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**Special Attention of:**

Public Housing Agencies  
Public Housing Hub Directors  
Public Housing Program Center Directors  
Regional and Field Office Directors  
Resident Management Corporations

**Notice PIH-2022-17**

Issued: June 13, 2022

Expires: This notice remains in effect until amended, superseded, or rescinded

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**Subject:** Implementation of Public Housing Operating Fund Shortfall Funding from Federal Fiscal Year (FFY) 2022 Appropriations

**1. Purpose**

This notice implements a provision in the FFY 2022 Consolidated Appropriations Act (Public Law P.L. 117-103) referred to hereafter as “the Act,” which provides for a \$25 million set-aside in the Public Housing Fund to assist Public Housing Agencies (PHAs) experiencing or at risk of financial shortfalls. Specifically, this notice provides guidance regarding eligibility, the process for applying, and other requirements for the set-aside.

**2. Background**

The Act states:

“...\$25,000,000 shall be available to the Secretary to allocate pursuant to a need-based application process notwithstanding section 203 of this title and not subject to the Operating Fund formula to public housing agencies that experience, or are at risk of, financial shortfalls, as determined by the Secretary: *Provided*, That after all such shortfall needs are met, the Secretary may distribute any remaining funds to all public housing agencies on a pro-rata basis pursuant to such Operating Fund formula.”

Additionally, the Division L - Transportation, Housing and Urban Development and Related Agencies Joint Explanatory Statement (JES) accompanying the Act provides further guidance to HUD related to the distribution of such funds. Specifically:

“\$25,000,000 for need-based allocations to PHAs that experience or are at risk of financial shortfalls... Shortfall funding - The agreement directs that the allocation of financial shortfall funds shall first be prioritized to PHAs with 249 or fewer public housing units that are determined to be experiencing shortfalls and have less than one month of reserves before allocating funds to larger PHAs.”

### **3. Changes and Additions to this Notice**

Compared to Notice [PIH-2021-12](#), the following changes and additions are included in this notice.

- Shortfall eligibility and eligibility amount will be based on three Months of Reserves (MOR) of instead of two.
- An adjustment for increased tenant accounts receivables has been made to the MOR calculation.
- Public Housing projects that have undergone a full or partial RAD conversion during their Shortfall Fiscal Year End will be excluded from the MOR and Shortfall eligibility calculation.
- Public Housing projects coded as “Other Projects” in the Financial Data Schedule (FDS) are excluded from the MOR and Shortfall eligibility calculation.
- Coronavirus Aid, Relief, and Economic Security (CARES) Act FDS column 14.PHC will be included in the calculation of MOR and Shortfall eligibility.
- The MOR threshold for access to Tier 2 Increment 2 has been raised from a 1.0 MOR to a 1.5 MOR.
- Shortfall applications and appeals will be submitted via the OpFund Web Portal.
- Funded PHAs will be required to submit an Improvement Plan, and annual Budget and Actuals reporting as part of participation in the Shortfall program. Submissions will be made via the OpFund Web Portal.
- Cohorts 1 and 2 have been merged to give funding priority to PHAs with less than 250 ACC units instead of PHAs with less than 100 ACC units.
- Applications to the Shortfall program have changed from five business days to seven calendar days.

### **4. Applicability**

This notice applies to PHAs administering the Public Housing program, including PHAs participating in the Moving to Work (MTW) Demonstration. All data used to make eligibility determinations, including Public and Indian Housing Information Center (PIC) and Financial Data Schedule (FDS) data, will be based upon the data as it existed in PIC and FDS on June 6, 2022.

### **5. Definition of Shortfall and Eligibility for Funding**

#### *Shortfall and Eligibility*

HUD has several metrics it uses to define and measure financial health within the public housing program. For example, when measuring financial health through the Public Housing Assessment System (PHAS), HUD examines a PHA’s Quick Ratio (a measure of liquidity) and Months Expendable Net Assets Ratio (a measure of the adequacy of reserves). More recently, HUD has undertaken an effort to expand the metrics it uses and has added indicators such as the current ratio and adjusted net equity.

For the purposes of this Notice, HUD has defined having a financial shortfall as where PHAs have less than three months of operating expenses held in reserve. The eligibility for the Shortfall

Funding Program will be based on the amount of Monthly Operating Reserves (MOR) a PHA has according to their most recent approved audited or unaudited FDS submission for the FYEs noted below. HUD believes that assisting PHAs in increasing their operating reserves up to three months will have the greatest impact on stabilizing the PHA's financial position for those PHAs experiencing a financial shortfall. Therefore, for the purpose of this set-aside and subject to the additional conditions noted below, any PHA that has less than three months of operating expenses held in reserve will be eligible to receive Shortfall funding. The amount of funding that a PHA is eligible to receive under this set-aside is equal to the difference between the PHA's MOR based on the FDS for the PHA fiscal year end identified below, and the amount that is equal to three months of MOR for that PHA, as further described below.

