Definition of an Eligible LHA: An Eligible LHA is one whose:

- operating reserve is above the maximum reserve level, (total operating expenses x 50%), and
- does not owe DHCD money (i.e., operating subsidy or payment on debt service, where applicable) or is in the process of negotiating with DHCD whether an amount is owed, and
- had retained revenue at the end of the previous fiscal year.

Please note that currently, LHA ratings are not criteria for retained revenue status; however, once the Performance Management Review (PMR) program is implemented LHA management ratings will be a criteria.

LHAs that have had Mod awards in which DHCD has taken or assigned operating reserve monies to pay for part or all of a work plan will not have to comply with the above full reserve rule, but LHA reserves will need to be at 50% of the operating reserve level in year 2, 70% in year 3, 90% in year 4 and 100% at year 5 to qualify for bottom line budgeting. Any additional taking of reserves starts the process again.

Definition of Budget Flexibility: The ability of an eligible LHA to exceed the ANUEL by spending a portion of the surplus earned in the current year and/or operating reserve funds, for additional staff positions such as service coordinators and Family Self Sufficiency coordinators.

Conditions for Budget Flexibility: In order to be eligible for budget flexibility DHCD must find that an LHA:

1) meets the above definition of an Eligible LHA;
2) has submitted a Capital Improvement Plan (CIP) approved by DHCD’s modernization and housing management staffs;
3) has certified that it is, and will remain, in compliance with all state procurement laws;
4) operates a preventive maintenance plan approved by the Bureau of Housing Management;
5) has and strictly follows an annual unit and property inspection program;
6) complies with DHCD’s policy limiting the use of state funds for out of state travel;
7) has set up a restricted maintenance reserve account at year’s end for any excess cash generated by state program budgets. Spending from this account will be allowed if it is consistent with the DHCD approved Capital Improvement Plan;
8) limits Executive Director salary increases in compliance with DHCD budget guidelines;
9) follows DHCD hiring guidelines for all staff hires;
10) limits maintenance salaries on state budgets to Department of Labor and Workforce Development (DLWD) rules or as allowed by the Budget Guidelines or existing salaries as approved in existing collective bargaining agreements; and

11) files accurate budgets and operating statements within the required time frame.

DHCD reserves the right to withdraw bottom line budget authority if any of the above conditions are not met.

LHAs are reminded that they are responsible for any non-utility cost budgeted above the ANUEL level. If an LHA fails to achieve its budgeted retained earnings it cannot turn to DHCD for additional assistance until its income drops below the total of the ANUEL plus actual utility costs. In such an event it will be eligible for subsidy funds equal to the shortfall between its income and the ANUEL plus utilities, but non-utility costs in excess of the ANUEL are not eligible for subsidy, and must be absorbed by the LHA.