

# Paperwork Reduction Act Submission

Please read the instruction before completing this form. For additional forms or assistance in completing this forms, contact your agency's Paperwork Reduction Officer. Send two copies of this form, the collection instrument to be reviewed, the Supporting Statement, and any additional documentation to: Office of Information and Regulatory Affairs, Office of Management and Budget, Docket Library, Room 10102, 725 Seventeenth St. NW, Washington, DC 20503.

1. Agency/Subagency Originating Request: <b>U.S. Department of Housing and Urban Development</b> <b>Office of Public and Indian Housing, Real Estate Assessment Center</b>		2. OMB Control Number: a. 2577-0246      b. <input type="checkbox"/> None	
3. Type of information collection: (check one) a. <input type="checkbox"/> New Collection b. <input type="checkbox"/> Revision of a currently approved collection c. <input checked="" type="checkbox"/> Extension of a currently approved collection d. <input type="checkbox"/> Reinstatement, <b>without change</b> , of previously approved collection for which approval has expired e. <input type="checkbox"/> Reinstatement, <b>with change</b> , of previously approved collection for which approval has expired f. <input type="checkbox"/> Existing collection in use without an OMB control number For b-f, note item A2 of Supporting Statement instructions.		4. Type of review requested: (check one) a. <input checked="" type="checkbox"/> Regular b. <input type="checkbox"/> Emergency - Approval requested by c. <input type="checkbox"/> Delegated 5. Small entities: Will this information collection have a significant economic impact on a substantial number of small entities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 6. Requested expiration date: a. <input checked="" type="checkbox"/> Three years from approval date      b. <input type="checkbox"/> Other (specify)	
7. Title: <b>Public Housing Operating Subsidy – Stop-Loss and Appeals</b>			
8. Agency form number(s): (if applicable) N/A			
9. Keywords: Housing, public housing, operating subsidy			
10. Abstract: To stop the phase-in of the reduction in the amount of subsidy a PHA receives under the new operating fund formula, PHAs submit a "stop-loss" package to HUD demonstrating conversion to asset management. To appeal the amount of subsidy on any one of the permitted bases of appeal, PHAs submit an appeal request to HUD.			
11. Affected public: (mark primary with "P" and all others that apply with "X") a. Individuals or households b. Business or other for-profit c. <input checked="" type="checkbox"/> Not-for-profit institutions e. Farms f. Federal Government g. <input checked="" type="checkbox"/> State, Local or Tribal Government		12. Obligation to respond: (mark primary with "P" and all others that apply with "X") a. <input checked="" type="checkbox"/> Voluntary b. <input checked="" type="checkbox"/> Required to obtain or retain benefits c. <input type="checkbox"/> Mandatory	
13. Annual reporting and recordkeeping hour burden: a. Number of respondents      322 b. Total annual responses      322 Percentage of these responses collected electronically      0% c. Total annual hours requested      5,168 d. Current OMB inventory      35,025 e. Difference (+,-)      -29,857 f. Explanation of difference: 1. Program change: 2. Adjustment:      -29,857		14. Annual reporting and recordkeeping cost burden: (in thousands of dollars) Do not include costs based on the hours in item 13. a. Total annualized capital/startup costs      0 b. Total annual costs (O&M)      0 c. Total annualized cost requested      0 d. Current OMB inventory      0 e. Difference      0 f. Explanation of difference: 1. Program change:      0 2. Adjustment:	
15. Purpose of Information collection: (mark primary with "P" and all others that apply with "X") a. <input checked="" type="checkbox"/> Application for benefits b. Program evaluation c. General purpose statistics d. Audit e. <input checked="" type="checkbox"/> Program planning or management f. Research g. <input checked="" type="checkbox"/> Regulatory or compliance		16. Frequency of recordkeeping or reporting: (check all that apply) a. <input type="checkbox"/> Recordkeeping      b. <input type="checkbox"/> Third party disclosure c. <input checked="" type="checkbox"/> Reporting: 1. <input checked="" type="checkbox"/> On occasion      2. <input type="checkbox"/> Weekly      3. <input type="checkbox"/> Monthly 4. <input type="checkbox"/> Quarterly      5. <input type="checkbox"/> Semi-annually      6. <input type="checkbox"/> Annually 7. <input type="checkbox"/> Biennially      8. <input type="checkbox"/> Other (describe)	
17. Statistical methods: Does this information collection employ statistical methods? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		18. Agency contact: (person who can best answer questions regarding the content of this submission) Name: Wanda Funk Phone: 202-475-8736	

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## 19. Certification for Paperwork Reduction Act Submissions

On behalf of the U.S. Department of Housing and Urban Development, I certify that the collection of information encompassed by this request complies with 5 CFR 1320.9.

