



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

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
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Resident Management Corporations

Notice

PIH 2009-2 (HA)

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Cross Reference: PIH Notice

**Subject: Operating Fund Program: Calculation of Transition Funding Amounts for
Calendar Year 2009**

1. Purpose

This notice provides guidance regarding the calculation of transition funding under the Operating Fund Program for Calendar Year (CY) 2009. The purpose of this notice is to provide public housing agencies (PHAs) with the necessary information for proper budget and program planning.

2. Background

On September 19, 2005 (79 FR 54983), HUD published a final rule, revising the Operating Fund Program regulation at 24 CFR part 990 and adopting a new Operating Fund Program formula, established through negotiated rulemaking, for determining the payment of operating subsidy to PHAs.¹ For those PHAs that experience a decline in funding as a result of the new formula (the “decliner PHAs”), the regulations, at § 990.230, provide for a graduated phase-in of the subsidy reductions over a period of five calendar years. Decliner PHAs can have their losses “stopped” by demonstrating a successful conversion to asset management, (i.e., “stop-loss”) pursuant to § 990.230(d).

Under the transition schedule, subsidy reductions for decliner PHAs in the first calendar year of the new formula’s implementation (CY 2007) were limited to 5 percent of the difference between the funding levels under the old and new formulas. In CY 2008, subsidy reductions for decliner agencies were limited to 24 percent of the difference. For CY 2009, reductions in funding for decliner PHAs that have not yet demonstrated a successful conversion to asset management will be limited to 43 percent of the difference in subsidy levels under the old and new formulas.

¹ A technical correction to the final rule, revising certain implementation dates, was published in the Federal Register on October 24, 2005 (70 FR 61366).

3. Calculation of Transition Funding for Decliner PHAs in CY 2009

Due to the lack of an enacted appropriations act for fiscal year 2009, there is some uncertainty regarding operating fund subsidy levels for CY 2009. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110-329, approved September 30, 2008) appropriates amounts as may be necessary, at the rate for operations provided for in the HUD fiscal year 2008 appropriations act, until the earlier of: (1) enactment of an appropriations act for fiscal year 2009; or (2) March 6, 2009.

Since final appropriated amounts for fiscal year 2009 are not known at the present time, the subsidy amount for decliner PHAs for the initial funding obligation in CY 2009 will be calculated at the 24 percent transition funding level which was applicable for fiscal year 2008. HUD is taking this step to expedite the determination of subsidy amounts and to facilitate program administration by PHAs, pending enactment of final appropriations for fiscal year 2009. Unless a decliner PHA can demonstrate a successful conversion to asset management in accordance with § 990.230, its overall subsidy amount for fiscal year 2009 will reflect the complete 43 percent reduction as required under the transition funding schedule by the end of fiscal year 2009. HUD is continuing to review these “stop loss” applications.

4. Further Information

For further information contact: Gregory A. Byrne, Director, Financial Management Division, U.S. Department of Housing and Urban Development, Office of Public and Indian Housing, Real Estate Assessment Center, Financial Management Division, 550 12th Street, SW, Suite 200, Washington, DC 20410.

/s/

Paula O. Blunt, General Deputy Assistant Secretary
for Public and Indian Housing