

(e) *Retrospective adjustment.* A PHA may apply a one-time retrospective adjustment to its Allowable Expense Level to compensate for the inadequacy of the inflation factors used in the PFS in the Federal fiscal years 1977 through 1981. This adjustment has the effect of increasing the non-utility portion of the Allowable Expense Level to a level that would have resulted if the proper percentages derived from the combined inflation factor had been used in those years. This adjustment is to be applied to the HUD approved Allowable Expense Level Per Unit Month (PUM) amount for PHA fiscal years beginning January 1, 1981, April 1, 1981, July 1, 1981, or October 1, 1981. Even though the adjustment is termed retrospective, it does not provide additional operating subsidy eligibility for PHA fiscal years before those beginning January 1, 1982. This adjustment shall be applied as follows:

(1) *A PHA:* (i) In operation during the PHA fiscal year beginning January 1, 1977, April 1, 1977, July 1, 1977, or October 1, 1977; or (ii) that started operation after these fiscal years but before the PHA fiscal year of January 1, 1982, April 1, 1982, July 1, 1982, or October 1, 1982; and (iii) that used a comparable PHA's Allowable Expense Level, shall apply the retrospective adjustment percentage provided by HUD.

(2) A PHA that entered operation during the PHA fiscal year beginning January 1, 1978, April 1, 1978, July 1, 1978, or October 1, 1978 but before the PHA fiscal year beginning January 1, 1982, April 1, 1982, July 1, 1982, or October 1, 1982, and that computed its own Allowable Expense Level for purposes of the PFS calculation, shall request the appropriate adjustment percentage from HUD, which will reflect the number of years the PHA has been in operation. This adjustment percentage shall be applied in accordance with this regulation.

(3) A PHA that starts operation during the PHA fiscal year beginning January 1, 1982, April 1, 1982, July 1, 1982, or October 1, 1982, or thereafter, shall not apply an adjustment since its beginning Allowable Expense Level will properly reflect the Local Inflation Factor.

(f) *Adjustment for FY 1989.* To reflect the increased costs incurred by PHAs to obtain required risk protection coverage (through private insurance, PHA sponsored insurance entities, or through self-insurance, as approved in accordance with the ACC), the calculation of AEL for the PHA's fiscal year beginning in 1989 will include an additional step following the determination made in accordance with paragraphs (a) through (e) of this section: the AEL per unit month derived in accordance with those paragraphs is to be adjusted by adding \$8.45. This adjustment is a one-time permanent adjustment made only in fiscal year 1989.

[49 FR 3176, Jan. 26, 1984. Redesignated at 49 FR 6714, Feb. 23, 1984, and amended at 50 FR 39092, Sept. 27, 1985; 50 FR 47374, Nov. 18, 1985; 50 FR 52281, Dec. 23, 1985; 52 FR 29361, Aug. 6, 1987; 53 FR 25155, July 5, 1988; 56 FR 923, Jan. 9, 1991; 57 FR 4289, Feb. 4, 1992; 61 FR 17539, Apr. 19, 1996]

**§ 990.106 Transition funding for excessively high-cost PHAs.**

If a PHA's Base Year Expense Level exceeds its Allowable Expense Level, computed as provided in § 990.105, for any budget year under PFS, the PHA may be eligible for Transition Funding. Transition Funding shall be an amount not to exceed the difference between the Base Year Expense Level and the Allowable Expense Level for the Requested Budget Year, multiplied by the number of Unit Months Available. HUD shall have the right to discontinue payment of all or part of the Transition Funding in the event HUD at any time determines that the PHA has not achieved a satisfactory level of management efficiency, or is not making efforts satisfactory to HUD to improve its management performance.

**§ 990.107 Computation of utilities expense level.**

(a) The PHA's Utilities Expense Level for the requested Budget Year shall be computed by multiplying the AUCL per unit per month for each utility, determined as provided in paragraph (c) of this section, by the projected utility rate determined as provided in paragraph (b) of this section.

(b) *Utilities rates.* (1) The current applicable rates, with consideration of