



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

Special Attention of	Notice PIH 2005- 35 (HA)
Public Housing Agencies	
Public Housing Hub Office Directors	Issued: November 15, 2005
Public Housing Program Center Directors	
Regional Directors	Expires: November 30, 2006
Field Office Directors	
Resident Management Corporations	Cross Reference:

Subject: Guidance on Methods and Schedules for Calculating Federal Fiscal Year (FFY) 2006 Operating Subsidy Eligibility and Issuance of Local Inflation Factors, Formula Expense Level Equation Multipliers, and Related Tables

1. Purpose

This notice provides public housing agencies (PHAs) with information needed to complete their FFY 2006 operating subsidy forms. It includes a schedule for the submission of certain items to HUD, local inflation factors, data needed for the recalculation of the formula expense level, and other special notes related to the operating subsidy forms and processing.

As described in the Federal Register notice, Revisions to the Public Housing Operating Fund Program; Corrections to Formula Implementation Date (70 FR 61366), published October 24, 2005, the Department will implement the new operating fund formula beginning in calendar year 2007. Therefore, in accordance with the instructions provided in this notice, PHAs will calculate their operating subsidy for calendar year 2006 under the current (interim) formula.

2. Calendar Year Funding

In the Consolidated Appropriations Act of 2005 (Public Law 108-447), Congress provided the following language under the Public Housing Operating Fund:

“...Provided further, That any such 2005 payment shall be provided in an amount sufficient to cover only the period beginning with the start of a public housing agency’s fiscal year and ending December 31, 2005; Provided further, That for fiscal year 2006 and all fiscal years thereafter, the Secretary shall provide assistance under this heading to public housing agencies on a calendar year basis...”

As described in Notice PIH 2005-27, *Transition of Operating Subsidy Funding to a Calendar Year Basis and Associated Modifications to the Federal Fiscal Year 2005 Calculation of Operating Subsidy*, to comply with the appropriation language, HUD provided operating subsidy from the FFY 2005 appropriation to all PHAs eligible to receive it through December 31, 2005,

regardless of their fiscal year end. Therefore, in accordance with the guidance in this notice, all PHAs will be funded from the FFY 2006 appropriation for the calendar year January 1, 2006, through December 31, 2006.

3. Overview of FFY 2006 Processing

In order to allow adequate time for PHAs to submit, field offices to review, and Headquarters to process the operating subsidy forms, HUD will initially obligate two calendar quarters of operating subsidy to PHAs based on their FFY 2005 operating subsidy forms. (See Notice PIH 2005-31, *Federal Fiscal Year (FFY) 2006 Initial Determination and Obligation of Operating Subsidy*). HUD may need, however, to obligate funds in several increments over the first two calendar quarters if HUD is under a Continuing Resolution. Once PHAs submit their FFY 2006 operating subsidy forms under the current (interim) formula, HUD will determine the amount of operating subsidy that should be obligated to PHAs for the calendar year beginning January 1, 2006. HUD will then deduct the amount that has already been obligated based on the FFY 2005 operating subsidy forms to determine the additional amount of operating subsidy that needs to be obligated to PHAs for the balance of calendar year 2006.

The remainder of this notice provides instructions for submission of the FFY 2006 operating subsidy forms.

4. Calculations (Including Special Instructions Due to the Calendar Year Transition)

The FFY 2006 operating subsidy forms must be completed for the period of January 1, 2006, through December 31, 2006. For FFY 2006, all references to requested budget year (RBY) in 24 CFR part 990 and on the operating subsidy forms will refer to this period. Unless otherwise noted, the following instructions apply to form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, expires June 30, 2006.

Units and Unit Months Available (UMA). Section 1(d), of form HUD-52723, “No. of HA Units,” and (e), “Units Months Available (UMAs),” should reflect units and UMAs from January 1, 2006, through December 31, 2006.

Operating Fund Project Number. For all PHAs, the last three digits of the operating fund project number will be “06D.”

