State of California - Business, Consumer Services and Housing Agency
Gavin Newsom Governor

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Division of Federal Financial Assistance
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CDBG Management Memo #22-01 Revised

Date: September 30, 2022

To: Community Development Block Grant (CDBG)-CV Grantees, HCD Representatives and Grant Administrators

Subject: Pilot Program to Advance Funding for CDBG-CV Microenterprise and Business Assistance Grantees ONLY – Revised

Purpose

The purpose of this memo is to document the process and requirements that CDBG-CV Microenterprise and Business Assistance Grantees must use to obtain advance funding under CDBG-CV programs and the facilitating actions that should be taken by their Grant Administrator.

Advance funding (or advance payments) are federal payments that are processed before the non-Federal entity disburses the funds for program purposes or before services are rendered or costs are incurred. For our CDBG-CV programs, simply put, this is funding that Grantees can request before they have incurred costs to ensure they have the working capital necessary to start or continue their programs.

At this time, HCD is piloting the allowance of advance payments **only for Microenterprise and Business Assistance Grantees**. At a future point in time, HCD may explore allowing advances for public services.

Background and Requirements

For HUD Recipients that are able to meet the requirements in 2 CFR 200.305, it is not necessary for all costs to be incurred prior to receiving advanced funds. Recipients may also disburse – in advance of actual expenditures – payments to subrecipients that can also meet the requirements at 2 CFR 200.

Based on this, CA HCD may provide advance funding to some Grantees for operational periods of 60-90 days. This funding is limited to the minimum, immediate cash requirements to carry out the purpose of the approved activity, program, or project. Advances will be limited to **no more than $45,000 or operational funding for no more than one quarter**, whichever is less.

Requirements governing how to apply cash advances are as follows:

- As per 31 CFR §205.12(b)(4) and 2 CFR §200.305(b)(4)/(8), if HCD draws down federal funds from HUD this will trigger the 3 day-clock for HCD and its grantees to disburse funds to cover anticipated cash needs. Disbursement of funds must occur in a timely manner. The general rule is that CDBG funds must be used within three business days after they are drawn down. **If disbursement takes longer than three business days, written justification should be maintained in the files.**
- Per 24 CFR Part 85.21(b) / [2 CFR 200.305(b)] [also referenced at 24 CFR 570.502(b)(3)(i)], **recipients and subrecipients are required to have procedures in place to minimize the amount of time that elapses between the transfer of CDBG funds and the disbursement of those funds by the grantee or subrecipient** in accordance with Treasury regulations at 31 CFR Part 205. Recipients (and subrecipients) must include accurate information in drawdown requests.
- It should be noted that **funds held in an escrow account for rehabilitation activities generally must be disbursed within 10 days**. Reference 24 CFR 570.511(a)(4).
- Grantees should refer to 2 CFR § 200.305(b)(8) and deposit funds in accordance with the applicable regulatory requirement.
- Any program income (received as interest from the loans) must be disbursed prior to the drawdown of additional funds from HUD (or from HCD for their Grantees).

Regardless of the method used, all disbursements must adhere to the following:

- Include accurate information about services performed, program eligibility, allowable costs, and supplemental documentation.
- Federal funds drawn down erroneously must be returned to HCD or to HUD.
- HCD's Grantees must be able to forecast what their cash needs are and communicate that to HCD to avoid excessive drawdowns (2 CFR §200.305(b)(2)).

Process

The process by which a Grantee can request advance funding is similar to the one used to file a Financial Report to request reimbursement. As with Financial Reporting, the process consists of three distinct activities:

- Filling out the new Financial Reporting form
- Submitting information in the Grants Network Portal
- Submitting required documentation (which in the case of advance funding is **due within 120 days** after the date of advance approval)

Threshold Documentation

To be eligible to receive advance funding (or reimbursement of any kind), Grantees must have supplied an acceptable set of required project documentation. This "threshold" documentation is shown in Exhibit 1, below.

