

**Explanation of  
 Obligations covering February and March  
 Under Operating Fund Program  
 Calendar Year (CY) 2012**

This document describes the obligations covering February and March under the Operating Fund program for CY 2012. The funds under these obligations are expected to be available in eLOCCS for drawdown by February 1, 2012. The obligations covering February and March were developed using an approach similar to the initial obligations for CY 2012 covering January obligations. The obligation letters for the February and March 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](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2012)

**Initial 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 \$4.892 billion. This amount is adjusted by the amount of the \$750,000,000 Allocation Adjustment offset that resulted in an eligibility proration of 94.94% percent (see Table 1). For the February and March obligations, HUD applied a 95% proration.

**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	\$ 4,891,590,548
5	Add: Estimated Eligibility for HTK & MHP Submissions	\$ 254,282
6	Add: Estimated appeals and revisions	\$ 10,000,000
7	Less: Reserves off-set	\$ (750,000,000)
8	Total Estimated Eligibility (4 through 7)	\$ 4,151,844,830
9	Proration (3) / (8)	94.94%

Once all CY 2012 operating subsidy forms and subsidy allocation adjustments 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 initial operating subsidy eligibility. The Allocation Adjustment was calculated at a PHA level and then applied to each PHA project's initial 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 outcome of those reviews is now going through a separate quality assurance/quality control process. The February and March funding reflects HUD's evaluation of exclusion requests, which, as noted above, are still subject to a quality assurance/quality control process.