**U.S. Department of Housing and Urban Development Public and Indian Housing**

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| **Special Attention of:** | **Notice PIH-2016-21 (HA)** |
| Directors of HUD Regional and Field Offices of Public Housing; PIH Program Center Coordinators; Public Housing Agencies (PHAs) Administering Public Housing Programs | Issued: December 2, 2016 |
| | Expires: This Notice remains effective until amended, superseded, or rescinded |

Cross References:
2 CFR 200; 24 CFR 84; 24 CFR 905
HUD PIH Notices: 2008-41

Subject: Guidance on Automation of Capital Fund Program 5-Year Action Plans and Budgets in the Activity Planning Module of HUD's Energy Performance and Information Center (EPIC)

## I. Purpose

This notice modifies the submission process for Capital Fund Program (CFP) 5-Year Action Plans (5YAPs) and Budgets (formerly referred to as Annual Statements). Public housing agencies (PHAs) with fiscal year ends (FYEs) on or after March 31, 2017, will be required to submit their CFP 5-Year Action Plans and Budgets within HUD's Energy Performance and Information Center (EPIC) system; the electronic CFP submission process will replace the current paper submission process. This notice provides guidance related to the transition timeline, benefits of automation, submission process and requirements, and oversight and monitoring.

Concurrently with the shift to electronic submission of 5-Year Action Plans and Budgets in EPIC, PHAs will begin using a new Budget Line Item (BLI) structure across EPIC and HUD's Line of Credit Control System (LOCCS). HUD added a new, broad-scope BLI for General Capital Activity; HUD expects the use of this BLI in place of more granular BLIs to significantly reduce the need for budget revisions. In addition, HUD will automate the budget revision process through EPIC.

The changes detailed in this notice will reduce the burden of CFP submissions and budget revisions on PHAs, improve communication between PHAs and HUD Field Offices around CFP submissions, and refocus HUD's review of capital work around the 5-Year Action Plan.

## II. Applicability

The guidance provided in this notice applies to all PHAs that operate Public Housing programs and participate in the CFP. The CFP provides grants to PHAs for capital and management

activities; PHAs with open Capital Fund grant awards as of the publication of this notice (i.e., grant awards for which a final audit date has not yet been entered into LOCCS) and PHAs that accept Capital Fund grant awards in the future are deemed to participate in the CFP.

The transition to electronic submission of CFP 5-Year Action Plans and Budgets in EPIC will begin with PHAs with March 31, 2017, Fiscal Year Ends (FYEs). The transition will then proceed quarterly, as PHAs with June 30th, September 30th, and then December 31st FYEs submit electronically. However, PHAs may, on a voluntary basis and with approval of their local HUD Field Office, elect to transition to electronic submission early. Please see the detailed discussion of the transition schedule in Section IV of this notice.

PHAs currently participating in the Moving to Work demonstration (MTW PHAs) should refer to Section VI of this notice for additional guidance.

## III. Background

### A. Public Housing Capital Fund Program (CFP)

The Quality Housing and Work Responsibility Act of 1998 established the Capital Fund at Section 9(d) of the United States Housing Act of 1937.  Annually HUD allocates Capital Funds to PHAs to provide assistance for capital and management activities, including the development, financing, and modernization of Public Housing; the addressing of deferred maintenance needs; and management improvements. Capital Fund Formula grants (including any Demolition and Disposition Transitional Funding (DDTF)) may be used for development or modernization, while funds awarded through Replacement Housing Factor (RHF) grants may only be used for development.  HUD may also award grants for capital needs arising from emergencies and non-presidentially declared natural disasters under authority established in HUD's appropriations acts. The Public Housing CFP is codified at 24 CFR part 905; submission requirements, including those related to submission of CFP 5-Year Action Plans and Budgets, are detailed at 24 CFR 905.300.

