

Public Housing Operating Fund Training

Part 1: Introduction to HUD's Operating Fund Program Transcript

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

Slide 2: Learning Objectives. This video, Part One, is an introduction to the Operating Subsidy Annual Processing Cycle.

This video will provide an overview of commonly used terms related to Operating Subsidy, and a description of the annual processing cycle schedule, data sources and what makes a unit eligible for subsidy.

Parts two through four of this series will cover the annual processing cycle, determination of the operating subsidy amount, and eligible uses of funds, in greater detail.

Slide 3: Public Housing Operating Subsidy. The Public Housing Operating Subsidy is provided to Public Housing Authorities through the HUD Public Housing Operating Fund Program to assist in funding the operating and management expenses of public housing projects.

The amount of Operating Subsidy each project is eligible for is derived by the Operating Fund Formula, which was established through negotiated rule making.

Operating Subsidy is the difference between the formula's estimated costs of operating and managing a project and estimated income received from the project.

The Operating Fund Formula is codified in regulations at 24 CFR 990. Guidance can be found in each Calendar Year's OpSub Processing Notice and other relevant guidance and notices.

Slide 4: Key Terms. There are a number of common terms and acronyms that will be referenced several times in this series. We will define them briefly here:

The terms "Operating Fund" and "Operating Subsidy" are often used interchangeably. However, to be precise, the Operating Fund is the program and the account that Congress Appropriates funds to each year. The Operating Fund Formula is applied to Operating Fund appropriations each year to determine the amount of Operating Subsidy that HUD awards to each Public Housing project.

PIC, also known as IMS/PIC, is the Inventory Management System and Public and Indian Housing Information Center. IMS/PIC is the database which houses building and unit information entered by PHAs, along with monthly information about their residents and unit status. Resident data in PIC is populated with the information collected and reported by the PHA on HUD Form 50058.

The Financial Assessment Sub System (FASS) is another database where PHAs enter financial data known as the Financial Data Schedule, or FDS. The FDS includes financial information such as income statements and balance sheets. This includes data used in the Operating Fund formula, including data used to calculate formula income, PILOT as well as audit fees.

Project Expense Level or PEL is a model-generated estimate of the cost to operate a well-run Public Housing project, expressed as a per unit month.

Utility Expense Level, or UEL, is an estimate of the cost of utilities on a per unit month basis. The UEL is based upon project utility consumption and cost information.

Unit Months are the total number of project units in a PHA's inventory expressed in months for a specified time period.

The formula income amount is an estimate of a project's rental revenue and is based on fiscal year-end financial statements.

Formula income is based on the project level FDS data submitted by the PHA based upon the PHA's Fiscal Year.

Eligible Unit months or EUMs are the actual number of project units in categories eligible for full Operating Subsidy.

The Annual Contributions Contract (ACC) is the grant agreement between HUD and the PHA that governs public housing.

The HUD Forms 52722 and 52723 are essential to the calculation of operating subsidy. The 52722 is used to calculate the Utilities Expense Level and the 52723 is used for calculation of the operating subsidy eligibility amount. These forms will be discussed in greater detail in later portions of this training.

The Operating Fund Web Portal is a web-based system used for the Operating Fund.

Slide 5: Annual Schedule for Operating Subsidy. The Operating Subsidy Processing Cycle runs on an annual basis. The actual schedule varies from year to year, so please refer to the PHA OpFund Submission Schedule for each Calendar Year for specific dates.

The process begins when HUD publishes the inventory of projects eligible for funding. PHAs must verify that HUD's inventory is accurate. HUD then posts the prepopulated HUD Forms 52722 and 52723 in the OpFund portal.

These forms are populated with unit status data from IMS/PIC and other elements from the FDS.

After the forms are posted, PHAs will have a few weeks to correct, confirm, and fill out any additional data needed.

In the beginning of the Funding Year, before HUD collects Operating Subsidy forms for each project, HUD funds PHAs based on an estimate of funding eligibility. Usually, HUD bases this estimate on the same data it uses to pre-populate the 52722 and 52723. Once the Operating Subsidy forms are collected, HUD will base its funding on the eligibility identified in those forms. HUD refers to this as funding based upon actual eligibility.

Slide 6: IMS/PIC and PHA Eligibility for Operating Subsidy. Now that you know a little about the process and schedule for determining eligibility, let's talk about what makes a unit eligible for Operating Subsidy.

In order for a unit to be eligible for Operating Subsidy funds the unit must be under the Annual Contributions Contract between the PHA and HUD and the unit must be in management status in IMS/PIC. An exception for this is units eligible for an asset repositioning fee, or an ARF. ARF units may have already been removed from the public housing inventory.

Units in the following categories are eligible to receive full Operating Subsidy:

- Units occupied by eligible households
- Units in eligible special use categories
- Units in Allowable Vacancy Categories
- Limited Vacancies (up to 3% of unit months or 5 units if the PHA has less than 100 units)

Slide 7: Units Eligible for Partial Operating Subsidy. Units under an ACC and in management status in the following category receive only IT Fees and Asset Management fees (if they are eligible)

- Vacancies in excess of 3%
- Units that reached the end of their ARF eligibility period.
- Units used for administrative purposes
- Units occupied by non-assisted over-income househo

Units eligible for ARF will only receive ARF funding, IT fees, and, if eligible Asset Management Fees. They are not eligible for other formula elements.

Eligibility is determined based on unit status data submitted by the PHA in IMS/PIC. HUD typically pulls units from PIC on September 1st of the year before the funding year. PHAs should ensure that their 50058s for the reporting system are submitted by or before that date.

Slide 8: Ineligible Units. Units not under ACC or in Management Status are ineligible to receive Operating Subsidy, as are units in an unauthorized unit status.

Slide 9: Vacant Units. As mentioned, vacant units generally do not receive full Operating Subsidy, unless the vacancy is in an 'allowable' category and is 'approved' as such by HUD. Units that are not eligible for Full Operating Subsidy receive eligibility only for the IT fee, and for an Asset Management fee if they qualify (comply with Asset Management requirements).

There are a number of different allowable vacancy categories, including:

- if the unit is undergoing modernization work so that it can be reoccupied
- if the unit is vacant due to litigation, due to a disaster, or if there are delays in settling insurance claims that have caused the unit to remain vacant.

The Operating Fund formula also provides for full funding for a limited number of vacancies, 3% of vacant unit months or up to sixty unit months for a PHA with less than 100 units. This is considered to be a make-ready vacancy, or the period of time a unit must remain vacant in order to turn it over and re-rent it.

If a unit is vacant due to changing market conditions, PHAs have the option of appealing to HUD to have the unit be deemed eligible for full operating subsidy. However, appeal requirements are stricter than unit status requirements and difficult to qualify for.

Slide 10: Important Takeaways. In summary, the Operating Fund program provides funding or Operating Subsidy to Public Housing projects to fund the operation and management of public housing.

The Operating Subsidy process runs on an annual cycle, with key milestones usually occurring approximately from September to August. The actual schedule varies from year to year, so please refer to the PHA Operating Subsidy Schedule for each Calendar Year for specific dates.

The formula for the subsidy amount is determined by the information the PHA submits in IMS/PIC and FDS and that is entered in the Form HUD-52722 and Form HUD-52723.

The eligible unit months or EUMS determine the amount of Operating Subsidy that a PHA receives. Generally, only units under an ACC and in management status are eligible for Operating Subsidy.

The next two trainings in this series will provide more detail about the annual processing cycle and the calculations that are used to determine funding amounts. The final training discusses eligible uses of Operating Subsidy funds.