

CDBG Entitlement Program, Payment of Public Works Construction Crew

January 15, 1992

MEMORANDUM FOR: Michael Smerconish, Regional Administrator - Regional Housing Commissioner, 3S

ATTENTION: Choice Edwards, Manager
Pittsburgh Office, 3.3S

FROM: Anna Kondratas, Assistant Secretary for Community Planning and Development, C

SUBJECT: Eligibility Determination for Johnstown, PA CDBG Entitlement Program Payment of Public Works Construction Crew

This is in response to your memorandum of December 6, 1991, to James R. Broughman requesting an eligibility determination for using CDBG funds to pay for the salaries of ten construction workers who are currently working for the City of Johnstown's Public Works Department. In order to reduce the City's costs and save these ten jobs, the City Council has proposed transferring these employees from its Public Works Department, which is locally funded, to the CDBG program and payroll. This proposed transfer is an attempt to address the decreasing availability of general funds for paying these salary costs.

The regulation at 24 CFR 570.200(f) describes the means that a grantee can use for carrying out activities eligible in the CDBG program. It is each grantee's determination as to what combination of its own employees, contractors, and subrecipients to use in order to most efficiently and effectively carry out its program of activities. Of course, CDBG funds may only pay for salaries to the extent the persons are performing functions that are eligible.

In this case there may be reason for concern. The proposed transfer of ten construction workers currently employed by the City to the CDBG program is being contemplated not because of an increase in CDBG-assisted public works activities, but to save these jobs and to avoid using local funds to cover their salaries. According to your staff, these employees currently carry out only a minimal amount of CDBG-assisted projects. Most of their other work involves routine maintenance activities such as snow removal and routine street improvements that are funded by the City. These functions would be ineligible under the regulation at 24 CFR 570.207(b)(2) which states that repairing, operating or maintaining public facilities, improvements and services are generally ineligible.

If the grantee can document that the costs of fully funding these ten construction workers is necessary and reasonable for the proper and efficient administration of CDBG activities and are not otherwise ineligible as outlined above, the costs would be permissible.

If you have any questions on this guidance, please contact the Entitlement Communities Division on FTS 458-1577.

cc: Linda Marston, SC