



Operating Fund Program: Training Series for Public Housing Authorities

Part Three: Understanding How HUD's Operating Subsidy Eligibility is Determined



Learning Objectives

- Part One: Introduction to the Operating Fund Program
- Part Two: Annual Processing Cycle
- **Part Three: Understanding How HUD's Operating Subsidy is Determined**

Participants will understand

- How the Operating Subsidy is calculated
- What forms and inputs are used to determine Operating Subsidy
- **Part Four: Eligible Uses of Funds**



Operating Fund Formula



The Operating Fund Formula

Operating Subsidy Eligibility

[calculated by Per Unit Months (PUM)]

=

$$\left[\left(\text{PEL} + \text{UEL} \right) \times \text{EUM} \right] + \text{Add-ons} - \left[\text{Formula Income} \times \text{EUM} \right]$$

PEL: Project Expense Levels **UEL:** Utilities Expense Levels **EUM:** Eligible Unit Months

Operating Subsidy eligibility covers the gap between the estimated cost to operate a project and the estimated income received from that project.



Project Expense Level (PEL)

- Project Expense Level (PEL) is calculated in terms of Per Unit Month (PUM) cost
- Represents the costs associated with operating the project, except for utility and add-on costs.

Costs associated with PEL include:

- Administration
- Management
- Maintenance
- Protective services
- Leasing
- Occupancy
- Staffing
- Other expenses, such as project insurance

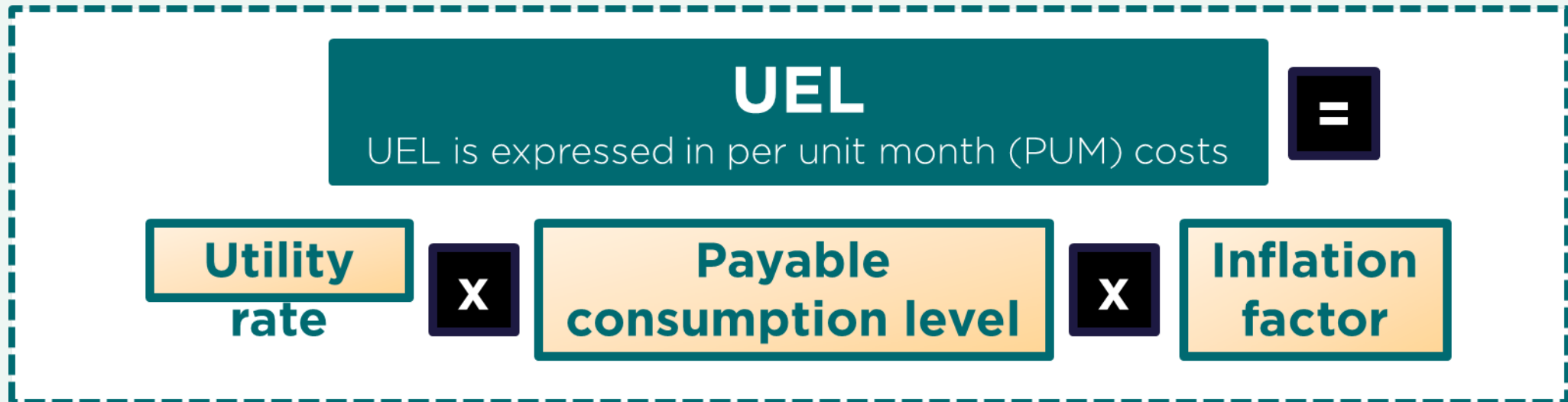
For more guidance see:

- [24 CFR § 990.165 - Computation of Project Expense Level \(PEL\)](#)
- [PEL Variables and Coefficients Fed Register Notice.](#)
- [Public Housing Operating Fund Variable Coefficients for Public Housing Operating Fund Project Expense Levels](#)



Utilities Expense Level (UEL)

- **UEL for each PHA is based on:**
 - its consumption and costs for each utility; and
 - the resulting average rates for each utility; or
 - the fixed amount (known as Flat Rate) the PHA pays; and
 - an applicable inflation factor.





