

Authorization to Incur Pre-agreement Costs

November 18, 1994

MEMORANDUM FOR: William B. Rotert, Deputy Director, Community Planning and Development, 6AD

FROM: Andrew Cuomo, Assistant Secretary for Community Planning and Development, C

SUBJECT: Request for Authorization to Incur Pre-Agreement Costs for Fiscal Year 1994, Amarillo, Texas

This is in response to your request of August 23, 1994, for a waiver of 24 CFR 570.200(a)(5), Cost Principles, and 24 CFR 570.200(h), Pre-Agreement Costs, to permit the City of Amarillo, Texas, to obligate Fiscal Year (FY) 1994 Community Development Block Grant (CDBG) funds for the expansion of a public facility to be used as an adult day care center. The waiver was requested to ensure the participation of two private foundations which had stipulated that the construction contract for the center had to be executed by August 31, 1994, as a condition of receiving contributions from them. As a result, the City committed FY 1994 CDBG funds in August 1994. The CDBG funds were not, however, expended prior to the beginning of the City's FY 1994 program year which began October 1, 1994.

The City does not need a waiver of pre-agreement costs in this instance because CDBG funds were not expended on the activity prior to grant award. Although CDBG funds were committed (obligated) before the start of the program year to ensure that the private funds would not be lost, the City did not incur costs prior to the program year effective date. Obligations are not "incurred costs". A waiver of preagreement costs is only necessary if the grantee is going to incur costs prior to the program year effective date that will be paid with CDBG funds.

The City should be reminded, however, that grantees are prohibited from obligating or expending CDBG funds, including program income, for activities until they have completed an environmental review to determine whether the activity or project might significantly affect the quality of the human environment. If you have any further questions, please contact the Entitlement Communities Division on (202) 708-1577.

cc: John E. Wilson, SC