

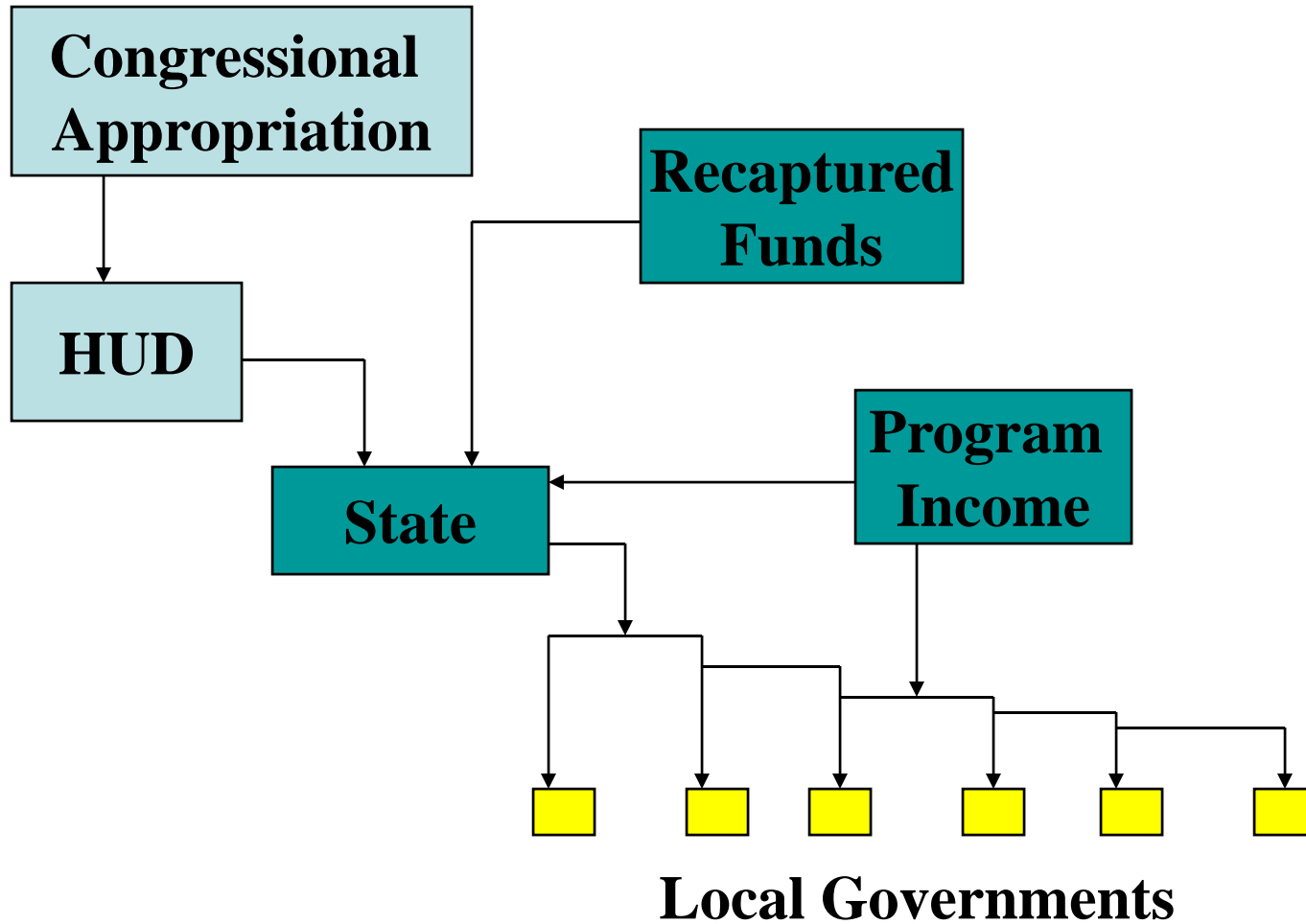
# Timely Distribution and Expenditure of Funds



U.S. Department of Housing and Urban Development



# Flow of Funds





## Timely Distribution of Funds Statutory Reference

**Reference:** Section 104(e)(2) of the Housing and Community Development Act, HCDA § 104(e)(2)

[HUD] “shall...make...reviews and audits to determine –

(2)...whether the State has distributed funds to units of general local government in a timely manner...”



