



# Community Development Block Grant Program Income Policy<sup>1</sup> January 2024

## **Purpose:**

This policy focuses on the below goals:

1. Spending Program Income (PI) in a timely manner and in compliance with federal regulations and statutes and Standard Agreements.
2. Using PI to meet unmet community needs for which no other funds are available to fund CDBG eligible activities that meet a National Objective.
3. Improving PI reporting, both in accuracy and consistency.
4. Reducing the PI administrative burden for both State of California CDBG Grantees (Grantees) and the California Department of Housing and Community Development (Department).

The intent of this policy is to provide Grantees with flexibility in their use of PI, while at the same time setting clear and transparent standards for PI administration and reporting, establishing consequences for non-performance and reporting failures, and providing alternative no-fault options for Grantees that do not have the capacity or resources to effectively manage PI.

Please note that as of the date of adoption of this policy, the Department does not allow grantees to operate revolving loan funds and all reference to operating a revolving loan fund have been stricken from the policy.

## **Context for Adoption of this PI Policy**

This policy is intended to be responsive to improvements in PI performance and to allow for some of the proposed PI restrictions that are not based solely in state and federal statute or federal regulation to be revisited once the Department has reliable financial and performance data for evaluation. For reference, all policy elements that are required by regulation have been cited to the extent possible.

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<sup>1</sup> The California Department of Housing and Community Development (HCD or Department) adopted this policy following approval by HUD in December 2023.

This policy has also been developed to align with the CDBG program's adoption of eCivis Grants Network as its grants management system and with specific guidance for Grantees on how to track PI within that system. Department staff and stakeholders now are able to use the tools in eCivis Grants Network, which will improve information quality and reduce reporting burdens. As new functionalities and improvements are built in the eCivis Grants Network, it will be important to adjust this policy to keep it current. Finally, as part of the Consolidated and Annual Action Planning processes the Department will be asking for stakeholder input on the effectiveness and challenges regarding this policy and eCivis Grants Network. Issues identified by stakeholders will be analyzed and addressed to help make sure the PI policy maintains a balance between flexibility and accountability. Stakeholders will be encouraged to continue to actively engage with the Department throughout the implementation process of the PI policy.

### **Understanding CDBG Program Income**

For this policy to make sense, it is important to understand what PI is, and its role in the CDBG program.

Per 24 CFR Part 570.489(e), Program Income (PI) is the gross revenue received by the Grantee and its subrecipients directly generated from the use of CDBG funds, including revenues generated using PI. PI that results from activities funded through the State CDBG program is considered by HUD to be additional State CDBG program funds and is subject to all CDBG program requirements.

While Grantees may locally hold and administer CDBG PI funds, all CDBG PI (past, present, and future) is part of the State CDBG program and must adhere to the underlying federal regulations and state and federal statutes that govern the CDBG program. **There is no local PI in the State CDBG program.** Local PI is only possible for entitlement communities that receive their federal funds directly from HUD, and that report and track PI directly with HUD.

All PI receipts, PI expenditures and beneficiaries from PI funded projects and programs must be reported by the Department to HUD on a regular basis. To have proper oversight over Grantee use of Program income, the Department must:

1. Track all receipts in the eCivis Grants Management System and in IDIS. Grantees must report all PI receipts as soon as they are receipted in the grantee's accounting system.
2. Confirm that activities funded through PI meet HUD eligibility requirements. Grantees must obtain advance confirmation from the Department that the proposed use of PI is eligible and meets a National Objective by encumbering PI in a Standard Agreement. Grantees will submit applications or amendments to existing agreements to seek approval for using any PI on hand or that is

anticipated to be received in the next fiscal year for activities that meet a National Objective.

3. Track Grantee expenditure of PI to ensure that it is expended prior to drawing funds from Treasury. Grantee expending PI will have an open Standard Agreement in which it can report Expenditure activity and beneficiary data on no less than a quarterly basis.

Per 24 CFR Part 570.489(e)(2)(i), PI includes any and all income received in a single year by a Grantee and its sub-recipients when the total receipts exceed \$35,000.

### **CDBG Program Income Policy:**

The following policy is intended to provide clear processes for Grantees in using and reporting PI in compliance with HUD requirements.