### B. Energy Performance and Information Center (EPIC)

The Energy and Performance Information Center (EPIC) is a system designed to collect information on Capital Fund grant activities and energy efficiency measures implemented with Capital Fund grants. EPIC includes several modules designed for particular functions. PHAs are required to report on planned and completed energy efficiency measures in the Core Activity/Energy Module annually. The Activity Planning Module is being implemented under this notice and enables PHAs to conduct capital planning activities and fulfill Capital Fund submission requirements. Other modules of EPIC that are currently in development and testing phases track and process the development of new Public Housing, track and process Energy Performance Contracts (EPCs), support completion of Physical Needs Assessments (PNAs), and serve Tribes and Tribally Designated Housing Entities receiving grants through HUD's Office of Native American Programs.

## C. Activity Planning Module of EPIC

EPIC's Activity Planning Module automates the development, submission, approval, and revision of CFP 5-Year Action Plans (Form HUD-50075.2), Budgets and Performance & Evaluation (P&E) Reports (Form HUD-50075.1).  This notice provides guidance on utilizing EPIC's 5-Year Action Plan and Budget functionality. HUD is reviewing the P&E Report functionality and is not moving to electronic submissions of P&E Reports within EPIC at this time.

In addition to CFP 5-Year Action Plans and Budgets, PHAs receiving Capital Fund grants are also required to submit various certifications to HUD, as detailed at 24 CFR 905.300(b)(1)(v)(B)(2).   EPIC's Activity Planning Module does not automate these certifications, and PHAs must continue to submit these certifications as prescribed by HUD under current or future guidance. For further information, please see the annual processing guidance posted on the [Office of Capital Improvements Web page](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/capfund) at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/capfund

The automation of CFP 5-Year Action Plans and Budgets within EPIC was achieved through close collaboration between HUD Headquarters and Field Office staff and representatives of PHAs.  In August 2015, HUD began a pilot test of the Activity Planning Module with the participation of a sampling of Field Offices and a mix of PHAs within their jurisdictions. During this test, participating PHAs entered their actual 5-Year Action Plans into EPIC, Field Office staff reviewed and officially approved these plans, and PHAs then created Budgets in EPIC. Through this process, HUD tested the system, support mechanisms (e.g., user manuals, webinars, and other guidance) and business processes and gained valuable feedback from PHAs.

A detailed user guide for the Activity Planning Module, along with other EPIC resources, will be made available on the [Office of Capital Improvements EPIC Web Page](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/capfund/epic) at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/capfund/epic

## IV. Automation of Capital Fund Program 5-Year Action Plans in EPIC

Beginning with PHAs with FYEs of March 31, 2017, and thereafter, PHAs will submit CFP 5-Year Action Plans in EPIC and Field Offices will review and approve or withhold approval, as appropriate, of 5-Year Action Plans in EPIC. PHAs with an approved 5-Year Action Plan in EPIC may revise grant amounts in the 5-Year Action Plan to reflect actual awards and may "funge", or reschedule, approved activities from one year to another without seeking additional HUD Field Office approvals.

## A. Creating a 5-Year Action Plan in EPIC

In creating a new 5-Year Action Plan in EPIC, the PHA must enter the Type of Plan, Starting

Year, and Estimated Amounts by Plan Year (see Figure 1).



*Figure 1: Screenshot of EPIC 5-Year Action Plan Details Page*

**i. Type of Plan:**
- Fixed Plan – Covers a static, five-year period. At the conclusion of this period, a new plan is created covering the next five-year period.
- Rolling Plan – Covers a rolling, five-year period. Annually a new plan is created, removing the oldest year and adding on an additional year.

PHAs elect to create either a "Fixed" or "Rolling" 5-Year Action Plan, and may change their election upon creation of a new 5-Year Action Plan. For example, a PHA currently operating under a Fixed Plan may shift to a Rolling Plan with its next submission as long as the PHA continues to cover 5 years within the plan, including the current year. Small PHAs should refer to part iii below for a discussion of the different flexibilities afforded under Fixed and Rolling Plans.

**ii. 5 Year Action Plan Starting Year**

As PHAs transition to entering 5-Year Action Plans in EPIC, the 5-Year Action Plan Starting Year will vary depending upon the type of plan and period covered under the prior, paper-based plan.