Utilities Expense Level (UEL) Primary Inputs

Primary Inputs for UEL Include:

- **Utility Type:** Water, Gas, Electricity
- **Incentive Type:** Frozen, Non-Frozen, Flat
- **Unit of Consumption:** Gallon, Cubic Feet, KWH
- **Actual Consumption:** Units consumed during the latest reporting period, must match utility bills
- **Actual Utility Costs:** Amount paid during the latest reporting period, must match utility bills
- **Rolling Base Consumption:** Three years of historical data, or if applicable the frozen rolling base (FRB)
- **RRI Program, EPC Program and Small and Rural Frozen Rolling Base Program** are addressed in a separate training presentation

For additional guidance see [24 CFR § 990.170 - Computation of Utilities Expense Level \(UEL\)](#)



Other Formula Expenses/Add-ons

A PHA's eligible formula expenses shall be increased by add-ons. The allowed add-ons are:

- Self-sufficiency
- EPC Energy loan amortization (24 CFR § 990.185(a)(3))
- Payments in lieu of taxes (PILOT)
- Cost of independent audits
- Funding for resident participation activities
- Asset management fees
- IT fees
- Asset repositioning fees (ARF)
- Costs attributable to changes in Federal law, regulation, or economy



Formula Income

$$\text{Formula Income (PUM)} = \left[\frac{\text{Net Tenant Rental Revenue}}{\text{Unit months leased}} \right] \times \text{Inflation Factor}$$

Formula income is equal to the amount of rent charged to tenants divided by the respective unit months leased and is expressed as PUM. The PUM amount is multiplied by an inflation factor to be expressed in today's dollars.

To calculate formula income in whole dollars:

$$\text{Formula Income in whole dollars} = \text{PUM amount} \times \text{EUMs}$$

Further guidance in annual Operating Subsidy processing notices at https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/funding



Transition/Stop Loss Funding

- When initially implemented 24 CFR 990 Operating Fund regulation implemented Asset Management over 5-year period.
- Where the formula under 24 CFR 990 resulted in reductions to what PHAs were previously receiving, the formula allowed PHAs to limit those reductions (stop their losses) by transitioning to Asset Management during the five-year period.
- PHAs may receive stop loss eligibility annual as part of their Operating Fund Formula.
- PHAs must continuously to implement Asset Management or lose this formula element.



Moving to Work (MTW) Alternate Operating Subsidy Calculation

- MTW PHAs with an Alternative Operating Subsidy (AOS) Formula submit OpSub forms in accordance with their MTW agreements (Attachment A).
- 9 PHAs have a full AOS, or a subsidy that is completely different from the Operating Fund Formula.
- 2 PHAs have a partial AOS, only their Formula Income is calculated differently than the Operating Fund Formula.
- Full AOS MTW PHAs do not submit Form HUD-52722



Data Tools Used to Calculate Operating Subsidy Eligibility



- Form HUD-52722 is used to calculate Utilities Expense Level (UEL)
 - an estimate of the cost of utilities per unit, per month

Operating Fund Calculation of Utilities Expense Level PHA-Owned Rental Housing				U.S. Department of Housing and Urban Development Office of Public and Indian Housing OMB Approval No. 2577-0029 (exp. 06/30/2017)																																																																																				
Public Reporting Burden for this collection of information is estimated to average .75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. This information is required by Section 9(a) of the U.S. Housing Act of 1937, as amended, and by 24 CFR Part 990 HUD regulations. HUD makes payments for the operation and maintenance of low-income housing projects to PHAs/projects. The Operating Fund determines the amount of operating subsidy to be paid to PHAs/projects. PHAs/projects provide information on the Project Expense Level (PEL), Utilities Expense Level (UEL), Other Formula Expenses (Add-ons) and Formula Income – the major Operating Fund components. HUD reviews the information to determine each PHA's/project's Formula Amount and the funds to be obligated for the period to each PHA/project based on the appropriation by Congress. HUD also uses the information as the basis for requesting annual appropriations from Congress. Responses to the collection of information are required to obtain a benefit. The information requested does not lend itself to confidentiality.																																																																																								
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<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">Line No.</th> <th style="width: 20%;">Description</th> <th style="width: 10%;">Sewerage and Water</th> <th style="width: 10%;">Electricity</th> <th style="width: 10%;">Gas</th> <th colspan="3" style="width: 35%;">Fuel (Specify Type, e.g., oil, coal, wood)</th> <th style="width: 10%;">Total</th> </tr> <tr> <th>A</th> <th>B</th> <th>C</th> <th>D</th> <th>E</th> <th>F</th> <th>G</th> <th>H</th> <th>I</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>Actual consumption (12-month period 7/1/____ to 6/30/____)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>01a</td> <td>Unit of consumption (e.g., gallons, kWh, therms)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="9" style="text-align: center; padding: 5px;">Section 3 – Rolling Base Consumption Level</td> </tr> <tr> <td>02</td> <td>Rolling base year 1- actual consumption (12-month period 7/1/____ to 6/30/____)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>03</td> <td>Rolling base year 2 - actual consumption (12-month period 7/1/____ to 6/30/____)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>04</td> <td>Rolling base year 3 - actual consumption (12-month period 7/1/____ to 6/30/____)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>05</td> <td>Total consumption during 3-year rolling base period (Line 02 + Line 03 + Line 04)</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>								Line No.	Description	Sewerage and Water	Electricity	Gas	Fuel (Specify Type, e.g., oil, coal, wood)			Total	A	B	C	D	E	F	G	H	I	01	Actual consumption (12-month period 7/1/____ to 6/30/____)								01a	Unit of consumption (e.g., gallons, kWh, therms)								Section 3 – Rolling Base Consumption Level									02	Rolling base year 1- actual consumption (12-month period 7/1/____ to 6/30/____)								03	Rolling base year 2 - actual consumption (12-month period 7/1/____ to 6/30/____)								04	Rolling base year 3 - actual consumption (12-month period 7/1/____ to 6/30/____)								05	Total consumption during 3-year rolling base period (Line 02 + Line 03 + Line 04)							
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Form HUD-52722 Calculation of Utilities Expense Level: Electronic Form

