

**Explanation of
 Obligations covering July through September
 Under Operating Fund Program
 Calendar Year (CY) 2012**

This document describes the obligations covering July through September under the Operating Fund program for CY 2012. The funds under these obligations are expected to be available in eLOCCS for drawdown by June 30, 2012. The obligations covering July through September were developed using an approach similar to the previous obligations for April through June CY 2012. The obligation letters for the July through September amounts will be posted by the Financial Management Division (FMD) on the Calendar Year 2012 Subsidy Processing website at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2012

Interim Proration

The Consolidated Appropriations Act of 2012 has provided \$3.96 billion in operating subsidies for CY 2012. The total estimated eligibility for CY 2012 is \$4.87 billion. This amount is adjusted by the amount of the Allocation Adjustment offset which allowed for use of up to \$750,000,000 in reserves to be considered in the funding subsidies this year. For the July through September obligations, HUD applied a 95% proration. Table 1 show the application of an eligibility proration of 95% percent.

Table 1.

#	Description	Amount
1	CY 2012 Appropriation	\$ 3,961,850,000
2	Less: Set-aside for financial hardship	\$ (20,000,000)
3	Amount Available for Distributions (1 - 2)	\$ 3,941,850,000
4	CY 2012 Estimated Eligibility	\$ 4,874,816,253
5	Add: Estimated Eligibility for HTK & MHP Submissions	\$ 254,282
6	Add: Estimated appeals and revisions	\$ 10,000,000
7	Less: Reserves off-set	\$ (743,798,461)
8	Total Estimated Eligibility (4 through 7)	\$4,141,272,074
9	Proration (3) / (8)	95.18%

Once all CY 2012 final operating subsidy forms, modifications, and revisions have been processed, the final proration may either increase or decrease compared with the interim proration level.

Allocation Adjustment

An Allocation Adjustment offset was approved by Congress in the 2012 HUD Appropriation Act. The Allocation Adjustment provides for use of operating reserves to offset PHAs' eligibility requirements. A more comprehensive explanation of the Allocation Adjustment is contained in Notice PIH 2011-55 "Public Housing Operating Subsidy Calculations for Calendar Year 2012."

The Allocation Adjustment has been incorporated into each project's operating subsidy eligibility. The Allocation Adjustment was calculated at a PHA level and then applied to each PHA project's eligibility based on the project's percentage of the PHA's total 2012 initial eligibility.

In accordance with PIH 2011-55, PHAs were able to request certain reserves exclusions from the Allocation Adjustment calculation. Approximately 290 PHAs submitted exclusion requests for a total of almost 400 unique appeals. HUD has completed the process of evaluating the exclusion requests. The July through September funding reflects HUD's evaluation of exclusion requests.

Eligibility Letters

Initial Eligibility Letters and final allocation adjustments have been posted on the FMD website at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2012/eligibilityletters.

The Initial Eligibility Letter provides information related to Public Housing Agency's (PHA) Calendar Year 2012 Operating Fund program eligibility and Allocation Adjustment. After HUD's review of each project's HUD-52723, "Operating Fund Calculation of Operating Subsidy," the project's eligibility was determined. The project eligibility is subject to modification based on revisions permitted in Notice PIH 2011-55, Public Housing Operating Subsidy Calculations for Calendar Year 2012. Final HUD-52723s will be posted on the Calendar Year 2012 Subsidy website at the end of the federal fiscal year. The project funding amount takes into account the PHA Allocation Adjustment and proration.