– *Starting Year in EPIC for <u>Rolling</u> 5-Year Action Plans*

<u>PHAs enter information into EPIC for a five-year period beginning with a starting year one year later than the starting year under the prior plan.</u>

For example, a PHA with a March 31st FYE and a Rolling Plan would currently be operating under a plan covering 2017 through 2021. In advance of its March 31, 2017, FYE, the PHA would create a new 5-Year Action Plan in EPIC with a Starting Year of 2018, providing information on work activities for 2018 through 2022.

*Table 1: Rolling 5-Year Action Plans – Period for Initial Plans in EPIC*

| PHA FYE | First Year 5YAPs Must Be Submitted in EPIC | Years Covered by Prior, Paper-Based Rolling 5YAP | Years To Be Covered by Initial Rolling 5YAP Submission in EPIC |
|---|---|---|---|
| All FYEs | FY 18 | FY 17–21 | FY 18–22 |

– *Starting Year in EPIC for <u>Fixed</u> 5-Year Action Plans*

➢ <u>At Least Two (2) Years Remaining</u> – PHAs with at least two years remaining on the Fixed 5-Year Action Plan in place immediately prior to their initial 5-Year Action Plan submission in EPIC may retain the plan Starting Year and enter work activities only for the remaining years of the plan.

For example, suppose a PHA with March 31st FYE is currently operating under a Fixed 5-Year Action Plan for 2015 through 2019. For this PHA's 2018 submission in EPIC, two years will remain on the current plan (i.e., 2018 and 2019). Therefore, this PHA would create a 5-Year Action Plan in EPIC with a Starting Year of 2015 and enter work activities for 2018 and 2019.

➢ <u>Less Than Two (2) Years Remaining</u> – PHAs with less than two years remaining on the Fixed 5-Year Action Plan in place immediately prior to their initial 5-Year Action Plan submission in EPIC must cover a new 5-year period in the plan submitted in EPIC and enter work activities for all 5 years.

For example, suppose a PHA with a March 31st FYE is currently

operating under a Fixed 5-Year Action Plan for 2014 through 2018. For this PHA's 2018 submission in EPIC, only one year will remain on the current plan. Therefore, this PHA would create a 5-Year Action Plan in EPIC with a Starting Year of 2018 and enter work activities for 2018 through 2022.

*Table 2: Fixed 5-Year Action Plans – Period for Initial Plans in EPIC*

| PHA FYE | First Year 5YAPs Must Be Submitted in EPIC | Years Covered by Prior, Paper-Based Fixed 5YAP | Years Remaining On Prior, Paper-Based Plan | Plan Start Year for 1st EPIC Submission | Years Covered By Work Activities |
|---------|------------|------------|------------|------------|------------|
| All FYEs | FY 18 | FY 13–17 | 0 | FY 18 | FY 18–22 |
| | FY 18 | FY 14–18 | 1 | FY 18 | FY 18–22 |
| | FY 18 | FY 15–19 | 2 | FY 15 | FY 18–19 |
| | FY 18 | FY 16–20 | 3 | FY 16 | FY 18–20 |
| | FY 18 | FY 17–21 | 4 | FY 17 | FY 18–21 |

### iii. Estimated Amounts by Plan Year

In entering estimated amounts for each year of the 5-Year Action Plan, PHAs must enter for all future years the same amount received for the most recent grant year, subject to the following exceptions:

- PHAs must adjust estimated amounts for the expiration or reduction of eligibility for RHF and DDTF grants.

- PHAs that expect to borrow funds either through the Capital Fund Financing Program (CFFP) or an Energy Performance Contract (EPC) should include the expected proceeds in their estimates.

- PHAs anticipating other substantial influxes of funds (e.g., tax credit proceeds) should include these funds in their estimates.

- PHAs with RAD CHAP, portfolio, or multi-phase awards that plan to remove units from their public housing portfolio through RAD should deduct the estimated amount of the Capital Fund grant associated with the RAD project. This number should be the same as the estimate included in the PHA Plan or RAD Significant Amendment.

