

Public Housing Operating Fund Training

Part 2: Annual Processing Cycle Transcript

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

Slide 2: Training Topics. For this part of the Operating Subsidy training series, we will detail roles and responsibilities of PHAs and of HUD throughout the Operating Subsidy Annual Processing Cycle. We will outline the process and schedule for funding, review relevant HUD Forms, and describe the process for submitting and revising calculations for subsidy to HUD.

Slide 3: Annual Eligibility Process. We will discuss the annual processing cycle as two intertwined processes, the Annual Eligibility Process and the Annual Funding Process.

First, we will explain the annual eligibility process.

Slide 4: Pre-populated HUD forms. Much of the process for requesting and receiving Operating Subsidy revolves around two specific HUD Forms: HUD Form-52722, titled Operating Fund Calculation of Utilities Expense Level, and HUD Form-52723, titled Operating Fund Calculation of Operating Subsidy.

Slide 5: Different Periods in Operating Fund Formula. There are several types of data that are used in the operating fund formula, and it is important to note that this data may be based on different periods of time.

Unit status data, including eligible unit months, is pulled from PIC and is based upon the reporting period. HUD generally pulls this data on September 1st before the start of the funding year, and then adjusts it for RAD conversions with HAP effective dates through December 1st.

The Project Expense Level, or PEL, is based on building and unit characteristics in IMS/PIC. HUD generally pulls this data between September and early October.

The Utilities Expense Level, or UEL, is based on utility consumption and costs for the reporting period. A rolling base composed of the three prior reporting periods is also included in the formula.

Formula income is derived from FDS data submitted by the PHA in FASS based upon the PHA's Fiscal Year (FY). Because of the lag in this data being available, HUD uses FDS data from the PHA fiscal year that is two years before the funding period.

Add Ons are composed of several unique elements, which are based upon varying periods.

Slide 6: Funding Period and Reporting Period. The funding period is the Calendar Year, starting on January 1st and ending on December 31st.

The reporting period is the period that begins on July 1st eighteen months before the start of the calendar year funding period and ends on June 30th six months before the start of the calendar year funding period.

For example, for calendar year 2023, the reporting period is July 1, 2021 through June 30, 2022.

The funding period for calendar year 2023 is January 1st 2023 through December 31st 2023.

Slide 7: Operating Fund Processing Cycle Flow and Annual Schedule. As we discussed in the Introduction to this Training Series, the Operating Subsidy Annual Processing Cycle runs on an annual calendar year cycle. The actual schedule varies from year to year, so please refer to the PHA OpFund Submission Schedule for each Calendar Year for specific dates.

Before the process even begins, it is important that PHAs stay up to date with their PIC and FDS data submissions. PHAs are required to submit 50058s within 60 days of the effective date. Unit Status requests must be submitted to HUD within 30 days. PHAs should ensure that all June PIC data should be entered by August 30th to avoid funding issues and FDS data should be entered on time. The deadline for entering FDS data will vary for PHAs based on their fiscal year end date.

Slide 8: Operating Fund Processing Cycle Flow and Annual Schedule. The process begins when HUD publishes the inventory of projects eligible for funding. HUD develops the inventory by pulling building and unit characteristics from IMS/PIC, typically in September or early October. PHAs must verify that HUD's inventory is accurate to ensure all eligible projects will receive funding.

Slide 9: Operating Fund Processing Cycle Flow and Annual Schedule. Next, HUD funds PHAs on an estimate based on PIC, FDS data and data from the prior year.

Slide 10: Operating Fund Processing Cycle Flow and Annual Schedule. HUD then posts 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.

Each project must have separate Operating Subsidy calculations conducted via the completion of a 52722 form and 52723 form submitted through the Operating Fund Web Portal.

Slide 11: Operating Fund Processing Cycle Flow and Annual Schedule. After the forms are posted in the OpFund portal, PHAs will have a few weeks to correct, confirm, and fill out any additional data needed in the forms. Any errors in data that cannot be edited by the PHA should be brought to the attention of their HUD field office.

Slide 12: Operating Fund Processing Cycle Flow and Annual Schedule. After the PHA-submitted forms are received, the HUD field office will review the forms and submit them to the HUD Financial Management Division, or FMD, for processing.

Slide 13: Operating Fund Processing Cycle Flow and Annual Schedule. *(No narration for this slide.)*

Slide 14: Operating Fund Processing Cycle Flow and Annual Schedule. HUD FMD will perform a Quality Control review on the data.

After the QC process, there is a revisions process by which housing authorities can submit revisions to their Operating Fund Tools.

Slide 15: Operating Fund Processing Cycle Flow and Annual Schedule. As mentioned, in the beginning of the Funding Year before HUD collects Operating Subsidy tools 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.

Slide 16: Operating Fund Processing Cycle Flow and Annual Schedule. Once the Operating Subsidy tools are collected, HUD will base its funding on the eligibility identified in those tools. HUD refers to this as funding based upon actual eligibility. Usually by April or May, HUD will release eligibility based upon actuals instead of estimated eligibility.

Slide 17: Operating Fund Processing Cycle Flow and Annual Schedule. Schedules for each calendar year are listed on the Project-Based Funding page on hud.gov. The URL is shown on this slide.

