

November 19, 1991

ALABAMA CDBG INTERGOVERNMENTAL
POLICY LETTER NUMBER 15

TO: Persons Interested in State
CDBG Program

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

LIQUIDATED DAMAGES

Grantees shall treat proceeds from Liquidated damages levied on a contractor to recover damages during construction of a public work or facility as Program Income only to the extent that such funds may be needed to defer "damage" costs paid with state CDBG funds. If, due to contractor fault or default, CDBG grant/project activities are "damaged", jeopardized, incomplete, etc., and Liquidated Damages are levied; the income shall be treated as program income and the ADECA, CDBG office must be notified in writing.

Normally any extra costs incurred because of construction overrun, i.e., additional administrative, engineering, and/or legal fees, etc., should be paid with local funds and then if Liquidated Damages are recovered these costs would be offset by the penalty pay to the grantee. However, if extra costs incurred are CDBG eligible and are paid with CDBG funds, and then later Liquidated Damages are recovered; the CDBG program must be reimbursed for such costs.

To the extent that the CDBG grant activities are completed without damage, other than delay, assessed and recovered Liquidated Damages belong to the grantee.

Effective Date: Immediately