## Timely Distribution of Funds – Regulatory Reference

24 CFR 570.494...

**(a) States are encouraged to adopt and achieve a goal of obligating and announcing 95 percent of funds to units of general local government within 12 months of the state signing its grant agreement with HUD.**





## Regulatory Reference-continued

**b) HUD will review each state ...**

**The state's distribution of CDBG funds is timely if: (1) All of the state's annual grant (excluding state administration) has been obligated and announced to units of general local government within 15 months of the state signing its grant agreement with HUD; ...**



## Key Deadlines in the Process

- Consolidated Plan / Grant Application
  - at least 45 days before start of Program Year
- HUD review / approval
  - 45 days after receipt
- Congressional release
- State signature
  - This date begins the 15 month timeliness period



## “Obligated and Announced”

The term “obligated and announced to” means the date on which a state officially announces the selection and awards of grants to its units of general local government.

**(CPD Notice 06-12)**



# What does Obligated Mean??

- Contract
- Letter
- Press Release
- News Announcement
- Public Notice





# HUD Review

## **Notice CPD 06-12**

- Field offices monitor state compliance with timely distribution.
- HQ reviews GMP data
- Field offices verify timely distribution of CDBG program allocation



# Program Income and Recaptured Funds

## **24 CFR 570.494...**

The state's distribution of CDBG funds is timely if: (2) Recaptured funds and program income received by the state are expeditiously obligated and announced to units of general local government.

Note: HUD can only review this on-site



## Program Income and Recaptures (cont.)

- funds must be distributed “expeditiously”
  - states should be able to demonstrate that PI and recaptured funds have been distributed as soon as practical within the state’s method of distribution.

# Timely Expenditure of Funds



U.S. Department of Housing and Urban Development



# State CDBG Requirement?

**No!**

There is currently no timely expenditure requirement for the State CDBG program in either statute or regulation.





# Entitlement Regulation

## **24 CFR 570.902...**

... HUD will consider an entitlement recipient to be failing to carry out its CDBG activities in a timely manner if:

(i) Sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year; ...



## What it Means

- Entitlement Regulation is provided to explain how that program defines timely expenditure and what happens if the grantee is untimely
  - 60 days before end of the Program Year
  - Grantee has over 1.5 times the current grant amount unspent then grantee is untimely
  - Sanctions (grant reduction) may apply if grantee is still untimely a year later



## State Expenditures

- Tracked by HUD via LOCCS data
- Reported monthly to states
- Significant indicators
  - Unexpended ratio
  - Spending Rate
- Importance
  - Congressional interest in appropriated funds not spent



## Benchmarks

- Entitlement standard inappropriate
  - States need additional time to distribute funds to localities
- States may wish to set a goal or target ratio to measure program performance



## The Expenditure Report

- Monthly listing of states ranked by unexpended ratio
- Chart showing individual state's ratios over 24 months
- Chart showing national average over 24 months
- List of state rankings by program year group
- See Column descriptions in Appendix