Mixed Finance (MF) developments not owned by the PHA do not report financial data from the owner entity in the FDS in the same manner as non-mixed finance public housing projects. Because the FDS data for MF Public Housing projects does not reflect the operation or financial condition of the MF project, for the purposes of Shortfall, FDS data associated with Mixed Finance developments will not be included in the Shortfall eligibility calculation. MF developments are identified by the Mixed Finance indicator in the FASS/FDS data.

Additionally, projects in the Low Rent Public Housing column utilizing the Other Project designation in the FDS will be excluded from the Shortfall calculation for FFY 2022. There are no residents living in such projects and they are not funded under the Operating Fund (OpFund) Grant Program. Therefore, HUD has determined that Other Projects will not be included in the Shortfall funding eligibility calculation.

#### *Operating Reserves and Monthly Expenses*

HUD defines Public Housing Operating Reserves as the amount of current assets that are available in the Public Housing program reported in the PHA's FDS after subtracting liabilities due within the next year (i.e. current liabilities). Monthly Expenses are defined as the total Operating Expenses divided by the number of months in the PHA's FDS. HUD will determine the amount of a PHA's Operating Reserves and Operating Expenses by adding, from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (14.PHC) and Low Rent Public Housing (LRPH) columns, each of the public housing projects reported in the FDS. The MOR will be calculated as the Operating Reserves divided by the Monthly Expenses.

The following tables detail the specific line items from the FDS that HUD will use to determine Operating Reserve levels, as well as the calculation of monthly Operating Expenses. The 14.PHC and LRPH columns will be combined for each of the FDS items listed below to create a single Public Housing value. Note that the LRPH column represents the combined Capital Fund and Operating Fund values in the FDS.

<b>Operating Reserves = (Restricted &amp; Unrestricted Assets) – Current Liabilities</b>	
<b>Restricted &amp; Unrestricted Assets</b> <i>(sum of)</i>	<b>Current Liabilities</b> <i>(difference of)</i>
Cash: Unrestricted (ITEM_111) (LRPH + 14.PHC)	Total Current Liabilities (ITEM_310) (LRPH + 14.PHC)
Cash: Tenant Security Deposits (ITEM_114) (LRPH + 14.PHC)	Current Portion Long Term Debt: Capital Projects (ITEM_343) (LRPH + 14.PHC)
Cash: Other Restricted (ITEM_113) (14.PHC)	
Cash: Restricted Payment of Current Liabilities (ITEM_115) (LRPH + 14.PHC)	
Total Receivables (ITEM_120) (LRPH + 14.PHC)	
Investments: Unrestricted (ITEM_131) (LRPH + 14.PHC)	
Investments: Restricted for Payment Current Liability (ITEM_135) (LRPH + 14.PHC)	
Prepaid Expenses and Other Assets (ITEM_142) (LRPH + 14.PHC)	
Inter-program: Due From (ITEM_144) (LRPH + 14.PHC)	
Assets Held for Sale (ITEM_145) (LRPH + 14.PHC)	

HUD will calculate the Operating Reserves for each PHA based on the PHA’s FDS submission for the following Fiscal Year End (FYE) dates:

- December 31, 2020
- March 31, 2021
- June 30, 2021
- September 30, 2021

The information to calculate the Operating Reserves will be taken from the PHA’s approved audited financial submissions as of the date shown above. If an approved audited financial submission is not available, HUD will use the approved unaudited data. If no approved data exists for the PHA, the PHA will not be eligible for funding under this set-aside. Further, PHAs that have removed all Section 9 Public Housing Annual Contributions Contract (ACC) units from their public housing program, and PHAs that have submitted requests to remove all Section 9 Public Housing ACC Units from their public housing programs as of the date HUD pulled such data from PIC, will not be eligible to receive Shortfall funding. PHAs that did not receive CY 2022 Operating Funds will not be eligible to receive Shortfall funding.

HUD reserves the right to change this calculation in future years based on changing circumstances and the iterative nature of this funding program.

*Tenants Accounts Receivables Adjustment and MOR*

HUD recognizes that PHAs may be experiencing financial hardship due to an increase in unpaid tenant rents which is reflected in the growth of their tenant account receivables (TARS). The

growth in TARS has been abnormally high since the start of the pandemic. Certain policies and economic factors have contributed to the growth in TARS which has resulted in lower cash flow to the PHAs. Specifically, the CARES Act included an eviction moratorium through July 31, 2020, and a 30-day notice prior to eviction filings for nonpayment of rent. At the same time, several States and localities issued eviction moratoriums. On September 4, 2020, the Centers for Disease Control (CDC) Director issued an order temporarily halting evictions in the United States due to the ongoing public health crisis, and subsequent Federal eviction moratoria were in effect until August 26, 2021. There have been, and continue to be, effective local and State eviction moratoria related to the ongoing pandemic. Earlier this year, HUD published Notice PIH 2022-02, which, among other information related to the Public Housing Assessment System, established a temporary revised scoring methodology for the TARS sub indicator to reflect the impact of the eviction moratoriums and ongoing rent collection challenges. To further support PHAs that are experiencing increases in TARS during the pandemic, for the FY 2022 Shortfall calculation, HUD will adjust the shortfall calculation to factor in increases in TARS.

