

U.S. Department of the Treasury
How Emergency Rental Assistance Reallocation Works

October 4, 2021

This document explains the structure of the Treasury Department’s approach to reallocating funds under the first Emergency Rental Assistance Program (ERA1) under the Reallocation Guidance (the Guidance) issued by Treasury on October 4, 2021. The Guidance’s central goal is to help more people stay in their homes and avoid eviction by speeding up the delivery of assistance to tenants and landlords in need. Treasury will carry out the statutory requirement to reallocate funds to accomplish this goal in three ways: 1) make more resources available to high-performing grantees based on need, (2) incentivize adoption of best practices among grantees to help them streamline and improve their processes, and (3) work to ensure funds do not go unused by programs unwilling or unable to assist struggling renters and landlords.

The Guidance covers the major aspects of how these funds will be reallocated, including the following:

- **Grantees that have not obligated at least 65% of their ERA1 funds – a measure that captures both spent and committed funds – must submit a program improvement plan.** Grantees under the 65% obligation threshold must submit a program improvement plan by November 15 that identifies how they will accelerate their delivery of assistance to eligible tenants and landlords. Treasury will consider whether grantees plan to implement the best practices described in Treasury’s guidance, including the use of self-attestations; the use of eviction diversion partnerships; engagement with providers of culturally and linguistically relevant housing stability services; and other strategies that have accelerated the delivery of rental assistance provided in jurisdictions across the country.

Grantees will be required to submit a report on their progress with their plan within 60 days of its approval by Treasury. If grantees do not submit an adequate plan or fail to submit the required confirmation, 10% of their ERA1 funds will be determined to be “excess funds.” Treasury will release forms and instructions for program improvement plans in the near future.

- **Grantees who have not obligated at least 65% of ERA1 funding who have insufficient expenditure ratios—a measure of funds actually spent providing assistance to eligible households—will face reallocation.** Grantees with expenditure ratios below 30% as of September 30, based on the program data they submit to Treasury by October 15, will be determined to have “excess funds” subject to potential recapture. Specifically, a grantee with an expenditure ratio below 30% will be determined to have excess funds equal to the difference between its reported expenditures and the amount of expenditure needed to reach the 30% threshold.

- **A Grantee with both inadequate obligations and insufficient expenditures will have a variety of ways to mitigate the amount that Treasury would otherwise recapture as a result of this first assessment.**
 - The grantee can avoid recapture if, by November 15, 2021, it is able to certify to Treasury that its expenditure ratio is at least 30%, or that it has obligated at least 65% of its ERA1 allocation.
 - Further, grantees that submit a program improvement plan that is approved by Treasury will benefit from a recalculation of the grantee's excess funds determination that will assume a one-time 15% addition to their expenditure ratio to help them meet minimum expenditure ratio threshold of 30%. This will afford grantees an additional opportunity to accelerate spending before losing funds as they put in place new policies.

- **After the first assessment, Treasury will assess each grantee's expenditure ratio approximately every two months.** The expenditure ratio threshold used to calculate excess funds will rise by 5 percentage points every calendar month (for example, the threshold as of November 30 will be 40 percent). As of March 31, 2022, any unobligated funds may be designated as excess funds and be reallocated, helping to ensure that funding does not go unused as a result of the September 30, 2022 statutory deadline for obligating ERA1 funds.

- **Treasury expects to distribute recaptured funds about every two months, as warranted based on availability and confirmed need.** Treasury will soon begin collecting requests from grantees for additional funds. These requests will be submitted on a standard form provided by Treasury that allows grantees to confirm and describe the needs in their communities. As excess funds become available, Treasury will prioritize, when feasible, requests from grantees in the same state where the funds were initially allocated. The remainder will be available for reallocation nationwide, with priority afforded to grantees already on track to expend both their remaining ERA1 and ERA2 funds. In making all these decisions, Treasury will be guided by its commitment to ensure better relief – not less – to those living in jurisdictions that have so far underperformed in getting emergency rental relief to eligible members of their communities.