

PROGRAM INCOME POLICY:
For Program Income Related to the Expenditure of ARPA/CSLFRF

I. PURPOSE AND SCOPE

Guilford County enacts the following procedures for its use of program income earned from the expenditure of CSLFRF funds to ensure compliance with the Uniform Guidance, including, but not limited to, 2 C.F.R. § 200.307, the ARPA/CSLFRF award, and all applicable Federal regulations governing the use of program income. Guilford County agrees to administer program income according to the requirements set forth in this policy and as required by the Federal regulations and State law.

The responsibility for following this policy lies with the Pandemic Recovery Office, who is charged with the administration and financial oversight of the ARPA/CSLFRF award. Questions on the use and/or reporting of program income should be directed to Amy Addington, Policy Analyst for the Pandemic Recovery Office.

II. DEFINITIONS¹

- a. *ARPA/CLSFRRF award* means the Federal program governing the use of Coronavirus State and Local Fiscal Recovery Funds as provided in the Assistance Listing and as administered by the U.S. Department of Treasury pursuant to the American Rescue Plan Act of 2021 (“ARPA”), Pub. L. No. 117-2 (Mar. 11, 2021).
- b. *CSLFRF funds* means the portion of Federal financial assistance from the Coronavirus State Fiscal Recovery Funds and Coronavirus Local Fiscal Recovery Funds (collectively “CSLFRF”) awarded to Guilford County pursuant with ARPA.
- c. *Federal award* means the Federal financial assistance that a recipient receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101. The Federal award is the instrument setting forth the terms and conditions of the grant agreement, cooperative agreement, or other agreement for assistance.
- d. *Federal awarding agency* means the Federal agency that provides a Federal award directly to a non-Federal entity.
- e. *Federal financial assistance* means the assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions, direct appropriations, food commodities, or other financial assistance, including loans.
- f. *Federal program* means all Federal awards which are assigned a single Assistance Listings Number.
- g. *Non-Federal entity* means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
- h. *Period of performance* means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. The period of performance for the ARPA/CSLFRF award ends December 31, 2026.

¹ Excluding the first two, the definitions in this section are found in 2 C.F.R. 200.1.

- i. *Program income* means 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 except as provided in § 200.307(f).

III. PROGRAM INCOME OVERVIEW

For purposes of this policy, program income is the gross income earned by Guilford County that is directly generated by a supported activity or earned as a result of the ARPA/CSLFRF award during the period of performance, which closes December 31, 2026. 2 CFR 200.1.

Program income includes, but is not limited to, the following sources of income:

- The collection of fees for services performed.
- Payments for the use or rental of real or personal property.
- The sale of commodities or items fabricated under the Federal award.
- The payment of principal and interest on loans made under the Federal award.

Program income does not include fees or revenue from the following:

- The use of rebates, credits, discounts, and interest earned on any of them.
- Governmental revenues, such as taxes, special assessments, levies, or fines.
- Proceeds from the sale of real property, equipment, or supplies.²

IV. USE OF PROGRAM INCOME

Program income earned pursuant to expenditures of CSLFRF is the property of US Treasury and shall be accounted for in one of three ways pursuant to 2 C.F.R. § 200.307(e).

Deduction Method: Program income must be deducted from total allowable costs to determine net allowable costs. Program income shall be used to reduce Treasury's obligation under the ARPA/CSLFRF award rather than to increase the funds committed a project. Program income shall be used for current costs. Guilford County shall track and account for program income during the period of performance and shall reimburse Treasury, as required. 2 C.F.R. § 200.307(e)(1).

Addition Method: With prior approval, program income may be added to the total amount of the ARPA/CSLFRF award, thereby increasing the total amount of the award. Program income must be expended on an eligible project or program. 2 C.F.R. § 200.307(e)(2). Pursuant to the terms of the ARPA/CSLFRF award, the repayment of principal and interest on loans made with CSLFRF funds that will mature or be forgiven on or before December 31, 2026, may be accounted for using the addition method (see Section VI).

² 2 C.F.R. 200.1 and 2 C.F.R. 200.307 each define and limit the sources of program income.

Matching or Cost Sharing Method: With prior approval, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award shall not change.³ 2 C.F.R. § 200.307(e)(3).

Unless the ARPA/CSLFRF award otherwise stipulates, or Guilford County has received prior approval, Guilford County **shall apply the deduction method** to account for the use of program income.

V. ALLOCATION OF PROGRAM INCOME

Guilford County shall only expend program income on costs that are reasonable, allocable, and allowable under the terms of the ARPA/CSLFRF award.⁴ To adhere to these requirements, Guilford County shall comply with the cost principles included in 2 C.F.R. § 200, as outlined in Guilford County's Allowable Costs and Costs Principles Policy as it relates to ARPA/CSLFRF. Guilford County shall allocate program income to the ARPA/CSLFRF award in proportion to the pro rata share of the total funding (e.g., if CSLFRF funds cover half of a project's cost, with general revenue covering the other half, the unit shall allocate 50% of any program income earned to the ARPA/CSLFRF award and account for its use pursuant to § 200.307).

