



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-2021-12

Issued: April 26, 2021

This notice remains in effect until amended, superseded, or rescinded

Subject: Implementation of Public Housing Operating Fund Shortfall Funding from Federal Fiscal Year (FFY) 2021 Appropriations

1. Purpose

This notice implements a provision in the FFY 2021 Consolidated Appropriations Act (Public Law 116-260) 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:

“The agreement includes \$25,000,000 to mitigate the risk of financial shortfalls among PHAs and directs that the allocation of these 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. The agreement recognizes that PHAs in special circumstances, such as those undergoing rental assistance demonstration (RAD) conversions or utilizing flexibilities, are subject to

temporary fluctuations in operating expenses and may not be experiencing true financial shortfall situations and directs HUD to take these special circumstances into account determining the allocation of funding.”

3. Applicability

This notice applies to PHAs administering the Public Housing program, including PHAs participating in the Moving to Work (MTW) Demonstration. For the purpose of this notice, HUD defines very-small PHAs as those with fewer than 50 public housing units, and small PHAs as those with fewer than 250 public housing units, but at least 50 public housing units. Non-small PHAs are defined as those with 250 units or more. 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 April 25, 2021.

4. 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 two 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 audited or unaudited FDS submission. HUD believes that assisting PHAs in increasing their operating reserves up to two 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 two 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 amount identified below, and the amount that is equal to two months of MOR for that PHA, as 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.

Operating Reserves and MOR

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). HUD will determine the amount of a PHA’s Operating Reserves from the public housing projects reported in the FDS. To the extent the PHA cannot specifically identify the source in the Operating Reserve, the Operating Reserve balance is considered Operating Funds.

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.

| Operating Reserves = (Restricted & Unrestricted Assets) – Current Liabilities | |
|--|--|
| Restricted & Unrestricted Assets <i>(sum of)</i> | Current Liabilities <i>(difference of)</i> |
| Cash: Unrestricted (ITEM_111) | Total Current Liabilities (ITEM_310) |
| Cash: Tenant Security Deposits (ITEM_114) | Current Portion Long Term Debt: Capital Projects (ITEM_343) |
| 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) | |
| Operating Funds or Operating Reserves Used to Capitalize a RAD Development Project pursuant to this Notice | |

| Months of Reserves (MOR) = Operating Reserves / Monthly Expense | |
|--|---------------------------------------|
| Operating Reserves | Monthly Expense |
| Restricted & Unrestricted Assets | Total Operating Expenses (ITEM_96900) |
| <i>(minus)</i> | <i>(divided by)</i> |
| Current Liabilities | Number of months in FDS |

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, 2019
- March 31, 2020
- June 30, 2020
- September 30, 2020

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 FY2021 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.

5. Eligibility of PHAs Participating in the MTW or Rental Assistance Demonstration

In making eligibility determinations, HUD will take into consideration temporary fluctuations in operating expenses of PHAs participating in the MTW Demonstration or the Rental Assistance Demonstration (RAD). If PHAs have utilized Operating Funds or Operating Reserves to support activities other than those described in Section 9(e) of the U.S. Housing Act of 1937 (1937 Act) and have reduced Operating Reserve levels due to the use of funds for non-public housing purposes, such PHAs may not be eligible for Shortfall funding. The information below describes HUD’s methodology for determining whether PHAs have utilized Operating Funds or Operating Reserves to support participation in one of these demonstrations to the extent that they will not be eligible for Shortfall funding under this notice.

