



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

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporation

Notice PIH 2005-31 (HA)

Issued: August 22, 2005

Expires: August 31, 2006

Cross References:

Subject: Federal Fiscal Year (FFY) 2006 Initial Determination and Obligation of Operating Subsidy

1. Purpose

This notice informs public housing agencies (PHAs) and field offices of the procedures HUD will initially use to determine and obligate operating subsidy for Federal Fiscal Year (FFY) 2006 considering two major impacts on the Operating Fund Program:

- The calendar year transition in accordance with the Consolidated Appropriations Act of 2005 (Public Law 108-447); and
- The pending publication of a new operating fund rule.

2. Background

Calendar Year Transition. As described in PIH Notice 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*, operating subsidy will be provided to PHAs based on a calendar year. In the Consolidated Appropriations Act of 2005, 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....”

To comply with the appropriation language, all PHAs eligible to receive operating subsidy will be provided with operating subsidy from the FFY 2005 appropriation through December 31, 2005, regardless of their fiscal year. Therefore, these PHAs will need operating subsidy from the FFY 2006 appropriation from January 1, 2006, through December 31, 2006.

Because HUD will provide operating subsidy to all PHAs based on a calendar year, PHAs will submit, field offices will review, and Headquarters will process all form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, at one time.

This transition of operating subsidy funding to a calendar year basis is shown in the Funding Cycle Table, below:

Funding Cycle Table

PHA Fiscal Year	2004				2005				2006			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
PHA: 01/01-12/31	2004 Appropriations				2005 Appropriations				2006 Appropriations			
PHA: 04/01-03/31		2004 Appropriations			2005 Appropriations				2006 Appropriations			
PHA: 07/01-06/30			2004 Appropriations		2005 Appro...			2006 Appropriations				
PHA: 10/01-09/30				2004 Appropriations		2005...			2006 Appropriations			

(Qtr 1 is January 1st – March 31st; Qtr 2 is April 1st – June 30th; Qtr 3 is July 1st – September 30th; and Qtr 4 is October 1st – December 31st)

Pending Publication of a New Operating Fund Rule. HUD anticipates the publication of a new operating fund rule in the near future. The proposed operating fund rule was published in the Federal Register on April 14, 2005. Once the new operating fund rule is published, PHAs will need adequate time to prepare, field offices will need adequate time to review, and Headquarters will need adequate time to process the FFY 2006 form HUD 52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029.

3. Initial FFY 2006 Funding

PHA-Owned and Mixed Finance Rental Housing. HUD does not want to burden PHAs, fee accountants, and field offices by requiring the FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, for all PHAs to be submitted at one time under the existing operating fund rule, and then again under the new operating fund rule when published.

Instead, beginning January 1, 2006, HUD will provide two calendar quarters of operating subsidy (subject to proration) to PHAs based on their FFY 2005 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, expires June 30, 2006. Once the new operating fund rule is effective, HUD will issue another notice informing PHAs to submit a FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, and supporting forms, and providing detailed instructions about their submission. HUD will also provide appropriate training to PHAs and field offices prior to the required submission of the FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029. **Accordingly, PHAs do NOT need to submit and field offices do NOT need to review FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, nor supporting forms until further notice.**

Once PHAs submit the FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, HUD will determine the amount of operating subsidy that should be obligated to these PHAs under the new operating fund rule for the calendar year beginning January 1, 2006. HUD will then deduct the amount of operating subsidy that has already been obligated to PHAs for the first two calendar quarters based on their FFY 2005 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, expires June 30, 2006, to determine the additional amount of operating

subsidy that must be obligated to PHAs for the remainder of the calendar year under the new operating fund rule. Funding for new units and deprogrammed units will be adjusted accordingly when PHAs submit their FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029.

PHAs will receive a letter from HUD notifying them of the amount of operating subsidy provided to them for the first two calendar quarters of 2006, based on the FFY 2005 form HUD-52723, Calculation of Operating Subsidy, OMB approval number 2577-0029, expires June 30, 2006. This letter will serve as the interim obligating document. Once the new FFY 2006 form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, have been processed, another interim obligating document will be issued, informing PHAs of the amount of operating subsidy provided to them under the new operating fund rule for the third calendar quarter of 2006. At the end of the FFY, form HUD-52723, Operating Fund Calculation of Operating Subsidy, OMB approval number 2577-0029, the final obligating document, will be issued to PHAs. All funding will be made available through the electronic Line of Credit Control System.

PHA-Owned Mutual Help and Turnkey III Homeownership Opportunity Projects. These projects will receive operating subsidy beginning January 1, 2006, based on their FFY 2005 form HUD-53087, Calculation of Subsidies for Operations – Non-Rental Housing, OMB approval number 2577-0029, expires June 30, 2006. FFY 2006 submissions for these projects will be due at the same time the FFY 2006 form HUD-52723, OMB approval number 2577-0029, Operating Fund Calculation of Operating Subsidy, are due.

Moving-to-Work Agencies. The provisions, above, shall also apply to Moving-to-Work agencies.

4. Fiscal Year Reporting Requirements

As stated in PIH Notice 2005-27, the transition of operating subsidy funding to a calendar year basis does not affect a PHA's fiscal year nor change any fiscal year related reporting requirements, such as the operating budgets, financial statements, or the audit. At this time, the Department is not approving fiscal year end changes based solely on this calendar year transition.

/s/

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