

CHAPTER 2. FUNDING PROCESSES

A. STATE PROCESS

The amount of CDBG funds available each year varies as a result of the federal legislative appropriation received. That amount is usually made public in February. As soon as that figure is known, the following formula is applied: \$100,000 plus three percent of the total grant is subtracted for state administration costs. The remaining funds are then divided among the seven regions. Each region receives a base allocation of \$300,000 and the balance of the funds is divided using a per-capita basis.



1. 2016 Allocation Formula

In 2016, the Utah program received a total of **\$4,614,650** of which **\$238,440** was deducted for State CDBG administration. That left **\$4,476,210** for allocation throughout the non-entitlement areas of the state.

After adding in unexpended funds from prior year grants (**\$281,665**), the total amount for the regional allocations was **\$4,657,875**. The following formula was used to distribute this funding.

Each of the seven planning regions received a base amount of **\$300,000** for a total of **\$2,100,000**. That amount was subtracted from **\$4,657,875**. The remaining balance of **\$2,557,875** was divided on a per-capita basis per region based on the most current non-entitlement population figures.

Table I. 2016 HUD Allocations

AOG REGION	% NON-ENTITLEMENT POPULATION	NON-ENTITLEMENT POPULATION	PER CAPITA FUNDING	BASE FUNDING	TOTAL FUNDING
BRAG	16	123,157	420,770	300,000	720,770
WFRC	30	228,365	780,216	300,000	1,080,216
MAG	9	66,819	228,289	300,000	528,289
UBAOG	8	58,364	199,402	300,000	499,402
SCAOG	10	76,549	261,532	300,000	561,532
FCAOG	19	139,451	476,439	300,000	776,439
SEUALG	8	55,971	191,227	300,000	491,227
TOTAL	100	748,676	2,557,875	2,100,000	4,657,875

2. 2017 State Allocation Formula

At the time of the “How to Apply” workshops in the fall each year, the federal budget is unknown. The amount of CDBG funding that HUD will allocate to the State of Utah is announced in the spring. The information below will be added at that time.

The federal allocation to Utah for 2017 will be \$ _____. This is the beginning base allocation for the 2017 program year. From that amount the state is authorized to use **\$100,000** plus 3 percent \$ _____ of the total grant for a total administration cost of \$ _____.

After deducting the administration costs and adding \$ _____ in unexpended funds from prior year grants, the remaining amount for regional allocation is \$ _____. The following formula is used to distribute this amount to the non-entitlement cities and counties through their regional planning agencies.

Each of the seven planning regions receives a base amount of **\$300,000.00** for a total of **\$2,100,000**. That amount is subtracted from the amount available after state administration. The remaining balance of \$ _____ is divided on a per-capita basis using the most current non-entitlement population figures obtained from the State of Utah Data Guide.

REGION	POPULATION	POPULATION	FUNDING	FUNDING	FUNDING
BRAG	16				
WFRC	30				
MAG	9				
UBAOG	8				
SCAOG	10				
FCAOG	19				
SEUALG	8				
	100	0	0	0	0

B. REGIONAL PROCESS

1. Application Review Process

Portions of the CDBG application review process have been decentralized to the seven multi-county Associations of Government (AOGs) regional planning agencies. Each has established a CDBG Regional Review Committee (RRC). The organization of each RRC varies. In some cases, special subcommittees are formed to conduct part of the application review, while in others, the association’s executive committee or board serves as the review body.

The role of the RRC is to initially provide for the review and prioritization of CDBG applications on either a regional or countywide basis. Following this process, individual awards are determined and funded based on a region’s total allocation. This regional body has the

responsibility to determine threshold eligibility and consistency with the consolidated plan as well as national objective compliance.

