

YHDP Expense Eligibility Questions Answered by HUD

Q. Per the 24 CFR 578.53 Supportive Services

a) *In general.* Grant funds may be used to pay the eligible costs of supportive services that address the special needs of the program participants. If the supportive services are provided in a supportive service facility not contained in a housing structure, the costs of day-to-day operation of the supportive service facility, including maintenance, repair, building security, furniture, utilities, and equipment are eligible as a supportive service.

Q. Can this include rent for the supportive service facility? (1/26/20)

A. Waiting for response from HUD TA

Q: Are security deposits or rental assistance an allowable expense under Section 578.53 Supportive Services? (1/19/20)

A. HUD TA Response: Under the CoC Program (the governing regulation for YHDP), the costs of security deposits, first and last month's rent, and ongoing monthly rent payments are not eligible supportive service costs. Therefore, you could not use supportive service funds to pay any of these costs for the permanent housing unit.

However, you may be aware that HUD has published a series of waivers related to flexibilities during the COVID pandemic. Section 578.53(e)(8) of the CoC Program interim rule allows recipients and subrecipients to use CoC funds to pay for housing search and counseling services to help eligible program participants locate, obtain, and retain suitable housing.

Under the memorandum issued on March 30, 2020, recipients and subrecipients may use this budget line item to pay for up to 6 months of rental arrears and 6 months of utility arrears when those arrears make it difficult to obtain housing. **This waiver is in effect for one year, beginning on March 30, 2020. This is for permanent housing only.**

Q. For further clarification of the HUD Response dated (1/19/20) for security deposits and rental assistance, does this approval also include maintaining a current rental property as well as obtaining a new rental property due to unpaid utilities and rental arrears?

A. HUD TA RESPONSE: Funding can be used to maintain existing permanent housing.

Q: Per the 24 CFR §578.53 Supportive services. - are you allowed to purchase gift cards for food and transportation (gas gift card)? Is there a maximum amount allowed to spend on each participant? (1/15/21)

A. HUD TA Response: The cost of purchasing gift cards (including food vouchers to area grocery stores) in and of itself is not an eligible cost under the CoC Program. Gift cards are considered to be a form of cash, and under OMB SuperCircular 200, cash payments to program participants are never allowed.

However, the costs of providing meals or groceries to program participants are eligible supportive service costs according to Section 578.53(e) of the CoC Program interim rule. *That being said, if the gift card is used by the program participant for eligible activities, and the recipient is able to document that it was used to pay for eligible costs, gift cards may be used to pay for the cost of those services.* If the recipient or subrecipient is not able to determine and document that the program participant used the gift card to pay for eligible CoC Program costs, recipients or subrecipients may not be reimbursed with CoC grant funds for the purchase of gift cards. For instance, if a recipient provides a program participant with a \$10 gift card for groceries and the program participant provides a receipt for \$7 worth of food, the recipient can only seek reimbursement for \$7 as documented by the receipt provided.

The OMB Omni-Circular at 24 CFR Part 200 requires that all costs paid for with federal funds must be allowable, reasonable, and allocable. In addition, the recipient or subrecipient must maintain documentation that all of the requirements above are documented and maintained in the organizations records for the timeframe required by the program regulation. (See 24 CFR 578.103 for more information.)

A. HUD TA Response: The CoC Program interim rule at Section 578.53(e)(15) sets forth eligible transportation costs. It includes the costs of program participant's travel in a *vehicle provided by the recipient or subrecipient* to and from medical care, employment, child care, or other eligible supportive services under the CoC Program. Specifically, in Section 578.53(e)(15)(iv) it also includes the cost of the recipient or subrecipient vehicle's gas, insurance, taxes, and maintenance.

Gas and other maintenance costs for a program participant's vehicle are not eligible costs under the CoC Program and, therefore, the program participant could not use the card to pay for gas for his/her/their own vehicle. The only exception to this is outlined in Section 578.53(e)(15) which states that if public transportation options are not sufficient within the area, the recipient may make a one-time payment on behalf of a program participant needing car repairs or maintenance.