**Note:** The text of 5 CFR 1320.9, and the related provisions of 5 CFR 1320/8(b)(3), appear at the end of the instructions. The certification is to be made with reference to those regulatory provisions as set forth in the instructions.

The following is a summary of the topics, regarding the proposed collections of information, that the certification covers:

- (a) It is necessary for the proper performance of agency functions;
- (b) It avoids unnecessary duplication;
- (c) It reduces burden on small entities;
- (d) It uses plain, coherent, and unambiguous terminology that is understandable to respondents;
- (e) Its implementation will be consistent and compatible with current reporting and recordkeeping practices;
- (f) It indicates the retention periods for recordkeeping requirements;
- (g) It informs respondents of the information called for under 5 CFR 1320.8(b)(3):
  - (i) Why the information is being collected;
  - (ii) Use of the information;
  - (iii) Burden estimate;
  - (iv) Nature of response (voluntary, required for a benefit, or mandatory);
  - (v) Nature and extent of confidentiality; and
  - (vi) Need to display currently valid OMB control number;
- (h) It was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to collected (see note in item 19 of the instructions);
- (i) It uses effective and efficient statistical survey methodology; and
- (j) It makes appropriate use of information technology.

If you are unable to certify compliance with any of these provisions, identify the item below and explain the reason in item 18 of the Supporting Statement.

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Signature of Program Official:

Date:

X  
J. David Reeves, Deputy Assistant Secretary  
Office of Public and Indian Housing, Real Estate Assessment Center

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Signature of Senior Officer or Designee:

Date:

X  
Lillian Deitzer, Departmental Reports Management Officer,  
Office of the Chief Information Officer

# Supporting Statement for Paperwork Reduction Act Submissions

## A. Justification

1. Section 9(a) of the U.S. Housing Act of 1937 (42 U.S.C. 1437q) authorizes the Secretary of the Department of Housing and Urban Development to make annual contributions for the operation of low-income housing projects in the form of operating subsidy. The 1937 Act limits eligibility for public housing to low-income families and caps the public housing rents at 30 percent of a family's income. Accordingly, public housing agencies (PHAs) rely on the HUD operating subsidies, rather than rental income, to cover a significant amount of the costs associated with operating their public housing units.

On October 21, 1998, the Congress enacted the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276, approved October 21, 1998) (referred to as the "Public Housing Reform Act"). The Public Housing Reform Act made sweeping changes to HUD's public and assisted housing programs. Among other changes, section 519 of the Public Housing Reform Act amended section 9 of the 1937 Act. Section 9, as amended, established an operating fund for the purpose of making assistance available to PHAs for the operation and management of public housing. Section 9(f) required that the operating fund assistance to be made available be determined using a formula developed through negotiated rule-making procedures as set forth in subchapter III of chapter 5 of title 5, U.S. Code.

In 2004 the Department conducted a negotiated rulemaking for a new Operating Fund Program regulation and in September 2005 the Department published a new final Operating Fund Program rule. Two provisions in the negotiated rule imposed new paperwork burdens -- the appeal provisions and the stop-loss provisions. In accordance with the transition provisions in the final rule, PHAs that experience a decrease in their subsidy, as calculated in accordance with the new formula, may, over a period of five years, have their losses of subsidy stopped by demonstrating to HUD a successful conversion to asset management. The demonstration of successful conversion to asset management requires that the PHA submit certain documents to the Department for evaluation.

It is also provided that PHAs may appeal subsidy amounts under certain specified circumstances. There are five different permitted grounds of appeal (see Item 2, below) and the appeal procedures and requirements for each of the five grounds of appeals are set forth in the rule. All appeals require the submission of supporting documentation to HUD.