To offset the impact of higher TARS, HUD plans to modify the MOR and eligibility calculation mentioned above with a one-time Excess TARS adjustment. Excess TARS will be calculated by normalizing a PHA’s TARS Ratio for the Shortfall FYEs previously mentioned. The TARS Ratio is the calculation used in the MASS indicator under PHAS. Please see the following link for more information on the MASS indicator.

<https://www.hud.gov/sites/documents/MASS-TRAINING.PDF>

HUD will use the 2019 FYE for each Shortfall eligible PHA to calculate a normalized, baseline TARS Ratio. HUD will then apply the baseline TARS Ratio to the Shortfall FYE tenant rent amount to calculate a normalized TARS amount. HUD will subtract the normalized TARS amount from the Shortfall FYE TARS amount to calculate the Excess TARS adjustment. Only positive Excess TARS values will be retained. The Excess TARS amount will then be subtracted from the PHA’s Operating Reserves calculation. This will lower the PHA’s MOR and raise their eligibility amount.

<b>Normalized Shortfall TARS = Baseline TARS Ratio x Shortfall Tenant Rents</b>	
<b>Baseline TARS Ratio (2019 FYE)</b>	<b>Shortfall Tenant Rents (Shortfall FYE)</b>
Tenant Receivables FDS 126 (LRPH + 14.PHC)	Tenant Rents FDS 70500 (LRPH + 14.PHC)
<i>(divided by)</i>	
Tenant Rents FDS 70500 (LRPH + 14.PHC)	

<b>Excess TARS = Higher of (Shortfall TARS - Normalized Shortfall TARS) or Zero</b>
<b>Shortfall TARS (Shortfall FYE)</b>
Tenant Receivables FDS 126 (LRPH + 14.PHC)

<b>Months of Reserves (MOR) = Operating Reserves / Monthly Expenses</b>	
<b>Operating Reserves</b>	<b>Monthly Expenses</b>
Restricted & Unrestricted Assets	Total Operating Expenses FDS 96900 (LRPH + 14.PHC)
<i>(minus)</i>	<i>(divided by)</i>
Current Liabilities	Number of months in FDS
<i>(minus)</i>	
Excess TARS	

## **6. Eligibility of PHAs Participating in the Rental Assistance Demonstration**

For FFY 2022, projects that underwent a partial or full Rental Assistance Demonstration (RAD) conversion in their Fiscal Year End (FYE) used for Shortfall eligibility will be excluded from the Shortfall eligibility calculation. Partial RAD conversions can create imbalances between the Income Statement and Balance sheet. HUD has determined that excluding projects with partial RAD conversions is an appropriate adjustment to the Shortfall eligibility calculation. Full RAD conversions are, by definition, no longer in the Public Housing program and are ineligible for Operating Fund Grant assistance. HUD will use the RAD indicator found in the FASS system to remove these projects from the Shortfall eligibility calculation.

## **7. Eligibility of PHAs Participating in the Moving to Work (MTW) Demonstration**

PHAs participating in the MTW Demonstration are generally eligible to receive funding under this set-aside provided they have not utilized their MTW funding flexibility in a manner that reduced the Operating Reserves held in their Public Housing Program. To make this determination, HUD has reviewed the most recent five years of approved audited/unaudited financial statements from each MTW PHA, calculating the net funds transferred into or out of the Public Housing Program. If the funds transferred into the Public Housing Program are less than the total amount of grant revenue reported in, then the PHA will not be eligible for funding.

For FFY 2022, CARES Act funding will be incorporated into the MTW calculation due to the MTW funding flexibility criteria. Transfers out will be offset by any transfers into the CARES Act Public Housing program funding.

Expansion MTWs will be subject to these Shortfall eligibility calculations based on when the MTW begins to use its funding flexibility. HUD will utilize the 14.OPS and 14.CFP FDS columns for expansion MTWs to denote the FYE when they start to use their MTW funding flexibility.

<b>Net Amount of Op/Cap Block Grants Used for Low Rent Program = Total Public Housing Funding Transferred In – Total Grants and Transfers Out</b>	
<b>Total Public Housing Funding Transferred In</b> <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i>	<b>Total Grants and Transfers Out</b> <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i>
• Line 10010 (Operating Transfer In) of 14.PHC	• Line 70600 (HUD PHA Operating Grants) of Column 14.OPS MTW Demonstration Program for Public Housing
• Line 10010 (Operating Transfer In) of Low Rent Program (Project Total)	• Line 70600 (HUD PHA Operating Grants) of Column 14.CFP MTW Demonstration Program for Capital Fund
	• Line 70610 (Capital Grants) of Column 14.CFP MTW Demonstration Program for Capital Fund
	• Line 10020 (Operating Transfer Out) of 14.PHC

## 8. Eligibility for PHAs that Received Shortfall Funding for FFY 2021

If a PHA received Shortfall funding from the Shortfall Funding Program for FFY 2021, they are still eligible to receive Shortfall funding for FFY 2022 provided they have finalized their FFY 2021 improvement plan by March 13, 2022. As explained in Section 10 of [PIH-2021-12](#), PHAs have six months from the date of award to finalize their improvement plan.