# The List

<b>Run Date: 08/29/2008 As of: 08/31/2008</b>					
<b>State Name</b>	<b>Total Unexpended from Open Grants</b>	<b>Amount Expended Last 12 Months</b>	<b>Most Recent Grant Amount</b>	<b>Ratio Unexpended To Grant</b>	<b>Ratio Expended Last 12 Months to Grant</b>
<b>ARKANSAS</b>	<b>68,222,771</b>	<b>24,995,271</b>	<b>18,962,771</b>	<b>3.60</b>	<b>1.32</b>
<b>COLORADO</b>	<b>36,276,202</b>	<b>10,167,227</b>	<b>10,546,315</b>	<b>3.44</b>	<b>0.96</b>
<b>SOUTH DAKOTA</b>	<b>22,047,062</b>	<b>4,811,964</b>	<b>6,530,307</b>	<b>3.38</b>	<b>0.74</b>
<b>PUERTO RICO</b>	<b>152,155,295</b>	<b>62,866,705</b>	<b>47,007,180</b>	<b>3.24</b>	<b>1.34</b>
<b>WEST VIRGINIA</b>	<b>52,938,962</b>	<b>21,044,148</b>	<b>16,642,524</b>	<b>3.18</b>	<b>1.26</b>
<b>NORTH CAROLINA</b>	<b>136,650,797</b>	<b>42,777,866</b>	<b>44,528,548</b>	<b>3.07</b>	<b>0.96</b>
<b>MICHIGAN</b>	<b>107,818,537</b>	<b>40,449,770</b>	<b>35,323,601</b>	<b>3.05</b>	<b>1.15</b>



## The Rankings

HUD does **not** use relative rankings for program evaluation.

The Expenditure report and rankings are provided as a program management tool for states.

States may consider the rankings as a performance incentive.

