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Federal Fiscal Year (FFY) 2003 Guidance on Determination of Operating Subsidy Eligibility, Schedule for the Submission of Operating Subsidy Calculations,

Directive Number: 03-1

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

Special Attention of Notice PIH 2003-1 (HA)

Issued: January 6, 2003

Public Housing Agencies
Regional Directors;
State/Area Coordinators;
Division; Resident Management

Expires: January 5, 2004

Corporation (RMCs)
OMB Approval Number 2577-0029

Cross Reference:

Subject: Federal Fiscal Year (FFY) 2003 Guidance on Determination of Operating Subsidy Eligibility, Schedule for the Submission of Operating Subsidy Calculations, Issuance of Proration Factor and Approval of Calculations

General: This Notice provides Public Housing Agencies (PHAs) with information needed to complete their FFY 2003 operating subsidy eligibility requests to HUD. The information includes local inflation factors, data needed for the recalculation of the Formula Expense Level, and other special notes related to the operating subsidy calculation. A schedule for the submission of operating subsidy calculations is also provided. Once HUD has reviewed all of the submitted calculations from all PHAs, HUD will issue a proration factor to be used to approve subsidy levels. Until the proration level has been established, a PHA will receive operating subsidy funding based on 70% of the amount of the last operating budget and/or subsidy calculation approved by HUD for that PHA. The amount obligated by HUD will be scheduled for eLOCCS drawdown by the PHA.

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 2003 to reflect significant changes, up or down, in their dwelling unit inventory that have occurred since their last AEL

adjustment. In order to compute the adjustment (also known as a "long delta" calculation), these PHAs will need the information contained in Appendices 3 and 4.

Dwelling Rental Adjustment Factor: This factor is provided pursuant to 24 CFR 990.109 (b)5. PHAs will use 3% as the adjustment factor for their FFY 2003 calculation.

Funding for Public Housing Family Self Sufficiency (FSS) Programs: PHAs with HUD-approved FSS Action Plans may include additional operating subsidy in their FY 2003 subsidy calculation to cover the public housing share of the reasonable cost of salary and fringe benefits for a FSS program coordinator. When housing choice voucher 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 housing choice voucher 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.

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

Preparation of Subsidy Calculation Forms: With the release of the above specific factors and information, PHAs are now equipped to determine their FY 2003 operating subsidy eligibility. PHAs may download the forms needed for their subsidy calculation from the following website, www.hud.gov/offices/pih/divisions/ffmd, 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: (OMB No.2577-0029)

- 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 (for the RBY) form HUD-52722-A
- Adjustment for Utility Consumption
and Rates (for FYEs 12/31/01, 3/31/02
6/30/02, or 9/30/02, as appropriate) form HUD-52722-B
- 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

6

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. (*OMB Number 2577-0026 is being reinstated.)

* The use of form HUD-52721, Direct Disbursement Payment Schedule Data, has been discontinued pursuant to PIH Notice 2002-28 .

Schedule for Submission of Operating 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 other information, PHAs will use the following schedule:

* PHAs with fiscal years beginning January 1, 2003, and April 1, 2003, must submit their required documentation by March 3, 2003.

* PHAs with fiscal years beginning July 1, 2003, must submit their required documentation no later than April 1, 2003.

* PHAs with fiscal years beginning October 1, 2003, will submit their required documentation no later than May 1, 2003.

This schedule must be adhered to in order for HUD to construct an accurate proration level, which cannot be done until all PHA subsidy calculations are received and reviewed by HUD. A PHA that fails to submit its required documentation (including its utility adjustment) in a timely manner will be subject to a suspension of payments.

Issuance of Proration 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 proration level for FFY 2003. HUD will then approve Operating Budgets and/or operating subsidy calculations at that level.

/s/
Michael Liu
Assistant Secretary for
Public and Indian Housing

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Previous editions are obsolete
form HUD-21-B (3/80)

[Click Here for MS Word version of Appendices](#)

Appendix 1

OPERATING FUND LOCAL INFLATION FACTORS
(For PHA Fiscal Years Beginning January 1, 2003,
April 1, 2003, July 1, 2003 and October 1, 2003)