

Explanation of Financial Hardship Set-Aside Obligations for Calendar Year (CY) 2012

The document describes the obligation of financial hardship set-aside funding for CY 2012. The funds under these obligations will be available for drawdown in eLOCCS by September 30, 2012

Financial Hardship Set-Aside Obligation

Funds have been obligated to 135 PHAs in the amount of \$15,742,258 for Public Housing Operating Fund subsidy, Calendar Year (CY) 2012. The amount of the obligation is based on the Public Housing Agency (PHA) eligibility set forth in “Calendar Year 2012 \$20 Million Set-Aside for Financial Hardship due to Public Housing Operating Subsidy Allocation Adjustment,” PIH 2012-27.

Allocation Adjustment Background

HUD’s FFY 2012 appropriations provided for an Allocation Adjustment of operating subsidy eligibility for PHA excess operating reserves. Notice PIH 2011-55 included a full discussion of the procedures to be used in calculating public housing operating subsidy Allocation Adjustment amounts pursuant to P.L. 112-55. The reduction of 2012 funding eligibility resulting from this process is referred to as the subsidy allocation adjustment, or Allocation Adjustment.

The Allocation Adjustment was limited to ensure that PHAs would not be left with less than a minimum level of reserves as established in the 2012 appropriations act, and as further defined in PIH Notice 2011-55. PHAs were permitted to appeal their initial allocation adjustment amounts. Additionally, the FFY 2012 appropriations included a set-aside of up to \$20,000,000 to be made available to PHAs that encountered a financial hardship as a direct result of the Allocation Adjustment.

After determining the CY 2012 operating fund eligibility for each PHA project, HUD made an initial determination of the subsidy allocation adjustment to the PHA’s subsidy eligibility. This adjustment represented a *reduction* in operating subsidy eligibility for CY 2012, based on the amount of the PHA’s operating reserves above the minimum level as outlined in PIH 2011-55.

Notice PIH 2011-55 addressed procedures for PHAs to request to *exclude* a portion of their reserves from HUD’s subsidy allocation adjustment calculation (i.e., the “appeal” envisioned by P.L. 112-55, also referred to at the “exclusion requests” in Notice PIH 2011-55). PHAs were invited to review their preliminary subsidy allocation adjustment and submit exclusion requests. HUD assessed these requests and notified PHAs of the approval or disapproval of the requests in February 2012. Where requests were approved, the PHA’s initial subsidy allocation adjustment was modified accordingly.

Financial Hardship Set-Aside Background

Notice PIH 2012-27 provided PHAs with guidance on eligibility for the financial hardship set-aside funding, HUD's methodology for determining hardship funding amounts and the process for requesting hardship funding.

To be eligible for hardship funding from the set-aside, a PHA had to meet two criteria:

- a. For CY 2012 operating subsidy calculations, the PHA received a subsidy allocation adjustment of any amount.
- b. HUD determines that the PHA operating reserves, reduced by the allocation adjustment, are less than the minimum level of operating reserves ("minimum reserve level"), defined as an amount equal to six months of operating expenses held in reserve or \$100,000, whichever is greater (for a PHA with fewer than 250 units), or an amount equal to four month of operating expenses held in reserve or \$100,000, whichever is greater (for a PHA with 250 or more units).

The amount that a PHA was eligible to receive from the set-aside was limited to the lesser of the amount of the subsidy allocation adjustment, or the amount below the minimum reserve level.

To be considered for set-aside funding, eligible PHAs were required to submit an email request to HUD by close of business Wednesday, July 11, 2012. These requests were required to indicate that the PHA received an allocation adjustment and the PHA is experiencing financial hardship directly related to that allocation adjustment, including a narrative description of that financial hardship.

See Notice PIH 2012-27 for additional detail on the hardship funding set-aside process.

Financial Hardship Set-Aside Award

Among eligible PHAs submitting hardship funding requests, HUD prioritized funding awards as follows:

Priority 1: PHAs whose operating reserves amount is less than zero, (the "reserve amount below zero"), capped by the amount of the subsidy allocation adjustment.

Priority 2: PHAs whose operating reserves amount is below the minimum reserve level but greater than zero, (the "reserve amount below the minimum"), capped such that the reserve amount below the minimum plus the reserve amount below zero was not be greater than the subsidy allocation adjustment.

Available funding was sufficient to meet both Priority 1 and Priority 2 needs of all PHAs submitting hardship funding requests. Any amounts remaining from the initial \$20 million set-aside, after addressing hardship funding needs, will be included in regular Public Housing Operating Fund subsidy obligations.

Posting of Financial Hardship Set-Aside Award Information

The Financial Management Division (FMD) has posted a copy of the obligating letters, as well as a copy of this explanation document, on the Allocation Adjustment website at:

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

- **Hardship Eligibility Calculation Tool** (WinZip File)
- **Financial Hardship Notice PIH 2012-27**
 - **Attachment 1**
 - **Attachment 2**
 - **Attachment 3**
- **Hardship Funding Obligation Letters [NEW]**
 - **Explanation of Hardship Funding Obligations**