

FLASH ALERT



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Implementation of Supplemental Guidance to the Federal Fiscal Year 2020 Operating Fund Appropriations

[PIH Notice 2020-7](#) provides guidance on the allocation and eligible uses of the Supplemental Public Housing Operating funding provided CARES Act, as well as the additional flexibilities between Capital and Operating Funds to enable public housing agencies (PHAs) to prevent, prepare for, and respond to coronavirus.

The CARES Act provided an additional \$685,000,000 for the Public Housing Operating Fund to “prevent, prepare for, and respond to coronavirus, including to provide additional funds for public housing agencies to maintain normal operations and take other necessary actions during the period that the program is impacted by coronavirus.” This supplemental funding equates to about 2 months of additional operating subsidy to each PHA. The funds may be used for eligible activities under the Operating Fund and the *Capital Fund* during the period the program is impacted by coronavirus, and other expenses related to preventing, preparing for, and responding to coronavirus, including activities to; support or maintain the health and safety of assisted individuals and families support education and childcare for impacted families.

Amounts previously made available under the Operating Fund and *Capital Fund* programs in prior Acts, except for set-asides funds (e.g., emergency and natural disaster, safety and security, lead-based paint and other housing-related hazards, such as carbon monoxide reduction), may be used for the CARES Act eligible costs through December 31, 2020, unless this time period is extended.

PHAs are required to keep written documentation that records which waivers the PHA applied to their programs and the effective dates. A PHA does not need to notify HUD or receive HUD approval to begin utilizing these waivers/alternative requirements. HUD may subsequently require the PHA to provide information to HUD on the waivers used by the PHA and the date the PHA applied the waiver to its program.

HUD is also waiving 24 CFR 990.280 (b)(5) to permit PHAs to transfer the entire amount of the CARES Act Supplemental Funds between AMPs without having Excess Cash. HUD will make the CARES Act Supplemental Operating Fund amounts available to PHAs via a single obligation to a unique grant number, ending with the letter "C." PHAs will be able to draw down the supplemental funding as needed, to fund eligible immediate needs. Also, HUD is waiving 24 CFR 990.280(b) so that PHAs complying with Asset Management under 24 CFR 990 Subpart H may transfer funds to the Central Office Cost Center (COCC) to pay for immediate needs of the COCC that exceed the safe harbors identified in Chapter 7 of the HUD Financial Management Handbook, Rev 1 in order to cover the additional expenses required to prevent, prepare for, and respond to the coronavirus. With that being said, funds transferred to the COCC in excess of the safe harbors must comply with the cost reasonableness standards found at 2 CFR 200.404, and shall not exceed the safe harbors by more than 50 percent. Funds transferred to the COCC remain CARES Act Supplemental Operating Funds. Unlike regular Operating Funds, Supplemental CARES Act funds may not roll into a PHA's reserves and **must be tracked and accounted for separately**. PHAs must be able to account for the expenditure of these funds. During the Period of Performance, HUD is waiving the requirement in 24 CFR 990.280(b)(5) to have Excess Cash before charging an asset management fee to the projects in the PHA fiscal year that is current as of the date of this Notice (April 28, 2020).

PHAs intending to use Capital Funds for Operating Fund eligible activities generally must follow the current procedure of including BLI 1406, Operations, in the Annual Statement/Budget for the Capital Fund grant in the Energy and Performance Information Center (EPIC) system. With the publication of this Notice, HUD is lifting all limits on the PHA use of Capital Funds for Operating Fund purposes and has lifted edit checks in the EPIC system to facilitate this authorization to prevent, prepare for, or respond to coronavirus. When this authority expires on December 31, 2020, previous limits on authorization to expend Capital Funds for Operating Fund purposes will be reinstated back to 25% for PHAs with 250 or public housing units. Capital Funds previously authorized and budgeted to be expended for Operating Funds beyond the reinstated requirements must be re-budgeted to comply with the reinstated requirements. HUD anticipates that PHAs will encounter higher costs to administer Capital Fund grants because of the substantial challenges of having to do most of

the work remotely. To provide accommodation for this possible constraint, HUD is waiving the Administration cost limitation established in 24 CFR 905.314(h) of 10% and temporarily resetting it to 15%. When this authority expires, the previous limitation on Administration cost expenditures will be reinstated back to 10%.

In order to expedite the process of making funds available to PHAs, HUD will be suspending the requirement for Field Office approval of Five-Year Action Plans as a prerequisite for creating Annual Statement/Budgets in EPIC and in turn spreading BLIs in LOCCS (i.e., submitted Five Year Action Plans will be automatically approved). The suspension of the requirement for Field Office approval will go into effect when HUD implements the next release of the EPIC system (currently scheduled for the middle of May). PHAs may use Supplemental Operating Funds provided through the CARES Act, and Operating Funds provided through prior Acts for the regular Capital Fund uses described in subsection (d)(1) of Section 9 of the 1937 Act.

The CARES Act provides authority for PHAs to use Supplemental Operating Funds, Operating Funds, and Capital Funds for "expenses related to **preventing, preparing for, and responding** to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and child care for impacted families." HUD encourages PHAs to balance operational needs with the health, safety and educational needs of assisted families when prioritizing expenditures to combat coronavirus. The eligible costs are detailed in Section 6 of the Notice.

HUD is making available an additional BLI in the Line of Credit Control System (LOCCS) to account for coronavirus-related expenditures from Capital Fund grants: BLI 1509 "Coronavirus." HUD anticipates that many PHAs will have to shift the use of Capital Funds significantly away from modernization activities for activities specifically designed to prevent, prepare for, and respond to the coronavirus. These expenditures will be accounted for using BLI 1509 "Coronavirus." HUD has also created the following work categories in EPIC under the 1509 BLI.

1. Preparing for Coronavirus (1509)
2. Preventing Coronavirus (1509)
3. Responding to Coronavirus (1509)

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ABOUT BDO PHA FINANCE

BDO PHA Finance, a division of BDO USA, LLP, provides accounting and management consulting services to Public Housing Authorities (PHAs) nationwide. We are proud to be making a difference for the housing authorities that serve communities throughout the United States.

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