



CDBG Redesign

Program Income Managing Program Income

Department of Housing and
Community Development

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What is Program Income?

- Any and all income over \$35,000 annually generated by CDBG funds or by Program Income (PI) from CDBG funds – Once CDBG always CDBG
- All PI from the State CDBG program is State CDBG PI – no such thing as local PI in the non-entitlement CDBG program
- PI is subject to all the rules and regulations that govern CDBG, and must be tracked in a dedicated account



New PI Policies and Procedures

HUD is requiring HCD to develop new PI policies and procedures.

This means there will be a new:

- Program Income Reuse Agreement (PIRA)
- PI reporting requirements (online!)
- PI project application process (online!)
- Revolving Loan Fund (RLF) policy
- Penalties for non-performance (soft roll-out)



PIRA Requirements

- Every grantee that has or expects to have PI must have a PIRA
 - Grantees that do not want to execute a PIRA will be required to remit all PI to the State
 - Grantees unable to manage their PI may voluntarily remit it to the State
 - Grantees that violate their PIRA will be required to remit all PI to the State
- Grantees that expect to receive less than \$35,000 annually still need a PIRA
- Grantees that voluntarily remit PI to the State will not be penalized in grant applications
 - HCD may also assume loan portfolio management for grantees that voluntarily remit PI
- Grantees that are required to remit PI due to non-compliance will be penalized in future grant applications
 - Until they fix their issues
 - We'll help



More PIRA Requirements

- PI Remitted to the State
 - Becomes part of that year's CDBG allocation to be used accordingly
 - They will not be returned to the grantee
- Grantees at risk of violating their PIRA must:
 - Prepare a remediation plan that shows how they will fix the problem
 - Complete the plan and fix the problem(s) otherwise...
 - They will be required to remit PI to the State



PIRA Violations

- Grantees that expend PI on ineligible costs will be expected to repay PI to the State
- Grantees that have PIRA violations and that are required to remit PI to the State can turn things around
- Grantees that successfully resolve PIRA violations can resume collecting, programming, and expending PI
- Under no circumstances may grantees accumulate or hold PI without a plan to expend it
- **NO FUNDS HOARDING:** if you won't spend it, we will



PI Planning

- Grantees must formally notify HCD how they intend to use PI as soon as they exceed \$35,000 in annual receipts
 - If the grantee has an open contract, and the PI is not dedicated to an RLF, the grantee **MUST** use the PI in the open contract
 - If the grantee does not have an open contract, they have 60 days to:
 - ✓ Identify if they will be applying for a new open grant that will include PI in the budget
 - ✓ Identify programs or projects to be funded with PI using the online application process



PI Eligible Activities

- Capital projects
- Capital project predevelopment
- Community development grant programs
 - Accessibility grants, emergency grants, etc.
 - All loan programs must be operated through a RLF – we'll talk about this in a minute
- General administration – as long as it is in support of a PI or open grant funded project or program
 - GA cannot be used for non-CDBG activity related staff costs
- Loan portfolio servicing for grantees that have a loan portfolio but do not have a RLF
 - HCD will be reviewing GA costs for loan servicing



Ineligible Activities

Public Services ☹️

This is temporary and the PI policy will allow HCD to revisit this as soon as we get a better handle on PI tracking and reporting.



PI Reporting

- PI reporting will be online through the new GMS
- Receipts will be required quarterly
- Grantees using PI for activities will be expected to report on accomplishments or progress quarterly
- “Funds requests” for PI funded activities will be submitted through the new GMS



PI True-Up

- Current PI reports have accuracy issues
- PI has be double and triple reported to HUD
- Opportunity to clear the books of bad info
- Will require true on-hand PI balances with documentation from grantees
 - This will mean validating GA balances
 - HUD requests alignment of PI receipts with the originating grant when possible
 - Don't worry, we have a plan if it isn't possible
- True-up planned for after fiscal year closeout



PI Funded Activities

- Will use the online GMS application
 - Applications will require the same budget and milestone information as new grants
- **NO WAIVERS NECESSARY**
 - If you have a PIRA, you are eligible to apply for an activity
- Grantees may have an open PI funded activity and apply for an open grant without losing funding for the open activity
 - This will be covered in more detail in the GMS training
- Grantees are still required to spend PI before open grant funds
 - Grantees are NOT required to spend to zero, just do your best. Ask me about my laundry analogy.



Revolving Loan Funds (RLF)

- All loan programs must be in a RLF
- Funds for a RLF must come from the same type of activity as the RLF
- RLF's must revolve – if a RLF doesn't make a loan in a 12 month period, it is not a RLF
- If it is not a RLF, it is PI and subject to the PIRA requirements
- GA is allowed
 - Calculate GA before moving PI funds to the RLF. Leave the GA in the PI account and put the rest in the RLF account.



More RLF Info

- RLF's will be identified with an addendum to the PIRA
- RLF's allow activity delivery
 - Loan portfolio servicing is activity delivery for operating RLFs
 - Activity delivery will be disassociated from loan limits (also true for open grants) and will be a percentage of total expenditures
- RLFs must be publicly approved to be active
- RLF monies do not need to be spent before open grant funds... unless
 - The open grant is for the same activity as the RLF
- RLFs have the same reporting requirements as PI, including quarterly receipts and performance reports



Penalties for Non-Performance

- Non-performance on a PI or RLF funded activity may result in the following:
 - Recapture of spent funds if costs were ineligible – must be remitted to the State
 - Voided PIRA or RLF addendum = all current and future PI and RLF funds will be remitted to the State until the violation is cured
 - Loss of points or readiness eligibility on new grant applications
 - Legal action. Let's all agree to not go there.



PI Policy Goals

- Make PI easy to report, spend, and produce accomplishments in a timely manner and in accord with federal regulations.
- Use PI to address community needs.
- Reduce the PI administrative burden for both grantees and HCD.



Questions and Conclusions

Thank You!