2. PHAs that experience a reduction in subsidy will have their subsidy reduction phased in over a five-year period. PHAs that elect to stop the phase in of the decrease in their subsidy are required to demonstrate to HUD a successful conversion to asset management. A PHA with a reduction in subsidy may make this demonstration to HUD in order to "stop its losses" during any one of the five years over which HUD phases in the reduction. There were a total of 805 PHAs that experienced a reduction in subsidy under the Operating Fund Program final rule formula. In fiscal year (FY) 2007, 406 PHAs applied for stop-loss, in FY 2008, 21 PHAs applied for stop-loss, and in FY 2009, 10 PHAs applied for stop-loss, for a total of 437 PHAs and an annual average of 146 PHAs (437 total appeals divided by 3 years).

A PHA that wants to qualify for the stop-loss must submit an original and one copy of the following to its HUD field office for review:

- Cover letter from the Executive Director: (1) requesting that HUD review the PHA's request to have its losses stopped as a result of demonstration of successful conversion to asset management; and (2) certifying to the accuracy of the data included with the submission;
- Supporting evidence for each of the criteria for successful conversion (e.g., project based accounting, centralized services, capital planning) that HUD has established;
- An operating statement for the central office cost center, showing all revenues and expenses; and
- A list of all central office fees for front-line services (e.g., centralized extermination) and documentation of cost-reasonableness.

A detailed example of a stop-loss submission package is available on the Operating Fund Program web site at <http://www.hud.gov/offices/pih/programs/ph/am/stoploss.cfm>.

PHAs that elect to file an appeal of their subsidy amounts are required to meet the appeal requirements set forth in subpart G of the final rule. There are five grounds for appeals in 24 CFR § 990.245: (a) streamlined appeal; (b) appeal of formula income for economic hardship; (c) appeal for specific local conditions; (d) appeal for changing market conditions; and (e) appeal to substitute actual project cost data. Appeals under (a) and (c) must be submitted once annually. Accordingly, any changes to subsidy based on these grounds of appeal are only effective for one year. Appeals under (a) and (c) must be submitted for new projects in a PHA's inventory within one year of the applicable date of full availability. Finally, appeals under (c) and (e) are subject to HUD's review of an independent cost assessment of PHA properties, which results will be binding on the PHA regardless of the new funding level. There are no frequency, timing or special supporting documentation requirements for appeals under (b) and (d).

A PHA that elects to file an appeal must submit the following to HUD for review:

- Cover letter from the Executive Director requesting the appeal and stating grounds under which the appeal is filed;
- Supporting documentation for each ground; and
- Any required assessment, per the provisions of the operating fund final rule.

In FY 2007, 150 PHAs submitted appeals, in FY 2008, 209 PHAs submitted appeals, and in 2009, 168 PHAs submitted appeals, for a total of 527 PHAs and an annual average of 176 PHAs.

3. This collection of information currently does not involve the use of automated, electronic, mechanical or other technological collection techniques or other forms of information technology. As stated in Item 2, above, applications for stop-loss and appeals are voluntary. If HUD determines it is possible, HUD will request PHAs to submit any required documentation electronically.
4. REAC is not aware of any duplication of efforts to collect this data. Any data already submitted to HUD will not be requested again.
5. The information being collected has no significant impact on small businesses or other small entities.
6. HUD requests program funds annually in the Departmental Budget. The operating subsidy funds are obligated to the PHAs annually, as reflected on the operating budget, in accordance with the formula in the Operating Fund Program final rule. With respect to the "stop-loss" collection, if HUD does not collect this information, HUD will have no way of determining that the a PHA is compliance with asset management to effectuate a stop in the decrease of a PHA's subsidy in accordance with the requirements of the final rule.
7. There are no special circumstances that require the collection of information to be inconsistent with the guidelines in 5 CFR § 1320.6.
8. HUD published a Notice of Proposed Information Collection for Public Comment on September 2, 2009, in the Federal Register . HUD received no comments. In the negotiated rulemaking to develop the final rule, it was agreed that the regulation would provide for PHAs to stop their reductions in subsidy and to appeal subsidy amounts under specified circumstances. In addition, HUD has had numerous meetings with the industry groups, PHAs and HUD staff regarding asset management, where the process for submitting stop-loss requests and appeals were discussed. It was the consensus that the current procedures meet the regulatory requirements.
9. No payments or gifts are provided to respondents.