## 9. Process for Applying for Shortfall Funding

FFY 2022 Shortfall applications, appeals, budgets, and improvement plans will be submitted online through the OpFund Web Portal. Please refer to the following link for instructions on how to access the Operating Fund Portal:

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/am/webportal](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/webportal)

*HUD List of Eligible PHAs*

Using existing FDS and PIC data, HUD has completed the calculations described in Sections 5, 6, and 7 of this notice, and published a list of PHAs and their eligibility amounts to:

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/am/opfund\\_shortfall\\_funding2022](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/opfund_shortfall_funding2022)

Located on this site is a worksheet showing each PHA's eligibility. The site also contains a list of PHAs that are ineligible to receive Shortfall funding and the reason. Reasons for ineligibility include any of the following:

- A non-current FDS submission (before 12/31/2020),
- PHAs with reserves of three months or more,
- PHAs planning to leave the Public Housing program – for example, PHAs are projected to leave Public Housing if they have zero ACC units after subtracting all entered, submitted, and approved Demo Disposition Applications (DDAPs),

- MTW PHAs that use their block grant flexibility in a manner that reduced funds available in the Public Housing program,
- PHAs that currently have zero ACC units,
- PHA that have not received Operating Funds in FY 2022.

The site also contains a worksheet enumerating the analysis of MTW PHAs' use of fungibility.

To ensure that all PHAs are fully informed related to Shortfall funding, upon publication of this Notice, HUD will be transmitting information to each PHA using the PHA email address on record in IMS/PIC. This email will contain the MOR calculation and resulting Shortfall funding eligibility and any MTW transfer calculation described above.

### *Applications for Funding*

PHAs that are included on the list of eligible PHAs described above may apply for Shortfall funding by visiting the OpFund Web Portal and navigating to the Shortfall 2022 tab by selecting "PHA Reports & Submissions" on the left-hand side, and then selecting "Shortfall Submissions" on the gray horizontal bar on the page, lastly, click "Shortfall Application."

On this webpage PHAs can apply to the Shortfall 2022 funding program by clicking "Apply" and then filling out the form. PHAs must apply, via this website, by **July 12, 2022**.

### *Process for Curing Applications with Deficiencies*

Upon review by HUD staff, if a Shortfall Application is found to have deficiencies by HUD staff, the application will be returned to the PHA. PHAs will receive a notification via email that their application has been returned. The PHA will have the later of seven calendar days from notification of returned application, or the application deadline, to correct any deficiencies identified and resubmit their Shortfall Application online in the OpFund Web portal. If additional deficiencies are found following the first re-submission of a cured application, the PHA will continue to be under the original seven calendars days or application deadline correction timeline.

For example: If a PHA submits their application on the deadline July 12, 2022, and HUD finds an error on July 15, 2022, the PHA must resubmit their application, including all corrections, by July 22, 2022 (seven calendar days after returned application).

## **10. Appeals of Eligibility Status or Amount Due to Errors on the FDS Data**

If a PHA wishes to receive Shortfall funding and believes that the information utilized by HUD to determine its eligibility or calculate its eligibility amount is inaccurate, or the FDS data itself is inaccurate, the PHA must appeal to HUD no later than midnight (Eastern Time) on the application deadline date **July 12, 2022**. All appeals must be submitted through the OpFund Web Portal, selecting "Shortfall Appeals" under "Shortfall Submissions" on the "PHA Reports & Submissions" page.



Notwithstanding the foregoing, a PHA can always reach out to their HUD Field Office with any other problems or concerns that may arise in this process.

HUD requires the following documents for all appeals and these documents will need to be uploaded to the Web Portal as prompted in the Appeal form. Each document must be uploaded in the OpFund Web Portal before an appeal will be reviewed or processed. Missing appeal documents or information will result in a denial of the appeal. If a document is not applicable for to the appeal the PHA can upload a document with the words “Not Applicable.”

- 1) a re-calculation of Operating Reserves assuming the amount of the requested appeal is approved;
- 2) a copy of the approved FDS used to calculate Shortfall eligibility;
- 3) an indication of the corrected entries and financial information;
- 4) for PHAs that will submit a revised financial statement to HUD, a written concurrence from the PHA’s auditor;
- 5) a signed statement (signed pdf is acceptable) by the PHA’s Executive Director certifying that the submitted information is accurate;
- 6) other documentation to support appeal outside of the above categories.

#### *Specific Required Documents*

The four most common corrections to the FDS are described below along with additional documentation that HUD requires for each one.