- PHAs with fewer than 250 Public Housing dwelling units ("Small PHAs") with Fixed Plans may choose to estimate that they will receive a larger grant amount in future years than in the current year, in order to include "standby" work activities in future years.  For example, a PHA with a fixed plan and

most recent grant amount of $100,000 may enter estimated amounts of $120,000 in years 4 and 5 of the 5-Year Action Plan in order to include standby items while keeping the expected revenue and expenses in balance. This option provides additional flexibilities to these Small PHAs.

This exception is not available to PHAs with Rolling Plans, as the nature of a Rolling Plan ensures that there will always be four years of future work activities available to funge, or reassign, to the current year.

## B. Adding Work Activities to a 5-Year Action Plan in EPIC

PHAs will add Work Activities to their 5-Year Action Plan in EPIC. Work Activities are the equivalent of rows in the current paper 5-Year Action Plan and must be eligible activities under the CFP. A Work Activity could be a contract, a capital project undertaken using force account labor, an eligible activity or type of use of Capital Funds (e.g. Administration), or a list of work to be done at a location. In creating a new Work Activity, the PHA must provide summary information on the Work Activity, identify the developments at which the work will be undertaken, and identify the Work Categories associated with the activity (See Figure 2).



*Figure 2: Screenshot of EPIC Add Work Activity Page*

**i. Work Activity Information:**

The PHA enters a Title, Description, Cost, and Projected Year for the Work Activity. In entering Work Activity Information, PHAs must adhere to the following:

- PHAs planning to complete a work activity using force account labor must include the words "Force Account" in parentheses in the title of the work activity (e.g., "Roof Replacement at Main Street Development (Force Account)"). Should a PHA wish to complete an activity using force account labor that was not designated as such at the time of 5-Year Action Plan approval, or wish to complete an activity designated as force account at approval using another vehicle, the PHA must copy or "clone" the work activity in EPIC, modify the title accordingly, and submit the activity for Field Office approval.

- HUD will use PHAs' selections in EPIC to update BLIs in LOCCS; therefore, it is imperative that each work activity be associated with a single BLI. In addition, each Work Activity must be associated with a single Projected Year and Development. PHAs must create multiple Work Activities for work items combining funds across multiple grant years or spanning multiple developments. For example, if kitchens will be upgraded in 10 units, with 5 units upgraded using 2016 Capital Funds and 5 units upgraded using 2017 Capital Funds, the PHA would enter a separate Work Activity for each year and reflect the costs separately.

- The Work Item Description must provide sufficient specificity to facilitate effective HUD Field Office review of the plan, including enabling the Field Office to assess the level and type of environmental review required. PHAs are encouraged to enter information in the Description field on the scope of the activity (e.g., number of units impacted).

  For example, for a work activity covering roof replacement at a particular development, a sufficient description may read: "Installing new 20-year roof, as well as gutters and soffits, at low-rise building containing 5 Public Housing units." A work description simply stating "Roof" would be insufficient, because it does not indicate whether the activity will cover full-scale replacement of the roof or simply patching portions of the roof, a distinction with implications for the level and type of environmental review required.

**ii. Affected Developments/AMPs:**

For each work activity, the PHA identifies the development at which the activity will take place. For work not tied to a specific development (e.g., Administration), the PHA will select "N/A" for the Affected Developments/AMPs. For construction activities on a non-dwelling building or site (e.g., capital items at administrative offices), the PHA must select the specific development of which the site is a part; "N/A" should only be selected if the site is not

contiguous to or included within a development. If a work item spans multiple developments, the PHA must create separate Work Activities.



*Figure 3: Screenshot of Portion of EPIC Add Work Activity Page, Displaying Information on Affected Developments/AMPs*

### iii. Component Categories from PNA:

This functionality is not yet available.  Once implemented, it will enable PHAs to select capital needs identified within a Physical Needs Assessment and quickly add them to a 5-Year Action Plan.  In the interim, users will not see any component categories listed and no selections are needed.

