



Options to Fully Spend Continuum of Care Grant Funds

Updated December 2017

Background:

Each year HUD recaptures millions of dollars in unspent funds from New York City Continuum of Care (NYC CoC) grants. These funds are returned to the federal government and are no longer available to help support solutions to homelessness. HUD recaptured nearly \$8M from FY2014 grants alone. As of the January 2017 Point-in-Time Count, there were more than 76,000 people experiencing homelessness in New York City.

To help ensure that scarce federal resources are fully utilized to end homelessness, the NYC CoC Steering Committee monitors grant spending, recaptures funds from projects that are not fully spending, and uses those funds to support development of new projects serving people experiencing homelessness. For example, the NYC CoC recently passed a motion to reallocate funds in the 2017 competition from projects with a significant history of under-spending. **To avoid having your grant permanently reduced in future competitions, the Steering Committee strongly encourages all recipients of HUD CoC funds to closely monitor spending and to take prompt action to fully utilize available funds.**

Strategies to Monitor Grant Spending

Each agency that receives CoC funds is responsible for closely monitoring spending on all CoC grants. This might include, for example:

- Tracking eligible expenses¹ on a monthly basis and assessing monthly expenditure against the pro-rated grant amount available on each eligible budget line item (e.g., Rental Assistance, Leasing, Operating, Supportive Services, Project Administrative Costs, and HMIS).

¹ Eligible expenses are defined in Subpart D of the CoC Program Interim Rule, which is available at <https://www.hudexchange.info/resource/2035/coc-program-interim-rule-formatted-version/>

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- Promptly determining the reason for any under-spending and whether the under-spending is anticipated to continue in a manner that will result in funds not being fully spent at the end of the grant term.
- Tracking spending over time to identify patterns that may indicate that the project is regularly unable to fully spend allocated funds.

It is important to note that for renewal projects, tracking spending should occur, as necessary, prior to grant execution. Once eLOCCS access is enabled by HUD, grant recipients can retroactively draw down all funds expended on eligible expenses for the grant term. Assuming the recipient agency has sufficient cash flow, delays in grant agreement execution should not trigger under-spending. Agencies that are unable to cover costs during contract delays should reach out to the CoC Team at the Department of Social Services and/or to their Coalition representatives on the Steering Committee to explore options, including whether CoC funds are the right fit for the project.

Options to Fully Utilize CoC Grant Funds

When agencies have identified under-spending, it is critical that prompt action is taken. Options that agencies' can consider to fully utilize available funds might include, for example:

- Serving more households than indicated in your project application. For scattered-site and sponsor-based rental assistance (SRA) projects, this does not require a grant agreement amendment. Even project-based rental assistance (PRA) sites, can consider this option. PRA sites may be able to place homeless participants in units located at the congregate site not previously dedicated to serve homeless tenants; or, by working with the HUD field office to secure a grant agreement amendment to enable a switch from PRA to SRA, projects may be able to over-lease using scattered site units in addition to those at congregate sites.

Eligible expenses are defined for each Budget Line Item (e.g., Leasing, Rental Assistance, Supportive Services, Operating, HMIS, Project Administrative Costs), and you must ensure the cost is eligible under the specific budget line item included in your grant and to which you are billing the expense.



- Applying for rental assistance at less than FMR to offset tenant rent payments. This would occur upon submission to HUD of the next renewal application. Such a reduction would be permanent, and agencies could not, in subsequent years, apply for additional funds to offset any shortfall; therefore, it is critical that such changes be informed by a careful assessment and that the project notify the CoC in advance that you wish to pursue this option.
- Promptly filling staff vacancies.
- Shifting up to 10% from one approved eligible activity to another activity – does not require a grant agreement amendment.
- Shifting more than 10% from one approved eligible activity to another activity –requires a HUD approval of a grant agreement amendment. For example, projects that routinely underspend on the project administrative costs line, might consider shifting some or all of those funds to another budget line item, such as supportive services.
- Seeking a no cost contract extension to extend the end date of a grant. This option is only available if the project experienced some sort of problem or delay and not solely to enable spend-down of remaining funds. Because this option would also push back the start date of your subsequent renewal, it may also make it less likely that your grant term will begin before you have an executed grant agreement. This option requires HUD approval of a grant agreement amendment.
- Reviewing CoC Program Eligible Expenses² to be sure you are fully aware of opportunities to use CoC funds to support eligible costs. For example, in a rental assistance project, you may use grant funds to fund two months of security deposits on initial lease-up. In addition, as necessary to cover costs for damages resulting from the action of a participant that exceed the security deposit, when the participant exits the unit, you may fund up to one additional month, one-time. Since security deposits and damages are eligible rental assistance expenses, this could diminish the amount of funds remaining in the rental assistance budget line, which is commonly underspent. CoC Program costs must be incurred during the grant operating year. Only those expenses that coincide with the grant term are eligible since grant funds cannot be used to cover expenses outside of the grant term.

² See footnote #1.



Each year, projects have the option to apply for less funding than awarded in the previous competition. Such projects may voluntarily reallocate a portion of funds back to the CoC to enable development of more new projects. If you are regularly unable to fully spend your funds, the NYC CoC Steering Committee strongly encourages you to consider this option. Agencies considering voluntary reallocation should contact the CoC Team at the Department of Social Services.

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