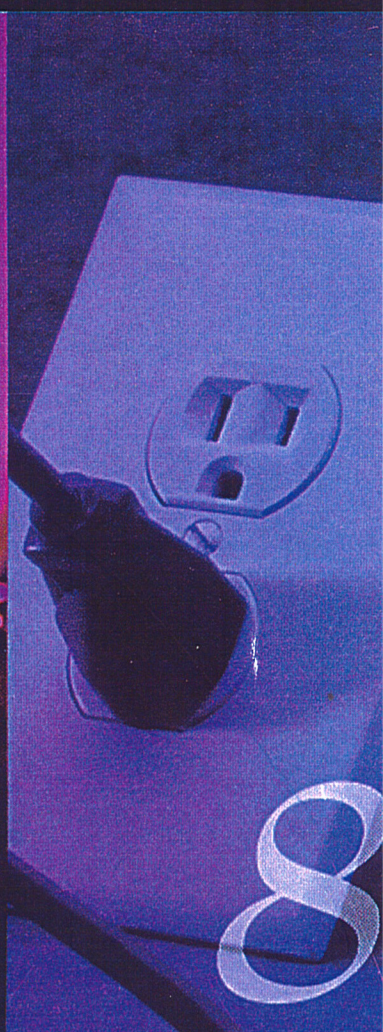
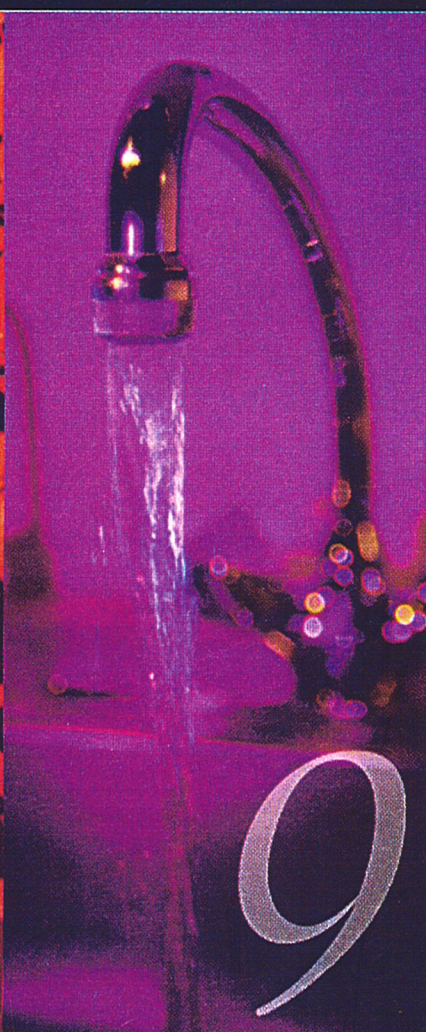
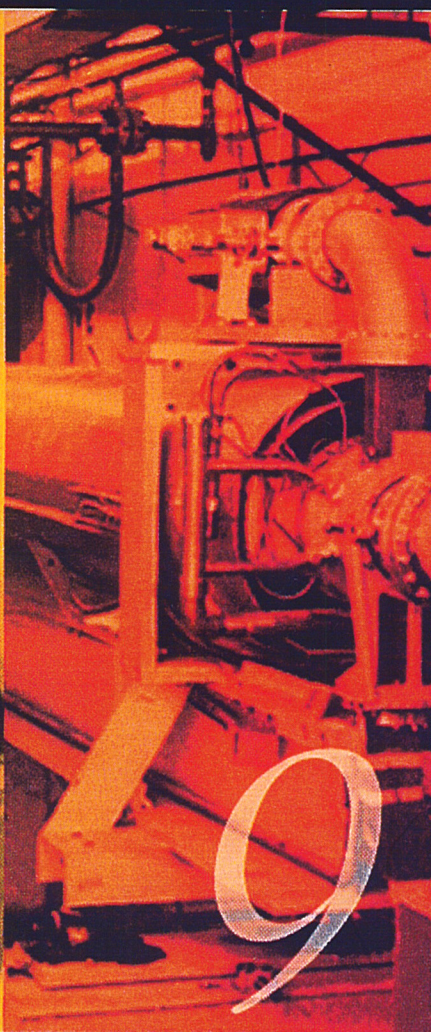


