

CHRONIC UNDERSPENDING REALLOCATION POLICY

Context

Effective use of funds is essential in addressing homelessness in our Continuum of Care (CoC). There are many factors to be considered in the evaluation of the effective use of funds. The U.S. Department of Housing and Urban Development (HUD) has threshold, eligibility, and performance measures requirements for funding projects. Several items are related to the Applicant's capacity for management of funds, such as timeliness of drawdowns and expenditure of awards, inadequate financial or accounting practices, outstanding obligations to HUD, expending funds on ineligible costs, failing to spend funds within the established timeframe, and findings from Independent Audits. For renewal projects, HUD also reviews whether there is evidence that a project applicant has a history of inadequate financial accounting practices or has indications of project mismanagement.

Chronic Underspending Reallocation Policy Purpose

HUD regulations require the CoC to identify and “take action against poor performers”. (24 CFR part 578). Noting that the CoC is a system of inter-connected efforts where a change in one component can impact the system overall, the CoC has established protocols for the Reallocation of funds before, during, and external to the Annual CoC Competition processes.

Each year, unspent project funds from CoC projects are recaptured or returned to HUD. These funds were awarded to local CoC to provide housing and support services to help people end their homelessness. When funds are returned to HUD, it means that these valuable resources did not reach the people who needed them.

The purpose of the Chronic Underspending Reallocation Policy is to establish criteria and guidelines for realigning (right-sizing) project-level allocations with the project’s history of use of funds. HUD provides reports on expended and recaptured funds for CoC-funded projects. The CoC uses this information to assess the level of funds returned by an organization’s projects. When a pattern of under-utilization of funds is observed, the CoC must take action to ensure that funds stay within the CoC and are not returned to HUD.

Policy Statement

The San Diego City and County CoC (CoC) as the Collaborative Applicant reviews the recipient organization's expenditure patterns of HUD CoC funds. When the review reveals a pattern of chronic underspending, the level of funds allocated to the organization/projects is adjusted through reallocation.

Policy Protocols

- Review the financial and expenditure performance data (HUD reports, E-LOCCS drawdown). For the past three years. The HUD reports are based on fiscal years, E-LOCCS shows operating year expenditures.
- Assess the data to determine if a pattern of Chronic Underspending is evidenced. A pattern of chronic underspending is established when an organization fails to fully expend its renewal project grant funds during the three most recently closed-out grant years by 7% or more. The assessment recognizes that the first year of project operations may be impacted by the grant start-up process and may result in a higher level of unspent funds in the HUD FY report. The e-LOCCS report will be used to identify project operating dates and the proportion of the HUD FY that is impacted. For consolidated projects, the average underspending will include the underspending for the projects that have been consolidated.
- Adjust the allocation of funds that the organization/project is allowed to apply for under the CoC-competition.
- The amount of reallocation will be set at the lesser of three measures:
 - The average percentage of funds underspent for the past 3 applicable years as identified in the HUD FY Report; or
 - The percentage of underspent funds identified in the most recent e-LOCCS close-out report for the project; or
 - No reallocation will be made if the underspent amount is less than \$10,000.

Process and Use of Reallocated Funds

Applicants will be notified of the Reallocation amount in the Notice to Applicants that occurs outside of e-Snaps as required by the HUD CoC NOFO.

The adjusted amount as identified in the Project allocation, must be reflected in the project renewal application budget by the Applicant 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 new funding amount available for new or expanded projects.

Appeal

Although not required by HUD, the CoC allows for the appeal of local rating and ranking decisions. An Appeal is filed in accordance with the NOFO Appeals process using the standard forms. Appeals are reviewed by a Rating and Ranking Appeals Group, an ad hoc committee formed to review appeals. Members of the Appeals Committee abide by the CoC Conflict of Interest policy and Rating and Ranking Non-disclosure Agreement. Decisions of the Appeals Committee are final.