

## Expenditure of CDBG Funds outside the Recipient's Jurisdiction

July 5, 1995

Honorable Rodney P. Frelinghuysen  
U.S. House of Representatives  
Washington, DC 20515-3011

Dear Mr. Frelinghuysen:

Thank you for your letter of March 23, 1995, requesting information on the status of a proposed rule for the Community Development Block Grant (CDBG) program concerning the expenditure of CDBG funds outside of a recipient's jurisdiction. You indicate that a daycare center in Morris County, New Jersey, is no longer being funded by the County because of the subject provision in the proposed rule.

The proposed rule published by the Department of Housing and Urban Development (HUD) in the Federal Register on August 10, 1994, would, in part, add a new section 570.309 to the CDBG regulations delineating the circumstances under which the spending of CDBG funds outside the jurisdiction of the recipient would be permissible. This provision as proposed would not completely restrict a grantee from using CDBG funds outside of its jurisdiction, but would require a grantee to ensure that any such funded activities principally benefited the grantee's residents. The proposed rule was published for public comment only; nothing related to the referenced provision has yet been published for effect.

The Department is currently in the process of developing a final rule which takes into consideration the public comments received on the proposed rule. Therefore, the proposed provision is subject to change. Until any rule is published for effect in this regard, a grantee is not obligated to preclude activities outside its jurisdiction from receiving funding. However, a grantee may choose to impose its own more restrictive requirements, provided they are not in conflict with the statute. The language in the proposed rule was developed because the current CDBG regulations are silent on the issue of a grantee spending funds outside its jurisdiction. The Department has ruled in several cases that this is allowable. Such cases have often involved urban counties. The decision to fund activities outside jurisdictions participating in the urban county has generally been left to the discretion of the county, subject only to the scrutiny of the affected citizens in the urban county. HUD does currently require that the county describe the funded activity in its Consolidated Plan in sufficient detail to enable the citizens of the urban county to be aware of the extent to which funds that would ordinarily be spent within the urban county will benefit other non-participating jurisdictions.

It is hoped that this assists you in responding to your constituent. Thank you for your interest in the CDBG program.

Sincerely,

(signed-Biechman)

John C. Biechman  
Acting Assistant Secretary