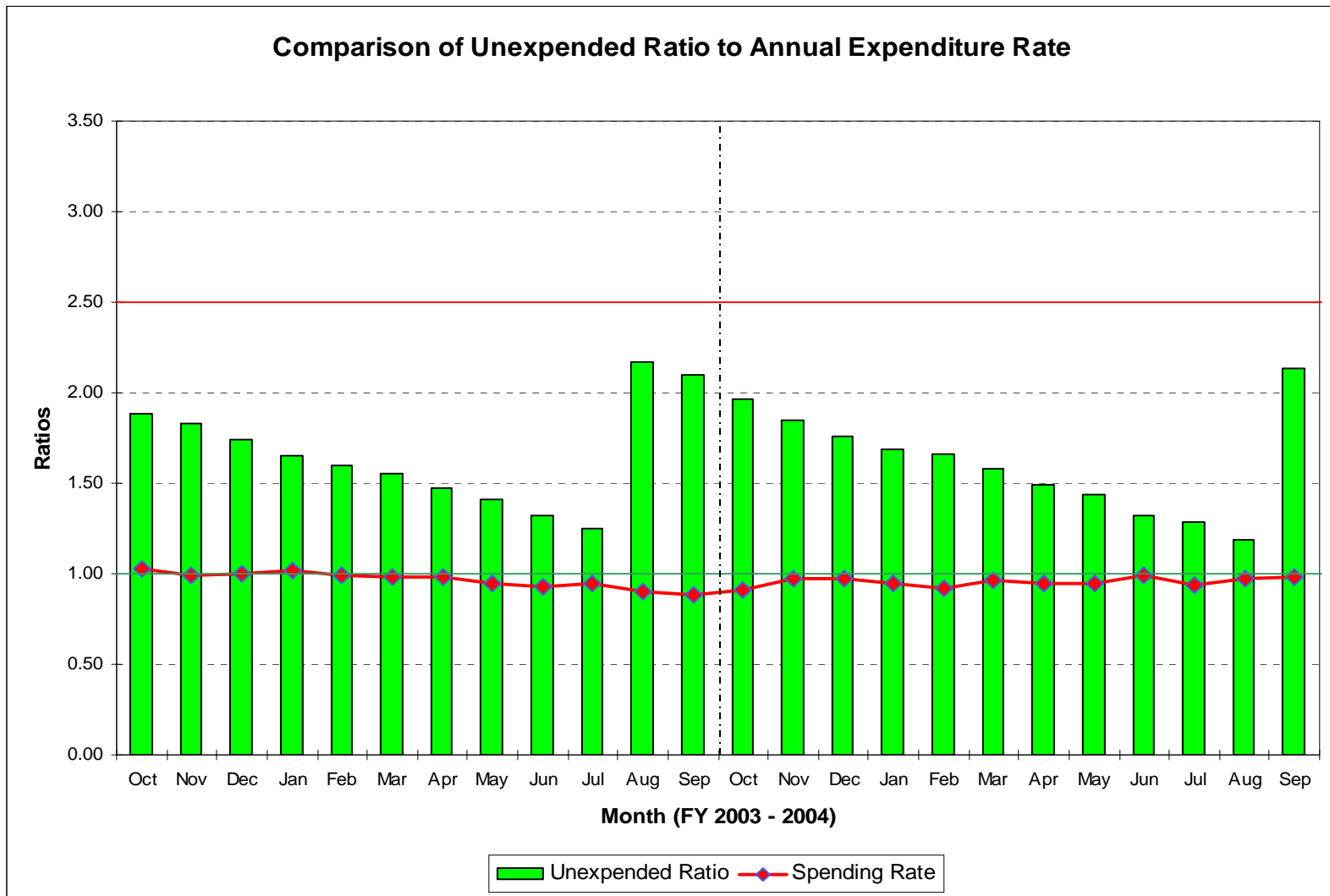


## The State Chart

- The chart tracks two ratios:
  - the unexpended balance ratio is a bar-graph
  - the spending rate is a line across the bars
- the chart displays the current and prior year data
- The unexpended balance ratio decreases as draw-downs are made and increases with each new annual allocation of funds

