

Lake County Coalition for the Homeless

Reallocation of Funding for Chronic Underspending Policy



1. PURPOSE AND BACKGROUND

Under the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act), the Department of Housing and Urban Development (HUD) allows Continuums of Care (CoC) to shift funds in whole or part from any existing CoC grant to create a new project within that same grant. The purpose of the Lake County Continuum of Care (“CoC”) Reallocation of Policy (“Policy”) is to provide a set of rules that govern the process for reallocating CoC program funds due to chronic underspending related to a CoC project. Any reallocation made under this Policy is permanent.

Unspent project funds from the HUD Continuum of Care program are returned to HUD annually. The CoC seeks to maximize its funding by keeping as much of the funding as possible in our CoC.

2. TERMINOLOGY AND DEFINITIONS

Chronic Underspending: Chronic underspending occurs when a renewal project fails to fully expend its grant funds during its two most recently closed-out grant years prior to the measurement date. See projects subject to reallocation.

Measurement Date: The measurement date for calculating chronic underspending will be the earlier of May 1 of each year or the release date of the Notice of Funding Opportunity (“NOFO”).

Collaborative Applicant (CA): The CA is an eligible applicant designated by the CoC to Collect and submit all the required CoC application information for all projects selected for CoC Funding. This is the Continuum of Care Program Coordinator.

Recipient: A recipient is an organizational member of the CoC who receives HUD CoC Funding for a project directly from HUD.

Project Performance and Monitoring Committee (PPMC): assesses the quality and compliance of programs, develops application and review tools, sets benchmarks, appoints members to the Funding Work Group (FWG) members and provides performance data to the FWG during the local decision phase.

Funding Work Group (FWG): a team of five individuals who do not have a conflict of interest, who determine the project rankings and funding amounts based on the approved allocation plan. Two members are appointed by SPSPC, two by PPMC and one member that is mutually agreed upon.

Appeals Work Group (AWG): a team of three individuals who do not have a conflict of interest, who did not serve on the Funding Work Group and who make determinations on appeals.

3. EFFECTIVE DATE

This policy is effective upon approval.

4. PROJECTS SUBJECT TO REALLOCATION

Renewal projects that have been in operation for more than 24 months and are determined to have chronic underspending as of the measurement date will be subject to reallocation. The PPMC will notify all projects with chronic underspending of its intent to reallocate (and the amount of reallocation – see below) within 5 business days of the measurement date. The first year of a new project will not be included in any calculations related to underspending.

5. REALLOCATION AMOUNT

The reallocation amount is the lower of:

- The average underspending amount for the two most recently closed-out grant years as of the measurement date.
- The amount of underspending in the most recently closed-out grant year as of the measurement date.

6. SPECIAL REALLOCATION AMOUNT RULES

- a. If the calculated reallocation amount is less than 5% of the grant or \$15,000, whichever is lower, then no reallocation will be made.
- b. For consolidated projects, the average underspending will include the underspending for the projects that have been consolidated.
- c. For a project that has had its grant amount reduced by this Policy (“reallocated project”), the calculation for the subsequent NOFO years will be modified as follows:
 - i. The reallocated project will not be subject to further reallocation until the completion of its first grant under the reduced grant amount.
 - ii. If the reallocated project fully expends its grant during the first year of reallocation, then under the rules of this Policy, it will not be subject to reallocation for another three years.
 - iii. If the reallocated project does not fully expend its grant funds during the first year of reallocation, the grant will be further reallocated by the amount of underspending for that first reallocation year. This cycle will continue until the project finally achieves full spending.

7. WAIVER REQUEST AND PROCESS

The project recipient may request a one-year waiver of the reallocation under the following limited circumstances:

- a. The recipient has not been granted a waiver for the project within the last three years.
- b. The project recipient has a detailed plan in place to fully expend the funds for the current grant year and the drawdown activity for the current grant year can clearly demonstrate that grant will be fully expended.

If the project meets these requirements, the project recipient has 10 business days from the receipt by the recipient of the intent to reallocate to appeal the reallocation. Such waiver request must be submitted to the CA by the due date.

The waiver request should include at a minimum a detailed corrective spending plan, drawdown activity, and projections of future drawdown activity.

The Funding Work Group will review the request and has the right to waive the reallocation based on its review of all the supporting documentation. The FWG will make its decision within 15 business days of its receipt of the waiver request.

If the FWG does not grant the waiver request, the project recipient may appeal the decision with the Appeals Work Group within 10 business days of the notice of denial by the Funding Work Group.

Appeals will be limited to cases where the FWG's decision was based on factually incorrect information. Such appeal request must be submitted to the CA by the due date. The appeal hearing must be set and decided prior to the submission of the NOFO application. The ruling of the Appeals Work Group is final.

8. FIRST YEAR PROCESS

In the first year, renewal projects determined to have chronic underspending as of the measurement date will be notified within 15 days of the approval of this policy and asked to create a corrective action plan within 45 days. The identified recipient will have until the measurement date to enact the plan of corrective action. The recipient will submit updates to the PPMC.

9. HOW FUNDS ARE REALLOCATED

If a project has its grant amount reduced as a result of this Policy, the project budget must be adjusted by the recipient prior to the submission of the NOFO application. If the recipient does not provide an adjusted budget, each budget line item for the project will be reduced in proportion to the adjustment amount.

The reallocated funds are included in the NOFO in the new funding amount available for new projects.