

**FY26 Congressionally Directed Spending Requests
Senator Kelly & Senator Gallego**

Housing, Economic Development, Rural Development, and Small Business Support

Overview:

The Senate Appropriations Committee is accepting requests for Congressionally Directed Spending projects for several accounts that can be used to fund projects that serve low- and moderate- income individuals, including through addressing affordable housing challenges, that support broader community development and economic development projects, and that support small businesses. Arizona stakeholders are invited to submit requests for projects which are eligible for the following federal program accounts.

Please note that the information below reflects the latest guidance our office has received from the Senate Appropriations Committee and insights gained from prior CDS projects, but is intended for guidance purposes only. However, requestors are strongly encouraged to review this document to ensure this project is a good fit for Congressionally Directed Spending.

Department of Housing and Urban Development – Economic Development

Initiatives:

One of the broadest authorities available for Congressionally Directed Spending, the EDI account can fund construction, property acquisition, blight removal or remediation, or other rehabilitation or improvement to public facilities.

- **What can be funded?** Funding for Economic Development Initiatives (EDIs) is funded within the HUD Community Development Fund for activities eligible under [section 5305 of chapter 69 of title 42, United States Code](#), as well as for affordable housing construction. Examples of eligible EDI projects include, but are not limited to:
 - Acquisition of real property (land, water rights, buildings);
 - Construction of new affordable housing;
 - Blight removal or remediation; and,
 - Construction, rehabilitation, and improvements of public facilities (except buildings for general conduct of government).

- **Restrictions:**
 - Reimbursement of expenses incurred prior to the enactment of a final FY26 appropriations bill is not permitted.
 - Projects funded under this account are subject to all federal environmental and historic preservation laws, regulations, and Executive Orders.

Requestors must understand that receipt of federal funds under this account would require compliance with the following regulations, and all other applicable statutes:

- [The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Part 200](#)
- The National Environmental Policy Act (NEPA)
- [HUD's NEPA-implementing regulations at 24 CFR Part 50 or 24 CFR Part 58](#)

- **Appropriations Subcommittee:** Transportation, Housing and Urban Development, and Related Agencies
- **Administering Agency:** Department of Housing and Urban Development
- **Cost-Share:** Congressionally Directed Spending requests for HUD EDI can be used to cover 100% of a project's cost.
- **Requirements:** The Senate Appropriations Committee requires that the following information be provided for all CDS requests to be funded through the HUD EDI Account:
 - **Project Readiness:** All eligible projects must provide details on the status of the planning and environmental work.
 - **Sources of funding:** All eligible projects must provide a detailed description of all other sources of funding contributing to the total cost of the project.
 - **Confirmation of Federal Requirements:** All requestors must confirm that they will be able to comply with all applicable environmental and historic preservation laws, regulations, and Executive Orders.
 - **Project Website & CDBG Plans:** Requestors must provide (if applicable) a project website and/or a copy of a CDBG grantee's Consolidated Plan or Annual Action Plan which includes the project.
 - **National Objectives:** Requestors must identify which of the three "National Objectives" of the HUD CDBG program that the requested project and its activities meets, including a description of **how** it meets such National Objectives. The objectives are:
 - benefit low- and moderate-income persons or communities;
 - prevent or eliminate slums or blight; or
 - address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Note that the most common "National Objective" is benefit to low- and moderate- income (LMI) persons. If using the LMI National Objective,

please review [this HUD resource](#). Use the [Map Application](#) tool to provide the necessary data points demonstrating the LMI benefit.

- **Process for Successful Applicants:** If a project is successfully funded in the enacted FY26 appropriations bill, the funding will be distributed as a grant agreement to the requestor. Recipients will be asked by HUD to send all budget and project narrative information to the agency prior to receipt of funds. Funding will not be released until HUD confirms all environmental and historic preservation requirements are met. HUD has set up a webpage for FY23 CDS recipients [HERE](#), which contains initial information about the requirements associated with last year's CDS awards and can serve as a guide for what the process of receiving funding this year could look like.

USDA Rural Development – Community Facilities Program:

Projects that are eligible for USDA Rural Development's Community Facilities Program may be funded through Congressionally Directed Spending, although projects must comply with all RD eligibility and cost-share requirements.

- **What can be funded?** Any project which is eligible for USDA RD's Community Facilities (CF) grant program is eligible for Congressionally Directed Spending. More information about the eligible program activities can be found [HERE](#). In general, projects in communities (or districts with a service area) with a population of less than 20,000 people are eligible for CF funding. Some examples of projects could include health care facilities, public facilities (town halls, courthouses, etc), street improvements, housing projects public safety services (building fire stations, police stations, acquiring fire trucks, etc), educational services (museums, libraries, schools), local food systems, or community support services (child care centers, community centers, etc.).
- **Restrictions:**
 - Towns with populations over 20,000 are not eligible for this program.
 - This program is subject to the Build America Buy America Act requirements that will apply to the total project cost, not just the federal cost-share portion.
 - Applicants must meet environmental review requirements (i.e., NEPA).
 - Funding within this program may not be used:
 - To reimburse funds for projects already constructed/acquired or projects that will be completed by the passage of the FY26 appropriations bill.
 - To pay initial operating expenses or annual recurring costs, including purchases or rentals that are generally considered to be operating and maintenance expenses.
 - To fund facilities to be used primarily for recreation purposes.