VI. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS MADE WITH ARPA/CSLFRF FUNDS

Treasury expects that a significant share of loans made with ARPA/CSLFRF funds will be repaid. Accordingly, it has issued guidance on how to appropriately account for the repayment of principal and interest. Guilford County agrees to appropriately account for the return of loan funds according to the ARPA/CSLFRF award terms, as follows:

- **For Loans that mature or are forgiven on or before December 31, 2026:** Guilford County may add the repayment of principal and interest (program income) to the ARPA/CSLFRF award. When the loan is made, Guilford County shall report the principal of the loan as an expense. Guilford County shall expend the repayment of principal only on eligible uses and is subject to restrictions on the timing of the use of ARPA/CSLFRF funds pursuant to the ARPA/CSLFRF award. Interest payments received prior to the end of the period of performance will be considered **an addition** to the total award and may be used for any purpose that is an eligible use. *Guilford County is not subject to restrictions*

³ The Final Rule provides that a non-Federal entity may expend up to the amount of its reduction in revenue due to the pandemic to meet the non-federal cost-share or matching requirements of other federal programs. However, the Final Rule does not mention whether *program income* may be used to meet cost-sharing or matching requirements. A non-Federal entity should not allocate program income to cost share or matching requirements unless it receives prior approval from Treasury.

⁴ 2 C.F.R. § 200.404, 408.

*under 2 CFR 200.307(e)(1) (the deduction method) in accounting for the use of program income.*⁵

- **For Loans with maturities longer than December 31, 2026:** Guilford County is not required to separately account for the repayment of principal and interest on loans that will mature after the ARPA/CSLFRF award's period of performance. Guilford County may use CSLFRF for only the projected cost of the loan. Guilford County may estimate the subsidy cost of the loan, which equals the expected cash flows associated with the loan discounted at the [UNIT's] cost of funding. The cost of funding can be determined based on the interest rates of securities with a similar maturity to the cash flow being discounted that were either (i) recently issued by Guilford County or (ii) recently issued by a unit of state, local, or Tribal government similar to Guilford County. If Guilford County has adopted the Current Expected Credit Loss (CECL) standard, it may also treat the cost of the loan as equal to the CECL-based expected credit losses over the life of the loan. Guilford County may measure projected losses either once, at the time the loan is extended, or annually over the covered period. *Under either approach, Guilford County is not subject to restrictions under 2 CFR 200.307(e)(1) (the deduction method) and need not separately track repayment of principal or interest.*⁶
- **Revolving Loan Funds:** Guilford County shall treat the contribution of ARPA/CSLFRF funds to a revolving loan fund according to approach described above for loans with maturities longer than December 31, 2026.⁷ Guilford County may contribute ARPA/CSLFRF funds to a revolving loan only if the loan is determined to be for eligible use and the ARPA/CSLFRF funds contributed represent the projected cost of loans made over the life of the revolving loan fund.

VII. ADDITIONAL PROGRAM INCOME REQUIREMENTS

- (a) **Identifying, Documenting, Reporting, and Tracking.** To ensure compliance with the requirements of program income as outlined by the Federal regulations, the terms and conditions of the ASP/CSLFRF award, and the requirements set forth herein, each department shall identify potential sources of program income and properly report the program income for the period in which it was earned and dispersed.

Program income shall be accounted for separately. Guilford County shall not commingle program income earned from programs supported by ARPA/CSLFRF funds with the general award of ARPA/CSLFRF funds Guilford County received from Treasury. Any costs associated with generating program income revenue shall be charged as expenditures to the ARPA/CSLFRF award.

⁵ [Final Rule](#), p. 4436

⁶See question 4.11 in [Treasury's Interim Final Rule FAQ document](#).

⁷See question 4.11 in [Treasury's Interim Final Rule FAQ document](#).

- (b) **Program Income Earned After the Period of Performance.** Guilford County shall have no obligation to report program income earned after the period of performance (December 31, 2026). However, Guilford County shall report program income expended after the period of performance if that program income was earned on or before December 31, 2026.
- (c) **Subawards.** Guilford County agrees to ensure that any subrecipient of ARPA/CSLFRF funds abides by the award of the terms and conditions of this policy and is aware that the subrecipient is responsible for accounting for and reporting program income to Guilford County on a quarterly basis.
- (d) **Compliance with State law.** Program income shall not be expended for purposes prohibited under State law.
- (e) **Subject to Audit.** Guilford County recognizes that its use of program income may be audited and reviewed for compliance with Federal laws and regulations, State law, and the terms of the ARPA/CSLFRF award.

VIII. IMPLEMENTATION OF POLICY

The Pandemic Recovery Office will adopt procedures to identify potential program income during the project eligibility and allowable cost review, document actual program income, and follow the requirements in this policy related to the treatment of program income.