



NC DEPARTMENT
of COMMERCE
COMMUNITY REVITALIZATION

Program Income Policy

North Carolina Department of Commerce

Division of Community Revitalization

Version 3.0 – April 10, 2026

Revision History

| Version | Date | Description |
|---------|----------------|--|
| 1 | May 30, 2025 | Certification submission |
| 2 | June 25, 2025 | Certification resubmission |
| 3 | April 10, 2026 | <ol style="list-style-type: none">1. Revised that the \$35,000 threshold applies to income received over the life of the grant and not annually per the Universal Notice.2. Subrecipients will have the option to return or retain generated program income per the subrecipient agreement. |

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Program Income

The North Carolina Department of Commerce's Division of Community Revitalization (DCR) acknowledges the program income definition at 24 C.F.R. § 570.489(e) and Federal Register Notice 90 FR 6512 for CDBG-DR funds allocated under Public Law 118-158. In accordance with those definitions, Program Income (PI) is defined as gross income generated from the use of CDBG-DR funds and received by state or local government grantees, including subrecipients.

PI includes, but is not limited to, the following:

- 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 the recipient or subrecipient with CDBG-DR funds, less the costs incidental to the generation of the income;
- Gross income from the use or rental of real property owned by the recipient or subrecipient carrying out a CDBG-DR activity that was constructed or improved with CDBG-DR funds, less costs incidental to the generation of the income;
- Payments of principal and interest on certain loans made using CDBG-DR funds, except as provided at 24 C.F.R. § 570.489(e)(2)(iii);
- Proceeds from the sale of loans made with CDBG-DR funds, less reasonable legal and other costs incurred in the course of such sale that are not otherwise eligible costs under sections 105(a)(13) or 106(d)(3)(A) of the Housing and Community Development Act of 1974 (HCD Act);
- Proceeds from the sale of obligations secured by loans made with CDBG-DR funds, less reasonable legal and other costs incurred in the course of such sale that are not otherwise eligible costs under sections 105(a)(13) or 106(d)(3)(A) of the HCD Act;
- Interest earned on funds held in a revolving fund account;
- Interest earned on PI pending disposition of the income;
- Funds collected through the special assessment made against nonresidential properties and properties owned and occupied by households, not of low and moderate-income, if the special assessments are used to recover all or part of the CDBG-DR portion of a public improvement; and
- Gross income paid to DCR or subrecipient from the ownership interest in a for-profit entity acquired in return for the provision of CDBG-DR assistance.

PI does not include the following:

- Any income received over the life of the grant by DCR and its subrecipients that does not exceed thirty-five thousand dollars (\$35,000), other than revolving funds that are retained by DCR and its subrecipients (all funds from revolving funds are considered PI). It is the policy of DCR to report 100% of PI generated by the CDBG-DR program in the DRGR system;
- 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 (as per 24 C.F.R. § 570.489(e)(2)(ii));
- Payments of principal and interest made by a subrecipient carrying out a CDBG-DR activity for DCR, toward a loan from DCR to the subrecipient, to the extent that PI received by the subrecipient is used for such payments;
- 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 funds that are used for activities that are determined by HUD to be ineligible or to fail to meet a national objective; interest earned on the investment of amounts reimbursed to the CDBG-DR program account prior to the use of the reimbursed funds for eligible activities;
- Funds collected through special assessments to recover non-CDBG-DR outlays of capital improvements;
- The following classes of interest will be remitted to HUD for transmittal to the U.S. Treasury and will not be returned to DCR's CDBG-DR line of credit:
 - Interest income from loans or other forms of assistance provided with CDBG-DR funds that are used for activities determined by HUD to be not eligible under 24 C.F.R. § 570.482 or section 105(a) of the HCD Act, to fail to meet a national objective in accordance with the requirements of 24 C.F.R. § 570.483, or fail to substantially to meet any other requirement of Subpart I of the HCD Act;
 - Interest income from deposits of amounts reimbursed to DCR's CDBG-DR program account prior to DCR's disbursement of the reimbursed funds for eligible purposes; and
 - Interest income received by a municipality on deposits of grant funds before disbursement of the funds for activities, except that the municipality may keep interest payments of up to \$100 per year for administrative expenses otherwise permitted to be paid with CDBG-DR funds.

- Proceeds from the sale of real property purchased or improved with CDBG-DR funds, if the proceeds are received more than five (5) years after the expiration of the subrecipient agreement between DCR and the municipality (certain conditions apply - refer to 24 C.F.R. § 570.503(b)(7)).

Revolving Funds

HUD allows DCR and its subrecipients to establish revolving funds to carry out specific, identified CDBG-DR funded activities, such as housing rehabilitation or economic development loan programs. A revolving fund is a separate fund (with a set of accounts that are independent of other program accounts) established to carry out similar activities. It allows for interest earned up to \$500 per year be retained by DCR for administrative expenses as opposed to being transmitted to U.S. Treasury.

For future activities, they may generate additional payments to the fund and are used in carrying out the same types of activities. These payments to the revolving fund are considered PI and must be substantially disbursed from the revolving fund before additional grant funds are drawn from the U.S. Treasury for revolving fund activities. Such PI is not required to be disbursed for non-revolving fund activities. Unlike a General PI Account, PI in a revolving loan fund (RLF) can be retained, and CDBG-DR program funds can still be drawn from the Treasury for other non-RLF expenditures by the program, until such point that the cumulative PI held in the RLF PI Account is sufficient to fund the next expenditure (i.e., loan/investment) associated with the RLF. At which point, the expenditure must utilize the retained PI funds. No revolving fund shall be directly funded or capitalized with CDBG-DR grant funds, pursuant to 24 C.F.R. § 570.489(f)(3). The requirements of CDBG-funded revolving funds include:

- Revolving funds must be held in interest-bearing accounts; and
- Interest earned on revolving fund balances must be remitted to the U.S. Treasury not less than annually. (Note: Interest paid by borrowers of CDBG-DR funded loans made from the revolving fund is considered PI and subject to the CDBG-DR PI requirements).

