

Program Income



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Program Income Defined

“Program income” is defined as gross income generated from the use of CDBG-DR or CDBG-MIT funds received by a State, local government, or a subrecipient of a State or local government.

Program income includes funds in excess of \$35,000 received in a single year.

→ **Program Income Defined**

Program income includes, but is not limited to, the following when CDBG-DR or CDBG-MIT funds are used:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved
- Proceeds from the sale or lease of equipment purchased
- Gross income from the use or rental of real or personal property
- Net income from the use or rental of real property
- Payments of principal and interest on loans
- Proceeds from the sale of loans
- Proceeds from the sale of obligations secured by loans

→ **Program Income Defined**

Program income also includes, the following:

- Interest earned on program income pending disposition of the income, including interest earned on funds held in a revolving fund account.
- Funds collected through special assessments made against nonresidential properties and properties owned and occupied by households not low- and moderate-income, where the special assessments are used to recover all or part of the CDBG-DR or CDBG-MIT portion of a public improvement.
- Gross income paid to a State, local government, or a subrecipient thereof, from the ownership interest in a for-profit entity in which the income is in return for the provision of CDBG-DR or CDBG-MIT assistance.

→ **Program Income Defined**

Program income does not include the following:

- The total amount of funds **less than \$35,000** received in a single year and retained by a State, local government, or a subrecipient thereof.
 - Must add together all PI earned by grantee and subrecipients to determine if under threshold
- Funds collected through special assessments to recover non-CDBG-DR or MIT outlays of public improvements
- Proceeds from Fund Raising activities carried out by the subrecipient
- Income generated by certain Section 108 activities (reference 24 CFR 570.500 (a)(4)(ii))
- Interest earned on CDBG-DR or MIT deposit accounts for advance payment drawdowns, which is miscellaneous income

→ **Program Income Defined**

Program income does not include the following:

- Income earned from the investment of initial proceeds of a grant advance from the U.S. Treasury;
- Interest earned on loans or other forms of assistance with CDBG-DR or MIT funds that are used for activities that are determined by HUD to be ineligible;
- Interest earned on the investment of amounts reimbursed to the program account prior to the use of the reimbursed funds for eligible activities

This interest should be returned to HUD for transmittal to the U.S. Treasury

→ **Program Income Defined**

Program Income Requirements

Expenditures of PI must meet all CDBG rules such as:

- Eligibility, tie to the storm for CDBG-DR or risk reduction if CDBG-MIT, national objective
- LMI targeting requirement
- Other federal requirements such as environmental review, Davis Bacon, Fair Housing, etc.
- Only 5% of program income can be used for administrative expenses
- Adhere to 24 CFR 570.207(b)

Note: Intended use of PI must be described in Action Plan

→ Program Income Requirements

Grantees cannot hold PI for a future activity not identified. PI draw down options include:

