

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

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**Special Attention of**

**Notice** PIH 2003-22 (HA)

Public Housing Agencies  
Regional Directors;  
State/Area Coordinators;  
Division; Resident Management  
Corporation (RMCs)

Issued: September 11, 2003

Expires: September 30, 2004

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**Subject:** 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

**General:** This Notice provides Public Housing Agencies (PHAs) with information needed to complete their FFY 2004 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 review of the submitted material, HUD will determine funding levels. The amount obligated by HUD will be scheduled for eLOCCS drawdown.

**Objectives:** The contents of this Notice are designed to execute three primary objectives during FFY 2004: 1) to distribute Operating Subsidies in a timely and accurate manner to all PHAs regardless of their fiscal year start dates; 2) to make no obligations beyond the amounts appropriated by Congress; and 3) to maximize the Department's ability to provide initial funding levels with a high degree of certainty.

**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 FY 2004 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:** As usual, PHAs are instructed to calculate projected rental revenue based on a rent roll dated no sooner than six months prior to the beginning of their respective fiscal year. The Dwelling Rental Adjustment Factor is provided pursuant to 24 CFR 990.109 (b)5. PHAs will use 3% as the adjustment factor for their FFY 2004 calculation.

**Funding for Public Housing Family Self Sufficiency (FSS) Programs:** For FY2004, the FSS coordinator's salary and fringe benefits will be funded as a competitive grant under the ROSS program. PHAs with FSS programs will no longer receive operating subsidy for the coordinator salary and fringe benefits. In the past, this amount has been reported through an add-on section of the 52723-form, line D3. Information on how to apply for FSS program coordinator funding will be issued by the Department in the Notice of Funding Availability published in the Federal Register.

The operating subsidy support will continue to be available for FSS program supportive service unit(s). Operating subsidy may be increased by an amount equal to the PHA's Allowable Expense Level for each vacant public housing unit approved by HUD for the provision of supportive services for housing choice voucher and/or public housing FSS programs.

**Funding for Elderly/Disabled Service Coordinator Program:** For FY 2004 eligible costs in PHAs subsidy calculation include the public housing share of the reasonable cost of salary and fringe benefits for an Elderly/Disabled program coordinator. PHAs that previously received funding for the Elderly/Disabled Service Coordinator program through the ROSS program will now receive Operating Subsidy to fund this activity. In order for a PHA that does not have a current Elderly/Disabled Service Coordinator program to receive new funding for this program, the PHA must have this program included in their approved PHA plan. In fiscal year 2005, all PHAs that previously received funding for the Elderly/Disabled Service Coordinator program under the ROSS program or Operating Subsidy program must have this program included in their approved PHA plan. These Elderly/Disabled Service Coordinator costs are eligible under 24 CFR 990.108(c) as costs attributable to changes in Federal law or regulation. The subsidy amount will be entered on Part D. Line 3 of form HUD-52723, Calculation of Operating Subsidy.

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

### **Submissions**

**Preparation of Subsidy Calculation Forms:** With the release of the above factors and information, PHAs are now equipped to determine their FY 2004 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. Starting this year, a Dun and Bradstreet Universal Numbering System (DUNS) identification number will be required for all PHAs requesting operating subsidy. Additional information on obtaining a DUNS identification number can be obtain from HUD website at [www.hud.gov/grants/index.cfm](http://www.hud.gov/grants/index.cfm) . The SF-424 "Application For Federal Assistance" is a new form added to the required submissions. SF-424 is now required 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 12/31/02, 3/31/03, 6/30/03, or 9/30/03, as appropriate)
- **Form HUD-52574**, PHA Board Resolution
- **Form HUD-50070**, Certification for a Drug-Free Workplace
- **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**. Troubled PHAs will also send a copy of their Operating Budget and subsidy calculations to their respective Field Office.
- 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:** Traditionally, a PHA would submit its Operating Budget and/or subsidy calculation to its Field Office for review and approval 90 days prior to the start of its fiscal year (January 1, April 1, July 1, or October 1). For Operating Subsidy funded in FFY 2004, PHAs will use the following schedule, modified for those PHA fiscal years beginning January 1, April 1, and October 1, in submitting to the appropriate Field Office:

- PHAs with fiscal years beginning January 1, 2004, **must submit their required documentation by October 22, 2003.**
- PHAs with fiscal years beginning April 1, 2004, **must submit their required documentation by November 14, 2003.**
- PHAs with fiscal years beginning July 1, 2004, **must submit their required documentation by April 1, 2004.**
- PHAs with fiscal years beginning October 1, 2004, **must submit their required documentation by May 14, 2004.**

PHAs' adherence to this schedule is necessary for HUD to determine an accurate initial Operating Subsidy funding level prior January 1, 2004. In order for the Department not to over-obligate funds and to ensure that revisions (see below) can be processed, 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 2004, revisions to a PHA's Operating Subsidy eligibility will be limited to 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, i.e., in advance of six months prior to the beginning of the PHA's fiscal year.

Revisions to Operating Subsidy calculations to correct these errors must be submitted according to the following schedule:

- PHAs with fiscal years beginning January 1 and April 1, 2004, must submit their revisions, along with required documentation, by June 1, 2004.
- PHAs with fiscal years beginning July 1 and October 1, 2004, must submit their revisions, along with required documentation, by August 15th, 2004.

**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 2004. HUD will then approve Operating Budgets and/or operating subsidy calculations at that level.

If additional information is needed, please contact Chris Kubacki, Director, Public Housing Financial Management Division, Office of Public Housing and Voucher Programs at (202) 708-1872.

**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 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.

/s/

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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 FY2004

Appendix 4, Formula Expense Level Increase Worksheet for FY 2004  
Fiscal Years Beginning 1/1/04, 4/1/04, 7/1/04, and 10/1/04

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**Distribution: W-3-1**

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Previous editions are obsolete

form **HUD-21-B** (3/80)