### **Section 100: Mechanisms for Reporting, Receipting, Obligating, and Expending, Remitting Program Income**

To comply with 24 CFR Part 570(e)(3)(ii), if a Grantee has PI on hand or if it has undertaken activities that will or could potentially generate PI, it will be required to report all PI to the Department via the eCivis grants management system, to obligate all Program Income by executing a Standard Agreement, to expend Program Income encumbered in a Standard Agreement prior to expenditure of grant funds encumbered in that Standard Agreement, or the Grantee must remit all Program Income to the California Department of Finance (State). Grantees will not be allowed to hold PI for extended periods to accumulate enough PI to complete a project or program. If a project or program requires additional funds, the Grantee will be encouraged to apply for a new grant of CDBG annual program funds and to use PI to supplement the new grant budget.

#### **101. Receipting and Reporting Program Income**

All Grantees with PI balances over \$35,000 must submit financial reports whenever receipts are recorded in the grantee's accounting system. This requirement includes those Grantees that have no open PI funded activities, and those that choose to remit PI to the State.

##### **A. Tracking the First \$35,000**

Per 24 CFR Part 570.489(e)((2)(i), up to \$35,000 in funds received in a given fiscal year from CDBG funded activities is not considered program income

Each Grantee will be required to track all income generated from CDBG funded activities locally in a PI account until the account balance reaches \$35,000. If the balance does not reach \$35,000 during the fiscal year, the

Grantee must notify the Department in writing that the funds have been “defederalized” and removed from the PI account via submittal of a \$0 Financial Report at the end of the fiscal year in the eCivis grants management system with documentation that receipts did not reach \$35,000 and that the receipted balance for that fiscal year has been removed from the PI account.

**B. Tracking \$35,000 and up**

1. If more than \$35,000 is receipted in a given fiscal year, the Grantee must report receipts and all supporting documentation to the Department monthly. The Grantee must report using a Financial Report submitted under the “CDBG – Program Income Receipting and Reporting” solicitation following the instructions found in the CDBG Grantee Procedures for Program Income Receipting and Reporting attached as Appendix A to this policy. This includes submittal of a CDBG Program Income Receipting Report Form provided by the Department and attached as Appendix B to this Policy.
  - a) Reporting will include the following requirements: On a monthly basis, Grantee must submit a Financial Report to the “CDBG – Program Income Receipting and Reporting” solicitation in eCivis grants management system. Attached to the Financial Report, Grantees must upload the Program Income Receipting Report Form, supporting documentation that fully substantiates receipts and the trial balance and general ledger for the reporting period. Total PI receipts must include interest earned on PI accounts.
  - b) At the Department’s fiscal year end, the Department will provide, via a Miscellaneous Task in eCivis grants management system, a report showing all receipts and all draws from the Grantee’s program income funds as of the end of the fiscal year. This should match the trial balance from the Grantee’s financial system. If it matches, Grantees must complete the Miscellaneous Task by uploading a copy of the end of Department’s fiscal year trial balance. If the trial balance does not match the Department’s records, the Grantee must work with HCD to identify where there may be a difference in accounting and to prepare a reconciliation or true-up.
  - c) When submitting documentation of Program Income expenditures in the Standard Agreement in which Program Income is encumbered,

Grantee must report total PI expenditures (broken down by Activity expenditures and GA expenditures). Attached to the Financial Report, Grantees must upload the Financial Report Expense Report using the customized template for their award and back-up documentation (invoices, staff timesheets, statements, percent completed, etc.).

## **102. Obligating Expending and Reporting Program Income using a Standard Agreement**

### **A. Choosing a Standard Agreement Option**

To comply with 24 CFR Part 570.489(e)(3)(ii)(B), each Grantee will be required to execute a Standard Agreement if they have PI on hand or if they have undertaken activities that will or could potentially generate PI. Grantees that do not seek approval to encumber PI within 60 days from reaching the \$35,000 threshold in annual receipted funds describe in section 101 may be required to remit PI to the State. Each Grantee must seek approval from HCD to obligate and expend PI for an eligible activity using a Standard Agreement in one of three of the following ways

1. Include Program Income as a funding source in any application for annual Grant Funds in the amount of PI on hand and/or anticipated during the term of the Standard Agreement. This can include editing a current pending or waitlisted over-the-counter application (term will be specified in the annual Notice of Funding Availability); or
2. If not applying for or awarded annual CDBG funds, submit a Program Income Only Application in the amount of PI on hand and/or anticipated during the term of the Standard Agreement (term is 36 months unless otherwise noted). Due to the time it can take to receive approval for a Standard Agreement, it is good practice to plan ahead if future receipts are anticipated; or
3. Submit a request to amend an existing Standard Agreement to add the amount of PI on hand and/or anticipated during the remaining term of the Standard Agreement as a funding source. Due to the time it can take to receive approval for a Standard Agreement amendment, it is good practice to plan ahead if future receipts are anticipated.