Q. For further clarification of the HUD Approved Alternative Requirement Determination (July 7, 2020) for security deposits and rental assistance, does this approval also include maintaining a current rental property as well as obtaining a new rental property due to unpaid utilities and rental arrears? (1/19/21)

A. HUD TA Answer: Arrears payments may be used to help a participant obtain a new unit (perhaps their utility debt is preventing them from finding a new unit), OR maintain a current unit (Permanent Housing only)

Q. Are cell phones for staff and allowable expenses under Section 578.55 Operating Costs? (12/28/20)

A. HUD TA Response: As indicated in Section 578.55 of the CoC Program interim rule, equipment is eligible under the Operating Costs budget line item when it used for the day-to-day operation of the housing. This would include desks, computers, and telephones used by staff for the purpose of carrying out the project. Therefore, if the telephone is for staff use, it may be an eligible operating cost. Additionally, to the extent the telephone or internet is used to carry out eligible operating activities (e.g., maintenance and repair of housing or building security), the cost of the telephone bill could be charged to the operating budget line item.

Q. Are cell phones for staff an allowable expense under Section 578.53 Supportive Services? (12/23/20)

A. HUD TA Response: The line item under which the cell phone purchase, monthly bill, and insurance can be charged to the grant depends on how the phone is being used. To the extent that the telephone is used to carry out eligible grant activities (e.g., case management), the cost of the telephone can be charged to that budget line item (e.g., supportive services). This is because section 578.59(a) of the CoC Program interim rule states that staff and overhead costs directly related to carrying out an eligible activity should be charged to that activity's budget line item. Within the supportive services line item, the cell phone expenses are eligible under both (13) Outreach Services and (17) Direct Provision of Services provided by the case manager. If the telephone is used to carry out more than one eligible activity, then the costs must be pro-rated accordingly.

If the cell phone is used for eligible and ineligible activities, the costs charged to the CoC Program grant must be prorated based, for example, on the amount of time that the phone is used for eligible versus ineligible activities (see section 578.37(c) for more information).

Q: Are security deposits or rental assistance an allowable expense under Section 578.53 Supportive Services

(July 7, 2020 - Approved Alternative Requirement Determination)

- A. HUD TA Response:** Joint Projects Only (CA1816Y9D011700). 24 CFR 578.53(e) – Lists eligible costs for supportive services: In addition to the eligible costs listed, RTFH is approved to bill the following services as eligible supportive services costs:
- ♣ Payment of utility arrears of up to six months per service for project CA1816Y9D011700.
 - ♣ Payment of rental arrears consisting of a one-time payment for up to six months of rent in arrears, including any late fees on those arrears for project CA1816Y9D011700.
 - ♣
-

Q. Is the one-time cost of purchasing a cellular phone and basic plan for a participant an allowable expense?

(July 7, 2020 – Approved Alternative Requirement Determination)

- A. HUD TA Response:** This is all current YHDP Projects. The one-time cost of purchasing a cellular phone and basic cellular plan for program participant use is allowable, provided that access to a cellular phone is necessary to obtain or maintain housing for projects. This applies to projects CA1815Y9D011700, CA1816Y9D011700, CA1817Y9D011700, CA1818Y9D011700.
-

YHDP Expense Eligibility Questions Answered by HUD

Q. Per 24 CFR 578.53 (e) (5) is financial assistance for college tuition allowable?

A. **HUD TA Response:** In general, only items that are specifically included in the CoC Program interim rule are eligible costs and the eligible costs under 24 CFR 578.53(e)(5) Education Services do not include college and university tuition costs.