PI General Guidelines and Impact on Budgets

The amount of CDBG-DR funds, impacted by PI, used for certain activities and services, are subject to caps established by federal regulations.

The following requirement impacts the budgets and administrative expenditures cap:

- In accordance with 90 FR 6512, no more than five percent (5%) of the grant award (plus PI) may be used for administrative costs.

Pro-Rating PI

If PI is generated by a project that is only partially assisted with CDBG-DR funds, the amount of PI attributable to CDBG-DR shall be pro-rated accordingly to reflect the percentage of CDBG-DR funds used (24 CFR Part 570.489(e)(1)).

Management of PI

DCR may require subrecipients to remit PI to DCR as it is generated or retain the PI itself for other eligible uses.

PI Retained by DCR

Based on the subrecipient agreement, DCR may require subrecipients to remit PI to DCR as it is generated or retain the PI itself for other eligible uses.

Usage of PI

PI must be used for eligible CDBG-DR activities, as listed in 42 U.S.C. Section 5305(a)(15). CDBG-DR funds remain governed by CDBG-DR rules as long as they are used to continue disaster recovery activities. PI is subject to all rules and regulations governing CDBG-DR funds including, but not limited to, compliance with national objective, procurement, equal opportunity, environmental, labor standards, lead-based paint hazard treatment, etc. PI (other than PI deposited in an RLF) must be disbursed prior to the drawdown of additional funds from the U.S. Treasury (or, in the case of subrecipients, from DCR).

PI Bank Account

DCR and its subrecipients must establish interest-bearing bank accounts to manage PI (Regular PI and RLF). PI will be tracked separately.

Financial Management System

DCR maintains an internal accounting system that will manage all generated income, including income received from subrecipients, in accordance with 2 CFR Part 200, Subpart D, that will:

- Record PI in the corresponding recipient's accounting records;
- Ensure that all PI is collected and properly classified; and,
- Ensure that the handling of PI complies with Federal, local, and state requirements. DCR's system of record provides most of the financial information for completing quarterly DRGR reporting.

Accounting Records

DCR and its subrecipients will maintain records of all PI received and disbursed. They must ensure their accounting records and supporting documentation include reliable, up-to-date information on the sources and uses (eligible activities, a national objective was met, etc.) of all PI. If a subrecipient is permitted by DCR to retain PI to expend on other eligible uses in its Subrecipient Agreement, a PI Account is required to be set-up in DRGR that allows DCR, along with the subrecipient to track PI generated and expended by the subrecipient. Drawdowns of PI generated by an activity in a PI Account can be created against the activity that generated the PI, or other activities in the same PI Account. Any activities that are not assigned to a PI Account will remain in a "General" PI Account. Regardless of whether an activity is assigned to a specific Grantee-created PI Account, or if it is in the General PI Account (unassigned), DRGR requires all PI received in each PI Account/General Account to be used prior to drawing additional CDBG-DR funds from the U.S. Treasury.

General PI Account

Any PI, except Revolving Loan Fund related, received by DCR or a subrecipient will be deposited into their respective PI Bank Accounts. PI will be reported to HUD, via DRGR, when received.

Usage of the funds in these accounts needs to be documented following the principle that PI (other than PI deposited in a revolving fund) must be disbursed prior to the drawdown of additional funds from the U.S. Treasury (or, in the case of subrecipients, from DCR). As a general rule, the PI in DRGR retained by

the Grantee (DCR) is held under a General PI Account and is not restricted in its expenditure to the program/activity generating the PI.

RLF PI Account

PI that is utilized under a Revolving Loan Fund is accounted for within DRGR as an RLF, requiring a specific “RLF PI Account” to be set-up within DRGR. A separate interest-bearing account should be maintained for Revolving Loan Funds (RLFs).

PI Reporting

DCR is responsible for reporting Program Income receipts and disbursements.

DCR Reporting

The Operations Section will report all PI generated, including PI generated and remitted to DCR by its subrecipients, in the system of record and DRGR at least quarterly by creating PI Receipts for the DRGR activity that generated the PI. Additionally, the Operations Section will report program income expenditures by creating DRGR vouchers for the activity for which PI was expended.

PI Reconciliation

The grantee and subrecipient PI shall be reconciled, at least, on a quarterly basis using reports and/or account information regarding the amount of PI received, disbursed, and any remaining balances. For reconciliations between DCR’s Financial Management System and HUD DRGR system, if a discrepancy is identified during the reconciliation process, the Operations Section shall determine which system requires correction, document the corrective actions taken, and make the necessary adjustments in the system of record and/or DRGR.

Closeout

The closeout of the CDBG-DR grant with HUD or an agreement with a subrecipient is a process in which all the parts of the contract requirements were completed or terminated.

Subrecipients PI Closeout

DCR will work with all subrecipients to ensure all closeout requirements, as described in the subrecipient agreement, are met prior to releasing a final payment to the subrecipient. Subrecipients' obligation to DCR shall not end until all closeout requirements are met.

Transfer of PI to State Annual CDBG Program

90 FR 6512 allows DCR to transfer PI generated by the CDBG-DR grant to the State's annual CDBG Program before close-out of the CDBG-DR grant, or to any annual CDBG-funded activities carried out by a subrecipient. PI received after close-out may also be transferred to the annual CDBG Program. In all cases, any PI that is transferred to the annual CDBG Program will not be subject to the waivers and alternative requirements of the Federal Register Notice but will instead be subject to regular CDBG Program rules.