

Guidance on Calculating Formula Income

CY 2027 Operating Subsidy Grant

To provide Public Housing Agencies (PHAs) with additional transparency on how inflation factors are derived, HUD expanded the level of detail provided in its annual inflation factor guidance. This calendar year (CY) 2027 Formula Income Inflation Factor Guidance document explains how the data is derived, describes the calculations that are performed, communicates the CY 2027 inflation rates, and provides additional access to data which the industry can use to analyze the resulting inflation factors more deeply.

For CY 2027, Formula Income will be determined based on Fiscal Year End (FYE) 2025 financial statements in the Financial Assessment Subsystem (FASS). HUD will pre-populate the forms using the highest and best available FDS data, either the approved unaudited submission or, when available, the approved audited submission. Data sources for Mixed-Finance projects may vary; therefore, the methodology for determining Formula Income for mixed-finance properties is explained later in this guidance.

HUD will pre-populate the HUD-52723 using rental income data from the Financial Data Schedule (FDS) Net Tenant Rental Revenue, Line Item 70300. The per unit month (PUM) Formula Income amount is calculated by dividing the Net Tenant Rental Revenue by Unit Months Leased (UMLs; FDS Line Item 11210). Since PHAs have differing fiscal year ends (FYE), the Formula Income PUM amount is inflated to the current year using a proportionate number of months and an annual rental income growth rate of 5.07% for CY 2026 and 4.94% for CY 2027. The inflation factors of 5.07% and 4.94% are derived from Total Tenant Payment (TTP) data, reported by PHAs in the Form HUD-50058. The calculation of inflated Formula Income (including the starting PUM Formula Income amount and Formula Income Inflation Factor) is published in the pre-pop data file posted in the Public Housing Portal. The resulting inflated PUM Formula Income is pre-populated in the HUD-52723, Section 3, Part B, Line 01.

Application of Rental Income Inflation Factor to the PUM Formula Income and Fiscal Year End

	A	B	C	D	E	F	G	H
Fiscal Year End	2025 PUM Rent	# of Months to Mid-2026	Annual 2026 Inflation	Total 2026 Inflation (Col C x Col B/12)	2027 Inflation Rate	Total Inflation Rate for 2027 (Col D + Col E)	Inflation Factor for Calculation (1 + Col F)	Sample 2027 Inflated PUM Rent (Col A x Col G)
3/31/2025	\$224.67	15	5.07%	6.33%	4.94%	11.27%	1.1127	\$250
6/30/2025	\$227.25	12	5.07%	5.07%	4.94%	10.01%	1.1001	\$250
9/30/2025	\$229.90	9	5.07%	3.80%	4.94%	8.74%	1.0874	\$250
12/31/2025	\$232.62	6	5.07%	2.53%	4.94%	7.47%	1.0747	\$250

The form HUD-52723, Section 3, Part B, Line 04 is auto-calculated [line 04 = (Section 3, Part B, Line 03) x (Section 2, Column B, Line 15, Total Unit Months)] to produce the Total Formula Income.

PHAs may only substitute the pre-populated PUM Formula Income amount with a more recently submitted FYE 2025 **FDS audited statement.** PHAs that edit the PUM Formula Income must certify to the Field Office that the data is derived from their most recently available audited FYE 2025 FDS submission.

Where HUD has not pre-populated the Form HUD-52723 with a PUM Formula Income, because **the FYE 2025 FDS financial statement was unavailable at the time that HUD pre-populated the Form HUD-52723**, if available, the PHA must populate the Form HUD-52723 using its PUM Formula Income amount from their highest and best available FYE 2025 financial statement, using the following hierarchy:

- (1) FYE 2025 approved audited FDS financial statement;
- (2) FYE 2025 submitted audited FDS financial statement, if an approved audited financial statement is not available;
- (3) FYE 2025 approved unaudited FDS financial statement, if an audited financial statement is not available; or
- (4) FYE 2025 submitted unaudited FDS financial statement, if none of the above versions are available.

The FYE 2025 financial statement income must be inflated as shown in the Table above (herein on Page 2). **For incorrect data on the FDS that would alter the Formula Income, PHAs must correct the data with the REAC FASS appropriate office**, and provide supporting documentation (i.e. rent rolls, etc.) in the PH Portal that supports the PHA's requested corrections. If a PHA replaces a HUD pre-populated amount, the PHA must upload supporting documentation, include a comment identifying the source data used, and provide an explanation the reason for the change.

For “Mixed-Finance projects” where the project financial statement reflects rental income from occupancy other than public housing families, a PHA must submit a worksheet showing the PUM Formula Income that is attributable to public housing occupancy and a rent roll based on a financial statement. PHAs that submit a PUM Formula Income based on the project’s status as a mixed-finance project must include a comment on the Form HUD-52723, that the data is based on its FYE 2025 audited or unaudited FDS submission; or, if not available, then the project owner’s single

asset audited financial statement. **PHAs must submit owner-entity audited financial statements and 12 months of rent roll data to the Field Office for Mixed-Finance projects where the FDS does not include a Formula Income figure, and include a comment.** Note the inflation factor used for mixed-finance projects will always be based upon the FYE if 12/31, as the FYE of owner entities for tax credit projects is always December 31. This may differ from the PHA's FYE.

Primarily New Projects

If a PHA's project financial statement data is inadequate or unavailable in HUD's information systems, HUD may determine a Formula Income PUM using data from **prior year audited or unaudited submitted financial statements, financial statements from similar projects**, or an alternative methodology including certifications or hard copy reports and communications with PHAs in accordance with 24 CFR 990.195(d), *Calculation of Formula Income when data is inadequate or unavailable*.