Section 578.53(e)(5) provides that the costs of improving knowledge and basic educational skills of program participants are eligible costs under the CoC Program. **Eligible component services or activities include individual or group instruction in consumer education, health education, substance abuse prevention, literacy, English as a Second Language, and General Education Development (GED).** In general, eligible educational expenses under the CoC Program should be used for **classes or training provided by the service provider (or an entity with which they contract to provide the service).** In some cases, CoC Program funds may be used to pay for a class or a few classes at an institution of learning, such as a **community college, to provide program participants with basic skills that are directly necessary for increasing their self-sufficiency, such as ESL classes or basic computer skills.** However, in no cases can CoC Program funds be used to pay for the full cost of tuition for a degree or vocational accreditation. Note, in some cases, a vocational accreditation may be an eligible expense under section 578.53(e)(6), employment assistance and job training, but in no cases would it be eligible under education services.

Q. Per 578.53(e)(15) are bus passes an eligible expense?

A. **HUD TA Response:** Eligible transportation costs include both the costs of a program participant's travel on public transportation (such as a fare pass) or in a vehicle provided by the recipient or subrecipient to and from medical care, employment, child care, or other services eligible under the CoC Program. **Therefore, bus tokens or other single fare passes on public transportation are eligible to be paid for with CoC Program funds and provided to program participants so long as the recipient or subrecipient is able to document that the program participant is going to a service eligible under section 578.53(e)(15) of the CoC Program interim rule.**

In general, the cost of monthly bus passes will not be eligible since the only time fare passes are eligible transportation costs is when they will be used to transport a program participant to and from services eligible under the CoC Program. CoC Program funds cannot be used to transport clients to places not eligible under the CoC Program.

You can **document single use bus passes with a case management note**, or a note in a sign out log along these lines: "Tom has been approved for a single use bus pass, which they will use to transport themselves to their job at Safeway. This job helps them

maintain their housing.” The key is that HUD expects these to be single-use bus passes.

Q. §578.53 Supportive services - Are interview clothing and shoes an allowable expense? Or required work clothing?

A. HUD TA Response: In general, Section 578.53(e) of the CoC Program interim rule establishes the eligible supportive services costs under the CoC Program. Any cost that is not described as an eligible cost under this section is not an eligible cost of providing supportive services using CoC Program funds.

- Interview clothes are not an eligible cost.
 - If the recipient or subrecipient is operating an employment or job training program, the cost of necessary tools or uniforms for the employment or job training program may be eligible. If they are not operating an employment or job training program, then the cost of these tools and uniforms, including work clothes and work shoes, would not be eligible expenses.
 - The only place that clothing is listed as an explicit eligible cost in the CoC Program interim rule is under outreach services. Section 578.53(e)(13) defines outreach services as “The costs of activities to engage persons for the purpose of providing immediate support and intervention, as well as identifying potential program participants.” Section 578.53(e)(13)(ii) identifies eligible outreach services component costs to include “addressing urgent physical needs, such as providing meals, blankets, clothes, or toiletries; actively connecting and providing people with information and referrals to homeless and mainstream programs; and publicizing the availability of the housing and/or services provided within the geographic area covered by the Continuum of Care.” Therefore, if the recipient or subrecipient is carrying out activities related to outreach services, as defined at 578.53(e)(13), and this is a part of the project's budget, then clothes may be an eligible cost.
-

Q. Per the 24 CFR 578.53 Supportive Services

a) *In general.* Grant funds may be used to pay the eligible costs of supportive services that address the special needs of the program participants. If the supportive services are provided in a supportive service facility not contained in a housing structure, the costs of day-to-day operation of the supportive service facility, including maintenance, repair, building security, furniture, utilities, and equipment are eligible as a supportive service.

Q. Can this include rent for the supportive service facility? (1/26/20)

A. HUD TA Response: Generally, as indicated in Section 578.59(a) of the CoC Program Interim Rule, staff and overhead costs directly related to carrying out activities eligible under Sections 578.43 through 578.57 are eligible costs as part of those activities. Whether office space can be charged to the grant will depend on how the space is being used.