Exhibit 1. Threshold Documentation

Threshold Documentation
■ Application with complete: • Budget • National objective • Scope of work • Milestone timeline (Application should be in Exhibit E.)
■ Resolution

Threshold Documentation
■ Executed copy of the Standard Agreement (STD 213)
■ Taxpayer Identification Number (TIN) form
■ Program Guidelines • Must include Duplication of Benefits Policy or this must be supplied as a separate document
■ Site Control documentation (deed or lease) (if applicable)
■ Verified good standing with the California Department of Housing and Community Development • (CA HCD verification, not a document.)
■ Debarment documentation for Grantee
■ Debarment documentation for subrecipients, contractors, or other jurisdiction partners (if applicable)
■ Copies of any Memorandums of Understanding (MOUs) or agreements associated with the project (if applicable)
■ Certifications and Statement of Assurances (Appendix J) signed by authorized representative, including: • Growth control certification • Compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relocation requirements (if applicable)
■ Compliance with requirement for Housing Element (HSC § 50829) • (CA HCD verification, not a document.)
■ Citizen participation documentation
■ Most recent single audit documentation • No outstanding findings or plan in place to resolve
■ Environmental (NEPA) and Historical Review

Threshold Documentation
For Economic Development activities only (including both Microenterprise and Business Assistance): Documentation of capacity and experience to operate a microenterprise or business assistance CDBG-CV Activity. This includes: ▪ Hiring staff that dedicate capacity to the project ▪ Executed contract or subrecipient agreement with a qualified consultant or non-profit Economic Development group ▪ Resolution, MOU, or similar formal statement of partnership with Small Business Development Centers or similar organization that has direct experience in CDBG Economic Development.

Moving forward Grant Administrators will check all contracts for this threshold documentation before authorizing advance funding or other reimbursement.

Completing the Financial Reporting Form

Grantees should use a copy of the Financial Reporting form with completed identification information previously provided to them by their Grant Administrator. The use of this Excel-based form consisting of a Coversheet worksheet and an Expenditures worksheet was previously described in **CDBG Management Memo #21-01**.

Grantees filling out a request for advance funds will complete the form in the same manner as they would for financial reporting except that they will enter "Advance" in the Expenditure Name column on the Expenditure Worksheet as discussed in the steps below. Note that requests for advance funds should be treated separately and should not be part of a regular financial report.

The basic steps for completing the Financial Reporting Form are reviewed in Exhibit 2 below with specifics added for requesting advance funding.

Exhibit 2. Grantee Steps for Completing the Financial Reporting Form for Advances

Step	Grantee Action
1	As with periodic Financial Reporting, Grantees should verify that all information on the Coversheet Worksheet is accurate and fill in the Grantee Invoice #, if applicable, and the Reporting Period Start Date and Reporting Period End Date for each report submitted. The reporting period for an advance should be the current reporting period.

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td></td><td>
<table>
<tr><td colspan="4">Community Development Block Grant - Coronavirus
CV1 and CV2/3 Financial Reporting</td></tr>
<tr><td>Grantee/Contractor/Payee:</td><td>Example</td><td>HCD Contract #:</td><td>XX-CDBG-123456789</td></tr>
<tr><td>Project Name:</td><td>Subsistence Payments</td><td>Amendment #:</td><td></td></tr>
<tr><td>Grantee Address:</td><td>1234 Address</td><td>Agreement Start Date:</td><td>12/1/2021</td></tr>
<tr><td></td><td>City CA 12345</td><td>Agreement End Date:</td><td>12/1/2022</td></tr>
<tr><td>Grantee TIN:</td><td>123456789</td><td>Reporting Period Start Date:</td><td>1/1/2022</td></tr>
<tr><td>Grantee Invoice #:</td><td>1</td><td>Reporting Period End Date:</td><td>1/31/2022</td></tr>
<tr><td colspan="3">Reporting end before Agreement end?</td><td>Yes</td></tr>
<tr><td colspan="4"><u>Financial Activity Report</u></td></tr>
<tr><td colspan="2">Category</td><td colspan="2">Amount Reported This Period</td></tr>
<tr><td colspan="2">Activity</td><td colspan="2">$ -</td></tr>
<tr><td colspan="2">General Administration</td><td colspan="2">$ -</td></tr>
<tr><td colspan="2">Activity Delivery</td><td colspan="2">$ -</td></tr>
<tr><td colspan="2">TOTAL</td><td colspan="2">$ -</td></tr>
<tr><td colspan="3">Do you have Program Income allocated for this project?</td><td>○ YES ◉ NO</td></tr>
</table>

- Remember, Grantees should NOT enter additional information on the Coversheet, aside from entering Authorized Official information, which will be covered later in this memo. All financial information contained on the Coversheet is automatically generated as Grantees complete the Expenditures Worksheet.
</td></tr>
<tr><td>2</td><td>
Grantees should enter information for the advance on the Expenditures worksheet.

