

OFFICE OF THE GOVERNOR

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ALABAMA DEPARTMENT OF ECONOMIC
AND COMMUNITY AFFAIRS

Bill JOHNSON
DIRECTOR

STATE OF ALABAMA

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ALABAMA CDBG INTERGOVERNMENTAL
POLICY LETTER NUMBER 12(a)

(REVISION 2)

TO: Persons Interested in the State CDBG Program
FROM: Bill Johnson *[Signature]*
Director

POLICY ON ALLOWABLE ADMINISTRATIVE COST

This policy applies to all new CDBG grants awarded after the date of this letter.

CDBG project administration costs, i.e., program management, advertisements, audit, and eligible pre-agreement costs for Competitive Fund and Community Enhancement Fund projects, shall not exceed the percentages of total project cost or maximums listed below:

<u>Total Project Cost</u>	<u>Administrative Percentage</u>
Under \$200,000	12% up to \$20,000
\$200,000 - \$400,000	10% up to \$32,000
Over \$400,000	8% up to \$50,000

For the purposes of determining total project cost, the amount will include the CDBG funds awarded in addition to the local matching funds and/or other non-federal/state grant funds up to the amount of the CDBG grant award (i.e., \$400,000 grant award and \$400,000 in local match for a total project cost of \$800,000 is allowed, however \$400,000 grant award and \$500,000 local match would still be considered total project of \$800,000). Any local and/or other funds exceeding the grant amount will not be included in the determination of administrative fees as a percentage of project cost.

Any project of a complex nature which could possibly warrant additional administrative costs in excess of the maximum allowed may be approved by ADECA on a case-by-case basis if sufficiently justified. Conversely, some projects are of a less complex

nature and/or some administrative service agreements have minimal scopes of services and may require less administrative oversight, therefore, maximum fees may not be appropriate. As such, ADECA reserves the right to require a cost analysis for any project when fees do not appear to be appropriate. Further, if costs cannot be justified, ADECA reserves the right to reduce the administrative fees paid for with CDBG funds and/or local matching funds.

Due to the nature of Economic Development and Planning Fund projects, and projects funded due to emergencies or disasters, the fee scale above may not always be appropriate. Therefore, applicants are urged to contact ADECA for guidance regarding administrative fees and cost analyses during the project development phase, prior to application submission.

Costs budgeted for work write-ups and inspections for housing rehabilitation projects should be identified as a separate budget line item, and the amount allocated for this activity must continue to be reasonable and necessary. Also, appraisals, surveys, and legal fees associated with acquisition and/or relocation are considered service delivery costs and should be included in the applicable construction line item.

BJ:MEN:sj