As noted in the CoC Program Interim Rule at 578.53(a), if the supportive services are provided in a supportive service facility not contained in a housing structure, the costs of day-to-day operation of the supportive service facility, including maintenance, repair, building security, furniture, utilities, and equipment are eligible as a supportive service. It should be noted that the actual supportive services would need to be provided in the facility for the day-to-day costs to be eligible as a supportive service cost under this particular citation.

However, if the office space is not used to carry out eligible activities directly, but is used by the case managers to carry out activities directly related to the eligible supportive services, then the cost of the office space could be charged to the supportive service budget line item since the CoC Program Interim Rule states that staff and overhead costs directly related to carrying out grant activities under 578.43-578.57 should be charged to the applicable activity, because those costs are eligible as part of those activities (see section 578.59(a)).

Please note: If eligible and ineligible activities are carried out in the same structure, the costs charged to the CoC Program Grant must be prorated based on the amount of time that the space is used for eligible versus ineligible activities (see section 578.37(c) for more information).

Q: Are security deposits or rental assistance an allowable expense under Section 578.53 Supportive Services? (1/19/20)

A. HUD TA Response: Under the CoC Program (the governing regulation for YHDP), the costs of security deposits, first and last month's rent, and ongoing monthly rent payments are not eligible supportive service costs. Therefore, you could not use supportive service funds to pay any of these costs for the permanent housing unit.

However, you may be aware that HUD has published a series of waivers related to flexibilities during the COVID pandemic. Section 578.53(e)(8) of the CoC Program interim rule allows recipients and subrecipients to use CoC funds to pay for housing search and counseling services to help eligible program participants locate, obtain, and retain suitable housing.

Under the memorandum issued on March 30, 2020, recipients and subrecipients may use this budget line item to pay for up to 6 months of rental arrears and 6 months of utility arrears when those arrears make it difficult to obtain housing. **This**

waiver is in effect for one year, beginning on March 30, 2020. This is for permanent housing only.

Q. For further clarification of the HUD Response dated (1/19/20) for security deposits and rental assistance, does this approval also include maintaining a current rental property as well as obtaining a new rental property due to unpaid utilities and rental arrears?

A. HUD TA RESPONSE: Funding can be used to maintain existing permanent housing.

Q: Per the 24 CFR §578.53 Supportive services. - are you allowed to purchase gift cards for food and transportation (gas gift card)? Is there a maximum amount allowed to spend on each participant? (1/15/21)

A. HUD TA Response: The cost of purchasing gift cards (including food vouchers to area grocery stores) in and of itself is not an eligible cost under the CoC Program. Gift cards are considered to be a form of cash, and under OMB SuperCircular 200, cash payments to program participants are never allowed.

However, the costs of providing meals or groceries to program participants are eligible supportive service costs according to Section 578.53(e) of the CoC Program interim rule. *That being said, if the gift card is used by the program participant for eligible activities, and the recipient is able to document that it was used to pay for eligible costs, gift cards may be used to pay for the cost of those services.* If the recipient or subrecipient is not able to determine and document that the program participant used the gift card to pay for eligible CoC Program costs, recipients or subrecipients may not be reimbursed with CoC grant funds for the purchase of gift cards. For instance, if a recipient provides a program participant with a \$10 gift card for groceries and the program participant provides a receipt for \$7 worth of food, the recipient can only seek reimbursement for \$7 as documented by the receipt provided.

The OMB Omni-Circular at 24 CFR Part 200 requires that all costs paid for with federal funds must be allowable, reasonable, and allocable. In addition, the recipient or subrecipient must maintain documentation that all of the requirements above are documented and maintained in the organizations records for the timeframe required by the program regulation. (See 24 CFR 578.103 for more information.)

