



PROGRAM INCOME POLICY

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Overview

Program Income provides an overview of the requirements applicable to the financial management of the Community Development Block Grant Disaster Recovery (CDBG-DR) Program specifically related to Program Income derived through the use of CDBG-DR funds.

For CDBG-DR funds, program income is defined in 24 CFR 570.489(e) as amended by Federal Register Notice 83 FR 5844 dated February 9, 2018 as gross income, except as provided below, received by a unit of local government that was generated from the use of CDBG-DR funds. Subrecipients of CDBG-DR funding are expected to use program income in accordance with the applicable requirements of 2 CFR 200, 24 CFR 570.504, and terms of DEO subrecipient agreements. All CDBG-DR program income must be reported to DEO as part of the Subrecipient Quarterly Progress Report.

Definitions

Program Income (PI) is the gross income, except as provided below, received by the hospital that was generated from use of CDBG-DR funds.

Specific regulations regarding program income can be found in the Electronic Code of Federal Regulations under Title 24 and in applicable Federal Register notices.

24 CFR Part 570.489(e)(1)
Part 570.489(e)(2)(i)
Part 570.489(e)(2)(ii)
Part 570.504
83 FR 5844

Miscellaneous Revenue is revenue that may have been received after a contractual break or, under some circumstances, when a sub-recipient received funds that are not subject to federal requirements.

Program Income Potential

24 CFR Part 570.489(3)(ii) and 83 FR 5844

Calhoun Liberty Hospital (The Hospital) must determine whether the funds generated are Program Income or Miscellaneous Revenue before proceeding. Requirements of Title I of the Housing and Community Development Act of 1974, as amended, include appropriate regulations, addressing a national objective, compliance with procurement, equal opportunity, environmental, labor standards regulations, and the Uniform Act. Miscellaneous Revenue is not subject to federal regulations but may be subject to certain state restrictions and requirements. All recovered funds must be used to further activities as defined in the grant agreement (i.e., economic development or housing-related activities) and be reported upon annually.

Program Income/Miscellaneous Revenue may be generated from the following activities and is not limited to the following activities:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG-DR funds;
- Proceeds from the disposition of equipment purchased with CDBG-DR funds;
- Gross income from the use or rental of real or personal property acquired by a State, the unit of general local government or a sub-recipient of a unit of general local government with CDBG-DR funds, less than costs incidental to the generation of the income;
- Net income from the use or rental of real property owned by a State, local government or subrecipient, thereof, that was constructed or improved with CDBG-DR funds.
- Payments of principal and interest on loans made using CDBG-DR funds;
- Proceeds from the sale of loans made with CDBG-DR funds;
- Proceeds from the sale of obligations secured by loans made with CDBG-DR funds;
- Interest earned on funds held in a revolving fund account;
- Interest earned on program income pending disposition of the income;
- Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the special assessments are used to recover all or part of the CDBG-DR portion of public improvements; and
- Gross income paid to a unit of general/local government or sub-recipient from the ownership interest in a for-profit entity acquired in return for the provision of CDBG-DR assistance.

“Program income” does not include the following:

- The total amount of funds that is less than \$35,000 received in a single year and retained by a State, local government, or a subrecipient thereof.
- Amounts generated by activities eligible under section 105(a)(15) of the HCD Act and carried out by an entity under the authority of section 105(a)(15) of the HCD Act.

When income is generated by an activity that is only partially assisted with CDBG funds, the income shall be pro-rated to reflect the percentage of CDBG-DR funds used (e.g., a single loan supported by CDBG-DR funds or a single parcel of land purchased with CDBG-DR funds and other funds).

Program Income Received Before Full Project Closeout

24 CFR Part 570.489(e)(3)(ii) and 83 FR 5844

Program Income received by the Grantee or sub-recipient before closeout of the grant that generated the Program Income, and used to continue disaster recovery activities, is treated as additional CDBG-DR funds and is subject to the requirements of 83 FR 5844 and must be used in accordance with the Department of Economic Opportunity's action plan for disaster recovery. (Note: The \$35,000 threshold does not apply to Program Income received if the grant is not fully programmatically closed out and there are further grant costs to be paid.)

Program Income received before full project closeout shall be substantially expended to the extent practical before drawing additional CDBG-DR funds from Department of Economic Opportunity for the project from which the program income was generated. An exception is that if Program Income is used to establish a Revolving Loan Fund (RLF), it is not required to be expended for non-revolving fund.

Program Income Received After Full Project Closeout

24 CFR Part 570.489(e)(3)(iii) and 83 FR 5844

Program Income that is received after full project closeout of the grant that generated the Program Income is subject to the following requirements:

1. Program income generated after closeout shall be returned to Department of Economic Opportunity.

The hospital shall not give Program Income to an agency for use in other cities or counties while the Grantee is still participating in the CDBG-DR program.

Any program income received that is *not* used to continue the disaster recovery activity will not be subject to the waivers and alternative requirements of 83 FR 5844. Rather, those funds will be subject to the State's regular CDBG program rules.

Program Income Accounting System

The Hospital will maintain a CDBG program income accounting system which accomplishes the following:

- Record Program Income in the Grantee's accounting records;
- Ensure that all Program Income is collected and properly classified; and
- Ensure that the handling of Program Income complies with federal and state requirements.

The method of accounting to be used for tracking Program Income shall meet Generally Accepted Accounting Principles (GAAP). Any accounting system used must provide the necessary information for completing the Department of Economic Opportunity's Annual Program Income/Miscellaneous Revenue Report (PI/MR) and comply with the requirements of 2 CFR Part 200.

The Hospital shall maintain files that accurately account for all funds received and disbursed. This documentation must include bank statements and canceled checks (copies are acceptable if both sides of canceled checks are copied).

The Hospital shall also maintain documentation that shows recovered funds were spent in compliance with Title I requirements. This includes documentation that the funds were spent on eligible activities, documentation that a National Objective was met, and any materials used in a funding decision. In addition, the requirements pertaining to environmental, citizen participation, acquisition, relocation, labor, fair housing and equal opportunity, Section 504, etc., must be followed and properly documented.

Request for Program Income Expenditure Authorization

In order to expend Program Income funds, the hospital shall request approval from the Department of Economic Opportunity. With Department of Economic Opportunity approval, the hospital may also use Program Income on a newly proposed project. This would be included in the CDBG-DR application.

Complete Annual Reporting Requirements

HUD requires vigorous state oversight of recovered funds retained at the local level. For this reason, the Hospital shall submit reports in accordance with any subrecipient contracts developed to the Department of Economic Opportunity.

The Hospital may expend up to a maximum of 10 percent of the total Program Income/Miscellaneous Receipts received to date for administration. Review of PI/MR maybe included as part of a normal project monitoring. Any deficiency that is noted and appears as a finding in the monitoring letter must be resolved the same as any other.