



Special Attention of:
Public Housing Agencies
Public Housing Directors
Regional Public Housing Directors

Notice PIH 2026-10

Issued: April 20, 2026

Expires: The notice remains in effect until amended, superseded, or rescinded.

Cross References: Notices PIH 2014-24, 2019-13, 2025-03, and 2025-22

Subject: Implementation of Public Housing Operating Fund Shortfall Funding from Federal Fiscal Year 2026 Appropriations

I. PURPOSE

This notice implements the Consolidated Appropriations Act, 2026 (Public Law 119-75), referred to hereafter as “the Act,” which provides a \$337 million set-aside to assist public housing agencies (PHAs) experiencing or at risk of financial shortfalls. This notice provides guidance regarding eligibility, the application process, and other requirements to participate.

II. BACKGROUND

The Act provides \$337 million for the Secretary to allocate pursuant to a need-based application process to PHAs experiencing or at risk of financial shortfall, as determined by the Secretary.¹ These funds are not subject to the Operating Fund Formula but rather will be provided to PHAs pursuant to the shortfall appropriations language as determined by HUD. HUD will notify PHAs of their estimated shortfall eligibility no later than 60 days of the enactment of this Act.

III. APPLICABILITY

This notice applies to all PHAs administering the Public Housing Program, including those participating in the Moving to Work (MTW) Demonstration. All information used to make eligibility determinations will be based on the Inventory Management System/Public and Indian Housing Information Center (IMS/PIC) and Financial Data Schedule (FDS) data as of April 13, 2026.

IV. CHANGES FROM FISCAL YEAR 2025

Compared to Notice PIH 2025-30, this notice includes the following changes.

- The Months of Operating Reserves (MOR) calculation includes the effects of the Operating Subsidy proration rate.

¹ As required by the Act, awards will be made without regard to unit count.

- The primary methodology for shortfall eligibility will be the lesser of:
 - The amount needed to bring a PHA’s operating reserves to three months (3.0 MOR); or
 - The amount needed to bring the PHA’s subsidy proration rate to 100 percent. In some instances, when the lesser amount is the 100 percent proration, the award may not raise the PHA’s MOR to 3.0 MOR.
- If funds remain after applying the primary methodology, HUD will distribute the remaining funds using a secondary methodology.
- PHAs will receive a single shortfall grant instead of multiple grants.
- HUD eliminated preconditions for accessing shortfall funds, except that eligible costs must be immediately payable with supporting documentation and clarified that Line of Credit Control System (LOCCS) will not restrict shortfall grants.
 - HUD will no longer use CARES Act funds in the calculation of MOR for the Operating Fund shortfall since all funds awarded to PHAs have been expended.

V. ELIGIBILITY

A. Shortfall and Eligibility

HUD uses several metrics to measure the financial health of PHAs’ public housing programs. One such metric is whether a PHA experiences a “financial shortfall.” For this notice, HUD defines “financial shortfall” as an instance in which a PHA has an amount less than the equivalent of three months of operating expenses held in reserve after reviewing the impact of the 2026 Operating Subsidy proration rate.

Shortfall funding eligibility is based on a PHA’s MOR according to its most recently approved Shortfall FYE FDS submission (audited or unaudited) as defined below and its Operating Subsidy proration rate. In this Notice operating reserves are calculated by subtracting short term liabilities and the Proration Variance Amount from Short Term Assets.

Primary Methodology Eligibility

The fiscal year (FY) 2026 shortfall primary eligibility methodology will calculate PHA eligibility in an amount equal to the lesser of:

- The amount needed to bring their reserves up to the equivalent of three months of operating expenses (3.0 MOR), or
- The Proration Variance Amount.

For this notice, the Proration Variance Amount represents the amount required to increase a PHA’s proration rate to 100 percent. The Proration Variance Amount is calculated as the difference between the PHA’s Operating Subsidy eligibility amount, as shown in the Public Housing Portal at the time HUD retrieves the data, and the amount the PHA would receive for the year based on

that eligibility using the proration rate applied by HUD in its most recent Operating Subsidy obligation.

$$\text{Monthly Operating Reserves (MOR)} = \text{Operating Reserves} / \text{Monthly Operating Expenses}$$

$$\text{Proration Variance Amount} = \text{Operating Subsidy Eligibility} - (\text{Operating Subsidy Eligibility} \times \text{the Proration Rate})$$

Example Calculation: A PHA with \$220,000 of reserves after applying the Proration Variance Amount and \$100,000 in monthly operating expenses has a shortfall eligibility of up to \$80,000, calculated as $(\$100,000 \times 3) - \$220,000 = \$80,000$.