Approval by HCD of one of the three Standard Agreement options above will define and structure the use of Program Income.

### **B. Standard Agreement Application or Amendment Request Contents**

1. At application or as part of an amendment request, Grantees must submit the information necessary to set up the PI activities in HUD's Integrated Disbursement Information System (IDIS) which is the CDBG reporting and tracking platform and will identify what metrics will be required for activity reporting. The application or amendment will become Exhibit E of the Standard Agreement. The application or amendment will include required proof of public participation and acknowledgement and approval from the Grantee's governing body, budget, program/project description with proposed beneficiaries, national objective information, and a milestone timeline to allow Grantees to use PI for eligible activities which are discussed in Section 200: Eligible Activities of this policy.
2. At application or amendment, Grantees must identify PI, both in the form of cash on hand and potential anticipated PI future receipts (to the extent possible) and include those amounts in the budgets for PI funding. The Budget is completed or amended in eCivis Grants Network and becomes part of the Standard Agreement Exhibit E.

### **C. Standard Agreement Contents**

All Standard Agreements include the following parts:

1. Boilerplate agreement terms that cite appropriate state and federal statutes and regulations that govern how PI is receipted, recorded, tracked, monitored, and reported.
2. Exhibit E, which is the application or amendment submitted for HCD approval and is described above.
3. Execution of the agreement will require acknowledgement and approval from the governing body of the Grantee to accept the requirements, limitations, and risks in administering PI.

### **D. Standard Agreement Violations**

Failure to meet the terms and conditions of the Standard Agreement, or the requirements for PI funded programs and projects, or to submit reports in a timely manner, or other violations of HUD and the Department CDBG PI requirements may result in repayment, adoption of a remediation plan or may constitute an event of default as detailed below.

1. Use of PI on ineligible costs

Grantees that are found to have used PI funds on ineligible costs and that are required to repay PI must submit documentation that PI funds

spent on ineligible costs have been returned to the local Program Income Account. This must be done by submittal of a Financial Report under the “CDBG Program Income Receipting and Reporting” solicitation. PI that must be returned to the local PI account may include general administration, activity delivery, and activity PI spent on ineligible costs and/or on costs that did not meet a national objective.

One-time findings resulting in repayment to the local PI account do not automatically constitute an event of default under the Grantee’s Standard Agreement, however repeated findings resulting in repayment will indicate programmatic failures and will constitute an event of default and will require repayment to the State.

## 2. Remediation Plan for Standard Agreement at Risk of Default

Grantees who are at risk of default under the Standard Agreement due to performance or administration failures shall prepare a remediation plan to address the failures. Remediation plans are intended to be informal tools to assist Grantees in addressing program deficiencies. Plans are not required to be structured or templated. The purpose and goal of the plan is to help Grantees resolve PI management issues.

**a)** Steps for preparation, submittal and HCD review of remediation plan are as follows:

- i. The remediation plan must be prepared as soon as the Grantee has been notified that their Standard Agreement is at risk and submitted to the Department within 30 days of being notified.
- ii. The Department will review remediation plans to see if the plan addresses the failures, however Grantees will be responsible for preparing, maintaining, and implementing the remediation plan. The Department will provide comments and/or approval on submitted remediation plans within 15 business days of receipt.

**b)** Remediation plans may take any format, but should include, at a minimum, the following:

- i. Identification of the failure(s) the plan is intended to address.
- ii. Actions that the Grantee will take to correct each failure.
- iii. Processes or policies that will prevent repeat failures (if applicable).

- iv. Timeline for resolution, provided resolution must be completed within 6 months from the date the failure and the Standard Agreement risk status was reported to the Grantee.
- v. Grantee leadership support for the remediation plan, in the form of a signed cover letter from the City/County Manager, County Supervisor, or Mayor (as applicable), or an approved public resolution.