### iv. Work Categories:

Each Work Category name includes the BLI in parentheses (see Figure 4). These BLIs reflect the simplified BLI structure discussed in Section VII of this notice. PHAs will select the appropriate Work Category and, if applicable, Sub-Category or Sub-Categories.  For example, if the Work Activity covers roof installation on a dwelling structure, the PHA would select "Dwelling Unit-Exterior (1480)" as the Work Category.  As the Dwelling Unit-Exterior category is marked with a plus sign, the PHA user would expand the category and select the appropriate sub-categories as well—in this case, "Roofs", "Gutters - Downspouts", and "Soffits".

HUD will use PHAs' selections in EPIC to update BLIs in LOCCS; therefore, it is imperative that each Work Activity be associated with a single BLI. PHAs may select more than one Work Category for any Work Activity, provided that the Work Categories do not fall under different BLIs. For example, a PHA user may select Dwelling Unit-Interior (1480) and Dwelling Unit-Exterior (1480), along with the applicable sub-categories, for a work item including both types of work in a single development and using a single year's grant. However, a user must not select both Dwelling Unit-Interior (1480) and Management Improvements (1408) because these Work Categories fall under different BLIs.

*Figure 4: Screenshot of Portion of EPIC Add Work Activity Page, Displaying Work Categories and Sub-Categories*

PHAs may save and update draft 5-Year Action Plans in EPIC; EPIC will facilitate adding, deleting and modifying Work Activities and easily exporting draft plans to print, send, and share with stakeholders and the public.

Prior to submission of the 5-Year Action Plan to HUD for Field Office review and approval, the 5-Year Action Plan must balance—meaning the planned work activities are expected to consume the estimated revenue amount for each year. Upon submission of a 5-Year Action Plan to HUD, the plan will become locked and may not be edited.

## C. HUD Review and Approval of 5-Year Action Plans in EPIC

As described at 24 CFR 905.300(b)(1), except in the case of emergency/disaster work, PHAs may not spend Capital Funds on any work that is not included in an approved CFP 5-Year Action Plan and its amendments.

HUD Field Offices will review and approve 5-Year Action Plans in EPIC following their normal review protocol, with several additional key factors considered. As in the past, the Field Office review will include, but may not be limited to: verification that the Description of each Work Activity provides sufficient information for effective Field Office review, including enabling the Field Office to assess the level and type of environmental review required; verification that all Work Activities are eligible activities under the CFP; and verification that the PHA has proposed activities that address the PHA's current capital needs. In addition to the review practices currently in place, Field Offices will review the appropriateness of estimated grant amounts under the guidance provided in this notice and verify compliance with requirements that Work Activities pertain to a single development (if applicable), projected funding year, and BLI; Field Offices may withhold plan approval for noncompliance with the requirements of this notice.

Once the Field Office Director has approved of a 5-Year Action Plan in EPIC, the plan will become unlocked. The PHA may then continue to modify the plan to reflect changing circumstances and decisions. Some changes do not require HUD approval, including the funging (or rescheduling) of approved work activities between years, the revision of estimated funding amounts to reflect actual grant awards, changes in work activity amounts due to recording of contracts, and deletion of work activities. Other changes (e.g., the addition of Work Activities, a change in the election of whether to use force account labor, and an expansion in the scope of Work Categories or Sub-Categories) will require Field Office review and approval.

## D. Emergency Work / Disaster Work

PHAs may spend Capital Funds on emergency/disaster work, whether or not those work items are covered in an approved 5-Year Action Plan at the time the expenses are incurred. "Emergency work" is defined at 24 CFR 905.108 as "Capital Fund related physical work items that if not done pose an immediate threat to the health or safety of residents, and which

must be completed within one year of funding." As detailed at 24 CFR 905.108, management improvements may not be deemed emergency work.

PHAs undertaking emergency/disaster work items that are not included in an approved 5-Year Action Plan at the time the expenses are incurred may elect among the following options to draw down the necessary funds:

- PHAs with available funds in the appropriate BLI may immediately draw down those funds to pay eligible expenses towards the emergency/disaster work. Once the immediate emergency situation has passed and without undue delay, the PHA must add the emergency work items to the 5-Year Action Plan and submit the additions for HUD approval.