All applicants submit an electronic application online through HCD's WebGrants system (see Appendix A). In February and March, State staff meets with each AOG representative to review applications for compliance with CDBG program regulations. All applications that include an original survey must also be reviewed by the state prior to rating and ranking. Following this review and certification of the national objective, consolidated plan compliance and project eligibility the RRC may then apply their regional rating and ranking system. The state staff, following each rating and ranking process, again reviews the applications for compliance with all federal criteria prior to executing a state contract. All Slum and Blight applications must be approved by the CDBG staff prior to rating and ranking.

2. Rating and Ranking

Although the state has overview responsibility for this activity, the development of a regional Rating and Ranking system must be completed by the RRC. The preparation of these policies occurs in August, prior to the receipt of grant applications thereby allowing prospective applicants an opportunity to assess the factors that will be used to rate their application(s) before and during the preparation of the application(s). RRC's will continue to have the discretion to establish regional public service categorical grant programs as part of their individual regional rating and ranking policies and procedures.

The ranking criteria must contain, at a minimum, the eight specific criteria found in Appendix G. This appendix also includes the individual RRCs rating and ranking processes for the next funding cycle. Each region's process must be endorsed by its RRC and approved by the state in advance of the application review.

Grantees with open grants from previous years that have not spent 50 percent of their previous grant(s) are not eligible to be rated and ranked. Single-family housing rehabilitation grants carried out by the AOGs are exempt from this requirement. Only complete and accurate applications will be rated and ranked. Late applications will not be accepted.

Multi-year funding (up to two years) is only allowed for construction projects. Each regional RRC may determine that multi-year funding is appropriate for certain projects. In these cases, the RRC must document the amount of funding being awarded for the first and second years. All grantees receiving multi-year funding must be made aware that the second year is contingent upon the state program receiving funding in the following year.

Following the completion of the rating and ranking process, each RRC will submit to the state copies of rating and ranking result sheets with the names of all the submitted applications, the actual allocation of all funds and the points awarded to each application.

After review by the state staff, the AOG will notify the successful applicants that they can proceed with finalizing their application. This will include adding the second public hearing information (see Appendix B) and revising the budget and scope of work, if necessary.

An applicant may withdraw an application from consideration by the RRC at any time. The RRC must notify each applicant of the rating and ranking results.

State staff is available to assist the RRC and AOG staff in regards to the CDBG application requirements in order to assist in the clarification of state or federal policy. The state will honor the RRC's rating and ranking decisions, but reserves the right of final project approval in determining if a project is an eligible activity (Chapter 3, section E), meets one of the three national objectives (Chapter 3, section B) and complies with other federal regulations and state criteria. Projects are to be fully funded at the amount requested beginning with any AOG set-asides first, then the top ranked project and continuing until the funding is exhausted.

3. Set-asides

This is a process where a specific amount of money is “set aside” from the general regional allocation to be used for a specific category of activity (e.g. housing assistance or economic development). Set-asides may only be used for a general category of activity and not for a specific project. Rather than competing against all other applicants, applicants qualifying for a set-aside would only compete against other applications in the set-aside category. For example, only jurisdictions desiring funding for a housing activity would compete against each other for housing set-aside dollars.

Annually, each RRC must approve rating and ranking criteria and any set-asides prior to holding the “How to Apply” workshops. Rating and ranking (R&R) criteria for the set-aside(s) may differ from the primary R&R criteria but must also be specifically established and approved. RRC policies should specify whether unfunded applications from the set-aside process are then eligible for the primary funding process.

The RRC must notify all eligible applicants of the category and funding amount of each set-aside. If funds remain in the set-aside after all viable set-aside applications are funded, the remaining funding will be used to fund high-ranking applications from the primary funding process.

C. PROGRAM INCOME

1. Definitions

- a. **Program Income:** Gross income received by the recipient or a subrecipient directly generated from the use of CDBG funds. This condition will continue as long as the recipient maintains an income-generating program, whether or not CDBG contract is in effect. Program income includes but is not limited to:
 - Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
 - Proceeds from the disposition of equipment purchased with CDBG funds;

- Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;
- Gross income from the use or rental of real property owned by the recipient or by a subrecipient that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using CDBG funds, except as provided in paragraph (a)(3) of this section; and
- Proceeds from the sale of loans made with CDBG funds.

b. Eligible Activities: Any activity identified in Chapter 3, section E.