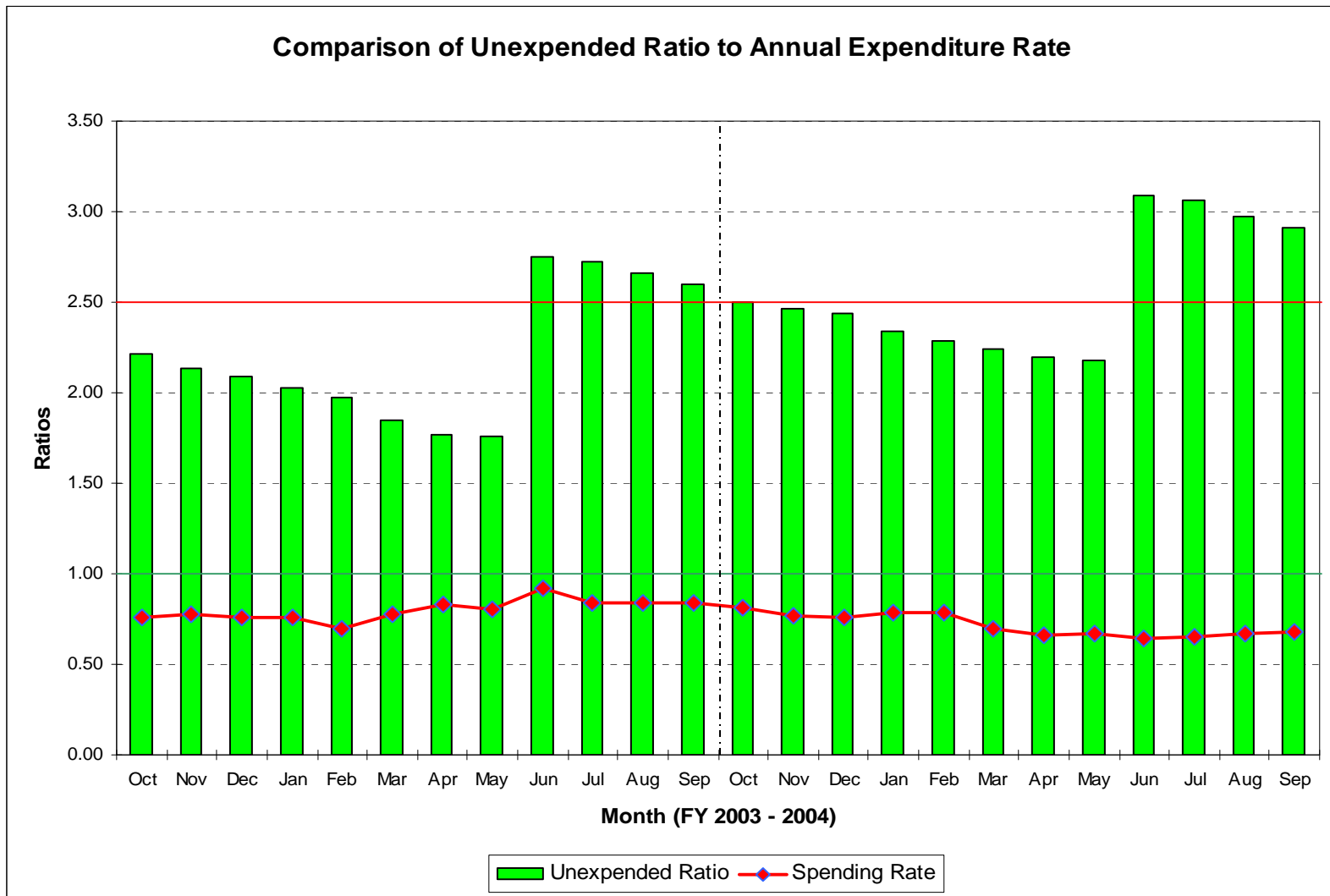


## Steady Expenditure Performance



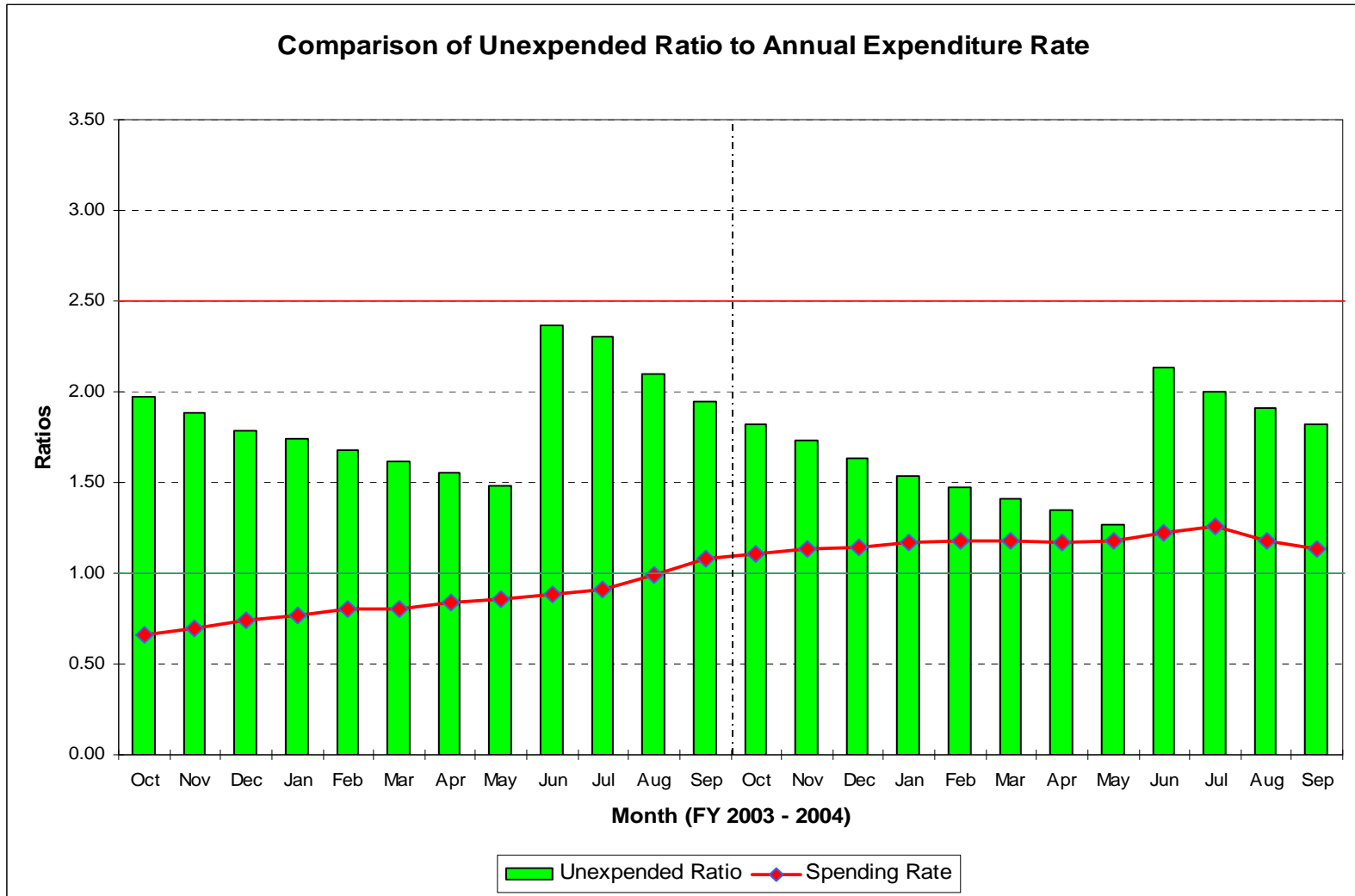


## Troublesome Expenditure Performance





## Improving Expenditure Performance



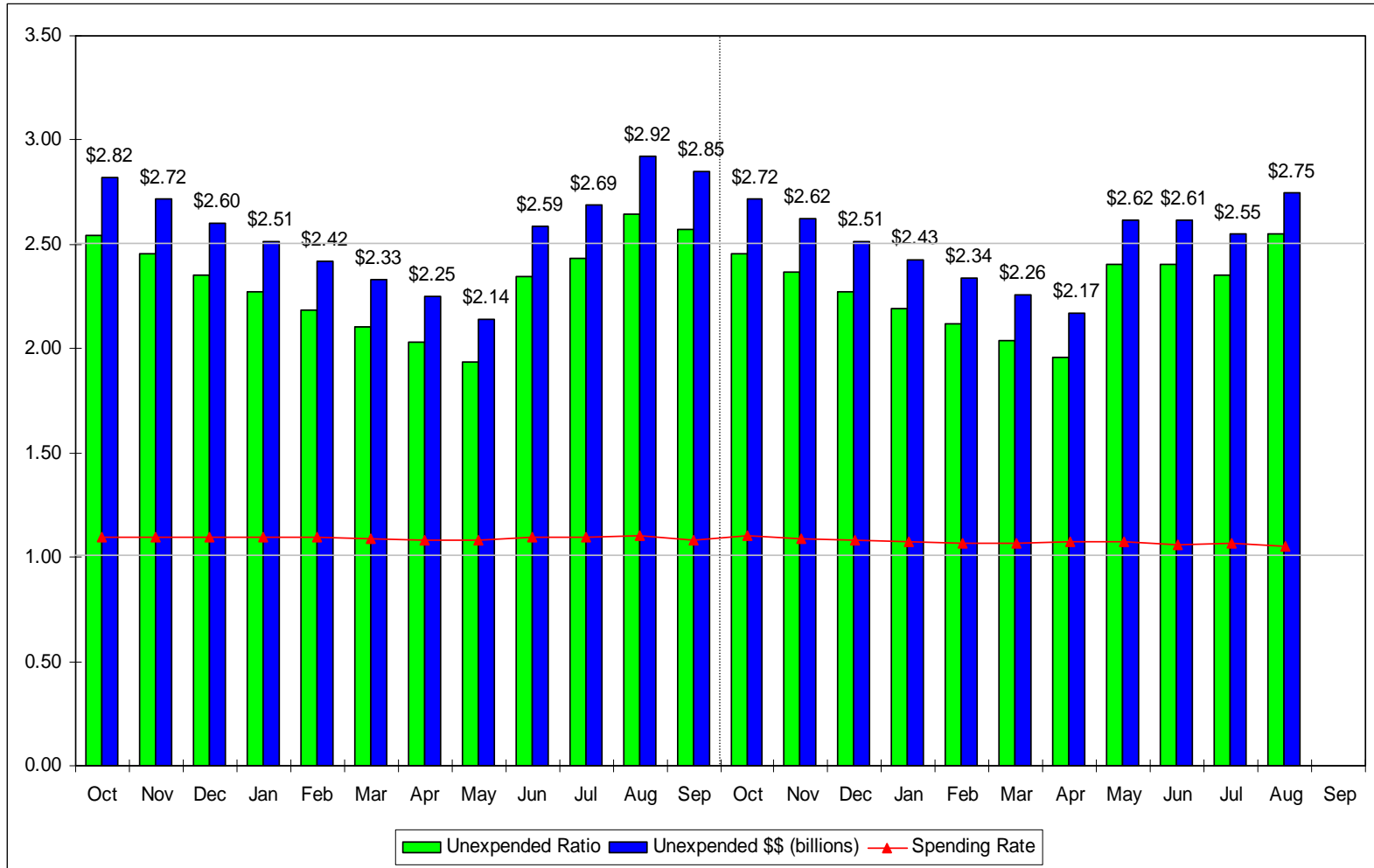


## The National Chart

- The chart tracks a dollar balance and two ratios:
  - the dollar balance is a bar graph
  - the unexpended balance ratio is a bar-graph
  - the spending rate is a line across the bars
- the chart displays the current and prior year data
