographic format of these data and how to use the LMISD to demonstrate compliance for LMA activities;
- IV. **Margin of Error.** Announces the publication of **margin of error (MOE) data for all geographies** in the LMISD, including all census places and block groups, and provides instructions for use. Additionally, this Notice describes guidance regarding the confidence interval and **acceptable MOE for local income surveys**, based on the LMISD MOE; and,
- V. **Additional Geographic Data.** Announces that HUD will set a 5-year publication schedule for other geographic data used for reporting race/ethnicity, disability, and age of beneficiaries, as well as poverty data used to qualify certain activities for assistance.
- VI. **Reporting LMA Benefit.** Provides instruction for reporting LMA activities in the grantee reporting systems for the various programs.

I. PUBLICATION:

This Notice announces the publication of new LMISD based on the 2015 ACS. These data replace the prior 2010 ACS LMISD³ and must be used to demonstrate compliance with the LMA National Objective starting on **April 1, 2019**, except under limited circumstances described in this Notice.

These 2015 ACS LMISD data may be found online at

<https://www.hudexchange.info/programs/acs-low-mod-summary-data/>

Prior HUD-provided data may continue to be utilized in limited circumstances:

- Activities qualified in accordance with the Four-Part Test described in Section II.
- The most recent data available for the U.S. Insular Areas [American Samoa, Guam, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands] are from the 2010 Decennial Census Summary Files for Outlying Areas. Therefore, no changes are being made to the LMI data for the Insular Areas in this new data release. Additionally, these 2010 data do not include the margin of error MOE. Therefore, only Section V and Section VI of this Notice are applicable to the Insular Area Grantees.
- *Rural Promise Zones and Appalachian Regional Commission Distressed Counties.* According to Public Law 114-113, State CDBG grantees may demonstrate LMA compliance using the LMISD based on the 2000 Decennial Census, if the activity's service area is in a Rural Promise Zone or a county designated as "distressed" by the Appalachian Regional Commission. This variance is only applicable to federal CDBG funds appropriated in fiscal year 2017 through 2020, and prior years' uncommitted funds.

The LMISD has two types of publications:

³ CPD Notice 15-05 referred to the LMISD based on the 2006-2010 ACS 5-year Estimates or the 2010 ACS, as the "2014 ACS" in reference to the 2014 fiscal year of publication. Mention of "2014 ACS" in CPD Notice 15-05 shall be considered to be synonymous with mention of "2010 ACS" in this Notice.

- 1) **Base-data changes** to the LMISD are currently scheduled to occur **every 5 years**. These data summarize low- and moderate-income by family for various geographies, including *block group* and *place* [see the “How to Use The LMISD” section for more information regarding these geographies]. Historically, the LMISD have been based on the 1990 Decennial Census, the 2000 Decennial Census, the 2010 ACS, and, with this Notice, the 2015 ACS. The next LMISD base-data change is scheduled to reference the 2016-2020 ACS 5-year estimates (2020 ACS), and will likely be published around 2023.⁴
- 2) **Fiscal year updates**. Every year, there are changes to the list of Entitlement CDBG grantees as communities’ eligibility status change. Additionally, the geographic boundaries of existing grantees can change, especially within Urban County grantees of Entitlement CDBG. Therefore, on a fiscal year-basis, HUD publishes the list of *block groups* with the name of the *associated grantee*.
 - ✓ These data are generally only used for compiling a list of block groups associated with the grantee for determining the upper-quartile LMI percentage pursuant to 24 CFR 570.208(a)(1)(ii).
 - ✓ In these fiscal year updates, the *LMI percentage by block group* is NOT changing, however the *block groups associated with the grantee* may change.

II. EFFECTIVE DATE AND TRANSITION POLICY

Effective Date for the 2015 ACS LMISD:

- **On and after April 1, 2019, grantees shall use the 2015 ACS LMISD.** Use of the prior 2010 ACS LMISD will only be allowed in limited circumstances described in this Notice.
- **Available Now:** Subsequent to the publication of the updated 2015 ACS LMISD data and prior to April 1, 2019, grantees *may* use the 2015 ACS LMISD or continue to use the 2010 ACS LMISD to qualify new LMA activities.⁵

Transition Policy: On and after April 1, 2019, in circumstances where the 2010 ACS LMISD demonstrate LMA compliance, but the 2015 ACS LMISD for that same geographic area do not demonstrate LMA compliance, a recipient may use the prior 2010 ACS LMISD to demonstrate area-benefit compliance by meeting the following *four-part test*. This policy is intended to prevent the disqualification of activities that are already underway.