- Enter the **Category** the advance will be used to fund (e.g., Activity, Activity Delivery, General Admin.)
- Enter the **Service Period**. **This should be in the future when compared with the Reporting Period.**
- Enter “**Advance**” in the **Expenditure Name** column.
- Enter information under **Service Description**.
- Enter the amount of advance funding being requested under **Amount**.
  - Remember, the amount that can be requested is limited to the minimum, immediate cash requirements needed to carry out the purpose of the approved activity, program, or project.
</td></tr>
</table>

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td></td><td>
Community Development Block Grant - Coronavirus
CV1 and CV2/3 Financial Reporting
Instructions for Completing this Expenditures Sheet
Please use this sheet to provide detail for all expenditures during the Reporting Period and ensure that you have followed these instructions.
1.) Use the drop-down to select the Category (i.e. Activity, General Admin, Activity Delivery, Other);
2.) Enter the Service Period in which the expenditure occurred, this could be a specific date or range;
3.) Enter an Expenditure Name for this item that identifies the Service/Expenditure type;
4.) Provide a brief Service Description that directly relates to the approved Standard Agreement;
5.) Enter the Amount for that line item reported by this request;
** Ensure that documents are listed in the order in which they are provided in any attachments in eCivis.
** If necessary, provide additional details in the Service Description to make clear what costs are being reported, which costs are allocated or prorated, the basis for such allocation or proration, and any additional guidance important for HCD's review.
Total $ 27,000.00
Description of Claims for Reimbursement:
<table>
<tr><th></th><th>Category</th><th>Service Period</th><th>Expenditure Name</th><th>Service Description</th><th>Amount</th></tr>
<tr><td>1</td><td>Activity Delivery</td><td>2/1-2/28/2022</td><td>Advance</td><td>Program staff salary for February</td><td>$ 7,000.00</td></tr>
<tr><td>2</td><td>Activity</td><td>2/1-2-28/2022</td><td>Advance</td><td>Subsistence Payments to be issued February 2022</td><td>$ 20,000.00</td></tr>
<tr><td>3</td><td></td><td></td><td></td><td></td><td>$ -</td></tr>
<tr><td>4</td><td></td><td></td><td></td><td></td><td>$</td></tr>
<tr><td>5</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>6</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>7</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>8</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
</td></tr>
<tr><td>3</td><td>The Grantee should confirm that the correct advance funding request now appears on the Coversheet.
■ Remember, any adjustments MUST be made on the Expenditures worksheet.</td></tr>
</table>

