



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

OFFICE OF PUBLIC AND INDIAN HOUSING

Sequestration Frequently Asked Questions (FAQs)

Funding

1) How do PHAs adjust their budgets in anticipation of sequestration?

Due to sequestration, the overall annualized funding proration for the Public Housing Operating Fund is 82 percent of eligibility for calendar year 2013. This level of proration takes into account the increased funding level for the Operating Fund provided in the enacted fiscal year 2013 Appropriation.

Given the 82 percent proration against expected eligibility, PHA staff and Boards of Commissioners should review their budgets, including operating expenses, to ensure each project has sufficient revenue to cover expenses. If a project is not financially viable, the PHA should either use reserves to cover shortfalls or shift cash from projects with excess funds. PHAs should keep in mind that Asset Management fees are only earned to the extent that a project has excess cash as calculated from the prior year's Financial Data Schedule (FDS) at their fiscal year end. Excess cash is defined in the Supplement to the Financial Management Handbook 7475.1 (April 2007).

2) When will PHAs see reduced payments? Is this effective immediately?

Yes, effective April 2013, PHAs received Operating Fund disbursements reflecting a 79 percent proration. This proration level will continue for the rest of calendar year 2013 (i.e. through December), and is a result of a number of factors.

For the Operating Fund, PHAs received disbursements in January and February at a 92 percent proration level. For March, given the likelihood of sequestration, the disbursement was reduced to an 81 percent proration.

On March 22nd, the House and Senate passed an appropriation bill that added \$300 million to the Public Housing Operating Fund account for a total of \$4.262 billion. When sequestration and the 0.2 percent across-the-board reduction are applied to the \$4.262 billion, the result is \$4.054 billion or a higher annualized proration of 82 percent. However, given the higher disbursements of January and February, PHAs will receive disbursements reflecting a 79 percent proration for the remaining nine months of CY 2013 (i.e. April – December).

For the Capital Fund, a reduction of approximately 5 percent from the FY 2013 enacted level results in less funding to PHAs for modernization needs. The Capital Fund formula is calculated the same way irrespective of the size of the pool of funding to be awarded, and it is designed to determine a comparative need between PHAs, which is then applied to the funding provided.

3) What is HUD doing to ease the burden on PHAs due to the reduced funding amounts?

HUD has assembled personnel across the Department to consider what options are available to provide administrative relief during the remainder of this fiscal year due to the sequestration cuts to HUD programs. Additional guidance will be provided.

Waivers and Administrative Relief

4) Can PHAs suspend work with the Resident Advisory Boards and Resident Councils?

All PHAs are required to comply with the resident consultation and PHA Agency Plan planning requirements in accordance with 24 CFR 964 and 905.913 and Section 5A of the United States Housing Act of 1937. Continued and transparent engagement with elected Resident bodies may become extremely important in communicating potential programmatic or administrative reductions.

PHAs are reminded that they must ensure that notices of, and communications during, all meetings are provided in a manner that is effective for persons with hearing, visual, and other communications-related disabilities consistent with Section 504 of the Rehabilitation Act of 1973 (24 CFR 8.6), and as applicable, the Americans with Disabilities Act; as well as for persons that have limited English proficiency.

5) Can PHAs stop having grievance procedures and follow the same landlord/tenant laws as the private sector?

No. The public housing grievance procedures that are triggered for lease enforcement actions are statutory requirements under section 6(k) of the United States Housing Act of 1937 and 24 CFR 966. The Department does not have discretion to waive statutory requirements.

Housing Choice Voucher Program

6) Can PHAs stop conducting rent reasonableness studies on Housing Choice Voucher units whose rents are below the Fair Market Rent (FMR)?

No. Section 8(o)(10) of the U.S. Housing Act of 1937 requires PHAs to review the rent (and any rent increases) to determine whether the rent requested by the owner is reasonable in comparison with rents charged for comparable dwelling units in the private, unassisted local market. Because the requirement is statutory, it cannot be waived by HUD.

Although this requirement cannot be waived, HUD is aware that the impact of reduced funding levels under sequestration may have caused some PHAs to reduce staff, decrease office hours, implement furloughs or make other staffing decisions. In testimony to the Congress in early March 2013, the HUD Secretary expressed the likelihood that sequestration could potentially impact local residents and the broader economy. This may include increased response times for routine administrative activities such as determining rent reasonableness, inspecting units, conducting reexaminations, processing requests to move, and handling landlord and/or participant complaints.