

**Public Housing Operating Fund  
Explanation of Calendar Year (CY) 2020 Obligations  
for March and April**

The Department previously obligated funds through the third week of March. This obligation obligates funding for the remainder of March and the entirety of April 2020. HUD is currently working on obligating funding for May/June, and anticipates those funds being available by April 15, 2020.

This obligation is based upon estimated eligibility. The first two obligations for 2020 were also based upon estimated eligibility. However, in order to obligate the funds appropriated in the first two continuing resolutions, those estimates were based upon 2019 funding instead of the larger data set normally used. The estimate used in this obligation of funding is based upon the larger data set HUD normally utilizes for estimates. At a portfolio level, the estimate methodology utilizing the larger data set is more accurate. However, at a PHA or project level, the change in methodologies may cause bigger swings in funding than is normally the case. In its explanations published with the prior funding, HUD advised PHAs that they may see some volatility based upon the expected change in estimate methodologies, advising them to plan and prepare for it as needed.

**Estimated Project Eligibility Levels for CY 2020**

The CY 2020 prepopulated formula data and CY 2019 HUD-52723 data were used in making the estimate utilized for this obligation. In making that estimate, HUD incorporated the following methodology and data when available:

- Unit status category data for the reporting period used to prepopulate the 2020 HUD-52723;
- 2020 Project Expense Levels (PELs) used to prepopulated the 2020 HUD-52723 have been used;
- 2019 Utility Expense Levels (UELs) and in certain cases a national average UEL may have been used. These UEL PUMs were used the current 12 month 2020 UEL Inflation factor of 1.0217.
- Add-on amounts from the CY 2019 HUD-52723 data for PILOT and Audit were used.
- Asset Management Fees, Information Technology, and Resident Participation funding were based in 2020 prepopulated unit status data.
- Asset Repositioning Fees (ARF) in CY 2020 were based on projected 2020 amounts. For any RAD project the ARF amount should not be drawn down and the field office should be contacted to consider processing a de-obligation of the amount.
- Stop Loss/Transition Funding is consistent with the 2020 prepopulated PUM amount times 2020-unit status data.
- Formula income PUM used was the CY 2019 HUD-52723 data or in certain cases a PHA average. The 2020 formula income inflation factor used was 1.0331.
- Where the percentage difference in the 2019 eligibility and the 2020 estimated eligibility was greater than 20%, generally, the 2019 eligibility was taken.

**Office of Public and Indian Housing**

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If a PHA received funding for a project that is ineligible for funding in CY 2020, the PHA should notify its Field Office as soon as possible. PHAs should not draw funding for any project that fully converted to RAD with a HAP effective date in 2019 or before because such projects are not eligible for funding. If a PHA was not funded for a project that is eligible for Operating Subsidy in 2020, they should notify their local Field Office immediately.

Funding for May/June will be based upon actual eligibility (Operating Subsidy tools submitted by PHAs). Because the basis for determining eligibility is changing again, in certain project(s) this may result in an increase or decreases in funding to account for previous overfunding or underfunded projects in 2020's first three obligations, which, as noted above, were based upon estimates.

**Interim Proration Levels for CY 2020 using an Estimated Eligibility**

The Department undertakes a conservative methodology in determining proration levels while using estimated eligibility. This is done in an effort to ensure that funding increases for the majority of projects as we transition to funding based upon estimated eligibility to funding based upon actual eligibility. For this obligation, the Department utilized an interim proration level of 95%.

As noted above, HUD is currently working on obligating funds for May and June. The proration rate used for that obligation will reflect actual eligibility, the 2020 appropriation, as well as adjustments for the reapportionment to RAD, reserves, and corrections to prior year funding errors.

As is the norm, proration rates continue to fluctuate throughout the year. Usually these fluctuations are minor and are generally attributable to changes in eligibility due to Operating Subsidy tools for new projects being submitted, as well as revisions to original submissions being submitted by PHAs or require by HUD as HUD QCs the Op Sub data. Each year the proration is finalized around September, as the final revisions are submitted by PHAs and eligibility is closed out for the year.