U.S. Department Housing and Urban Development

Utility Allowance Guidebook



Utility Allowance Guidebook

For Optional Use By Public Housing Agencies

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The contents of this guidebook are the views of the contractor and do not necessarily reflect the views or policy of the Department of Housing and Urban Development or the U.S. Government.

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INTRODUCTION

What is the Purpose of This Guidebook?

The purpose of this guidebook is to provide assistance to Public Housing Agencies (which will be referred to as "HAs" throughout this guidebook) in *establishing utility allowances for residents*. The guidebook focuses on utility allowances for federally subsidized public housing units where *either*:

- (a) the HA resident pays the utility bills directly to the utility supplier (for example, a local gas or electric company); or
- (b) the HA provides the utilities to its residents but also meters each household (known as "checkmetering") to determine if any household has "excess consumption."

A 1991 study of assisted housing by the U.S. General Accounting Office found that the majority of public housing households (approximately 61 percent) receive a utility allowance.

In addressing the issue of utility allowances, this guidebook has several related objectives:

- *To provide the reader (whether an HA administrator, a public housing resident, or some other interested party) with an overview of the federal rules governing how utility allowances are set and put into effect.*
- *To offer clear definitions of the common terminology used in connection with utility allowances, as well as "user-friendly" discussion of the basic principles that should be followed in designing such allowances.*
- *To present some of the different methods available to HAs for calculating utility allowances, along with a description of the merits of each and information on how these methods can be employed.*
- *To provide HAs that use consultants or contractors in developing their utility allowances with the information that the HAs need to write specifications for, evaluate the proposals from, and oversee the work of such consultants/contractors.*

The ultimate goal of the guidance provided here is to enable HAs to calculate allowances that will be in compliance with the regulations of the U.S. Department of Housing and Urban Development (HUD)—including the requirement that a resident's rent burden should equal 30 percent of the adjusted household income—and that will create reasonable incentives for energy conservation by residents.

While the use of this guidebook is optional, it offers valuable technical advice on sound methods for establishing utility allowances. The "best" method among the options presented will depend on a housing authority's particular circumstances.

The use of this guidebook by HAs is optional. Each HA is allowed the discretion to develop its own approach to calculating its utility allowances, as long as the method used is consistent with the HUD regulations found in Part 965 in Title 24 of the Code of Federal Regulations (abbreviated 24 CFR 965). This guidebook suggests a number of permissible methods for satisfying these requirements, but other approaches may also be acceptable.

This guidebook is intended to help HAs to implement the general requirements found in the regulations. The reader should keep in mind that the recommendations found in this document are meant to supplement—not replace—the formal regulations. In areas of doubt, readers are advised to consult the regulations directly.

The Indian Housing Block Grant (IHBG) program for tribes and tribally designated housing entities (TDHEs) authorized by the Native American Housing Assistance and Self-Determination Act of 1996 replaces the 1937 Housing Act programs previously applicable to Indian Housing Authorities. In accordance with 24 CFR 1000.132, tribes or TDHEs decide whether or not to include utilities in rent calculations. For those tribes or TDHEs which elect to include utilities in the calculation of rent, this guidebook will be a valuable source of information.

How This Guidebook is Organized

The guidebook is organized into two primary parts.

Part One provides essential background information about the regulations governing utility allowances for public housing residents, offers some basic principles that contribute to a sound allowance methodology, and presents the different methodologies that may be used in calculating allowances.

Part Two guides the reader through the processes of choosing a suitable methodology and calculating the utility allowances.