- PHAs may add emergency/disaster work items to their approved 5-Year Action Plan in EPIC and request (via phone or email) that the HUD Field Office expedite review and approval of these emergency work items. Once approved, the PHA may submit a Budget in EPIC, which will facilitate any budget revisions in LOCCS that may be required for the funds to be drawn down.

Separately, PHAs are reminded that emergency/disaster work items are still subject to applicable environmental review requirements. The environmental regulations at 24 CFR 58.34(a)(10) allow for an expedited review for improvements related to disasters and imminent threats. Specifically, "temporary or permanent improvements that do not alter environmental conditions and are limited to protection, repair, or restoration activities necessary only to control or arrest the effects from disasters or imminent threats to public safety" are exempt activities. However, PHAs do not have the authority to make this determination and must request a determination from their Responsible Entity or the HUD Field Office. PHAs should provide a description of the proposed emergency/disaster work items and request an expedited review and determination of these emergency work items. Once approved, the PHA may obligate HUD funds.


## E. Unanticipated Grant Awards

Occasionally a PHA may receive a grant award that was not anticipated at the time the PHA created its 5-Year Action Plan. For example, HUD may award grants for capital needs arising from emergencies and non-presidentially declared natural disasters, including grants providing emergency capital needs funding for safety and security measures, under authority established in HUD's Annual Appropriations Act. PHAs receiving such grants should follow the guidance in the "Emergency Work" sub-section above regarding how to add work items to its 5-Year Action Plan. While PHAs may undertake emergency/disaster work items whether or not those work items are covered in an approved 5-Year Action Plan at the time the expenses are incurred, the work activities must be added to the 5-Year Action Plan without undue delay. As capital needs arising from emergencies and natural disasters are unlikely to have been anticipated at the time of 5-Year Action Plan creation, most PHAs receiving these grants will need to revise their 5-Year Action Plans to add additional work items, which must be submitted for Field Office approval, and to revise estimates for annual

funding.

## V. Automation of Capital Fund Program Budgets in EPIC

The approved 5-Year Action Plan becomes the basis for Budget reporting within EPIC. The Budget (formerly referred to as the Annual Statement) can only be created once a 5-Year Action Plan has been approved, and it will be linked to the approved plan.

## A. Creating a Budget in EPIC

In creating a Budget in EPIC, the PHA will enter a Title (e.g., "2015 Formula Grant"), select the 5-Year Action Plan year to which the Budget corresponds, and select the Award or the Estimated Award Amount.

At the time of creation of a new Budget, the PHA may or may not have received the Capital Fund grant or other source of funding for the year specified.  If the Capital Fund grant for the selected year has been received, the PHA user will select the award based upon grant information pre-populated from LOCCS.  If a grant award is selected, the amount will be automatically displayed in the EPIC Budget and cannot be edited. If the Capital Fund Award for the selected year has not yet been received, the user may proceed in creating the Budget using an estimated award amount.  Once the grant award is received, the PHA will link the Budget to the award in EPIC; HUD will not spread the budget in LOCCS, and the PHA may not draw down funds, until the Budget in EPIC is linked to the grant award.

*Figure 5: Screenshot of EPIC Create New Annual Statement/Budget Page*

### i. Adding, Importing and Editing Work Activities

The Budget will consist only of approved Work Activities from the 5-Year Action Plan. PHAs will select Work Activities from the applicable year of their 5-Year Action Plan to add to the Budget. In addition, PHAs may import approved work activities from other years of the 5-Year Action Plan into the Budget; PHAs may use this option if they have had a change of plans and would like to complete the activities included in the 5-Year Action Plan in a different order, shifting some activities between years.

For each Work Activity included in the Budget, the following information is provided:

- Budget Line Item Information: As BLIs will be automatically set by Work Category selections, users do not need to enter BLI information.

- Component Categories from PNA: This functionality is not yet available.