Scenario 1: The PHA's Operating Subsidy eligibility is \$500,000. At a proration rate of 90 percent, the funded amount would be \$450,000 $(\$500,000 \times 90\%)$, resulting in a Proration Variance Amount of \$50,000 $(\$500,000 - \$450,000)$. The PHA would be eligible for \$50,000, which is less than the amount needed to bring the PHA's MOR to 3.0 as described above (\$80,000).

Scenario 2: The PHA's Operating Subsidy eligibility is \$900,000. At a proration rate of 90 percent, the funded amount would be \$810,000 $(\$900,000 \times 90\%)$. The resulting Proration Variance Amount is \$90,000 $(\$900,000 - \$810,000)$. In this example, the PHA would be eligible for \$80,000, which is the amount needed to bring the PHA's MOR to 3.0 as described above, and is less than the Proration Variance Amount of \$90,000.

Secondary Methodology Eligibility

If total eligibility under the primary eligibility methodology is less than the available FY 2026 shortfall appropriations, HUD will conduct a second calculation using a secondary eligibility methodology. Note that PHAs will only be eligible under the secondary eligibility methodology if they only received an amount equal to the Proration Variance Amount in the primary eligibility methodology.

Under the secondary eligibility methodology, HUD will first calculate an updated reserves amount that represents anticipated reserves after receiving funding under the primary eligibility methodology. To determine how much funding would be needed to get the PHA to 3.0 MOR, HUD will then subtract the updated reserves from a benchmark equal to three months of operating expenses (3.0 MOR). The resulting amount represents the PHA's eligibility under the secondary methodology.

The secondary methodology eligibility will be added to the primary methodology eligibility for each PHA, prioritizing PHAs with the lowest MOR (using the

updated reserve level described in the above paragraph). Funding will be distributed in this order until all 2026 Shortfall Appropriations are distributed.

Example: In scenario # 1 the PHA began with Operating Reserves (net of the proration variance amount) of \$220,000. Methodology #1 then resulted in \$50,000 in eligibility for the PHA. This amount would be added to the reserves resulting in an updated reserve amount of \$270,000 (\$220,000+\$50,000). If appropriations remain to fund the PHA under the secondary methodology, HUD would add an additional \$30,000 to the PHA's Shortfall eligibility. This is derived by subtracting the PHA's updated reserves of \$270,000 from the benchmark reserves level of \$300,000 (three months of operating expenses (3.0 MOR), calculated as \$100,000 × 3).

There are limitations of the FDS data that HUD uses for this calculation:

- To calculate shortfall, HUD will exclude FDS data associated with mixed-finance projects because it does not reflect the operation or financial condition of those projects.
- HUD will exclude projects in the Low Rent Public Housing (LRPH) column that use the *Other Project* designation from the shortfall eligibility because they are not funded under the Operating Fund Grant Program.
- PHAs that removed all Section 9 Public Housing Annual Contributions Contract (ACC) units from their public housing programs or submitted requests to do so as of the date HUD pulls the IMS/PIC data are not eligible for shortfall funding.
- PHAs that are not eligible to receive Calendar Year (CY) 2026 Operating Funds will not be eligible for shortfall funding.

B. Operating Reserves and Monthly Operating Expenses

HUD uses the following formula calculations:

$$\text{Operating Reserves} = \text{Restricted \& Unrestricted Assets} \\ - \text{Current Liabilities} - \text{Proration Variance Amount}$$

$$\text{Monthly Operating Expenses} = \text{Total Operating Expenses in FDS 96900} / \\ \text{Number of Months in FDS}$$

$$\text{Months of Reserves (MOR)} = \text{Operating Reserves} / \text{Monthly Operating Expenses}$$

Table 1 lists FDS line items and Operating Subsidy data that HUD uses in the determination Public Housing Operating Reserves.