Allowable Expense Level (AEL). Part A, Line 01, of form HUD-52723, “Previous allowable expense level,” must equal Part A, Line 08, “Revised allowable expense level,” of the FFY 2005 form HUD-52723. Due to the calendar year transition in FFY 2005, Headquarters modified the amount on Part A, Line 08, of the FFY 2005 form HUD-52723. PHAs must enter the modified amount from Part A, Line 08, of the FFY 2005 form HUD-52723 on Part A, Line 01, of the FFY 2006 form HUD-52723. The AEL for each PHA that should be entered on Part A, Line 01, of the FFY 2006 form HUD-52723, is also available on the Operating Subsidy website at:

<http://www.hud.gov/offices/pih/divisions/ffmd/of/>

Recalculation of Formula Expense Level. A small number of PHAs may have to adjust their AELs in FFY 2006 to reflect significant changes to the characteristics of their unit inventories. If a PHA needs to complete Part A, Line 03, “Delta from form HUD-52720 B, if applicable” (known as a “long delta” calculation), it should refer to the information contained in Appendices 3 and 4.

Local Inflation Factors. Part A, Line 07, of form HUD-52723, “Inflation factor,” should be completed using Appendix 1 of this notice. If a PHA is unsure whether it should apply the metropolitan or non-metropolitan inflation factor, it should consult the listing of metropolitan areas contained in Appendix 2.

Allowable Utilities Expense Level. Part A, Line 11, of form HUD-52723, “Allowable utilities expense level from form HUD-52722 A,” is calculated using form HUD-52722 A, Calculation of Allowable Utilities Expense Level. On the form HUD-52722 A for FFY 2006:

- Lines 01 through 03, “UMA and actual consumption for old projects for 12 month period which ended....” PHAs should continue to enter UMA and consumption data on Lines 01 through 03 based on their fiscal year end, as follows:

Form HUD-52722	UMA and Actual Consumption Based on PHA Fiscal Year End			
	12/31	3/31	6/30	9/30
Line 01	12/31/04	3/31/05	6/30/05	9/30/05
Line 02	12/31/03	3/31/04	6/30/04	9/30/04
Line 03	12/31/02	3/31/03	6/30/03	9/30/03

- Line 08, “Estimated UMA and consumption for new projects.” PHAs should estimate UMAs and consumption for new projects for the period of January 1, 2006, through December 31, 2006.
- Line 13, “Rate.” As stated in the instructions for form HUD-52722 A, PHAs should enter the current applicable rate in effect at the time of submission, except where prior to the date of submission, the appropriate utility commission has approved and published rate changes for future implementation. If a PHA is using an approved rate increase, it must submit appropriate supporting documentation.

Audit Cost. Part A, Line 12, of form HUD-52723, “Actual PUM cost of Independent Audit.” PHAs should continue to enter their most recent actual audit cost related to the Operating Fund Program if the PHA has not yet received operating subsidy for the audit.

Average Monthly Dwelling Rental Charge per Unit. The dwelling rental income calculation in Part B of form HUD-52723 utilizes a three-year average monthly dwelling rental charge per unit.

- Part B, Line 03, of form HUD-52723, “Average monthly dwelling rental charge per unit for current budget year.” This amount is calculated by dividing Part B, Line 01, “Total rent roll,” by Part B, Line 02, “Number of occupied units as of rent roll date.” 24 CFR §

990.109(b)(2)(i) instructs PHAs to use a rent roll dated on the first day of the month which is six months before the first day of the RBY. If there is a change in the rent roll in a subsequent month before the beginning of the RBY, and before the submission of the RBY operating subsidy forms, the PHA may use the latest changed rent roll for the purpose of the calculation. (Note that the instructions for Part B, Line 01, "Total Rent Roll," on the current form HUD-52723 are incorrect for determining the date of the rent roll used to calculate the average monthly dwelling rental charge per unit.) For FFY 2006, all PHAs should use a rent roll dated July 1, 2005, unless there is a change in rent roll in a subsequent month before January 1, 2006, in which case the PHA may use the latest changed rent roll.

- Part B, Line 04, of form HUD-52723, "Average monthly dwelling rental charge per unit for prior budget year." PHAs should enter the amount on Part B, Line 03, of the form HUD-52723 for FFY 2005.
- Part B, Line 05, of form HUD-52723, "Average monthly dwelling rental charge per unit for budget year 2 years ago." PHAs should enter the amount on Part B, Line 04, of the form HUD-52723 for FFY 2005.

Rental Income Adjustment Factor. Part B, Line 09, of form HUD-52723, "Rental Income Adjustment Factor," is provided pursuant to 24 CFR § 990.109(b)(5). PHAs will use 3 percent as the adjustment factor for their FFY 2006 calculation.

