

## Housing Choice Voucher Program FY 2004 Appropriations Implementation

Presented by –

U.S. Department of Housing and  
Urban Development --  
Office of Public Housing and Voucher  
Programs



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## Housing Choice Voucher Program FY 2004 Appropriations Implementation

- ↓ Renewal Funding
- ↓ Administrative Fees
- ↓ Central Fund
- ↓ Program Reserve
- ↓ Administrative Fee Reserve
- ↓ PHA Responsibilities
- ↓ PHA Cost Containment Actions
- ↓ Portability Changes

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## Overview

- ↓ FY 2004 Appropriations continue many of the financial features introduced in FY 2003, including
  - Separate appropriations for HAPs and HA fees
  - Provision of renewal funding for leased units within baseline
  - Establishment of a Central Fund
  - Prohibition against funding over-leased units

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## Overview

- ✦ Changes are enacted to further improve program and financial integrity, including:
  - ❑ Limitation on per-unit-costs funded
  - ❑ Provision of funds that do not exceed needs
  - ❑ Modification of administrative fee allocations
  - ❑ Protection of administrative fee reserves for program purposes
  - ❑ Directive to HUD to ensure prudent management and take actions against PHAs that overlease negligently or intentionally

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## Issuances

- ✓ Public Law 108-199 (FY 2004 Consolidated Appropriations)
- ✓ 24 CFR 982
- ✓ Notice PIH 2004-07

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## Renewal Funding

- ✦ FY 2004 Procedure
  - ❑ Per unit funding amount based on actual costs incurred and reported by the PHA on form HUD-52681B as of August 2003, when the May to July activities were reported;
  - ❑ Per-unit-cost will be the weighted average of the 3 months' costs and will be adjusted via the full FY 2004 Annual Adjustment Factors (AAF)
  - ❑ If PHA did not report for that period, HUD will use the latest year-end settlement prior to August 1, 2003

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## Renewal Funding

### FY 2004 Procedure

- ❑ Unit months to be funded are based on actual unit months leased up to baseline, but not to exceed the number reported as leased as of August 2003
- ❑ Applicable to all renewals effective for months in calendar year 2004
- ❑ Renewals for January 1 and April 1 were calculated with pro-rated rather than full AAF; funding is being adjusted at this time, and HAS will be notified of the adjustments

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## Renewal Funding

### FY 2004 Procedure

- ❑ PHAs who reported incorrect data for May through July, 2003, may submit corrected data and supporting documentation for HUD consideration
  - ✓ Submission due no later than June 30, 2004;
  - ✓ Validated data may be used by HUD to adjust funding PUC
- ❑ Renewal funding will generally be for three months, except for increments not expiring at a quarter's end

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## Renewal Funding

### FY 2004 Procedure

- ❑ If PHA is over-leased early in its FY, HUD may provide renewal funding for more than the baseline number of units. Later in the FY, HUD will provide renewal funding for fewer than the baseline number, so that funding for the entire FY does not exceed the amount due for baseline number of unit months
- ❑ Regardless of number of units funded, actual number of units renewed equals the number expiring; baseline is not changed

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## Renewal Funding

### FY 2004 Procedure

- ❑ If current inflation rates in a PHA's market exceed the AAF, PHA may request an increased inflation factor from HUD:
  - ✓ PHA must objectively demonstrate the higher rate
  - ✓ PHA must provide all documentation re increased costs in rental market for modest housing and any relevant rent stabilization laws
  - ✓ PHA must submit request by July 15, 2004

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## Renewal Funding

### FY 2004 Procedure

Demonstration of the need for a higher AAF may include documentation of:

- ❑ Rent increases for unassisted, modest units that are greater than the AAF
- ❑ Significant increases in utility rates
- ❑ Local government rent requirements
- ❑ Impact of rent stabilization laws
- ❑ Significant property tax increases
- ❑ Litigation settlements mandating a higher payment standard

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## Renewal Funding

### FY 2004 Procedure

- ❑ Procedure will be used for all renewal funding through 12/31/2004
- ❑ Maximum Annual Budget Authority for a PHA is  $PUC \times AAF \times \text{authorized number of units months}$ , and will be less if PHA is not fully leased

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## Renewal Funding

Any Questions on Renewal Funding?