- Prior to mid FY 2004, the national average spending rate remained below “1”. This means that for several years, states were spending less than their annual allocation and the available balance was increasing. More recently, the rate has averaged above “1”.

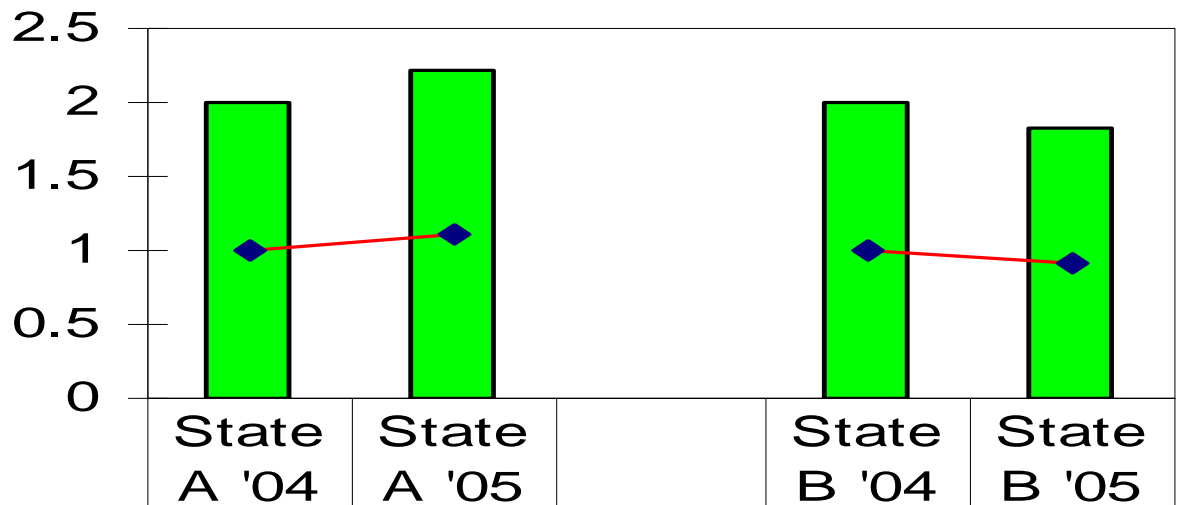




## Expenditure Trend – National Average FY 2007-2008





## Effect of 10% Grant Change on Ratios



 Unexpended Ratio	2	2.2222		2	1.8182
 Spending Rate	1	1.1111		1	0.9091

**Grant Decrease vs Grant Increase**



## Program Design and Timeliness

Things to consider:

- Program Year start date
- Method of Distribution
  - state statutes / constitution
  - politics
  - state bureaucracy
  - type of activities
  - construction season
  - maximum grant size





## More Design Considerations

- Hold 2 years competition at same time
- Separate planning from construction grants for large projects
- Require Environmental review to be complete at time of application
- Require specific performance / time-frame goals as condition for keeping grant



**Time's up!**



U.S. Department of Housing and Urban Development