

Office of Public and Indian Housing

**For Public Housing Operating Fund
Explanation of Calendar Year (CY) 2025 Obligations
Public Housing Shortfall Set-Aside**

Public Housing Shortfall Set-Aside Obligations

This obligation allocates \$25 million in Public Housing Shortfall pursuant to the FFY 2025 Consolidation Appropriations Extension Act (Public Law 119-4). For full program requirements, including eligible uses and reporting, PHAs should refer to PIH Notice 2025-30, available on HUDCLIPS at:

<https://www.hud.gov/sites/dfiles/hudclips/documents/PIH-2025-30.pdf>

PHA Eligibility Levels and Obligations for Shortfall CY 2025

The full \$25 million is being obligated to PHAs based on eligibility and need. To qualify, a PHA must have had less than three Months of Operating Reserves (MOR) and must have submitted an application. Unlike regular Operating Fund grants, this funding was not pro-rated. Instead, PHAs were ranked based on their level of need, taking into account both their reserve levels and their size. Funding was then provided in that order until all available funds were used. Each PHA's obligation amount was calculated to bring its reserves up to three months, based on the most recent financial data submitted between December 2023 and September 2024. If there was not enough funding to fully cover all eligible PHAs, the last PHA funded may receive less than its full calculated amount. PHAs that were otherwise eligible but for whom funding was not available will not receive an obligation.

Unlike regular Operating Subsidy grants, which are made accessible to PHAs in 1/12th increments, the entire amount of the Shortfall Act funding is obligated at once. However, access to funding will be segmented into different increments. The first two increments identified with a grant code of XXXXX101ISF25D and XXXXX201ISF25D will be available for immediate draw down in LOCCS. The XXXXX202ISF25D codes will be made available to draw down once the PHA has improved their financial position such that their MOR is 1.5 or more based upon a subsequent financial statement submission. **PHAs should not draw down funds before they are eligible to do so. Any funds drawn prematurely may have to be repaid using non-federal funds.**

Shortfall funds must be used only for immediate, eligible expenses. They cannot be added to a PHA's reserves and must be tracked separately from other funds. As with Capital Fund requirements, PHAs must report their expenditures each month in eLOCCS before drawing down funds. Obligation Letters for 2025 will be available on the FMD website:

<https://www.hud.gov/hud-partners/public-indian-housing-opfnd2025>

Increment	Grant Number	Amount	Milestone
1	XXXXX101ISF25D	\$XX,XXX	None. 100% of grant funds immediately available.
2	XXXXX201ISF25D	\$XX,XXX	None. 100% of grant funds immediately available.
3	XXXXX202ISF25D	\$XX,XXX	Access to the grant funds contingent upon the PHA reporting Months of Reserves (MOR) greater than 1.5 on an approved FDS.

Ideas for Operational Improvements to Improve MOR

Below is a list of operational improvements that can support long-term financial stability. This list is not specific to your PHA, but reflects operational improvements HUD has commonly recommended to PHAs facing solvency issues. Please see the list below.

- 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, forgiveness) 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.
- Reduce costs/increase revenue.

All funds must be used in accordance with the Annual Contributions Contract and associated laws and regulations. By drawing down the funds obligated in the obligation letter, the PHA is confirming agreement and compliance with the terms and conditions of the Public Housing Shortfall program. Further, a drawdown of these funds constitutes an agreement by the PHA that the current eligibility and obligation is correct, and that the PHA has met the requirements to draw down the funds. The amount of the PHA’s obligated funds will be available through the HUD Electronic Line of Credit Control System (eLOCCS). Shortfall funds can only be used to pay for immediate needs and expenditures must be reported in the eLOCCS system. Instructions for the use of eLOCCS are available in the eLOCCS Quick References document at

https://www.hud.gov/program_offices/cfo/finsys/eLOCCS_access/quick_reference