



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:
Public Housing Agencies
Regional Public Housing Directors
Public Housing Directors

Notice PIH 2026-21

Issued: August 18, 2026

Expires: The notice remains in effect until amended, superseded, or rescinded.

Cross References

Notices: PIH 2007-16, 2011-65, 2014-24, 2018-16, 2018-19, 2021-37, 2022-20, 2022-32, 2024-03, 2024-31

Regulations: 24 CFR part 905, 24 CFR part 990, 24 CFR part 970, 24 CFR part 965, 24 CFR part 964, 24 CFR 5.110, 2025-14, 2025-20

Statutes: 42 U.S.C. 1437 et seq., 42 U.S.C. 4332(2)(C)

Academic: Harvard Cost Study (2003)

Subject: Public Housing Operating Subsidy Grant Eligibility Calculations and Processing for Calendar Year 2027

I. BASIC INFORMATION

A. Purpose

This funding notice provides public housing agencies (PHAs) with instructions for calculating Operating Subsidy Grants for calendar year (CY) 2027 and establishes submission deadlines.

B. Background

The Department of Housing and Urban Development (HUD) provides Operating Subsidy Grants for public housing at the project level on a calendar year basis. The Operating Fund Program is authorized under section 9 of the United States Housing Act of 1937 ("1937 Act") (42 U.S.C. 1437g). Section 9(e)(2)(A) of the 1937 Act mandates the HUD Secretary to establish a formula for determining the amount of assistance from the Operating Fund for a fiscal year. The Operating Fund Formula and HUD's regulatory requirements for the Operating Fund Program are located at 24 CFR part 990.

PHAs must electronically submit Operating Subsidy Grant calculations for each public housing project identified in HUD's Inventory Management System/Public and Indian Housing (PIH) Information Center (IMS/PIC). PHAs submit this information using electronic forms Operating Fund Grant: Calculation of Utilities Expense Level (form HUD-52722) and the Operating Fund Grant: Calculation of Total Program Expense Level (form HUD-52723). PHAs must observe due dates for each submission to avoid negative financial consequences. All submissions should be made through the Public Housing Portal unless specified otherwise.

C. Key Dates

Per 24 CFR 990.200(c), PHAs are responsible for submitting data used in the Operating Fund Formula "on a regular and timely basis" to HUD "to ensure accurate calculation." In the case of PHA failure to provide accurate data, the regulation states that "HUD will make a determination as to the PHA's inventory, occupancy, and financial information using available or verified data, which may result in a lower operating subsidy."

1. Communication and Timely Submissions

HUD distributes information to PHAs using the following methods:

a. CY 2027 Operating Subsidy Grant Processing Webpage

This [webpage](#) contains information such as the annual [Operating Subsidy schedule](#) and associated deadlines and guidance related to CY 2027 Operating Subsidy Grant processing. If a submission deadline falls on a weekend or Federal holiday, the deadline will be the next business day. PHAs should check the website frequently for updates. HUD will email PHAs whenever major changes are made to the webpage, including changes to the schedule and associated deadlines.

b. Public Housing Portal

This [portal](#) is crucial for the efficient administration and distribution of HUD's Operating Fund Program. It serves as a centralized platform for PHAs to submit required forms and reports, ensuring compliance with regulatory requirements and facilitating transparent and accurate data reporting.

A PHA can access its current and historic Operating Subsidy eligibility data in the Public Housing Portal, in addition to using the Public Housing Portal to:

- Submit current forms HUD-52722 and 52723 and supporting documents;
- Access the most recent forms HUD-52722 and 52723 submitted by the PHA or accepted by HUD;
- Identify the status of new project requests;
- Create and submit Application for Federal Assistance (SF-424), Certification of Payments to Influence Federal Transactions (form HUD-50071), and Disclosure of Lobbying Activities (SF-LLL);
- Create and submit Federal Financial Reports (SF-425)

- Submit PHA Board Resolution (form HUD-52574);
- Apply for the Rate Reduction Incentive (RRI); and
- Elect to participate in the Small and Rural Frozen Rolling Base (SRFRB) Program.

c. *Operating Subsidy Grant Listserv*

PIH uses the [Financial Management Division Mailing List](#) to email PHAs about Operating Subsidy Grants.

2. *Due Dates*

To receive proper Operating Subsidy amounts without delay, all PHAs must abide by the submission requirements including the calendar due dates that are provided by HUD using the communication channels above. It is the PHA's responsibility to make contingency plans for unexpected events, such as staff turnover, technical problems, or other causes that may disturb their submission processing timeline. HUD is not responsible for negative financial implications and funding issues if a PHA fails to comply with the submission guidelines and due dates. Further, to receive the CY 2027 Operating Subsidy Grant, the PHA must be eligible under [section III.A.](#) and meet the following due dates, which were posted on the [CY2026 Operating Subsidy webpage](#) in July 2026:

- Make initial Small Rural Frozen Base program elections by **August 17, 2026, at 5:00 p.m. ET**
- Submit requests to remove the project or projects from the Small Rural Frozen Rolling Base Program by **August 17, 2026, at 5:00 p.m. ET**
- Submit Rate Reduction Incentive requests to in the Public Housing Portal by **September 30, 2026, at 5:00 p.m. ET**
- Submit HUD-52723/52722 revision requests in the Public Housing Portal by **May 7, 2027, 5:00 p.m. ET**
- Email new project funding requests to the local field office by **June 2, 2027, at 5:00 p.m. ET**
- Submit forms HUD-52722 and 52723 in the Public Housing Portal by **June 30, 2027, at 5:00 p.m. ET**

3. *Period of Performance*

The Operating Subsidy period of performance (also known as the grant period) for each grant year shall begin with the PHA's initial receipt of grant funds and end on the date identified in the table below. PHAs should be cognizant that the period of performance for Operating Subsidy Grants may end sooner for PHAs exiting public housing. The Line of Credit Control System (LOCCS) will be restricted 120 days after the end of the period of performance (which is usually April 30 but could be a different date for PHAs exiting public housing if the period of performance does not end on December 31).

PHAs will no longer be permitted to draw down additional funds once LOCCS is restricted after 120 days from the period of performance end date. Additional

information regarding the requirements for the period of performance can be found in [Notice PIH 2019-13](#), or successor notice.

<i>Federal Fiscal Year (FY)</i>	<i>Period of Performance</i>
FY 2022	12/31/2028
FY 2023	12/31/2029
FY 2024	12/31/2030
FY 2025	12/31/2031
FY 2026	12/31/2032

PHAs shall not obligate or expend any grant funds that are not obligated by the end of the period of performance. Any funds that are not obligated by the end of the period of performance must be returned to HUD.

Any funds that are obligated by the end of the period of performance must be liquidated within 120 days. The PHA cannot liquidate any obligations that are not liquidated within this timeframe. Any obligations that are not liquidated within this 120-day timeframe must be returned to HUD, pursuant to 2 CFR 200.313 (e).

PHAs should contact their field office for instructions on how to return funds.

II. FUNDING DETAILS

A. Initial CY 2027 Obligations

At the beginning of the calendar year, HUD may fund projects using an estimate from data it pre-populates into forms HUD-52722 and 52723 (see the formula calculation in [section V.](#)). Later, HUD deploys these forms for projects determined to be eligible. If HUD does not fund or does not generate forms HUD-52722 and 52723 for a project that the PHA considers eligible for an Operating Subsidy, the PHA should contact its local HUD field office. If HUD funds a project or generates forms for a project that is not eligible, the PHA must not draw down the funding or submit the forms. If a PHA draws ineligible amounts, it must report the transaction to its local field office, which will initiate action to return the amount drawn.

After the PHA processes and validates forms HUD-52722 and 52723, HUD funds projects based on eligibility. As the PHA updates the forms throughout the year, HUD funds projects based upon the most recently processed forms HUD-52722 and 52723. There may be a lag in funding because of the time required to process the updated forms and obligate funds.

B. PHA Responsibility to Submit Timely and Accurate Data

PHAs must submit the data required for the Operating Subsidy Formula in a timely, complete, and accurate manner in accordance with HUD requirements. This data includes, but is not limited to, information reported in section 2 of form HUD-52723, including unit months available, unit months leased, vacancies and removals from

inventory. Failure to submit timely and accurate data, including the delayed reporting of unit vacancies or removals from inventory, may result in the use of inaccurate occupancy or inventory information in the Operating Fund Formula and may cause an overstatement of subsidy eligibility.

HUD may, at its discretion, revise data submitted by PHAs to correct errors, omissions, or inconsistencies in accordance with 24 CFR 990.200(c). Such revisions may include downward adjustments to reflect unreported or later reported vacancies, inventory changes which may be applied prospectively or retroactively, as HUD determines appropriate. HUD retains the authority to adjust any or all formula amounts based on clerical, mathematical, reporting, timing, or information system errors affecting any data element used in the calculation of the Operating Subsidy.

PHAs can identify the latest forms HUD-52722 and 52723 processed by HUD in the Public Housing Portal. While HUD's estimated funding is typically accurate on a portfolio level, estimated eligibility can vary significantly from actual eligibility on the project level. The Department funds each project on a cumulative basis (e.g., funding for February would bring total funding for the year up to 2/12ths of prorated eligibility, and funding for March would bring total funding for the year up to 3/12ths of prorated eligibility).

The Department offsets, de-obligates, or requires repayment of any funded amounts for any project deemed ineligible or any project overfunded based on incorrect estimates or for other reasons. HUD publishes obligation reports on the Operating Subsidy Grant Processing webpage, which identifies the amount of funds obligated throughout the calendar year. If a PHA finds the estimated eligibility exceeds the project's actual eligibility for CY 2027, the PHA must not draw down any excess funds and shall immediately notify the appropriate field office.

III. ELIGIBILITY

A. Eligible Applicants

This notice applies to PHAs administering the Public Housing Program, including PHAs participating in the Moving to Work (MTW) Demonstration Program. PHAs receiving transition funding (as defined in 24 CFR 990.115) must be aware that continued qualification for that element of the formula requires continuous compliance with asset management requirements in 24 CFR part 990, subpart H.

Each year (beginning with the Consolidated Appropriations Act, 2008 (Pub. L. 110-161), and continuing until Congress removes this exemption), Congress allows PHAs with 400 or fewer public housing units to elect an exemption from any asset management requirements imposed by HUD relating to the Operating Fund rule, provided that an agency shall not be eligible to include stop-loss (i.e., a discontinuance of a reduction of subsidy) in its Operating Subsidy submission if it does not comply with the asset management requirements.

B. Eligible Activities

Per section 9(e) of the 1937 Act, the eligible uses of the Operating Fund include the following:

- Procedures and systems to maintain and ensure the efficient management and operation of public housing units;¹
- Activities to ensure a program of routine preventative maintenance;
- Anticrime and antidrug activities, including the costs of providing adequate security for public housing residents, including above-baseline police service agreements;
- Activities related to the provision of services, including service coordinators for youth, elderly persons or persons with disabilities;
- Activities to provide for management and participation in the management and policymaking of public housing by public housing residents;
- Costs of insurance;
- Energy costs associated with public housing units, with an emphasis on energy conservation;
- Costs of administering a public housing economic self-sufficiency programs, which are designed to encourage, assist, train, or facilitate the economic independence of participants and their families, including programs for job training, employment counseling, job placement, basic skills training, education, financial empowerment, household management, apprenticeship, or other activities—and associated insurance costs. PHAs may also hire residents that are part of a self-sufficiency program (or as standard hires);
- The cost of repaying, together with rent contributions, debt incurred to finance the rehabilitation and development of public housing units, which are subject to HUD requirements; and
- Costs associated with the operation and management of mixed-finance projects, to the extent HUD deems appropriate; and Costs of operating computer centers in public housing through a Neighborhood Networks initiative as described by the statute.

