

Section H. Operations Budget

Complete the Chart on the following page for your new project's total operations budget. ***Please remember operating costs are ineligible for Supportive Services Only projects.***

In the first column, the operating cost activity is given. You must enter the quantity (if applicable) for each operating item that will be paid for using SHP funds. Add any other eligible operating costs that will be paid for using SHP funding that is not listed on the chart. For staff positions, please include the job title, salary, % of time allocated for the position, and fringe benefits. Please ensure that the total SHP dollars requested match the amount you entered in the "SHP Request" column on Line 7, Operations, in your Project Budget in Section K.

In the second column, enter the amount of SHP funding requested (2 or 3 years) for each eligible operating cost that will be needed in your project.

Operating costs are those costs associated with the day-to-day operation of supportive housing. Operating costs differ from supportive service costs in that operating costs support the function and the operation of the housing project. Examples of SHP operating costs include utilities, maintenance, security and salaries of staff not delivering services, such as the project manager or executive director, and indirect operating costs that meet the standards of OMB Circulars A-87 and A-122.

If requesting SHP operating funds, only the portion of the costs directly related to the operation of the housing project are eligible. For example, if a project sponsor's executive director will spend 10% of his/her time providing management to the housing project, then (up to) 10% of his/her salary can be charged as an SHP operating expense. As another example, in cases of shared utilities, SHP operating funds may pay only for the portion of the utilities associated with the housing project based on the square footage of the project's space. If the housing project occupies 25% of the building's space, then (up to) 25% of the monthly utility bill can be paid for using SHP operating funds.

SHP operating funds **may not** be used to pay for the following costs:

- a. Operating costs of a supportive services only facility;
- b. Administrative expenses such as audits and preparing HUD reports;
- c. Rent of space for supportive housing and/or supportive services (see Real Property Leasing);
- d. The payment of principal and interest on a loan for a facility currently being used as supportive housing and/or for the delivery of services; and
- e. Depreciation, because it does not constitute an incurred cost that requires a cash outlay.

SHP funds can be used to pay up to 75% of the total operations budget for the housing project. This means that the project sponsor must make a cash payment for 25% of the project's operating budget annually.

Example:

Operating Costs	SHP Dollars Requested (2 or 3 years)
Utilities	\$32,000
Maintenance Engineer (salary, % time, fringe benefits) \$40,000/annually .20 x .15 fringe benefits x 2 years = \$18,400	\$18,400