



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

OFFICE OF PUBLIC AND INDIAN HOUSING

March 1, 2016

Dear Executive Director:

Subject: Housing Choice Voucher Program Calendar Year (CY) 2016 Renewal Funding Allocation

The purpose of this letter is to advise public housing agencies (PHA) of the CY 2016 Housing Assistance Payments (HAP) renewal funding allocations for the Housing Choice Voucher Program (HCVP). The funding allocations described herein are based on the requirements of the "Consolidated Appropriations Act, 2016" Public Law 114-113, ("the 2016 Act") enacted December 18, 2015. HUD will publish a PIH Notice that describes the implementation of the 2016 Act in detail. This Notice can be found at the following link: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/pih.

Your agency's CY 2016 HAP renewal funding is identified at the top of the Enclosure A provided with this letter. Enclosure A sets forth the funding calculations for your PHA; the calculations are fully explained in the Notes provided for this enclosure, and you are encouraged to review them thoroughly. If your agency is administering HUD Veterans Affairs Supported Housing (VASH) vouchers, the renewal of these vouchers is included in the overall renewal calculations. These vouchers are not renewed separately, other than for Moving to Work (MTW) agencies. PHAs must comply, however, with the statutory requirement that VASH vouchers may only be used to assist VASH-eligible participants, both initially and upon turnover.

The 2016 Act requires the Department to establish a new baseline for HAP funding eligibility, based on Voucher Management System (VMS) data for CY 2015 (January 1, 2015 through December 31, 2015). This practice is commonly referred to as re-benchmarking. Consistent with prior years, the Department provided PHAs with the opportunity to review and update all VMS data related to the funding calculations as detailed in this letter and the enclosure. The VMS data used is the data reported by each PHA and accepted in VMS as of the end of the data review period on January 26, 2016, the same date as the December 2015 data submission deadline. There will be no further appeals or adjustments to these data items, except at the direction of the Department.

The 2016 Act authorizes the Department to offset PHAs' CY 2016 renewal allocations based on excess amounts of net restricted position (NRP) and HUD-held program reserves. The Act provides that HUD shall use the funds from any such offset throughout CY 2016 to prevent the termination of rental assistance for families as the result of insufficient funding and to avoid or reduce the need for proration. The Department has decided to NOT exercise this offset authority in CY 2016. The Appropriations for 2016 are sufficient to allow nearly full funding of each PHA's eligibility; hence there is no need to offset prior year excess funds to raise the proration. Additionally, in the Department's view, due to the provisions of the HAP set-aside, there will be no terminations due to insufficient funds.

For the months of January through March of 2016, your agency received HAP obligations based on the CY 2015 renewal funding. If your PHA has been under-obligated renewal funds through March 2016, based on the prorated funding eligibility indicated on Enclosure A, the additional amount due will be obligated in the immediate future. If your PHA has been over-obligated funds through March 2016, the April 2016 obligation will be reduced accordingly, so that your PHA is obligated the accurate amount for the year.

Disbursements for January through March of 2016 have been based on PHA actual HAP expenses per the most recent data validated in the Voucher Management System (VMS). Disbursements for this period will be reconciled once VMS data through March is submitted and validated. At that time, if your PHA has been under-disbursed funds to date, based on your actual expenses, and the PHA requires additional disbursements to cover those expenses, the PHA may request funds, up to the total funds available for the PHA. The under-disbursement will not otherwise be disbursed, as HUD assumes many or most PHAs will have already requested funds as needed in the period between their expenditures and the reconciliation. If your PHA has been over-disbursed, the excess will be collected via reduced disbursements in the following month(s). Please keep in mind that obligated renewal funds are being disbursed only as needed. Disbursements for future months will continue to be calculated per the most recently validated HAP expenses from VMS.

Enclosure A documents the CY 2016 renewal budget authority allocation and non-renewal budget authority currently obligated and available. The forthcoming CY 2015 reconciliation will document the HUD-held program reserve balance. Upon review of total funds available from these sources as well as the remaining NRP funds being held by the PHA and anticipated HAP expenses for the CY 2016, any PHA that anticipates a shortfall of HAP funds should immediately contact its HUD field office to review the data and determine if the PHA needs to begin working with the Shortfall Prevention Team (SPT). HAP Set-Aside funds are available in CY 2016 to address shortfalls, but in order to qualify, a PHA must have the shortfall confirmed by the SPT and must initiate cost reduction steps. This process is detailed in the implementation notice referenced at the start of this letter.

With the exception of MTW PHAs, no HAP funds provided for a PHA under the 2016 Act may be used to support a greater number of unit months than are provided for in the PHA's annual contributions contract (ACC). PHAs are also reminded that CY 2016 HAP funds shall only be used for eligible CY 2016 HAP expenses and those of future years. The funds shall not be used to support prior year deficits or provide for administrative expenses, nor may they be loaned or transferred to cover other program obligations, such as Low-Rent and/or Capital Fund programs. MTW PHAs may use funds in accordance with their approved plans.

It is each PHA's responsibility to retain the appropriate records to support VMS submissions for the collected periods, as they are subject to on-site review by HUD. VMS data, as well as requested adjustments to that data, are subject to review by our Quality Assurance Division (QAD), and subsequent recalculation of CY 2016 funding eligibility will occur if a QAD or other HUD review demonstrates that costs were incorrectly reported, resulting in excess

funding.

Calculations are not included herein for CY 2016 administrative fees. Pursuant to the 2016 Act, fees are again being paid solely on the basis of leasing as of the first of each month. Fee rates for CY 2016 have been posted on the Department's web site to enable PHAs to estimate eligibility:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hc_v. Monthly fee advances are provided, based on estimated earnings, and are reconciled once actual leasing is reported. National eligibility for the quarter is compared to one-quarter of the appropriations available, and all PHAs' fee earnings will be prorated at the same percentage of eligibility. A final proration will be calculated once data for all 12 months of 2016 is validated.

It is strongly recommended that PHAs utilize the Two-Year Forecasting tool on the HUD web site, in consultation with their local HUD field office, to ensure that correct variables for the PHA are entered into the tool to arrive at the most accurate forecast to enable the PHA to maximize leasing while avoiding the need to terminate assistance to any households. The tool and instructions can be found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hc_v.

If you have any questions concerning your CY 2016 HAP renewal funding, please contact your Financial Analyst at the Financial Management Center.

Sincerely,

Miguel A. Fontáñez

Digitally signed by Miguel A. Fontáñez
DN: CN = Miguel A. Fontáñez, C = US, O = Housing
Voucher Financial Management Division, OU = Director
Reason: I am approving this document

Miguel A. Fontáñez
Director
Housing Voucher Financial
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