

Updated Proration Estimate for Calendar Year (CY) 2009 Public Housing Operating Fund Program

Under the Operating Fund Program, public housing agencies (PHAs) are provided with operating subsidies to fund the operation and management of public housing. When overall subsidy eligibility exceeds appropriations, funds are “prorated.” The prorated amount is calculated by dividing the appropriated funds by subsidy eligibility, as shown below:

$$\frac{\text{Appropriation}}{\text{Subsidy Eligibility}} = \text{Proration}$$

For example, in CY 2008, the Congress appropriated \$4.2 billion for the Operating Fund Program. Subsidy eligibility in CY 2008 was \$4.7 billion, resulting in proration of 88.96%.

In December 2008, the Department estimated that CY 2009 proration would be 88%. As explained in this document, the Department has updated its CY 2009 estimate to 88.4%.

Funding Process

Beginning in 2005, PHAs have been funded on a “calendar-year basis.” This means that all PHAs receive funding for the period of January through December, regardless of a PHA’s actual fiscal year. Generally, PHAs submit subsidy eligibility forms in the fall, which are then reviewed by the local HUD field offices and forwarded to Headquarters for final processing. This process often requires HUD to issue several “interim” obligations, based on estimates of eligibility, appropriations (if a final appropriations bill has not been enacted), and proration.

During the course of the year, as forms are processed, HUD will update its estimates. Typically, HUD will issue a final obligation in late September, covering the months October through December. HUD must obligate all funds by September 30.

Revised 2009 Proration Estimate

The previous estimate (December 2008) of proration was based on actual 2008 subsidy eligibility, with assumptions regarding inflation, transition funding, changes in inventory, and appropriations levels. The revised proration estimate, 88.4%, reflects actual 2009 PHA subsidy submissions and enacted 2009 appropriations.

As shown in Table 1, approved subsidy submissions for CY 2009 result in eligibility of \$5.01 billion. The Department is estimating subsidy appeals of \$9 million and subsidy revisions of \$9.5 million, for a total estimated CY 2009 subsidy eligibility of \$5.03 billion. Appropriated amounts, excluding funding for technical assistance, are \$4.449 billion.

Table 1: Revised Operating Subsidy Proration Estimate

#	Description	Amount
1	CY 2009 Appropriation	\$4,455,000,000
2	Less: Set-aside for Technical Assistance	(5,940,000)
3	Amount Available for Distribution (1) - (2)	\$4,449,060,000
4	CY 2009 Eligibility (Operating Fund)	\$5,010,655,025
5	Add: CY 2009 Eligibility (HTK and MHP)	1,000,000
7	Add: Estimated CY 2009 Appeals	9,000,000
8	Add: Estimated CY 2009 Revisions	9,500,000
9	Total CY 2009 Eligibility (4 through 9)	5,030,155,025
10	Proration (3) / (9)	88.4%

Note: A detailed break-out of CY 2009 operating subsidy eligibility is provided in Appendix A.

Frequently Asked Questions

Can the updated proration estimate change?

Yes, the final CY 2009 proration may be higher/lower than estimated above based on both revisions and appeals. Each year, PHAs may submit “revisions” of their initial subsidy requests. Those revisions can either be the result of new or deleted units or errors in submissions. Generally, subsidy revisions represent less than 1% of overall eligibility. Additionally, under the Final Rule on the Operating Fund Program, PHAs may appeal their Project Expense Levels (PELs). The deadline for submitting PEL appeals for CY 2009 was May 15. The Department is in the process of reviewing those appeals.

It would be extremely helpful to PHAs if the Department published a final proration amount at the start of the year. Can the Department issue its final proration figure any sooner?

Under current appropriations language, the Department must fund “revisions” with current year funds; therefore, it cannot establish final subsidy eligibility, and thus determine proration, until after all revisions have been processed.

Why are PHAs funded on a calendar year (and not a fiscal year) basis?

The Consolidated Appropriations Act of 2005 directed HUD to convert from funding operating subsidy based on PHA fiscal year to funding based on calendar year. This change was intended to allow HUD to predict more accurately initial subsidy proration (when necessary). It was also intended to provide PHAs with an equal amount of time to submit revision requests.

Appendix A – CY 2009 Operating Subsidy Eligibility

	Description	Amount (in \$ millions)
A	Approved Operating Subsidy Forms	
1	Non Utility Expense Level (PEL)	\$4,637
2	Utilities	\$1,695
3	Less: Tenant Income (Formula)	(\$2,257)
4	Public Housing Operating Fund Base	\$4,075
5	MTW Alternative Formula Grant, PHA's not in Base	\$467
6	Public Housing Add-ons	
7	Elderly/Disabled Coordinators	\$15
8	Resident Participation	\$25
9	Energy-Add On for Loan Amortization	\$28
10	Payments in Lieu of Taxes	\$98
11	Cost of Independent Audit	\$21
12	Asset Management Fee	\$41
13	Information Technology Fee	\$27
14	Asset Repositioning Fee	\$64
15	Transition Funding	\$149
16	Total Operating Subsidy Eligibility	\$5,010
B	Estimate	
17	Estimated for Mutual Help and Turnkey Projects	\$1
18	Estimated Appeals	\$9
19	Estimated Revisions	\$10
20	Total Eligibility	\$5,030