- 1) Incorrect reporting of insurance proceeds. The Annual Contributions Contract (ACC) requires that insurance proceeds be used to restore, reconstruct, or repair damaged or destroyed property. A PHA may appeal if it incorrectly reported insurance proceeds as unrestricted on the FDS but is in fact required to use those proceeds to repair the property. The PHA must submit: (a) the total amount of proceeds; (b) the amount of proceeds used to restore, reconstruct, or repair the damaged or destroyed property; (c) information on how the PHA has accounted for the proceeds on the FDS; (d) a statement that the PHA intends to use the funds to repair or rebuild the damaged or destroyed property; and (e) any estimated costs of required repairs that have not yet been incurred.
- 2) Disaster funds. Some PHAs received funds or entered into agreements to repair their public housing units that were damaged in a federal, state, or other declared disaster. Depending on the source of the funding or the program (e.g., Section 901), these assets may have been incorrectly reported in the FDS columns of the public housing projects or should have been reported as restricted (and therefore not included in the PHA’s Operating Reserve calculation). PHAs can request to correct their FDS if these funds are misreported (either in the wrong FDS line or in the wrong FDS program). When the agreement is no longer in effect and/or all, or a portion, of these unspent funds will not be used for repair of the units, these funds do not qualify for an appeal and should be returned to the originating funding source and reported as such on the FDS. The PHA must submit approved plans, agreements, and other related documents which show that the funds are still restricted for and will be used to repair or rebuild

public units damaged by a disaster and authorization of the use of Operating Reserves to fund the repairs. The PHA also needs to describe the type of disaster and the dates on which the damage occurred.

- 3) Non-Federal funds. Some PHAs may have received funds or grants from non-Federal sources (e.g., state governments, local governments, non-profit organizations, or developer fees) and incorrectly reported those funds on their FDS in the Public Housing program. This may have occurred because the PHA intended to use those funds to support its Public Housing program. When requesting an appeal, a PHA must submit evidence of the receipt of the non-Federal source. It must also document that the unspent amount is still being incorrectly included in the Operating Reserves and that the funds were improperly reported under the Public Housing program.
- 4) Disposition Proceeds. Section 18(a)(5)(B) of the 1937 Act, 24 CFR 970.19, and PIH Notice 2020-23 (HA) require that PHAs use Section 18 disposition proceeds for the “provision of low-income housing or to benefit the residents of the public housing agency; or leveraging amounts for securing commercial enterprises, onsite in public housing projects of the public housing agency, appropriate to serve the needs of the residents.” PHAs record the receipt of proceeds on their FDS submitted to HUD as a “restricted” cash/investment on the associated project’s FDS. A PHA may appeal if it incorrectly reported disposition proceeds as unrestricted on the FDS but is in fact required to use those proceeds to in accordance with Section 18(a)(5)(B) of the 1937 Act. To appeal, the PHA must submit the following: (a) the total amount of proceeds; (b) the PHA’s proposed use of those proceeds for Section 18(a)(5)(B) purposes; (c) information on how the PHA has accounted for the proceeds on the FDS; (d) a statement that the PHA intends to use the funds for Section 18(a)(5)(B) purposes and in accordance with PIH Notice 2020-23.

Following the appeal decision, if eligible, the PHA must apply for Shortfall funding within seven calendars days using the application form in the OpFund Web Portal. Furthermore, if the appeal is approved, the PHA must submit a corrected FDS to FASS-REAC within 30 days after HUD notifies the PHA that the original FDS submission has been invalidated. If the PHA does not submit its corrected FDS or the submission cannot be approved due to other errors, HUD may deny the application and recapture funds. PHAs should be aware that the approval of such appeals may result in the lowering of the PHA’s Financial Assessment of Public Housing (FASS-PH) score. PHAs should also be aware that if an unaudited submission is corrected, HUD will not approve the reversal of that correction in the submission of the PHA’s audited financial statements.

## **11. Prioritization of Funding**

If the total amount of Shortfall funding that all PHAs are eligible to receive based on the criteria in this Notice exceeds the total Shortfall amount that is available through the Act, then HUD will not be able to fund or fully fund every eligible PHA.

Shortfall funding will be distributed in five cohorts to maximize its impact to the PHAs with the greatest need. Additionally, the guidance in the JES prioritizes small PHAs in the distribution of

funds. Although PHAs of various size may currently be below three MOR, HUD is concerned with the ability of small and very-small PHAs to generate resources to supplement their public housing program.

HUD has established five cohorts, based on size of PHA, to distribute Shortfall funding. These cohorts are identified below:

- 1) Cohort 1: PHAs with fewer than 250 units
- 2) Cohort 2: PHAs with at least 250 and not more than 499 units
- 3) Cohort 3: PHAs with at least 500 and not more than 1,249 units
- 4) Cohort 4: PHAs with at least 1,250 and not more than 6,599 units
- 5) Cohort 5: PHAs with at least 6,600 units

Within each cohort, a PHA will be assigned an ordinal based on their MOR with a lower MOR receiving a lower ordinal. Each PHA will be funded in successive order starting with the lowest ordinal. PHAs will be provided sufficient Shortfall funding to raise their MOR to three. Once a cohort has been completely funded, the next cohort will be allocated funding. This process will continue until the \$25 million has been allocated or all PHAs have been fully funded.

