Program Income Policy

I. Introduction

The Emergency Solutions Grant (ESG) Program is a federal program operated by the U.S. Department of Housing and Urban Development (HUD) to make grants to states, local governments, and territories for the purposes of funding activities that directly serve people experiencing homelessness, including people at risk of homelessness. The California Department of Housing and Community Development (CA HCD) is a direct recipient of ESG from HUD. CA HCD administers an annual allocation of ESG and an additional one-time allocation of ESG made available under the CARES Act.

For the purposes of this document, "annual ESG" refers to CA HCD's annual allocation of ESG, "ESG-CV" refers to CA HCD's one-time allocation of CARES Act ESG, and "ESG" refers to the program in general and to aspects of the program that apply to both annual ESG and ESG-CV.

This ESG Program Income Policy (the "Policy") provides the structure under which ESG-funded subrecipients are required to engage with ESG program income.

A. Applicability

This Manual applies to ESG grants funded using:

- Annual ESG
- ESG-CV

II. Definitions

A. Program Income

Program income is defined as "gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance." Additional information about what constitutes program income can be found in 2 CFR 1201.80.

III. General Requirements

A. Overview

Few activities funded by ESG can or are likely to generate program income. If an ESG subrecipient generates program income, it is most likely because the subrecipient paid for a security deposit under the homelessness prevention (ESG-HP) or rapid re-housing (ESG-RRH) components, and some or all of the security deposit was returned to the subrecipient.

CA HCD strongly recommends that subrecipients develop policies and procedures that, to maximum the extent possible, prevent the generation of program income. (For example: CA HCD encourages subrecipients to adopt ESG-HP and ESG-RRH policies and procedures that require security deposits paid for using grant funds to be disbursed by the landlord directly to the participant when the participant leaves their subsidized unit or exits the project.)

Insofar as program income is generated, it must be spent in accordance with this Policy.

B. Spending Program Income

Program income must be spent:

- By the subrecipient organization that generates it
- On eligible costs within the component that generated it
- Within the contract year during which it was generated

For example: if Acme Corporation, a subrecipient organization, generates $900 in program income from a returned security deposit under its ESG-RRH project in FY 2022, it must spend that $900 on ESG-RRH eligible activities before the end of the FY 2022 contract performance period.

C. Program Income as Match

Costs paid by program income shall count toward meeting the subrecipient's matching requirements, provided the costs are eligible ESG costs that supplement the subrecipient's ESG program.

D. Recordkeeping

Subrecipients are required to maintain records of their receipt and use of program income. These records must be kept in accordance with the financial records requirements in 24 CFR 576.500(u).

Program income must be tracked separately from grant funds to ensure subrecipients can demonstrate that program income was spent in accordance with this Policy.