



**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 2004-9 (HA)

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2577-0029

SUBJECT: Operating Fund - Final Proration Factor for Federal Fiscal Year (FFY) 2003 and Processing Notes for FFY 2004.

Purpose: This Notice provides Public Housing Agencies (PHAs) with the final proration factor for FFY 2003. It also identifies and clarifies some miscellaneous processing issues for FFY 2004, such as initial funding level, obligating documents for the Operating Fund, requirements pertaining to the Elderly/Disabled Service Coordinator Program, the disablement of the Line of Credit Control System (LOCCS) Voice Response System (VRS), treatment of utility and other non-processed adjustments, and processing for new and deprogrammed units.

Proration Factor: The final proration for FFY 2003 was 94.7 percent. All PHAs with fiscal years beginning January 1, April 1, July 1, and October 1, 2003 have been funded at this level. As stated in the Notice PIH 2003-22, HUD will use the submitted documentation and exercise all available adjustment powers as needed to determine an appropriate level for FFY 2004. At this time, HUD has started funding PHAs with fiscal years beginning January 1, 2004 and April 1, 2004, using a proration factor of 93 percent. This is not the final funding level. The funding level is expected to increase as more Operating Fund calculation forms are received.

Obligating Documents: Effective for PHAs with fiscal years beginning January 1, 2004, and after, *Operating Fund Calculation of Operating Subsidy: PHA-Owned Rental Housing* (form HUD-52723) will serve as the final obligating document for PHAs submitting under the Public Housing Operating Fund Program. *Calculation of Subsidies for Operations: Non-Rental Housing* (form HUD-53087) will serve as the final obligating document for PHAs submitting under the PHA-Owned Turnkey III or Mutual Help Homeownership Programs. PHAs required to submit an *Operating Budget* (form HUD-52564) to HUD for review and approval will continue to do so, but this form will no longer serve as an obligating document.

Operating Budget: The Operating Budget is a planning tool for PHAs and HUD, and is based on requested budget estimates. PHAs submitting an *Operating Budget* (form HUD-52564) under the Public Housing Operating Fund Program should enter a conservative estimate for Operating Subsidy on the HUD-52564. When estimating Operating Subsidy, PHAs should consider:

- Funding for FFY 2004 is currently being provided at 93%.
- The amount entered may not be greater than the PHA's FFY 2004 eligibility on Part E. Line 3 of the HUD-52723.
- If the estimate turns out to be higher than the final proration percentage, the PHA may need to use its operating reserves.
- The budget can be amended throughout the PHA's fiscal year as more information is provided on the proration factor.

The estimated amount should be entered on the following three lines of the HUD-52564:

- 630, Contributions Earned – Op. Sub – Cur. Yr.
- 680, Total Operating Subsidy – current year
- 690, HUD Contributions.

PHAs submitting Operating Budgets under the PHA-Owned Turnkey III Homeownership Program and the PHA-Owned Mutual Help Homeownership Program also should enter an estimate on the corresponding lines of the HUD-52564.

Note that Part F. Line 12 of the HUD-52723 and Part I. Line 15 and Part II. Line 14 of the HUD-53087, all titled "Funds obligated in subject fiscal year," state that the amount entered "must be the same as line 690 of the Operating Budget, form HUD-52564, for the subject fiscal year." This is no longer the case. Line 690 of form HUD-52564 will now be a budget estimate and not an actual obligation amount.

Because the *Operating Budget* (form HUD-52564) will no longer serve as an obligating document, Field Offices may review and approve the HUD-52564 and return it to the PHAs.

Elderly/Disabled Service Coordinator (EDSC) Program: As stated in Notice PIH 2003-22 titled *Guidance on Methods and Schedules for Calculating Federal Fiscal Year (FFY) 2004 Operating Subsidy Eligibility and Issuance of Local Inflation Factors, Formula Expense Level Equation Multipliers, and Related Tables*, the Elderly/Disabled Service Coordinator (EDSC) Program will be funded through Operating Subsidy in FFY 2004. PHAs that were previously funded for an EDSC Program through the Resident Opportunity and Self Sufficiency (ROSS) grant will be funded through Operating Subsidy at the same level (with a reasonable adjustment for inflation) as their existing program was funded through ROSS. Eligible costs of the EDSC Program to be funded through Operating Subsidy include the reasonable cost of salary, fringe benefits, and related administrative costs. Although related administrative costs were not mentioned as an eligible cost in Notice PIH 2003-22, they were included as an eligible cost of the EDSC Program in past Notices of Funding Availability (NOFAs) of the ROSS grant and will continue to be an eligible cost under Operating Subsidy. At this time, HUD will not provide funding for any new EDSC Programs.

HUD is changing the requirement in Notice PIH 2003-22 for PHAs to include the Elderly/Disabled Service Coordinator in their PHA Plans. While PHA Plan regulations at 24 CFR Part 903 permit HUD to request other information in addition to the required plan components, HUD is undertaking efforts to streamline rather than expand PHA Plan submission requirements. Accordingly, *PHAs will not be required to include the EDSC Program in their PHA Plan*. Instead, PHAs should provide support for the subsidy amount entered on Part D. Line 3 of form HUD-52723, *Calculation of Operating Subsidy*, in Section 3, *Remarks*, of the same form or as an attachment to the form. Support should include a breakdown of the requested amount into the number of EDSCs funded, the salary and fringe benefits of each EDSC, and other administrative costs.

