



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:
Public Housing Agencies
Public Housing Directors
Regional Public Housing Directors
Resident Management Corporations

Notice PIH 2026-22

Issued: August 25, 2026

Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross References: Pub. L. 114-113 and 119-75; Notices PIH 2026-10 and 2026-12; 85 FR 53444

Subject: Offset of Excess Reserves for Initial Moving to Work Public Housing Agencies and PHA Appeals

I. PURPOSE

The Fiscal Year 2026 Consolidated Appropriations Act (Pub. L. 119-75) (“2026 act”) authorizes HUD to offset public housing agencies’ (PHAs’) housing choice voucher (HCV) funding allocations based on the amount of each PHA’s excess funding reserves. The Act also states that offsets shall apply to PHAs participating in the Moving to Work (MTW) Demonstration, including those with “single fund budget authority provisions” in their MTW agreements.

This notice describes HUD’s implementation of the funding offset for MTW PHAs that were designated prior to the enactment of section 239 of the FY 2016 Consolidated Appropriations Act (Pub. L. 114-113) (“2016 act”) and that are subject to the MTW Standard Agreement (“Initial MTW PHAs”). This notice also outlines the process through which Initial MTW PHAs may appeal their offsets, as well as the criteria HUD will apply in considering such appeals. HUD is implementing the remaining HCV funding provisions in [Notice PIH 2026-12, Implementation of the Federal Fiscal Year \(FFY\) 2026 Funding Provisions for the Housing Choice Voucher Program](#) (“2026 HCV Funding Notice”).

II. BACKGROUND

The 2026 act states that the Secretary may perform a statutory offset of Initial MTW PHAs’ net restricted asset accounts, including HUD-held programmatic reserves.¹

¹ The relevant provision of the 2026 act is under the heading, *Tenant-Based Rental Assistance*: “*Provided further*, That the Secretary may perform a statutory offset of public housing agencies’ calendar year 2026 allocations based on the excess amounts of public housing agencies’ net restricted assets accounts, including HUD-held programmatic reserves (in accordance with VMS or successor system data in calendar year 2025 that is verifiable and complete), as determined by the Secretary: *Provided further*, That public housing agencies participating in the MTW demonstration shall also be subject to the statutory offset: *Provided further*, That for amounts subject to the single fund budget authority provisions of their MTW agreements, excess amounts shall be offset only to the extent permitted by section 239 of the Consolidated Appropriations Act, 2016 (Public Law 114–113): *Provided further*, That for public housing agencies in the MTW demonstration subject to single fund budget authority provisions, the Secretary shall provide not less than 60 days to appeal such offsets and shall not offset amounts that have

Additionally, HUD may offset amounts subject to the single-fund budget authority provisions of the MTW agreements to the extent permitted under section 239 of the 2016 act, which states that Initial MTW PHA reserve balances equal to 4 months of operating expenses may not be offset.² HUD is authorized to perform funding offsets for two purposes: to reduce the renewal funding proration that it applies to every PHA's renewal funding allocation, and to allocate additional funds to PHAs to prevent the termination of rental assistance due to funding shortfalls.

III. APPLICABILITY

This notice applies to Initial MTW PHAs only. This refers to MTW PHAs that received the MTW designation prior to the 2016 act and are currently operating under the terms and conditions of the MTW Standard Agreement. This notice does not apply to MTW PHAs that have transitioned from the MTW Standard Agreement to the MTW Expansion platform and are therefore subject to the terms of the MTW Operations Notice ([85 FR 53444](#)).

All calculations of MTW excess reserves and protected operating expenses required by section 239 of the 2016 act will be conducted using PHA-submitted data in the Voucher Management System (VMS), the Financial Data Schedule (FDS), and public housing eligibility and proration data. The offset and appeals methodology described in this notice applies to calendar year (CY) 2026 funding cycle only.

IV. CALCULATION OF EXCESS RESERVES AND OFFSET AMOUNT

To implement the initial MTW reserve offset for 2026, HUD calculates the following amounts for each PHA:

- Average monthly operating expenses for its HCV and public housing programs
- Total and the "excess" amount of HCV and public housing funding reserves
- An offset amount, which is a percentage of its excess reserves

HUD reduces each PHA's renewal funding allocation by the calculated offset amount. As a result of this reduced allocation, PHAs may have to spend some of its funding reserves to cover a portion of their 2026 housing assistance payments (HAP) renewal costs. HUD calculates the monthly operating expenses and reserves with data as it exists on the date that HUD pulls the data from the VMS.