Eligible expenses under the Operating Fund include supportive services programs, which all PHAs can implement. PHAs may use Operating Funds or program-specific fund, such as Family Self-Sufficiency (FSS), Resident Opportunities and Self-Sufficiency, and Jobs Plus, for supportive services. PHAs must timely charge costs to program specific grants. PHAs may not use supportive services grant funds to repay expenses that were previously paid for with Operating Subsidy funds.

¹ Eligibility also includes amounts that are sufficient to pay for the reasonable costs of review by an independent auditor of the documentation or other information maintained pursuant to 42 U.S.C. 1437d(j)(6) by a PHA or resident management corporation to substantiate the performance of that agency or corporation.

Flexibility for Operating and Capital Funds

Section 9(g) of the 1937 Act (42 U.S.C. 1437g(g)) provides for the following flexible use of funds starting in FY 2000 for Capital Funds and FY 2016 for Operating Funds.

1. *Flexibility in Use of Funds*

a. *Flexibility for Capital Fund Amounts*

Of any amounts appropriated for FY 2000 or any fiscal year thereafter from the Capital Fund for any PHA, the PHA may use not more than 20 percent² for activities that are eligible under section 9(e) of the 1937 Act (42 U.S.C. 1437g(e)) for assistance with amounts from the Operating Fund and only if the PHA Plan (under section 1437c-1 of title 42) provides for such use.

b. *Flexibility for Operating Fund Amounts*

Of any amounts appropriated for FY 2016 or any fiscal year thereafter from the Operating Fund for any PHA, the PHA may use not more than 20 percent for activities that are eligible under section (d) of the 1937 Act (42 U.S.C. 1437g(d)) for assistance with amounts from the Capital Fund and only if the PHA Plan under section 1437c-1 of title 42 provides for such use.

2. *Full Flexibility for Small PHAs*

Of any amounts appropriated for any fiscal year for any PHA that owns or operates less than 250 public housing dwelling units, is not designated pursuant to section 9(j)(2) of the 1937 Act as troubled, and (in the determination of the Secretary) is operating and maintaining its public housing in a safe, clean, and healthy condition, the PHA may use any such amounts for any eligible activities under section 9(d)(1) of the 1937 Act (42 U.S.C. 1437g(d)(1)) and section 9(e)(1) of the 1937 Act (42 U.S.C. 1437g(e)(1)), regardless of the fund from which the amounts were allocated and provided.

C. *Cost Sharing*

Cost sharing, mandatory matching, or leveraging is not required under this grant, but applicants are encouraged to leverage other Federal and non-Federal sources.

IV. APPLICATION CONTENTS AND SUBMISSION

A. *Submission Date and Time*

Due dates are listed for each step of the Operating Subsidy Grant process. See [section I.C.2.](#) for the summary list.

² Each year since FY 2015, U.S. Congress—through its annual Appropriations Act—authorized to increase the limitation on Capital Funds used for Operating Fund eligible activities from 20 to 25 percent. If the FY 2027 Congressional Appropriations make a similar authorization (i.e., to increase the limit up to 25 percent), the Capital Fund Program Amendment to the Annual Contributions Contract will include the change. Detailed guidance on Capital Fund Processing in CY 2027 will be published at on the Operating Subsidy Grant Processing webpage.

B. SAM.gov Registration

You must be registered in the System for Award Management ([SAM.gov](https://sam.gov)), and you must continue to maintain active registration with current information at all times during which you have an active Federal award, application, or plan under consideration by a Federal agency.

To register, visit [SAM.gov Entity Registration](https://sam.gov) and click *Get Started*. From the same page, you can also click on the *Entity Registration Checklist* for the information you will need to register. It can take several weeks to register in SAM, so please get started now if you plan to apply. SAM also provides each organization with a unique entity identifier (UEI). You must have a valid UEI to apply for funding.

C. LOCCS

Additionally, PHAs must have an accurate Tax Identification Number (TIN) in LOCCS to receive an Operating Subsidy Grant. The TIN reported by the PHA in SAM and LOCCS must be the same.

D. Application Content

For HUD to determine the amount of Operating Subsidy Grant eligibility, PHAs must complete and submit the following electronic forms for each project using the Public Housing Portal:

- Form HUD-52722 – HUD uses information on this form to calculate the Utility Expense Level.
- Form HUD-52723 – HUD uses information on this form to calculate the total amount of Operating Subsidy Grant eligibility.
- Application for Federal Assistance (SF-424) – A completed SF-424 must be submitted by the due date for the PHA to receive an Operating Subsidy Grant. Operating Subsidy will not be obligated to PHAs that do not submit an SF-424 on time. Each PHA shall complete only one SF-424 for the entire amount of its CY 2027 Operating Subsidy Grant.
- Certification of Payments to Influence Federal Transactions (form HUD-50071) – If applicable, PHAs must complete and electronically sign form HUD-50071.
- Other supporting documentation requested by HUD.

1. Certifications

A PHA signing the SF-424 is making the following certifications (depending on the number of units regarding asset management and related fees):

- By signing this application, I certify under penalty of perjury: (1) the statements contained in the list of certifications and (2) that the statements herein are true, complete, and accurate to the best of my knowledge. I also provide the required assurance and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil or administrative

penalties (e.g., 18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802). I certify the following:

- o *Operating Fund Letter assurance* – The Operating Fund Grant Obligation letter states that by drawing down the funds the PHA confirms compliance with all terms and conditions of the Operating Fund Grant Program, which includes but is not limited to, the U.S. Housing Act of 1937, the Consolidated Annual Contributions Contract, 24 CFR 990, and 2 CFR 200.
- o In accordance with section 235 of the Department of Housing and Urban Development Appropriation Act of 2020 I hereby certify that the PHA is in compliance with the Annual Contributions Contract as was in effect on December 31, 2017.
- o I certify that amount of Operating Subsidy stated in this form is an estimate based on the Operating Subsidy eligibility for the public housing agency from the previous funding year.³
- o I acknowledge that HUD obligates Operating Subsidy in the beginning of the funding year based on an estimate of Operating Subsidy eligibility for the public housing agency and that HUD calculates the remaining obligations on cumulative basis based on the Operating Fund Formula in accordance with 24 CFR 990 and data collected in the form HUD-52723 and HUD updates eligibility throughout the funding year.⁴
- o I agree that the public housing agency shall not draw down any excess funds when the estimated eligibility exceeds any project's actual eligibility and notify the appropriate HUD office and that HUD offsets, de-obligates, or requires repayment of any Operating Subsidies for any project deemed ineligible or any project overfunded based on incorrect estimates.
- o Any person who becomes aware of the existence or apparent existence of fraud, waste, or abuse of any HUD award must report such incidents to both the HUD official responsible for the award and to HUD's Office of Inspector General (OIG). HUD OIG is available to receive allegations of fraud, waste, and abuse related to HUD programs via its hotline number (1-800-347-3735) and its online hotline form. You must comply with 41 U.S.C. § 4712, which includes informing your employees in writing of their rights and remedies, in the predominant native language of the workforce. Under 41 U.S.C. § 4712, employees of a government contractor, subcontractor, grantee, and subgrantee—as well as a personal services contractor—who make a protected disclosure about a Federal grant or contract cannot be discharged, demoted, or otherwise discriminated against as long as they reasonably believe the information they disclose is evidence of:
 - Gross mismanagement of a Federal contract or grant,
 - Waste of Federal funds,
 - Abuse of authority relating to a Federal contract or grant,
 - Substantial and specific danger to public health and safety, or

³ <https://www.govinfo.gov/content/pkg/FR-2025-07-24/pdf/2025-13903.pdf>

⁴ See previous footnote.

- Violations of law, rule, or regulation related to a Federal contract or grant.
- o I agree that the public housing agency:
 - Shall not use grant funds to promote “gender ideology,” as defined in Executive Order (EO) 14168, *Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government*;
 - Is in compliance, in all respects, with all applicable Federal anti-discrimination laws is material to the U.S. Government’s payment decisions for purposes of 31 U.S.C. 3729(b)(4);
 - Certifies that it does not operate any programs that violate any applicable Federal anti-discrimination laws, including title VI of the Civil Rights Act of 1964;
 - Shall not use any grant funds to fund or promote elective abortions, as required by EO 14182, Enforcing the Hyde Amendment; and
 - Notwithstanding anything in this notice or application, this grant shall not be governed by executive orders revoked by EO 14154, including EO 14008, or requirements implementing executive orders that have been revoked.
- o I agree that the public housing agency must administer its grant in accordance with all applicable immigration restrictions and requirements, including the eligibility and verification requirements that apply under title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as amended (8 U.S.C. 1601-1646) (PRWORA) and any applicable requirements that HUD, the Attorney General, or the U.S. Citizenship and Immigration Services may establish from time to time to comply with PRWORA, EO 14218, or other executive orders or immigration laws, and consistent with the provisions of 8 U.S.C. 1324 (a) (which provides for criminal penalties for bringing in and harboring certain aliens).
- o If applicable, no State or unit of general local government that receives funding under this grant may use that funding in a manner that by design or effect facilitates the subsidization or promotion of illegal immigration or abets policies that seek to shield illegal aliens from deportation.
- o Unless excepted by PRWORA, I agree that the public housing agency must use Systematic Alien Verification for Entitlements Program, or an equivalent verification system approved by the Federal Government, to prevent any Federal public benefit from being provided to an ineligible alien who entered the United States illegally or is otherwise unlawfully present in the United States.
- Operating Fund, Calculation of Operating Subsidy, PHA-Owned Rental Housing (form HUD-52723), section 5, *Certifications*:
 - o In accordance with 24 CFR 990.215, I hereby certify that the public housing agency is in compliance with the annual income reexamination requirements and that rents and utility allowance calculations have been or

will be adjusted in accordance with current HUD requirements and regulations.

- o If applicable, in accordance with § 213 of title II of division L of the Consolidated Appropriations Act, 2023 (Pub. L. 117-328) (approved December 29, 2022), and subsequent acts containing the same provisions, I hereby certify that the public housing agency has 400 or fewer units and is implementing asset management.
- o If applicable, in accordance with 24 CFR 990.255-290, *Compliance of Asset Management Requirements*, I hereby certify that the public housing agency has 250 units or more and is in compliance with asset management.
- I hereby certify under penalty of perjury the information stated herein, as well as any information provided in the accompaniment herewith, is true, complete, and accurate. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement up to 5 years, fines, and civil and administrative penalties (18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §§ 3729, 3802).

2. *Pre-populated Data*

At the beginning of the calendar year, HUD uses unit status data for the reporting period July 1, 2025, through June 30, 2026, as reported in IMS/PIC to pre-populate CY 2027 forms HUD-52722 and 52723. Asset Repositioning Fee (ARF) eligibility is derived from IMS/PIC data and pre-populated into form HUD-52723. Unit status data from IMS/PIC is modified based on the ARF eligibility determinations. If pre-populated data is incorrect, PHAs can request modifications in the comments section of form HUD-52723. The following table presents the edits that PHAs and HUD field offices can and cannot make.

<i>Item Description</i>	<i>Can PHA Edit?</i>	<i>Can Field Office Edit?</i>
Project Number	No	No
Name of PHA	No	No
Address of PHA	No	No
UEI (pre-populated; edited to match SAM and LOCCS data)	No	No
Unit status data: form HUD-52723, section 2, Categorization of Unit Months, lines 01, 02, and 05-13 ⁵	No	Yes
Unit status data: form HUD-52723, section 2, Categorization of Unit Months, lines 03 and 04; column A, lines 6a-17; and column B1	Yes	Yes
Per Unit Month (PUM) Project Expense Level (PEL)	No	No

⁵ On form HUD-52723, unit status data in section 2, Categorization of Unit Months, column A, lines 03 and 04 are for new units that do not have a full reporting period of unit status data. Guidance is available on the Operating Subsidy Grant Processing webpage to complete forms HUD-52723 and HUD-52722 for new projects.

