Guidance on the How to Reverse the Impact of Rent Reductions from the Jobs Plus Earned Income Disregard (JPEID) on Formula Income

This guidance explains the effect of the JPEID on (per unit month – PUM) formula income and provides instructions on how to make relevant adjustments. The Jobs Plus program develops locally based, job-driven approaches to increase earnings and advance employment outcomes through work readiness, employer linkages, job placement, educational advancement technology skills, and financial literacy for residents of public housing.

Formula income is part of the Operating Subsidy (Op Sub) formula. Lower formula income results in higher Op Sub eligibility. *Income Disregards* lower rents and increase Op Sub eligibility. Reimbursement to the PHA for "lost" rental income must come only from the Jobs Plus grant. PHAs may not receive additional operating subsidy based upon their participation in the Jobs Plus program.

HUD pre-populates formula income with tenant rent data from the Financial Data Schedule (FDS). Therefore, for PHAs participating in JPEID, decreased formula income as a result of the *Income Disregards* in JPEID are incorporated in the formula income. To ensure that PHAs do not receive additional Op Sub funds because of their participation in JPEID, the prepopulated formula income data must be adjusted to reverse the rent reduction caused by the *Income Disregard*.

PHAs submit worksheets to PIH's Community and Supportive Services (CSS) team detailing the rent reductions caused by the JPEID *Income Disregards*. This data is validated by the JPEID team, and then used as part of the Op Sub process to reverse the rent reductions caused by the JPEID *Income Disregards*.

To ensure that PHAs that administer the Jobs Plus program do not receive reimbursement for lost rental income via Op Sub funds, HUD will use the JPEID rent reduction data submitted by the PHA and validated by the CSS team to make a manual adjustment to the PHA's Op Sub forms after submission. To accomplish this:

(i)   Where formula Income is pre-populated into the HUD-52723, the PHA should adjust the formula income to reverse the rent reduction caused by the *Income Disregard*. This should be completed before submitting the form HUD-52723 to their local Field Office (FO). If the PHA does not make the adjustment before submitting the 52723 to the FO, the FO will return the form and request the PHA to make the adjustment and resubmit. The submission must include supporting documentation that shows how the formula income was recalculated. The PHA should include a comment in the form HUD-52723 indicating that the formula income was adjusted to comply with JPEID requirements.

(ii)   If formula income is not pre-populated by HUD, the PHA will derive the formula income and enter it into the form HUD-52723. In deriving formula income, the PHA should adjust the formula income to reverse the rent reduction caused by the income disregard. If the PHA does not make the adjustment before submitting the 52723 to the FO, the FO will return the form and request the PHA to make the adjustment and resubmit. The submission must include supporting documentation showing how the formula income

was derived, including the JPEID adjustment. The PHA should include a comment in the form HUD-52723 indicating that the formula income was adjusted to comply with JPEID requirements.

The FO must review the submission before forwarding the PHA-corrected or PHA-derived formula income to the Financial Management Division (FMD). If the PHA has not made the adjustment, or the FO detects any errors, the submission must be returned to the PHA for correction. (The FO may request additional documentation as needed.)

All data should be derived from the PHA's fiscal year ending two years before the funding year (e.g., the funding year is 2021, and the PHA has a FYE of 6/30, then financial data for the PHA's FYE 6/30/19 must be used). Note that formula income is entered into the form HUD-52723 on aper unit month (PUM) basis therefore, the adjustment must be made on a PUM basis as well.

The following methodology is used to adjust the formula income for all three scenarios: HUD Pre-populated, or PHA-Corrected, or PHA-Derived Formula Income

1. ***JPEID Rent Reduction Amount[1] (the total amount rent was reduced as a result the JPEID *Income Disregards* for all tenants for the PHA's fiscal year) = \$B**

2. ****EUMs from Column B15 of the form HUD-52723[2] = C**

3. **JPEID Rent Reduction Amount PUM = \$B ÷ C**

4. **Adjusted Formula Income PUM [3]= Formula Income PUM [4]+ JPEID Rent Reduction Amount PUM.**

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[1] This amount is identified by PHAs. PHAs must submit a worksheet to the CSS team calculating the rent reduction caused by the JPEID disregard. This figure is derived from that worksheet.

[2] By using eligible unit months (EUMs), JPEID can be backed out of the Op Sub formula, dollar for dollar. If we use unit months leased (UML) from the FDS and the occupancy changes during the reporting period, the adjustment would not be one-for-one (or dollar for dollar).

[3] This is the PUM amount that is entered into Section 3, Part B, Line 1 of the form HUD-52723. It is the tenant rent, after it has been adjusted to reverse the impact of rent reductions caused by the JPEID income disregards