A. HCV Operating Expenses

HUD calculates the average monthly HCV operating expenses using expense data submitted in VMS for CY 2025. HCV operating expenses include all MTW-eligible

been committed to capital improvement, development, and other repositioning activities that are scheduled to close within 12 months of enactment of this Act, as evidenced in funding applications, project schedules, or other commitments to third parties implementing such activities, to the extent that reserve amounts excluded from offset under such section 239 are insufficient to cover such commitments:"

² "The Secretary shall extend the current Moving to Work agreements of previously designated participating agencies until the end of each such agency's fiscal year 2028 under the same terms and conditions of such current agreements, except for any changes to such terms or conditions otherwise mutually agreed upon by the Secretary and any such agency and such extension agreements shall prohibit any statutory offset of any reserve balances equal to 4 months of operating expenses. Any such reserve balances that exceed such amount shall remain available to any such agency for all permissible purposes under such agreement unless subject to a statutory offset."

expenses for which HCV funds are used. This includes HCV funds spent on HAP, HCV administrative expenses, public housing operating expenses, MTW “local, non-traditional expenses,” and other MTW-eligible expenses. Expenditures of HAP funds for Capital Fund-eligible purposes, such as security services at public housing properties, capital improvements in public housing, and other similar activities, are not included in the calculation of HCV operating expenses.

B. Public Housing Operating Expenses

HUD calculates the average monthly public housing operating expenses using data submitted in the most recent approved FDS submission as further described in the paragraphs below. Specifically, HUD use “Total Operating Expenses” (line item 96900) and divide it by the number of months in the FDS.

Public housing operating expenses and reserves calculations for each PHA are based on the PHA’s FDS submission for the following dates (the Offset Fiscal Year End-Date (FYE) FDS):

- December 31, 2024
- March 31, 2025
- June 30, 2025
- September 30, 2025

Where a HUD approved unaudited or audited FDS submission is not in place for the Offset FYE FDS, HUD will obtain data from the most recent HUD approved unaudited or audited FDS.

For the purposes of calculating public housing operating expenses and reserves HUD will make the same adjustments to the FDS data as identified in the 2026 Shortfall Notice ([Notice PIH 2026-10](#)):

- HUD will exclude FDS data associated with mixed-finance projects.
- HUD will exclude projects in the *Low Rent Public Housing* (LRPH) column that use the *Other Project* designation.
- HUD will not calculate public housing operating expenses or reserves for PHAs that removed all Section 9 Public Housing Annual Contributions Contract (ACC) units from their public housing programs or planning to do so as of the date HUD pulls the Inventory Management System/PIH Information Center (IMS/PIC) data.³
- HUD will not calculate public housing operating expenses or reserves for PHAs that are not eligible to receive CY 2026 Operating Funds.
- HUD will exclude projects from the shortfall eligibility calculation that underwent a partial or full Rental Assistance Demonstration (RAD) conversion before the PHA’s FYE identified above.

³ PHAs are projected to be leaving the Public Housing Program if they have zero ACC units after subtracting all entered, submitted, and approved demolition/disposition applications.

C. Protected Operating Expenses

Section 239 of the 2016 act prohibits HUD from offsetting reserve amounts equal to 4 months of operating expenses, herein referred to as “protected operating expenses.” HUD calculates the amount of protected operating expenses by summing each PHA’s average monthly HCV and public housing operating expenses and multiplying the result by four to derive 4 months of protected operating expenses in the public housing and HCV programs.

$$\text{Protected Operating Expenses} = \text{PHA's Average Monthly HCV} \\ \text{\& Public Housing Operating Expenses} \times 4 \text{ Months}$$

Example

- In a 12-month period, an Initial MTW PHA has a monthly average of \$10 million in monthly operating expenses:
 - o \$7 million from HCV sources (per VMS)
 - o \$3 million from public housing operating expenses (per FDS)
- Protected Operating Expenses = \$10 million x 4 months = \$40 million