**c) Successful Completion of a Remediation Plan**

Grantees that successfully implement all the actions in their remediation plan and that are no longer experiencing core failures in their PI program/project and/or administration will continue to have an active Standard Agreement and may continue to use PI as approved by the Standard Agreement. Grantees that successfully remediate PI performance issues will not incur poor performance penalties in their next CDBG application.

**d) Failure to Complete a Remediation Plan**

Grantees that fail to complete their remediation plan or that have ongoing failures after the end of the remediation plan timeline may have their Standard Agreement suspended or terminated and will be required to remit PI to the State.

PI that is required to be returned to the State may include general administration, activity delivery, and activity PI spent on ineligible costs and/or on costs that did not meet a national objective.

**e) Election to Forego the Remediation Plan**

Grantees that do not have capacity or resources to resolve PI failures may elect to forego the remediation plan, terminate their Standard Agreement, and remit all PI on hand and future PI receipts to the State. Grantees that do not resolve PI program/project and/or administration issues may incur performance penalties on their next CDBG application, including Grantees that elect to forego their remediation plan and remit PI to the State.

Electing to forego the remediation plan is not the equivalent of voluntarily electing to return PI to the State. Grantees that elect to forego the remediation plan may not request that the Department assume management of the Grantee's loan portfolio.

### 3. Standing of a Grantee in Default

A Grantee whose Standard Agreement is in default has the same standing as a Grantee who has not executed a Standard Agreement and will be required to remit all current and future PI to the State until they have either successfully resolved the issues and cured the default under the current Standard Agreement or resolved the issues that constituted an event of default and executed a new Standard Agreement as part of a new grant award.

### 4. Actions Required to reinstate or enter into a new Standard Agreement following suspension or termination due to default

Grantees whose Standard Agreement has been suspended or terminated must take action to show that they have addressed the problems that caused the suspension or termination to reinstate their Standard Agreement or to enter into a new Standard Agreement. Actions include, but are not limited to, the following:

- a) Comprehensive program training, including training with the Department, or with other approved grant program and project management experts (including TA providers).
- b) Staff capacity building through leveraging programs, forming partnerships with other Grantees or non-profits, or other staff capacity building processes.
- c) CDBG technical assistance, provided by the Department, either through workshops and training opportunities or through a TA application (as available).
- d) Advanced program and/or project planning, including market analysis, feasibility analysis, strategic planning, resource allocation planning or other approved plans.
- e) Other capacity building and/or program training opportunities as approved by the Department.

### **103. Remitting Program income**

Grantees with PI on hand, or that reasonably expect to receive PI in the future, that choose not to execute a Standard Agreement for use of PI pursuant to the three options above will be required to remit all current and future PI balances to the State. Remittance requirements will remain in force until a new Standard Agreement is executed.

**A. Voluntary Remittance of PI and Management of Grantee Loan Portfolio**

1. Grantees may voluntarily elect to return PI to the State. Remittances will be due monthly and must include all PI received.
2. Grantees that receive \$35,000 or less annually are not required to remit PI to the state. However, if more than \$35,000 is received in a given fiscal year, all PI, including the first \$35,000 must be remitted to the State,
3. Grantees that voluntarily elect to return PI to the State will not be penalized in the competitive grant application process, provided remittance is made in a timely manner. Voluntary PI remittance will not adversely impact the Grantee's standing with the Department.
4. Grantees that voluntarily elect to return PI to the State are still responsible for managing their remaining loan portfolio for the period during which the State is collecting the Grantee's PI. Loan portfolios will be subject to the same monitoring and federal requirements as other state managed loan portfolios.

**B. Involuntary Remittance of PI and Management of Grantee Loan Portfolio**

1. Remittances required to be submitted to the State will be due monthly and must include all PI received.
2. PI that is required to be returned to the state may include general administration, activity delivery, and activity PI spent on ineligible costs and/or on costs that did not meet a national objective.
3. Grantees that do not have capacity or resources to resolve PI failures may elect to forego the remediation plan, void their Standard Agreements that include PI, returning any entitlement funds encumbered in the Standard Agreement to the Department, and remit all PI on hand and future PI receipts to the state. Grantees that do not resolve PI program/project and/or administration issues may incur performance penalties on their next CDBG application, including Grantees that elect to forego their remediation plan and remit PI to the State.
4. The Department may, at its discretion, choose to assume portfolio management for Grantees that must remit PI to the State due to repeated failure to comply with requirements, negligence, or willful non-compliance.