Projects with Energy Performance Contracts that have a Resident Paid Utility Incentive

PHAs that have an approved Energy Performance Contract (EPC) with Resident-Paid Utilities (RPU) benefit will calculate Formula Income as stated above and may receive an adjustment to the portion of Formula Income attributable to utility allowances on the HUD-52723, Section 3, Part B, Line 2. Guidance on how to calculate the RPU benefit is located on the Public Housing Energy Branch webpage. (Click on the weblink below.)

<https://www.hud.gov/helping-americans/public-housing-energy-branch#programs>

Other Items for Consideration

Non-Asset management PHAs that report a single project in their FDS submission, but have multiple projects in PIC, will have a tool deployed for each project, but Formula Income pre-populates only for the project reported in the FDS. PHAs will need to allocate Formula Income from the project for which it was pre-populated, to the projects which did not have Formula Income pre-populated. In this case, PHAs must include a comment on their form HUD-52723 submission. The Field Office may require supporting documentation to validate that such allocations were made correctly.

Family Self Sufficiency (FSS)

For Operating Subsidy grant eligibility purposes, rental income excludes the amount of the rent charge that is credited to the FSS escrow account. If the formula income pre-populated by HUD includes the FSS escrow portion, PHAs can change the pre-populated formula income to exclude the escrow portion. In this case, PHAs must include a comment on their HUD-52723 submission. The Field Office must request supporting documentation to validate that such allocations were made correctly.

How to Calculate the 2027 Formula Income Inflation Factor

2027 Formula Income Inflation Factor Methodology

	A	B	C	D	E	F	G	H
Fiscal Year End	2025 PUM Rent	# of Months to Mid-2026	Annual 2026 Inflation	Total 2026 Inflation (Col C x Col B/12)	2027 Inflation Rate	Total Inflation Rate for 2027 (Col D + Col E)	Inflation Factor for Calculation (1 + Col F)	Sample 2027 Inflated PUM Rent (Col A x Col G)
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Step One: Calculate 2026 and 2027 Inflation Rates

Using the Average Tenant Rent, calculate the Average Growth rates.

Tenant Rent is the Total Tenant Payment (TTP) from the data reported by PHAs in the HUD-50058. Where tenants pay for utilities directly, the TTP is net of a utility allowance. Average Tenant Rent is an average of each tenant's TTP in a given project.

2026 Inflation Calculation

Reporting Year	Average Tenant Rent	Growth Rate
2020	\$296	
2021	\$308	4.05%
2022	\$309	0.32%
2023	\$338	9.39%
2024	\$366	8.28%
2025	\$378	3.28%
2026 Inflation (5-yr. Avg. Growth) 5.07%		

2027 Inflation Calculation

Reporting Year	Average Tenant Rent	Growth Rate
2021	\$308	
2022	\$309	0.32%
2023	\$338	9.39%
2024	\$366	8.28%
2025	\$378	3.28%
2026	\$391	3.44%
2027 Inflation (5-yr. Avg. Growth) 4.94%		

Note: Tenant Rents are based on living data collected on the HUD-50058, stored in PIC, and calculated by HUD's Office of Policy Development and Research (PD&R). *To ensure the most accurate estimates, FMD uses the most up to date data available, which can cause small fluctuations in Average Tenant Rent levels as our data matures.*

Step Two: Annualize Inflation Rates per PHA's Financial Calendar

Annualized Inflation Rates = [2026 Inflation Factor] X [number of months between the end of the 2025 Fiscal Year, and 6/30/2026 ÷

Fiscal Year End	# of Months to Mid-2026	Annual 2026 Inflation	Total 2026 Inflation
3/31/2025	15	5.07%	6.33%
6/30/2025	12	5.07%	5.07%
9/30/2025	9	5.07%	3.80%
12/31/2025	6	5.07%	2.53%

Step Three: Apply 2026 Inflation Factors

Add the Total 2026 Inflation (Annualized) to the Annual 2027 Inflation

Total Inflation Rate for 2027 = [Total 2026 Inflation (Annualized)] + [Annual 2027 Inflation]

Fiscal Year End	Total 2026 Inflation	2027 Inflation Rate	Total Inflation Rate for 2027
3/31/2025	6.33%	4.94%	11.27%
6/30/2025	5.07%	4.94%	10.01%
9/30/2025	3.80%	4.94%	8.74%
12/31/2025	2.53%	4.94%	7.47%

Step Four: Inflate 2025 Rent by both 2026 and 2027 Inflation Rates

Sample 2027 Inflated PUM Rent = [2025 PUM Rent] X [Inflation Factor for Calculation]

2025 PUM Rent will be prepopulated in the 2025 HUD-52723 for each project that reports revenue data in FDS. Instructions for those projects that do not report such data can be found earlier in this document.

Fiscal Year End	2025 PUM Rent	Total Inflation Rate for 2027	Inflation Factor for Calculation	Sample 2027 Inflated PUM Rent
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Additional Background and Resources

Picture of Subsidized Housing

The Picture of Subsidized Housing can be used by the public to test the mean TTP figures used to derive the Formula Income Inflation Factor. <https://www.huduser.gov/portal/datasets/assthsg.html>.

Total Tenant Payment (TTP)

This tenant rent data is reported by PHAs on Form HUD-50058.

Average Monthly Tenant Rent represents the sum of monthly TTP during a reporting period (7/1 – 6/30) divided by the total number households divided by twelve. A household is defined as an occupied public housing unit.