- Work Categories: PHAs may update the work sub-categories selected upon creation of the Work Activity in the 5-Year Action Plan. It is permissible to check or un-check sub-categories to reflect a change in the scope of a work activity; for example, if an approved work activity originally included "Roofs", "Gutters - Downspouts", and "Soffits", the PHA may un-check the sub-category for "Gutters - Downspouts" during the creation of the Budget to reflect a reduction in the scope of the work. However,

PHAs may not check or un-check work sub-categories if the changes would be inconsistent with the description of the approved work activity; for example, for a roof replacement work activity, a PHA may not un-check "Roofs, "Gutters - Downspouts", and "Soffits" and check "Exterior Lighting". In this latter case, the PHA would need to return to the 5-Year Action Plan to add or edit work activities and receive Field Office approval before adding the work items to a Budget.

– Other Measures: PHAs have the option to enter information on whether or not the work item has accessible features built in, security costs, energy/water conservation components, or lead based paint components. This section is not mandatory at this time.



*Figure 6: Screenshot of EPIC Work Activity Details Page*

Before submitting a Budget report to HUD, the Budget must balance—meaning the Annual Statement/Budget Amount must equal the Work Activity Planned Amount, and the BLI amounts must also be in alignment. In addition, each Budget must be linked to an actual grant award prior to submission of the Budget to HUD.

## VI. Guidance for Existing Moving to Work PHAs

PHAs that operate Public Housing programs, participate in the CFP, and currently participate in the Moving To Work (MTW) demonstration include a description of capital activities as part of the MTW Plan annual submission process, as required by their MTW Agreements. Existing MTW PHAs will continue to submit capital plan information as prescribed by their MTW Agreements and will not be required to submit detailed Capital Fund 5-Year Action Plans in EPIC.

HUD intends to automate the spread of BLIs in LOCCS based upon entry of the Budget in EPIC. Entry of a Budget in EPIC requires the availability of an approved 5-Year Action Plan from which to draw work items. Therefore, in order to trigger the spread of BLIs in LOCCS, existing MTW PHAs will be required to enter "simplified" CFP 5-Year Action Plans and Budgets into EPIC, according to the transition schedule described in Section IV of this notice. These "simplified" submissions have the basic structure of 5-Year Action Plans and Budgets but omit all detail on capital plans and can be created in a matter of minutes; they are not intended as a vehicle to provide capital planning information to HUD, but rather simply to trigger the spread of BLIs in LOCCS in the least burdensome manner.

To create these "simplified" submissions, existing MTW PHAs will enter 5-Year Action Plans in EPIC with a single Work Activity for each Projected Year. For each Work Activity, these PHAs will:

- Enter "Assignment of Funds to MTW BLI" for both the Title and Description
- Enter the estimated amount of their grant award for the Projected Year as the Cost
- Mark the Affected Development/AMPs as "N/A"
- Select "MTW (1492)" for the Work Category

The approved "simplified" 5-Year Action Plan provides the basis for creation of a "simplified" Budget in EPIC. Existing MTW PHAs will create a "simplified" Budget for each year linked to the actual grant award and reflect all awarded funds in BLI 1492.

Existing MTW PHAs may elect instead to follow the requirements of this notice as applied to non-MTW PHAs. MTW PHAs that currently submit more detailed conventional Capital Fund plans in addition to the information included in the MTW Plan are encouraged to select this latter option.

## VII. Simplification of LOCCS Budget Line Item Structure

Concurrently with the implementation of the EPIC Activity Planning Module, HUD is implementing a simplified Budget Line Item (BLI) structure. HUD is consolidating the BLIs that PHAs use most frequently into one broad-scope BLI, BLI 1480-General Capital Activity. HUD expects this change to cut down significantly on the need for budget revisions and to better align with PHA business practices. The BLIs that remain distinct are generally those that are 1) used less frequently or are rarely changed, or 2) those with statutory or regulatory restrictions, such as BLI 1406-Operations and BLI 1410-Administration. Figure 7, below,

displays the BLI structure previously in use on the left and the BLI structure PHAs will commence using on the right. The revised BLI structure will be applied across both EPIC and LOCCS. PHAs will be able to update budget amounts in EPIC and then LOCCS will be updated to reflect the changes a day or two later, without Field Offices having to enter these budget revisions into LOCCS. However, budget revisions must continue to comply with requirements that have been enforced in the past through "hard edit checks" in LOCCS, including restrictions on changes to the debt obligation BLIs and limits on the funds allocated to BLI 1410-Administration and BLI 1408-Management Improvements; budget revisions that fail to comply will not be applied in LOCCS.

