

**U.S. Department of the Treasury**  
**Summary of Emergency Rental Assistance (ERA2) Reallocation Guidance**

March 30, 2022

This document explains the structure of the Treasury Department’s approach to reallocating funds for the second Emergency Rental Assistance Program (ERA2) under the Reallocation Guidance issued in March 2022. 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 increased spending on ERA2 eligible uses through adoption of best practices among grantees to help them streamline and improve their processes and the dedication of other funds to meet the significant need relative to funding available for rental and utility assistance, 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 who have insufficient expenditure ratios—a measure of funds actually spent providing assistance to eligible households—will face reallocation.** Grantees with expenditure ratios below 20% as of March 31, based on the program data they submit to Treasury, will be determined to have “excess funds” subject to potential reallocation. Specifically, a grantee with an expenditure ratio below 20% will be determined to have excess funds equal to the difference between its reported expenditures and the amount of expenditure needed to reach the 20% threshold.
- **A Grantee with both inadequate obligations and insufficient expenditures will have two ways to mitigate the amount that Treasury would otherwise reallocate as a result of this first assessment.**
  - The grantee can avoid reallocation if, based on data submitted to Treasury reflecting expenditures as of April 30, it has achieved an expenditure ratio is at least 20%. Otherwise, excess funds will be calculated based on the difference between its reported expenditures as of March 31 and the amount of expenditure needed to reach the 20% threshold.
  - Further, grantees will avoid reallocation if they have made voluntary reallocations of ERA1 funds in at least the amount of 25% of their ERA1 allocation.

- **After the first assessment, Treasury will assess each grantee's expenditure ratio on a quarterly basis.** The expenditure ratio threshold used to calculate excess funds will rise by 20 percentage points each quarter (for example, the threshold as of June 30 will be 40 percent). As of December 31, 2022, any unpaid funds may be designated as excess funds and be reallocated, helping to ensure that funding does not go unused and is appropriately used in the emergency context. Under the ERA2 statute, funds paid to a grantee (based on the grantee having achieved 75% obligation of funds disbursed to date) may not be reallocated.
- **Treasury expects to distribute reallocated funds after each quarterly assessment, 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. A grantee must have spent or obligated at least 50% of its own initial allocation to be eligible for reallocated funds. 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 ERA funds promptly. Treasury also intends to prioritize grantees that have dedicated a significant amount of non-ERA funds to rental or utility assistance substantially similar to assistance under ERA, including through the use of State and Local Fiscal Relief dollars for these purposes.
- **A Grantee may also reallocate funds on a voluntary basis.** A Grantee may request the transfer to other Grantees of up to 60% of its initial ERA2 allocation. The transferee Grantees must (i) administer an ERA2 program in the same state or territory as the transferor and (ii) have obligated or spent at least 50% of their own initial ERA2 allocations by the time of transfer. A Grantee may request Treasury's assistance in identifying permissible transferees. A Grantee may request the transfer of up to 60% of its initial ERA2 allocation, without designating any specific Grantee as transferee. Treasury, in its discretion, will determine and carry out the reallocation of these funds to Grantees.

As with Treasury's ERA1 reallocation guidance, published on October 4, 2021, this guidance is intended to reflect Treasury's commitment to ensure that funds are being used promptly to address the significant nationwide need in communities that need assistance, recognizing the full scope of need in many cases surpasses the amount allocated for assistance under Treasury's Emergency Rental Assistance Programs.