

Chicago Continuum of Care Permanent Reallocation of Funding Policy

1. Purpose and Background

The purpose of the Chicago Continuum of Care (“CoC”) Permanent Reallocation of Funding Policy (“Reallocation Policy”) is to provide a set of rules that govern the process under the Unified Funding Agency (“UFA”) contract model for permanently reallocating CoC program funds from one project to another.

This policy does not apply to temporary reallocations of funding due to underspending of funds, which are governed by the **Temporary Reallocation of Funding Due to Underspending Policy**.

2. Terminology and Definitions

- a. Unified Fund Agency (UFA). The UFA is an eligible applicant (Collaborative Applicant) selected by the CoC:
 - i. to apply for a grant for the entire CoC;
 - ii. which has the capacity to carry out the duties of 24 CFR 578.11(b);
 - iii. which is approved by HUD and to which HUD awards a grant.
- b. Subrecipient. A subrecipient is a member of the CoC who receives HUD CoC funding for a project through a subaward from the UFA under the terms of a separate Subrecipient Agreement.
- c. Voluntary Reallocation: A reallocation that is either initiated by the subrecipient or the subrecipient agrees to the reallocation recommendation of the UFA or Board.
- d. Involuntary Reallocation: A reallocation that is contested by the subrecipient.
- e. Chicago CoC Financial Policies and Procedures (Financial Policies). The Financial Policies provide guidelines to the UFA and its subrecipients regarding financial compliance with the Interim Rule and Uniform Guidance, monitoring of such compliance, and payment and grant administration under the UFA model.
- f. CoC Board (Board). The Board is the governance body of the CoC under the terms of its Governance Charter. The Board has decision-making authority over CoC reallocation policies. The Board may delegate specific responsibilities under this policy to its Executive Committee, the UFA Oversight Committee, or other committees and workgroups.
- g. UFA Oversight Committee (Oversight Committee). The Oversight Committee is the committee or workgroup designated by the Board to oversee, monitor, and evaluate the performance of the UFA under the terms of the Memorandum of Understanding. The Oversight Committee will review all reallocations under this policy.
- h. CEO Advisory Group (Advisory Group). The Advisory Group will consist of the chief executive officers or executive directors of all subrecipients of the UFA. This group will provide a high-level assessment of the impact of the UFA model on subrecipient operations and to the overall system and its performance.

3. Permanent Reallocation Scenarios

- a. The subrecipient is no longer interested in continuing the project or parts of the project.

- b. The subrecipient no longer needs the CoC funding or part of its funding as other funding is available for the project or part of the project.
- c. The subrecipient no longer has the capacity to continue the project or part of the project.
- d. The subrecipient is determined to have misused federal funds or is otherwise out of compliance with federal legislation or the Financial Policies with no plans to come into compliance.
- e. The subrecipient has a history of not spending its entire subaward amount and cannot demonstrate the capacity to spend the subaward in full in the future.
- f. The project is determined to be out of compliance with local and federal project review and certification standards.
- g. The project is determined to be underperforming as it relates to local and federal performance outcomes and requirements.

4. Determination to Recapture Funds

a. Voluntary Reallocations:

- i. Subrecipient Initiates: In this scenario, the subrecipient will notify in writing (including email) the UFA of its request to surrender funds. The UFA will negotiate a transition plan with the subrecipient, and the determination will become final upon the written notification (including email) of the plan's acceptance by the Oversight Committee.
- ii. UFA initiates: In this scenario, the UFA will notify in writing (including email) the subrecipient and the Oversight Committee of its recommendation to recapture funds. The subrecipient will have 5 business days to accept the recommendation in writing (including email), at which point the determination will become final upon the written notification (including email) of its acceptance by the Oversight Committee.

b. Involuntary Reallocations:

i. General Rules:

1. If after exhausting all remedial actions with the subrecipient under the Financial Policies and other policies of the CoC, the UFA determines that a permanent recapture of funds is necessary, the UFA will notify in writing (including email) the subrecipient and the Oversight Committee of its recommendation to recapture funds from a project.
2. The notification will indicate whether the recapture is for the entire project grant or a reduction of the grant (by cost component). The notification will also include whether the current grant will be allowed to continue through the grant term, or the contract will be terminated or modified before the end of the grant term, resulting in the need to reallocate funds during the grant year.