Occupancy Percentage. Part B, Line 11, of form HUD-52723, "Projected occupancy percentage from form HUD-52728," is calculated using form HUD-52728, HA Calculation of Occupancy Percentage for a Requested Budget Year (RBY), OMB approval number 2577-0066, expires December 31, 2005. On form HUD-52728, PHAs are instructed to use a report date that, unless otherwise approved by HUD, will be the last day of the month ending six months before the start of the RBY, or the monthly average for the month ending six months before the start of the RBY. For FFY 2006, all PHAs should use a report date of June 30, 2005, or the monthly average for June 2005, unless otherwise approved by HUD.

Add-ons. In general, add-ons in Part D of form HUD-52723 should be calculated for the period from January 1, 2006, through December 31, 2006. For example, on Part D, Line 08, "Phase down for demolitions," a PHA that is eligible to receive a phase down for demolitions must determine the applicable percentages (100 percent, 66 percent, or 33 percent) of funding during the period of January 1, 2006, through December 31, 2006 (and exclude those units from the number of units and UMAs in sections 1(d) and (e), as applicable).

Elderly/Disabled Service Coordinator Program. For FFY 2006, the public housing share of the reasonable cost of salary, fringe benefits and other administrative costs for the Elderly/Disabled Service Coordinator (EDSC) Program will again be funded through operating subsidy. Only PHAs that previously received funding through the Resident Opportunities and Self-Sufficiency (ROSS) grant for the EDSC program will be eligible to receive operating subsidy to fund this activity.

PHAs will be funded at the same level as through the ROSS grant with an annual adjustment for inflation. For FFY 2006, the adjustment for inflation shall be no greater than the local inflation factor provided in Appendix 1.

The subsidy amount for the EDSC program will be entered on Part D, Line 03, “Family Self-Sufficiency Program,” of form HUD-52723. Please note that, contrary to its title, Part D, Line 03, “Family Self-Sufficiency Program,” may only include an amount for the EDSC program (if the PHA is eligible to receive it).

- The Public Housing Family Self-Sufficiency (FSS) Program will again be funded as a competitive grant under the ROSS grant. PHAs with Public Housing FSS programs will no longer receive operating subsidy for the Public Housing coordinator salary and fringe benefits. However, PHAs may continue to receive operating subsidy for FSS program supportive service dwelling unit(s). This amount should be reported on Part D, Line 06, “Non-dwelling units approved for subsidy,” of form HUD-52723. No amount pertaining to the FSS program may be entered on Part D, Line 03.
- The ROSS grant also funds the Resident Services Delivery Model – Elderly/Persons with Disabilities Program. This amount continues to be funded as a competitive grant under ROSS. No amount pertaining to the Resident Services Delivery Model – Elderly/Persons with Disabilities Program may be entered on Part D, Line 03.

Utility Adjustments. Under current appropriation law, HUD is no longer permitted to make utility adjustments or any other type of retroactive payment for prior years. Accordingly, PHAs shall not record a receivable or payable on their books of account for the FFY 2004 (PHA fiscal years ending December 31, 2004, March 31, 2005, June 30, 2005, or September 30, 2005) utility adjustment that would normally flow into the FFY 2006 (beginning January 1, 2006, for all PHAs) operating subsidy forms. PHAs are still required to submit all utility adjustment forms to HUD within the required time frame for informational and review purposes. The amount should be reviewed and reported on Part F, Line 01, “Utility Adjustment for Prior Years,” of form HUD-52723.

New Units and Deprogrammed Units. PHAs may no longer estimate new units and deprogrammed units for the purpose of determining operating subsidy and its associated components including units, UMAs, etc. PHAs may adjust forms HUD-52723, HUD-52728, HUD-52722 A, and other associated forms for new units and deprogrammed units. PHAs may adjust these forms for FFY 2006 to incorporate new units that reach the end of initial operating period on or after September 30, 2005. Similarly, PHAs may adjust these forms to incorporate changes in inventory due to deprogrammed units.

