November 19, 1991

ALABAMA CDBG INTERGOVERNMENTAL
POLICY LETTER NUMBER 7
(Revision 1)

TO: Persons Interested in State
CDBG Program

FROM: Don C. Hines, Ph. D., Chief
Planning and Economic Development

POLICY ON PROGRAM INCOME*

Grantees shall return to the state any interest earned on grant funds advanced by
the state except interest on rehabilitation loans or revolving funds.

All other Program Income earned during any period under which the community
is assisted by state CDBG funds shall be retained by the community, unless otherwise
stated in the Agreement between the community and the state, and used for approved
activities in accordance with the following rules:

1. To the maximum extent feasible, Program Income shall be disbursed prior to
making additional draws from the state to finance approved community
development activities as follows:

   a. Program Income in the form of repayments to a revolving loan fund
      established to carry out an activity shall be substantially disbursed from
      such fund before additional draws are made for the same activity.

   b. All other Program Income shall be substantially disbursed for any
      approved activity before additional draws are made.

Included in the category of other Program Income are proceeds from the
disposition of real property, payments of principle and interest on rehabilitation loans,
interest earned on revolving loan funds.
Recipients shall record the receipt and expenditure of revenue related to the program (such as taxes, special assessments, levies, fines, etc.) as part of grant program transactions.

The disposition of Program Income received after the close-out of a grant shall be governed by the following rules:

Except as may be otherwise provided by the terms of the Grant Agreement or any close-out assessment, Program Income received after grant close-out should be treated by the community as “miscellaneous revenue.” However, if the community has another ongoing state funded CDBG program, the Program Income received from the closed-out program shall be treated as Program Income of the active CDBG Program. Additionally, the community must have accounted, at close-out, for any tangible personal property acquired with grant funds in accordance with the Common Rule and State Policy Letter Number 5.

* Loan repayments involved with the Economic Development Fund projects are governed by the specific terms of the Grant Agreement rather than this Policy Letter.

* Liquidated damage proceeds may be considered program income in some cases. They are governed by Policy Letter Number 15.

Effective Date: Immediately