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## Central Fund – Features

- ✚ Provides funds needed by a PHA
  - ❑ To support authorized vouchers leased that were not included in the latest renewal calculation
- ✚ HUD will:
  - ❑ As part of each renewal, identify additional leasing since August 2003 reporting and fund those units from the central fund at the time of the renewal, without a PHA request, if PHA is eligible

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## Central Fund – Features

- ✚ PHA may request funds if:
  - ❑ Current costs for baseline units are utilizing all current Annual Budget Authority; and
  - ❑ PHA has expended more than 50% of its available program reserve; and
  - ❑ PHA has more units under lease than HUD is funding for the current renewal cycle

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### ✚ Central Reserve - Request

- ✚ To access the Central Fund, PHA must:
  - ❑ Submit a written request to the Financial Management Center
  - ❑ Submit required data on form HUD 52681 B for all months preceding the month of the request
- ✚ PHA should monitor units funded and leased monthly to ensure funds are requested if needed to support additional units leased within baseline

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### ✚ Central Reserve

- ✚ Calculating Actual Program Reserve Balance:
  - ✓ **Balance** per last approved year-end settlement
  - ✓ **Plus** Annual Budget Authority for each intervening month to date of request
  - ✓ **Minus** actual HAP expenditures for intervening months
  - ✓ **Plus** any program reserve restorations since the last settlement
  - ✓ **Minus** any program reserve recaptures since the last settlement

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### ✚ Central Reserve - Funding

- ✚ Monthly Amount: Allowable per-unit-cost for units under lease within baseline that exceed the units currently funded by HUD
- ✚ Term: Funding cycle for which funds are requested
- ✚ Separate funding is provided for HAP for increased units and increased administrative fees due

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### Central Reserve – Funding

- Based on actual leasing only – no projections
- Requests must be submitted by December 31, 2004

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### Central Reserve

Any Questions on the Central Fund?

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### Over-leasing

- Over-leasing is assisting more unit months during the PHA FY than are available for authorized vouchers in the Annual Contributions Contract (ACC)
- Over-leasing is determined only on a PHA FY basis, not monthly
  - Example: PHA with 100 vouchers is not over-leased if it assists more than 100 units in any month(s) but is over-leased if it assists more than 1200 unit months for the year

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## Over-leasing

### FY 2004 Policy:

- ❑ No FY 2004 appropriated funds may be used to assist more units than are authorized for the PHA in the ACC – this is a statutory requirement
- ❑ Any existing over-leasing must be supported by program reserves generated from pre-FY 2003 appropriations, administrative fee reserves, or other PHA funds

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## Over-leasing

### FY 2004 Policy:

- ❑ If a PHA cannot support any current over-leasing, the PHA must take immediate steps to eliminate it and should consult with PIH field office
  - ✓ Carefully analyze leasing and costs to determine extent of the problem
  - ✓ Establish a policy for eliminating over-leasing
- ❑ Over-leasing costs will be disallowed from FFY 03 and FFY 04 funds on PHA year-end settlements

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## Over-leasing

### FY 2004 Policy:

- ❑ Appropriations Act directs HUD to ensure prudent management and authorizes HUD to take administrative actions against PHAs that over-lease in negligent or intentional disregard for the leasing limitation set by Congress
- ❑ Actions may include
  - ✓ Reduction of administrative fees
  - ✓ Restriction on use of admin fee reserves
  - ✓ Declaration of Troubled status

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## Over-leasing

Any Questions on Over-Leasing?