<i>Item Description</i>	<i>Can PHA Edit?</i>	<i>Can Field Office Edit?</i>
PEL inflation factor	No	No
Utilities expense level (UEL) inflation factor	No	No
Payment in lieu of taxes (PILOT)	Yes	Yes
Cost of independent audit	Yes	Yes
ARF: form HUD-52723, section 3, part A, line 14	Yes	Yes
PUM Formula Income	Yes	Yes
Transition funding ⁶	No	No

In some cases, a PHA will need to allocate data from the Financial Assessment Submission Subsystem (FASS)-Public Housing (PH) Financial Data Schedule (FDS) to multiple projects. Non-asset management PHAs with multiple projects in IMS/PIC may report their portfolio as a single combined project in the FASS-PH FDS. If a non-asset management PHA has multiple projects in IMS/PIC, it will continue to submit forms HUD-52722 and 52723 for each project. HUD pre-populates Formula Income, payment in lieu of taxes (PILOT), and audit fees for projects that submit FDS data.

For projects that were not pre-populated and a PHA submits FDS data that relates to multiple projects, the PHA will need to allocate the FDS data to the sections of Forms HUD-52722 and 52723. The cumulative amount for all projects for each line item must equal the pre-populated data unless adjusted pursuant to Operating Subsidy Grant guidance (i.e., Formula Income can be adjusted for FSS. PILOT, and audit fees can be updated to reflect more recent expenditures) to the extent consistent with any applicable contract terms. Guidance on how to allocate Formula Income is available on the Operating Subsidy Grant Processing webpage.

3. *Changes to Pre-Populated Unit Months Data*

PHAs enter unit status data into IMS/PIC, which is used by HUD to calculate each PHA's Operating Subsidy Grant eligibility. PHAs must ensure the unit status data in their Operating Subsidy Grant submissions are correct.

Guidance on timely reporting in [Notice PIH 2011-65](#) requires PHAs to submit forms HUD-50058 and HUD-50058 MTW within 60 days of the effective date of any actions recorded on line 2b of the forms. HUD pulls unit status data to prepopulate Operating Subsidy forms from IMS/PIC 30 days after the end of the reporting period (July 30) to prepopulate form HUD-52723. PHAs are required to have all form HUD-50058 submissions for the Operating Subsidy reporting period (July 1 of the prior year to June 30 of the current year) complete by July 30 of the current year.

⁶ PHAs that did not comply with asset management in a prior funding cycle may not have transition funding pre-populated into form HUD-52723.

For Expansion MTW agencies that use MTW flexibilities, HUD will not prepopulate unit status data into section 2 of form HUD-52723, Operating Fund Calculation of Operating Subsidy, until a technical solution is implemented to enable the successful submission of form HUD-50058. The reason is that some of the Expansion MTW PHAs cannot submit HUD-50058 data in IMS/PIC due to applying MTW flexibilities to those public housing households. HUD devised an alternative strategy for those PHAs to submit unit status data and implemented a temporary procedure in the 2027 funding cycle. HUD will collaborate with those affected PHAs to implement the alternative procedure for 2027.

4. *Rental Assistance Demonstration*

a. *Funding*

For units that convert through the Rental Assistance Demonstration (RAD), through the remainder of the first calendar year (i.e., the “initial year”) in which a Housing Assistance Payment (HAP) contract is effective, Operating Subsidy Grants will be obligated to the PHA for the covered project based on Operating Subsidy Grant eligibility calculated as it is normally. Without regard to the converted units,⁷ PHAs must submit forms HUD-52722 and 52723 and follow the normal Operating Subsidy Grant process (including revisions where corrections are needed) for the project for the initial year.⁸

The amount of Operating Subsidy Grants that can be used for HAP payments during the initial year is capped at HUD’s Operating Subsidy Grant obligations to the project for the remainder of the year of conversion, prorated by the portion of units in the project that are converting and will be removed from IMS/PIC (Operating Subsidy transfer cap). In the year after the HAP effective date, the converted units shall not receive any further Operating Subsidy Grant.

PHAs are reminded that they may not contribute Public Housing Program funds to projects post-RAD conversion beyond the Operating Subsidy transfer cap identified above unless those public housing funds (Operating Subsidy and/or Capital Funds) have been identified in the RAD Conversion Commitment (RCC), and those public housing funds are converted at closing for section 8 RAD purposes. When a unit is approved but not removed via section 18 and subsequently converts through RAD, the unit will be identified in IMS/PIC as approved for removal via section 18 until it converts through RAD. Such units must be transferred to the RAD application in IMS/PIC immediately before the conversion occurs.

For partial conversions, the rolling base must be adjusted in the Operating Subsidy Grant submission the year after the HAP effective date. See the

⁷ For example, a RAD closing on December 10 will result in a HAP contract that is effective on January 1 or February 1. For the remainder of the calendar year which includes the January 1 or February 1 date, this action will not impact the Operating Subsidy Grant.

⁸ The HAP effective date is the day on which HAP payments begin.

instructions for form HUD-52722 (available on the Operating Subsidy Grant Processing webpage and [HUD Clips](#)) for details on adjusting the rolling base. Also, the webpage includes further guidance on adjusting the rolling base HAP effective date is the day on which HAP payments begin when units are removed from inventory.

Projects that are fully converted through RAD with HAP effective dates in 2026 or before are not eligible for the CY 2027 Operating Subsidy Grant.

For projects that are fully converted with HAP effective dates before 2025, or in 2026 if the conversion happened early in 2026, HUD will not deploy forms HUD-52722 or HUD-52723 for 2027 for the project. However, if the conversion happened late in 2026, HUD may deploy forms HUD-52722 and 52723 and/or fund the project in error because of the timing of data availability. If forms HUD-52722 and HUD-52723 are deployed for a project for 2027 but that project is fully converted and has a 2026 HAP effective date, the PHA must not submit forms HUD-52722 and 52723. If such a project is funded in 2027, the PHA must not draw down funds and must notify its field office that the project should not have been funded.

The PHA and field office must ensure that no Eligible Unit Months (EUMs) for units that converted through RAD are included in forms HUD-52722 and 52723 for projects that are partially converted with HAP effective dates in 2025 or before. For projects that close early in the year prior to the funding year, HUD will remove EUMs from the RAD units from section 2 of form HUD-52723. In all instances, the field office and the PHA must ensure that the EUMs from converted units are removed.

- b. *Designation of Units Converting through RAD as Vacant for Modernization*
Units in a project with a commitment to execute a HAP approval, which the PHA plans to modernize and are vacant because a PHA has not reoccupied them in preparation for modernization pursuant to a RAD conversion plan, can be considered as “units undergoing modernization,” provided it complies with 24 CFR 990.145. Such vacant units may be categorized as undergoing modernization for a maximum of 2 years (24 months) prior to RAD conversion (i.e., HAP effective date). See [Notice PIH 2024-03](#) for more information on the unit status “Vacant for Modernization.” Vacant units converting through RAD that will not be modernized are not eligible to be categorized as units undergoing modernization.

5. **Turnkey III Projects**

Funding requests for the Turnkey III Program that use form HUD-53087, *Calculation of Subsidies for Operations: Non-Rental Housing*, are accepted only for projects/units under the final lease-purchase agreement for closing out the program. These requests must have supporting documentation, including ACC and active lease purchase agreements. New lease/purchase agreements will not be

funded. A PHA needs to provide the status of the properties addressing the following:

- Are units still occupied by a family under an option to purchase under a homeownership agreement?
- What is the remaining term of the agreement?

If there is no effective contract with the residents and the PHA is under the Faircloth limit (see [section V.P.](#)), the PHA may apply under the 24 CFR part 905 acquisition development method to make these properties public housing rental units. These units will otherwise be ineligible for Operating Subsidy funding as Turnkey III units. Once the units are transitioned to regular public housing units, the PHA must ensure that the units' IMS/PIC program type is changed to "Low Rent."

The submission deadline for Turnkey projects is the same as that for the initial submission of forms HUD-52722 and 52723. Turnkey III submissions after the deadline will not be accepted and projects will be ineligible for funding that year.

6. *EnVision Center Participation*

HUD EnVision Centers provide communities with a centralized hub for support in economic empowerment, educational advancement, health/wellness, as well as character and leadership development. EnVision Center participation for predominant use by public housing residents can be assisted with Operating Subsidy Grants. A unit allocated for the center will be classified as one of the HUD-approved vacant units used for resident services, resident organization offices, and related activities such as self-sufficiency and anti-crime initiatives pursuant to 24 CFR 990.145(a)(2) and as such should be reported in section 2, line 06 of form HUD-52723.

E. Submission Process

Forms HUD-52722 and 52723 and instructions for completing these forms are posted to the Public Housing Portal. HUD posts other required documents, submission deadlines, and guidance materials related to various formula elements on the Operating Subsidy Grant Processing webpage. Failure to meet the posted submission deadline is a ground for HUD's denial of an Operating Subsidy Grant to a PHA.

PHAs must submit forms HUD-52722 and 52723 to HUD through the Public Housing Portal. PHAs must submit these forms and other required documents to HUD regardless of whether the submission is prepared by the PHA's fee accountants or any other entity acting on behalf of the PHA. Fee accountants, third parties, or entities other than the PHA are not allowed to submit forms HUD-52722 and 52723 and other required documents to HUD.

1. *New Projects*

Throughout the funding year, HUD generates a list of potential new projects/units entered by the PHA in IMS/PIC and approved by the field office that have actual Date of Funding Availability (DOFA) data and are in management status. This list is available in the New Project section of the Operating Subsidy Grant Public Housing Portal.

To receive funding for new projects/units, a PHA must initiate the process by submitting an email to its field office representative requesting funding for a new project (instructions for PHAs submitting new projects can be found here: [New Project Guidance](#)). The email must contain the project development number with text indicating that it is a new project for which the PHA would like to receive funding. The HUD field office will confirm the eligibility of the new project in the Public Housing Portal. Once the field office confirms, HUD's Financial Management Division will prepare and deploy forms HUD-52722 and 52723 and make them available to the PHA.

New project requests may be submitted at any point during the year prior to the deadline noted below. To receive funding for new projects in CY 2027, a PHA must email its funding request to its local field office no later than **June 2, 2027, at 5:00 p.m. ET**. HUD encourages PHAs to request new forms HUD-52722 and 52723 as early as possible. After receiving a request, the field office will complete a request for a new project in the Public Housing Portal no later than **June 9, 2027, at 5:00 p.m. ET**.

HUD deploys forms HUD-52722 and 52723 multiple times during the year to provide timely funding to PHAs. PHAs may identify the status of any new project request by accessing the New Project module in the Public Housing Portal. HUD will deploy forms HUD-52722 and 52723 for new projects and notify PHAs via email no later than **June 24, 2027**. To receive funding in 2027, PHAs must submit forms HUD-52722 and 52723 using the Public Housing Portal to the appropriate field office no later than **June 30, 2027, at 5:00 p.m. ET**. **Submissions received after the deadline will not be considered for funding in CY 2027**. If a project was eligible but did not receive funding in the prior funding year, then PHAs may include eligible unit months for October, November, and December for the prior funding year as appropriate in their new project current year submission in section 2, column A, line 04.

To be considered eligible for funding, new projects/units must, at a minimum, have the following information in IMS/PIC:

- Annual Contributions Contract (ACC) Units
- Management Status
- Actual DOFA

To add a new project in IMS/PIC, PHAs should refer to the [IMS/PIC Building and Unit Upload Template and Building and Unit Submission Instructions](#).