**C. Use of Remitted PI**

1. In accordance with 24 CFR Part 570.489(e)(3)(i), Funds remitted to the State will become part of the State CDBG allocation, and will be used in

the same manner as the entitlement CDBG funds for planning and administration, local assistance, and other eligible activities.

2. Funds remitted to the State will not be returned to the Grantee. A new Standard Agreement will only apply to new and future PI, not PI that was remitted to the State.

### **Section 200: Eligible Activities**

**201. PI may be used for any eligible programs or projects (described in 24 CFR 570.482 and in Section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305) identified by the community as a need or priority with the exceptions listed below in 201. A and B.**

- A.** Public services are not currently eligible to be funded with PI. The prohibition of public services as an eligible activity may be waived by the Department if HUD waives the 15% public services cap, which it may do from time to time in response to declared emergencies or disasters.
- B.** Planning only activities are not currently eligible to be funded with PI.
- C.** PI activity delivery funds may be used for project predevelopment provided it meets the same requirements for open grant funded predevelopment (established deliverables, milestones, expenditure, and national objective accomplishment reporting deadlines).
- D.** PI general administration may be used for project planning provided it meets the same requirements for open grant funded project planning (meets national objective, established deliverables, milestones, expenditure reporting deadlines).

**202. PI funded programs and projects must meet the same thresholds as grant funded programs and projects. These thresholds include:**

- A.** State and Federal laws and regulations
- B.** Program/project readiness
- C.** Organizational capacity

Grantees proposing PI funded activities via applications or amendment requests must provide proof of compliance with applicable state and federal law and regulation and identify and provide proof of program/project readiness and organizational capacity. Grantees with PI will be expected to meet the performance and reporting standards identified in the Standard Agreement under which the PI is committed.

### **Section 300: Programs and Projects**

**301. All PI funded programs and projects will have the same obligations as grant funded programs and projects, including the requirement to meet a national objective and all cross-cutting federal requirements. PI funded programs and/or projects that do not meet an eligible national objective will be disallowed by the Department and the Grantee's Standard Agreement may be considered in default, suspended, or terminated.**

**302. Failure to meet program and project completion and reporting deadlines identified in the Standard Agreement may be a contractual violation. See Section 102.D. Standard Agreement Violations above. Extensions will only be considered for late or delayed performance resulting from no-fault events or disasters that are outside the Grantee's control or influence. If a Grantee is unsure if a program or project cannot be completed and reported on time, they should consider options to avoid non-compliance. Options may include:**

- A.** The Grantee may use another funding source to supplement the PI to improve program/project feasibility
  - B.** The Grantee may consider reducing the project/program scope so that it can be completed on time and on budget
  - C.** The Grantee may consider whether the program or project could be expanded and included as a new grant application
  - D.** The Grantee may consider another project/program for the use of the CDBG PI.
- A.** Programs: Grantees may use PI to fund both limited-term and ongoing programs. Examples of programs include, but are not limited to accessibility improvement grant programs, code enforcement programs, first time homebuyer programs, owner occupied housing rehabilitation programs, business assistance programs and microenterprise assistance programs. Grantees that use PI to fund programs, including ongoing programs, will be required to complete a one-time application in the eCivis Grants Management Network to enter into a Standard Agreement, provide set-up information and to identify the program and beneficiaries to confirm that the proposed activity is CDBG eligible.
  - B.** Grantees will be required to submit quarterly Financial Reports including expenditures, and quarterly Activity reports, which include beneficiary data throughout the program's operation period through eCivis Grants Management Network.
  - C.** Grantees that are operating a stand-alone limited-term program will have 36 months after execution of the Standard Agreement to expend all funds and complete the program. Final reporting, including beneficiary data, final financial

report and close-out documents must be submitted within 90 days following the expenditure and program completion deadline.

**D.** Grantees may operate an on-going program for up to 36 months as long as the program is eligible, meets HUD's national objectives, and the Grantee continues to report on beneficiaries served. The Department may periodically inquire to see if there have been changes to the information submitted as part of the application to make sure the information reported to HUD is accurate. At the end of a 36-month term, the Grantee may apply to enter into a new Standard Agreement if it wishes to continue operation of the program.

1. Activity delivery costs are allowed for PI funded programs. Activity delivery costs are dependent on program activity. Programs with no beneficiary reporting within a 12-month period may not charge Activity Delivery Costs. Program expenditures must ultimately result in an eligible activity with reportable beneficiary data. For example, if a program is a housing or business loan program, the program must have loan activity within a 12-month period to charge loan servicing as an activity delivery cost.

