



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

---

**Special Attention of**

Directors, Public Housing Hub Offices;  
Directors, Public Housing Program Centers;  
Director, Office of Field Operations;  
Public Housing Agencies;  
Regional Directors;  
State/Area Coordinators;  
Resident Management Corporations (RMCs)

**Notice** PIH 2004-14 (HA)

Issued: August 9, 2004

Expires: August 31, 2005

---

---

**Subject:** Guidance on Methods and Schedules for Calculating Federal Fiscal Year (FFY) 2005 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 2005 operating budgets and subsidy eligibility calculations. It includes a schedule for the submission of certain items to HUD, as well as local inflation factors, data needed for the recalculation of the Formula Expense Level, and other special notes related to the operating subsidy calculation and processing. Following a review of the submitted material, HUD will determine funding levels. The amount obligated by HUD will be available for electronic Line of Credit Control System (eLOCCS) drawdown.

**2. Calculations.**

**Local Inflation Factors:** Appendix 1 of this Notice contains Local Inflation Factors. If a PHA is unsure whether it should apply the metro or non-metro inflation factor, it should consult the listing of metropolitan areas contained in Appendix 2.

**Recalculation of Formula Expense Level:** A small number of PHAs may have to adjust their Allowable Expense Levels (AELs) in FFY 2005 to reflect significant changes to the characteristics of their unit inventories. In order to compute the adjustment (known as a “long delta” calculation), these PHAs will need the information contained in Appendices 3 and 4. In advance of preparing their operating budgets, PHAs are advised to contact their respective local HUD office to determine if their AELs need adjustment.

**Calculation of Projected Rental Revenue and Dwelling Rental Adjustment Factor:** PHAs are instructed to calculate projected rental revenue based on a rent roll dated on the first day of the month which is six months before the first day of the requested budget year (RBY) pursuant to 24 CFR 990.109(b)(2)(i). 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 calculation of operating subsidy

eligibility, the PHA may use the latest changed rent roll for the purpose of the computation. [Note that the instructions for Part B, Line 01, "Total Rent Roll (as of / / )," on the current form HUD-52723 are incorrect for determining the date of the rent roll used to calculate projected rental revenue.]

The Dwelling Rental Adjustment Factor is provided pursuant to 24 CFR 990.109(b)(5). PHAs will use 3 percent as the adjustment factor for their FFY 2005 calculation.

**Funding for Elderly/Disabled Service Coordinator Program:** For FY 2005, 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 program with an annual adjustment for inflation. For FFY 2005, 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, Calculation of Operating Subsidy.

The Family Self-Sufficiency (FSS) program will again be funded as a competitive grant under the ROSS grant program. PHAs with FSS programs will no longer receive operating subsidy for the coordinator salary and fringe benefits. However, operating subsidy support will continue to be available 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.

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

**Utility Adjustments:** As stated in Notice PIH 2004-9, *Operating Fund: Final Proration Factor for Federal Fiscal Year (FFY) 2003 and Processing Notes for FFY 2004*, under current appropriation law, HUD is no longer permitted to make utility adjustments or any other type of retroactive payment. Accordingly, PHAs shall not record a receivable or payable on their books of account for the FFY 2003 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2003) utility adjustment that would normally flow into the FFY 2005 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2005) operating subsidy calculation. 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 1, "Utility Adjustment for Prior Years," of form HUD-52723.

**New Units and Deprogrammed Units:** Notice PIH 2004-9 also explains that PHAs may no longer estimate new units and deprogrammed units for the purpose of determining operating subsidy and its associated components including units, unit months available, occupancy percentage, 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 their 2005 budget period to incorporate new units that reach the End of Initial Operating Period

(EIOP) on or after September 30, 2004 (i.e., FFY 2005). Similarly, PHAs may adjust these forms to incorporate changes in inventory due to deprogrammed units.