D. Excess Reserves Available for Offset

After calculating the total funding reserves and 4 months of operating expenses for each Initial MTW PHA, HUD will calculate the excess available reserves for potential offset as follows:

$$\text{Excess Reserves} = \text{End of Year HCV and Public Housing Reserve Balance} \\ - \text{Protected Operating Expenses}$$

Public housing reserves are calculated by subtracting short-term liabilities and the Proration Variance Amount from Short-Term Assets. The Proration Variance Amount represents the amount required to increase a PHA’s proration rate to 100 percent. The Proration Variance Amount is calculated as the difference between the PHA’s Operating Subsidy eligibility amount, as shown in the Public Housing Portal when HUD retrieves the data, and the amount the PHA would receive for the year based on that eligibility using the proration rate applied by HUD in its most recent Operating Subsidy obligation. For this calculation, 2026 shortfall funding awards to the PHA will be included in the determination of the PHA’s reserves.

$$\text{Proration Variance Amount} = \text{Operating Subsidy Eligibility Amount} \\ - \text{Operating Subsidy Amount After Proration}$$

$$\text{Operating Reserves} = \text{Restricted \& Unrestricted Assets} \\ - \text{Current Liabilities} - \text{Proration Variance Amount} + \text{2026 Shortfall Awards}$$

Restricted & Unrestricted Assets (sum of the below LRPH items)	Current Liabilities (difference of the below LRPH items)
• Cash: Unrestricted (ITEM_111) • Cash: Tenant Security Deposits (ITEM_114) • 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)	• Total Current Liabilities (ITEM_310) • Current Portion Long Term Debt: Capital Projects (ITEM_343)

HAP reserves are calculated from HUD HCV funding disbursement data and validated PHA expenditures reported in VMS. HUD calculates monthly disbursements based on the most recent validated PHA HAP costs available from the VMS at the point the disbursement is scheduled. No less than twice a year, each PHA's actual costs will be compared to funds disbursed for the period in question plus other program revenues, such as fraud recoveries. The Department prepares a cash reconciliation (as of June 30 and December 31) that includes the breakdown of HUD-held reserves and PHA-held reserves for PHAs. HCV reserves are defined as undisbursed obligations.

Example

- The Initial MTW PHA's protected operating expenses = \$40 million
- The PHA has an end of year HCV reserve balance of \$10 million and a public housing operating reserve balance of \$50 million, totaling \$60 million.
- Excess Agency Total Reserves Available for Offset = \$60 million - \$40 million = \$20 million

The offset amount is a percentage of the PHA's total excess reserves, and the percentage is applied in offsetting all other PHAs' excess reserve balances as described in Notice PIH 2026-12. Each PHA's HCV renewal funding allocation is reduced by the offset amount. For FY 2026, HUD intends to offset all excess reserves after considering operating expenses protected by section 239 of the 2016 act. In the previous example, HUD would offset 100 percent of the \$20 million in excess agency total reserves available for offset.

V. OFFSET APPEALS

The 2026 act directs HUD to allow Initial MTW PHAs not less than 60 days to appeal HCV reserve offsets, which begins with publication of this notice. It also stipulates that HUD may not offset excess reserve amounts if:

- The PHA has committed reserve amounts to capital improvement, development, and other repositioning activities that are scheduled to close within 12 months of the 2026 act's enactment (February 3, 2026); and
- The PHA's protected operating expenses are insufficient to cover those commitments.

Additionally, per the 2026 act, HUD shall not offset any portion of a public housing agency's excess amounts if offsetting such portion would result in a public housing agency being put in a shortfall position in CY 2026.

The 2026 HCV Funding Notice contains details regarding the operation and funding of the HCV program and related programs. In addition, Initial MTW PHAs will receive their renewal funding enclosures, which will contain the funding calculations as well as any offset of excess reserves, as applicable.

A. Offset Appeals Categories

HUD will consider 2026 HCV reserve offset appeals from Initial MTW PHAs in the following two categories:

1. *Data Correction Appeals*

HUD will consider appeals from MTW PHAs who believe that the FDS used to calculate their public housing reserves and/or protected public housing operating expenses are not correct.

HUD uses the same data and nearly the same methodology to calculate reserves and expenses for both the 2026 public housing shortfall and the MTW offset. Accordingly, where HUD approves a shortfall appeal from an Initial MTW PHA that changes those calculations, HUD will also apply the revised figures to the MTW offset. In addition, a PHA may submit an appeal under this category to demonstrate the public housing reserve amounts or other FDS information are inaccurate, even if the PHA did not appeal under the 2026 public housing shortfall process.