MTW PHAs

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.

| Total Amount of Grant Revenue Reported In = Total Public Housing Subsidy + Total Capital Fund Grant | |
|---|---|
| Total Public Housing Subsidy <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i> | Total Capital Fund Grant Revenue <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i> |
| <ul style="list-style-type: none"> Line 70600 (HUD PHA Operating Grants) of Column 14.OPS MTW Demonstration Program for Public Housing | <ul style="list-style-type: none"> Line 70610 (Capital Grants) of Column 14.CFP MTW Demonstration Program for Capital Fund |
| | <ul style="list-style-type: none"> Line 70600 (HUD PHA Operating Grants) of Column 14.CFP MTW Demonstration Program for Capital Fund |

| Net Transferred Funds = Funds Transferred into Public Housing Program – Total Amount of Grant Revenue Reported In | |
|--|--|
| Total Amount of Grant Revenue Reported In <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i> | Funds Transferred into Public Housing Program <i>(sum of the most recent 5 years of approved audited/unaudited financial statements)</i> |
| Total Public Housing Subsidy <i>(and)</i> Total Capital Fund Grant Revenue | Line 10010 (Operating Transfer In) of Column Project Total |

Rental Assistance Demonstration PHAs

PHAs that have converted public housing properties to either Project-Based Rental Assistance or Project-Based Vouchers through the Rental Assistance Demonstration (RAD) may be eligible for Shortfall funding under this set-aside depending on the amount of Operating Funds or Operating Reserves the PHA utilized as part of a RAD conversion that had a closing after 9/30/2018. Specifically, for PHAs that are initially eligible for Shortfall funding based on the calculation described in Section 4 of this notice, HUD will determine whether these PHAs utilized Operating Funds or Operating Reserves for RAD conversions with closing dates within the two-year period ending on 9/30/2020. If a PHA did not utilize such funds to capitalize RAD transactions, no adjustments to determine Shortfall eligibility will be made to their reserve calculation. If a PHA did utilize such funds to capitalize a RAD transaction, an adjustment will be made to the PHA’s Operating Reserve amount for the purpose of determining Shortfall eligibility. The adjustment is calculated by taking the difference between the reserves per unit used in the RAD transaction and the reserves per unit in the PHA’s Public Housing program immediately prior to the RAD closing date, multiplied by the number of units used in the RAD transaction. HUD will use the higher of this adjustment calculation or zero for the RAD adjustment.

After calculating an adjusted reserve amount, HUD will then determine whether the PHA remains eligible for Shortfall funding, and the amount of that eligibility. HUD will source all such information from data provided to HUD by PHAs through both the FDS and the RAD program.

6. Eligibility for PHAs that Received Shortfall Funding for FFY 2020

If a PHA received Shortfall funding from the Shortfall Funding Program for FFY 2020, they are still eligible to receive Shortfall funding for FFY 2021 provided they have finalized their FFY 2020 improvement plan by June 8th, 2021. As explained in Section 9 of PIH-2020-16, PHAs have six months from the date of award to finalize their improvement plan.

7. Process for Applying for Shortfall Funding

HUD is providing a simplified process to expedite distribution of Shortfall funding to PHAs experiencing shortfalls.

HUD List of Eligible PHAs

HUD has already completed the calculations described in Sections 4 and 5 of this notice, and a list of eligible PHAs, and the amount those PHAs are eligible to receive is published at:

https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/opfund_shortfall_all_funding

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 12/31/2019),
- PHAs with reserves of two months or more,
- PHAs that have applied to remove all of their ACC units from the Public Housing inventory,
- 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, or
- PHA did not receive Operating Subsidy in 2021.

Finally, the site also contains a worksheet enumerating the aforementioned 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 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 completing the Shortfall Funding Application found in Appendix A and submitting it via e-mail to 2021ShortfallFunding@hud.gov no later than midnight (Eastern Time) on June 4, 2021. The application must be submitted by the PHA's Executive Director or other authorized representative and include the PHA name and PHA code (e.g., CA001), as well as the contact information for HUD follow-up if necessary. The subject of the e-mail must be labeled "2021 Shortfall Funding Application for [PHA Code]." The application must specify the amount of Shortfall funding requested and must not exceed the HUD provided eligibility calculations.

Process for Curing Applications with Deficiencies

In the case that a Shortfall Application is found to have deficiencies by HUD staff, the application will be returned to the PHA. The PHA will have the later of five business days from notification of returned application, or the application deadline, to correct any deficiencies identified and resubmit their Shortfall Application. If additional deficiencies are found following the first re-submission of a cured application, the PHA will continue to be under the original later of five business days or application deadline correction timeline. The corrected applications must be sent to 2021ShortfallFunding@hud.gov.

