

**Explanation of Initial CY 2009 Obligations
 Public Housing Operating Fund**

(Note: This document was published on October 30, 2008. The final bullet on the 2nd page was amended on December 23, 2008)

The Department plans to obligate initial funding for Operating Fund subsidies for the first four (4) months of Calendar Year (CY) 2009, i.e., from January – April 2009, in accordance with the information below. The first round of funding is expected to be available in eLOCCS by Thursday, January 1, 2009.

Estimated Eligibility Levels for CY 2009

Nationally, subsidy eligibility for CY 2009 is estimated at \$5.0 billion, as shown in the table below. In determining CY 2009 eligibility, the Department made four adjustments to the actual eligibility for CY 2008:

- Increased PELs by 3.48% (the average increase nationally)
- Increased UELs by 9.44% (representing the national UEL inflation factor)
- Decreased Transition Funding by \$15 million as a result of “Stop-Loss” approvals
- Added \$1 million for Turnkey III and Mutual Help.

#	Description	Calculation	Amount (in million \$)
1	FY 2008 Eligibility		\$ 4,711
2	Add: PEL Inflation Factor	\$4,522 x 3.48%	157
3	Add: UEL Inflation Factor	\$1,545 x 9.44%	146
4	Add: Transition Funding		(15)
5	Add: Turnkey III and Mutual Help		1
6	Estimated FY 2009 Eligibility	1 + 2 + 3 + 4 + 5	\$ 5,000

Estimated Proration Levels for CY 2009

In determining the estimated level of appropriation for the Operating Fund Program for CY 2009, the Department has used \$4.4 billion, which represents the lower of the current Senate (\$4.4 billion) and House (\$4.5 billion) appropriations bills. As shown in the table below, the above assumptions result in an estimated proration of 88% for CY 2009.

#	Description	Calculation	Amount (in million \$)
1	Estimated FY 2009 Appropriation		\$ 4,400
2	Less: Set-aside for Technical Assistance		(6)
3	Available for Formula Allocation	(1) - (2)	4,394
4	Total Estimated FY 2009 Eligibility		5,000
5	Estimated Proration	(3) / (4)	88%

Please note, however, that proration may be higher/lower than estimated based on actual submissions of PHA subsidy requests as well as final passage of appropriations bills. The Department anticipates publishing a revised proration estimate around May 2008.

Calculation of Project Subsidy Amounts for Initial Obligation

For the initial obligation of subsidy, each project's amount will be based on the CY 2008 eligibility adjusted for the following:

- Applying the 2009 non-utility inflation factor to the Project Expense Level;
- Applying the 2009 utility inflation factor to the Utility Expense Level;
- PHAs with approved Stop-Loss applications for Year 1 will have their transition funding adjusted to 95 percent of their decline for CY 2009 and future years in accordance with 24 CFR 990. For this initial obligation for CY 2009, the transition funding for decliner PHAs who did not meet Year 1 Stop-Loss (including those awaiting decisions regarding their Management Responses as well as those who did not apply) will be 76 percent. HUD is taking this step to expedite the determination of subsidy amounts and to facilitate program administration by PHAs, pending enactment of final appropriations for fiscal year 2009. Unless a decliner PHA can demonstrate a successful conversion to asset management in accordance with 24 CFR 990.230, its overall subsidy amount for CY 2009 will reflect the complete 43 percent reduction as required under the transition funding schedule by the end of fiscal year 2009. HUD is continuing to review "stop loss" applications and management responses. PHAs should take the information contained in this paragraph into account in the development of their operating budgets and program plans for CY 2009.