HUD intends to obligate the full \$25 million set-aside provided in the Act. Therefore, the last PHA to be funded will receive funding equal to the lesser of their eligibility or the remaining balance of the total Shortfall funding.

## **12. PHA Improvement Plans**

To establish that PHAs that receive Shortfall funding take appropriate steps to ensure long-term financial solvency, HUD will undertake the additional monitoring of all PHAs that receive funding under this category. Further, for all PHAs that receive Shortfall funding, the award letter will identify actions that the PHA can take to improve their financial performance. The list will not be specific to any PHA, but rather operational improvements that HUD has historically recommended to insolvent PHAs. HUD encourages PHAs to consider the impact on residents and supportive service programs when determining next steps. Please see the list below.

- Reduce costs/increase revenue.
- Increase program rent revenue by improving occupancy and evaluating rent collection policies and actions.
- Consider selling property/assets in accordance with HUD's disposition regulations.
- Convert properties through a RAD conversion and possibly with Low-Income Housing Tax Credits.
- Reposition capital assets that are beyond their useful life.
- Seek additional financing (e.g., debt, equity, cash flow) through your municipality, finance authority, and housing trust fund.
- Renegotiate contracts with workforce and/or vendors.
- Restructure the agency's organization and staff.
- Evaluate utility consumption and energy policies and consider implementation of energy conservation measures and agreements to reduce energy costs.

PHAs that receive Shortfall funding are required to develop a plan identifying action items the PHA can take to improve their financial performance. This plan will be submitted by the PHA through the OpFund Web Portal for the Shortfall 2022 process. All improvement plans must be submitted through the OpFund Web Portal, selecting “Shortfall Improvement Plan” under “Shortfall Submissions” on the “PHA Reports & Submissions” page. The Improvement Plan screen will include options for the Strategies and will also allow for PHAs to go back into the portal, update it over time, and upload supporting documentation. Field Offices will approve the PHAs improvement plan. The PHA will submit their Improvement Plan no later than six months after the date of the grant award. Failure to provide an Improvement Plan by the six-month due date will result in suspension or recapture of their Shortfall award.

### **13. PHA Shortfall Budgets**

Participation in the Shortfall program requires PHAs to periodically submit budgets to HUD. HUD requires this information to track and measure the effectiveness of the PHA in improving their financial condition. The budget will be a condensed, pro-forma version of the FDS Income Statement. Budget and Actuals must be submitted for each Public Housing project reported in the FDS. The PHA will update this document multiples times during the year with budget and actuals. Budgeted information must be provided for the current FYE. All Shortfall Budgets must be submitted through the OpFund Web Portal, selecting “Shortfall Budget” under “Shortfall Submissions” on the “PHA Reports & Submissions” page.

The initial budget will be due no later than six months following the date of award. Subsequent annual budgets will be due on the first day of the PHA’s Fiscal Year. Actuals will be reported by PHAs twice during the fiscal year. First-half (1H) actuals will be due 30 days following the end of the PHA’s fiscal year mid-point. This will normally be six-months after the start of the fiscal year. HUD recognizes that some PHA’s use cash-based or modified accrual accounting throughout most of the fiscal year and make adjusting-entries at year-end to convert to full, GAAP-compliant accrual accounting. For Shortfall, PHA’s can report their 1H actuals using their normal accounting practices and do not need to make adjusting-entries. Year-end (YE) actuals will be due 60 days after the PHA’s fiscal year end. The YE actuals, which will be reported on a cumulative basis, must include any appropriate accounting adjustments to reconcile back to the accounting treatment the PHA used when reporting to FASS-REAC. The YE column must match the unaudited FDS submission for the same FYE. PHAs will have the flexibility to make corrections to their 1H actuals prior to their final submission.

Below is a potential schedule of due dates for budgets and actuals for a given PHAs based on their FYE.