2. *Statutory Obligation Appeals*

HUD will accept appeals from Initial MTW PHAs for amounts that have been committed prior to February 3, 2026, to capital improvement, development, and other repositioning activities that are scheduled to close no later than February 2, 2027 (within 12 months of the 2026 act's enactment). Specifically, HUD will accept Initial MTW PHA appeals for amounts that have been committed to the following capital improvement, development, and other repositioning activities:

- Local, Non-Traditional Housing Development activities
- Section 18 Demolitions/Dispositions
- Section 22 Voluntary Conversions
- Section 33 Required Conversions
- Part 200 Retentions
- De Minimis Demolitions (Section 118)

- Eminent domain actions
- Mixed finance projects
- Capital improvement activities
- Project-Based Vouchers (PBVs) associated with capital improvement or development activity
- RAD PBVs
- RAD/Section 18 Blends
- Restore-Rebuild projects (formerly Faircloth to RAD)⁴
- Low-Income Housing Tax Credit (LIHTC) projects with obligations of funds scheduled to close within 12 months of the enactment of the act

For the appeal to succeed, the PHA must provide evidence and supporting documentation to show its protected operating expenses are insufficient to cover the eligible obligations.

B. Timing

Per the 2026 act, HUD must provide Initial MTW PHAs not less than 60 days to appeal offsets. Accordingly, the appeals process will open on August 18, 2026, and close on October 19, 2026. MTW PHAs must submit appeal applications by **5:00 p.m. ET on October 19, 2026**. Applications received after this time will not be accepted.

C. Application Instructions

1. *Public Housing Portal*

Initial MTW PHAs wishing to appeal their funding offsets must use the Public Housing Portal to submit an appeal application. The Public Housing Portal is a centralized platform for PHAs to submit required forms and reports, ensuring compliance with regulatory requirements and facilitating transparent and accurate data reporting. The Portal includes a module to facilitate the submission of both public housing reserve appeals and statutory obligation appeals.

Access the Public Housing Portal at https://hudapps.hud.gov/HUD_Systems or via the [Public Housing Portal webpage](#). For access, review the [User Guide to Create and Update Public Housing User Profile](#).

1. *Application Instructions*

HUD requires the following documentation for all appeals:

- A re-calculation of Operating Reserves reflecting the requested correction
- A copy of the accepted FDS that the PHA used to calculate shortfall eligibility
- Indication of the corrected entries and supporting financial information
- *If submitting a revised financial statement* – Written concurrence from the PHA's auditor

⁴ Restore-Rebuild projects have a sunset date earlier than February 2, 2027.

- A signed statement, in PDF format, by the PHA's executive director certifying the information submitted is accurate
- Other required documentation to support the appeal (see the appendix of [Notice PIH 2026-10](#))

The PHA must upload each document to the Public Housing Portal for HUD to review or process the appeal. Missing or incomplete documentation will result in HUD denying the appeal. If a document is not applicable, PHAs can upload a document with the words "Not Applicable."

Failure to provide any of the required documents and information within the Portal as instructed will result in denial of the application. PHAs are urged to review application data and attachments for completeness and accuracy prior to submission to avoid needing to resubmit applications. If the PHA submits an application to the Portal, then needs to make a correction, the PHA should email PublicHousingPortal@hud.gov and request HUD return its appeal application. The PHA may then correct and re-submit its application by the application deadline.

Submitting the application is equivalent to an electronic signature. When a PHA submits an offset appeal in the Public Housing Portal, it must affirm and electronically sign that, "I/We, the undersigned, certify under the penalty of perjury that the information provided on this form is true, accurate, 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, and 1014; and 31 U.S.C. §3729, 3802)." Upon successful submission, executive directors will receive a confirmation email from the portal on the same day.

