

# Texas Balance of State Continuum of Care

## Reallocation Policy for Continuum of Care Program Funds in the Texas Balance of State Continuum of Care

### Purpose of this Policy

Texas Homeless Network (THN) is the Collaborative Applicant and Continuum of Care (CoC) Lead Agency for the Texas Balance of State Continuum of Care (TX BoS CoC). THN facilitates the local application competition in the TX BoS CoC for U.S. Department of Housing and Urban Development (HUD) Continuum of Care (CoC) Program funds. The TX BoS CoC Board of Directors is required to take action against poor performing projects through reallocation. In order to ensure a transparent and equitable process, this document describes the process by which funding previously allocated to a Renewal Project is reallocated to create New Projects.

### Overview of Reallocation

CoCs across the United States are required to monitor recipient and sub-recipient performance, evaluate outcomes, and take action against poor performers (24 CFR 578.7(a)(6)). The tool CoCs use to take actions against poor performers is reallocation. Reallocation is the process of distributing funding from a lower performing project and making that funding available for new projects without decreasing the CoC's Annual Renewal Demand (ARD)<sup>1</sup>

Reallocation is an important tool for the CoC since the CoC must ensure that recipients are good stewards of CoC Program Funding. Per the FY2019 United States Department of Housing and Urban Development (HUD) Appropriations Bill, HUD must give priority to Continuums of Care that allocate resources effectively. Historically, HUD has monitored reallocation through a question on the CoC Application, which asks whether 20% of the CoC's ARD has been reallocated over a specific period.

### Types of Reallocation

Reallocation can be involuntary or voluntary.

Involuntary reallocation is when the CoC "reclaims" some or all of the renewal project funding allocated to a particular agency without the explicit consent of the Agency in control of the funds. Involuntary reallocation happens when funding is redirected from an existing Renewal Project for the purpose of creating a New Project. Involuntary reallocation can result from the application of the Conditional Inclusion Policy<sup>2</sup>, or in instances of Chronic underspending. Chronic underspending is defined by a return of 10% or more of a project's awarded funds at the end of a project year, for two or more consecutive years.

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<sup>1</sup> The Annual Renewal Demand (ARD) is the amount of funding required to refund all of the eligible Renewal Projects in the CoC.

<sup>2</sup> To learn more about Conditional Inclusion please see the policy here: [https://www.thn.org/wp-content/uploads/2023/05/Conditional-Inclusion-Policy\\_approved-4-26-2023.pdf](https://www.thn.org/wp-content/uploads/2023/05/Conditional-Inclusion-Policy_approved-4-26-2023.pdf)

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Voluntary reallocation means that a project makes the choice to give up some or their entire project funding for the purposes of creating New Projects or to change their Project Component Type, e.g., from Permanent Housing – Rapid Re-Housing to Permanent Housing – Permanent Supportive Housing<sup>3</sup>. Please note that an applicant will be negatively impacted by slow or underspending in the Annual CoC Program competition, even if, that spending does not trigger Involuntary Reallocation, or the Board declines to reallocate funding from the Recipient.

## Reallocation Policy

THN will bring recommendations for reallocations, voluntary or involuntary, to the CoC Board prior to, or during, every CoC Program Competition.

## Voluntary Reallocation Procedure

Beginning in the FY 2019 CoC Program Competition Cycle, THN will ask existing Renewal Projects whether they were interested in voluntarily reallocating their funding or their project component type.

All Renewal Projects are eligible to voluntarily reallocate their own funding provided they meet the criteria below:

1. The Renewal Project being reallocated has been in operation for a full 24 months.
2. The request for voluntary reallocation is made by the agency's Executive Director or their equivalent to [txboscoc@thn.org](mailto:txboscoc@thn.org).
3. The Agency commits to identify placements for all participants who would be displaced as a result of a complete voluntary reallocation.
4. The Agency agrees to participate in technical assistance provided by THN, the TX BoS CoC Lead Agency, and/or a HUD designated technical assistance provider to ensure that no household become homeless as the result of the decision to reallocate.

It is the responsibility of an Agency impacted by reallocation to contact their assigned HUD Field Office Representative to inform them of their reallocation.

## Involuntary Reallocation Procedure

Prior to each Annual CoC Program Competition, THN staff, on behalf of the CoC Board will conduct an analysis of all existing CoC recipients that have been in operation for more than 24 months and identify those agencies who have underspent the last two contracts by 10% or more. Staff will present this list to the Board of Directors with a recommendation for

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<sup>3</sup> The Projects voluntarily reallocating their project component type may apply for a Transition Grant through the Continuum of Care Program to fund the transition from an eligible renewal project being eliminated through reallocation from one program component to another eligible new component over a 1-year period. The Notice of Funding Opportunity may limit Transition Grants in a given year.

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reallocation. The recommendation may range from none, up to the average of the underspent amounts. Agencies subject to this type of reallocation will be given the opportunity to review staff recommendations prior to the Board Meeting where they will be considered and offer mitigating circumstances that may not be captured in the staff recommendation.

For Agencies subject to Conditional Inclusion for two consecutive competition cycles, The CoC Lead Agency Staff will present a variety of information to the CoC Board including a summary of technical assistance, CoC Program Competition Scorecards, Quarterly Performance Scorecards, and letters of support from community members, CoC Staff will also present a recommendation for reallocation which may range from none, to 100% of the Project budget. Agencies subject to conditional inclusion will be informed of the staff recommendation, and offered the opportunity to present mitigating circumstances that may not be captured in the staff recommendation.

It is the responsibility of an Agency impacted by reallocation to contact their assigned HUD Field Office Representative to inform them of their reallocation.

An example timeline, the CoC Board will consider involuntary reallocation prior to or during the FY 2023 CoC Program Competition for Project Applicants subjected to the Conditional Inclusion Policy during the FY 2021 CoC Program Competition that were also subject to the Conditional Inclusion policy in FY2022. This will allow Projects Applicants time to make changes to their project and for their data to reflect those changes. The CoC Board will also evaluate spending patterns and reallocate funds for chronic underspending on an annual basis.

The Director of Planning will notify affected agencies about the final determination of the Board via email; the CoC Board Chair or their designee will be carbon copied (CCed). The CoC Board will not consider reallocation appeals, for any reason other than error or mis-application of this policy.