| Line Item | Name |
|-----------|------|
| 0100 | Reserved Budget |
| 0110 | Initial Budget |
| 1406 | Operations |
| 1408 | Management Improvement |
| 1410 | Adminstration |
| 1411 | Audit Cost |
| 1430 | Fees & Costs |
| 1440 | Site Acquisition |
| 1450 | Site Improvement |
| 1460 | Dwelling Structures |
| 1465 | Dwelling Equipment |
| 1470 | Non-Dwelling Structures |
| 1475 | Non-Dwelling Equipment |
| 1485 | Demolition |
| 1490 | Replacement Reserve |
| 1492 | MovingToWorkDemonstration |
| 1495 | Relocation Costs |
| 1499 | Development Activity |
| 1500 | Indian Housing Grants |
| 1501 | Collater Exp / Debt Srvc |
| 1502 | Contingency |
| 1503 | RAD-CFP |
| 1504 | RAD Investment Activity |
| 9000 | Debt Reserves |
| 9001 | Bond Debt Obligation |
| 9002 | Loan Debt Obligation |
| 9900 | Post Audit Adjustment |

| Line Item | Name |
|-----------|------|
| 1406 | Operations |
| 1408 | Management Improvement |
| 1410 | Adminstration |
| 1480 | **General Capital Activity** |
| 1492 | MovingToWorkDemonstration |
| 1501 | Collater Exp / Debt Srvc |
| 1503 | RAD-CFP |
| 1504 | RAD Investment Activity |
| 9000 | Debt Reserves |
| 9001 | Bond Debt Obligation |
| 9002 | Loan Debt Obligation |
| 9900 | Post Audit Adjustment |

*Figure 7: Table Displaying Former and New Budget Line Item Structures*

## VIII. Other Regulatory and Statutory Requirements

PHAs must continue to follow all statutory and regulatory requirements, including those related to the conduct of public hearings, Resident Advisory Board consultation, consideration of comments, Board approval, and environmental review. In the near future, HUD will release additional guidance on PHA compliance with environmental regulations. This will de-couple HUD's review of environmental compliance from the review and

approval of 5-Year Action Plans in EPIC, but in no way will affect a PHA's continued obligation to ensure environmental clearance prior to spending federal funds.

## IX. Resources

EPIC can be accessed by authorized users at the link below, by entering a valid HUD-assigned ID number and Secure Systems password:
http://portalapps.hud.gov/app_epic/

EPIC has built-in resources to assist users. Users may select the blue question mark icon in the upper right corner of EPIC screens to access screen-specific resources. Users may also select the links on items displayed in EPIC for brief definitions.

A detailed user guide for the Activity Planning Module, along with other EPIC resources, will be made available on the Office of Capital Improvements EPIC Web Page at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/capfund/epic

## X. Paperwork Reduction Act

The information collection requirements contained in this document have been submitted to the Office of Management and Budget (OMB) under the *Paperwork Reduction Act of 1955* (44 U.S.C. 3501-3520) and assigned OMB control number 2577-0274. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

## XI. Questions

For EPIC access requests, password reset requests, and technical assistance, you may email the EPIC Help Mailbox at EPICHELP@HUD.gov.

For questions on the policy guidance provided in this notice, you may reach out to Christina Miller at Christina.S.Miller@HUD.gov or 202.402.7131.

_____/s/_____
Lourdes Castro Ramírez
Principal Deputy Assistant Secretary
for Public and Indian Housing