The Four-Part Test

To qualify an LMA activity using the prior 2010 ACS LMISD, on and after April 1, 2019, the activity must meet all four of the following criteria.

- (1) A documented **action** must have been made by the grantee before the effective date, April 1, 2019. Use *Table 1* on the next page to determine the **date thresholds** used for various types of actions.
- (2) the documented action must describe a **specific activity**,
- (3) the documented action must describe a **specific funding amount** for the specific activity, and
- (4) the specific activity must have a **clearly defined LMI service area**.

Table 1: Date Thresholds for Various Types of Actions (the first of the four-part test).

⁴ The U.S. Census Bureau’s and HUD’s processing time for tabulation, processing, verification and publishing the LMISD can be about 2 year or 3 years following the data collection period.⁵ Prior CPD Notices 14-10, 14-11 and 15-05 addressed the transition from the LMISD based on the 2000 Census to the 2010 ACS.

⁵ Prior CPD Notices 14-10, 14-11 and 15-05 addressed the transition from the LMISD based on the 2000 Census to the 2010 ACS.

Applies to:	State CDBG grantees and State CDBG-DR grantees when making awards to UGLGs through a Method of Distribution.	Entitlement CDBG grantees, NSP grantees, and CDBG-DR grantees when carrying out activities directly, making subgrants, or executing contracts.
Action: The grantee makes an award or obligation and fulfills all other requirements of the <i>four-part test</i> .	The date the grantee publicly announces its awards to UGLGs is before April 1, 2019.	The grantee obligates funds for the activity before April 1, 2019. Funds are considered obligated by a grantee on the date a subrecipient agreement is signed, or on the date the contract or other binding agreement is executed. (See the definition of “obligation” under 2 CFR 200.71.)
Action: Certain noncompetitive awards, formula allocations, and other awards or obligations made without prescribing a specific activity or service areas. If the award or obligation does not fulfill the <i>four-part test</i> , then the grantee must reference the date of another agreement that does fulfill the <i>four-part test</i> .	The <i>obligation date</i> of the UGLG’s obligation of funds to a specific approved activity by contract, subaward, or other binding agreement must be before the April 1, 2019.	The <i>obligation date</i> of a subaward or a contract must be before April 1, 2019, consistent with the definition of “obligation” pursuant to 2 CFR 200.71.
Action: When a grantee operates a competition and the applications are required to include the other three parts of the <i>four-part test</i> .	The competition’s <i>due date</i> for UGLG applications, as described in the Method of Distribution, must be before April 1, 2019.	The <i>obligation date</i> of a subaward or a contract must be before April 1, 2019, consistent with the definition of “obligation” pursuant to 2 CFR 200.71.
Action: When a grantee acts directly and does not execute agreements with other parties, but the other three parts of the <i>four-part test</i> have been met, i.e. a city incurring staff salary costs for activity delivery.	<i>Not applicable</i>	For Entitlement CDBG grantees and NSP grantees the date of the first activity delivery expenditure of CDBG funds must be before April 1, 2019. CDBG-DR grantees carrying out activities directly and not executing agreements with other parties, may only qualify new area-benefit activities using the prior LMISD data if the date of the first activity delivery expenditure of CDBG funds for the specific activity was before April 1, 2019, and ADDITIONALLY no earlier than April 1, 2018.

Further Clarifications to the Four-Part Test:

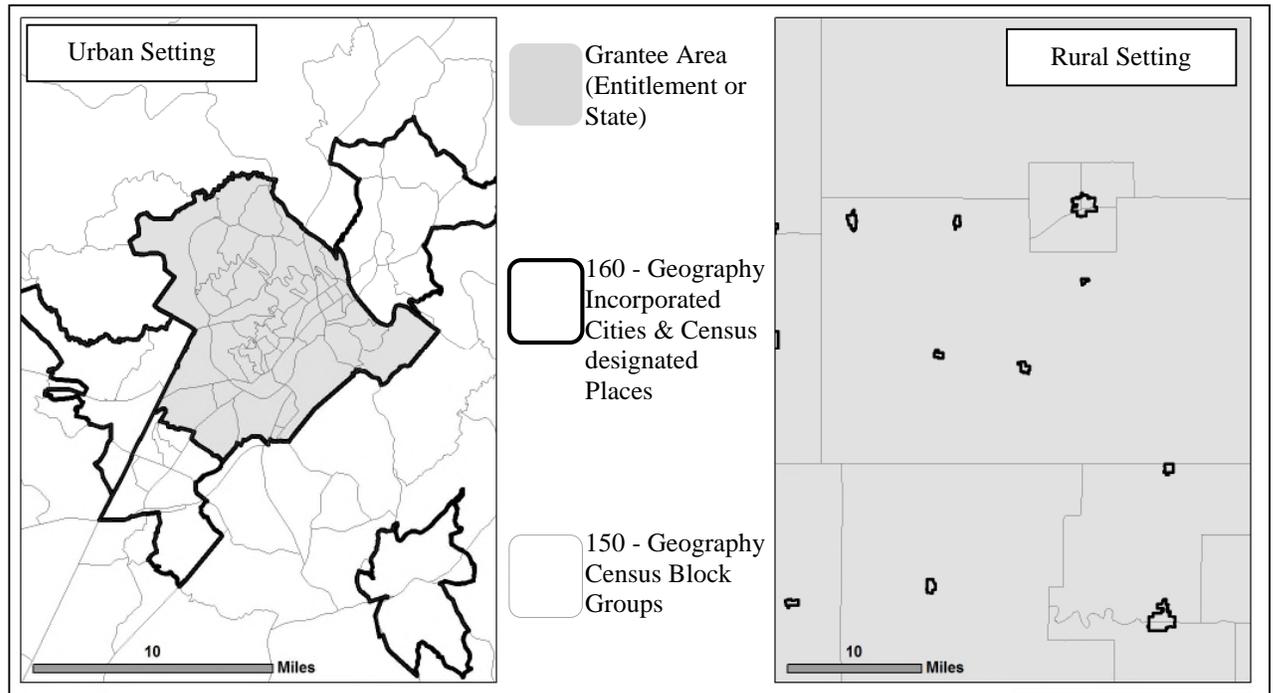
- *Pre-award Costs.* CDBG funds may be used to pay approved pre-award costs IF the activity's service area qualified based on the LMISD in effect at the time the costs were incurred, not the LMISD in effect at the time of the award.
- *Phased Activities and Multiple Contracts.* If more than one contract or phase is needed to complete the scope of a single CDBG activity, the date of execution of the first contract or first award must be before April 1, 2019; AND, other dependent contracts may be executed on and after the effective date PROVIDED that those contracts are funded from CDBG funding available to the grantee prior to April 1, 2019 (and not later awards or later receipts of program income).
- *Cost Overruns.* If there is an unexpected increase in the cost of an area-benefit activity qualified on prior LMISD data, and there is no change in the scope, purpose, or service area of the activity, grantees may provide additional funding to cover the cost overrun even though it exceeds the amount awarded or obligated. This exception is limited to *unexpected* increases in the cost. If the scope, purpose, or service area of the activity changes, the activity must re-qualify based on the 2015 ACS LMISD on and after April 1, 2019.
- *Acquisition of Real Property.* An activity qualified on the prior LMISD and involving CDBG-assisted property may be completed only if the requirements of the four-part test are met, and the planned-use of the property at the time of acquisition does not change. If the planned-use changes on and after April 1, 2019, the new activity must qualify based upon the 2015 ACS LMISD.
- *Certain Loan or Grant Programs.* Grantees may award or obligate funding to loan or grant programs rather than to discrete activities. The loan or grant program would then fund discrete activities, potentially including some designed to benefit area residents. Small main street revitalization programs or revolving loan programs are examples. In such cases, national objective compliance would be determined for each provision of assistance to a business or recipient as a grant or loan. Therefore, the obligation date of that loan or grant to the business or recipient would be used for the first of the four-part test.
- *Fungibility:* If an existing activity's funding source is changed after April 1, 2019 and the activity was qualified as area benefit under the 2010 ACS LMISD, the activity will not have to re-qualify under the 2015 ACS LMISD. "CDBG funds", pursuant to 24 CFR 570.3 and 24 CFR 570.481, include both grant funds and program income; therefore, annual grant funds and program income may be interchanged when funding an activity qualified on the prior LMISD, provided that the scope, purpose, or service area of the activity has not changed and the total amount awarded or obligated to an activity, prior to April 1, 2019, is not exceeded.
- *LMISD-based Scoring Criteria:* Some State CDBG grantees may use the LMISD to influence award amounts, either as a numerical part of calculating a formula allocation or as part of competitive application scoring. A problem can arise if an UGLG's award amount is determined based on the 2010 ACS LMISD, but that UGLG is unable to qualify a new LMA activity based on the 2015 ACS LMISD. Grantees using the LMISD in this manner should update their procedures to reflect the updated 2015 ACS LMISD. Some State CDBG grantees may need to amend the Method of Distribution in the Annual Action Plan to ensure that awards for area-benefit activities are being made to UGLGs that will be able to qualify an area benefit activity in accordance with the provisions of this Notice.