For example: If a PHA submits their application on the deadline (June 4, 2021), and HUD finds

an error on June 9, 2021, the PHA must resubmit their final complete package, including all corrections, by June 16, 2021 (five business days after returned application).

8. Appeals of Eligibility or Amount of Funding Due to Errors on the FDS Data

If a PHA wishes to receive Shortfall funding and believes that the information utilized by HUD to calculate its eligibility or 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 June 4, 2021. All appeals must be submitted electronically to 2021ShortfallAppeals@hud.gov with the subject line “Appeal FFY 2021 Shortfall [PHA Code].” HUD will acknowledge receipt of all appeals by e-mail. Upon completion of its review, HUD will notify the PHA by e-mail of its decision. All determinations are final.

Notwithstanding the foregoing, a PHA can always reach out to their HUD Field Office, or to 2021ShortfallAppeals@hud.gov, with any other problems or concerns that may arise in this process.

HUD requires the following documents for all appeals:

- 1) a re-calculation of Operating Reserves assuming the amount of the requested appeal is approved;
- 2) all required documents necessary for HUD to make a determination on the appeal;
- 3) a copy of the approved FDS that contains the error;
- 4) an indication of the corrected entries and financial information;
- 5) for PHAs that will submit a revised financial statement to HUD, a written concurrence from the PHA’s auditor; and
- 6) a signed statement (signed pdf is acceptable) by the PHA’s Executive Director certifying that the submitted information is accurate.

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 five business days using the application found in Appendix A of this Notice. If the appeal is approved, the PHA must submit a corrected FDS 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 will deny the appeal, and adjust eligibility for Shortfall funding accordingly. 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.

9. 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.

Due to the limitation of funds available described above, Shortfall funding will be distributed in six cohorts to maximize its impact to the PHAs with the greatest need. Additionally, the guidance in the aforementioned JES prioritizes small PHAs in the distribution of funds. Although PHAs of various size may currently be below two MOR, HUD is concerned with the ability of small and very-small PHAs to generate resources to supplement their public housing program.

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

- 1) Cohort 1: PHAs with fewer than 100 units
- 2) Cohort 2: PHAs with at least 100 and not more than 249 units
- 3) Cohort 3: PHAs with at least 250 and not more than 499 units
- 4) Cohort 4: PHAs with at least 500 and not more than 1,249 units
- 5) Cohort 5: PHAs with at least 1,250 and not more than 6,599 units
- 6) Cohort 6: 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 two. 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.

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 once all preceding PHAs have been funded.

10. 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 collaborate with HUD Field Offices to identify specific issues at the PHA and develop a plan identifying actions that the PHA can take to improve their financial performance. The Field Office will document these efforts through the establishment of an improvement plan. Conditioned upon a sufficient level of collaboration from the PHA, HUD will provide the improvement plan to the PHA no later than six months after the date of the grant award. Shortfall funding will be recaptured from PHAs that do not sufficiently collaborate with their Field Office to develop an improvement plan.

For troubled and substandard PHAs (as defined by the PHAS designation) that have a previously executed Memorandum of Agreement/Recovery Agreement/Corrective Action Plan, those plans may constitute an improvement plan for the purpose of Shortfall funding grants if corrective actions around financial solvency are adequately addressed in the agreement/plan. A separate improvement plan may be required if HUD deems appropriate.

11. 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 two.

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 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:

- Shortfall funding will be provided in two parts. First, eligible PHAs will receive Tier 1 funding (if applicable) and then Tier 2 funding, which will be broken down into two increments.
- 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 will be placed on auto review by HUD. PHAs will be provided access to the funds in two increments.
 1. Up to 50 percent of the Tier 2 funding amount will be available to PHAs to draw down as needed to pay for immediate needs upon the finalization of the improvement plan required by Section 10 of this Notice.
 2. The remaining 50 percent of the Tier 2 funding amount will be made available for PHAs to draw down as needed to pay for immediate needs upon the approval of an FDS demonstrating an MOR of no less than 1.0, after the release of the first increment of Tier 2 funding. The FDS submission must be at least one full PHA fiscal year after the submission of the PHA's improvement plan. For example: if the PHA has a FYE date of 9/30/2020, they will not be able to access these funds (if their MOR is no less than 1.0) until 9/30/2021. 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 Tier 1 and the first increment of Tier 2 funding.