A. HUD TA Response: The CoC Program interim rule at Section 578.53(e)(15) sets forth eligible transportation costs. It includes the costs of program participant's travel in a *vehicle provided by the recipient or subrecipient* to and from medical care, employment, child care, or other eligible supportive services under the CoC

Program. Specifically, in Section 578.53(e)(15)(iv) it also includes the cost of the recipient or subrecipient vehicle's gas, insurance, taxes, and maintenance.

Gas and other maintenance costs for a program participant's vehicle are not eligible costs under the CoC Program and, therefore, the program participant could not use the card to pay for gas for his/her/their own vehicle. The only exception to this is outlined in Section 578.53(e)(15) which states that if public transportation options are not sufficient within the area, the recipient may make a one-time payment on behalf of a program participant needing car repairs or maintenance.

Q. For further clarification of the HUD Approved Alternative Requirement Determination (July 7, 2020) for security deposits and rental assistance, does this approval also include maintaining a current rental property as well as obtaining a new rental property due to unpaid utilities and rental arrears? (1/19/21)

A. HUD TA Answer: Arrears payments may be used to help a participant obtain a new unit (perhaps their utility debt is preventing them from finding a new unit), OR maintain a current unit (Permanent Housing only)

Q. Are cell phones for staff and allowable expenses under Section 578.55 Operating Costs? (12/28/20)

A. HUD TA Response: As indicated in Section 578.55 of the CoC Program interim rule, equipment is eligible under the Operating Costs budget line item when it used for the day-to-day operation of the housing. This would include desks, computers, and telephones used by staff for the purpose of carrying out the project. Therefore, if the telephone is for staff use, it may be an eligible operating cost. Additionally, to the extent the telephone or internet is used to carry out eligible operating activities (e.g., maintenance and repair of housing or building security), the cost of the telephone bill could be charged to the operating budget line item.

Q. Are cell phones for staff an allowable expense under Section 578.53 Supportive Services? (12/23/20)

A. HUD TA Response: The line item under which the cell phone purchase, monthly bill, and insurance can be charged to the grant depends on how the phone is being used. To the extent that the telephone is used to carry out eligible grant activities (e.g., case management), the cost of the telephone can be charged to that budget line item (e.g., supportive services). This is because section 578.59(a) of the CoC Program interim rule states that staff and overhead costs directly related to carrying out an eligible activity should be charged to that activity's budget line item. Within the

supportive services line item, the cell phone expenses are eligible under both (13) Outreach Services and (17) Direct Provision of Services provided by the case manager. If the telephone is used to carry out more than one eligible activity, then the costs must be pro-rated accordingly.

If the cell phone is used for eligible and ineligible activities, the costs charged to the CoC Program grant must be prorated based, for example, on the amount of time that the phone is used for eligible versus ineligible activities (see section 578.37(c) for more information).

Q: Are security deposits or rental assistance an allowable expense under Section 578.53 Supportive Services

(July 7, 2020 - Approved Alternative Requirement Determination)

- A. HUD TA Response:** Joint Projects Only (CA1816Y9D011700). 24 CFR 578.53(e) – Lists eligible costs for supportive services: In addition to the eligible costs listed, RTFH is approved to bill the following services as eligible supportive services costs:
- ♣ Payment of utility arrears of up to six months per service for project CA1816Y9D011700.
 - ♣ Payment of rental arrears consisting of a one-time payment for up to six months of rent in arrears, including any late fees on those arrears for project CA1816Y9D011700.
 - ♣

Q. Is the one-time cost of purchasing a cellular phone and basic plan for a participant an allowable expense?

(July 7, 2020 – Approved Alternative Requirement Determination)

- A. HUD TA Response:** This is all current YHDP Projects. The one-time cost of purchasing a cellular phone and basic cellular plan for program participant use is allowable, provided that access to a cellular phone is necessary to obtain or maintain housing for projects. This applies to projects CA1815Y9D011700, CA1816Y9D011700, CA1817Y9D011700, CA1818Y9D011700.