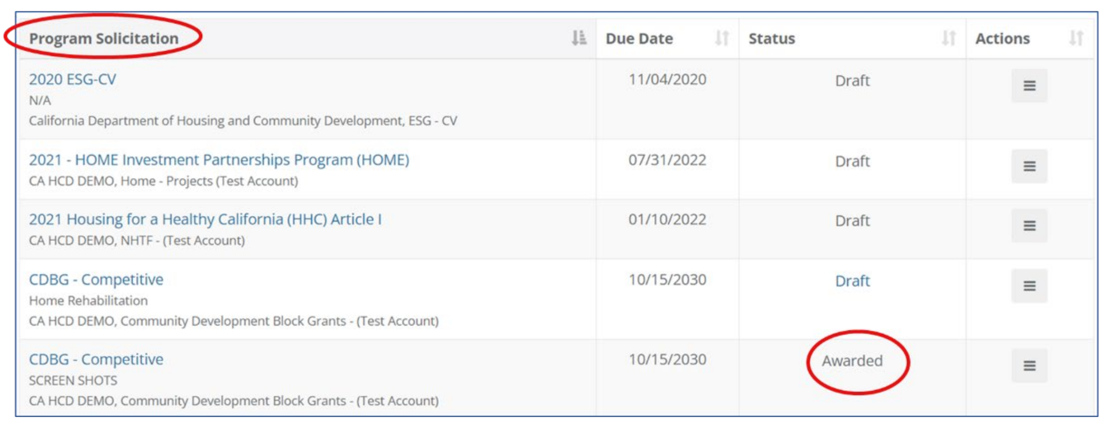
Step	Grantee Action
	Community Development Block Grant - Coronavirus **CV1 and CV2/3 Financial Reporting** **Grantee/Contractor/Payee:** Example — **HCD Contract #:** XX-CDBG-123456789 **Project Name:** Subsistence Payments — **Amendment #:** **Grantee Address:** 1234 Address, City CA 12345 — **Agreement Start Date:** 12/1/2021 **Agreement End Date:** 12/1/2022 **Grantee TIN:** 123456789 — **Reporting Period Start Date:** 1/1/2022 **Grantee Invoice #:** 1 — **Reporting Period End Date:** 1/31/2022 **Reporting end before Agreement end?** Yes **Financial Activity Report** **Category** / **Amount Reported This Period** **Activity** $ 20,000.00 **General Administration** $ - **Activity Delivery** $ 7,000.00 **TOTAL** **$** **27,000.00** **Do you have Program Income allocated for this project?** YES NO **Requests must:** (a) be submitted in eCivis; (b) be supported by documentation that fully substantiates costs; (c) include the service period of costs; and (d) be submitted monthly, even if zero expenditures are reported. I certify that information in this request and attachments accurately ... the associated Standard Agreement, that payment has be... ...tract and all associated Exhibits
4	Click Yes or No to indicate whether Program Income has been allocated for this project. **Do you have Program Income allocated for this project?** YES NO
5	To finish the form, the Grantee needs to fill in the name, title, and phone number of the **Authorized Certifying Official indicated on the** Resolution and have that official sign and date the form. **Name/Title of Authorized Certifying Official:** — **Phone Number:** **Authorized Certifying Official Signature:** — **Date:** X Authorized Certifying Official Signature Certifying Official Title Updated October

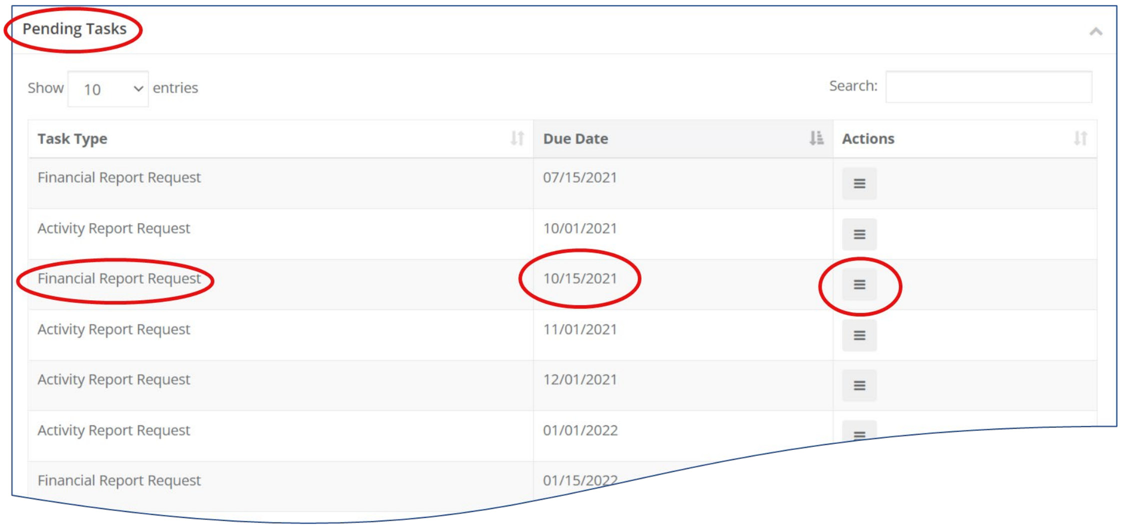
Submitting the Advance Funding Request in the Grants Network Portal

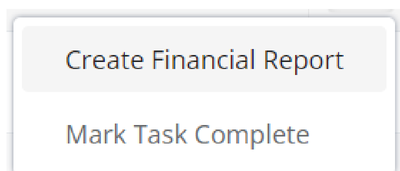
Completing the advance funding request process in the Grants Network Portal requires actions by both the Grantee and their Grant Administrator. This memo covers required Grantee actions in detail and provides an overview of the actions required by the Grant Administrators.