III. HOW TO USE THE LMISD:

Geographic Format. HUD publishes LMISD using the geographies provided by the U.S. Census Bureau for the American Community Survey. HUD publishes LMISD at both the Summary Level 150 (*block groups*), and at the Summary Level 160 (*Places*, which includes incorporated cities and unincorporated, Census-designated places).

Figure 1 below demonstrates how *block groups* and *places* differ in urban versus rural settings. *Block groups* are established to have between 600 to 3,000 people, which means that, as population density goes down, the geographic size of the *block group* increases and, as the density goes up, the size of the *block group* decreases. In towns with enough population density to have several *block groups*, the *block groups* are typically the most specific geography available; often resembling neighborhoods. However, in the less dense areas, *block groups* increase in size, potentially including more than one small town.

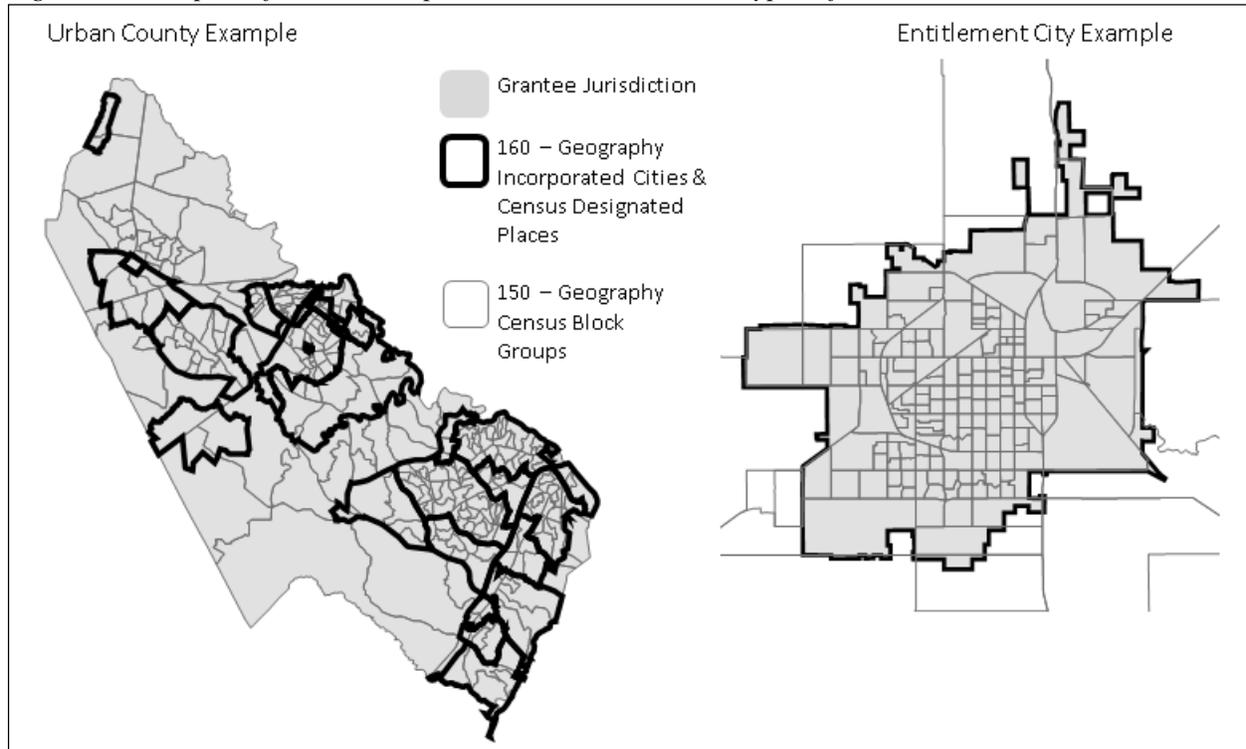
Figure 1. Block Groups and Places in Rural and Urban Settings



The *place* geography reflects the jurisdiction of a city, town, or other place. In rural settings, the *place* geography typically reflects UGLG jurisdictions and lends well to qualifying for area benefit for activities benefiting the whole town.

Figure 2, below, demonstrates how *block groups* and *places* can differ among Entitlement CDBG grantees, specifically, Urban Counties and Entitlement Cities. In Urban County settings, a grantee could use either *block groups* or *places* to represent service areas. However, in Entitlement Cities, the *place* geography typically reflects the entirety of a grantee's jurisdiction; therefore, *block groups* are likely to be the most specific geography available to coincide with neighborhood-level service areas.

