U. S. Department of Housing and Urban Development

Office of Public and Indian Housing

Special Attention of:	NOTICE PIH 2002-8 (HA)
Public Housing Agencies;	
Regional Directors;	Issued: March 27, 2002
State/Area Coordinators;	
Directors, Public Housing	Expires: March 31, 2003
Divisions; Resident Management	
Corporations (RMCs)	

SUBJECT: Federal Fiscal Year (FFY) 2002 Proration Factor, Dwelling Rental
Adjustment Factor, and Other Special Notes

Purpose: The purpose of this Notice is to provide Public Housing Agencies (PHAs) with
information needed to complete and submit their FFY 2002 operating subsidy eligibility
requests to HUD. The information includes the proration and dwelling rental adjustment
factors to be used in determining subsidy eligibility and other special notes related to the
operating subsidy calculation.

Background: On March 29, 2001, HUD published an interim rule in the Federal Register
that implemented a new formula for the determination and distribution of operating
subsidies to a PHA. A PHA whose fiscal year begins on or after January 1, 2001, will
use the new formula to calculate its operating subsidy eligibility. As required by the
Quality Housing and Work Responsibility Act of 1998 (QHWRA), the new formula was
developed using regulatory negotiations and a Negotiated Rulemaking (Neg-Reg)
Committee, whose members reflected a broad range of interests. You may download a
copy of the Federal Register from the website of the Funding and Financial Management
Division (FFMD). The website address is: www.hud.gov/offices/pih/divisions/ffmd

HUD-Provided Operating Subsidy Formula Factors: To properly calculate operating
subsidy eligibility, PHAs need the following information:

- Proration Factor. HUD has determined that sufficient funds are available for
  FFY 2002 to permit full funding (100%) of estimated subsidy requirements.

- Dwelling Rental Adjustment Factor. HUD agreed during the regulatory
  negotiations that produced the new formula to revise the 3% dwelling rental
  adjustment factor in FFY 2002. A proposed methodology for projecting rental
  income has been prepared and will be published shortly. In order to permit
  sufficient time for the public review and comment of the proposal without
  delaying further the submission of operating subsidy requests, PHAs will continue
  to use 3% as the rental adjustment factor for their FFY 2002 submissions. In
  recognition of the delay in implementing a new methodology, HUD will permit a
  PHA with a fiscal year ending December 31, 2002, March 31, 2003, June 30,

2003, or September 30, 2003, to submit a year-end adjustment using its actual annual increase factor, if it can establish to HUD's satisfaction that rents did not increase by 3% because of circumstances beyond the control of the PHA. Procedures for making such a submission will be issued separately and will parallel those used by HUD prior to the implementation of the new formula.

- <u>Local Inflation Factors</u>. These factors were distributed to PHAs through Notice PIH 2002-5 issued March 6, 2002.

Preparation of Subsidy Calculation Forms: With the release of the above specific factors, PHAs are now equipped to determine their FY 2002 operating subsidy eligibility. PHAs should download the forms needed for their subsidy calculation from the FFMD website and prepare them according to the instructions for the forms. Required certifications and PHA Board approval will also be needed.

Generally, a PHA will be submitting the following completed forms:

Calculation of Operating Subsidy**   form HUD-52723

Calculation of Occupancy Percentage
  For a Requested Budget Year (RBY)**   form HUD-52728

Calculation of Allowable Utilities
  Expense Level**   form HUD-52722-A

Direct Disbursement Payment
  Schedule Data*   form HUD-52721

PHA Board Resolution   form HUD-52574

Certification for a Drug-Free
  Workplace   form HUD-50070

Certification of Payments to Influence
  Federal Transactions   form HUD-50071

* - These forms have been revised to reflect the new formula.

Please note the following:

- A PHA that is a designated Troubled PHA will also be submitting its Operating Budget, form HUD-52564. Troubled PHAs will also send a copy of their Operating Budget and subsidy calculations to their respective TARC Office.

Schedule for Submission of Subsidy Calculation: Under normal circumstances, a PHA would submit its Operating Budget and/or subsidy calculation to its Field Office or TARC for review and approval according to a schedule linked to the start of its fiscal year (January 1, April 1, July 1, or October 1). Given the recent release of formula factors, PHAs with fiscal years beginning January 1, 2002, and April 1, 2002, may have until May 1, 2002, to submit their required documentation.

Special Notes for FY 2002:

- Funding for Public Housing Family Self Sufficiency (FSS) Programs. PHAs with HUD-approved FSS Action Plans may include additional operating subsidy in their FY 2002 subsidy calculation to cover the public housing share of the reasonable cost of salary and fringe benefits for a FSS program coordinator. When housing choice voucher and public housing FSS programs are combined, the shared costs of the program coordinator must be prorated between the programs using an equitable allocation system such as percentage of time or number of FSS participants. The subsidy may also be increased by an amount equal to the PHA's Allowable Expense Level for each vacant public housing unit approved by HUD for the provision of supportive services to support housing choice voucher and/or public housing FSS programs. These FSS costs are eligible under 24 CFR 990.108(c) as costs attributable to changes in Federal law or regulation. The subsidy amount will be entered on Part D. Line 3 of form HUD-52723, Calculation of Operating Subsidy.

- Moving-to-Work (MTW) Agencies. PHAs that are participants in the MTW demonstration will compute their operating subsidy eligibility according to their agreements.

_____/s/_____
Michael Liu, Assistant Secretary
for Public and Indian Housing