

Match Policy



I. Introduction

The Emergency Solutions Grant (ESG) Program is a federal program operated by the U.S. Department of Housing and Urban Development (HUD) to make grants to states, local governments, and territories for the purposes of funding activities that directly serve people experiencing homelessness, including people at risk of homelessness. The California Department of Housing and Community Development (CA HCD) is a direct recipient of ESG from HUD. CA HCD administers an annual allocation of ESG and an additional one-time allocation of ESG made available under the CARES Act.

For the purposes of this document, “annual ESG” refers to CA HCD’s annual allocation of ESG, “ESG-CV” refers to CA HCD’s one-time allocation of CARES Act ESG, and “ESG” refers to the program in general and to aspects of the program that apply to both annual ESG and ESG-CV.

This ESG Match Policy (the “Policy”) provides:

- The structure under which CA HCD manages its ESG match requirement;
- Comprehensive guidance to subrecipients regarding their ESG match requirements.

A. Applicability

This Manual applies to ESG grants funded using:

- Annual ESG
- ESG-CV

II. General Requirements

A. Overview

The ESG Program’s primary regulatory body is 24 CFR Part 576, the ESG Program Interim Rule.¹ The ESG Program Interim Rule requires state recipients to make matching contributions (“match”) to supplement each fiscal year’s ESG award equal to the total amount of the award less \$100,000.² CA HCD meets this requirement by:

¹ <https://www.hudexchange.info/resource/4478/esg-and-consolidated-plan-conforming-amendments-overview-changes/>

² 24 CFR 576.201(a)

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- Matching the ESG funds retained by CA HCD with cash match provided by CA HCD;
- Requiring each ESG subrecipient to provide match (cash or in-kind) equal to the amount of ESG funds it receives, except as provided below; and
- Passing the benefit of the \$100,000 match exemption onto the subrecipient or subrecipients that are least capable of providing matching contributions (as required by the ESG Program interim rule) via the selection process defined in this document.

B. ESG-CV

ESG-CV has no match requirement. All requirements in this policy apply only to annual ESG.

C. Eligible Types of Match

Match can be provided in the form of either:

- **Cash match**, which is cash expended for allowable costs by the recipient or subrecipient;
- **In-kind match** (also called non-cash match), which is the value of any real property, equipment, goods, services, or donated building contributed by the recipient or subrecipient's ESG project, provided that, if the contribution had been paid for with ESG funds, the cost would have been allowable.

Match requirements can be met with any combination of cash match and in-kind match provided that the combined value of all provided match meets the minimum match requirement established by the relevant grant agreement.

More information about the eligible types of match can be found in the ESG Program interim rule at 24 CFR 576.201(d).

D. Eligible Sources of Match

Funds and contributions from any source other than the ESG Program are eligible for use as match including, but not limited to, other federal funds, local/state government funds, and private donations of cash, property, and labor, provided that they meet the following criteria:

- They meet the requirements under 2 CFR 200.306, excluding the expenditure limits in 24 CFR 576.100;
- The match source is not prohibited from matching the ESG Program, HUD programs, or federal funds in general;
- The contribution would have been an allowable cost under the ESG Program if paid for using ESG funds.

E. Calculating the Value of In-Kind Match

To determine the value of any donated material or building, or of any lease, the recipient or subrecipient must use a method reasonably calculated to establish its fair market value.

Services provided by individual people must be valued at rates consistent with those that the recipient or subrecipient ordinarily pays to existing employees performing similar work. If the recipient or subrecipient does not have employees performing similar work, the rates must instead be consistent with those ordinarily paid by other employers in the same labor market for similar work.

For in-kind match contributions that would have been indirect costs if paid for with ESG funds: these contributions can only be counted as match if the recipient or subrecipient has established, along with its regular indirect cost rate, a special rate for allocating the value of these contributions to individual projects or programs.

More information about calculating the value of in-kind match can be found at 24 CFR 576.201(e).

F. Program Income as Match

Costs paid for using ESG program income must be counted as match provided that those costs are allowable under the recipient's ESG program.³

G. Common Sources of Match

This section lists several common sources of match. It is not intended to be all-inclusive; rather, it is intended to provide guidance and information regarding several common approaches to match. The information provided is broad and general, and subrecipients are encouraged to submit more specific questions about their match plans directly to CA HCD.

1. Administrative Costs

The costs of administering the ESG Program are a common source of match, as the administrative cost allowance under ESG is sometimes not sufficient to cover 100% of the administrative costs of subrecipients and their sub-subrecipients. These costs include but are not limited to budgeting, reporting, payroll, and monitoring.

³ 24 CFR 576.201(f)

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Note that, to be considered an eligible source of match, administrative costs must otherwise be allowable under the ESG Program—meaning they must directly relate to the implementation of ESG funds. This frequently excludes expenses like salary and fringe for an organization’s executive director unless the executive director is performing the responsibilities of a program manager for an ESG-funded project.