Funding for new projects/units differs from existing projects/units due to the timing and availability of certain data elements that drive the Operating Fund Formula. For example, new projects/units lack sufficient utility information necessary to calculate a stand-alone UEL. Further, new projects/units normally lack audited or unaudited FDS data which is used to compute formula elements such as Formula Income, audit costs, and PILOT. As a result, new projects/units must follow special procedures that are different from existing projects with a full reporting period. Finally, all new projects/units are considered fully occupied until the project/unit has a full year of reporting period data for the purpose of calculating the EUMs. Detailed guidance can be found in the [New Project Guidance](#).

2. *Project Regroupings*

Project regrouping changes and transfers and consolidations per [Notice PIH 2014-24](#) will apply to Operating Fund Formula calculations in the funding year following the fiscal year in which the changes become effective (i.e., included in IMS/PIC data pulls of project, building, and unit characteristics data to calculate PELs. Prior to the point at which the changes are reflected in the HUD data pulls, the Operating Fund Formula will continue to include PELs based on project characteristics that existed prior to the regrouping, transfer, or consolidation. PHAs should use the PEL estimator to understand the possible financial impact of regroupings before proceeding. The PHA must ensure that it is accounting for the Operating Subsidy Grant properly prior to the changes becoming effective.

3. *Costs Attributable to Changes in Federal Law, Regulation, or Economy*

Pursuant to 24 CFR 990.190(i), in the event that HUD determines that enactment of a Federal law or revision in HUD or other Federal regulations has caused or will cause a significant change in expenditures of a continuing nature above the PEL and UEL, HUD may, at HUD's sole discretion, decide to prescribe a procedure under which the PHA may apply for or may receive an adjustment in operating subsidy.

4. *MTW Agencies with Alternative Operating Fund Formula*

MTW PHAs with Alternative Operating Fund Formula (AOFF) agreements submit requests for Operating Subsidy Grants in accordance with their MTW agreements in attachment A. In cases where this involves submitting one request on a PHA-level, form HUD-52722 is not submitted. PHAs must submit form HUD-52723 to their field offices in accordance with the MTW agreement, which generally includes entries for section 1 and section 3, part C, line 01.

Documentation supporting the agreement's formula (i.e., the PHA's calculation workbook for the CY 2027 Operating Subsidy Grant, which must include unit months data for the reporting period, add-on subsidies, non-utility and utility

subsidies, and the RAD adjustment (if any) for converted units as referenced in Attachment A of the MTW agreement) must be submitted with form HUD-52723 by the scheduled deadline.

MTW PHAs whose submissions are not limited to one form will have their electronic form pre-populated in the same manner as regular formula PHAs and shall complete and submit all sections of forms HUD-52722 and 52723 on a project-level basis in the same manner as regular formula PHAs.

5. ***Revision Requests for Eligibility***

PHAs submitting revised forms HUD-52722 and 52723 in the Public Housing Portal constitutes a request for a revision. Prior to making its revision request, the PHA should initiate contact with the field office well in advance to resolve any issues prior to the revision deadline. When making such a submission, the PHA must provide an explanation of the change(s) being requested and the reason for the change(s). PHAs may request revisions to their original CY 2027 Operating Subsidy Grant submissions based on any of the four reasons listed below:

- Correction of mathematical, clerical, information system, or other errors
- Eligibility for ARF or new units in existing projects already under payment pursuant to 24 CFR 990.155
- Approval of new utilities incentives/contracts pursuant to 24 CFR 990.185
- Appeals submitted and approved by HUD in accordance with this notice pursuant to 24 CFR 990.245

The PHA executive director (or equivalent) must submit revision requests, via the Public Housing Portal, to the field office no later than **May 7, 2027, 5:00 p.m. ET**. Requests submitted after this date will not be accepted unless the change lowers the Operating Subsidy Grant eligibility or is the result of a documented HUD error, in which case such requests are required.

V. **FORMULA CALCULATION**

This section provides detailed explanations of how Operating Subsidy Grant eligibility is calculated.

The formula for Operating Subsidy Grant eligibility is:

$$\text{Operating Subsidy Grant Eligibility} = (PEL + UEL) \times EUM + \text{Add-ons} - (\text{Formula Income} \times EUM)$$

A. **The EUM**

EUMs are the number of public housing units in eligible categories expressed in months during the reporting period and for which the units are subject to the entire Operating Fund Formula. Forms HUD-52722 and 52723 are programmed to calculate the Operating Subsidy Grant eligibility using this formula.

Except for ARF, public housing units must be subject to the ACC and be in management status in IMS/PIC to receive Operating Subsidy Grants. In general, for Formula Income, PEL, UEL, and most add-ons to be included in the calculation for eligibility, public housing units must be either: (1) a unit occupied by a public housing-eligible family under lease pursuant to 24 CFR 990.120(b), 24 CFR 990.125(a), and 24 CFR 990.140; (2) a dwelling unit with a HUD-approved vacancy pursuant to 24 CFR 990.125(b) as defined in 24 CFR 990.145; or (3) a vacant unit at or below the limited number of vacancies pursuant to 24 CFR 990.125(c) as defined in 24 CFR 990.150. Eligibility for some add-ons, such as asset management fees and ARF, is limited to units meeting certain criteria (as discussed below).

The remainder of this section discusses the components of the Operating Subsidy Grant eligibility formula in detail.

B. The PEL

The PEL is a model-generated cost estimate for each project, exclusive of taxes, utilities, and add-ons. The PEL is expressed as a per unit month (PUM) cost and is based on IMS/PIC project, building, and unit characteristics. PELs may change when PHAs regroup their projects. To estimate the impact of project re-groupings, PHAs can use the PEL Estimator located on the Subsidy Grant Processing Page.

C. The UEL and Central Office Cost Center

The UEL is the product of the utility rate, the payable consumption level, consumption incentives, and the utilities inflation factor and is expressed as a PUM dollar amount. Central Office Cost Center (COCC) utility consumption and costs are not included in the calculation of the PHA's project UEL on form HUD-52722. If the COCC is located within a project, actual consumption (including the rolling base consumption and utility costs for the COCC) must be excluded from the UEL calculation for the project. PHAs must explain the methodology used to exclude COCC data (e.g., square footage).

To exclude COCC utility consumption and costs from combined consumption and costs in a pre-asset management Energy Performance Contract (EPC), access [Processing Central Office Cost Center \(COCC\) Adjustments for an Existing Energy Performance Contract](#).

1. *Adjusting the Rolling Base when Units are Removed from Inventory*

When a PHA removes a unit from inventory and there is less than a full 12 months of consumption in the reporting period, consumption for these units shall be removed from line 1 of form HUD-52722. The consumption for the removed unit is also reduced from the rolling base. Access [Notice PIH 2024-31](#) for guidance on how to adjust the rolling base when units are removed from inventory.

2. *Documentation Requirements*

PHAs are required to maintain "appropriate utility records, satisfactory to HUD," which includes documentation of all data used to calculate form HUD-52722 (per

24 CFR 990.170(f)). All records must be maintained by utility and by project for each 12-month period ending June 30 for the reporting period and each year of the rolling base.

Appropriate utility records must include:

- Copies of utility bills
- Utility registers (in Excel or equivalent electronic spreadsheet format), including:
 - Project number
 - If applicable, meter number (e.g., electricity, water, natural gas, propane)
 - Service address
 - Unit of measure
 - Consumption amount
 - Cost

Failure to maintain appropriate utility records, and/or the failure to provide HUD with adequate documentation when requested, may result in HUD initiated adjustments to form HUD-52722 data and/or calculations. Mixed-finance projects are not exempt from this requirement of adequate documentation, and therefore, upon HUD request, they must submit an audited financial statement (AFS) and utility register records from the project's owner entity.

D. Data Distortions on Form HUD-52722

A PHA/project must report its rolling base so as not to materially distort the rolling base period. Many events trigger the need for an adjustment to the rolling base periods, including (but not limited to) changes to the number of units in a project or changes between PHA paid and resident paid utilities, broken meters, water or gas leaks, changes to the units of measure, incomplete billing and documentation, interrupted service, or any event that leads to a large, unexpected decline in utility consumption. Regardless of the cause of the data distortion, a PHA must adjust their rolling base periods to consumption levels that are directly comparable to the actual current year consumption.

Unexplained drastic declines in actual consumption compared to the rolling base distorts the UEL calculation by triggering the 75/25 percent incentives, which pays the PHAs for 75 percent of their saving from unused utility consumption. Anomalous consumption data can lead to large overpayments.

Consider the following example. A project reports a significant decline in water/sewer consumption, although they maintained the same number of occupied units and have taken no action to curb consumption. The PHA reviews its utility register and finds it has accurately reported what it was billed, however it cannot document why its consumption declined. In this case, the PHA must adjust its rolling base periods to reflect the same lower number it is reporting in line 01, Actual

Consumption. Overpayments made due to the PHA's failure to adjust the rolling base must be repaid to the Department.

E. Unaddressed Data Distortions on Form HUD-52722

HUD will adjust the UEL calculation or submitted data to correct any error or data anomaly detected in form HUD-52722, as authorized by 24 CFR 990.170, 24 CFR 990.180, and 24 CFR 990.200. HUD will adjust form HUD-52722 when a PHA is unable to provide proper documentation, and when proper documentation has been provided but the submitted data distorts the UEL calculation. HUD may adjust any part of form HUD-52722, including, but not limited to, current year consumption, rolling base year consumption, and utility incentive eligibility.

F. Rate Reduction Incentive

The RRI is a financial incentive for PHAs that pursue special and significant efforts beyond what is required by statute or regulation to reduce their utility rate. The PHA's action must exceed the activities required by statute and/or regulation. Pursuant to HUD regulation 24 CFR 990.185(b), "If a PHA takes action beyond normal public participation in rate-making proceedings, such as well-head purchase of natural gas, administrative appeals, or legal action to reduce the rate it pays for utilities, then the PHA will be permitted to retain one-half the annual savings realized from these actions." Guidance for RRI, including deadlines, is provided by [Notice PIH 2024-31](#) or successor notice. For the PHA to claim an RRI, the PHA must have received a signed RRI Approval Letter from HUD for the eligible funding year. The PHA is eligible to claim the exact amount of the approved RRI on its form HUD-52722 on the Rate Reduction Incentive line (line 23) for each approved Asset Management Project (AMP).

PHAs must submit complete RRI requests to HUD through the Public Housing Portal no later than **September 30, 2026, at 5:00 p.m. ET**. No additional documentation will be accepted beyond the deadline. Instructions for submitting an RRI request are posted to the Public Housing Portal.

As part of the Operating Subsidy process, PHAs must submit sufficient documentation to validate that the reduced rate for each utility type for which it received RRI approval is reflected in form HUD-52722.

G. The Small Rural Frozen Rolling Base Program (SR-FRB)

The SR-FRB Program allows eligible PHAs to elect to have the UEL portion of its Operating Subsidy Grant Formula calculated using the average annual consumption for the most recent three-year period (rolling base) for a period of up to 20 years. Details on the requirements of the program can be found in [Notice PIH 2022-32](#).

H. Electing to Participate in the SR-FRB Program

Interested, eligible PHAs must elect to participate through the Public Housing Portal. PHAs make their election through the SR-FRB submodule which is found in the

Energy Incentives module. The deadline for a PHA to make an initial election is **August 17, 2026, at 5:00 p.m. ET.**

I. Adding Utilities to Existing SR-FRB Participation

PHAs may elect to add additional utilities in future funding years within the 20-year term. PHAs must elect to add additional utilities in the Public Housing Portal. PHAs must submit their election to add utilities by the deadline for making an initial election identified above.

J. Exiting the SR-FRB Program

PHAs participating in the SR-FRB Program may remove a project or project(s) from participation through the Public Housing Portal as specified in [Notice PIH 2022-32](#). PHAs must submit their request to remove the project or projects from the SR-FRB Program in the Public Housing Portal by **August 17, 2026, at 5:00 p.m. ET** to make the initial election identified above.