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## Administrative Fees

- Most FY 2004 administrative fee funds (a total of \$1,192,000,000) will be pro-rated to be available to PHAs
- Each PHA's pro-rata share of the FFY 2004 fee funds is based on the total amount it was eligible to receive for its FFY 2003 leasing within baseline, compared to the total for all PHAs

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## Administrative Fees

- Each PHA's pro-rated total will be converted to a per-unit-per-month (PUM) amount, payable for every unit under lease as of the first of each month in FFY 2004, up to the authorized total unit months
- Pro-ration is without regard to any fee reductions imposed in FFY 2003 due to excess administrative fee reserve balances

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### Administrative Fees

- This procedure will replace the calculation of fees on the basis of fee schedules published by HUD in prior years
- PUM amount will also be used by each PHA, beginning 1/1/04, for
  - Moderate Rehabilitation program
  - Portability fees to Receiving PHAs (at 80%)
- Each PHA will be told their PUM amount

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### Administrative Fees

- No administrative fees will be paid for over-leased unit months, determined on annual basis
- Administrative fee amounts obligated for renewals effective 1/1/04 and later were estimated; adjusted obligations are being completed for all PHAs

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### Administrative Fees

- Administrative fees paid from FFY 2004 funds may only be used for activities related to the provision of Section 8 assistance, including related development activities; they may not be used for any other purpose
- FY 2004 fees will not be limited by any prior administrative fee reserve balance and will not be subject to recapture at year's end

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### Administrative Fees

- Additional administrative fees, beyond the pro-rata calculation, will be provided for the following PHA activities:
  - Additional leasing, up to authorized level, subsequent to FFY 2003, through April 2004
  - Hard-to-house participants
  - Lead-based paint assessments and tests
  - Housing conversion fees
  - Pro-rated portion of audit costs

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### Administrative Fees

- Administering a homeownership program with at least one closing between October 2003 and December 2004
- An upcoming PIH notice will provide details concerning these fees and their payment

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### Administrative Fees

Any Questions on FFY 2004 Administrative Fees?

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## Administrative Fee Reserve

### Pending Recaptures of Excess FFY 2003 Fees

- ❑ Per the FFY 2003 Appropriations, some PHAs are subject to having a portion of the administrative fees paid to them from FFY 2003 funds recaptured
- ❑ At the end of the final PHA FY in which a PHA received any FFY admin fee funds, HUD will recapture FFY 2003 fees that exceed PHA administrative costs.

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## Administrative Fee Reserve

- ❑ Any portion of the FFY 2003 fees needed to maintain an administrative fee reserve of 5 percent of fees earned for the year will NOT be recaptured
- ❑ These recaptures will be done on PHA settlements for 12/31/2003 through 9/30/2004
- ❑ Since most of these recaptures have not yet been done; PHAs should calculate the amount of their potential recapture and preserve these funds

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## Administrative Fee Reserve

### Use of Reserves

- ❑ HAs shall not transfer funds out of the administrative fee reserve to another account, even if that account is designated for housing purposes. Such a transfer does not constitute "use" of the fee reserve for other housing purposes -- on-going, not new, requirement
- ❑ Administrative fee reserve funds must be expended by the HA to be considered used for other housing purposes and must remain in the reserve until expended - on-going, not new, requirement

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## Administrative Fee Reserve

### Use of Reserves

- FY 2004 fees and reserves they generate may only be used for Section 8 purposes, and may not be used for other housing purposes permitted by state and local law, as reserves generated from earlier FFY fees may.
- 24 CFR 982.155(b)(3) states: If an HA has not adequately administered any Section 8 program, HUD may prohibit use of funds in the administrative fee reserve, and may direct the HA to use those funds to improve program administration or to reimburse ineligible expenses

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## Administrative Fee Reserve

Any Questions on Administrative Fee Reserves?