Table 1: Line Items Used in HUD's Calculations

Restricted & Unrestricted Assets (sum of)	Current Liabilities (difference of)
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<ul style="list-style-type: none"> • Cash: Unrestricted (ITEM_111) • Cash: Tenant Security Deposits (ITEM_114) • Cash: Restricted Payment of Current Liabilities (ITEM_115) • Total Receivables (ITEM_120) • Investments: Unrestricted (ITEM_131) • Investments: Restricted for Payment Current Liability (ITEM_135) • Prepaid Expenses and Other Assets (ITEM_142) • Inter-program: Due From (ITEM_144) • Assets Held for Sale (ITEM_145) 	<ul style="list-style-type: none"> • Total Current Liabilities (ITEM_310) • Current Portion Long Term Debt: Capital Projects (ITEM_343)
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HUD will calculate the Operating Reserves for each PHA based on its FDS submission on its respective fiscal year end (FYE) Shortfall FDS Submission:

- December 31, 2024
- March 31, 2025
- June 30, 2025
- September 30, 2025

The data used to calculate the Operating Reserves is taken from the PHA's latest accepted FDS audited submissions as of the dates shown above. If an accepted audited financial submission is not available, HUD will use the last accepted FDS unaudited data. If no accepted FDS unaudited or audited data exists for a PHA for the period, the PHA will not be eligible for funding under this set-aside.

C. Eligibility of PHAs Participating in the Rental Assistance Demonstrations

For FY 2026, HUD will exclude projects from the shortfall eligibility calculation that underwent a partial or full Rental Assistance Demonstration (RAD) conversion before the PHA's FYE identified above. HUD determined that excluding projects with partial RAD conversions is an appropriate adjustment to the shortfall eligibility calculation because of the distortions such removals have on financial data.

Full RAD conversions are no longer in the Public Housing Program and are ineligible for Operating Fund grants. HUD will use the RAD indicator found in the Financial Assessment Subsystem (FASS) to remove these projects from the shortfall eligibility calculation.

D. Eligibility of PHAs Participating in the Moving to Work Demonstration

PHAs participating in the MTW Demonstration are generally eligible to receive funding under this set-aside provided they have not used their MTW funding flexibility in a manner that reduced their Public Housing Operating Reserves. HUD reviews the most recent five years of accepted audited/unaudited financial

statements from each MTW PHA and calculates the net funds transferred into or out of the PHA's public housing program. For PHAs that have been MTW agencies fewer than five years, HUD will use only accepted audited/unaudited financial statements for fiscal years in which the PHA had been an MTW for the entire PHA year. Such PHAs may have less than five years of FDS submission. If the net funds transferred into/out of the public housing program are less than the total amount of grant revenue reported, causing the below calculation to result in a negative amount, then the PHA will not be eligible for funding.

$$\text{Net Amount of Operating/Capital Grants Used for Low Rent Program} = \text{Total Public Housing Funding Transferred In} - \text{Total Grants and Transfers}$$

Table 2: Line Items Used in HUD's Calculations for MTW PHAs

Total Public Housing Funding Transfers In (sum of <i>up to</i> the most recent 5 years of accepted audited/unaudited financial statements)	Total Grants and Transfers Out (sum of <i>up to the</i> most recent 5 years of accepted audited/unaudited financial statements)
<ul style="list-style-type: none"> Line 10010 (Operating Transfer In) of Low Rent Program (Project Total) and 14.PHC 	<ul style="list-style-type: none"> Line 70600 (HUD PHA Operating Grants) of Column 14.OPS MTW Demonstration Program for Public Housing 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 LRP and 14.PHC

VI. APPLICATION PROCESS

All shortfall applications must be submitted via the Shortfall module in the [Public Housing Portal](#). PHAs are required to only submit one application, as the shortfall methodology will be applied based on the availability of funds. The application must be signed by the PHA's executive director (or equivalent) either with a wet (i.e., a person uses a pen to sign their name) or an electronic signature.

HUD completed the calculations in this notice using existing FDS, Operation Subsidy eligibility proration rate, and IMS/PIC data and published a list of PHAs and their estimated eligibility amounts on the [CY 2026 Operating Fund Grant Processing webpage](#). This page features a worksheet with each PHA's estimated eligibility as well as a list of PHAs ineligible for shortfall funding and the reason for their ineligibility. Reasons include that the PHA:

- Does not have a CY 2026 SF-424 accepted by HUD;
- Does not have an accepted FDS submission in the time period required by HUD;

- Has reserves of three months or more (after subtracting the Proration Variance Amount);
- Plans to leave the Public Housing Program²;
- Is an MTW PHA that used their funding flexibility in a manner that reduced funds available in their public housing program;
- Has zero ACC units; or
- Did not receive Operating Funds for CY 2026.

