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## **Explanation of March Obligations under Operating Fund Program for Calendar Year (CY) 2013**

This document describes the March obligations under the Operating Fund program for CY 2013. The funds under these obligations are current available in eLOCCS. The March obligations for CY 2013 cover only 1 month, and the obligating letters reflecting these amounts will be posted by the Financial Management Division (FMD) on the Calendar Year 2013 Subsidy Processing website at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/am/of/opfnd2013](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/am/of/opfnd2013)

### **Interim Proration**

The Congress adopted a Continuing Resolution through March 2013. Assistant Secretary Sandra B. Henriquez provided background and an explanation of the 81% interim proration level used for the program in a recent letter to PHA Executive Directors. The letter is incorporated into this document.

Once all CY 2013 operating subsidy forms have been finalized, the final proration may either increase or decrease as compared with the interim proration level.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Dear Executive Director:

**Subject: 2013 Budget Update–Potential Sequestration Cuts – Operating Fund Program**

The purpose of this letter is to provide your agency with an update on the 2013 Operating Fund Budget situation with regard to the possible funding cuts resulting from sequestration. It also provides guidance on actions your agency may wish to consider if you have not already done so given these potential cuts. HUD encourages you to share this letter with your Public Housing Director, your Chief Financial Officer, and your Board of Commissioners.

**Background:**

The Operating Fund Program is currently operating under a Continuing Resolution that expires on March 27, 2013. This means that the Operating Fund Program continues to be funded at last year's level until an Appropriations Act is passed or Congress takes other action. This year, HUD programs, including the Operating Fund Program, may also be subject to "sequestration" cuts. Sequestration refers to a series of automatic across-the-board cuts to domestic and defense programs outlined in the Budget Control Act of 2011. These cuts occur if Congress does not pass a deficit reduction package by March 1, 2013.<sup>1</sup>

**Potential Impact of Sequestration and Mitigation Strategies**

As noted in my correspondence dated December 20, 2012, under the Operating Subsidy HUD funded PHA's at a proration level of 92% for January and February. The 92% proration rate was based on the 2013 House mark, which was the lower of the two 2013 budget marks between the House and the Senate. This approach mirrors the traditionally conservative posture the Department takes when operating under a Continuing Resolution (CR).

In that letter I also noted that the Department would reevaluate the proration level as the appropriations process progressed. Given the current status of the appropriations process, including concerns around the increasing possibility of sequestration, the Department intends to lower the proration level in March, to 81%. The proration level of 81% presumes that our appropriations level holds at \$3.9 billion and does not include sequestration.

The Department is providing this notification now, in recognition of the significant strain this will place on PHA budgets. This will provide PHAs more time to adjust your project budgets in anticipation of reduced funding. While such reductions are not optimal, taking the action described above will help mitigate more severe cuts later in the year if sequestration occurs, or a lower budget is passed.

Recognizing the unprecedented proration level that PHAs could confront, the Department is developing a list of legislative and regulatory actions that could be taken to help PHAs preserve their Public Housing operations and manage within such austere financial times. In

<sup>1</sup> The American Taxpayer Relief Act, passed January 1, 2013, delayed the effective date of sequestration cuts to March 1, 2013.

addition to the streamlining efforts that are already underway, the Department is seeking full fungibility for all agencies regardless of PHA size.

As information unfolds, we will continue to keep you updated about actions we are taking related to the budget. We also encourage you to provide your suggestions for actions the Department can take to support your agency as you work to realign your budgets while continuing the very important work of housing America's most vulnerable families. If you believe that your agency might be at risk of being in a negative cash position as a result of these potential funding cuts or any other reason, please also contact your local Field Office.

Sincerely,



Sandra B. Henriquez  
Assistant Secretary  
Office of Public and Indian Housing