10. Assurance of confidentiality is neither provided nor needed because PHA budgets are passed at public Board of Commissioner meetings.
11. No sensitive questions are being asked.
12. **A. FOR STOP-LOSS.** In the chart, below, the burden hour calculations for preparation and submission of a stop-loss application are shown by the size of the PHA. The calculations assume that larger PHAs require more time to complete the stop-loss submission package because they have to collect and submit more information to HUD. In FY 2007, 406 PHAs applied for stop-loss, in FY 2008, 21 PHAs applied for stop-loss, and in FY 2009, 10 PHAs applied for stop-loss, for a total of 437 PHAs and an annual average of 146 PHAs (437 total appeals divided by 3 years).

<b>Stop-Loss Total Burden Hour Estimates for PHAs</b>								
<b>PHA Unit Size</b>	<b>Number of Respondents</b>	<b>X</b>	<b>Frequency of Response</b>	<b>Total Responses</b>	<b>X</b>	<b>Est. Hours</b>	<b>=</b>	<b>Total Annual Burden Hours</b>
1 – 249	104.6		1	104.6		18		1,882.8
250 – 500	14.3		1	14.3		24		343.2
501 – 1,000	9.3		1	9.3		30		279
1,001 - 5,000	15		1	15		36		540
5,000 +	2.3		1	2.3		46		105.8
<b>Totals</b>	<b>145.5</b>			<b>145.5</b>				<b>3,151</b>

The estimated annual cost to respondents to apply for stop loss are provided in the table below and assume an Analyst's annual salary of \$59,383 at a GS-12/1 level rate (Salary Table 2009-GS) or an hourly rate of \$28.45.

<b>Stop-Loss Total Estimated Annual Costs to Respondents</b>						
	<b>Number of Respondents</b>	<b>Total Burden Hours</b>	<b>X</b>	<b>Hourly Rate</b>	<b>=</b>	<b>Annualized Cost</b>
Stop-Loss Application	145.5	3,151		\$28.45		\$89,646

**B. FOR APPEALS.** In the chart, below, the burden hour calculations for preparation and submission of an appeal are shown by the type of appeal that PHAs may file. The calculations assume that, for certain of the permitted grounds of appeal, more time is needed to complete the appeal submission because they require more information and data.

In FY 2007, 150 PHAs submitted appeals, in FY 2008, 209 PHAs submitted appeals, and in 2009, 168 PHAs submitted appeals, for a total of 527 PHAs and an annual average of 176 PHAs.

Appeal Total Burden Hour Estimates for PHAs								
Grounds of Appeal Under § 990.245	Number of Respondents	X	Frequency of Response	Total Responses	X	Est. Hours	=	Total Annual Burden Hours
(a) Streamlined appeal	6.7		1	6.7		10		67
(b) Appeal of formula income for economic conditions	8		1	8		10		80
(c) Appeal for specific local conditions	13		1	13		30		390
(d) Appeal for changing market conditions	148		1	148		10		1,480
(e) Appeal to substitute actual project cost data	0		1	0		15		0
<b>Totals</b>	<b>175.7</b>			<b>175.7</b>				<b>2,017</b>

The estimated annual costs to respondents to appeal subsidy are provided in the table below and assume an Analyst's annual salary of \$59,383 at a GS-12/1 level rate (Salary Table 2009-GS) or an hourly rate of \$28.45.

Total Estimated Annual Costs to Respondents						
	Number of Respondents	Total Burden Hours	X	Hourly Rate	=	Annualized Cost
For all appeals	175.7	2,017		\$ 28.45		\$ 57,384

13. There are no additional costs to the respondents other than those stated in item 12, above.

14. **A. FOR STOP-LOSS.** The estimated annualized costs to the federal government include federal government contractor time and federal government staff time. For the federal government contractor, the estimated annualized cost for the collection of the stop-loss applications is based on the contract cost estimates. It is estimated that it will take approximately from 4 to 16 hours for a contractor to review and analyze a submission package, depending on the size of the PHA. It is also estimated that it will take approximately from 8 to 40 hours to conduct the PHA site visit, depending on the size of the PHA, to verify certain of the information submitted by the PHA and to assist HUD in making the determination of compliance with asset management. There were a total of 123 site visits conducted in the prior three FYs (2007-2009), and an annual average of 41 site visits per year. The estimate for the federal government staff time is based on the 2009 general pay schedule for a GS-12/1 rate (an average salary for a financial analyst), which is \$28.45 per hour. It is estimated that it takes approximately 2 hours for federal government staff to conduct a quality assurance review of the analysis of each stop loss submission package as performed by the federal government contractors and make the final determination of compliance.