2. HMIS Costs

All ESG projects are required to maintain participant and project data in HMIS (or, if they are a domestic violence services provider or legal services provider, in an HMIS comparable database). HMIS costs, including software, equipment, and salary and fringe for staff performing data entry and maintenance, are sometimes hard to predict during the ESG budgeting process (or excluded from the budget altogether); excess costs are a prime source of match.

3. Continuum of Care Program Funds

The Continuum of Care (CoC) Program and ESG can match each other. However, there are several conditions and caveats that should lead any subrecipient to be careful when considering whether the CoC Program is the right match source for their ESG project.

The most important consideration is that the CoC Program-funded activity must be 100% eligible under ESG. In general, this means the only CoC Program-funded projects that can be used as match for ESG are CoC-RRH and CoC-HMIS.

- **CoC-HMIS** is comparatively straightforward: each CoC may apply for one CoC-HMIS grant, which must be held by the CoC’s designated HMIS Lead organization; CoC-HMIS grants are used to fund system-wide HMIS support; in most cases, ESG-HMIS funds can support those same activities.
- **CoC-RRH** is more complicated. While CoC-RRH and ESG-RRH are similar projects, they differ in several key respects, including that CoC-RRH requires a higher standard of housing inspection (Housing Quality Standards [HQS] rather than habitability standards) and CoC-RRH is not required to use the Fair Market Rent (FMR) value as an absolute rent cap. To match CoC-RRH and ESG-RRH, the ESG-RRH project must agree to use both habitability standards and HQS, and the CoC-RRH project must agree to use the FMR as an absolute rent cap. Subrecipients considering matching CoC-RRH and ESG-RRH are strongly encouraged to thoroughly review the requirements for each program to ensure that the combined RRH project design fulfills the requirements of both programs.

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Note also:

- While the ESG Program has a 100% match requirement, the CoC Program has a 25% match requirement; the CoC Program project will likely meet its match requirement before ESG project does;
- When the CoC Program and ESG provide match to each other, they cannot be used as a source of match for other programs.

4. State or Local Government Dollars

State or local government dollars, often in the form of general purpose revenue (GPR) or other sources of unrestricted funding, are a common and valuable source of match for ESG. State and local funds rarely come with matching restrictions, and if they have eligible activity requirements, those requirements are frequently less stringent than those in ESG.

Note: it is important to distinguish between state and local revenue that is internally generated (e.g. tax revenue) versus external grants that may carry other restrictions, especially federal grants. For example: larger municipalities might also receive ESG, and if the parties involved aren't aware that each is discussing ESG funding, they might accidentally try to match state ESG with local ESG, which is categorically disallowed.

5. Private Contributions (Cash and In-Kind)

Private cash contributions (e.g. foundation grants, corporate grants, and fundraising revenue) and in-kind contributions (e.g. donated buildings, donated labor, and other donated goods and services) are among the most common sources of ESG match. Generally, these carry few or no funding source or activity restrictions. It is, however, important to ensure that:

- They do not carry conditions that would put the ESG project out of compliance (e.g. a requirement that an ESG-RRH project serve only participants referred through a local hospital system rather than the Coordinated Entry system);
- In-kind contributions are valued correctly according to this policy and all other applicable guidance.

III. Recipient Requirements

A. Overview

For each fiscal year (FY)'s annual ESG allocation, CA HCD is required to provide match equal to 100% of the allocation, less \$100,000. The majority of CA HCD's match is provided by its ESG subrecipients. ESG recipients, including CA HCD, account for match on an annual basis. CA HCD reports match to HUD as part of the Consolidated Annual Performance and

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Evaluation Report (CAPER), which is submitted as part of each ESG grant's closeout process. For more information about the CAPER, please refer to the following HUD guidance: <https://www.hudexchange.info/programs/sage/esg-caper/#guides-and-tools>

B. CA HCD Activities Match

CA HCD retains 6% of each ESG grant to fund administrative costs. CA HCD retains the responsibility for meeting the match requirement of all ESG funds it retains by using State of California general funds, which supports administrative activities. HCD's procedures for documenting match are contained in HCD's Financial Management Policies.

C. Subrecipient Match

1. General Requirement

CA HCD requires each ESG subrecipient to provide match equal to 100% of the ESG funds that CA HCD awards. The only exception is outlined in [Section III.C.2](#) of this Policy.

2. Match Exemption

Under each FY's annual ESG allocation, CA HCD is not required to match the first \$100,000 allocated. CA HCD is required to pass this benefit to the subrecipient or subrecipients who are least able to provide match.

CA HCD uses its annual subrecipient ESG application process to determine which subrecipient(s) will receive the match exemption via the following process:

- Each subrecipient's application will receive a 'match exemption score'
- The 'match exemption score' is calculated as follows:
 - **2 points** are allocated to the following subrecipients, which are considered rural and therefore disproportionately likely to be under-resourced:⁴
 - Marin County CoC
 - Napa City & County CoC
 - Vallejo/Solano County CoC
 - Watsonville/Santa Cruz City & County
 - Davis/Woodland/Yolo County CoC
 - El Dorado County CoC
 - Imperial County CoC

⁴ CA HCD reserves the right to amend this list at its discretion.