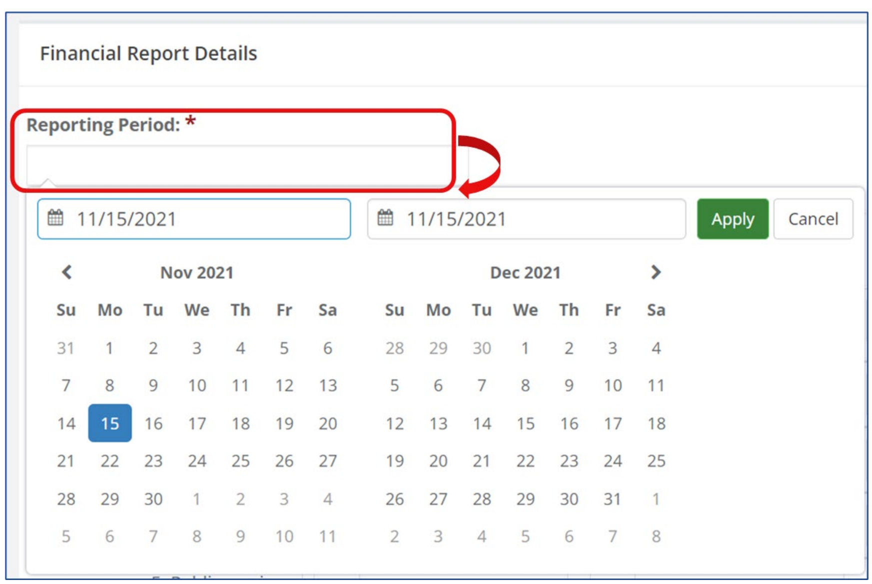
Exhibit 3. Grantee Steps to Submit Advance Funding Request in the Grants Network Portal

(Note: The Advance funding request process for Grantees in the Grants Network Portal is identical to that of submitting a Financial Report with the exception that a Grantee may choose to submit documentation following the request rather than at the time of request. **Grantee must also note in the narrative that this is an Advance funding request.**)

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td>1</td><td>Log in to the portal with your credentials.</td></tr>
<tr><td>2</td><td>Scroll to Program Solicitation and click the link for the award that needs an advance.
Make sure to select the option that shows Awarded in the status column.

<table>
<tr><th>Program Solicitation</th><th>Due Date</th><th>Status</th><th>Actions</th></tr>
<tr><td>2020 ESG-CV
N/A
California Department of Housing and Community Development, ESG - CV</td><td>11/04/2020</td><td>Draft</td><td>≡</td></tr>
<tr><td>2021 - HOME Investment Partnerships Program (HOME)
CA HCD DEMO, Home - Projects (Test Account)</td><td>07/31/2022</td><td>Draft</td><td>≡</td></tr>
<tr><td>2021 Housing for a Healthy California (HHC) Article I
CA HCD DEMO, NHTF - (Test Account)</td><td>01/10/2022</td><td>Draft</td><td>≡</td></tr>
<tr><td>CDBG - Competitive
Home Rehabilitation
CA HCD DEMO, Community Development Block Grants - (Test Account)</td><td>10/15/2030</td><td>Draft</td><td>≡</td></tr>
<tr><td>CDBG - Competitive
SCREEN SHOTS
CA HCD DEMO, Community Development Block Grants - (Test Account)</td><td>10/15/2030</td><td>Awarded</td><td>≡</td></tr>
</table>
</td></tr>
<tr><td>3</td><td>Scroll to Pending Tasks and look for the report you would like to complete.
This will be a Financial Report for the period for which you are requesting an advance. (This would be the next one due.)</td></tr>
</table>