Figure 2. Examples of Block Groups and Places in Various Types of Entitlement Jurisdictions



Compiling a Service Area from the LMISD. Based on the type of activity, the grantee will choose a reasonable service area, and then refer to the LMISD for an equivalent geography. Grantees may choose to take additional steps to delineate service areas, such as requiring market studies. Activity service areas should be *reasonably* delineated based on the intended beneficiaries of the LMA activity. Once the service area has been reasonably delineated, the LMISD geographies that most closely correspond are chosen. The service area shall not be drawn to intentionally include LMI persons that would not benefit, nor shall it be drawn to intentionally exclude non-LMI persons that would benefit.

Grantees may combine geographies to best represent service areas, typically by combining two or more block groups. When using multiple geographies in the determination of LMA compliance of a service area, grantees are reminded that percentages shall not be averaged across multiple geographies. The proper calculation is as follows:

$$LMI \% = \frac{(LMI\ Persons\ Geography\ A + LMI\ Persons\ Geography\ B + LMI\ Persons\ Geography\ C\dots)}{(LMI\ Universe\ Geography\ A + LMI\ Universe\ Geography\ B + LMI\ Universe\ Geography\ C\dots)}$$

Example. A service area corresponds with two block groups. Block group 1 is 54.17% LMI with a population of 325 LMI persons of 600 total persons. Block group 2 is 50% LMI and has 1,500 LMI persons of 3,000 total persons. If 54.17% and 50.00% are averaged, which would be incorrect, the result is 52.09% LMI. However, the correct calculation per the formula above is 1,825 persons

divided by 3,600 persons, resulting in 50.69% LMI [which HUD does not allow to be rounded up to 51%].

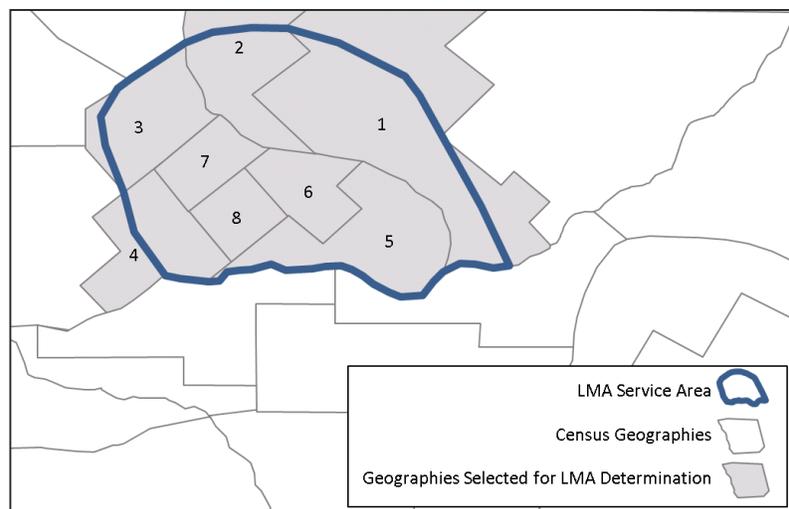
$$50.69\% \text{ LMI} = (325 + 1,500) \div (600 + 3,000)$$

Grantees should not define a single service area by compiling a mix of *place* and *block group* data. These geographic layers have overlapping areas. If a service area was constructed by mixing *block group* and *place* data, residents would likely be double-counted.

When the Service Area Doesn't Match the LMISD Geographies. If the available LMISD geographies provided do not reasonably correspond to the service area, it may not be appropriate to use the LMISD to qualify an LMA activity. Grantees may consider conducting a methodologically-sound local income survey to determine LMA compliance for the specific service area.

No Prorating. Grantees may not prorate the LMISD data when a given service area includes a portion of a geography from HUD's published datasets. The LMA determination shall be made based on the entirety of the data of the census geography which the service area both completely encloses and significantly overlaps. Using the standard LMISD geographies will usually result in a change to a custom service area, which is acceptable, provided that the two areas reasonably correspond to one another.

Figure 3. Partial Overlay of a Service Area and LMISD Geographies.



Example. In Figure 3, the LMA service area completely encloses geographies 5, 6, 7 and 8; additionally, geographies 1, 2, 3 and 4 are partially overlain by the service area. The entirety of the data for all geographies 1 through 8 must be included in the determination of LMA compliance to use the LMISD. The grantee shall not prorate geographies 1, 2, 3, or 4.

Advanced Users. Grantees that utilize geographic information systems (GIS) to join LMISD data to map layers should download the 2010 versions of the Summary level 150 and 160 geographies from U.S. Census Bureau, which will continue to update decennially.⁶ In addition, due to the possibility of annual changes in grantee jurisdictions and grantee participations in the entitlement program, it is recommended that GIS users annually download the updated grantee boundary map layers⁷ and corresponding LMISD grantee summaries from HUD.