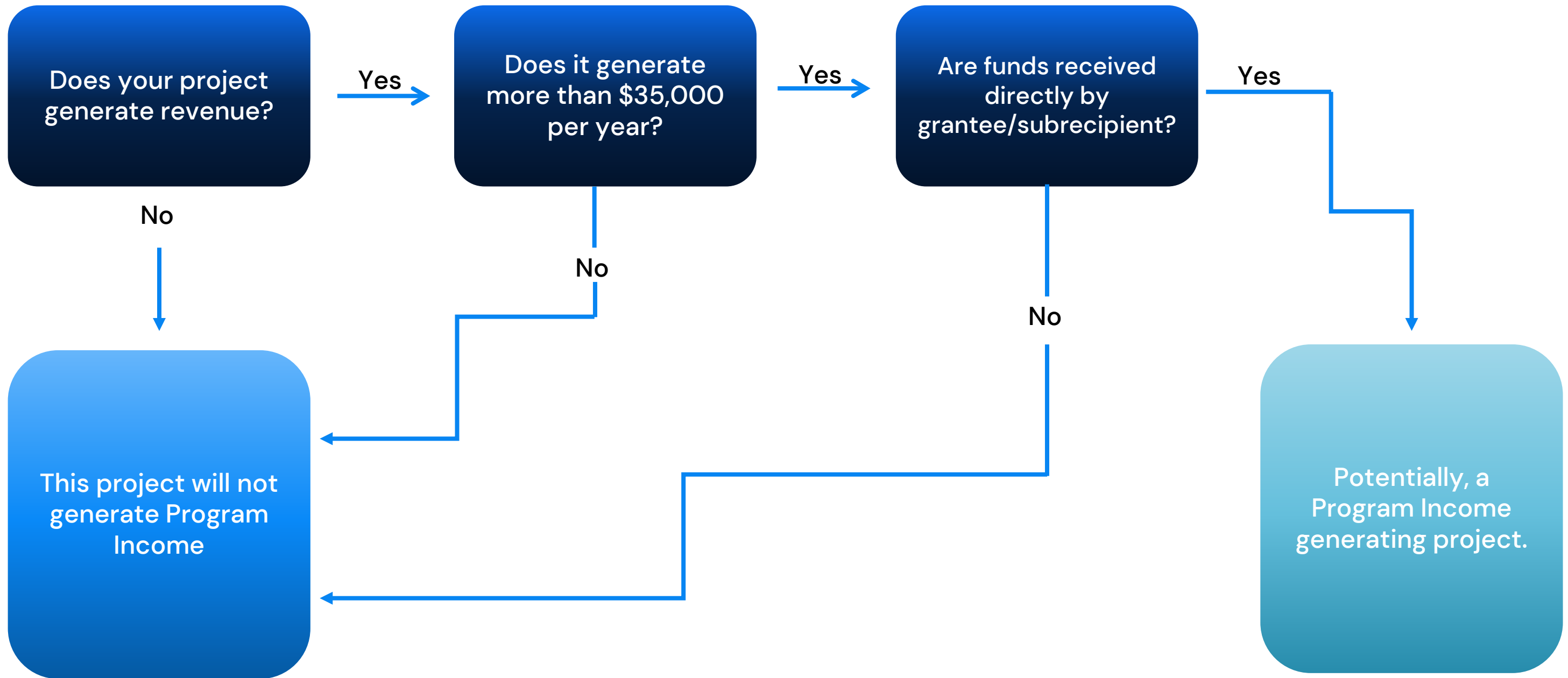
- Grantee retains all PI and uses it before drawing down additional CDBG funds from the federal treasury
- Grantee allows subrecipients to retain and they use before they request additional CDBG funds from grantee
- Grantee places PI into a revolving fund for a specific activity type – pays next bill for that activity type from that RLF
- State grantee creates a revolving fund to distribute funds to Units of General Local Government (UGLG) for specific activities
- Grantee transfers PI to its regular CDBG program (Funds then lose their DR waivers and rather meets the regular CDBG rules)

→ **Program Income Requirements**

- Program Income must be spent prior to additional CDBG-DR or MIT withdrawals.
- Program Income in the form of repayments to a revolving fund must be disbursed from the fund prior to additional cash withdrawals made from the U.S. Treasury.
- At the end of each program year, program income cash balances and any investment that exceeds one-twelfth of the most recent grant made must be remitted back to HUD to be placed on the recipient's line of credit.

→ Program Income Requirements

Determining Program Income



➔ Determine if the Project Generates PI

Tracking and Reporting Program Income

Grantees must develop a system for tracking, reporting and monitoring Program Income

- PI is not remitted back to HUD
- Either kept by grantee or subrecipients and the use is reported in DRGR
- Grantee must have PI policies and procedures

→ Tracking Program Income

The receipt and expenditure of program income as defined in § 570.500(a) shall be recorded as part of the financial transactions of the grant program.

- **Grantees must estimate and plan for program income and include it in activity budgets for the coming year.**
- To help with this, grantees should set up systems to:
 - Track the Program Income receipts, including Program Income retained by subrecipients;
 - To process payments with Program Income in accordance with the cash management rules;
 - To monitor how program income affects the grantee's timely expenditure of funds, and
 - To manage large amounts of unexpected program income, if needed.

→ Recording and Tracking Program Income

CDBG-DR and MIT recipients should develop Program Income Policies and Procedures to govern program income that may be received. The Policies and Procedures will establish how the grantee and its subrecipients define and manage program income; as well as describe how programs likely to generate program income will be managed.

→ **Planning for Program Income**

Program Income: Tracking in DRGR

- Program Income should be reported in the QPR for the quarter in which it was received. Grantees should enter program income received in the activity it was received under. Once this information is saved in the QPR, grantees will be able to draw down on it when creating a voucher
- Program Income is drawn down through the Drawdown module.
- Available Program Income is the sum of ALL PI a grantee has generated. The same amount of money will show as being available for every activity in a voucher.
- [Chapter 25](#) of the DRGR User Manual details procedures for managing Program Income in the DRGR system.

→ Reporting Program Income in DRGR

- [24 CFR Part 570.500\(a\) Definitions. Program income](#)
- [24 CFR Part 570.504 -- Program income.](#)
- [eCFR :: 24 CFR 570.207 -- Ineligible activities.](#)
- [Smart Management of Program Income \(hudexchange.info\)](#)
- [Smart Management of CDBG Program Income - YouTube](#)
- [Basically CDBG for States Chapter 16: Financial Management and Attachment 16-1: Program Income Case Studies](#)
- [Greatest Hits - Program Income \(hudexchange.info\)](#)



➔ Resources

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