Estimated Annual Cost to the Federal Government - Staff								
PHA Action	Number of Respondents	Freq. of Responses	Estimated Hours	Total Annual Burden Hours	X	Hourly Rate	=	Total Annual Cost
Stop-Loss	145.5	1	2	291		\$28.45		\$8,279

<b>Estimated Annual Cost to the Federal Government – Contract Support to Review Submissions</b>								
Size of PHAs in Units	Number of Respondents	Freq. of Responses	Estimated Hours	Total Annual Burden Hours	X	Hourly Rate	=	Total Annual Cost
1 – 249	104.6	1	4	418.4		\$90.00		\$37,656
250 – 500	14.3	1	6	85.8		\$90.00		\$7,722
501 – 1,000	9.3	1	8	74.4		\$90.00		\$6,696
1,001 – 5,000	15	1	8	120		\$90.00		\$10,800
5,000 +	2.3	1	16	36.8		\$90.00		\$3,312
<b>Totals</b>	<b>145.5</b>			<b>735.4</b>				<b>\$66,186</b>

<b>Estimated Annual Cost to the Federal Government – Contract Support for Site Visits</b>								
Size of PHAs in Units	Number of Respondents	Freq. of Responses	Estimated Hours	Total Annual Burden Hours	X	Hourly Rate	=	Total Annual Cost
1 – 249	0	1	0	0		\$125.00		\$0
250 – 500	14.3	1	16	228.8		\$125.00		\$28,600
501 – 1,000	9.3	1	24	223.2		\$125.00		\$27,900
1,001 – 5,000	15	1	32	480		\$125.00		\$60,000
5,000 +	2.3	1	40	92		\$125.00		\$11,500
<b>Totals</b>	<b>41</b>			<b>1,024</b>				<b>\$128,000</b>

<b>Total Estimated Annual Cost to the Federal Government for Stop-Loss</b>				
Government Contractor Cost	+	Government Staff Cost	=	Total Annual Cost
\$194,186		\$8,279		\$202,465

**B. FOR APPEALS.** The estimated annualized costs to the federal government for the collection for PHA appeals is based on the 2009 general pay schedule for a GS-12/1 rate (an average salary for a financial analyst), which is \$28.45 per hour. It is estimated that it takes approximately 2 hours to conduct a quality assurance review of the analysis of each stop loss submission package as performed by the federal government contractors and to make the final determination on each appeal.

<b>Estimated Annual Cost to the Federal Government – Staff</b>								
PHA Action	Number of Respondents	Frequency of Responses	Estimated Hours	Total Annual Burden Hours	X	Hourly Rate	=	Total Annual Cost
Appeals	175.7	1	2	351		\$28.45		\$9,986

<b>Total Estimated Annual Cost to the Federal Government – Contract Support</b>								
Grounds of Appeal	Number of Respondents	Frequency of Responses	Estimated Hours Per Appeal	Total Annual Burden Hours	X	Hourly Rate	=	Total Annual Cost
§990.245 (a), (b) and (d)	162.7	1	10	1,627		\$90.00		\$146,430
§990.245 (c) and (e)	13	1	24	312		\$90.00		\$28,080
<b>Total</b>	<b>175.7</b>			<b>1,939</b>				<b>\$174,510</b>

<b>Total Estimated Annual Cost to the Federal Government for Appeals</b>				
Government Contractor Cost	+	Government Staff Cost	=	Total Annual Cost
\$174,510		\$9,986		\$184,496

15. This is an extension of a currently approved collection. Current inventory was based on an unknown initial response rate. HUD now has historical data. The actual burden hours over the past three years were used to estimate the number of burden hours for this extension of a currently approved collection, which resulted in a decrease of 29,857 burden hours from the original estimate. The original estimated number of PHAs that could have applied for stop-loss during the five-year transition period, 805, is the number of PHAs that experienced a decrease in their subsidy. It was estimated that the number of PHAs that would submit appeals during the initial period was 1,255. HUD provides for PHAs to stop their reductions in subsidy and to appeal subsidy amounts under specified circumstances.
16. This information will not be published.
17. HUD is not seeking approval to not display the expiration date of the OMB approval. A Federal Register notice will be published to announce the new OMB approval number expiration date once OMB reviews and approves the collection.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

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**B. Collections of Information Employing Statistical Methods**

N/A