



ESG Basics for State Recipients

The **Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act)** amended the McKinney-Vento Homeless Assistance Act, revising the Emergency Shelter Grants Program in significant ways and renaming it the Emergency Solutions Grants (ESG) program. The ESG Interim Rule took effect on January 4, 2012.

WHAT IS THE ESG PROGRAM?

ESG is a formula grant program. Eligible recipients are states, metropolitan cities, urban counties and territories. Eligible recipients apply through the Consolidated Planning process. Each state or local jurisdiction submits its Consolidated Plan (or Annual Action Plan) to the appropriate HUD field office no later than 45 days before the start of its consolidated program year.

The ESG program provides funding to:

- Engage homeless individuals and families living on the street;
- Improve the number and quality of emergency shelters for homeless individuals and families;
- Help operate these shelters;
- Provide essential services to shelter residents;
- Rapidly re-house homeless individuals and families; and
- Prevent families and individuals from becoming homeless.

WHAT ARE ESG PROGRAM REQUIREMENTS FOR STATE RECIPIENTS?

State recipients must subgrant all of their ESG funds (except funds used for administrative costs) to units of local government and/or to private nonprofit organizations. States typically distribute ESG funds through a competitive process, though the HUD program regulations do not specify this process.

Consultation: All recipients must consult with the Continuums of Care (CoCs) operating within the jurisdiction in determining how to allocate ESG funds. State recipients are required to consult with all Continuums of Care within the state. (See CoC Program Structure and Governance AND Coordination and Consultation Requirements for State ESG Recipients)

Match: ESG recipients must match grant funds with an equal amount of cash and/or noncash contributions, which may include donated buildings, materials and volunteer services. States must match all but \$100,000 of their awards, but must pass on the benefits of that \$100,000 exception to their subrecipients that are least capable of providing matching amounts. For example, a state that receives \$1,000,000 in ESG funds must provide a cash and/or noncash match of \$900,000. The remaining \$100,000 should be used to assist those subrecipients that have the most difficulty in producing the contributions required to match their ESG grants.

Obligation and Expenditure: State ESG recipients must obligate all funds, except the amount for administrative costs and HMIS costs (if the state is an HMIS lead), within 60 days after the date HUD signs the grant agreement. In turn, local government subrecipients must obligate all ESG funds within 120 days after the state obligates its funds to those subrecipients. State recipients must make expenditures and drawdown funds through IDIS at least once each quarter.

All grant funds must be expended within 24 months after HUD signs the grant agreement with the ESG recipient.

Written Standards: State recipients must establish and consistently apply, or require that subrecipients establish and consistently apply, written standards for providing ESG assistance.

At a minimum these written standards must include:

- Standard policies and procedures for evaluating eligibility for ESG assistance;
- Standards for targeting and providing essential services related to street outreach;
- Policies and procedures for:
 1. admission, diversion, referral, and discharge by emergency shelters, including standards on length of stay, and safeguards to meet the safety and shelter needs of special populations, and those with the highest barriers to housing;
 2. assessing, prioritizing, and reassessing needs for essential services related to emergency shelter;
 3. coordination among providers of emergency shelter, essential services, homelessness prevention, rapid rehousing assistance; other homeless assistance; and mainstream service and housing providers
 4. determining and prioritizing provision of homelessness prevention assistance and rapid rehousing assistance;
- Standards for determining:
 1. what percentage or amount of rent and utilities costs each participant must pay while receiving homelessness prevention or rapid re-housing assistance;
 2. how long a participant will be provided with rental assistance and whether and how the amount of that assistance will be adjusted over time; and
 3. the type, amount, and duration of housing stabilization and/or relocation services to provide, including limits on the homelessness prevention or rapid rehousing assistance each participant may receive, such as:
 - a. maximum amount of assistance;
 - b. maximum number of months the participant receives assistance; or
 - c. maximum number of times the program participant may receive assistance.

Written standards developed by the state must be included in the state's Consolidated Plan. If the state decides to allow the written standards to be established by its subrecipients, the state must describe its requirements for these standards in its Consolidated Plan.

HMIS Participation: The recipient must ensure that data on all persons served and all activities assisted under ESG are entered into the applicable community-wide HMIS in the area in which those persons and activities are located, or a comparable database, in accordance with HUD's standards on participation, data collection, and reporting under a local HMIS (or comparable database for victim services providers). See the [ESG Program HMIS Manual](#) for more information.

WHAT ACTIVITIES CAN THE ESG PROGRAM SUPPORT?