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## Program Reserves

- ✦ Authorized level is one month of HAP costs, defined as the average HAP costs of the most recent six months' of data provided by the PHA
- ✦ All reserves, including those generated from FFY 2003 and 2004 appropriations, may be used to cover HAP costs for the authorized number of units

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### Program Reserves

- Reserves generated from FFY 2003 and 2004 appropriations may not be used to assist or continue to assist any units above the PHA's authorized number
- Any remaining pre-2003 reserves may be used to cover remaining costs of over-leasing
- Reserves are accessed via a budget or budget revision and revised payment schedule

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### Program Reserves

- Calculating pre-2003 reserves:
  - If FY 2002 ending balance > FY 2003 ending balance, then FY 2003 ending balance is the pre-2003 reserve available in FY 2004
  - If FY 2003 ending balance > FY 2002 ending balance, then FY 2002 ending balance is the pre-2003 reserve available in FY 2004

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### Program Reserves

- Many PHAs eligible for central fund amendments in FY 2003 did not request them
- HUD has analyzed all PHA reserves as of 12/31/2003 and has identified those who need additional funds to bring their 12/31/2003 balance to 50% of one month, exclusive of over-leasing
- PHAs have been notified to request the funding and it is being provided now
- PHAs eligible for additional funds in FFY 2004 should request them timely, as there is no assurance that replenishments will be available later

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## Program Reserves

Any Questions on Program Reserves?

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## Public Housing Agency Requirements

- Submit budgets, requisitions and settlements in a timely manner
  - Funding is obligated quarterly, but disbursements are made monthly, based on approved payment schedule
  - HUD may reduce payments if HUD 52681B reports indicate less funds are needed
  - HUD will reduce projected Budget Authority and payment schedules on previously-approved budgets, based on FY 2004 appropriations

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## Public Housing Agency Requirements

- Budgets and revisions are currently being approved, and payments scheduled, through 12/31/04, as FFY 2005 funding process is not yet known
- PHAs may not use funds obligated for HAP payments to support administrative fees

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## Public Housing Agency Requirements

- Ensure that unit months leased do not exceed unit months authorized per units under ACC
- Submit form HUD 52681B at least quarterly
- Request funds as needed from the Central Fund for additional leased units
- Manage program prudently; review operations and policies to ensure PHA is not incurring costs beyond what is needed to support decent housing

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## Public Housing Agency Requirements

Any Questions on PHA Requirements?

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## PHA Actions to Reduce Costs

- Suspend voucher issuance
  - Stop issuing turnover vouchers
  - Do not execute HAP contracts for outstanding vouchers
- Review PHA admission policies
  - Is PHA exceeding income targeting requirement for at least 75% extremely low income admissions? (nationwide 80% of admissions are ELI)
  - Should PHA request HUD approval of a different income targeting requirement?

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### PHA Actions to Reduce Costs

- ❑ PHA may provide admission preference to working families (if same preference is provided to families with elderly or disabled head or spouse)
- ✚ Reduce PHA Payment Standards
  - ❑ Applies immediately to applicants, movers and new contracts
  - ❑ Delayed application to in-place tenants

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### PHA Actions to Reduce Costs

- ✚ Review rents for reasonableness
  - ❑ Rent to owner (initial and increases) may never exceed reasonable level
  - ❑ Regulations allow re-determination at any time
  - ❑ Reduced rents may be effective 1<sup>st</sup> of month following rent reasonableness redetermination
  - ❑ Ensure that rents and rent increases comply with any local or state rent control limits

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### PHA Actions to Reduce Costs

- ❑ If owner will not accept reasonable rent, tenant is issued a new voucher and HAP contract is terminated when tenant moves
- ✚ Increase income matching/verification efforts and anti-fraud activities
- ✚ Review PHA policy on interim reexaminations
  - ❑ Regulations permit HA to reexamine family income and composition at any time
  - ❑ HA must adopt policy prescribing required family reporting