<b>FYE</b>	<b>3/31</b>	<b>6/30</b>	<b>9/30</b>	<b>12/31</b>
Award Date	12/1/2022	12/1/2022	12/1/2022	12/1/2022
<b>Initial Year-0</b>				
Year-0 FYE	3/31/2024	6/30/2024	9/30/2023	12/31/2023
Year-0 Budget Due Date	6/1/2023	6/1/2023	6/1/2023	6/1/2023
Year-0 First Half Actuals Due	10/30/2023	1/29/2024	Not Required	7/30/2023
Year-0 YE Actuals Due	5/30/2024	8/29/2024	11/29/2023	2/29/2024
<b>Subsequent Year-1</b>				
Year-1 FYE	3/31/2025	6/30/2025	9/30/2024	12/31/2024
Year-1 Budget Due	4/1/2024	7/1/2024	10/1/2023	1/1/2024
Year-1 First Half Actuals Due	10/30/2024	1/29/2025	4/29/2024	7/30/2024
Year-1 YE Actuals Due	5/30/2025	8/29/2025	11/29/2024	3/1/2025
<b>Subsequent Year-2</b>				
Year-2 FYE	3/31/2026	6/30/2026	9/30/2025	12/31/2025
Year-2 Budget Due	4/1/2025	7/1/2025	10/1/2024	1/1/2025
Year-2 First Half Actuals Due	10/30/2025	1/29/2026	4/29/2025	7/30/2025
Year-2 YE Actuals Due	5/30/2026	8/29/2026	11/29/2025	3/1/2026

Failure by the PHA to meet timely updates and submissions of budgets may result in suspension or recapture of their Shortfall award.

#### **14. Access to Funds**

Within each cohort, grants will be provided in two separate funding tiers. Tier 1 grants will be provided to PHAs with MORs less than zero and will be made in the amount needed to raise the PHA's MOR to zero. Tier 2 grants will be made in the amount needed to raise each PHA's MOR to three.

PHAs that receive Shortfall funding may draw down amounts from their grant award as needed, to fund their immediate needs. PHAs will enter their expenditure information into the Line of Credit Control System (LOCCS) monthly to validate the expenditure of the funding drawn down. Shortfall funding grants may not be placed into the PHA's Operating Reserves. PHAs that receive Tier 2 Shortfall funding will have these grant funds placed in BLI 2000, which restricts access to the funds. The funds will become unrestricted by being placed into BLI 1000 by the Field Office upon meeting the milestones identified below.

### Tier 1 Funding

PHAs that have a negative MOR due to negative Operating Reserves will be provided a single Tier 1 grant.

- Tier 1 funding will be sufficient to raise the PHA's Operating Reserves to zero.
- Funding provided to Tier 1 PHAs to bring their MOR to zero will not be placed on auto review by HUD and may be drawn down to pay immediate needs upon grant award.

### Tier 2 Funding

All Shortfall funded PHAs will receive two Tier 2 grants.

- Tier 2 grants will be placed on auto review by HUD. The Tier 2 amount will be split evenly, rounded and provided as two grants. Rounding may create an immaterial difference in the amounts between the two grants.
- To access Tier 2 funding, PHAs must submit their improvement plans and initial budget in accordance with the timelines specified in Sections 12 and 13, respectively.
  1. The first increment (Tier 2 Grant 1) will be made available to PHAs to draw down as needed to pay for immediate needs upon the finalization of the improvement plan required by Section 12 of this Notice and submission of initial budget required by Section 13 of this notice.
  2. The second increment (Tier 2 Grant 2) will be made available to PHAs to draw down as needed to pay for immediate needs upon the approval of an FDS demonstrating an MOR of 1.5 or greater. The MOR will be calculated with the same methodology discussed in Section 5. The FDS submission must be at least one full fiscal year after the submission of the PHA's improvement plan. For example: if a 9/30 PHA submits their improvement plan on 10/15/2022, the earliest FYE the PHA can use to demonstrate a MOR of 1.5 or greater will be the 09/30/2024 FYE. It is important that PHAs submit their improvement plan quickly in order to minimize any delay in their ability to access funding. Note that, for the last-funded Tier 2 PHA, if that PHA receives only partial funding an alternative requirement will apply. The last funded PHA will have to demonstrate an MOR that is equal to the MOR achieved when adding the Tier 1 grant and the first grant of Tier 2 to their Shortfall Operating Reserves amount.

If a PHA does not meet the milestones described above related to submission of an improvements plan and budget, and maintaining an adequate MOR, that PHA will be unable to draw down applicable funds.

Any unobligated funds remaining at the end of the period of performance (see Section 18) will be recaptured.

## **15. Completing the Shortfall Program**

PHAs that successfully complete all of the requirements of the Shortfall program are no longer required to submit budgets and actuals. Successful completion of the program includes the following:

- PHA has submitted their improvement plan,
- PHA is current on all budget and actual submissions,
- PHA has achieved a MOR of 1.5 on a subsequent FDS, as defined in Section 14 of this Notice.

Once a PHA meets the above criteria they can immediately stop reporting budget and actuals information in the OpFund Web Portal.

## **16. Amendments to the Form SF-424 and Shortfall Application**

In 2022, a PHA only needs to submit one SF-424 per year through the Operating Fund Portal. That SF-424 will serve all Operating Fund Grants including both grants made pursuant to the Operating Fund Formula (24 CFR 990) and Shortfall Notice. To the extent that a PHA submitted a complete and accurate SF-424 as part of the Operating Fund Formula grant process, to apply for 2022 Shortfall funding, such PHAs must only submit a Shortfall application. The Shortfall Application must be signed with a wet signature (a wet signature is when a person uses a pen to sign their name). PHAs are not required to resubmit or revise their form SF-424 for the FY 2022 Operating Fund Grant.

