Subject: FY 1997 and 1998 Subsidies for Operation of Low-Income Housing Projects

The first purpose of this Notice is to advise Public Housing Agencies (PHAs) that there will be no proration of operating budget approvals during Federal fiscal year 1998 (HA fiscal years beginning January 1, April 1, July 1, and September 1, 1998). The 1998 Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act includes $2,900,000,000 for FY 1998 operating subsidy requirements. Under current authorizations, the amount appropriated in the FY 1998 Appropriations Act will be sufficient to cover total subsidy requirements for both Performance Funding System (PFS) and non-PFS projects. Accordingly, payments to all PHAs will be based on 100 percent of the full eligibility of each as determined by the PFS, or the appropriate alternate approach for the non-PFS PHAs and projects. Should actual requirements for FY 1998 vary significantly from the estimate, this percentage is subject to change.

The second purpose of this Notice is to advise PHAs that the proration level of operating subsidies at 95 percent previously necessitated by the shortfall of appropriated funds has been revised. Actual FY 1997 operating subsidy requirements were lower than anticipated. Accordingly, payments to all PHAs will be at 99 percent of eligibility as determined by the PFS, or the appropriate alternative approach for the non-PFS PHAs and projects. Those PHAs with approved operating budgets or Calculation of Performance Funding System Operating Subsidy forms will not have to submit any documents to effect payment of the additional amount due. The HUD Field Office will reapprove the previously approved obligating document and revise the previously
submitted Direct Disbursement Payment Schedule (Form HUD-52721). The Field Office will send copies of these documents to the HA and schedule payment of the additional amount due. When recalculating operating subsidy payment, the Field Office will also revise, where appropriate, the amount of the Incentive Adjustment for FY 1997 to reflect the revised calculation of the unfunded portion of operating subsidy due to proration.

/s/

Kevin Emanuel Marchman
Acting Assistant Secretary
for Public and Indian Housing