



Operating Subsidy Program: Training Series for Public Housing Authorities

Part Four: Eligible Uses of Operating Subsidy



Learning Objectives

- Part One: Introduction to the Operating Subsidy Program
- Part Two: Annual Processing Cycle
- Part Three: Understanding How HUD's Operating Subsidy is Determined
- **Part Four: Eligible Uses of Operating Subsidy**
 - Participants will understand
 - Eligible uses of Operating Subsidy
 - Flexibilities for spending Operating Subsidy on Capital Fund Program activities



Eligible Uses of Operating Subsidy

Section 9(e) of the Housing Act of 1937 (the Act), Operating Funds are available to PHAs for the operation and management of public housing, including:

- **Procedures and systems** to maintain and ensure the efficient management and operation of public housing units
- Activities to ensure a program of **routine preventative maintenance**
- **Insurance** costs
- **Energy costs** associated with public housing units, with an emphasis on energy conservation
- Costs associated with the operation and management of **mixed finance projects**
- Cost of activities to provide for management and participation in the management and policy making of public housing by public housing residents



Eligible Uses of Operating Subsidy, *continued*

Section 9(e) of the Housing Act of 1937 (the Act), Operating Funds are available to PHAs for the operation and management of public housing, including:

- Cost of **anti-crime and anti-drug activities**, including the cost of providing adequate security for public housing residents, including above-baseline police service agreements
- Costs for activities related to the provision of **services**, including service coordinators for elderly persons or persons with disabilities
- Cost of repaying debt incurred to finance the **rehabilitation and development of public housing units**



Operation and Management



Eligible Uses: Operation and Management of Public Housing

- **Procedures & systems** to maintain and ensure the efficient management and operation of public housing units
- Activities towards a program of **routine preventative maintenance**
- **Insurance Costs**
- **Energy costs** associated with public housing units
- **Debt repayment** to rehab and develop public housing units (Approved by HUD)
- Costs associated with the **operation and management of mixed finance projects**



Other Eligible Uses of Operating Subsidy



Other Eligible Uses: Services and Resident Support

Service Provision, including:

- Resident services, including service coordinators for elderly persons or persons with disabilities
- Activities to provide for management and participation in the management and policy making of public housing by public housing residents



Other Eligible Uses: Services and Resident Support - *continued*

- Costs of operating **computer centers** in public housing through a Neighborhood networks initiative described in subsection (d)(1)E), and of activities related to that initiative



Other Eligible Uses: Anti-Crime and Anti-Drug Activities

Examples may include:

- Security
- Mentoring for at-risk youth
- Gang prevention
- After school programming



Operating Expenses vs. Capital Expenses

Operating Expenses: Costs related to ongoing maintenance and operations of public housing

Capital Expenses: Costs of capital and management activities, including development, modernization, and management improvements



Operating and Capital Expense Flexibility: Small and MTW PHAs

Small PHAs (fewer than 250 units) that are not in troubled status and do not have significant capital needs may use up to 100% of their Capital Funds for Operating Fund purposes and may also use up to 100% of their Operating Subsidy for Capital Fund purposes.

- Small PHAs are required to include Operating Subsidy used for Capital Fund purposes in an approved 5-year action plan and budget submitted to HUD.
- See Notice PIH 2016-18 for guidance on full flexibility of Op and Cap for small PHAs

MTW PHAs have block grant authority. They may use their Operating Subsidy, Capital Funds, and HCV funds for Operating, Capital, HCV or expanded MTW purposes.



Operating and Capital Expense Flexibility: Regular PHAs

Regular PHAs may:

- PHAs with 250 or more units may use up to 20% of their Capital Funds for Operating Fund purposes.
 - Such funds must be budgeted and drawn down from Budget Line Item (BLI) 1406 in LOCCS
 - Such funds must be included in an approve 5-year action plan and budget submitted to HUD in EPIC.

See PIH Notice 2018-03 for guidance on the use of Operating Subsidy for Capital Fund purposes



Operating and Capital Expense Flexibility: Regular PHAs - *continued*

Regular PHAs may:

- Beginning with Federal Fiscal Year 2018 funds, PHAs with 250 or more units may use up to 20% of their Operating Subsidy for Capital Fund purposes. Such PHAs that use their Operating Subsidy for Capital Fund purposes:
 - Are required to submit an annual plan stating their intent to use operating subsidy for eligible Capital Fund purposes.
 - Special rules apply to PHAs that are considered 'Qualified' PHAs pursuant to HERA. See Notice for details.
 - Must maintain Operating Subsidy to be used for CFP activities in e-LOCCS
 - May not use more than the maximum amount of Operating Subsidy for Capital Fund purposes as published on HUD's Operating Fund web page

See PIH Notice 2018-03 for guidance on the use of Operating Subsidy for Capital Fund purposes



Key Takeaways

- Eligible uses of Operating Subsidy Funds include funding the operating and management expenses for public housing as well as other uses specifically identified in the Act.
- Small PHAs that are not troubled and do not have significant capital needs can use up to 100% of their Operating Subsidy for Capital expenses.
- Small PHAs can also use up to 100% of their Operating Subsidy for Capital Fund purposes.
- MTW PHAs have block grant authority
- All other PHAs can use up to 20% of Capital Fund for Operating Fund purposes, and beginning with FFY 2018 funds, can use their Operating Subsidy for Capital expenses

Refer to [PIH Notice 2018-3 and 2016-18](#) for more information about Capital Fund and Operating Subsidy flexibilities.