DIGITAL RESOURCE MANUAL: PROGRAM INCOME 101

PROGRAM INCOME REQUIREMENTS

Program Income is defined as "income, in excess of $35,000 in a calendar year, generated from the use of CDBG–DR funds and received by a State or a subrecipient of a State". Program Funds, comparatively, are CDBG-DR funds that a subrecipient receives from GLO on either an advance or cost reimbursement basis to pay for CDBG-DR eligible expenses.

Key Point

When income is generated by an activity that is only partially funded with CDBG–DR funds, the income should be prorated to reflect the percentage of CDBG–DR funds used.

GLO's agreement with each subrecipient specifies whether Program Income may be retained by the Subrecipient to be used for eligible CDBG-DR purposes or whether it must be remitted back to the State. Generally, Subrecipient agreements will require program income to be remitted back to the State. If GLO permits a Subrecipient to retain its Program Income, this adds to the total CDBG-DR budget available to complete disaster recovery programs.

The first type of Program Income includes, but is not limited to gross income from:

Category	Examples
Disposition by sale or long-term lease of real property purchased or improved with CDBG–DR funds or of equipment purchased with CDBG–DR funds	Sale of a home or commercial property purchased with CDBG-DR funding or sale of office printers purchased with CDBG-DR funding
Proceeds from: a) Payments of principal and interest on loans made using CDBG–DR funds; b) The sale of loans made with CDBG–DR funds; c) The sale of obligations secured by loans made with CDBG–DR funds; or d) An ownership interest in a for-profit entity in which the income is in return for the provision of CDBG–DR assistance	Repayment of loans (principal and interest) provided to a business for economic revitalization purposes or a developer for a multifamily building (where the loan is not forgiven) Less common: sale of CDBG-DR funded loans or loan guarantees to a third party or income from an ownership interest in a private business
Interest earned on program income pending disposition of the income, including interest earned on funds held in a revolving fund account	The pro-rata share of interest earned on program income and revolving loan funding held in a subrecipient bank account

Category	Examples
Funds collected through special assessments made against nonresidential properties and properties owned and occupied by non-LMI households, where the special assessments are used to recover all or part of a CDBG–DR investment of a public improvement	The pro-rata share of taxes levied across a Special Assessment District to recoup the cost of an infrastructure project funded with CDBG-DR and local capital funding

The second type of Program Income includes, but is not limited to, net income from:

Category	Examples
Use or rental of real property or personal property: a) Acquired with CDBG–DR funds, less costs incidental to generation of the income; or b) Owned by a subrecipient and constructed or improved with CDBG–DR funds, less costs incidental to generation of the income	The use or rental of equipment (e.g. vehicles) for CDBG-DR programs to another local agency or third party (i.e. use fee) or the rental of property (e.g. an improved publicly owned facility rented to tenants or users)

Resource List

Below is a quick listing of resources that are accessible, relevant and valuable.

Icon denotes the most relevant resources at the Program Income 101 level.

CDBG-DR Resources	Links
HUD 2016 Finance Management Webinar	https://files.hudexchange.info/course-content/2016-cdbg-dr-program-planning-administration--activity-delivery-webinar/2016-CDBG-DR-Program-Planning-Administration-and-Activity-Delivery-Webinar-Slides-2016-03-29.pdf
Basically CDBG Financial Management Chapter	https://www.hudexchange.info/onecpd/assets/File/Basically-CDBG-State-Chapter-16-Financial-Management.pdf
HUD Guidance on Subrecipient Administrative Systems	https://www.hudexchange.info/onecpd/assets/File/Playing-by-the-Rules-Handbook-CDBG-Subrecipients-Administrative-Systems-Chapter-6.pdf
GLO Implementation Manual	https://recovery.texas.gov/grant-administration/grant-implementation/implementation-manual/index.html

Pertinent Citations

Federal

- 2 CFR §200.80 and 2 CFR §200.307 *Federal Uniform Guidance*
- 24 CFR §570500(a) and 24 CFR §570.489(e) – *Program Administrative Requirements*
- CDBG-DR Harvey Federal Register Notices: 83 FR 5844

Key Point

The 2 CFR 200 requirements are largely superceded by the 24 CFR 570 requirements. The 24 CFR 570 requirements are in turn partially superceded by 83 FR 5844.

GLO CDBG-DR Implementation Manual

- Chapter 4 – *Financial Management*

GLO CDBG-DR Harvey Action Plans

GLO CDBG-DR Subrecipient Agreements

Glossary

HUD has many existing resources in place to help understand CDBG-DR laws, regulations, and practices. Below is a quick listing of relevant terms and phrases.

Advance	CDBG-DR money paid by GLO to a subrecipient prior to subrecipient expending funding for an incurred cost
Cost Reimbursement	CDBG-DR money paid by GLO to a subrecipient after a subrecipient has expended funding for an incurred cost
Gross Income	The amount of income received before deducting any expenses
HUD	The Department of Housing and Urban Development, including its field offices to which authority has been delegated to perform functions under this part
Interest	Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt
Net Income	The amount of income received after deducting expenses
Principal	A sum of money lent or invested, on which interest is paid
Program Fund	CDBG-DR funds that a subrecipient receives from GLO on either an advance or cost reimbursement basis to pay for CDBG-DR eligible expenses
Pro-rata share	The proportionate share of funding corresponding the proportion of CDBG-DR investment in a project
Program Income	Income generated from the use of CDBG–DR funds and received by a State or a subrecipient of a State

Real Property	Fixed property, principally land and buildings
Revolving Loan Funds	A separate fund (with a set of accounts that are independent of other subrecipient accounting records) established to collect Program Income used to carry out specific activities
Special Assessment District	A unique charge that government units can assess against real estate parcels for certain public projects. This charge is levied in a specific geographic area known as a special assessment district
Subrecipient Agreement	An agreement between a local government and GLO to carry out program delivery for a Harvey program
Subrogation	Requirement to pay recovery funding received in the future for the same purpose as CDBG-DR recovery funding provided to a beneficiary or project