K. Exclusion of Trash Collection Cost from the UEL

The UEL includes gas, electric, heating fuels, water, and sewer service consistent with the definitions at 24 CFR 990.115. Trash collection cost must not be included in the UEL calculation in form HUD-52722. PHA-paid trash collection cost is included in the pre-populated PEL PUM formula element. Harvard University's Public Housing Operating Cost Study PEL model acknowledges that "trash removal expenses are treated as a maintenance expense and not a utility expense in the Chart of Accounts for public housing."⁹ Where waste management companies bill trash collection charges to individual units, PHAs may include trash collection service fees in the tenant utility allowance stipulated in 24 CFR part 965, subpart E.

L. Exclusion of Delinquent Resident Paid Utilities from the UEL

A PHA may choose to pay a resident's overdue utility bill, however it may not include the cost or consumption for these utilities in form HUD-52722.5.¹⁰

M. Formula Income

Formula Income is an estimate of a PHA's rental revenue. The CY 2027 PUM Formula Income will be pre-populated based on the PHA's approved FY 2025 FASS-PH FDS submission when available. FY 2025 financial data must be used when available. If a PHA fails to substantively comply with reporting requirements in a manner that results in overpayment, HUD may require the PHA to repay the overpayment pursuant to section 6(j)(4)(A)(vi) of the 1937 Act.

The PUM Formula Income is calculated in two steps:

Step 1: Divide the Net Tenant Rental Revenue (FDS 70300) by Unit Months Leased (UML) (line 11210).

⁹ [Harvard Cost Study \(2003\)](#)

¹⁰ [Public Housing Occupancy Guidebook](#), section 4.2, *Other Common Practices for Resident-Paid Utilities and Utility Allowances*.

Step 2: Multiply the PUM Formula Income (determined in step 1) by the CY 2027 Formula Income inflation factor.

PHAs cannot use “bad debt - tenant rent” to reduce their net tenant rental revenue. Mixed-finance projects that do not submit Net Tenant Rental Revenue or UMLs in their FDS submission must submit an AFS and 12 months’ rent roll data from the project’s owner entity, along with its submission of Operating Fund forms HUD-52722 and 52723 to support the Formula Income amount included on form HUD-52723. The inflation factor used for mixed-finance projects will always be based upon the fiscal year end (FYE) of December 31, as the FYE of owner entities for tax credit projects is always December 31. This may differ from the PHA’s FYE. Guidance on how the Formula Income inflation factor is derived, and the Formula Income methodology are posted on the Operating Subsidy Grant Processing webpage.

1. *Energy Performance Contracts*

Special guidance for capturing the resident-paid utilities incentive in a HUD-approved energy performance contract on form HUD-52723 (section 3, part B, line 02, Resident Paid Utility Energy Performance Contract Benefit) is on the [Public Housing Energy Branch webpage](#).

2. *Permissive Deductions*

A PHA may adopt additional, or “permissive,” deductions from annual income only if the PHA establishes a written policy for such deductions. Permissive deductions may be used to incentivize or encourage self-sufficiency and economic mobility¹¹. Consistent with 24 CFR 5.611(b)(1)(i), a PHA that adopts such deductions will not be eligible for an increase in Capital Fund and Operating Fund Formula Grants based on the application of such deductions. PHAs utilizing permissive deductions will be subject to review and compliance with 24 CFR 5.611(b)(1)(i). To properly account for permissive deduction(s) for each project, PHAs will insert the cumulative reduction in rent for the PHA’s fiscal year used to determine Formula Income must be entered as a negative number in form HUD-52723 section 3, part C, line 3, Other. HUD will implement this by prepopulating line 3 accordingly.

3. *Jobs Plus Financial Incentive*

Jobs Plus Program is a self-sufficiency program that promotes economic empowerment in public housing communities by providing funding to PHAs to develop locally based, job-driven approaches to increase earnings and advance employment outcomes of public housing residents through work readiness, employer linkages, job placement, educational advancement, technology skills, and financial literacy.

¹¹ A permissive deduction might include, for example, an amount of any family earned income, established at the discretion of the PHA, which may be based on the amount earned by particular members of the family, the amount earned by families having certain characteristics, or the amount earned by families or members during certain periods or from certain sources.

The Jobs Plus program involves a rent incentive. The rent incentive decreases Formula Income resulting in an increase in Operating Subsidy eligibility. This Notice addresses Jobs Plus grants from FY 2017 through FY2023-2024 cohorts that were implementing the Jobs Plus Earned Income Disregard (JPEID) during their agency's FY 2025. For that period PHAs are not permitted to retain the increased Operating Subsidy Grant amounts from the JPEID (JPEID structure applies only to FY2023-2024 and prior FY's Jobs Plus grantees). There is a two-year delay for the FDS data used to calculate Formula Income. FY 2025 Jobs Plus grants were not awarded until CY 2026, therefore, FY 2025 Jobs Plus grants will not impact Operating Subsidy eligibility until CY 2028. Therefore, the 2028 Operating Subsidy Processing Notice will address FY 2025 Jobs Plus grants. FY 2026 Jobs Plus grants have not been made at the time of the publication of this Notice and therefore are not addressed here.

PHAs that received Jobs Plus grants from FY 2017 through FY2023-2024 cohorts that were implementing the JPEID during their agency's FY 2025 must submit financial incentive-related data to HUD so that HUD can reverse any increase in Operating Subsidy eligibility caused by participation in the Jobs Plus financial incentive. Detailed guidance on PHA data submission requirements and HUD's methodology to make financial incentive-related adjustments to Formula Income is available on the Operating Subsidy Grant Processing webpage. PHAs must submit the JPEID financial incentive data to HUD by the date identified in the CY 2027 Operating Subsidy Schedule. If PHAs do not observe the due dates, HUD will derive a financial incentive-related adjustment amount using a conservative methodology to ensure that the PHA is not overfunded. The above noted adjustment does not apply to MTW PHAs that are subject to an Alternative Operating Fund Formula without FDS data as part of their formula.

N. Family Self Sufficiency Program

The Family Self Sufficiency (FSS) Program enables families assisted through Public Housing Programs to increase their earned income and reduce their dependency on social services and rental subsidies. Under the FSS Program, families living receiving HUD housing assistance enter into a contract and are provided opportunities for education, job training counseling, and other forms of supportive service assistance to develop the necessary skills required to achieve self-sufficiency.

As the skills of a participant increase, their earnings are also likely to increase, which results in an increase in the participant's rent. Under the FSS Program, the PHA places the rent increase into an escrow account. It is strongly recommended that a PHA reduce the tenant rent portion of Formula Income (on form HUD-52723) by the amount of its FSS escrow payments, not operational expenses, to prevent decreases in subsidy for funds placed in escrow. Further, adjustments have to align for the time period of the FDS submission being used to generate Formula Income. PHAs must enter appropriate comments in the comment section of form HUD-52723 when FSS escrow adjustments are made. A PHA must maintain supporting documentation of

how they determined the decrease in Formula Income and submit the documentation to the field office upon submission of forms HUD-52722 and 52723.

The field office uses supporting documents to validate the decrease to Formula Income. Refer to [Financial Reporting for the FSS Program Accounting Brief #26](#) for detailed guidance on correct accounting for grant costs, other funds going to this activity, and escrow reporting. Also reference [Notice PIH 2022-20](#).

O. Mixed-Finance Modernization

Mixed-finance development can involve modernization rather than new construction. Mixed-finance modernization often involves the use of Low-income Housing Tax Credits (LIHTC) to modernize an existing public housing project. Due to LIHTC rules, ownership of the existing public housing project must be transferred to the new owner entity. This requires the project to be removed from inventory (i.e., IMS/PIC) via a section 18 disposition application, then added back to inventory (i.e., IMS/PIC) via a development proposal. Such projects are subject to 24 CFR 905.304(a)(2) and retain their DOFA date that existed prior to modernization as described in 24 CFR 905.604.

1. *Impact on Operating Subsidy Grants*

Public housing units disposed of through mixed-finance modernization in the existing project are not eligible for ARF. When the PHA submits the section 18 disposition application via IMS/PIC, the PHA selects the category “Mixed Finance MOD-REHAB” as the type of units included in the mixed-finance modernization development proposal. Immediately upon closing, PHAs must add the new project and enter the removal date for the old project into IMS/PIC. Adding the new project to IMS/PIC timely is critical to maintaining uninterrupted funding. To add a new project in IMS/PIC, refer to the [IMS/PIC Building and Unit Upload Template and Building and Unit Submission Instructions](#).

2. *Designation of Units as Vacant for Modernization*

PHAs using mixed finances to modernize public housing units may submit a request to their field office to place units that must remain vacant during modernization into the status of Vacant for Modernization. See [Notice PIH 2024-03](#) for additional information. Once the work that required the unit to be vacant has been completed, the unit must be re-occupied by an eligible family or placed in vacant status, even if additional modernization work continues.

P. Add-Ons

Add-ons include the following types of costs: independent audit, PILOTs, asset management fees, information technology fees, ARFs, Elderly/Disabled Service Coordinator (EDSC) (referred to as the “self-sufficiency add-on”), EPCs, and Resident Participation.

1. ***Cost of Independent Audit***

Independent audit cost is reported for the Operating Subsidy Grant Program when required by the Single Audit Act or when a single audit is not required and the PHA elects to have a financial statement audit prepared. Once audit costs are included in a funding eligibility calculation, the PHA is required to complete an audit for the matching PHA fiscal year and submit it to HUD. Audits are submitted electronically in accordance with the Uniform Financial Reporting Standards (24 CFR part 5, subpart H).

A project in which Operating Subsidy Grant eligibility is determined to be zero is still eligible to receive an Operating Subsidy Grant amount equal to its most recent audit costs pursuant to 24 CFR 990.190(d), subject to proration. This may occur when program expenses [PEL + UEL) + Add-Ons - Formula Income] are equal to or less than zero.

Project audit costs are pre-populated in form HUD-52723 when CY 2025 FDS data is available. Where a PHA has a more recent actual audit cost than the pre-populated amount, it may replace that amount with the most recently paid amount and provide the payment documentation. If the audit cost is not pre-populated, the PHA shall report its most recent actual audit cost and attach proof of payment when submitting CY 2027 form HUD-52723.

For mixed-finance projects with both ACC and non-ACC units, the audit costs are prorated to the amount allocable to ACC Public Housing units. The amount is based on the ratio of ACC units divided by total units:

$$\text{Ratio} = \text{ACC Units} \div (\text{ACC Units} + \text{Non-ACC Units})$$

2. ***Payments in Lieu of Taxes***

For CY 2027, project PILOT amounts are calculated and pre-populated in Form HUD-52723 based upon approved CY 2025 FASS-PH FDS data. If a PHA submits form HUD-52723 with a project's PILOT amount greater than the amount pre-populated, the PHA must attach proof of payment with the submission.

Regulatory requirements at 24 CFR 990.190(c) stipulate that "each PHA will receive an amount for PILOT in accordance with section 6(d) of the 1937 Act, based on its cooperation agreement or its latest actual PILOT payment." Section 6(d) of the 1937 Act specifies the PILOT is equal to "10 per centum of the sum of the shelter rents charged in such project, or such lesser amount as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under section 5(e)(2) of this Act, or (iii) is due to failure of a local public body or bodies other than the PHA to perform any obligation under such agreement."