## **17. Eligible Uses of Shortfall Funding**

The funds provided through this Shortfall funding set-aside are provided through the Public Housing Fund account. PHAs may use Shortfall funds for eligible Operating Fund expenses. If a PHA receives Shortfall funding while it still has public housing units, but subsequently removes all units from its Public Housing program, and proceeds to close out its Public Housing program and terminate its ACC with HUD, the PHA should refer to Section 6 of [PIH Notice 2019-13](#) or [PIH Notice 2014-24](#). These notices explain how to return to HUD, or transfer to another PHA, any remaining Operating Funds, including Shortfall funding.

PHAs must determine if the Regulatory and Operating Agreement (R&O) negotiated with a MF owner requires the PHA to share Shortfall funding it receives from HUD with that owner. If the R&O does not require the PHA to share Shortfall funding, a PHA may nonetheless provide Shortfall funds to their MF owners to pay for eligible operating expenses related to the project's public housing units. Funds provided to an MF owner entity may only be made pursuant to the PHA's improvement plan. Therefore, if a PHA is required to, or elects to, provide Shortfall funding to an MF owner entity, the improvement activities supported with the funds must be included in the improvement plan. Shortfall funds provided to MF owners are considered expended by the PHA.

## **18. Period of Performance**

The period of performance for these funds starts on the date of award and ends four years from the end of the funding year during which the funds were awarded, which is December 31, 2026. The PHA can use Shortfall funds to pay Operating Fund expenses for which obligations were incurred during the period of performance. Any unobligated funds remaining at the end of the period of performance will be recaptured. PHAs must liquidate all obligations within 120 days of the end date of the period of performance. LOCCS will be locked 120 days after the end of the period of performance and PHAs will not be able to draw down any additional funds. Any unliquidated obligates remaining after 120 days of the end of the period of performance will be recaptured.

For PHAs that fully convert to RAD and still have Shortfall funds remaining in LOCCS:

- If the funds are locked, they will be recaptured by HUD.
- If the funds are unlocked the PHA can use them for closeout activities.

## **19. Accounting Treatment**

Shortfall funding program activity is associated with the PHA's projects, and as such, must be reported on the FDS at the project level. PHAs are required to report activities funded from the Shortfall Program in accordance with generally accepted accounting principles (GAAP).

Revenue recognition of Shortfall funds: from an accounting perspective, the PHA will recognize the Shortfall funds as revenue, when the PHA has incurred an eligible cost which will be funded by the Shortfall funds, regardless of when the funds were drawn down. This accounting and reporting are similar to that of the Capital Fund program.

## **20. LOCCS Reporting**

The PHA is required to report monthly expenditures in LOCCS. The PHA will be able to draw-down an amount of funding from their Shortfall funding grant equal to the total expenditures entered in LOCCS. This process will continue until the expenditures reach 100 percent of the grant amount.

## **21. Further Information**

All questions from PHAs are to be emailed to the appropriate Field Office.

## **22. Paperwork Reduction Act**

The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval numbers 2577-0026, 2577-0029, 2577-0157 and 2577-0246. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB number.



### **23. Penalty for False Claims and Statements**

HUD will seek civil, criminal, or administrative action against individual and entities who either make, present, submit, or cause to be submitted a false, fictitious, or fraudulent statement, representation, or certification. 18 U.S.C. §§ 287, 1001, 1010, 1012, 1014 and 31 U.S.C. §§ 3729, 3802.

### **24. Withdrawal from the Shortfall Program**

PHAs can withdraw from the Shortfall Funding program at any time. To confirm the PHA's intent to withdraw from the Shortfall program, the PHA must provide the following:

- A letter from the PHA's Executive Director stating that they wish to withdraw from the program and return the funds to HUD with a wet signature;
- Minutes from a PHA Board Meeting showing that the decision to withdraw from the Shortfall Funding Program has been discussed and agreed on.

The PHA will be required to return to HUD any funds withdrawn from eLOCCS. Any funds remaining in eLOCCS will be recaptured by HUD. Once the PHA has submitted required documentation related to their request to withdraw from the program and returned any withdrawn funds they will no longer be required to submit an improvement plan, budget, actuals, or SF-425s.

### **25. Submission of Federal Financial Report (SF-425) and Shortfall Close Out**

PHAs must obligate all Shortfall Funding (as described in Notice PIH-2022-17) by the end of the Period of Performance. PHAs must submit Federal Financial Reports (SF-425) for each PHA Fiscal Year, 120 days after the PHA's Fiscal Year End. PHA's must report annually until the earlier of the end of the Period of Performance or when their SF-425 reports no unobligated funds, unliquidated obligations, or cash on hand.

The Field Office may request additional documentation to verify the eligibility and timing of PHA expenses.

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/ s /  
Dominique Blom  
General Deputy Assistant Secretary  
for Public and Indian Housing