Slide 18: New Projects. Because new projects are not in IMS/PIC for the reporting period, HUD has established special procedures for the funding of new projects or units when they come online and are added to the Annual Contributions Contract, or ACC. Please refer to the Calendar Year New Projects Guidance for more detailed information. The annual processing notice provides important deadlines for the submission and processing of new projects.

Slide 19: Revisions. While the prepopulated data and calculations in the electronic forms cannot be modified by the PHA after preliminary eligibility is posted, the PHAs can submit revisions to the field office before the deadline (usually around mid-August) for one of 4 reasons:

If there are mathematical, clerical, information system or other errors.

Because of the approval of demolition or disposition with the addition of new units to an existing project

If new utilities incentives or contracts were approved, or if there were amendments to existing approvals, but not including Rate Reduction Incentives

Or if HUD approves another appeal submitted by the PHA

After the revisions process is finalized, the final eligibility will be posted, usually in October. Please refer to the regulations listed on the slide for further information.

Slide 20: Operating Fund Web Portal Overview. The Operating Fund Web Portal is used for many Operating Subsidy processes. Ensuring appropriate levels of access are maintained for PHA staff is critical for PHAs to meet deadlines and receive timely and accurate funding. Guidance on how to obtain and maintain access can be found on the Operating Fund Portal web page at:

https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/webportal

Slide 21: Using the Portal to request Operating Subsidy and Certify Eligibility. PHAs are able to complete the following actions in the OpFund Portal:

- Download current and historical versions of the 52722 and 52723
- Validate public housing inventory
- Submit corrected and updated 52722 and 52723 forms
- Submit SF 424
- Elect to participate in the Small and Rural Frozen Rolling Base program
- Access HUD's inventory of projects with EPC approvals

- Additional functionality is being added to the Portal on a rolling basis

Slide 22: Operating Fund Web Portal Tools. In addition to the forms that are posted, there are reports and other tools for PHAs to use to better understand the data that is being processed.

This graphic gives you an idea of what the dashboards in the portal look like.

Slide 23: Annual Funding Process. Now we will turn to the second part of the annual processing cycle: the Annual Funding Process.

Slide 24: Annual Funding Process: Estimated Funding. At the beginning of the calendar year, HUD begins funding projects with operating subsidy based on estimates for the current calendar year.

PHAs are authorized to drawdown approximately 1/12th per month via LOCCs. Only projects in the inventory will receive funding based upon an estimate. The inventory is derived from PIC.

If the estimated eligibility is inaccurate, PHAs should contact their local FO.

PHAs should not draw down funds for a project if it is not eligible for funding. HUD will de-obligate such funds once the 52722 and 52723 forms are collected.

Slide 25: Funding Based on Interim Eligibility. Generally, the field office will have finished its determination of eligibility around April and HUD Financial Management Division, or FMD, will begin funding the PHA based on actuals, or the actual 52722 and 52723 submitted by the PHA. PHAs should keep in mind that this represents only interim eligibility, and HUD and PHAs may change or correct the 52722 or 52723 through the revisions process.

Slide 26 Proration: Estimated Funding and Continuing Resolution. Every year Congress appropriates funding to the Operating Fund. The appropriations amount may or may not fully fund the program - it may be equal to or less than the combined eligibility of all projects. Each year HUD calculates a proration rate, which is the percentage of eligibility funded.

If Congress passes its budget on time, the OpSub proration rate is determined based upon the appropriation amount and eligibility, which is based upon estimated eligibility, initial determination of eligibility, or final eligibility.

While the program is under a continuing resolution, and during the period HUD is obligating funds to projects based upon estimated eligibility, HUD uses conservative methodology to determine the proration rate. The objective in using a more conservative methodology is that monthly funding amounts will only increase, not decrease, throughout the funding year.

In addition, if HUD is funded under a Continuing Resolution, it will obligate funding over several smaller increments in the beginning of the year instead of obligating funds to cover a longer period. Regardless of the number of months HUD obligated funds for, PHAs may still only draw down funds one month at a time.

Slide 27: Actual Eligibility and Full Year Appropriations. As mentioned earlier, HUD will obligate Operating Subsidy based on estimates at the beginning of the calendar year and continue to work with PHAs to determine final eligibility throughout the remainder of the calendar year.

HUD publishes obligation reports on the OpFund website as funds are obligated. The reports identify the amount of funds obligated throughout the calendar year. PHAs will receive an obligation letter notifying them of their obligations and, generally, the eligibility amount their funding was based on.

The obligation reports contain detailed funding information for each project and will help PHAs understand fluctuations it may experience in funding amounts and are a helpful management tool.

Reasons why a project's monthly funding may fluctuate include:

- When funding transitions from a continuing resolution to a full year budget.
- As HUD transitions from funding projects based upon estimated eligibility to actual eligibility
- If a project's eligibility changes during the year due to the revision of a 52722 or 52723

Slide 28: Key Takeaways. In summary:

- submit timely information in IMS/PIC and FDS to ensure that accurate and complete data is prepopulated in HUD Forms 52722 and 52723, also called "tools" in this presentation.
- always check the calendar year schedule for Operating Subsidy, and mind deadlines for submission of tools to ensure correct and timely funding.
- ensure staff is familiar with the Operating Fund web portal.
- HUD provides funding at the beginning of the year based on an estimate and works with PHAs through the calendar year to determine final funding eligibility.

For questions, resources, and the annual schedule, check the webpage for the operating subsidy for the calendar year in question.