

**Revised Explanation of Initial CY 2010 Obligation
 Public Housing Operating Fund**

The Department will obligate initial funding for Operating Fund subsidies for one month by January 1, 2010, in accordance with the information below.¹ By February 1, 2010, a second round of funding will be obligated to cover a four month period from February through May.

Estimated Eligibility Levels for CY 2010

Nationally, subsidy eligibility for CY 2010 is estimated at \$4.75 billion, as shown in the table below. In determining CY 2010 eligibility, the Department made four adjustments to the actual eligibility for CY 2009:

- Increased Project Expense Levels (PELs) by 3.63% (the average increase nationally);
- Increased Utility Expense Levels (UELs) by 3.50% (representing the national UEL inflation factor);
- Increased formula income by 18.86% (see explanation below);
- Decreased Transition Funding by \$6 million; and
- Removed adjustment for changes in utility allowance as a result of expiration of frozen formula income provision; and
- Added a \$5 million allowance for appeals/revisions.

#	Description	Calculation	Amount (in million \$)
1	CY 2009 Eligibility		\$ 5,031
2	Add: PEL Inflation Factor	\$4,647 x 3.63%	169
3	Add: UEL Inflation Factor	\$1,700 x 3.50%	60
4	Less: Growth in Rental Income	\$2,328 x 18.86%	(439)
5	Less: Transition Funding		(6)
6	Less: Utility Allowance not to be Funded		(70)
7	Add: Contingency for Appeals & Revisions		5
8	Estimated CY 2010 Eligibility	1 + 2 + 3 - 4 - 5 - 6 + 7	\$ 4,750

Estimated Proration Levels for CY 2010

In determining the estimated level of appropriation for the Operating Fund Program for CY 2010, the Department has used \$4.75 billion, which represents the lower of the current Senate (\$4.75 billion) and House (\$4.8 billion) appropriations bills. As shown in the table below, the above assumptions result in an estimated proration of 100% for CY 2010.

#	Description	Calculation	Amount (in million \$)
1	Estimated CY 2010 Appropriation		\$ 4,750
2	Total Estimated CY 2010 Eligibility		4,750
3	Estimated Proration	(1) / (2)	100%

¹ The Department previously indicated that it would initially provide a four-month initial obligation; however, because of uncertainty over the timing of the passage of the final appropriations bill, the Department had to limit the initial obligation to one month.

Please note, however, that proration may be 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 2010.

Calculation of Project Subsidy Amounts for Initial Obligation

For the initial obligation of subsidy, each project’s amount will be based on actual CY 2009 eligibility, adjusted for the following:

- Applying the 2010 non-utility inflation factor to the PEL;
- Applying the 2010 utility inflation factor to the UEL;
- Adjusting the transition funding for decliner PHAs from 57 percent to 38 percent. (PHAs with approved Stop-Loss applications will have their will have their transition funding adjusted to the amount specified in their approval letter);
- Inflating formula income by 18.86%.²

No adjustment will be made for changes in unit count. Also, for any project that did not receive funding in CY 2009 (i.e. new projects for CY 2010), funding will be calculated as follows:

PUM 2009 Average Eligibility for the PHA X Units X 12 months

Calculation of CY 2010 Formula Income

Formula Income was frozen at 2004 levels for CY 2007, CY 2008 and CY 2009. Between 2004 and 2008, actual rental income, based on PHA annual financial statements, grew 15.90%. Assuming a 1.48% annual growth for 2009 and 2010, the cumulative increase in rental income between 2004 and 2010 is estimated to be 18.86%, as shown in the table below.

Step 1: 2004 rental income (Based on PHA financial statements for the fiscal year ends 3/31/04 – 12/31/04) Line 703, Net Rental Income, divided by Line 1121, Unit Months Leased	\$182
Step 2: 2008 rental income (Based on PHA financial statements for the fiscal year ends 6/30/08 – 3/31/09) Line 70300, Net Rental Income, divided by Line 11210, Unit Months Leased	\$211
Step 3: Growth from 2004 to 2008	15.90%
Step 4: Estimated growth rate for 2009 and 2010 (Assumption used in 2010 President’s Budget because of current economic conditions)	1.48%
Step 5: Growth rate from 2004 to 2010 (15.90% + 1.48% + 1.48%)	18.86%

² For mixed finance projects that came online after 2004, the inflation will be prorated from the year of inception to 2010. For example, a project that came online in 2007 will receive 3 years of inflation or 9.43% (18.86/6 X 3).

Computation of Formula Income for a Sample Project:

A sample project had CY 2009 formula income of \$225.99 PUM. That figure is multiplied by the growth percentage of 18.86%, for a CY 2010 formula income of \$268.61 PUM.

CY 2009 PUM		Growth		CY 2010 PUM
Formula Income		Percentage		Formula Income
\$225.99	X	1.1886	=	\$268.61