



**U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing**

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**Special Attention of**  
Public Housing Agencies  
Public Housing Hub Office Directors  
Public Housing Program Center Directors  
Regional Directors  
Field Office Directors  
Resident Management Corporations

**Notice** PIH 2006-30 (HA)

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Cross Reference:

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**Subject:** Guidance on Methods and Schedules for Calculating Federal Fiscal Year (FFY) 2007 Operating Subsidy Eligibility

**1. Purpose.**

This notice provides public housing agencies (PHAs) with instructions for submitting their Federal Fiscal Year (FFY) 2007 operating subsidy forms under the new operating fund formula pursuant to the Revisions to the Public Housing Operating Fund Program, Final Rule (hereafter referred to as the “final rule”) published in the Federal Register on September 19, 2005 (79 FR 54983). The final rule replaces the interim rule that was published on March 29, 2001.

**2. Background.**

The final rule established a new operating fund formula to determine a PHA’s operating subsidy eligibility and requires PHAs to manage their properties according to an asset management model, consistent with the management norms of the multifamily management industry. The Revisions to the Public Housing Operating Fund Program; Correction to Formula Implementation Date notice, published in the Federal Register on October 24, 2005 (70 FR 61366), stated that the new operating fund formula will be implemented beginning in FFY 2007. Accordingly, from the FFY 2007 appropriation, HUD will provide operating subsidy based on the new operating fund formula to all PHAs from January 1, 2007, through December 31, 2007, regardless of their fiscal year.

For FFY 2007, all PHAs must submit the new operating subsidy forms that implement the new operating fund formula in the final rule. PHAs may not submit obsolete operating subsidy forms that calculate subsidy under the operating fund formula in the interim rule. The remainder of this notice provides instructions for submission of the FFY 2007 operating subsidy forms.

**3. Operating Subsidy Forms for Determining FFY 2007 Operating Subsidy Eligibility.**

The forms previously required to determine operating subsidy eligibility have changed. To determine their operating subsidy eligibility under the new operating fund formula, PHAs must complete the following two operating subsidy calculation forms:

- Form HUD-52723, Calculation of Operating Subsidy, OMB approval number 2577-0029, expires October 31, 2008.
- Form HUD-52722, Calculation of Utilities Expense Level, OMB approval number 2577-0029, expires October 31, 2008.

HUD is currently providing training nationwide on the final rule and instruction guidance for completing these new operating subsidy forms. Further information is available on the Operating Fund Program web site at:

[www.hud.gov/offices/pih/programs/ph/am/of/index.cfm](http://www.hud.gov/offices/pih/programs/ph/am/of/index.cfm)

HUD has provided each PHA with data required for the PHA to complete the forms, including its project expense level (PEL), inflation factors, transition funding amount, etc.

Please note that the operating subsidy forms required under the interim rule were amended or eliminated, in accordance with the provisions of the final rule, as follows:

- Form HUD-52723, *Calculation of Operating Subsidy*. This form still exists but the content was amended.
- Form HUD-52722-A, *Calculation of Allowable Utilities Expense Level*, and form HUD-52722-B, *Adjustment for Utility Consumption and Rates*. These forms were combined into form HUD-52722 and the content was amended.
- Form HUD-52728, *Calculation of Occupancy Percentage*. This form has been eliminated.
- Form HUD-52720-A, *Formula Data Collection*, form HUD-52720-B, *Calculation of Formula and Delta*, and form HUD-52720-C, *Range Test and Determination of Base Year Expense Level*. These forms were eliminated.

**In FFY 2007, HUD will provide operating subsidy at the PHA level.** This was also the case in FFY 2006 and prior. In FFY 2008, HUD will provide operating subsidy at the project level. Instructions on how to complete the operating subsidy forms at the project level will be provided at a later date.

Some PHAs may wish to submit an appeal in accordance with the provisions in 24 CFR 990.240-990.250 (Subpart G). The instructions and procedures for submitting an appeal will be made available at a later date. However, PHAs must still submit their operating subsidy forms under the new operating fund formula by the deadline, below. If the appeal is granted, the PHA will have an opportunity to revise its forms, and will be funded retroactively.

#### **4. Other Required Forms.**

While form HUD-52723 and form HUD-52722 are the only operating subsidy forms used to determine a PHA's operating subsidy eligibility, each PHA must continue to submit the following two forms as part of their operating subsidy calculation package:

- Form SF-424, Application For Federal Assistance.
- Form HUD-50071, Certification of Payments to Influence Federal Transactions.