PILOT is pre-populated in form HUD-52723 by calculating 10 percent of shelter rents (i.e., rent less utilities). If one of the lesser amounts identified in (i), (ii) or (iii) above apply, the PHA must override the pre-populated amount with the lesser amount. For existing projects, the following line items from the Low Rent Public Housing column of the project's audited FASS-PH FDS submission are used to calculate the PILOT:

- 70300 Net Tenant Rental Revenue
- 93100 Water
- 93200 Electricity
- 93300 Gas
- 93400 Fuel
- 93600 Sewer
- 93800 Other Utilities

$$PILOT = [Line\ 70300 - (Lines\ 93100 + 93200 + 93300 + 93400 + 93600 + 93800)] \times 0.10$$

For mixed-finance projects, the PILOT may not be pre-populated, in which case the PHA submits the owner entity's audited financial statement to the field office when submitting CY 2027 form HUD-52723. For mixed-finance projects with both ACC and non-ACC units, the PILOT may need to be prorated to determine the amount allocable to public housing units. This happens only when both non-ACC and ACC units are subject to PILOT. Public housing units paying real estate taxes and not subject to PILOT may not include PILOT in its Operating Subsidy grant calculation.

3. ***Asset Management Fee***

PHAs not in compliance with asset management requirements are not eligible for the asset management fee pursuant to 24 CFR 990.190(f) or stop loss pursuant to guidance in [Notice PIH 2007-16](#) and regulations at 24 CFR 990.230(d).

Asset management fees are determined as follows: (1) PHAs with at least 250 units are eligible for a \$4 per unit asset management fee for each month the project is subject to the ACC and in management status; and (2) PHAs with fewer than 250 units that are in compliance with asset management requirements under 24 CFR 990.255-290 (subpart H) are eligible for a \$2 per unit asset management fee for each month the project is subject to the ACC and in management status. PHAs with only one project, regardless of number of units, are not eligible for an asset management fee pursuant to 24 CFR 990.190(f). MTW agencies' eligibility for asset management fees is subject to the terms of their MTW agreement. PHAs with one project may continue to receive stop loss based on compliance with the limited asset management requirements of their stop loss approval. For further explanation, refer to the [Transition/Stop Loss and Asset Management Fee Funding for PHAs with One Project](#).

4. **Information Technology Fee**

In accordance with 24 CFR 990.190(g), Operating Subsidy grant calculations include \$2 PUM for costs attributable to information technology based on the total number of ACC units in management status.

5. **ARF**

PHAs must follow regulatory requirements at 24 CFR 990.190(h). PHAs must ensure that IMS/PIC data is accurate in calculating their ARF eligibility. Critical data elements include the HUD demolition/disposition approval date. Additional elements include Days to Relocation in the Demolition and Disposition (Demo/Dispo) module and End of Participation (EOP) of the first move out after the relocation date. PHAs should work with their field office to make any needed corrections. Modifications to the demo/dispo module should conform with guidance in [Notice PIH 2021-37](#). ARF is only available for dispositions or demolitions conducted under 24 CFR part 970.

When a unit is eligible for ARF, PHAs should move any unit months used to calculate ARF to section 2 column A, line 12 of form HUD-52723 except as noted below. After ARF eligibility ends, if the units are not yet removed from IMS/PIC, they are reported in column A, line 13.

Section 3, part A, line 14 of form HUD-52723 is pre-populated with ARF eligibility calculated based on IMS/PIC data. However, PHAs must confirm the accuracy of this data element and revise it as needed prior to submitting their Form HUD-52723. It is especially important to review the ARF calculation in the first year of ARF eligibility, because after the first year of eligibility PHAs may not change data elements used in the calculation. PHAs must submit supporting documentation detailing the ARF calculation for the requested amount.

When section 3, part A, line 14 of form HUD-52723 must be modified, in addition to changing the pre-populated data in section 3, part A, line 14, unit status data in section 2 of form HUD-52723 may also need to be changed. If the underlying IMS/PIC data is inaccurate, the PHA should work with the field office and the Special Application Center to correct the data. The field office will follow the ARF Standard Operating Procedures found on the Financial management Division SharePoint. To initiate corrections, the PHA must submit documentation required by its field office along with form HUD-52723.

When making a change to ARF eligibility in form HUD-52723, the PHA should present a spreadsheet showing the ARF eligibility calculation and related information, including:

- Project number and demolition/disposition application number;
- Date of the approval letter;
- Number of days to relocate after the approval letter is issued and the resulting planned relocation start date;

- First move-out after the planned relocation start date is consistent with the EOP in IMS/PIC or a statement that all units were vacant on the date of the approval letter, or the planned relocation start date;
- ARF unit months for the project or building(s), which equals the number of ARF eligible months multiplied by the number of ARF eligible units; and
- Detailed calculation of ARF funding for each year of eligibility, including ARF unit months, the PEL, and the PEL inflation factor.

PHAs must revise form HUD-52723 submissions to reflect changes in eligibility (based on the removal of units) on a quarterly basis. If the entire project is ARF eligible, the project is no longer Operating Subsidy eligible after the expiration of ARF eligibility. If a project is only partially ARF eligible, the units that are not ARF eligible remain eligible for non-ARF portions of the Operating Fund Formula.

PHAs should bear in mind that units that are eligible for ARF are not eligible for other parts of the Operating Fund Formula, including Formula Income, UEL, RRI, and EPC incentives.

6. *Costs attributable to changes in Federal law, regulation, or economy*

Pursuant to 24 CFR 990.190(i), in the event that HUD determines that enactment of a Federal law or revision in HUD or other Federal regulations has caused or will cause a significant change in expenditures of a continuing nature above the PEL and UEL, HUD may, at HUD's sole discretion, decide to prescribe a procedure under which the PHA may apply for or may receive an adjustment in operating subsidy.

7. *Energy Performance Contracts*

With a HUD-approved EPC, a PHA may qualify for certain incentives under the subsidy formula described in 24 CFR 990.185. To claim EPC incentives, the PHA must have unpaid EPC debt on the current EPC. If the EPC debt is paid, the PHA is not eligible for the EPC incentive toward that EPC.

8. *Annual EPC Submissions*

PHAs will not be required to send EPC Measurement and Verification (M&V) reports to HUD for CY 2027. Instead, for CY 2027, PHAs will be required to conduct an Annual EPC Savings Verification for their active EPC. The EPC Savings Verification is an important mechanism to help ensure EPCs are funded in compliance with Public Housing regulations and HUD's EPC approval letter. The deadline for submitting EPC Savings Verification workbooks will be posted on the Operating Subsidy Grant Processing webpage. HUD may adjust, remove, or recapture EPC incentives from the PHA's Operating Subsidy form for errors in the EPC incentives included on forms HUD-52722 and 52723.

9. *Add-On Subsidy EPC Incentive*

Pursuant to 24 CFR 990.190(b), a PHA with a HUD-approved EPC for the Add-on Subsidy (AOS) incentive is eligible to enter the amount of the AOS incentive in section 3, part A, line 8 for energy loan amortization. Copies of EPC approval letters (and amended versions) must be retained by the PHA and field office for the life of the EPC. MTW PHAs with self-approval authority in their Standard MTW Agreement must submit a request to their field office describing the type and term of EPC benefits claimed and a list of projects for which the benefits are claimed.

The AOS benefit is subject to the lesser of EPC Project Costs or EPC Project Savings associated with the respective energy conservation measure (ECM). If the cost savings for the AOS reporting period in any year during the contract period are less than the amount of AOS incentive claimed, the deficiency will be offset against the PHA's Operating Subsidy Grant eligibility for the PHA's next fiscal year. The difference is offset by entering a negative number section 3, part C, line 3, "Other," of form HUD-52723. There are methods to compute the AOS based on the M&V methods: Option A and Option C.

- AOS Option A uses stipulated consumption savings based on acceptable operational or performance parameters that must be approved in the EPC Approval Letter:

$$\text{Savings} = (\text{Stipulated Consumption Savings}) \times (\text{Authority} - \text{Paid Utility Rate})$$

- AOS Option B uses measured consumption from the ECM. The PHA is responsible for submitting the measured consumption for the reporting period with its form HUD-52723 submission:

$$\text{Savings} = (\text{ECM Measured Consumption Savings}) \times (\text{HUD-52722 Utility Rate})$$

- AOS Option C uses a reference baseline for savings comparison, which is determined by the average of historical consumptions (lines 02 through 04 on form HUD-52722). The reference baseline is not frozen on form HUD-52722 but is identified in the EPC approval letter and is only used to calculate EPC savings:

$$\text{Savings} = (\text{Reference Baseline} - \text{Current Consumption}) \times \text{Form HUD-52722 Utility Rate}$$

10. *FRB and RPU EPC Incentives*

If the EPC incentive is Frozen Rolling Base (FRB) and/or resident-paid utilities, documentation should be submitted to the HUD field office that identifies if at least 75 percent of the energy savings from the incentives is used for debt service or other eligible EPC project costs.

11. Funding for Resident Participation Activities

Pursuant to 24 CFR 990.190(e), PHA Operating Subsidy Grant calculations include \$25 per occupied unit, per year for resident participation activities, including but not limited to those described in 24 CFR part 964. A unit is eligible to receive resident participation funding if it is occupied by a public housing resident or occupied by a non-assisted PHA employee, police officer, or other security personnel who is not otherwise eligible for public housing. In any fiscal year, if appropriations are not sufficient to meet all funding requirements under this part, then the resident participation component of the formula is adjusted accordingly.

Q. The Faircloth Limit

Section 9(g)(3) of the 1937 Act (Faircloth Amendment) limits the number of public housing units that may receive public housing funding. The Faircloth Amendment stipulates that the Department cannot fund the construction or operation of new public housing units with Capital Funds or Operating Subsidy if the construction of those units would result in a net increase in the number of units the PHA owned, assisted, or operated as of October 1, 1999. This requirement is referred to as the Faircloth Limit. The Faircloth Limit is adjusted for PHA transfers of units under ACC, consolidations, and RAD removals. PHAs will not be funded for those units that exceed the posted Faircloth Limit and are responsible for reviewing Faircloth limits and notifying HUD if it believes its posted Faircloth Limit is in error. PIH's Capital Programs Division determines the Faircloth Limit. Additional information on how the Capital Programs Division determines the Faircloth limit can be found on the [Office of Capital Improvements webpage](#).

Because the Operating Subsidy Grant is calculated on an EUM basis, the Faircloth Limit is converted to unit months attributable to a funding year (the Faircloth UML) before being posted on the Operating Subsidy Grant Processing webpage. Where the aggregate of unit months (form HUD-52723, section 2, column A, line 15 minus line 4) for all PHA's projects exceeds the Faircloth UML, the excess units must be removed from the PHA's Operating Subsidy Grant forms.

Removal of excess units shall be accomplished by reducing line 1 and line 3 in Columns A, B, and C of section 2 on form HUD-52723, beginning with the most recently added project to inventory. If the total number of unit months in the most recently added projects is less than the excess units, line 1 and line 3 of the next newest project added to inventory shall be reduced in the same manner until no excess units remain. It is important to note that appropriate adjustments need to be made to the EUMs on form HUD-52722 whenever units are being reduced on form HUD-52723.

VI. FUNDING REDUCTION AND REALLOCATION

HUD may terminate, reduce, or limit the availability of a grant for poor performance or substantial noncompliance with Operating subsidy program requirements. Poor performance may include actions outside of the recipient's responsibility, such as lack of

adequate referrals, poor quality of supportive services provided by a contracted case management entity, inadequate utilization and occupancy rates by the recipient.

VII. POST-AWARD REQUIREMENTS AND ADMINISTRATION

A. Regulatory and Administrative Requirements

The [General Administrative, National, and Departmental Policy Requirements and Terms for HUD's Financial Assistance Programs](#) and the [General Statutory and Regulatory Requirements Affecting Eligibility for HUD's Financial Assistance Programs](#) are posted on the [HUD Policies and Regulations webpage](#). To receive an award, you must adhere to the applicable requirements at the time of application. You must also adhere to the applicable requirements for the life of the award to remain eligible for the award.