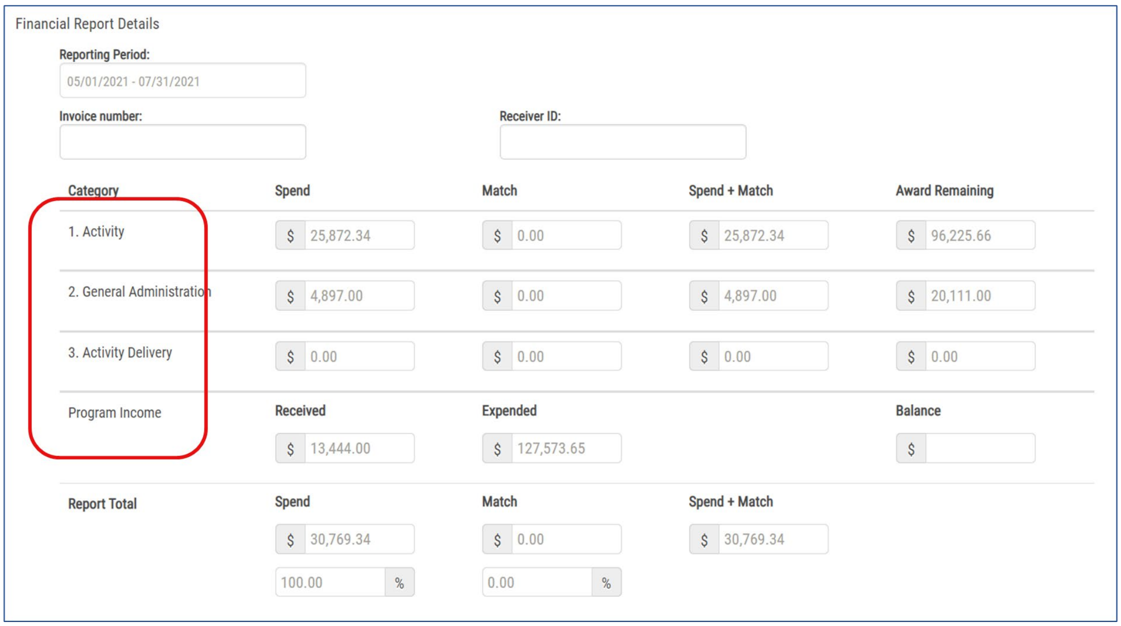
<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td></td><td>


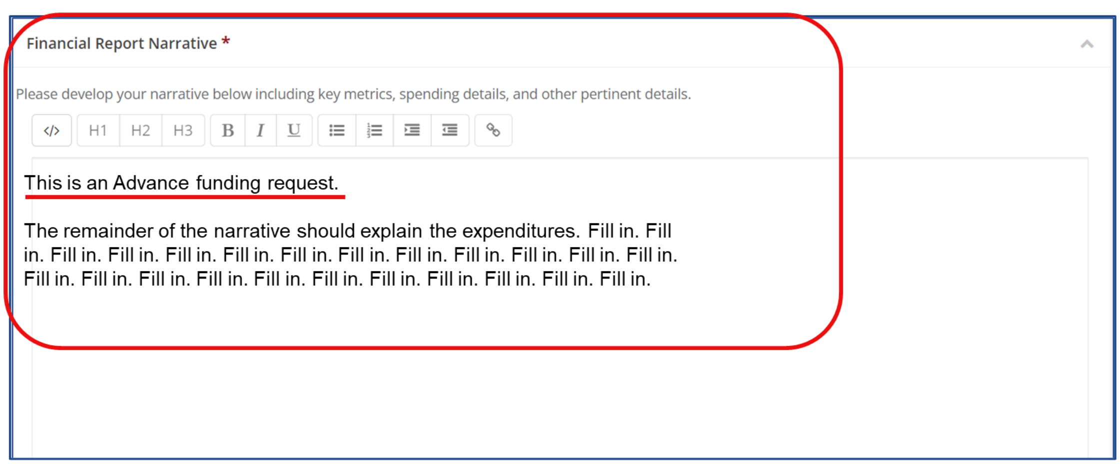
</td></tr>
<tr><td>4</td><td>
Click on the corresponding three lines under Actions and select Create Financial Report in the pop-up window.


</td></tr>
<tr><td>5</td><td>
Under Financial Report Details, find the Reporting Period field. Click in the field and use the calendar to select the reporting period. Click Apply.