## **5. Process for Submission.**

**Original submission of operating subsidy forms.** HUD has created an Excel Tool of form HUD-52723 to assist each PHA in calculating its operating subsidy eligibility. For each PHA, HUD will prepopulate the Excel Tool with certain of the PHA's data, including its project expense level (PEL), inflation factors, transition funding amount, etc. In August 2006, HUD emailed each PHA its Excel Tool using the PHA's email address in PIC.

The PHA must mail a signed hardcopy of form HUD-52723 to its local field office, along with hard copies of forms HUD-52722, SF-424, HUD-50071 and other supporting documentation, as needed. A PHA should contact its local field office for assistance, if needed, to obtain the prepopulated information included in the Excel Tool and for completing the hard copy of form HUD-52723. Detailed instruction guides for using the Excel Tool and completing the hard copy of form HUD-52723 are available on the Operating Fund Program web site that is provided in Item 3 of this notice.

**Revisions to operating subsidy forms.** For FFY 2007, a PHA may only submit a revision to its operating subsidy forms due to:

- Correction of errors;
- New units;
- Demolition and disposition of units;
- New utilities incentives/contracts;
- Demonstration of successful conversion to asset management to discontinue the reduction of operating subsidy (see Notice PIH 2006-14); and
- Appeals granted by HUD.

If a PHA submits a revision, it should only send revised hard copies of its operating subsidy forms to its local HUD field office along with any needed supporting documentation.

## **6. Schedule for Submission.**

HUD began providing training on the new operating fund formula, operating subsidy forms, and the Excel Tool to all PHAs in June 2006 and will continue through August 2006. Each HUD field office and PHA has been provided with the training logistics.

**The signed hard copy of form HUD-52723 must be received by the PHA's local HUD field office no later than September 15, 2006. A PHA that fails to submit its required documentation by this time may be subject to a suspension and/or loss of operating subsidy payments.**

If a PHA needs to submit a revision to its operating subsidy eligibility, the revision must be received by its local HUD field office no later than July 16, 2007.

## **7. Other Information.**

**Moving-to-Work (MTW) Agencies.** PHAs that are participants in the MTW demonstration will compute their operating subsidy eligibility according to their agreements. However, all MTW PHAs must submit using the new operating subsidy calculation forms.

**Mutual Help and Turnkey III Projects.** If a PHA has a Mutual Help or Turnkey III project(s) and is requesting operating subsidy for this project(s), it must submit **form HUD-53087, Calculation of Subsidies for Operations: Non-Rental Housing.** The operating subsidy provided to a Mutual Help or Turnkey III project is partially based on the project's operating budget. PHAs requesting operating subsidy for Mutual Help and Turnkey III Projects should base the FFY 2007 form HUD-53087 on the latest approved operating budget at the time of submission. The submission due date for Mutual Help and Turnkey III Projects is September 15, 2006.

**Form HUD-52722, Calculation of Utilities Expense Level.** Under the final rule, all PHAs will be required to maintain utilities consumption and rate data for a July 1st to June 30th reporting period, regardless of their fiscal year. (Under the interim rule, PHAs maintained consumption and rate data for their fiscal year.) More information is provided on the Operating Fund Program web site that is provided in Item 3 of this notice.

PHAs should begin recompiling their consumption data beginning with the earliest year of the rolling base, which is July 2002 through June 2003.

**Operating budget forms.** The following are not required as part of the operating subsidy forms, but must still be submitted prior to the beginning of the PHA's fiscal year:

- **Form HUD-52574, PHA Board Resolution.** This form has been amended. In the past, the PHA's board certified to its review of both the operating subsidy forms and the operating budget. Now that the PHA will submit the operating subsidy forms separately from the operating budget, the board only will certify to its review of the operating budget.
- **Form HUD-52564, Operating Budget.** A PHA that is designated a troubled PHA under the Public Housing Assessment System will also be submitting form HUD-52564. As stated in Notice PIH 2004-9, the operating budget is no longer an obligating document and should be completed using a budget estimate for operating subsidy.

**HUD approval of calculations.** HUD will use the submitted documentation and exercise all available adjustment powers, as needed, to determine an appropriate operating subsidy level for FFY 2007. HUD will then approve operating subsidy calculations at that level. If additional information is needed, please contact your local field office.

**Paperwork reduction.** The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval numbers 2577-0026 and 2577-0029. In accordance with the Paperwork Reduction Act, 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.

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Orlando J. Cabrera, Assistant Secretary for  
Public and Indian Housing