2. *Additional Information for Statutory Obligation Appeals*

In addition to the list under [section V.C.2.](#), Initial MTW PHAs wanting to appeal under this category must also submit the following documents in the Public Housing Portal:

- Documentation that an obligation for an eligible development-related activity occurred prior to February 3, 2026, and that project closing will occur by February 2, 2027. Documentation must clearly be for an eligible purpose as described in the 2026 act (e.g., capital improvement, development, and other repositioning activities)
- Written explanation of the impact on the PHA's ability to complete the project if their reserves were to be offset

An appeal will only be granted if the total documented obligations exceed the PHA's protected operating expenses. Examples of documentation include, but are not limited to:

- A construction contract for a redevelopment activity
- Documentation that shows payments due during the calendar year through February 2, 2027, for affordable housing development, capital improvement, or repositioning activities
- The summary section of a trades contract for capital improvement projects
- Award letter from the State for a LIHTC project
- Funding applications
- A purchase order or similar document that shows an obligation was incurred
- A construction project schedule showing project expenditure on or before February 2, 2027
- Other documentation that demonstrates expenditure of the project on or before February 2, 2027

D. HUD Review

After submission, HUD will review the submitted application for completeness. After this threshold review, HUD will evaluate the appeal to ensure it is compliant with the requirements of the 2026 act. Specifically, HUD will verify that the PHA entered into the obligation prior to February 3, 2026, and that the obligation will be fully expended by February 2, 2027. If the appeal fails to meet these two criteria, HUD will deny the appeal.

If the appeal meets the baseline requirements of the 2026 act, HUD will analyze the appeal to assess the impact of the offset on an Initial MTW PHA's ability to complete the project(s). Specifically, HUD will analyze if the PHA's obligated eligible projects to be expended by February 2, 2027, exceed the protected operating expenses. If HUD determines the total amount of obligations exceeds the agency's protected operating expenses, it will reduce the amount of the offset to ensure the PHA can meet its eligible obligations. If HUD determines the total amount of obligations does not exceed the agency's protected operating expenses, it will deny the appeal.

Example

- The Initial MTW PHA has protected operating expenses of \$25 million, and a total reserve balance is \$40 million.
- HUD calculates its total excess reserves available for offset at \$15 million and has offset 100 percent of the PHA's excess reserves, i.e., reduced the PHA's HCV renewal funding allocation by \$15 million.
- The PHA has obligations for development projects prior to February 3, 2026, equal to \$30 million that will be expended by February 2, 2027.
- The PHA submitted a timely appeal to reverse its offset and to return \$15 million in excess reserves needed for these eligible obligations.
- HUD first checks that the PHA met the threshold criteria required by the 2026 act: HUD determines that the PHA entered into all development projects prior to February 3, 2026, and that all obligations will be expended by February 2, 2027. The appeal passes threshold review.
- HUD then analyzes the appeal to determine how much to reduce the offset.

- Since the PHA has \$30 million dollars in eligible obligations and only \$25 million in protected operating expenses, HUD will reduce the offset by \$5 million to ensure the PHA can meet its obligations for development projects. The PHA's resulting offset will be \$10 million rather than \$15 million, and the PHA's renewal funding allocation will be adjusted accordingly.

E. Notification and Next Steps

HUD will communicate all appeal decisions by email within 60 days of the appeal deadline. The appeal decision will explain HUD's findings, the reason the appeal was accepted or denied, and the action that HUD took, if applicable.

If HUD approves the appeal, the PHA must submit a corrected FDS to the Real Estate Assessment Center's Financial Assessment of Public Housing (FASS) office within 30 days of notification that the original FDS submission was invalidated. HUD will release funds (if applicable) after the PHA submits corrected data in FASS and HUD accepts the corrected data.

VI. PAPERWORK REDUCTION ACT

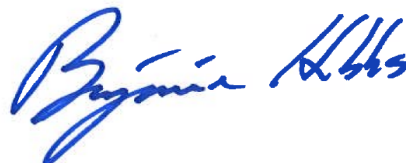
The information collection requirements contained in this notice are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501, et. seq.). In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless the collection displays a currently valid OMB Control Number. The active information collections in this notice include OMB Control Numbers 2577-0026, 2577-0029, 2577-0157, and 2577-0246.

VII. PENALTY FOR FALSE CLAIMS AND STATEMENTS

HUD will seek civil, criminal, or administrative action against individuals and entities that 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 1621, and 31 U.S.C. §§ 3729 and 3802). All PHAs are expected to follow all laws, including Compliance with Immigration Requirements (8 U.S.C. §§ 1601-1646 and § 1324a).

VIII. CONTACT

Direct questions about this notice to MTWOffsetAppeals@hud.gov.



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