</td></tr>
</table>

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td>6</td><td>Enter claim totals for Activity, General Administration, and/or Activity Delivery for which you are requesting advance funding, as applicable, based on the approved budget These entries must match the amounts on the Financial Reporting form Expenditures worksheet.


</td></tr>
<tr><td>7</td><td>Provide a Financial Narrative that provides a detailed summary of expenditures for which you are requesting Advance funding. Make sure to indicate that this is an Advance Funding request. Add additional information to explain what the advance will be funding.

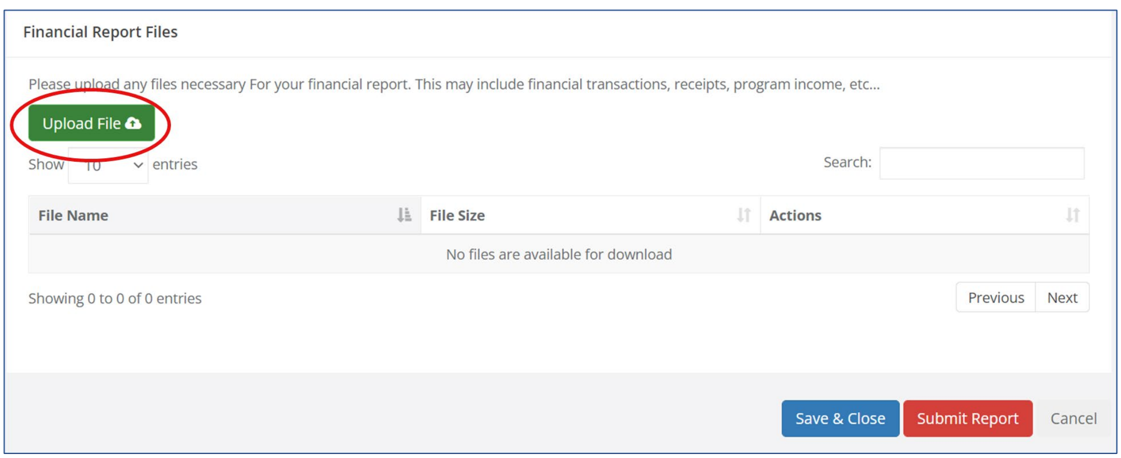

</td></tr>
</table>

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td>8</td><td>Below the Narrative field, Grantees will find the Financial Report Files section. Grantees should use the Upload file function to upload the Financial Reporting form requesting the Advance.

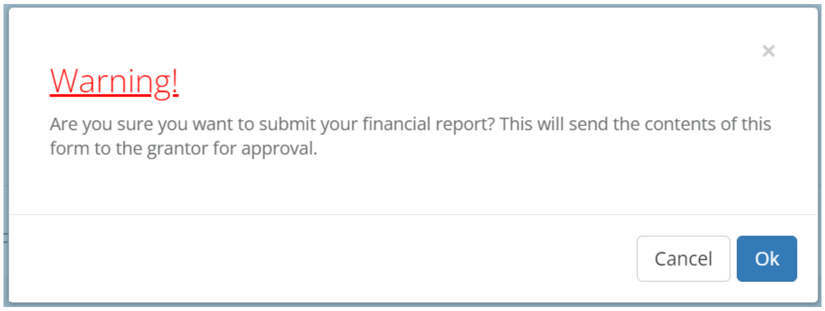
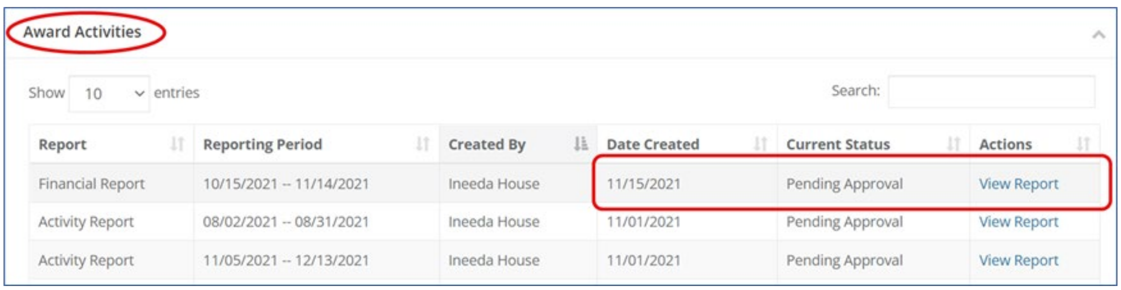
It is a best practice for Grantees also to upload supporting documentation for the expenditure for which they are claiming the advance.