Line of Credit Control System (LOCCS) Voice Response System (VRS): As previously communicated, effective January 1, 2004, PHAs are no longer able to drawdown Operating Subsidy using LOCCS VRS (i.e., via telephone). All PHAs must use electronic LOCCS (*eLOCCS*) to drawdown Operating Subsidy (i.e., via the internet). Guidance on using *eLOCCS* to drawdown Operating Subsidy is in Notice PIH 2002-28 (HA) titled *Use of eLOCCS (electronic Line of Credit Control System) to Request Operating Subsidy Payments and Elimination of Form HUD-52721*.

Utility Adjustments: Under current appropriation law, HUD is no longer permitted to make utility adjustments or any other type of retroactive payment. Effective immediately, PHAs are instructed to write any amount(s) associated with these adjustments off their books of account, whether due to or due from HUD. These amounts include most notably:

- FFY 2001 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2001) utility adjustments that would normally have been processed in the FFY 2003 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2003) Operating Subsidy calculation; and
- Any other unprocessed adjustments from FFY 2000 and prior, including utility, investment income, audit, and unit months available adjustments as well as any other allowable adjustments during this time frame. Many of these adjustments were not processed in accordance with Notices PIH 99-13 (HA) and 2000-03 (HA).

PHAs also are instructed not to record a receivable or payable on their books of account for the FFY 2002 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2002) utility adjustment that would normally flow into the FFY 2004 (PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2004) Operating Subsidy calculation. PHAs are still required to submit all utility adjustment forms to HUD within the required time frame for informational purposes. The amount should be reviewed and reported on the *Operating Fund Calculation of Operating Subsidy* (form HUD-52723) in Part F. Line 1, "Utility Adjustment for Prior Years."

New Units: PHAs will be allowed to adjust form HUD-52723, *Operating Fund Calculation of Operating Subsidy*, for their 2004 budget period to incorporate new units that reach the End of Initial Operating Period (EIOP) on or after September 30, 2003 (i.e., FFY 2004), as follows:

1. **New units eligible to receive subsidy in FFY 2004 (i.e., reached EIOP on September 30, 2003 and after) but still in the PHA's 2003 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2003).** The amount of Operating Subsidy for these units should be shown on Part D., Line 14, "Other Approved Funding, not listed," of the FFY 2004 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 2003 budget period. The amount on Part D. Line 14 should not be prorated because it will ultimately be prorated at the 2004 proration level.
2. **New units eligible to receive subsidy in FFY 2004 and in the PHA's 2004 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2004).** These new units should be reflected in Section 1 (d) "Units," and (e) "Units Months Available (UMAs)," of the FFY 2004 form HUD-52723 and therefore will be included when calculating the amount of Operating Subsidy for the PHA's 2004 budget period.

The calculation of Operating Subsidy will be based on the actual certified EIOP date. A request to receive additional funding for new units must be supported by:

1. Form HUD-52344, *Notice of End of Initial Operating Period*, which establishes the EIOP date; and
2. Documentation confirming the number of new units associated with the EIOP date.

All revisions resulting from new units will be accepted until August 15, 2004. All other types of revisions are limited to mathematical, clerical, and informational system errors for PHAs' 2004 budget periods only and must be submitted to HUD via the schedule established in Notice 2003-22 (HA). No adjustment will be due any PHA for new units that had reached EIOP but were not funded prior to September 30, 2003. Under current appropriation law, HUD is prohibited from making retroactive payments using current funds. However, provided that the EIOP date has been reached for these units, HUD will provide funding from FFY 2004 appropriations from October 1, 2003 to the end of the PHA's 2003 budget period as described above. Any PHA not adhering to the above time frame will jeopardize its funding for these units.

PHAs with new units that will reach EIOP on September 30, 2003 or after should contact their local Field Office for more information.

Deprogrammed Units: PHAs that have changes in their inventory due to deprogrammed units should submit a revised HUD-52723, *Operating Fund Calculation of Operating Subsidy*.

1. **Units deprogrammed in FFY 2004 (i.e., on September 30, 2003 and after) but still in the PHA's 2003 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2003).** If units deprogrammed in FFY 2004 but in the PHA's 2003 budget period result in a change in subsidy, the change should be reflected on Part D., Line 14, "Other Approved Funding, not listed," of the FFY 2004 form HUD-52723. If the change is a decrease, the amount should be listed as a negative number. 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 2003 budget period. The amount on Part D. Line 14 should not be prorated because it will ultimately be prorated at the 2004 proration level.
2. **Units deprogrammed in FFY 2004 and in the PHA's 2004 budget period (i.e., PHA fiscal years beginning January 1, April 1, July 1, and October 1, 2004).** The appropriate revisions should be made to Section 1 (d) "Units" and (e) "Units Months Available (UMAs)," Part A. Line 13, "Costs attributable to deprogrammed units," and Part D. Line 8, "Phase Down for Demolitions" of the FFY 2004 form HUD-52723 and therefore will be included when calculating the amount of Operating Subsidy for the PHA's 2004 budget period.

Revisions resulting from deprogrammed units will be accepted until August 15, 2004. Again, no accommodation can be made for units deprogrammed but not funded prior to September 30, 2003, due to current appropriation law.

PHAs with units that will be deprogrammed on September 30, 2003, or after should contact their local Field Office for more information.

Paperwork Reduction: The information collection requirements in this notice have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (44 U.S.C. 3820) and assigned OMB numbers 2577-0029 and 2577-0067. 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