- 1) **New units eligible to receive operating subsidy or units deprogrammed between October 1, 2005, and December 31, 2005.** These new units or deprogrammed units were not known at the time of the FFY 2005 revision deadline and, therefore, could not be included on the FFY 2005 operating subsidy forms. The amount of operating subsidy for these units for the three-month period from October 1, 2005, through December 31, 2005, should be reflected on Part D, Line 14, “Other Approved Funding, Not Listed,” of the FFY

2006 form HUD-52723. PHAs should calculate the amount on Part D, Line 14, based on the allowable expense level, allowable utility expense level, rent information, etc., from the PHA's FFY 2005 operating subsidy forms. The amount entered on Part D, Line 14, should not be prorated because it will ultimately be prorated at the FFY 2006 proration level.

- 2) **New units eligible to receive operating subsidy or units deprogrammed between January 1, 2006, and the FFY 2006 revision deadline.** These new units or deprogrammed units should be reflected in Section 1(d), "No. of HA Units," and (e), "Units Months Available (UMAs)," of form HUD-52723 and, therefore, will be included when calculating the amount of operating subsidy for FFY 2006. In the case of deprogrammed units, these changes may also be reflected in Part A, Line 13, "Costs attributable to deprogrammed Units," and Part D, Line 08, "Phase down for demolitions." A PHA may submit a revision for new units or deprogrammed units. All revisions must be submitted by July 7, 2006.

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

5. Submission of Operating Subsidy Forms

Preparation of Operating Subsidy Forms. With the release of the above factors and information, PHAs are now equipped to determine their FFY 2006 operating subsidy eligibility. PHAs may download the operating subsidy forms needed for their operating subsidy eligibility calculation from the Operating Subsidy website.

PHAs shall prepare them according to the form instructions. A Dun and Bradstreet Universal Numbering System (DUNS) identification number will be required for all PHAs requesting operating subsidy. All PHAs should have already obtained a DUNS identification number as it was also a requirement for FFYs 2004 and 2005.

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

- **Form SF-424**, Application For Federal Assistance
- **Form HUD-52723**, Operating Fund Calculation of Operating Subsidy
- **Form HUD-52728**, HA Calculation of Occupancy Percentage For a Requested Budget Year (RBY)
- **Form HUD-52722 A**, Calculation of Allowable Utilities Expense Level (for the RBY)
- **Form HUD-52722 B**, Adjustment for Utility Consumption and Rates (for FYEs December 31, 2004, March 31, 2005, June 30, 2005, or September 30, 2005, as appropriate)
- **Form HUD-50071**, Certification of Payments to Influence Federal Transactions

The following are no longer 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
- A PHA that is designated a troubled PHA shall also submit **form HUD-52564**, Operating Budget. 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.

PHAs should use only current forms when submitting their operating subsidy eligibility calculations. The submission of older or alternate forms may result in a delay in processing and obligating funds.

PHAs can also use an Excel Tool available at the Operating Subsidy website. The Excel Tool may be used by PHAs to assist with their calculations. Instructions for using the Excel Tool are also provided on the website.

Schedule for Submission of Operating Subsidy Forms. For FFY 2006, all PHAs must submit their required documentation to the field office by December 31, 2005. **A PHA that fails to submit its required documentation by December 31, 2005, will be subject to a suspension and/or loss of operating subsidy payments.**

Revisions to Operating Subsidy Forms. For FFY 2006, revisions to a PHA's operating subsidy forms will be limited to revisions due to new units and deprogrammed units, and the correction of errors only. Given this limitation, it is advisable that PHAs with tenant-purchased utilities amend, as appropriate, their utility allowance schedules in advance of the date by which projected rental revenue is calculated. All revisions to operating subsidy forms must be submitted by July 7, 2006.

Mutual Help and Turnkey III Projects. 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 2006 operating subsidy calculation on the most recent approved operating budget at the time of submission, which is December 31, 2005.

Approval of Calculations. HUD will use the submitted documentation and exercise all available adjustment powers, as needed, to determine an appropriate level for FFY 2006. HUD will then approve 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 control numbers 2577-0026, 2577-0029 and 2577-0066. 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.

6. Questions

If you have any questions regarding this notice, please contact your local Public Housing field office.

/s/

Paula O. Blunt, General Deputy Assistant Secretary
for Public and Indian Housing

Attachments:

Appendix 1, Operating Fund Local Inflation Factors

Appendix 2, Listing of Metropolitan Areas

Appendix 3, Operating Fund Calculation of Formula and Delta for FFY 2006

Appendix 4, Formula Expense Level Increase Worksheet for FFY 2006