1. **New units eligible to receive subsidy or units deprogrammed in FFY 2005 (i.e., reached EIOP on September 30, 2004, and after) but still in the PHA's 2004 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2004).** The amount of operating subsidy for these units should be shown on Part D, Line 14, "Other Approved Funding, Not Listed," of form HUD-52723. The PHA should base the calculation of subsidy amount on the allowable expense level, allowable utility expense level, rent information, etc., of the PHA's 2004 budget period. The amount on Part D, Line 14 should not be prorated because it will ultimately be prorated at the 2005 proration level.
2. **New units eligible to receive subsidy or units deprogrammed in FFY 2005 and in the PHA's 2005 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2005).** These new units or changes in 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 the PHA's 2005 budget period. 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 8, "Phase Down for Demolitions."

### 3. Submissions.

**Preparation of Subsidy Calculation Forms:** With the release of the above factors and information, PHAs are now equipped to determine their FFY 2005 operating subsidy eligibility. PHAs may download the forms needed for their subsidy calculation from the following website, [www.hud.gov/offices/pih/divisions/ffmd](http://www.hud.gov/offices/pih/divisions/ffmd), and prepare them according to the form instructions. Required certifications and PHA Board approval will also be needed. 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 this number as it was also a requirement for FFY 2004. The SF-424, "Application For Federal Assistance," is again a required submission as part of a government-wide grants management initiative.

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

- **Form SF-424**, Application For Federal Assistance
- **Form HUD-52723**, Calculation of Operating Subsidy
- **Form HUD-52728**, 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 12/31/03, 3/31/04, 6/30/04, or 9/30/04, as appropriate)

- **Form HUD-52574**, PHA Board Resolution
- **Form HUD-50071**, Certification of Payments to Influence Federal Transactions

Please note the following:

- A PHA that is designated a Troubled PHA will also be submitting its Operating Budget, **form HUD-52564**. However, 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 provided by HUD when submitting their budget information. The submission of older or alternate forms may result in a delay in processing and obligating funds.

**Schedule for Submission of Operating Subsidy Calculation:** For operating subsidy funded in FFY 2005, PHAs will use the following schedule in submitting to the appropriate Field Office:

- PHAs with fiscal years beginning January 1, 2005, **must submit their required documentation by October 22, 2004.**
- PHAs with fiscal years beginning April 1, 2005, **must submit their required documentation by November 12, 2004.**
- PHAs with fiscal years beginning July 1, 2005, **must submit their required documentation by April 1, 2005.**
- PHAs with fiscal years beginning October 1, 2005, **must submit their required documentation by May 13, 2005.**

PHAs' adherence to this schedule is necessary for HUD to determine an accurate initial operating subsidy funding level prior to January 1, 2005. Initial funding levels may be adjusted throughout the year.

A PHA that fails to submit its required documentation according to the above schedule will be subject to a suspension and/or loss of operating subsidy payments.

**Revisions to Operating Subsidy Calculations:** For FFY 2005, revisions to a PHA's operating subsidy eligibility will be limited to revisions due to new units and deprogrammed units, and mathematical, clerical and informational system 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. Revisions to operating subsidy calculations must be submitted according to the following schedule:

- PHAs with fiscal years beginning January 1 and April 1, 2005, must submit their revisions and the required supporting documentation by June 3, 2005, with the exception of revisions due to new or deprogrammed units.
- PHAs with fiscal years beginning July 1 and October 1, 2005, and PHAs with fiscal years beginning January 1 and April 1, 2005, that have revisions due to new or deprogrammed units, must submit their revisions and the required supporting documentation by August 12, 2005.

**Issuance of Initial Operating Subsidy Distribution Level and Approval of Operating Subsidy Calculations:** HUD will use the submitted documentation and exercise all available adjustment powers as needed to determine an appropriate level for FFY 2005. 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 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.

\_\_\_\_\_/s/\_\_\_\_\_  
 Michael Liu  
 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 Requested Budget Year FFY2005

Appendix 4, Formula Expense Level Increase Worksheet for FFY 2005  
 Fiscal Years Beginning 1/1/05, 4/1/05, 7/1/05, and 10/1/05

---

**Distribution: W-3-1**