2. If a program (either limited-term or on-going) has no beneficiaries during a 12-month reporting period, the Grantee will be in violation of the Standard Agreement, may be required to prepare a remediation plan, project costs may be determined to be ineligible, repayment may be required, and the Standard Agreement may be suspended.

**303. Projects: Grantees that use PI to fund projects will need to complete an application to enter into a new Standard Agreement or an amendment to an existing Standard Agreement in the eCivis Grants Management Network to identify the project and provide set-up information to confirm that the proposed activity is CDBG eligible.**

**A.** Grantees will be required to submit monthly Financial Reports that include program income receipts.

**B.** Grantees will be required to submit, at a minimum, quarterly Financial Reports including expenditures, and quarterly Activity Reports and must provide beneficiary data at project completion as part of the close-out report. All reporting will be completed in eCivis Grants Management Network.

**C.** Generally, Standard Agreement terms for project completion will be 36 months long. Grantees will have 36 months after execution of the Standard Agreement to complete the project. Final reporting, including beneficiary data, final financial report and close-out documents must be submitted within 90 days of the end of the contract term.

1. If a project has no beneficiaries after the 36-month project completion deadline the Grantee may be in violation of the Standard Agreement and project costs may be determined to be ineligible and repayment may be required.
2. All PI expended on a project that did not address eligible beneficiaries, including administration and activity delivery must be remitted to the State.

**301. HCD recommends pursuing only one PI project or program at the same time. However, if a Grantee wishes, it may undertake multiple PI funded project and program activities simultaneously, provided that the activities are CDBG eligible, the Grantee meets and continues to meet performance and reporting requirements, and there is sufficient funding and capacity to complete projects on time and competently manage programs. Failure to meet reporting requirements, beneficiary requirements, national objectives, eligible cost requirements, all applicable cross-cutting federal requirements, or applicable deadlines in a Grantee's PI funded activity may result in a violation of the Standard Agreement.**

#### **Section 400: PI Administration Requirements**

##### **401. Use of PI for General Administration**

A percentage of the PI expended (not to exceed 17% of annual receipts), may be used for general administration (GA) costs.

- A.** PI may only cover those costs associated with the administration of CDBG PI activities and cannot pay for unrelated administration costs for other projects or activities.
- B.** GA may not be set aside in advance of receipt of PI funds.
- C.** GA may not be expended without an executed Standard Agreement that includes PI.
- D.** GA may be used for costs to prepare a PI funded program or project application or an application for a new CDBG grant if the costs are included in the new grant budget as pre-agreement costs.
  1. Pre-agreement GA costs will still be subject to the 17% of annual receipts cap.

##### **402. Using PI Prior to Grant Funds**

To comply with 24 CFR Part 570.489(e)(3)(i), any Grantee with PI on hand that has an open Standard Agreement must substantially expend available PI on hand prior to requesting any grant funds.

**A.** Substantially expend means that PI must be spent prior to requesting grant funds to the maximum extent feasible. It does not mean that all PI must be spent to zero. PI receipts that are in the process of being recorded and reported, or that require reconciliation or other accounting processes may be retained until they have been adequately processed, recorded, and reported.

**B.** Grantees with open Standard Agreements or that are considering applying for new grant funds should consider timing when applying for PI funded stand-alone limited-term programs and projects to make sure that PI will be available to pay for those programs and projects.

**403. Grantees applying for a new CDBG grant who have PI on hand but do not have PI committed in an existing Standard Agreement must include the PI cash on hand as a funding resource in the new CDBG grant application.**

**A.** Within the eCivis Grants Network System, Grantees will also be required to include an estimate projection of anticipated future PI receipts during the open grant period.

**405. Grantees that intentionally do not comply with federal regulations and state and federal statutes as applies to PI, or that refuse to execute a Standard Agreement or refuse to remit PI to the state may be sanctioned. Sanctions may include, but are not limited to:**

**A.** Grantee may be ineligible to apply for future Department funding (both State and Federal grant funds, including State entitlement grants), and may lose “good standing” status with the state, jeopardizing all other state assistance.

**B.** Grantee may be subject to legal action.

Grantees will be notified in writing when conditions or sanctions will be imposed. The Department will work with grantees to a satisfactory conclusion of any non-compliance.