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PHA Actions to Reduce Costs

- ✦ Impose or increase minimum rent (\$50 maximum)
- ✦ Review PHA subsidy standards
  - Unit size on the voucher determines maximum payment standard amount
  - Subsidy standards must be consistent with HQS and not require overcrowding
  - If family unit size changes during contract term, new size must be used to determine Payment Standard at next regular reexamination

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PHA Actions to Reduce Costs

- ✦ As a last resort:
  - Terminate HAP contracts if funding is insufficient to support continued assistance
  - Deny families permission to move to a higher cost unit within the PHA jurisdiction, due to insufficient funding
  - Deny portability moves to higher cost area (higher PUC based on Receiving PHA subsidy standards and/or payment standards) if Receiving PHA refuses to absorb

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PHA Actions to Reduce Costs

✗ *These three steps should not be taken prior to a HUD analysis of PHA finances and PHA development of a plan to reduce costs via other means*

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PHA Actions to Reduce Costs

- PHA may not unilaterally reduce owner rent without rent reasonableness justification
- PHA may not reduce HAP, effectively passing an increase on to the tenant
- PHA may not refuse to process all owner requests for rent increases; must review for reasonableness

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PHA Actions to Reduce Costs

- PHA may not cancel portable contracts for which it is paying another HA, but may refuse to absorb portable families
- PHA may not temporarily suspend all HAP payments
- PHA may not refuse to fund FSS escrow withdrawals by participants
- PHA may not cancel or stop funding escrow accounts, other than for contractual or regulatory reasons

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PHA Actions to Reduce Costs

Any Questions on PHA Actions to Reduce Costs?

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### PHA Leasing and HAP Reporting (HUD 52681B)

- Reports are submitted electronically once per quarter to the VMS; PHA can submit and/or correct current and prior quarters
- PHA should maintain back-up records to support the data reported for each month
- Leasing data is used to determine renewal units funded
- HA errors and omissions will cause funding discrepancies

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### PHA Leasing and HAP Reporting

- Common Concerns:
  - Incomplete or partial submissions will be automatically rejected by VMS
    - Every submission must include all three months of the affected quarter
    - If the PHA changes any data, the report will become "Pending" and must be re-submitted for the quarter
  - 5 Year Mainstream units are being incorrectly reported
    - Must be separately reported where indicated
    - Shall not be reported if PHA received no 5-Year Mainstream award

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### PHA Leasing and HAP Reporting

- HAP Expenses: Report expenses in the month to which they apply, not the month the check was written
- Units Leased: Report units leased as of the 1<sup>st</sup> day of the month in each category
- Homeownership: Report total households using voucher assistance to purchase a home, as well as new homeowners for each month; there has been significant under-reporting to date

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## ✚ Voucher Portability

### ✚ Concerns

- ❑ Renewal funding changes increase the need for careful management, prompt payment and communications between PHAs administering portability billing arrangements
- ❑ Recent HUD IG audit indicated instances where receiving PHAs did not notify initial PHAs when participants left the program or were absorbed; as a result payments continued and new families that could have been assisted were not

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## ✚ Voucher Portability

### ✚ New HUD Notice forthcoming that will:

- ❑ Change the deadline by which receiving PHA must submit initial billing
- ❑ Require receiving PHA to provide annual recertification notification to initial PHA
- ❑ Establish new requirements to address late billing payments by initial PHA, including an explicit deadline by which on-going monthly billing amounts must be received by the receiving PHA

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## ✚ Voucher Portability

- ❑ Identify procedures that will be used to transfer units from initial PHAs to receiving PHAs in cases where billing deadlines are not met
- ❑ Describe penalties that will be imposed on receiving PHAs that fail to provide timely notification to initial PHAs when billing arrangements are terminated
- ❑ Transmit a revised Family Portability Information Form, incorporating the new billing deadlines
- ❑ Clarify PIC data entry related to portability

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## +Questions?

Please e-mail additional questions to:  
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***Thank You!***

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