

TREASURY ERA2 REALLOCATION GUIDANCE

APRIL 2022

The U.S. Department of the Treasury issued on March 30 [guidance](#) and a [fact sheet](#) on reallocating the \$21.5 billion in [Emergency Rental Assistance \(ERA\)](#), referred to as “ERA2,” appropriated under the “American Rescue Plan Act.” The ERA2 statute requires that Treasury identify funds for reallocation from amounts allocated to grantees but not yet paid out to them beginning on March 31, 2022. This guidance only pertains to ERA2 funds. For information on ERA1 reallocation, see NLIHC’s [fact sheet](#).

The ERA2 reallocation guidance includes several recommendations made by NLIHC on behalf of its End Rental Arrears to Stop Evictions (ERASE) cohort and Disaster Housing Recovery Coalition. The guidance states that Treasury will begin the process of recapturing and reallocating ERA2 funds starting on March 31, 2022, as directed by the statute and recommended by NLIHC. Additionally, Treasury [announced](#) it will make more resources available to high-performing grantees based on need, prioritize keeping funds within the same state consistent with local needs, and work to ensure funds do not go unused by programs unwilling or unable to quickly deploy these critical resources. These provisions align with [recommendations](#) NLIHC urged Treasury to adopt.

FUNDS SUBJECT TO REALLOCATION

ERA2 funds that have been paid to a grantee are not subject to involuntary reallocation and will not be considered excess funds. Further, the first tranche of funds made available to grantees, comprising 40% of each grantee’s initial ERA2 allocation, cannot be voluntarily or involuntarily reallocated.

For any grantees that do not draw their first tranche of ERA2 funds by April 30, 2022, Treasury may consider all undrawn funds exceeding 40% of the initial ERA2 allocation to be excess funds subject to reallocation.

ERA2 EXPENDITURE RATIO

A grantee’s ERA2 expenditure ratio will be calculated as the grantee’s total expenditure of ERA2 funds on financial assistance and housing stability services (for the Quarter 3 and Quarter 4 assessments) divided by 75% (for Quarter 1 and Quarter 2 assessments) or 85% (for subsequent assessments) of the grantee’s total ERA2 allocations, including any amounts reallocated to or from the grantee.

- The 75% and 85% allowances reflect the statute’s limitation that up to 15% of the total amount of ERA2 paid to a grantee be used for administrative costs, and the ability for grantees to use up to 10% of their ERA2 funds to provide housing stability services.
- Since Treasury will start including funds spent on housing stability services as “total expenditure” in Q3 and Q4, the ERA2 reallocation process will preserve grantees’ ability to obligate up to 10% of their ERA2 funds on housing stability services in Q1 and Q2. Treasury encourages grantees to use ERA2 funds for housing stability services.

EXCESS FUNDS

The amount of “excess funds” is the difference between what was actually spent and the expenditure ratio threshold. The amount subject to reallocation will be less for grantees whose expenditure ratios are closer to the minimum threshold.

QUARTER 1 ASSESSMENT

Grantees with expenditure ratios below 20% as of March 31 will be determined to have “excess funds” subject to potential recapture. The amount of excess funds will be equal to the difference between its expenditures and the amount needed to reach the 20% threshold.

Grantees can avoid reallocation:

- If their expenditure ratio is at least 20% as of April 30.
- If they voluntarily reallocate at least 25% of their ERA1 allocation by March 31.

SUBSEQUENT QUARTERLY ASSESSMENTS

After the first assessment, Treasury will assess grantees' expenditure ratios on a quarterly basis. The expenditure ratio threshold will rise by 20 percentage points each quarter. The expenditure ratio threshold as of June 30 will be 40%; as of September 30, it will be 60%.

If a grantee fails to submit a required quarterly report by the deadline, Treasury may deem all undrawn funds exceeding 40% of the grantee's initial ERA2 allocation to be excess funds.

FINAL UNDRAWN FUNDS ASSESSMENT

Any ERA2 funds that are undrawn as of December 31, 2022 - excluding the first tranche of funds, comprising 40% of the grantee's initial ERA2 allocation - may be recaptured and reallocated.

According to the ERA2 statute, funds paid to a grantee (based on the grantee having obligated at least 75% of funds disbursed to date) may not be reallocated.

DISTRIBUTION OF RECAPTURED FUNDS

Treasury expects to distribute reallocated funds after each quarterly assessment. A grantee must have spent or obligated at least 50% of its own initial allocation to be eligible for reallocated funds. Treasury will begin accepting requests for reallocated funds after March 31, 2022.

REALLOCATION PRIORITIES

Treasury will prioritize, when feasible, requests from grantees in the same state where the funds were initially allocated. Treasury will also prioritize areas with significant demonstrated need and ability to expend all their ERA1 and ERA2 funds promptly.

Beginning with the reallocation based on the Quarter 2 assessment, Treasury will prioritize grantees that have used other sources of funding, including [State and Local Fiscal Recovery Funds](#), to deliver additional rental and utility assistance. Grantees that have spent non-ERA funding on ERA-eligible uses in an amount exceeding 20% of their initial ERA2 allocation may be prioritized for reallocated funds.

VOLUNTARY REALLOCATION

A grantee may request to transfer up to 60% of their initial ERA2 allocation to another grantee in the same state or territory that has obligated or spent at least 50% of their own initial ERA2 allocation. Grantees may request the transfer without designating any specific grantee as the transferee.

ADMINISTRATIVE COSTS & HOUSING STABILITY SERVICES

The 15% limit for administrative costs and the 10% limit for housing stability services are based on the total amount of ERA2 funds paid to each grantee as of the relevant date, not the total amount of ERA2 funds allocated to the grantee.

IMPORTANT DATES AND DEADLINES

- March 31, 2022: ERA2 reallocation process begins. Treasury will begin accepting requests for reallocated funds after March 31.
- April 30, 2022: Grantees must meet the 20% expenditure ratio threshold or have voluntarily reallocated at least 25% of their ERA1 funds by March 31 to avoid recapture.
- June 30, 2022: Grantees must meet the 40% expenditure threshold to avoid recapture.
- September 30, 2022: Grantees must meet the 60% threshold to avoid recapture.
- December 31, 2022: Any ERA2 funds undrawn (excluding the first tranche of funds, comprising 40% of each grantee's initial ERA2 allocation) may be deemed excess funds subject to reallocation.