



## Chicago Continuum of Care Permanent Reallocation of Funding for Chronic Underspending Policy

### 1. Purpose and Background

The purpose of the Chicago Continuum of Care (“CoC”) Permanent Reallocation of Funding for Chronic Underspending 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

- a. Chronic Underspending. Chronic underspending occurs when a renewal project fails to fully expend its grant funds during each of its three most recently closed-out grant years prior to the measurement date.
- b. Measurement Date: The measurement date for calculating chronic underspending will be the earlier of June 1 of each year or the release date of the Notice of Funding Award (“NOFA”).
- c. Collaborative Applicant (CA). The CA is an eligible applicant designated by the CoC to:
  - i. Collect and submit all the required CoC application information for all projects selected for CoC funding; and
  - ii. Apply for planning funds on behalf of the CoC.
- d. Recipient. A recipient is an organizational member of the CoC who receives HUD CoC funding for a project directly from HUD.
- e. Reallocation Appeal Committee. The Reallocation Appeal Committee is an ad hoc committee formed to review a reallocation waiver request under this Policy that has been denied by the CA. The Committee will consist of three service provider representatives, two LEC members and two other members. None of the members of this committee can be an employee of the CA and none can have a potential conflict of interest (as defined by the CoC Charter) with the recipient.

### 3. Effective Date

This policy is effective as of January 1, 2021.

### 4. Projects Subject to Reallocation

Renewal projects that are determined to have chronic underspending as of the measurement date will be subject to reallocation. The CA will notify all projects with chronic underspending of its intent to reallocate (and the amount of reallocation – see below) within 5 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 three 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.

### Special Reallocation Amount Rules:

- a. If the calculated reallocation amount is less than \$7,500, 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 NOFA 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.

## 6. Transition Year Deferral for Recipients with No Projects Underspending by 5% or More.

For 2021 only, if a recipient has no renewal projects that has underspent by more than 5% for all three years during the calculation period, all projects for that recipient will be granted a one year deferral of the application of this Policy to its projects. Project recipients will be notified of this one-year deferral so they may be given the opportunity to fully expend their current grants.

## 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 [CoCPrograms@allchicago.org](mailto:CoCPrograms@allchicago.org) 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 CA will review the request and has the right to waive the reallocation based on its review of all the supporting documentation. The CA will make its decision within 15 business days of its receipt of the waiver request.

If the CA does not grant the request, the project recipient may appeal the decision with the Reallocation Appeal Committee within 10 business days of the notice of denial by the CA. Such appeal request must be submitted to [CoCPrograms@allchicago.org](mailto:CoCPrograms@allchicago.org) by the due date. The appeal hearing must be set and decided prior to the submission of the NOFA application. The ruling of the Reallocation Appeal Committee is final.

#### **8. 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 NOFA 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 NOFA in the new funding amount available for new projects.