Advanced users that choose to reconstruct areas from the Summary level 150 geographies, specifically when those block groups overlay multiple grantee jurisdictions, should note the following: HUD creates the LMISD grantee summary block group file with duplicate block group records for each block group that overlays one or more grantee jurisdictions, thus associating that

⁶ Census map layers: www.census.gov/geo

⁷ CDBG Grantee jurisdictions: <https://egis.hud.gov>

block group with each of the grantees who share it. Therefore, when performing analyses on the block group data, it is important to address this by either removing duplicate records for the same block group or establishing one-to-many data relationships, as appropriate.

IV. MARGIN OF ERROR.

If the service area does not qualify as LMA pursuant to this Notice, the grantee may conduct a methodologically sound local income survey to demonstrate otherwise. To assist grantees in making the decision whether to conduct a local income survey, **HUD is publishing the margin of error (MOE) data for all block groups and all places in the 2015 ACS LMISD.** HUD previously published the MOE only for Places with MOEs of 20 percent or more.

The MOE does not provide an expanded range for compliance. For example, a service area of 50 percent LMI with a 2 percent MOE would still be just 50 percent LMI for compliance purposes. However, the 2 percent MOE would inform the grantee about the accuracy of the ACS data before undergoing the effort and cost of conducting a local income survey.

MOE in Local Income Surveys. HUD will consider the following criteria regarding margin of error and confidence intervals to be methodologically sound. In addition to informing the decision to do a local income survey, this Notice also transmits new policy regarding the standards for confidence intervals and MOEs of local income surveys. This Notice expands on CPD Notice 14-013, *Guidelines for Conducting Income Surveys to Determine the Percentage of LMI Persons in the Service Area of a CDBG-Funded Activity*, which recommended a 95 percent confidence interval. This Notice provides new interim guidelines related to margin of error and confidence interval, as HUD intends to publish an update to CPD Notice 14-013 in the near future.

This Notice provides the following guidelines:

1. A local income survey's sample size shall be determined using not less than a 90 percent confidence interval, and
2. The maximum allowable MOE of the local survey shall be the lesser of 10 percent or the MOE of the HUD-provided data for the equivalent geography. For example, if HUD's data indicate an 8 percent MOE, the local survey will be required to have an MOE of 8 percent or less. If HUD's data indicate a 12 percent MOE, the local income survey would be required to have an MOE of 10 percent or less. If there is not an equivalent geography in the LMISD, the maximum MOE of the local survey shall be no more than 10 percent.

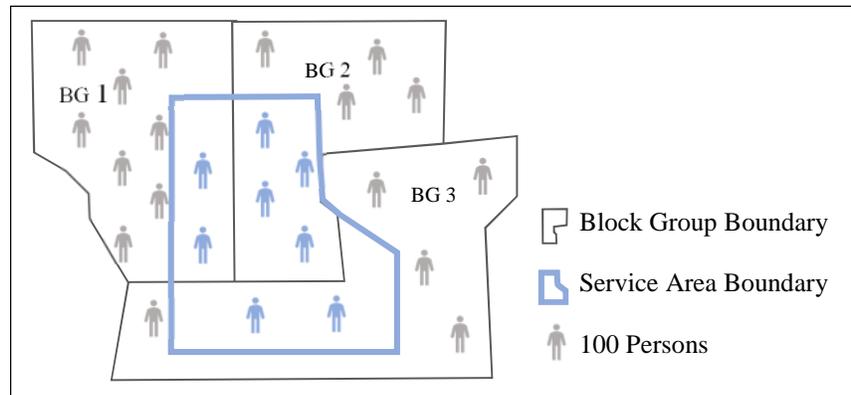
By replacing the *recommended* 95 percent, with a required minimum 90 percent confidence interval, the sample size of local surveys will be significantly reduced, thereby reducing the cost and level of effort associated with conducting local surveys. A 90 percent confidence interval is also equivalent to the ACS data.

The maximum MOE (10 percent or the equivalent LMISD MOE, whichever is smaller) establishes a standard that a local income survey must be "at least as good as" the 2015 ACS LMISD.

When service areas are compiled from multiple geographies, each geography will have a distinct MOE. In such cases, when determining the "equivalent geography's MOE" in item 2 of the policy above, use the single geography containing the largest number of residents of the activity's service area. For example, in *Figure 4* below, the grantee has determined a service area for an activity that overlaps with three block groups. Block group 2 has 400 residents living in the service area, while

block groups 1 and 3 each only have 200 residents living in the service area. Therefore, the MOE of the LMISD for block group 2 would be used to represent the service area. In this example, the maximum MOE allowable in a local income survey would be the lesser of: 10 percent or the MOE of block group 2.

