

Allowability of "Unobligated Funds for Cost Overruns"

March 7, 1986

MEMORANDUM FOR: Joseph D. Monticciolo, Regional Administrator-
Regional Housing Commissioner, 2S

ATTENTION: Joan T. Dabelko, Regional Director for
Community Planning and Development, 2C

FROM: Alfred C. Moran, Assistant Secretary for Community Planning and Development, C

SUBJECT: Allowability of "Unobligated Funds for Cost Overruns" CDBG Entitlement Projected Use of Funds

In response to your memorandum dated February 11, 1986, this will confirm that Entitlement Grantees cannot budget CDBG funds for local options. The provisions of the statute that permitted unspecified local option activities was removed from the Housing and Community Development Act with the elimination of the CDBG entitlement application in 1981.

Under Section 104(a) of the Act, grantees must provide citizens with an opportunity to comment on all new activities proposed to be undertaken with CDBG funds and on substantial changes proposed to be made in previously described activities. The concept of local option activities, which by their nature are not subject to citizen comment, is therefore contrary to the amended Act.

While grantees may not include an amount for local option activities, they may include in their statements a contingency amount to cover potential cost overruns in activities described in the statements. Although the CDBG regulations do not contain any cost limitations regarding funds budgeted under this category, the amount budgeted should be reasonable in relation to the overall grant.

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