In the event that a PHA does not meet the milestones described above related to collaborating on improvements plans and maintaining an adequate MOR, that PHA will be unable to draw down additional funds.

Any funds remaining at the end of the period of performance (see Section 14) will be recaptured.

12. Amendments to the Form SF-424 and Shortfall Application

In 2021, 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 2021 Shortfall funding, such PHAs must only submit a Shortfall application. The Shortfall Application must be signed with a wet signature. PHAs are not required to resubmit or revise their form SF-424 for the FY 2021 Operating Fund Grant. 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

13. 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 through a Section 18 of the ACC, RAD, or other repositioning action, 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.

14. 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 for which the funds were appropriated. The PHA can use Shortfall funds to cover Operating Fund expenses incurred during the period of performance. Any undisbursed funds remaining in LOCCS will be recaptured, or unexpended funds held by a PHA on December 31, 2025 shall be returned to HUD.

15. 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).

16. 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.

17. Further Information

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

18. 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.

19. 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.

/s/

Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing

Appendix A

FFY 2021 Operating Fund Grant Program – Application for Funds from the \$25 Million Shortfall Funding Set-Aside

Public Housing Agency (PHA) Application for Shortfall Funds and PHA Certification of Accuracy and Completeness of Financial Data.

PHA Name: _____

PHA Number: _____

Executive Director: _____

The above referenced agency is applying for Shortfall funds and has submitted accurate and complete financial data to the U.S. Department of Housing and Urban Development (HUD).

First, please check the portion of Shortfall Funding for which your PHA is applying. Second, please check the category “Shortfall Tier 1” or “Shortfall Tier 2” for which your PHA is applying. The application must be signed by the appropriate PHA official.

_____ PHA is requesting **full** Shortfall Funding eligibility as published by HUD.

_____ PHA is **requesting a lower amount** than the Shortfall Funding eligibility as published by HUD.

If requesting a lower amount, please indicate reason below. *(Please note that if requesting a lower amount due to an error in the FDS or PIC data, an Appeal must be submitted per Section 8 of the notice.)*

Type/write reason here:

_____ **Shortfall Tier 1:** For PHAs with a Months of Operating Reserves (MOR) ratio less than zero.

I, _____, hereby certify to the following:

1. Information submitted to HUD systems including, but not limited to, the Financial Assessment Subsystem (FASS), Financial Data Schedule (FDS), and Public Housing Information Center (PIC), used in the computation of the Months of Operating Reserves and Shortfall Eligibility found in this Notice is complete and accurate. Further, the information provided via these systems supports the conclusion that the PHA is in a shortfall position and eligible for Shortfall funding as defined in this Notice.

2. If submitting an appeal, that the financial documentation and calculations provided by the PHA to support the basis of the appeal are accurate, complete, and truthful.
3. The PHA acknowledges that any funds not drawn down and expended within the period of performance will be recaptured by HUD.
4. The PHA understands that Shortfall funding can only be used to pay for immediate needs.
5. The PHA agrees to collaborate with HUD in the development of an improvement plan and to undertake reasonable cost saving or revenue increasing measure to improve its financial condition.

_____ **Shortfall Tier 2:** For PHAs with a Months of Operating Reserves (MOR) ratio greater than or equal to zero.

I, _____, here by certify to the following:

1. That I will comply with all the requirements listed in Shortfall Scenario 1.
2. If the PHA is receiving Shortfall funding to raise their MOR above zero, the PHA must maintain an MOR of at least one in an approved FDS submission on or after the creation of the improvement plan. 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 Tier 1 and the first increment of Tier 2 funding.

Certification: "I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802)"

Signature of Executive Director

Date

PHA Contact Name

Phone Number