For Public Housing Operating Fund
Explanation of Calendar Year (CY) 2021 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 2021 Consolidation Appropriations Act (Public Law 116-260). Please refer to PIH Notice 2021-12 (Notice) for guidance on eligible activities, reporting requirements, and other relevant information regarding Shortfall obligations. The notice can be found on HUDCLIPS at: https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-12pihn.pdf

PHA Eligibility Levels and Obligations for Shortfall CY 2021

The entire $25 million is being obligated herewith, at a PHA level. PHAs that have a Months of Operating Reserve (MOR) less than 2.0 and submitted an application were eligible for funding. Unlike normal Operating Fund grants, Shortfall funding was not pro-rated. Instead, full funding was provided to PHAs based upon a prioritization methodology until funds were exhausted. To determine the order of funding, PHAs were ranked from lowest to highest, based on the value of their MOR and the size their PHA as described in more detail in the Notice. Obligations of Shortfall funding have been calculated to raise each PHA’s MOR to 2.0 based on their most recent FDS submission between 12/2019 and 09/2020. The last funded PHA will receive the lesser of their eligibility or the remaining Shortfall funds after all preceding PHAs have been funded. PHAs that applied and would otherwise be eligible for a Shortfall grant, but for which insufficient amounts are available, will not receive funding.

Unlike regular Operating Subsidy grants, which are made accessible to PHAs in 1/12th increments, the entire amount of the Shortfall Act funding is being obligated at once. However, access to funding will be segmented into different increments and restricted based on PHAs submitting an improvement plan and subsequently improving their MOR. The first increment identified with a grant code of XXXXX101ISF21D will be available for draw down in LOCCS. The XXXXX201ISF21D codes will be made available for draw down once the Field Office has successfully collaborated with the PHA to develop an improvement plan. PHAs have six months from the award date to develop the improvement plan. The XXXXX202ISF21D codes will be made available to draw down once the PHA has actually improved their financial position such that their MOR is 1.0 or more on their next financial statement submission. Please refer to PIH 2021-12 for more information on improvement plan and financial improvement terms and conditions which will release funding increments.
Also, unlike regular Operating Funds, Shortfall funds may not roll into a PHA’s reserves. PHAs may only draw down the Shortfall Funds to pay for eligible immediate needs and must be tracked and accounted for separately. Like the Capital Fund, PHAs must validate and enter their expenditures in eLOCCS each month prior to draw down. Obligation Letters will be available on the FMD website for 2021:


<table>
<thead>
<tr>
<th>Increment</th>
<th>Grant Number</th>
<th>Amount</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>XXXXX101ISF21D</td>
<td>$XX,XXX</td>
<td>None. 100% of grant funds immediately available.</td>
</tr>
<tr>
<td>2</td>
<td>XXXXX201ISF21D</td>
<td>$XX,XXX</td>
<td>Access to grant funds contingent on improvement plan being established in collaboration with the Field Office. See Section 11 of PIH 2021-12.</td>
</tr>
<tr>
<td>3</td>
<td>XXXXX202ISF21D</td>
<td>$XX,XXX</td>
<td>Access to the grant funds contingent upon the PHA reporting Months of Reserves (MOR) greater than 1 on an approved FDS one full PHA fiscal year after the submission of the PHA’s improvement plan.</td>
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</tbody>
</table>

**Ideas for Operational Improvements to Improve MOR**

Below is a list of operational improvements your PHA can make to ensure long-term financial solvency. This list is not specific to your PHA, but rather is a list of operational improvements that HUD has historically recommended to insolvent PHAs. 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, 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.
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. 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