3. The subrecipient has 5 business days to communicate to the UFA in writing (including email) its intent to appeal the recapture to the Oversight Committee. At that point the Oversight Committee will be notified and will schedule a hearing. The time and format of the hearing will be determined by the Oversight Committee.
4. The Oversight Committee will make the final decision regarding whether to:
 - a. Support the recommendation of the UFA;
 - b. Support a modified recapture/reallocation plan; or
 - c. Reject the funding recapture in full.
5. The subrecipient and the UFA will be notified in writing (including email) of the UFA Committee's recommendation.
6. If the decision is to reject the funding recapture decision in full, the decision is final and effective as of the notification date.
7. If the Oversight Committee supports a recommendation to recapture funds (unmodified or modified), the Oversight Committee recommendation will be presented to the Board for approval. At its discretion, the Board may delegate this authority directly to the Oversight Committee, its Executive Committee, or another committee or workgroup.
8. If the Board, or its delegate body, accepts the recommendation, the subrecipient and UFA will be notified in writing (including email) of the decision and the decision will be final and effective as to the notification date.

If the Board does not approve the recommendation, the Board will give direction to all parties as to the appropriate steps to be taken.

ii. Exception:

The UFA bears full financial liability for all HUD CoC awards and subawards. Under the terms of the Subrecipient Agreement, the UFA has the authority to take any actions it deems necessary with respect to its obligation to perform its contracts with HUD, including the imposition of subrecipient sanctions in accordance with 24 CFR 578.107(c), which allows for the recapture of funds. If the UFA determines that a recapture of funds is necessary to fulfill its contractual obligations with HUD, the UFA may unilaterally decide to recapture funds from a project. If such a determination is made by the UFA, the UFA will notify in writing (including email) the subrecipient, the Oversight Committee, and the Board (or its designee committee or workgroup) of its decision. Any determination made under this provision will be considered final as of the written notification date.

5. Reallocation of Recaptured Funds

- a. In General. A recommendation to recapture funds will also include a recommendation for how such funds will be reallocated. The recommended reallocation plan will be customized to each situation considering the following factors:
 - i. Continuity of services and housing for program participants;
 - ii. Whether the current grant will be allowed to continue through the grant term, or the contract will be terminated or modified during the year, resulting in the need to reallocate funds during the grant year.
 - iii. Whether the project will be continued with a new subrecipient or the project will be discontinued or merged into another program.
 - iv. Any other relevant considerations.

The following provisions give guidance as to how reallocations may be made under common circumstances. Such provisions may be modified to address the facts and circumstances of each reallocation.

b. Reallocation During the Grant Year

If the recaptured funds are to be reallocated during the grant year, the funds will need to be reallocated as soon as possible to ensure the continuity of services and housing, and to reduce the potential for unspent funds. The UFA will send a written notification (including email) to all subrecipients of the amount of recaptured funds by cost component(s), the timeframe to spend the funds, the project type, community area, population served, and any other relevant information. Subrecipients will have 5 business days to submit a Funding Request Form with a plan to spend the funds within the cost component(s) and timeframe.

The UFA will select a project from the submitted Funding Requests based on the following criteria:

- b. The ability to spend the funds within the timeframe and cost component(s).
- c. The alignment of the replacement project to the project type, community area and population served.
- d. The demonstrated capacity of the subrecipient.

Once selected the UFA will enter into a contract amendment or new grant contract with the subrecipient for the amount of the reallocated funds. The UFA will document its selection decision and submit the documentation to the Oversight Committee as part of its monthly report. The reallocation of funds is permanent since the newly awarded subrecipient must continue to serve grant participants year after year.

If only part of the original subrecipient's grant is being reallocated (see Section 3a and 3b), the UFA will amend its contract with the subrecipient according to the reallocation determination. The amended contract is permanent since the reallocated funds are also being permanently transferred to another subrecipient.

e. Reallocation Does Not Occur During the Grant Year.

If the recaptured funds are not reallocated during the grant year, the reallocation can occur through either the annual new project application process or may require a separate Funding Request process.

If reallocated under the annual new project application process, the recaptured funds will be added to the available funding for new applications.

If the Funding Request method is chosen, the Funding Request procedure described under Section S(b) will be followed, except that the time frame for notification and request submission will be expanded to align with the later availability of the recaptured funds.

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