Figure 4: Choosing an MOE from Multiple Block Groups



V. ADDITIONAL GEOGRAPHIC DATA:

Geographic data are relevant to the CDBG program in more ways than area benefit.

The LMI job presumptions reference geographic data as well. This Notice clarifies that the 2015 LMISD ACS shall be referenced when determining compliance with 24 CFR 570.208(a)(4)(iv)(A)(2) and 24 CFR 570.483(b)(4)(iv)(A)(2), specifically that at least 70 percent of the residents of the census tract are low- and moderate-income persons.

Grantees may also use *poverty rate* data by census tract and block group when determining compliance with the LMI job presumptions pursuant to 24 CFR 570.208(a)(4)(v) and 570.483(b)(v). Additionally, grantees use *poverty rate* data to demonstrate compliance with the exemption from the aggregate standards for evaluating public benefit, pursuant to 24 CFR 570.209(b)(2)(v) and 570.482(f)(3). For these purposes, grantees may use the *poverty rate* data from the 2015 ACS data to be published by HUD, which will now be published by HUD on a 5-year schedule to align with LMISD publications. Alternatively, grantees may use more recent *poverty rate* data from a more recent ACS version as published by the Census Bureau.

HUD is also publishing data on *race*, *ethnicity* and *disability* based on the 2015 ACS for the purposes of reporting beneficiaries. Although ACS data are published annually, HUD will publish these data on the same schedule as the LMISD to provide consistency and reduce the administrative burden that would be associated with annual updates.

VI. REPORTING LMA BENEFIT:

CDBG Grantee Reporting. HUD’s Integrated Disbursement and Information System (IDIS) allows grantees to provide data to demonstrate an activity’s compliance with the LMA national objective. Grantees have the option of indicating whether data are derived from “Census” or “Survey”.

- ✓ Choose “Census” when using the HUD-provided LMISD. In a future release of IDIS, HUD intends to update this toggle switch to read “HUD-Provided Data”.
- ✓ Choose “Survey” when using a local income survey.

Choosing “Census.” At the time of publication of this Notice, IDIS functions for entitlements and states are distinct. Entitlement grantees choosing “Census” will be led to a screen that automatically populates the count of LMI persons and the LMI percentage based on the tract/block group entries. State grantees also enter the tract/block group codes, however, the entry of LMI persons and LMI percentage is manual.

Choosing “Survey.” Both entitlement and state grantees choosing “Survey” will be led to the screen for entry of block groups, and manual entry of LMI persons and LMI percentage.

Indicating the Dataset Used. At the time of publication of this Notice, IDIS functions for Entitlements and States are distinct.

- State grantees are asked to use the *activity description* field to indicate the dataset referenced by typing either “2010 ACS” or “2015 ACS”.
- Entitlement grantees choosing “Census” are given the option of selecting different versions of the LMISD. The following table provides the list of LMISD versions available in IDIS and the corresponding base data and fiscal year versions (see the “I. Publication” section for more information on these terms):

Table 2. Versions of the LMISD Available in IDIS for Entitlement CDBG

“LMISD Date” As Listed in IDIS	Base Data	Fiscal Years of Grantees	Implemented by CPD Notice
<i>Pending 04/01/2019</i>	<i>2011-2015 ACS</i>	<i>FY 2018</i>	<i>This Notice</i>
06/11/2018	2006-2010 ACS	FY 2018	14-10, 14-11 and 15-05
08/04/2017	2006-2010 ACS	FY 2017	14-10, 14-11 and 15-05
06/03/2016	2006-2010 ACS	FY 2016	14-10, 14-11 and 15-05
07/27/2015	2006-2010 ACS	FY 2015	14-10, 14-11 and 15-05
07/01/2014	2006-2010 ACS	FY 2014	14-10, 14-11 and 15-05
06/03/2014	2000 Census	FY 2014	07-01 and 07-02
09/01/2013	2000 Census	FY 2013	07-01 and 07-02
03/01/2012	2000 Census	FY 2012	07-01 and 07-02
06/01/2011	2000 Census	FY 2011	07-01 and 07-02
05/01/2010	2000 Census	FY 2010	07-01 and 07-02
07/01/2009	2000 Census	FY 2009	07-01 and 07-02
04/01/2008	2000 Census	FY 2008	07-01 and 07-02
05/01/2007	2000 Census	FY 2007	07-01 and 07-02
04/01/2007	2000 Census	FY 2007	07-01 and 07-02
09/30/2003	2000 Census	FY 2003	03-02, 03-03 and 04-09

Most grantees will be selecting the most current version for new activities; therefore, IDIS treats this as the default selection. On April 1, 2019, the 2015 ACS version will be added as the most current.

