

U. S. Department of Housing and Urban Development  
Office of Public and Indian Housing

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Special Attention of: NOTICE PIH 2000-03 (HA)

Public Housing Agencies; Issued: February 3, 2000  
Secretary's Representatives;  
State/Area Coordinators; Expires: September 30, 2000  
Directors, Public Housing  
Divisions; Resident  
Management Corporations  
(RMCs)

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Subject: FY 2000 Subsidies for Operation of Low-Income Housing  
Projects

The purpose of this Notice is to advise Public Housing Agencies (HAs) of the pro-ration of operating subsidy eligibility during Federal fiscal year 2000 (HA fiscal years beginning January 1, April 1, July 1, and October 1, 2000). The Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act includes \$3,138,000,000 for FY 2000 operating subsidy requirements. Under current authorizations, the amount appropriated in the FY 2000 Appropriations Act will not be sufficient to cover total subsidy requirements for both Performance Funding System (PFS) and non-PFS projects. Accordingly, payments to all HAs will be based on **98.5** percent of the full eligibility of each as determined by the PFS, or the appropriate alternate approach for the non-PFS HAs and projects. Should actual requirements for FY 2000 vary significantly from the estimate, this percentage is subject to change.

Under 24 CFR 990.112(c) of the regulations, "In the event that insufficient funds are available to make payments approvable under PFS for operating subsidy payable by HUD, HUD shall have complete discretion to revise, on a pro rata basis or other basis established by HUD, the amounts of operating subsidy to be paid to PHAs." In order to maximize the FY 2000 pro-ration percentage, HUD Offices are instructed not to process any year end adjustments (Line 33 "Prior Years' Net Year-End Adjustments" of Form HUD-52723). They are also instructed not to approve mid-year rental and utility adjustments. HAs are still required to submit all mandatory year-end adjustments within the required time frames to enable the Department to analyze our ability to process them in the future if the funding shortfall situation changes.

For FY 2000 the Department will not suspend the three percent change factor applied to project an HA's dwelling rental income. To do so would lower the pro-ration percentage for all HAs, and many HAs are achieving the income projection. Therefore, for Federal fiscal year 2000, all HAs will enter 1.03 on Line 15 of Form HUD 52723, Calculation of Performance Funding System

Operating Subsidy.

**A. Incentive for HAs which adopt Optional Earned Income**

**exclusions or deductions.** HAs which adopt optional earned income exclusions or deductions must make an adjustment in reporting the rent roll used for calculating operating subsidy. The rent roll amount reported on Line 12 must be adjusted by adding back the total value of all optional earned income exclusions and deductions. This step results in a decrease in operating subsidy that can be made up through the adjustment when the HA achieves an increase in rents from earnings. The amount of the potential incentive is calculated by comparing the rental income per occupied unit resulting from earned income on the April 1, 1996 rent roll to the rental income per occupied unit resulting from earned income on the date of the rent roll used for the FY 2000 PFS calculation. During Federal Fiscal Year 2000 the HA qualifies for an adjustment in operating subsidy in an amount that is less than or equal to the total of the optional earned income exclusions and deductions reported on Line 12. The incentive will be entered on Line 38 of Form HUD-52723 and will increase the operating subsidy. A sample format for calculating this adjustment is included as Appendix A.

If additional information is needed, please contact Stephen Sprague, Acting Director of the Funding and Financial Management Division, Office of Public and Assisted Housing Delivery, at (202) 708-1872, or Stephen\_H.\_Sprague@hud.gov.

/s/

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Harold Lucas  
Assistant Secretary for Public  
and Indian Housing

Attachment

Appendix A

**SAMPLE FORMAT FOR FY 2000 OPTIONAL PFS EARNED INCOME EXCLUSIONS/DEDUCTIONS ADJUSTMENT**

HA Name:		
Fiscal Year 2000 (FYE 12/31/00, 3/31/01, 6/30/01, 9/30/01) For HAS with optional earned income exclusions/deductions		
Note: Line references are to PFS form HUD-52723. Calculate PFS subsidy eligibility and proration before completing this worksheet.		
DWELLING RENTAL INCOME ADJUSTMENT: HA must certify that it is making significant efforts to utilize Optional Earned Income Exclusions/Deductions for current residents.		
A	April 1, 1996 rent roll: <b>Total Tenant Payment</b> from wages and self employment divided by total no. of occupied units: (This number reflects the subtraction of any exclusions/deductions)	PUM
B	From <u>actual</u> rent roll for used for Line 12 of FY 2000 PFS calculation: <b>Total Tenant Payment</b> from wages and self employment divided by total no. of occupied units: (This number reflects the subtraction of any exclusions/deductions)	PUM
C	PUM change in Total Tenant Payment from earned income (B minus A): If negative, stop here, no adjustment earned.	PUM
D	Increase in Total Tenant Payment from earned income (C times PFS UMA):	\$
E	Earned income exclusions/deductions in subject year's PFS rent roll month per occupied unit times PFS occupancy percentage and UMAs. This amount must be added to Line 12 of HUD-52723. <i>In description column of Line 37 enter as a comment: "Line E for FY 2000 = _____"</i>	\$
F	Actual adjustment (Enter the smaller of D or E.)	\$
G	Multiply F by FY 2000 Proration Factor and enter on Line 38 of HUD 52723.	\$