ESG funds may be used to support activities under the following program components (in addition to administrative costs):

- Street outreach
- Emergency Shelter
- Homelessness Prevention
- Rapid Re-housing
- Data Collection

Eligibility requirements for program participants vary by component as indicated in each section below.

Street Outreach

Services related to reaching out to unsheltered homeless individuals and families, connecting them with emergency shelter, housing, or critical services, and providing them with urgent, non-facility-based care.

- **Eligible costs:** engagement, case management, emergency health and mental health services, transportation, and services for special populations. See 24 CFR 576.101.
- **Eligible program participants:** Individuals and families who qualify as homeless under paragraph (1) (i) of the “homeless” definition under 24 CFR 576.2.

Note: The total amount of the recipient’s fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of: 1) 60% of the fiscal year grant; or 2) the amount of FY 2010 grant funds committed for homeless assistance activities.

Emergency Shelter

- Eligible costs:
 - **Renovation** (including major rehabilitation or conversion) of a building to serve as an emergency shelter. The shelter must be owned by a government entity or private nonprofit organization and must serve homeless persons for at least 3 or 10 years, depending on the type of renovation and the value of the building.
 - **Essential Services**, including case management, child care, education services, employment assistance and job training, outpatient health services, legal services, life skills training, mental health services, substance abuse treatment services, transportation, and services for special populations.
 - **Shelter Operations**, including maintenance, rent, repair, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation of the emergency shelter. May include a hotel or motel voucher where no appropriate emergency shelter is available for a homeless family or individual.

Note: Property acquisition and new construction are not eligible ESG activities. The total amount of the recipient’s fiscal year grant that may be used for street outreach and emergency shelter activities cannot exceed the greater of: 1) 60% of the fiscal year grant; or 2) the amount of FY 2010 grant funds committed for homeless assistance activities.

- Eligible program participants: Individuals and families meeting the criteria of the “homeless” definition under 24 CFR 576.2.

Homelessness Prevention

Housing relocation and stabilization services, and short-and/or medium-term rental assistance as necessary to prevent individual or family homelessness. Costs are eligible to the extent necessary to help the participant

regain housing stability in their current housing or move into other permanent housing and achieve stability.

- Eligible costs:
 - **Rental Assistance:** rental assistance and rental arrears
 - **Financial assistance:** rental application fees, security and utility deposits, utility payments, last month's rent, moving costs
 - **Services:** housing search and placement, housing stability case management, landlord-tenant mediation, tenant legal services, credit repair
- **Eligible program participants:** Individuals and families who meet the criteria under the “at risk of homelessness” definition, or who meet the criteria in paragraph (2), (3), or (4) of the “homeless” definition in 24 CFR 576.2 and have an annual income below 30 percent of median family income for the area, as determined by HUD.

Rapid Re-Housing

Housing relocation and stabilization services and/or short-and/or medium-term rental assistance as necessary to help homeless individuals or families (living in shelters or in places not meant for human habitation) move as quickly as possible into permanent housing and achieve stability.

- Eligible costs:
 - **Rental Assistance:** rental assistance and rental arrears
 - **Financial Assistance:** rental application fees, security and utility deposits, utility payments, last month's rent, moving costs
 - **Services:** housing search and placement, housing stability case management, landlord-tenant mediation, tenant legal services, credit repair
- Eligible program participants: Individuals and families who meet the criteria under paragraph (1) of the “homeless” definition in 24 CFR 576.2 or who meet the criteria under paragraph (4) of the “homeless” definition and live in an emergency shelter or other place described in paragraph (1) of the “homeless” definition.

Data Collection (HMIS)

ESG funds may be used to pay for the costs of participating in and contributing to the HMIS designated by the Continuum of Care for the area. More information about using an HMIS is available on the [HMIS page on the HUD Exchange](#).

Administration

Up to 7.5 percent of a recipient's allocation can be used for Administrative activities. These include general management, oversight, and coordination; reporting on the program; the costs of providing training on ESG requirements and attending HUD-sponsored ESG trainings; the costs of preparing and amending the ESG and homelessness-related sections of the Consolidated Plan, Annual Action Plan, and CAPER; and the costs of carrying out environmental review responsibilities.

State recipients must share administrative funds with their subrecipients that are local governments, and may share administrative funds with their subrecipients that are nonprofit organizations.

ADDITIONAL RESOURCES

[ESG Program Components - Quick Reference Guide](#)

[ESG Interim Rule](#)

[ESG Fact Sheet](#)