

Chicago Continuum of Care

Temporary Reallocation of Funding Due to Underspending Policy

1. **Purpose and Background**

The Chicago Continuum of Care (“CoC”) intends to minimize unspent funding returned to HUD in an effort to maximize limited resources. This Temporary Reallocation of Funding Due to Underspending Policy (“Policy”) details the spending expectations of subrecipients, the circumstances under which the Unified Funding Agency (“UFA”) can recommend a recapture of funding during the grant year, and the procedures for reallocating the recaptured funds to another project.

This policy only applies to a temporary reallocation of funding during the grant year. Permanent reallocations of funding are governed by the **Permanent Reallocation of Funding Policy**. This policy does not apply to new project grants.

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. **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.
- d. **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
- e. **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.
- f. **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 performance.

3. **Spending Expectations**

The Financial Policies require subrecipients to make a draw on each subaward at least quarterly. As a best practice, subrecipients are encouraged to draw at least monthly. Furthermore, it is the expectation for renewal grants that the project will spend and draw approximately 1/12th of the grant amount each month.

The UFA will regularly monitor spending of all projects to compare actual project spending to expected project spending and will engage in regular discussions with all subrecipients with projects not meeting the expected spending thresholds.

Each quarter the UFA will formally assess project spending in accordance with the table below.

	Review Date	Expected % spent:	Recapture of funding if actual spending:	Discussion with UFA about spending plan in following Quarter if actual spending between:
Quarter 1: July-Sept	October 15	25%	< 15%	15-24.9%
Quarter 2: Oct-Dec	January 15	50%	< 40%	40-49.9%
Quarter 3: Jan-March	April 15	75%	< 70%	70-74.9%
Quarter 4: April-June	Final billings are due 40 days after the close of the operating year.			

If the actual funds expended for a grant fall below the recapture funding percentage, the UFA is authorized, but not required, to recapture funds from the grant and reallocate the funds to another project with the collaboration, if possible, of the subrecipients involved.

The amount of funds recaptured will be based on the difference between the actual amount expended and the recapture threshold defined above and will be allocated by cost component in proportion to the expected underspending by cost component.

If actual spending falls within the percentages listed in the “Discussion with UFA” column, the UFA will request a spending plan from the subrecipient demonstrating the subrecipient’s ability to spend down the grant funds by the end of the year. If the UFA cannot demonstrate an ability to draw down funds by the end of the year, the UFA is authorized to recapture funds from the grant. The amount of funds recaptured in this scenario, will be based on the difference between the projected amount of spending for the year and the actual grant amount for each cost component.

The UFA is required to notify the subrecipient in writing (including email notification) of the recapture amount. The subrecipient has 5 business days to either agree to the recapture or communicate to the UFA in writing (including email) its intent to appeal the recapture to the Oversight Committee. At that point the subrecipient has an additional 5 business days to submit a written appeal to the Oversight Committee.

The Oversight Committee’s decision will be final and will only apply to that quarter. Board approval is not required for this decision. The UFA can apply the recapture rules in the following quarter.

The subrecipient will be eligible to renew its grant for the original amount for the following grant year. If the project underspending amount appears to be a permanent situation, the UFA

may recommend a permanent reduction of the grant amount. In this case, the UFA must follow the procedures detailed in the **Permanent Reallocation of Funding Policy**.

4. Reallocation of Recaptured Funds

When recaptured funds are identified, 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:

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

Once selected the UFA will enter into a contract amendment or new grant contract with the new subrecipient for the amount of the reallocated funds. The UFA may also need to amend the contract with the subrecipient surrendering the funds. The UFA will document its selection decision and submit the documentation to the Oversight Committee as part of its monthly report.