- HUD posts electronic form version of the 52722 on the OpFund Portal, with prepopulated consumption data the for prior year
- PHA verifies data on the form
 - Report any errors to HUD Field Office
- PHA enters information on utility cost and consumption levels
- PHA uses this information, adjusted for inflation, to calculate the UEL

U.S. Department of Housing and Urban Development Office of Public and Indian Housing OMB Approval No. 2577-0029 (exp. 09/31/2023)															
Version 1.0															
Section 1 - General Information															
1. Name of Public Housing Agency:		2. Funding Period:		3. Type of Submission:		4. Unit Change Indicator:		5. DUNS Number:		6. Rate Reduction Incentive:					
1/1/2021 to 12/31/2021		Original		Revision No.		No		No							
7. ACC Number:		8. Operating Fund Project Number:		9. Fiscal Year End:		10. RFO Code (HUD Use Only):									
Please Select PPN		01/23/21 02/23/21 03/23/21 04/23/21 05/23/21 06/23/21 07/23/21 08/23/21 09/23/21 10/23/21 11/23/21 12/23/21		01/23/21 02/23/21 03/23/21 04/23/21 05/23/21 06/23/21 07/23/21 08/23/21 09/23/21 10/23/21 11/23/21 12/23/21											
Section 2 - Current consumption Level															
01 Actual Consumption (12-month period 7/1/2019 to 6/30/2020)		02		03		04		05		06		07		08	
01a		03		04		05		06		07		08		09	
Section 3 - Rolling Base consumption Level															
02 Rolling base year 1 - actual consumption (12-month period 7/1/2018 to 6/30/2019)		03		04		05		06		07		08		09	
03 Rolling base year 2 - actual consumption (12-month period 7/1/2017 to 6/30/2018)		04		05		06		07		08		09		10	
04 Rolling base year 3 - actual consumption (12-month period 7/1/2016 to 6/30/2017)		05		06		07		08		09		10		11	
05 Total Consumption during 3-year Rolling Base period (Lines 02 + 03 + 04)		06		07		08		09		10		11		12	
Section 4 - Base Consumption															
06 Average rolling base consumption (Line 05 ÷ 3)		07		08		09		10		11		12		13	
07 Actual consumption for new units (Line 06 × 0.75)		08		09		10		11		12		13		14	
08 Rolling Base Consumption (Line 06 × 0.75)		09		10		11		12		13		14		15	
Section 5 - Utility Consumption Incentive															
09 Base Consumption (Lesser of Line 01 or 08)		10		11		12		13		14		15		16	
10 Actual consumption > rolling base (If Line 01 is greater than Line 08, enter the difference as positive; if not, enter 0)		11		12		13		14		15		16		17	
11 Actual consumption < rolling base (If Line 01 is less than Line 08, enter the difference as positive; if not, enter 0)		12		13		14		15		16		17		18	
12 75%/25% split (Line 10 × 0.25)		13		14		15		16		17		18		19	
13 75%/25% split (Line 11 × 0.75)		14		15		16		17		18		19		20	
Section 6 - Payable Consumption															
14 Annualization of consumption for new units		15		16		17		18		19		20		21	
15 Payable consumption (Sum of Line 09, Line 12, Line 13, and Line 14)		16		17		18		19		20		21		22	
Section 7 - Actual Utility Costs and Average Rate															
16 Actual utility costs (12-month period 7/1/2019 to 6/30/2020)		17		18		19		20		21		22		23	
17 Actual average utility rate (Line 16 ÷ Line 01)		18		19		20		21		22		23		24	
		\$0.0000		\$0.0000		\$0.0000		\$0.0000		\$0.0000		\$0.0000		\$0.0000	
Section 8 - Base Utilities and Inflation/Deflation Factor															



Form HUD-52723: Calculation of Operating Subsidy Eligibility

- Primary form used for Calculating Operating Subsidy Eligibility, Form HUD-52723
- Form HUD-52723 data includes unit data, inputs from Form HUD-52722, formula income inputs, PEL, UEL and add-ons to determine OpSub amounts
- Based on the period of July 1-June 30th that precedes the beginning of the funding period