Each part contains several chapters:

Part One

- *Primer on Key Utility Allowance Principles and Terms* (Chapter 1)
- *The Federal Regulations* (Chapter 2)
- *Methodologies to Establish Utility Allowances* (Chapter 3)

Part Two

- *Choosing a Methodology* (Chapter 4)
- *Establishing Utility Allowances Using the Engineering Methodology* (Chapter 5)
- *Establishing Utility Allowances Using Consumption Data* (Chapter 6)
- *Annual Review of Allowances* (Chapter 7)

Part One is indispensable for developing a basic familiarity with the key concepts involved in setting utility allowances. **Chapter 1** provides an overview of utility allowances in public housing and defines the technical terms used throughout the guidebook. **Chapter 2** summarizes the HUD regulations governing utility allowances in public housing. It highlights the key elements of the regulations and provides guidance in interpreting them. **Chapter 3** describes different methodologies that can be used to calculate utility allowances. The advantages and disadvantages of each methodology are discussed.

Part Two provides detailed guidance on choosing a methodology for a particular HA and for establishing the allowances for all relevant utilities. The focal point of the process of choosing a methodology is the "Decision Tree" in **Chapter 4, "Choosing a Methodology."** The Decision Tree navigates the user through a series of questions about the HA and its current utility allowances. The Decision Tree is intended to direct the user to an appropriate methodology for establishing the allowances, given that particular HA's characteristics. The Decision Tree will guide the user either to **Chapter 5** or **Chapter 6**, depending on the HA's characteristics. **Chapter 7** provides guidance on reviewing utility allowances every year, a process required for each HA by the regulations.

This guidebook also includes appendices that provide supplementary information that may be useful to HAs in calculating allowances:

Appendix A contains the full text of the regulations that govern the establishment of utility allowances in public housing (24 CFR 965).

Appendix B lists resources that HAs may consult for additional assistance. These resources include utility associations and research organizations.

Appendix C contains a *sample* table of consumption levels for various electrical appliances. This table is intended to demonstrate the type of information that HAs are encouraged to obtain from their local utility. This type of information is necessary when calculating allowances based on engineering calculations.

Appendix C also provides weather data for various parts of the country. Thirty-year average annual *heating degree days*, *cooling degree days* and the *outdoor design temperatures* in winter are provided for regions throughout the United States. The 30-year average heating degree days and winter outdoor design temperature are used to calculate the allowance for *space heating* when using the engineering-based methodology. The 30-year average heating degree days and cooling degree days are used for the process of *normalizing* consumption data for weather, an optional approach when using the consumption-based methodology. (The terms in *italics* are fully explained in Chapter 1.)

How to Use This Guidebook

This guidebook is designed to provide assistance to HA staff and residents of *varying degrees of technical proficiency and experience* with utility allowances. Users are encouraged to focus on those chapters that are most useful for their particular needs.

Many readers will find it helpful to review the background information in *Part One* to ensure that they are familiar with the basic principles and terminology relating to utility allowances. HA staff should then proceed to Chapter 4 and use the Decision Tree to determine which methodology may be best for their particular HA.

All readers should become familiar with Chapter 7, because of the importance of reviewing utility allowances on an annual basis.

The U.S. General Accounting Office found that, during the period of 1985 through 1989, fewer than half the HAs were reviewing their utility allowances yearly, despite the federal requirement for an annual review.

In addition to the appendices containing additional reference and resource information, a number of other features have been included to increase the guidebook's value as a working tool:

- *Notations in the left-hand column* and *highlighted summary statements* throughout the guidebook *identify important issues*, which are discussed in more detail in the right-hand text.
- When options are presented, the text offers a summary of the *advantages and disadvantages* of each alternative, to help guide local decision-making.
- At the end of many of the chapters, a "*Question & Answer*" section is included so that readers can test their level of comprehension of the written material before moving to the next chapter.

Finally, readers are encouraged to make use of the blank space in the left-hand column to jot down notes, ideas, telephone numbers of contact persons, or whatever else will make this document more useful to them.

