

Public Housing Operating Fund Training

Part 4: Eligible Uses of Operating Subsidy Transcript

Slide 1: Title Slide. This presentation is Part four of a four-part series on HUD's Public Housing Operating Fund.

Slide 2: Learning Objectives. The learning objectives for this part of the series are to discuss the eligible uses of Operating Subsidy and the spending flexibilities PHAs have to use Operating Subsidy on Capital Fund Program Activities.

We will discuss several broad eligible uses for Operating Funds. The Act indicates that Operating Funds may be spent for the operation and management of public housing, and then goes on to identify specific eligible expenses. The specifically identified eligible expenses can best be thought of as operating and management costs, and other eligible costs. We will go into these eligible uses in more detail and describe which category they fall under.

Slide 3: Eligible Uses of Operating Subsidy. Each of the eligible uses listed on this slide is from Section 9 (e) of the Housing Act of 1937 (or the Act), which defines the eligible uses of Operating Subsidy available to PHAs for the operation and management of public housing.

Slide 4: Eligible Uses of Operating Subsidy – continued. This slide continues the list of eligible uses of Operating Subsidy.

Slide 5: Operation and Management of Public Housing. First, we'll discuss Operating Subsidy uses related to the Operation and Management of Public Housing. Eligible uses for Operation and Management include but are not limited to those high-level operation and management costs identified in the statute.

Slide 6: Eligible Uses: Operation and Management of Public Housing. A large amount of subsidy funds will go toward the first two eligible uses listed here.

The first eligible use is the cost of creating procedures and a system to maintain and ensure the efficient management and operation of public housing units. The cost of an independent auditor to review the procedures can be covered as well under this category.

Additionally, activities to ensure a program of routine preventative maintenance are to be paid with Operating Subsidy.

Other eligible uses for Operating Subsidy include:

- The cost of insurance
- Energy costs of public housing units. It is important to note that one-time upgrades to promote energy efficiency are capital costs, while the cost of ongoing usage is an operating cost.

If a PHA takes on an Energy Performance Contract, or EPC, loan to subsidize energy efficient upgrades, the debt service on that loan could be paid with Operating Subsidy.

- The cost of repaying debt incurred to finance the rehabilitation and development of public housing units (debt must be approved by HUD), and
- The costs associated with the operation and management of mixed finance projects.

Slide 7: Other eligible uses of Operating Subsidy. Outside of the main allocation of funding for operation and management, there are several other categories of eligible uses of Operating Funds.

Slide 8: Other Eligible Uses - Services and Resident Support. PHAs have the opportunity to use Operating Subsidy for resident services and safety services that will enhance the lives of public housing residents.

Activities related to the provision of services include the cost of providing service coordinators for elderly persons or persons with disabilities, and activities to provide for management and participation in the management and policy making of public housing by public housing residents.

Slide 9: Services and Resident Support (continued). Operating Subsidy can also be used to operate a Neighborhood Networks Initiative Computer Center.

PHAs may use operating funds to operate Neighborhood Networks centers that provide residents with access to computers and the internet, computer training and 'services to help residents achieve long-term economic self-sufficiency'.

Slide 10: Anti-Crime and Anti-Drug Activities. While this use unsurprisingly encompasses the cost of security at the public housing development, it also covers anti-drug programs for youth, mentoring programs, gang prevention programs, after school programming and partnerships.

Slide 11: Operating Expenses vs Capital Expenses. Because public housing can receive two types of funding, operating and capital, this presentation reviews the differences between the eligible uses of both.

Operating expenses are the costs related to the ongoing maintenance and operations of public housing.

Capital expenses can be loosely defined as the costs of capital and management activities, including development, modernization, and management improvements.

Slide 12: Operating and Capital expense flexibility: Small and MTW PHAs. While there is a distinct separation between costs that can be paid for with either operating subsidy or capital funds, there is some flexibility around using these funds.

Small PHAs, defined as PHAs with fewer than 250 public housing units, have full flexibility with these funding sources, provided that they are not designated as troubled and do not have significant capital needs. Such PHAs may choose to use up to 100% of their Capital Funds for Operating Fund purposes. Small PHAs can also use up to 100% of their Operating Funds for Capital Fund purposes. PHAs may not spend operating funds for CFP activities unless such funds are included in an approved CFP 5-Year Action Plan and budget submitted to HUD. PHAs may make such submissions in EPIC.

See Notice PIH 2016-18 for guidance on the full flexibility of Op and Cap for small PHAs. Moving to Work or MTW agencies have block grant authority, meaning they may use their Operating Funds, Capital Funds, and HCV Funds for Operating, Capital, HCV or expanded MTW purposes.

Slide 13: Operating and Capital expense flexibility: Regular PHAs. Non-MTW agencies with 250 or more public housing units also have some flexibility with use of funds.

These PHAs can use up to 20% of their annual Capital Funds for Operating Fund Purposes. Such funds must be budgeted in BLI 1406 in LOCCS and included in approved 5-year action plans and budgets in EPIC.

Slide 14: Operating and Capital expense flexibility: Regular PHAs Continued. Such PHAs can also use up to 20% of their operating subsidy funds for capital expenses.

HUD calculates the maximum amount in dollars of Operating Subsidy that can be used for Capital Fund Program activities and publishes that on the Operating Fund web site.

PHAs must note in their annual plan their intent to use Operating Subsidy for capital expenses and all operating subsidy must remain in e-LOCCS, until used for capital expenses.

For more information, please see PIH Notice 2018-3.

Slide 15: Key Takeaways. In summary:

- 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 Notices 2018-3 and 2016-18 for more information about Capital Fund and Operating Subsidy flexibilities.