If any part or provision of the grant agreement or terms of this notice are enjoined or held to be void or unenforceable in any jurisdiction, they shall be ineffective as to such jurisdiction and only to the extent of such prohibition or injunction and shall not invalidate or affect the legality or enforceability of the remaining provisions and applications of the agreement and notice. In the event the injunction of such provisions is stayed, dissolved, or reversed, the full terms of the grant agreement and notice, including such provisions, will automatically become effective. This clause is self-executing and will become effective, binding, and enforceable automatically upon issuance of this notice.

B. Presidential Actions Affecting Federal Financial Assistance

All recipients of Federal financial assistance are responsible for making sure activities funded by Federal awards comply with applicable existing and future executive orders (EOs) and other Presidential actions, whether the recipients carry out those activities directly or use contractors or subrecipients. The list below highlights some EOs that apply to recipients of HUD's financial assistance programs; however, it is not an exhaustive list.

- [EO 14332](#), *Improving Oversight of Federal Grantmaking*
- [EO 14303](#), *Restoring Gold Standard Science*
- [EO 14219](#), *Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative*
- [EO 14218](#), *Ending Taxpayer Subsidization of Open Borders*
- [EO 14202](#), *Eradicating Anti-Christian Bias*, and subsequent guidance by the White House Task Force
- [EO 14205](#), *Establishment of the White House Faith Office*, and subsequent guidance by the Senior Advisor to the White House Faith Office
- [EO 14182](#), *Enforcing the Hyde Amendment*
- [EO 14173](#), *Ending Illegal Discrimination and Restoring Merit-Based Opportunity*
- [EO 14168](#), *Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government*

- [EO 14151](#), *Ending Radical and Wasteful Government DEI Programs and Preferencing*
- [EO 14148](#), *Initial Rescission of Harmful Executive Orders and Action*

Find additional directives on the White House's [Presidential Actions webpage](#).

C. Remedies for Noncompliance/Termination

HUD may terminate all or a part of your award as described under [2 CFR 200.340-343](#), pursuant to the terms and conditions of your award, including, to the extent authorized by law:

- If an award no longer effectuates the program goals or agency priorities; or
- In the case of a partial termination, HUD determines that the remaining portion of the award will not accomplish the purposes for which the HUD award was made.

HUD may also impose specific conditions on your award or take other remedies as described by 2 CFR 200.339-343 if you do not comply with your award terms and conditions.

D. Reporting

Successful recipients of renewal funding awards will be subject to the reporting requirements. You must comply with these requirements to remain eligible for HUD funding. HUD reserves the right to exercise all available rights and remedies for any noncompliance with these grants management and financial reporting requirements, to include requiring 100 percent review or stopping future disbursements altogether if reporting is not timely submitted.

Further, the recipient hereby acknowledges that HUD is in the process of implementing new grants management and reporting tools for all records pertinent to the Federal award. The recipient agrees to report on grant performance and financial activities (including vendor and cash disbursement supporting details for the recipient and its subrecipients) using these new tools when they are released and to satisfy occasional requests for records pertinent to the Federal award, consistent with the requirements for recordkeeping, access to records, and reporting laid out in 2 CFR part 200, which may be amended from time to time. HUD will work with the recipient to support its transition to the new reporting tools. HUD reserves the right to exercise all its available rights and remedies for any noncompliance with these grants management and financial reporting requirements, to include, without limitation, requiring additional or more detailed financial reports, suspension of disbursements, and all other legally available remedies, to the furthest extent permitted by law.

E. Environmental Requirements

As noted in the Operating Fund rule at 24 CFR 990.116, environmental review procedures of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C))(NEPA) and implementing regulations at 24 CFR Parts 50 and 58 are applicable to the Operating Fund Program and not all Operating Fund activities may

be excluded or exempt. In accordance with 24 CFR 50.19(b)(2), (3), (4), (6), (9), (12), and (13), 58.34(a)(2), (3), (4), (6), (9), and 58.35(b)(2) and (3), many activities funded under this notice may be exempt or categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321) and are not subject to environmental review under related laws and authorities. Activities that do not fall under the preceding categorical exclusions are subject to review under Parts 50 and 58. Because of statutory flexibilities in section 9(g) of the 1937 Act (42 U.S.C 1437g(g)), Operating Funds that are used to subsidize eligible activities of the Capital Fund, as described at section 9(d) of the 1937 Act, are subject to NEPA and 24 CFR Parts 50 and 58, as required by Capital Fund regulations at 24 CFR 905.308(b)(2), and, depending on the activity, may not be categorically excluded and require a higher level of environmental review.

F. General Depository Agreement

In accordance with U.S. Treasury requirements and 2 CFR part 200, PHAs are subject to cash management requirements. Further, the ACC (section 12) requires PHAs to place public housing funds in accounts subject to a General Depository Agreement (GDA) (form HUD-51999).

When PHAs enter into depository agreements with financial institutions for accounts holding public housing funds such as Operating Subsidy Grants, program income (rental and non-rental income), and disposition proceeds (PHA deposits), PHAs are required to have a GDA with the financial institution that establishes the terms and conditions dictating the investment, and collateral and securitization requirements for the PHA's deposits.

A GDA ensures that all the PHA's deposits or funds otherwise associated with public housing for purposes of public housing remain available for its required purpose. This is accomplished by requiring such financial grant assistance to be deposited into interest-bearing accounts at financial institutions whose deposits and accounts are insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. Moreover, whenever PHA deposits exceed the insured limits, the GDA requires those PHA deposits to be fully and continuously collateralized with Treasury-approved investments. The Department generally does not approve modifications to the GDA, but, if a PHA wants to request approval to modify or add an addendum to the GDA, it must request a HUD waiver under 24 CFR 5.110 and follow the usual HUD regulatory waiver process detailed in [Notice PIH 2018-19](#).

Operating Subsidy held by a PHA is required to be deposited in an interest-bearing account with a depository institution with which the PHA has entered in a GDA. PHAs are not required to maintain their Operating Subsidy in an interest-bearing account as provided in 2 CFR 200.305(b)(8) if:

- The PHA receives less than \$250,000 in Federal awards per year;
- The best reasonably available interest-bearing account would not be expected to earn interest more than \$500 per year on Federal cash balances; or

- The depository would require an average minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources, including rental and non-rental income.

At least once each year the PHA is required to return this interest income to the Department of Health and Human Services Payment Management System, in accordance with Office of Management and Budget (OMB) procedures. Interest amounts up to \$500 per year may be retained by the PHA for administrative expenses.

For the purposes of requirements pertaining to interest, to the extent that a PHA does not account for its reserves based upon sources of funds, all such amounts shall be considered Federal awards.

G. PHA Board Resolution

Pursuant to 24 CFR 990.315, PHAs are required to prepare an operating budget and have it reviewed and approved by its board of commissioners. The PHA Board Resolution (form HUD-52574) approving the PHA's operating budget must be signed by the board chair or executive director (as authorized). PHAs must submit form HUD-52574 in the Public Housing Portal on or before the start of the PHA's fiscal year. The table below presents due dates for form HUD-52574. Only one board resolution needs to be submitted per PHA, regardless of the number of projects.

<i>PHA Fiscal Year End</i>	<i>PHA Fiscal Year Beginning</i>	<i>PHA Board Resolution Due</i>
December 31	January 1	January 1
March 31	April 1	April 1
June 30	July 1	July 1
September 30	October 1	October 1

H. Record Retention

HUD regulations at 24 CFR 990.325 require PHAs to retain documents related to all financial management and activities funded under the Operating Subsidy Grant for 5 fiscal years after the fiscal year in which the funds were received. However, the OMB super circular at 2 CFR 200.334(b) provides that "financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of 3 years from the date of submission of the final expenditure report," which may be longer than the requirement at 24 CFR 990.325.

HUD is clarifying that the record-retention requirement for Operating Subsidy Grants beginning with CY 2027 is the longer of 5 years after the fiscal year in which funds are received by the PHA, or 3 years from the date the PHA submits a final SF-425 for the grant showing all funds obligated, drawn down, and liquidated.

If HUD determines that a recipient has failed to comply with its financial accounting, documentation, and reporting responsibilities, it is authorized to initiate additional conditions or sanctions, as stipulated in 2 CFR 200.208 and 200.339. These include requiring payment as reimbursements rather than advance payments, requiring PHAs to obtain technical or management assistance, requiring prior approvals of vouchers, disallowing costs in whole or in part, and terminating the recipient's HUD-funded grant in whole or in part.

I. Insurance Requirement

PHA insurance requirements are codified in regulation at 24 CFR part 965 and further delineated in the applicable ACC for the PHA. ACC forms can be found under *Project-Based Funding* on the [Operating Fund webpage](#). A PHA is required to maintain adequate insurance to protect against potential financial losses caused by various hazards. In certain circumstances, PHAs may have just cause to vary from mandatory insurance requirements applicable to all PHAs. Such variations would require the PHA to obtain a waiver of the ACC insurance requirement(s). [Notice PIH 2018-16](#) provides guidance and direction regarding the waiver submission process.

When a PHA determines that insurance costs have risen so substantially as to cause the PEL to be unrepresentative of non-utility operating expenses, it may consider submitting a PEL appeal. Section VIII of this notice provides guidance regarding the submission of PEL appeals. Some PHAs may be eligible for Shortfall funding if insurance costs have risen by such a significant degree that reserves are substantially diminished.

Information regarding insurance risk pools, insurance requirements, and insurance-related guidance can be found on the Operating Subsidy Grant Processing webpage.

VIII. APPEALS

Pursuant to 24 CFR 990.240, appeals are voluntary and cover the PHA's entire portfolio, not single projects. The Assistant Secretary for PIH has the discretion to accept appeals that are less than an entire portfolio for PHAs with more than 5,000 public housing units. All other appeals must be based on impact to the entire PHA, not the impact to a single project or set of projects. Any appeals that address single projects and not the entire portfolio will be denied.

In the past, the Operating Fund Program considered appeals of Formula Income for economic hardship. Such appeals were permitted in the first 2 years of the Operating Fund Program, during which period formula income was frozen. Because formula income is no longer frozen, appeals of formula income for economic hardship are no longer permitted.

Because appeals pursuant to 24 CFR 990.240 pertain to the Operating Fund formula, and MTW Alternative Formulas are not derived from 24 CFR part 990 but instead are distinct formulas established by the MTW Agreement between HUD and the PHA, PHAs

with alternative formulas may not appeal those alternative formula pursuant to 24 CFR 990.240.

A. Four Types of Appeals and Requirements under 24 CFR 990.245

1. *Streamlined Appeal*

PHA streamlined appeals must demonstrate a blatant and objective flaw in the application of a specific Operating Fund Formula component. This appeal must be submitted once annually and must be submitted for new projects entering a PHA's inventory within 1 year of the applicable DOFA.

2. *Appeal for Changing Market Conditions*

PHAs may appeal to receive Operating PHAs may appeal to receive Operating Subsidy funding for vacant units due to changing market conditions after the PHA undertakes aggressive marketing and outreach measures to rent these units. The vacancies cannot be the result of action or inaction by PHA management, but an appeal may be approved for changing market conditions if a PHA is in an area suffering economic dislocation. While normal economic cycles may increase the number of low-income households in an area and increase demand for public housing, severe economic dislocation might lead to population loss significant enough to cause a shortage of applicants, even with aggressive marketing and outreach. Market conditions can be approved at any time, but not retroactively. See Notice [PIH 2024-03](#) for more information on this appeal type.