This might include documents such as invoices, contracts, estimates, or payroll records to support the need for advance funding.
Additional documentation will be required at a later date to prove the actual expenditures.

If Grantees do not upload the supporting documentation at this time, their Grant Administrator will create a separate Miscellaneous Task in the eCivis Grants Management Network to which they must respond to upload the supporting documentation within 120 days of approval of the request.


</td></tr>
<tr><td>9</td><td>When the report is ready to submit, the Grantee clicks the red Submit Report button at the bottom of the page.</td></tr>
<tr><td>10</td><td>A warning box will pop up. The Grantee should click OK if they are ready to submit the report.

Clicking Cancel will take the Grantee back to the reporting screen.
</td></tr>
</table>

<table>
<tr><th>Step</th><th>Grantee Action</th></tr>
<tr><td></td><td>
</td></tr>
<tr><td>11</td><td>After selecting OK, the Grantee will be taken to the Award Dashboard.</td></tr>
<tr><td>12</td><td>Check status before exiting. Scroll to Award Activities and your submitted report status should say Pending Approval.


Report	Reporting Period	Created By	Date Created	Current Status	Actions
Financial Report	10/15/2021 -- 11/14/2021	Ineeda House	11/15/2021	Pending Approval	View Report
Activity Report	08/02/2021 -- 08/31/2021	Ineeda House	11/01/2021	Pending Approval	View Report
Activity Report	11/05/2021 -- 12/13/2021	Ineeda House	11/01/2021	Pending Approval	View Report
</td></tr>
<tr><td>13</td><td>If the Grantee needs to save the report before it is ready to submit, they can click Save and Close to return to the report later.

The Grantee can locate the unfinished report under Award Activities on the Award Dashboard.
The Current Status of the incomplete report should show as Draft, and Edit Report should appear in the Actions column.
</td></tr>
</table>

Following receipt of the advance request in the eCivis Grants Management Network, the Grant Administrator will approve the request or return it to the Grantee if there are outstanding issues.

At this same time, the Grant Administrator will create a Miscellaneous Task in the eCivis Grants Management Network to enable Grantees to upload documentation for the advance. The task will be named **Advance Payment Documentation**. It is anticipated that **ALL** Grantees requesting advances will need to respond to this documentation task, as all will need to provide proof, in the form of invoices, bills, etc., of the actual expenditure of the funds advanced. The due date on this task is **120 days after the date of advance approval**.

Exhibit 4. Grantee Uploads Documentation

Step	Grantee Action
1	For all documentation that was not added at the time of the Advance funding request, the Grantee can upload the requested documents by clicking on the Actions link for the **Advance Payment Documentation** task link. ▪ This documentation **will always include** actual proof of expenditure of the advanced funds.
2	Click **View/Edit Task.**
3	Upload the supporting documentation as much as possible in the same order as the requests appeared on the Financial Reporting form.
4	Submit as usual.

Frequency

Grantees may request advance funding **only once** during the term of the Standard Agreement.

Reimbursement

From the date the advance is received forward, Grantees will submit documentation of the costs incurred during the previous month, and CA HCD will be able to reimburse the Grantees for the amount expended that month. This will allow Grantees to “roll” forward the advanced funds to expend the next month. Based on the limitations established in the notice, the funds rolled forward must not exceed the originally identified three-month operating expense.

This does not mitigate the requirement for quarterly Financial and Activity reporting.

Effective Date

This memo is effective as of September 30, 2022. This Management Memo applies only to CDBG-CV awards made for microenterprise and business assistance activities.

Questions

If you have general process questions, please contact your Grant Administrator. If you have specific questions about the information in this Management Memo, or any other questions regarding the CDBG Program, please contact Felicity Gasser at felicity.gasser@hcd.ca.gov or 916-820-1187.