

Small Cities Development Program Program Income (PI) Fact Sheet

Definition of Program Income

Program income is defined as any gross income of \$35,000 or more received by a unit of general local government (UGLG) in the federal fiscal year (October 1 to September 31) generated from the use of the Small Cities Development Program (SCDP) through the Community Development Block Grant (CDBG) funds, regardless of when the CDBG funds were awarded or whether the activity has been closed out.

Typical sources of program income may include:

- loan repayments (with interest, if applicable).
- proceeds from the sale of property in which SCDP funds were used.
- interest earned on the Program Income itself.
- Refer to HUD regulation 24 CFR 570.489 (e) for a full list of potential Program Income sources.

If the total income received is more than \$35,000 in a federal fiscal year, the full amount received is considered PI and can be retained by the UGLG or returned to DEED.

If the total income is less than \$35,000, then those funds are considered miscellaneous revenue and may be retained by the UGLG and moved to its general account. This transfer can only occur at the end of a federal fiscal year.

All revolving loan fund (RLF) income are considered program income regardless of the amount received annually, and are not eligible for this exclusion.

Program Income (PI) – Idle Accounts

PI held in a Reuse Account cannot be held in perpetuity. If PI within these accounts is stagnant, it will meet the definition of an Idle Account. An Idle Account occurs when the UGLGs:

- did not identify an eligible project during a 12-month period or more.
- did not have any accomplishments during a 12-month period or more.
- funds have been awarded but not disbursed within 12 months of the award date. For example - a failed project.

Funds held in an Idle Account must be returned in a timely manner within 60 days after the federal fiscal year end. UGLGs are encouraged to consult with the SCDP Representative regarding reasonable balances or the UGLG will not be considered in “good standing”, including ineligible to apply for future SCDP grants.

Amending Reuse Plan

If UGLG determines a need to amend their PI Reuse plan, the SCDP Representative should be contacted with

the proposed changes. The UGLG must submit an amendment request with the following items to DEED:

- Reason for the change of the PI Reuse plan,
- Certification of approval by the local governing body (meeting minutes)
- Copy of the proposed PI Reuse plan
- Expanded activities must include eligible SCDP activities and a national objective
- Subject to all cross-cutting federal requirements.

DEED will notify the UGLG of the results of the PI Reuse Plan amended request. Amended PI Reuse Plan must receive approval prior to implementation.

OPTIONS FOR RECAPTURED PI

UGLG has the following options for utilizing accumulated SCDP PI.

1. Retaining PI for SCDP eligible activities or
2. Establishing a revolving loan fund or
3. Returning PI funds to DEED

1. Retaining PI by UGLG to continue the same SCDP eligible activities

To retain PI, the UGLG must establish a SCDP PI Account and adopt a PI Reuse Plan approved by DEED that includes:

- a detailed Reuse PI plan for eligible activities consistent with continuing the same original project activity PI was generated from;
- A Certification that UGLGs will comply with the PI Reuse Plan including, but not be limited to the following:
 - PI funds are federal and subject to all applicable State and Federal regulations;
 - Complete the proper resolution, public hearings, and environmental review and other cross cutting requirements;
 - Funds must be used to benefit the residents of the community that previously received the initial SCDP Grant. The funds cannot be provided to any other programs that would assist other communities;
 - All projects must consist of activities that meet a CDBG National Objective.

At any time, the UGLG will have the option to discontinue the PI Reuse Plan and return PI funds to DEED.

2. Revolving Loan Fund

Revolving Loan Fund PI is defined as repayment of SCDP funds received from borrowers, including the principal and any interest earned, regardless of the amount collected as part of an established revolving loan fund.

If an UGLG administers a revolving loan funds for specific activities in line with 24 CFR 570.489(f)(1), the local revolving fund balances must be held in an interest-bearing account in accordance with 24 CFR 570.500(b).

Revolving Loan Fund PI collected by grantees should only be maintained in a revolving loan fund account for a short period of time before they are awarded back out to new applicants. UGLGs must ensure any revolving loan fund held are revolved for the account to be considered active by DEED.