3. *Subsidy Grant Funding for Vacant Units*

The vacancies cannot be the result of action or inaction by PHA management, but an appeal may be approved for changing market conditions if a PHA is in an area suffering economic dislocation. While normal economic cycles may increase the number of low-income households in an area and increase demand for public housing, severe economic dislocation might lead to population loss significant enough to cause a shortage of applicants, even with aggressive marketing and outreach. Market conditions can be approved at any time, but not retroactively.¹²¹³

4. *PEL-Related Appeals*

The other two types of appeals are limited to PEL issues: Appeal for specific local conditions and . The PEL is a pre-populated formula data that cannot be edited by field offices or PHAs (see [section IV](#)). However, a PHA may appeal to a pre-populated PEL based on the effects of specific local conditions and actual project cost data. PEL appeals are not based upon current costs and are not a reimbursement program. In contrast, these appeals are based on historic costs, specifically either actual Public Housing costs, or market comparables. The PEL represents the normal operating expenses of well-run Public Housing projects, excluding utilities and add-ons. Costs associated with the PEL are administration,

¹² With the exception of 2027, see section 5, Appeal Submission Timelines for explanation of this exception.

¹³ See Notice [PIH 2024-03](#) for more information on this appeal type.

management fees, maintenance, protective services, leasing, occupancy, staffing, and other expenses such as property insurance.

PHAs may not use other grant funds or local funds to pay for costs and then include those costs as justification for an increased PEL via a PEL appeal. In actual project costs appeals, PHAs must reduce their actual project costs by the amount of other revenue including other grants used to support operating expenses reported in the FDS.

a. *Specific Local Conditions*

This appeal requires the PHA to demonstrate that the PEL fails to reflect specific local conditions. To be eligible, the affected PHA must demonstrate, using an independent cost assessment, that the PEL is not accurate for comparable properties in the PHA's market area, with a variance of 10 percent or greater at the PHA's public housing portfolio level. The cost of services for the independent cost assessment is paid by the appellant PHA. Appeals for specific local conditions must assume that 100 percent of available unit months, except those eligible for ARF, receive full Operating Subsidy eligibility. This appeal must be submitted once annually and must be submitted for new projects entering a PHA's inventory within 1 year of the applicable DOFA.

b. *Substitute Actual Project Cost Data*

A PHA may appeal its PEL if it can produce actual project cost data, that is comparable to the PEL and derived from actual asset management as outlined in 24 CFR 990 Subpart H, for a period of at least 2 years. Only data from audited FDS submissions approved by HUD may be used for this type of appeal. For this type of appeal, the PHA must also submit an independent cost assessment, paid for by the PHA. Because adjustments must be made to the audited FDS data, the audit itself does not satisfy the requirement for an independent cost assessment. Appeals to substitute actual project cost data must assume that 100 percent of available unit months, except those eligible for ARF, receive full Operating Subsidy eligibility.

B. Appeal Requirements

1. Streamlined Appeal Requirements

The Streamlined appeal applies when a PHA has discovered an error in the calculation of its PEL. For streamlined appeals, the PHA must describe the flaw and submit supporting documentation (e.g., if HUD used data from California to calculate the PEL for a PHA in Illinois). An insufficient PEL is not the result of an error with the execution of the formula, thus it would not qualify for a streamlined appeal. Alternatively, in instances when the PEL is not sufficient, PHAs may submit either a Specific Local Conditions appeal, or, if they have two FDS submissions made in compliance with asset management requirements, they may submit an Actual Costs appeal.

2. *Special Local Conditions Appeal Requirements*

For “specific local conditions” appeals and “substitute actual project cost data” appeals, the PHA must acquire, at its own expense, an independent cost assessment. The cost assessment must assume full funding levels. Cost assessments must fully disclose any adjustments made to the FDS data including the amount of each adjustment, the reason for each adjustment, the adjustment method and citation of source documents. Where potentially necessary adjustments identified in this notice are not made, the cost assessment must provide a justification. Supporting documentation must be included if necessary to provide a complete understanding of the adjustments.

Assessments must present the entire PHA’s portfolio in a table format and include the data identified below for each individual project.

	<i>Specific Local Conditions</i>	<i>Actual Costs</i>
Occupancy Type	X	N/A
Building Type(s)	X	N/A
Number of Units	X	For each year in assessment
Current PEL PUM	X	For each year in assessment
Requested PEL PUM	X	X

For “specific local conditions” appeals of the PHA’s independent cost assessor’s report must compare costs for comparable affordable housing properties (for cost items included in the PEL) to the PEL for each of their public housing projects. The data showing comparable affordable housing properties must be adjusted so that the expenses included are comparable to the expense categories included in the PEL.

In summary, the properties must be comparable to the PHA’s properties, and the expense items included in the assessment must be comparable to the PEL. The PHA’s public housing properties do not constitute comparable properties for the purpose of a specific local conditions appeal. Rather they are the actual properties, with data from them (FDS data) being used for actual cost appeals as described below. PHAs may not submit hybrid appeals, using both data from comparable properties and data from the PHA’s own public housing properties.

Comparable data can be inflated through 2027 using the PEL inflation factor. Generally, comparable market data is at least 1 year old. Because insurance costs are the main driver for many PEL appeals, and further because of recent volatility in insurance costs, if a PHA can obtain more current market level insurance data, that may be used as part of the specific local conditions PEL appeal.

The independent assessment must derive a portfolio level PEL PUM by weighing the PEL of each project based on the number of units. Similarly, the independent cost assessment must weigh the proposed PEL for each project based upon comparable property types of each building by the number of units in the

buildings for each property type. For example, if there were 60 units in row/townhouse properties and 40 in walkup/garden properties, the proposed PEL PUM for row/townhouse would be weighted 60 percent, and the proposed PEL PUM for walkup/garden would be weighted 40 percent. The person performing the assessment must have appropriate knowledge of multifamily operating costs within the local market.

Data cited in the assessment must be verifiable by HUD with complete source identification. Itemized comparative data must include locality, occupancy type, and building type.

Adjustments made to the cited data to make it comparable to cost elements are included in the PEL.¹⁴

3. *PEL Actual Costs Eligibility Requirements*

For “actual costs” appeals the independent cost assessor’s report must adjust the FDS data such that only PEL-related costs are included. FDS data can be inflated through 2027 using the PEL inflation factor.

The PEL represents the normal expenses to operate public housing projects, excluding utilities and add-ons. Costs associated with the PEL are administration, management fees, maintenance, protective services, leasing, occupancy, staffing, and other expenses such as property insurance. Any FDS-reported costs not allocable to PEL must be removed from the analysis. As such, operating costs reported in the FDS should be adjusted to back-out costs attributable to utilities (UEL) and add-ons. The FDS data should be adjusted to remove any non-front line operating costs. Front-line costs are defined in the [Supplement to HUD Handbook 7475.1 REV., CHG-1, Financial Management Handbook](#). PEL costs do not include costs paid for by the Capital Fund. The FDS operating expense data should be adjusted to remove any expensed item paid for with Capital Funds.

FDS operating expense data for mixed-finance projects typically only include Operating Funds transferred to the owner entity. Non-PEL elements of the grant funds must be backed out of the transfer. To accomplish this, utilizing data from the Operating Subsidy forms (forms HUD-52722 and 52723) for the year in question, undertake the following calculation:

- a. Add the total PEL, UEL, add-ons, and transition funding to derive total
- b. expenses.
- c. Divide the PEL by total expenses to derive the PEL expense percentage (this is the percentage of total expenses attributable to the PEL).
- d. Multiply the amount transferred to the owner entity that is reported as an operating expense in the FDS by the PEL expense percentage.
- e. Subtract any Capital Funds transferred to the owner entity that is reported as an operating expense in the FDS.

¹⁴ For definition of building types, see [Public and Indian Housing IMS/PIC Development Submodule User Manual](#).

- f. The result is the amount of funds transferred to the owner entity reported as an expense in the FDS that can be included in the cost assessment.

Bad debt is contra-revenue. The Operating Fund Formula, created via negotiated rulemaking, did not factor collection losses into formula income, nor is bad debt part of the PEL. Therefore, the FDS must be adjusted to remove bad debt expenses.

The PEL assumes limited employee benefits. According to the Harvard Cost Study, HUD's PEL formula does not need to include additional costs for employee benefits "even when State and local practices (either by custom or by statute) result in higher than private operator levels of wages and benefits" because "even when local or State benefit packages are mandated, PHAs are free to compete with lower wages to offset the higher benefits." In their appeal submissions, PHAs must identify the costs associated with salaries and, separately, employee benefits. Employee benefits include payroll taxes, State/Federal unemployment insurance, health insurance, retirement (separately identifying pensions and other post-employment benefits to the extent applicable), and disability insurance, but not worker's compensation. HUD will only consider staff and employee benefit costs consistent with the norms identified above. PHAs should adjust their FDS data where it exceeds these norms.

Energy performance contracts provide additional funding eligibility to PHAs in the form of EPC incentives included in the formula. The EPC Program is structured such that, if performing in accordance with the PHA's application, EPC costs are covered by incentives. Given the above, the FDS data must be adjusted to remove any EPC-related costs. Such costs may include M&V, equipment replacements, maintenance for equipment maintenance not covered under the PEL, resident training, and any other costs that HUD as part of the EPC.

PHAs report income statements for both the Capital Fund Program and Low-Rent Public Housing. Only expenses for the Low-Rent Program should be included in the PEL analysis. The independent cost assessment must be included in the PHA's submission to HUD and must include comparable data.

4. *Impact of Stop Loss on PEL Appeals*

Stop loss eligibility, stops the reduction of the amount PHAs received for the Allowable Expense Level under the Performance Funding System, which was the precursor to the Operating Fund Program, and the Operating Funds' PEL, thereby increasing the PEL. Thus, stop loss must be considered part of the PEL for the purpose of PEL appeals. For example, if a project's form HUD-52723 shows PEL eligibility of \$1,000,000 and stop loss of \$100,000, for the purpose of the PEL appeal, the PEL would be \$1,100,000.

5. *Appeal Submission Timelines*

a. *Changing Market Conditions*

PHA appeals for “changing market conditions” are to be submitted to the HUD field public housing director and staff point of contact no later than August 29, which is 30 days prior to publication. Because changing market conditions appeals cannot be retroactive and must be on a reporting period basis for the entire reporting period as outlined in Notice [PIH 2024-03](#) this provides sufficient time for the field office to review and respond prior to the start of the next reporting period. For the 2027 reporting period only, which begins on July 1, 2025, these appeals can be retroactive to the beginning of the reporting period. However, for all future years the deadline for PHAs to make submissions will be May 31 or the first business day thereafter if it falls on a weekend or Federal holiday.

b. *Emailing Appeals*

PHA must email streamlined, local conditions and actual project cost data appeals to OBPHFMDHUD@hud.gov with the subject line: “Appeal under 24 CFR 990.245,” within 120 days of the deadline for PHA’s initial submission of CY 2027 forms HUD-52722 and 52723. If the deadline falls on a weekend or Federal holiday, the deadline will be the next business day. As a necessary condition for an appeal submission, it is required that CY 2027 forms HUD-52722 and 52723 must have been submitted and accepted by HUD beforehand. The PHA **must** also provide a copy of the appeal to the HUD field public housing director and staff point of contact.

c. *Final Appeals*

Final appeal decisions will be issued no later than 15 days prior to the revision deadline. If a PEL appeal is granted, HUD will deploy new forms HUD-52722 and 52723 to the Public Housing Portal. The PHA must then submit revised forms HUD-52722 and 52723 by the revision deadline. After the form is processed, HUD will adjust the PHA’s Operating Subsidy Grant by the appropriate amount, which will be retroactive to the beginning of the year.

IX. **PAPERWORK REDUCTION ACT**

The information collection requirements contained in this notice are approved by the OMB under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501, et. seq.). In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to a collection of information unless the collection displays a currently valid OMB Control Number. The active information collections in this notice include OMB Control Number(s) 2577-0026, 2577-0029, 2577-0157, and 2577-0246.

X. CONTACT

Direct questions about this notice to your [local field office](#).



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for Public and Indian Housing