

# 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.

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.



**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.

*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: <ul style="list-style-type: none"> <li>a) Payments of principal and interest on loans made using CDBG-DR funds;</li> <li>b) The sale of loans made with CDBG-DR funds;</li> <li>c) The sale of obligations secured by loans made with CDBG-DR funds; or</li> <li>d) An ownership interest in a for-profit entity in which the income is in return for the provision of CDBG-DR assistance</li> </ul>	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: <ul style="list-style-type: none"> <li>a) Acquired with CDBG-DR funds, less costs incidental to generation of the income; or</li> <li>b) Owned by a subrecipient and constructed or improved with CDBG-DR funds, less costs incidental to generation of the income</li> </ul>	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 	<a href="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">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</a>
Basically CDBG Financial Management Chapter 	<a href="https://www.hudexchange.info/onecpd/assets/File/Basically-CDBG-State-Chapter-16-Financial-Management.pdf">https://www.hudexchange.info/onecpd/assets/File/Basically-CDBG-State-Chapter-16-Financial-Management.pdf</a>
HUD Guidance on Subrecipient Administrative Systems	<a href="https://www.hudexchange.info/onecpd/assets/File/Playing-by-the-Rules-Handbook-CDBG-Subrecipients-Administrative-Systems-Chapter-6.pdf">https://www.hudexchange.info/onecpd/assets/File/Playing-by-the-Rules-Handbook-CDBG-Subrecipients-Administrative-Systems-Chapter-6.pdf</a>
GLO Implementation Manual	<a href="https://recovery.texas.gov/grant-administration/grant-implementation/implementation-manual/index.html">https://recovery.texas.gov/grant-administration/grant-implementation/implementation-manual/index.html</a>

## 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

### GLO CDBG-DR Implementation Manual

- Chapter 4 – *Financial Management*

### GLO CDBG-DR Harvey Action Plans

### GLO CDBG-DR Subrecipient Agreements



#### Key Point

The 2 CFR 200 requirements are largely superseded by the 24 CFR 570 requirements. The 24 CFR 570 requirements are in turn partially superseded by 83 FR 5844.

## 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.

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

<i>Real Property</i>	Fixed property, principally land and buildings
<i>Revolving Loan Funds</i>	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
<i>Special Assessment District</i>	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
<i>Subrecipient Agreement</i>	An agreement between a local government and GLO to carry out program delivery for a Harvey program
<i>Subrogation</i>	Requirement to pay recovery funding received in the future for the same purpose as CDBG-DR recovery funding provided to a beneficiary or project