The updated HUD shortfall eligibility worksheet is available at FY [2026 Shortfall Estimated Eligibility List](#). HUD will email FY26 shortfall eligibility information to ensure all PHAs are fully informed about available shortfall funding. Each PHA's shortfall notification email will contain the MOR calculation, the Proration Variance Amount calculation, resulting shortfall funding eligibility, and any MTW transfer calculation described above.

To receive shortfall funding, PHAs on the list of eligible PHAs must apply for funding in the Public Housing Portal by **5:00 p.m. eastern time on May 5, 2026**. Guidance on using the portal is available on the [Public Housing Portal webpage](#).

PHAs cannot submit an application past the deadline. For example, if a PHA submits an application at 1:00 p.m. eastern time on May 5, 2026, it will be considered. If it submits at 7:00 p.m. eastern time the same day, it will not be accepted.

VII. APPEAL PROCESS

If a PHA believes the information HUD used to determine its eligibility status or amount is inaccurate, including the FDS data, the PHA may submit an appeal to HUD.

All appeals must be submitted in the Public Housing Portal via the Shortfall Appeals Form by **5:00 p.m. ET on May 5, 2026**.

PHAs cannot submit an appeal past the deadline. For example, if a PHA submits an appeal at 1:00 p.m. eastern time on May 5, 2026, it will be considered. If it submits at 5:01 p.m. eastern time the same day, it will not be accepted.

HUD requires the following documentation for all appeals:

- A re-calculation of Operating Reserves that assumes HUD accepts the amount of the requested appeal;
- A copy of the accepted FDS that the PHA used to calculate shortfall eligibility,
- Indication of the corrected entries and financial information;
- *For PHAs that will submit a revised financial statement to HUD*, written concurrence from the PHA's auditor,

² PHAs are projected to be leaving the Public Housing Program if they have zero ACC units after subtracting all entered, submitted, and approved demolition/disposition applications.

- A signed statement (pdf) by the PHA’s executive director certifying the submitted information is accurate; and
- Other required documentation to support the appeal (see the [appendix](#)).

The PHA must upload each document to the Public Housing Portal before HUD will review or process the appeal. Missing or incomplete documentation will result in HUD denying the appeal. If a document is not applicable to the appeal, PHAs can upload a document with the words “Not Applicable.”

The [appendix](#) describes the four most common corrections to the FDS, along with additional documentation that HUD requires for each one. If the appeal is approved, the PHA must apply for shortfall funding in the Public Housing Portal within 3 business days and submit a corrected FDS to FASS within 30 days of notification that the original FDS submission was invalidated. HUD may deny the application and recapture funds if the PHA does not submit its corrected FDS or if the submission cannot be accepted due to other errors.

VIII. AMENDMENTS TO THE SF-424

In 2026, a PHA only needs to submit one SF-424 in the Public Housing Portal. This SF-424 will serve all Operating Fund grants, including both grants made pursuant to the Operating Fund Formula (24 CFR part 990) and this notice. To be eligible for 2026 shortfall funds, PHAs must have a 2026 SF-424 approved by HUD. PHAs that receive shortfall funds are not required to resubmit or revise the SF-424 previously submitted and accepted by HUD.

IX. ELIGIBLE USES OF SHORTFALL FUNDING

Allowable expenses for shortfall funds are the same as those for Operating Funds in [Notice PIH 2025-22](#), Section 6.

If a PHA subsequently removes all units from its public housing program and proceeds to close out its public housing program and terminate its ACC with HUD, refer to Section 6 of [Notice PIH 2019-13](#), *Public Housing ACC Termination and PHA Closeout*, or [Notice PIH 2014-24](#), *Process for Public Housing Agency Voluntary Transfers and Consolidations of the Public Housing Program*, for guidance on remaining federal funds. PHAs may provide shortfall funding to a mixed-financed owner entity according to its negotiated Regulatory and Operating Agreements (R&O). If the R&O does not require the PHA to provide shortfall funding, a PHA may elect to provide shortfall funds to the mixed-financed owner entity to pay for eligible expenses.

X. PERIOD OF PERFORMANCE

The PHA can use shortfall funds to pay eligible Operating Fund expenses for obligations incurred during the period of performance. The performance period for shortfall funds starts on the date of the award and ends four years from the end of the calendar year during which the funds were appropriated, which is December 31, 2030, at which point the grant agreement automatically terminates. If the PHA closes out its public housing

program before this date, the period of performance may end sooner (see [Notice PIH 2019-13](#) or successor notice).