Operating Fund Calculation of Operating Subsidy PHA-Owned Rental Housing		U.S. Department of Housing and Urban Development Office of Public and Indian Housing				
		OMB Approval No. 2577-0029 (exp.08/31/2020)				
<small>Public Reporting Burden for this collection of information is estimated to average .75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. This information is required by Section 9(a) of the U.S. Housing Act of 1937, as amended, and by 24 CFR Part 990 HUD regulations. HUD makes payments for the operation and maintenance of low-income housing projects to PHAs/projects. The Operating Fund determines the amount of operating subsidy to be paid to PHAs/projects. PHAs/projects provide information on the Project Expense Level (PEL), Utilities Expense Level (UEL), Other Formula Expenses (Add-ons) and Formula Income – the major Operating Fund components. HUD reviews the information to determine each PHA's/project's Formula Amount and the funds to be obligated for the Funding Period to each PHA/project based on the appropriation by Congress. HUD also uses the information as the basis for requesting annual appropriations from Congress. Responses to the collection of information are required to obtain a benefit. The information requested does not lend itself to confidentiality.</small>						
Enter total number of ACC units for this PHA: <input type="text"/>						
Section 1						
1. Name and Address of Public Housing Agency: <input type="text"/>		2. Funding Period: 1/1/ <input type="text"/> to 12/31/ <input type="text"/>				
		3. Type of Submission: <input type="checkbox"/> Original <input type="checkbox"/> Revision No. <input type="text"/>				
4. ACC Number: <input type="text"/>	5. Fiscal Year End: <input type="checkbox"/> 12/31 <input type="checkbox"/> 3/31 <input type="checkbox"/> 6/30 <input type="checkbox"/> 9/30		6. Operating Fund Project Number: <input type="text"/>			
7. DUNS Number: <input type="text"/>		HUD Use Only				
		8. ROFO Code: <input type="text"/>				
		9. Financial Analyst: <input type="text"/>				
Section 2						
Calculation of ACC Units for the 12-month period from July 1 to June 30 that is prior to the first day of the Funding Period:						
ACC Units on 7/1/ <input type="text"/>	+	Units Added to ACC <input type="text"/>	-	Units Deleted from ACC <input type="text"/>	=	ACC Units on 6/30/ <input type="text"/>



Unit Status Data

Section 2 of Form HUD-52723 focuses on Unit Status Data

Column A: Unit Months are the total number of project units in inventory expressed in months for a specified time frame. This data is used to calculate the IT fee and Asset Management fee (if the PHA complies with Asset Management Requirements).

Column B: Eligible Unit Months (EUMs) are the actual number of PH units in categories eligible for the full Operating Subsidy expressed in months for a specified time frame.

Column C: Resident Participation Unit Months are used to determine the funding for resident participation activities in Section 3, Part A, Line 11.



Form HUD-52723 Electronic Form

- Form HUD-52723 is prepopulated and posted to the OpFund Portal
- PHAs must review data to ensure accuracy, fill in missing data and upload completed forms to the OpFund Web Portal for HUD Field Office to review

Operating Fund Calculation of Operating Subsidy PHA-Owned Rental Housing				U.S. Department of Housing and Urban Development Office of Public and Indian Housing			
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Enter Total Number of ACC Units for this PHA >							0
Section 1							
1. Name and Address of Public Housing Agency:				2. Funding Period: 01/01/2021 to 12/31/2021			
				3. Type of Submission: <input checked="" type="checkbox"/> Original <input type="checkbox"/> Revision No.			
4. ACC Number:		5. Fiscal Year End: <input type="checkbox"/> 12/31 <input type="checkbox"/> 03/31 <input type="checkbox"/> 06/30 <input type="checkbox"/> 09/30		6. Operating Fund Project Number:			
7. DUNS Number:		HUD Use Only					
		8. ROFO Code:					
Section 2							
Calculation of ACC Units for 12-month period from July 1 to June 30 that is prior to the first day of the Funding Period:							
	ACC Units on 7/1/2019	Units Added to ACC (+)	Units Deleted from ACC (-)	ACC Units on 6/30/2020 (=)			
Requested by PHA				0			
HUD Modifications							
Line No.	Category	Column A Unit Months		Column B Eligible Unit Months (EUMs)		Column C Resident Participation Unit Months	
		Req'd by PHA	HUD Mod.	Req'd by PHA	HUD Mod.	Req'd by PHA	HUD Mod.



Key Takeaways

Operating subsidy eligibility is the difference between the estimated cost to operate a Public Housing project and the estimated income that project derives from net tenant rent.

Operating Subsidy Eligibility
(PUM)

=

PEL

+

UEL

x

EUM

+

Add-ons

-

Formula
Income

x

EUM