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- Inyo, Mono, Alpine Counties CoC
- Merced City & County CoC
- Roseville/Rocklin/Placer County CoC
- Santa Maria/Santa Barbara County CoC
- Visalia, Kings, Tulare Counties CoC
- Nevada County CoC
- Amador, Calaveras, Tuolumne, and Mariposa Counties CoC
- Chico/Paradise/Butte County CoC
- Colusa, Glenn, Trinity Counties CoC
- Humboldt County CoC
- Lake County CoC
- Mendocino County CoC
- Redding/Shasta, Siskiyou, Lassen, Plumas, Del Norte, Modoc, Sierra Counties CoC
- Tehama County CoC
- Yuma City & County/Sutter County CoC
- **3 points** are allocated to subrecipients that meet either of the following criteria:
 - During the annual monitoring process, CA HCD reported a Concern or Finding related to the subrecipient's difficulty producing the necessary level of match; or
 - During the previous year, the subrecipient provided 75% or less of its match requirement
- **Up to 5 points** are allocated to subrecipients who indicate as part of their application that they would like to receive the match exemption; points will be awarded based on an optional short narrative in which subrecipients will be asked to explain the circumstances that qualify them as least able to meet the match requirement, with more points being allocated to subrecipients reporting greater relative need
- If one subrecipient receives the highest 'match exemption score,' that subrecipient will receive the full \$100,000 match exemption; if multiple subrecipients receive the highest 'match exemption score,' the match exemption will be divided among no more than two of the highest-scoring subrecipients at CA HCD's discretion;
- CA HCD has final decision on which subrecipient(s) benefit from the match exemption and its decision cannot be appealed.

D. Subrecipient Match Monitoring

- CA HCD requires subrecipients to provide match commitments as part of the grant execution process.
- CA HCD requests but does not require that subrecipients report monthly on match spent to date as part of the request for reimbursement (RFF) process.
- CA HCD does not require and strongly prefers that subrecipients do not provide backup documentation for match as part of the funding reimbursement process.
- CA HCD monitors subrecipient match as part of the annual monitoring process, during which CA HCD will review the backup documentation for:
 - All match spent to date for the current grant;
 - *To the extent it was not reviewed during the previous year's monitoring:* all match spent to date for the previous year's grant.

IV. Subrecipient Requirements

A. Overview

CA HCD requires each ESG subrecipient to provide match equal to 100% of the ESG funds that CA HCD awards. The only exception is outlined in [Section III.C.2](#) of this Policy.

B. Match Exemption

Under each FY's annual ESG allocation, CA HCD is not required to match the first \$100,000 allocated. CA HCD passes this benefit to the subrecipient or subrecipients who are least able to provide match.

CA HCD uses its annual subrecipient ESG application process to determine which subrecipient(s) will receive the match exemption via the process described in [Section III.C.2](#) of this Policy.

C. Match Commitment

Subrecipients are required to provide match commitments as part of the grant execution process. Commitments must be made in writing and signed by an authorized signatory on agency letterhead. Commitments may not be conditioned on anything except the availability of ESG funds.

D. Match Documentation

Subrecipients are required to document match internally as it is spent, and semi-annually. CA HCD strongly recommends that subrecipients clearly denote which costs are ESG and which costs are match as part of the expense documentation. This can be simple as writing the allocation on the receipt or invoice or as sophisticated as creating an allocation form and attaching it to each transaction record.

Beginning with 2022 ESG contracts, CA HCD will collect match source documentation semi-annually. Subrecipients will be required to provide source documentation both at the time that Annual Performance Reports (APRs) are due (7.31 annually), and at the close of a subrecipient's contract. CA HCD will provide the subrecipient with a [Verification of Match Commitment form](#) to complete and submit that illustrates the source of match and supporting documentation, as well as a [Match Volunteer Hours Tracking Form](#). The subrecipient will submit the form and upload supporting match documentation within the online grants network system. ESG Representatives will be responsible for reviewing the documentation to ensure that the subrecipient is compliant with match regulation found at [24 CFR 576.201](#).

In addition, the online grants management system will be programmed to send task reminders to each subrecipient for their match information. The grants network system will not allow the subrecipient to submit another Request for Funds without the match documentation being received for each milestone date set up in the grants network system. The forms received will be maintained within the online grants network system in both the subrecipient's contract, and a monitoring folder. Because the match is captured within the grants network system, the ESG Program Manager will be able to pull an aggregate report as needed to ensure the following:

- match sources and documentation are eligible;
- amount of match equals the ESG awarded amount, and;
- duplicate match sources were not used.

ESG grantees have been required to submit match information on each Request for Funds submitted since 2018; however, tracking match with each RFF is not a HUD requirement.