HUD will recapture any unobligated funds remaining at the end of the period of performance. 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. HUD will recapture any unliquidated obligations remaining 120 days after the end of the period of performance pursuant to 2 CFR part 200 subpart D. If HUD re-obligates recaptured funds, the period of performance may be different than specified in this notice; HUD will identify the period of performance in the award letter.

For PHAs that fully convert to RAD or otherwise remove all their public housing units from inventory 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 until the end of the period of performance.

XI. ACCOUNTING

Shortfall funding activity is associated with public housing projects, and, as such, must be reported on the FDS at the project level. PHAs are required to report activities funded from Shortfall Funding in accordance with Generally Accepted Accounting Principles (GAAP). From an accounting perspective, the PHA will recognize the shortfall funds as revenue when the PHA incurs an eligible cost which will be funded by shortfall funds, regardless of when the funds were drawn down.

XII. REPORTING

The PHA is required to report monthly obligations and expenditures in LOCCS. The PHA will be able to draw down an amount of funding from its shortfall funding grant equal to the total expenditures entered in LOCCS. This process will continue until the expenditure reaches 100 percent of the grant amount.

HUD is implementing new grant management and reporting tools, which will be released for use by grantees in the near term. Grantees will be required to report on grant performance and financial activities (including vendor and cash disbursement supporting details for recipients and subrecipients) using these new tools when they are released. HUD will work with grantees to support the transition to this new reporting environment. Once implemented, timely reporting in this new environment will be mandatory.

HUD reserves the right to exercise all available rights and remedies in response to noncompliance with these grant management and financial reporting requirements, including requiring 100 percent review of expenditures or suspending future disbursements if reporting is not timely submitted. See [2 CFR part 200 subpart D, Performance and Financial Monitoring and Reporting](#).

XIII. PAPERWORK REDUCTION ACT

The information collection requirements contained in this notice are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501 et. seq.). In accordance with the PRA, 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 Control Number. The active information collections in this notice include OMB Control Numbers 2577-0026, 2577-0029, 2577-0157, and 2577-0246.

XXV. PENALTY FOR FALSE CLAIMS AND STATEMENTS

HUD will seek civil, criminal, or administrative action against individuals and entities that 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, and 1014 and 31 U.S.C. §§ 3729 and 3802.

XXVI. DECLINE OR RETURN SHORTFALL FUNDING

PHAs can decline or return awarded shortfall funding at any time. To confirm the PHA's intent to decline or return shortfall funding, the PHA must provide a letter from the PHA's executive director to the local HUD field office stating that they no longer want to receive or they want to return shortfall funding to HUD. The signature may be wet or electronic.

XXVII. SHORTFALL SF-425

PHAs must obligate all shortfall funding by the end of the period of performance. PHAs must submit Federal Financial Reports (SF-425) for each calendar year by April 30 following the end of the calendar year. PHAs must submit SF-425s annually until the PHA submits an SF-425 that reports a zero balance of unobligated funds, unliquidated obligations, or cash on hand, which may be earlier than the end of the Period of Performance identified in the Annual Operating Subsidy Processing Notice. If a PHA removes all its public housing units from the Public Housing program, the Period of Performance may end earlier, pursuant to Notice PIH 2019-13. PHAs may not obligate or expend any grant funds that are not obligated by the end of the Period of Performance. Any grant funds not obligated by the end of the Period of Performance must be returned to HUD. PHAs cannot liquidate any obligations after the specified date. Any obligations not liquidated by this date must be returned to HUD. Grants for which there are funds remaining as of April 30, the year after the end of the Period of Performance, will be locked in LOCCS and PHAs will not be able to draw down any additional grant funds.

XXVIII. CONTACT

Direct questions about this notice your [local field office](#).



Benjamin Hobbs
Assistant Secretary for
Public and Indian Housing

APPENDIX

The four most common corrections to the FDS are described below, in addition to the documentation required 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. 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 disasters. The PHA must submit accepted 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, nonprofit organizations, or developer fees) and incorrectly reported those funds on their FDS in the 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 U.S. Housing Act of 1937, 24 C.F.R. § 970.19, and Notice PIH 2020-23 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.” 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; and (d) a statement that the PHA intends to use the funds for Section 18(a)(5)(B) purposes.