

U. S. Department of Housing and Urban Development

Office of Public and Indian Housing

Special Attention of:	NOTICE PIH 2001-32 (HA)
Public Housing Agencies; Secretary's Representatives; State/Area Coordinators; Directors, Public Housing Divisions; Resident Management Corporations (RMCs)	Issued: August 24, 2001 Expires: August 31, 2002

SUBJECT: Submission of Operating Subsidy Eligibility Requests for FY 2001, Proration Factor, and Other Special Notes

Purpose: The purpose of this Notice is to provide Public Housing Agencies (PHAs) with information needed to complete and submit their FY 2001 operating subsidy eligibility requests to the Department of Housing and Urban Development (HUD). The information includes the proration factor to be used in determining subsidy eligibility and other special notes related to the operating subsidy calculation.

Background: On March 29, 2001, the Department of Housing and Urban Development (HUD) published an interim rule in the Federal Register that implemented a new formula for the determination and distribution of operating subsidies to a Public Housing Agency (PHA). A PHA whose fiscal year begins on or after January 1, 2001, will use the new formula to calculate its operating subsidy eligibility. As required by the Quality Housing and Work Responsibility Act of 1998 (QHWRA), the new formula was developed using regulatory negotiations and a Negotiated Rulemaking (Neg-Reg) Committee, whose members reflected a broad range of interests. You may download a copy of the Federal Register from the website of the Funding and Financial Management Division (FFMD). The FFMD website address is www.hud.gov/offices/pih/divisions/ffmd.

HUD began preparing itself and PHAs for the new formula shortly after the regulatory negotiations were successfully completed in March 2000. The proposed rule was published for public comment on July 10, 2000, and a number of workshops explaining the changes to the formula were presented to PHA staff, resident leaders, and HUD Field Office staff as part of HUD's comprehensive training conferences focused on changes made by QHWRA to public and assisted housing. These conferences have been held in various locations around the country, with the most recent set of conferences being held in Washington, DC during the week of August 20, 2001. HUD has also participated in public industry group forums, conducted a satellite broadcast, and used other means to inform its clients and partners of these changes.

The forms to be used to calculate operating subsidy eligibility under the new formula were published for public comment in the Federal Register on February 16, 2001, and are now available for use. Local Inflation Factors were distributed to PHAs through Notice PIH 2001-28 issued August 7, 2001. Links to the forms and Notice PIH 2001-28 can be made through the FFMD website address provided above. HUD has also sent individual letters to PHAs with instructions on how to compare the FY 2000 Allowable Expense Level (AEL) with an average operating cost for multifamily housing projects insured by the Federal Housing Administration (referred to as the FHAEL). The comparison will result in an increase in the AELs of most small PHAs in FY 2001.

Preparation of Subsidy Calculation Forms: With the dissemination of general information about the new formula over the past year and the release of specific factors within the last month, PHAs are now equipped to determine their FY 2001 operating subsidy eligibility. PHAs should download the forms needed for their subsidy calculation from the FFMD website and prepare them according to the instructions for the forms. Required certifications and PHA Board approval will also be needed.

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

Calculation of Operating Subsidy*	form HUD-52723
Calculation of Occupancy Percentage For a Requested Budget Year (RBY)*	form HUD-52728
Calculation of Allowable Utilities Expense Level*	form HUD-52722-A
Direct Disbursement Payment Schedule Data*	form HUD-52721
PHA Board Resolution	form HUD-52574
Certification for a Drug-Free Workplace	form HUD-50070
Certification of Payments to Influence Federal Transactions	form HUD-50071

*- These forms have been revised to reflect the new formula.

Please note the following:

- A PHA that is a designated 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 TARC Office.
- PHAs operating and administering Turnkey III or Mutual Help Homeownership programs will not submit Operating Budgets and subsidy calculations for these programs at this time. A letter-of-intent will be issued and instructions provided for submission at a later date.

Schedule for Submission of Subsidy Calculation: Under normal circumstances, a PHA would submit its Operating Budget and/or subsidy calculation to its Field Office or TARC for review and approval according to a schedule linked to the start of its fiscal year (January 1, April 1, July 1, or October 1). Given the recent release of formula factors and the publication of the interim rule six months into the Federal fiscal year 2001, HUD has had to develop a new approach to the submission, review, and approval of subsidy calculations for this year that recognized the increased workload involved in processing submissions from approximately 3,000 PHAs within a short period of time. The major elements of the approach are:

- Submissions should be made as soon as possible, but to be received by the contractor at the address below no later than September 10, 2001. An exception to the receipt date of September 10th is being made for PHAs with fewer than 250 units. Submissions from these PHAs will be accepted for processing if received no later than September 17, 2001. You should make the submission by certified mail, Federal Express, or other means that will give you a record of delivery. Submissions may not be faxed.
- Subsidy calculations will be submitted to the following address:

Johnson, Bassin & Shaw, Inc
Attn: HUD-Operating Subsidy Calculation
8630 Fenton Street, 12th Floor
Silver Spring, MD 20910-3803
(301) 495-1080

- HUD recognizes that some categories of PHAs may find it difficult to determine their eligibility for subsidy because they do not have a HUD-approved AEL established for FY 2000 or, in the case of the PHAs of the Virgin Islands, Puerto Rico, Guam, and Alaska, they are now subject to using a subsidy methodology that requires more extensive collection and analysis of data than previously needed. Other PHAs, especially those that use the services of a fee accountant for preparation of the forms, may find it difficult to meet the schedule. HUD will accept later submissions from these PHAs and others that have good cause for not submitting by the deadline of September 10, 2001, but will not review or approve the subsidy calculation until after September 30, 2001. If necessary, HUD will extend funding to PHAs with later submissions using letters-of-intent (LOIs).

Proration Factor for FY 2001. HUD has determined that funds appropriated by Congress are not sufficient to fully fund estimated subsidy requirements for FY 2001. As a result, subsidy requirements for FY 2001 will be funded at 99.5% of eligibility.

Special Notes for FY 2001.

- Funding for Public Housing Family Self Sufficiency (FSS) Programs. PHAs with HUD-approved FSS Action Plans may include additional operating subsidy in their FY 2001 subsidy calculation to cover the public housing share of the reasonable cost of salary and fringe benefits for a FSS program coordinator. When Section 8 and public housing FSS programs are combined, the shared costs of the program coordinator must be prorated between the programs using an equitable allocation system such as percentage of time or number of FSS participants. The subsidy may also 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 to support Section 8 and/or public housing FSS programs. These FSS 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.
- Instructions on the Distribution and Use of Operating Subsidy Funds Received for Resident Participation Activities. PHAs receiving resident participation funding in FY 2001 should refer to Notice PIH 2001-3 for guidance on using these funds. The instructions in the Notice will remain in force until such time as HUD can complete rulemaking to revise 24 CFR 964.
- Moving-to-Work (MTW) Agencies. PHAs that are participants in the MTW demonstration will compute their operating subsidy eligibility according to their agreements.

- The PHAs of Alaska, Guam, Puerto Rico, and the Virgin Islands will compute their subsidy eligibility using the new formula, except that these agencies will not have to reduce their AELs by 1.36%.

If additional information is needed, please contact Regina McGill, Director, Funding and Financial Management Division (FFMD), Office of Public and Assisted Housing Delivery, at (202) 708-1872. Stephen Sprague, Chris Stevens, and Peggy Mangum of her staff are also available to provide assistance. FFMD will also be posting responses to frequently asked questions (FAQs) raised with regard to this Notice on its website (www.hud.gov/offices/pih/divisions/ffmd).

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