

## **PHAS High Performer Bonus and Distribution of 95% of the Formula**

In Fiscal Year 2006 Congress appropriated \$ \$2,463,600,000 for the Capital Fund Program. After deducting a rescission and the Congressional set-asides, the total funds remaining are \$2,346,572,200. When the amount of carryover funding from prior fiscal years is added to these available funds, the total funds available for calculating the Capital Fund grants in FY 2006 is \$2,356,885,438.

The Capital Fund regulation found at 24CFR 905.10(j) provides for a performance reward as a factor in the annual Capital Fund formula calculation. However, this fiscal year when it was time to run the Capital Fund formula, the Real Estate Assessment Center (REAC) did not have the information available to determine which PHAs qualify for a 3 % PHAS High Performer bonus. As a result, the Assistant Secretary decided to give out the Capital Fund grants as soon as possible using 95% of the available funds, and holding back 5% of the total funds available in order to fund the 3% bonus for PHAS High Performers at a later date.

When REAC completes the PHAS scores for FY 2006 and makes available the list of High Performers, the Capital Fund grants will be recalculated. The amount of the increase to a specific PHA's Capital Fund grants will vary. For example, the Capital Fund grant of a High Performer will go to approximately up to 103%, while the Capital Fund grant of a PHA that is a standard and/or troubled performer will go to approximately 95% to 97% depending on the number of High Performers this year.

Finally, as you know the total appropriation for Capital Fund was also reduced this year from \$2.6 billion to \$2.3 billion. As a result, reductions from the PHA's prior year capital fund formula amount may be a reflection of the combination of the appropriation change and the distribution of less than all the funds available<sup>1</sup>. Reductions in FY 2006 formula grants can be considered as follows:

- (1) Reduced Appropriations and less Carryover in FY 2006 – Approximately 4% less money available this year from last year,
- (2) Hold Back of 5% of the Total Fund Available – Approximately 5% reduction because these funds were held back in order to fund PHAS High Performers at a later date, and
- (3) Not Funding 3% Bonus - 3% High performer bonus has not yet been provided in FY 2006, so FY 2005 High Performers funds will appear to have been reduced by an additional 3% until the PHAS bonus is calculated for this year.

The Capital Fund grants posted to the web were based on a distribution of only 95% of the total funds available. Consequently, the current distributed funds could reflect a reduction for a PHA could be approximately 12% less than last year for a High Performer and approximately 9 % less for a Standard or other Performer. It is important to note that all of the preceding discussion assumes no changes in unit inventory and disregards the affects of national changes to unit inventory.)

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<sup>1</sup>In the case of RHF grants other factors come into play such as the number of units eligible for RHF based on the number of units demolished or disposed, the new units coming back on line, HOPE VI replacement units etc.