The LMI percentage by block group remains unchanged in each version with the same base data. However, Entitlement CDBG grantees should note that the upper quartile LMI percentage may change in a new fiscal year version of the same base data IF the jurisdiction has changed, either through changes to incorporated areas or changes to local governments' participation in an Urban County's CDBG program.

Using Place Data. Both options, "Census" and "Survey", prompt the user to enter the Census tract and block groups corresponding to the LMA service area. At the time of publication of this Notice, those fields only accept the tract/block group code format to be entered. It is HUD's intent to improve IDIS to allow the entry of place codes as well. In the meantime, grantees should indicate when place data has been used by:

1. Typing "Place Data Used" in the *activity description* field,
2. Check the box indicating the use of "Survey" data,
3. Enter the single most overlapping or centrally located tract/block group's code, followed by manually entering the population and LMI percentage of the Place geography.

For example, Spring Town is a small town in the middle of a very large block group, BG3, that extends into less populated, unincorporated areas. Spring Town's CDBG activity will benefit the town residents but not those outlying areas. Therefore, Spring Town would use the Place data instead. But, IDIS will only accept the entry of a tract/block group code. The grantee would check the "Survey" toggle in IDIS, note the use of Place data in lieu of block group data in the description, and enter the tract/block group code, but manually enter the population and LMI percentage for the Place instead. HUD's intent is to improve IDIS in the future to allow the entry of either place codes or tract/block group codes.

Rural Promise Zones and Appalachian Regional Commission Distressed Counties. State CDBG grantees reporting activities that take advantage of the exception to use the 2000 Census, pursuant to Public Law 114-113, shall indicate "survey" and use the *activity description* field to indicate the dataset referenced by typing "Public Law 114-113, Census 2000 data used."

CDBG-DR and NSP Reporting: In the Disaster Recovery Grant Reporting (DRGR) System, CDBG-DR and NSP grantees also have the option of indicating whether data are derived from "Census" or "Survey".

- ✓ Choose "Census" when using the HUD-provided LMISD.
- ✓ Choose "Survey" when using a local income survey.

Both options prompt the user to enter the Census tract and block group(s) corresponding to the LMI service area. However, entering the corresponding Census tract and block group(s) is optional, if the survey method is selected.

Choosing "Census." DRGR will be updated in early 2019 to allow grantees to select the 2010 ACS or 2015 ACS data set. Until then, selecting "Census" will default to the 2010 ACS data set. If a grantee has qualified an area benefit activity under the 2015 ACS prior to the DRGR update, grantees should: a) select "survey"; b) enter the LMI population data of the service area based on the 2015 ACS directly into DRGR; and c) enter "2015 ACS data" into the location description.

Choosing "Survey." Grantees choosing "Survey" must manually enter the LMI population. In addition, grantees must use the *Add Supporting Documentation* feature in DRGR to attach the survey data or LMI tabulations for the service area.

Activities using the 2010 ACS. If a grantee uses the 2010 ACS LMISD to qualify an area benefit activity after the effective date, the grantees must attach documentation in DRGR demonstrating compliance with the transition policy of this Notice.

Guidance for NSP Grantees' use of LMMI Data. For NSP grantees using the 2010 ACS or 2015 ACS to qualify an area benefit activity (including households earning up to 120% AMI), grantees must:

- ✓ Select the Area Benefit – Survey option in DRGR and enter the low- and moderate-income data into the required fields;
- ✓ Select the block groups (which only includes LMI data for households earning up to 80% AMI); and
- ✓ Use the Add Supporting Documentation feature to attach a table and demonstrate compliance with the LMISD LMMI tabulations for the service area.

Guidance for use of Updated LMISD Summary level 160 (Place). HUD will update DRGR to provide Summary level 160 (Incorporated Cities and Census-designated Places) in early 2019. In the meantime, grantees should select the Area Benefit Survey option in DRGR, select the Census Tracts and Block Groups that comprise the service area (*Identify Survey Geography*) and enter the low- and moderate-income data into the required fields. Grantees should also indicate when place data have been used by typing “Place Data Used” in the Activity Description field.

QUESTIONS.

If you have any questions about the guidance provided in this memorandum, grantees should contact their HUD Field Offices.

HUD field staff should contact: Disaster Recovery and Special Issues Division, at 202-402-5059; State and Small Cities Division at (202) 708-1322; or Entitlement Division at (202) 708-1577.