2. Grantee Generated Program Income

a. Source of Program Income: The state CDBG Program allows grantees to retain program income from housing rehabilitation, homebuyer assistance or economic development revolving loan activities provided the same activity that generated the income continues. Other eligible program income producing activities must return program income to the state.

Interest earned by grantees when CDBG payments are deposited in interest bearing accounts of any kind may not be retained by the grantee. Any interest earned as a result of this unauthorized use of funds will, if less than \$100, be returned to the state. Interest earned in excess of \$100 must be returned to the U.S. Treasury.

b. Maximum Retained: Grantees must expend all program income funds prior to requesting regular program funds from the state. The state will allow an accumulation of up to **\$35,000** in any grantee's program income account. If an extended period of time elapses between loans made for this purpose, the account will be allowed to increase beyond this limit. The state will require that a current bank statement or other comparable documentation showing the current balance in the program income account be submitted with each request for funds. Separate accounts may be necessary in order to simplify record keeping. All such documentation is subject to audit and verification by the state.

3. State Generated Program Income

a. Source of Program Income: Interim Financing Program as defined in Chapter 6, section E, of this document must be returned to the state including principal and interest. Interest will be returned to the state's line of credit with HUD for distribution in the subsequent funding cycle.

D. INTERIM FUNDING or “FLOAT-FUNDED ACTIVITY” LOAN PROGRAM

1. Source: These are CDBG funds in the state’s line of credit that are awarded to CDBG contracts that will not be able to expend their funds immediately. Because the CDBG program is a reimbursement program, a significant amount of awarded but unused money is always being held in reserve.

2. Projects: “Interim” or “Float” loans are defined as projects that will require the short-term use of funds, usually less than two years, and, which are supported by a letter of credit, future CDBG allocations or other security approved by the CDBG Policy Committee. The “float” is paid back to the program either over a set time period or as a lump sum at the end of the term of the loan. The RRC must approve the application at the regional level and the CDBG Policy Committee must also approve the loan at the state level and set the term and interest rate to be paid on the principal. All other requirements listed in Chapter 6 apply to the use of funds for this purpose.

E. EMERGENCY PROJECTS:

1. Projects: Emergency projects are defined as projects that have a particular urgency, as determined by each of the individual Regional Review Committees (RRCs). They can be funded outside normal allocation cycles as described below. The RRC must determine its own definition of an emergency and adopt a policy that will be applied to all emergency applications. Existing project cost overruns may be funded if the RRC deems it an appropriate emergency. A corresponding dollar for dollar reduction will be made in the allocation received by the region in the next funding cycle.

2. Application Procedure: Requests for emergency funds must be submitted utilizing the state's application form for the most recent funding cycle. AOG staff will review the application for eligibility and check for consistency with the Consolidated Plan. Applications that meet the local RRCs approval criteria must go through a public hearing process (Chapter 4, Section A). The details of the emergency application must be provided.

All emergency projects must meet all CDBG program requirements. Following RRC approval, the state staff will review all emergency applications for program eligibility and national objective compliance. The state reserves the right to reject or amend applications that do not meet these threshold requirements. In the case of existing project cost overruns, a new scope of work, budget and public hearing are required. The State CDBG Policy Committee must approve all emergency applications.

Emergency projects (distributed statewide) are limited on an annual basis to \$500,000. As such, RRCs are asked to be very conservative in their definition of an emergency. To deal with multiple project proposals with similar timeframes, the State CDBG Policy Committee will take into account the nature of each identified emergency. Funding will come from unspent balances in the state's line of credit with HUD (in the same manner the interim loans are funded). The amount of any emergency projects distributed during the year will be subtracted from the top of the appropriate regional allocation during the next funding cycle.