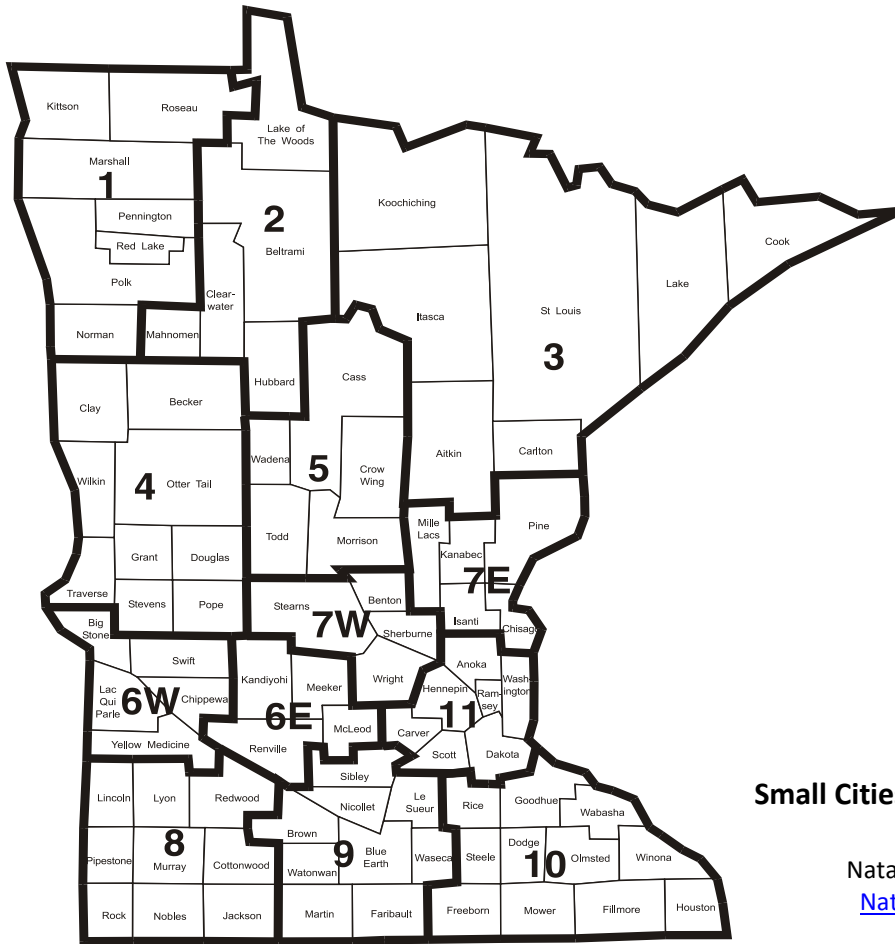
UGLGs who do not forgive loans issued will continue to generate program income and must continue to report on in perpetuity on each loan made as the threshold of \$35,000 do not apply to revolving loan funds.

3. Returning PI To DEED

DEED may recapture PI from an UGLG if there is not an approved PI Re-Use Plan. Funds may only be returned by the UGLG, and not by any subrecipient or beneficiary.

The process for returning program income funds includes:

- Cover letter with SCDP grant number that originated the funds and the PI funds being returned, and
- Check made payable to the "Minnesota Department of Employment and Economic Development".
- Mail cover letter and check to:
*Minnesota Department of Employment and Economic Development (DEED)
Great Northern Building
180 East Fifth Street, Suite 1200,
St. Paul, MN 55101
Attention: Natasha Kukowski, Small Cities Unit (PI)*



Small Cities Development Program (SCDP)

Natasha Kukowski – SCDP Director
Natasha.kukowski@state.mn.us
 (651) 259-7425

Small Cities Reps Regions	
Region	Reps Name
1, 2, 3, 4 & 7W	Christian Nordeng 651-259-7455 Christian.nordeng@state.mn.us
5, 9, 10 & 11	Zachary Klehr 651-259-7460 Zachary.klehr@state.mn.us
6E, 6E, 7E & 8	Christine Hartert 651-259-7461 Christine.hartert@state.mn.us

Small Cities Development Program projects must comply with fair housing.