- To fund facilities to be used primarily for business entrepreneur purposes.
- **Appropriations Subcommittee:** Agriculture, Rural Development, FDA, and Related Agencies
- **Administering Agency:** U.S. Department of Agriculture – Rural Development
- **Cost-Share:** The Community Facilities (CF) Grant program has a match requirement on a sliding scale based on community population size. CF Grants can cover up to 75 percent of the total project costs. **In order to determine whether a project is eligible, your office or the applicant is required to reach out to the Arizona State Rural Development Office. [Contact information is here.](#)**

This program will fund **up to** 75 percent of total project costs, with match requirements based on population as follows:

- Maximum of 75 percent when the proposed project is located in a rural community having a population of 5,000 or fewer
 - Maximum of 55 percent when the proposed project is located in a rural community having a population of 12,000 or fewer
 - Maximum of 35 percent when the proposed project is located in a rural community having a population of 20,000 or fewer
- **Requirements:**
 - **Project Readiness:** All eligible projects must provide details on the status of the planning and environmental work.
 - **Sources of funding:** All eligible projects must provide a detailed description of all other sources of funding contributing to the total cost of the project – and specific attention must be paid to ensuring the requestor can meet the cost-share requirements based on the community/service area's size.
 - **Discuss with Arizona Rural Development Office:** All applicants considering applying for Rural Development funding are strongly encouraged to reach out to the [Arizona Rural Development office](#).
 - **Community/Service Area Population:** Because of the specific requirements for Rural Development funding, applicants must provide the most up to date population data for the community/service area in their application. Failure to provide this information will prevent the project from being funded.
 - **Process for Successful Applicants:** If a project is successfully funded in the enacted FY26 appropriations bill, the funding will be distributed as a grant agreement administered by the [Arizona Office of Rural Development](#). Successful requestors must provide documentation to confirm eligibility based on the

requirements above. Once eligibility is confirmed, funding can be disbursed. This typically takes 3-4 months from the enactment of the appropriations law.

Small Business Administration – Grant Programs:

Any project that intends to support small businesses and entrepreneurs is eligible to receive Congressionally Directed Spending through the Small Business Administration.

- **What can be funded?** CDS funding can be provided by SBA's [grant office](#) for a wide variety of projects which support small businesses, including entrepreneur training, counseling, research, and construction or acquisition of facilities.
- **Restrictions:**
 - SBA CDS funding can't be used to provide seed capital for small businesses
 - SBA CDS funding can't be used by the CDS recipient to make grants/loans.
 - CDS awards within this account are relatively small. Successful applicants will ask for less than \$1 million.
- **Appropriations Subcommittee:** Financial Services and General Government Committee
- **Administering Agency:** Small Business Administration
- **Cost-Share:** Congressionally Directed Spending requests for SBA can be used to cover 100% of a project's cost.
- **Requirements:**
 - **Sources of funding:** All eligible projects must provide a detailed description of all other sources of funding contributing to the total cost of the project.
 - **Local support:** Successful CDS requests should have the support of local officials or communities.
 - **Project Readiness:** All eligible projects must provide details on the status of the planning and environmental work.
- **Process for Successful Applicants:** If a project is successfully funded in the enacted FY26 appropriations bill, the funding will be distributed to recipients by the Small Business Administration's [Grants Program Office](#). Applicants will be required to apply for funding on Grant.gov, with an application likely to open about three months post-enactment. It usually takes 3-4 months after enactment for funding to be released.

Department of Labor – Employment and Training Administration:

Projects or programs which provide career services, training, support services, and other WIOA eligible services, are able to receive Congressionally Directed Spending.

- **What can be funded?** CDS funding can be provided by the Department of Labor's Employment and Training Administration to meet the employment and training needs of workers. These projects are funded through the Department's Workforce Innovation and Opportunity Act (WIOA) demonstration authority. Generally, these projects should include direct services which could include career services, training services (including work-based training), supportive services, and other permissible services, as they are defined in WIOA. Typical activities include training unemployed individuals to increase their skills and obtain employment and enhancing the skills of incumbent workers to get higher-paying jobs.

CDS funding may be used for the purchase of equipment, but generally only if it's an incidental part of the larger project to provide direct services (a similar standard applies to curriculum development). If a larger portion of the CDS funding is expected to be used for equipment or curriculum development, please note that and provide a detailed justification for why such investments are necessary to meet the employment and training needs of individuals.

- **Restrictions:**
 - CDS funding within ETA can't be used for construction or renovation of facilities or the purchase of land or buildings
 - ETA CDS recipients may not sub-grant to other organizations or agencies
- **Appropriations Subcommittee:** Labor, HHS, Education, and Related Agencies
- **Administering Agency:** Employment and Training Administration
- **Cost-Share:** Congressionally Directed Spending requests for ETA can be used to cover 100% of a project's cost.
- **Requirements:** The Senate Appropriations Committee requires that the following information be provided for all CDS requests to be funded through ETA:
 - **Sources of funding:** All eligible projects must provide a detailed description of all other sources of funding contributing to the total cost of the project.
 - **Measurable Outcomes:** CDS projects will be expected to have measurable outcomes and demonstrate a linkage with the state or local workforce investment system.
 - **Time Limited:** CDS funding is not intended to be a continuous source of funding, and therefore recipients must demonstrate how receipt of CDS funding will enhance or jump-start an activity, but not sustain it over time.

- **Local support:** Successful CDS requests should have the support of local officials or communities.

- **Process for Successful Applicants:** If a project is successfully funded in the enacted FY26 appropriations bill, the funding will be distributed to recipients by the Department of Labor. Applicants will be required to apply for funding on Grant.gov, with an application likely to open about three months post-enactment. For additional background, the notice which was provided by the department to FY23 recipients can be found [here](#). Please note that it is possible for guidance to change from year to year.