



**U.S. Department of Housing and Urban Development
Public and Indian Housing**

Special Attention of:
Office Directors of Public Housing;
Regional Directors; Public Housing
Agencies.

Notice PIH 2008 - 15 (HA)

Issued: March 20, 2008

Expires: March 31, 2009

Cross References:

SUBJECT: Implementation of Federal Fiscal Year 2008 Funding Provisions for the Housing Choice Voucher Program

- Purpose.** This Notice implements the Housing Choice Voucher (HCV) program funding provisions resulting from enactment of the “Consolidated Appropriations Act, 2008”, (Public Law 110-161), referred to hereinafter as “the 2008 Act,” enacted on December 26, 2007. The 2008 Act establishes the allocation methodology for calculating housing assistance payments (HAP) renewal funds and continues to prohibit the use of appropriated funds for over-leasing. The 2008 Act contains special provisions related to the calculation of HAP renewal funding for certain categories of Public Housing Agencies (PHAs) which are described later in this Notice. The 2008 Act also establishes the allocation method for on-going administrative fees, which is significantly different than the allocation method of recent years. This Notice provides that any HAP budget authority provided to PHAs in calendar year (CY) 2008 that exceeds actual program expenses for the same period must be maintained in the PHA’s Net Restricted Assets (NRA) Account for HAP. Excess administrative fees must be maintained in the PHA’s Net Unrestricted Assets Account, also referred to as the Administrative Fee Equity Account.. These requirements are in accordance with Generally Accepted Accounting Principles (GAAP).
- Background.** In Federal Fiscal Year (FFY) 2007, the Revised Continuing Appropriations Resolution, 2007 (Revised CR 2007) (Public Law 110-5), enacted on February 15, 2007, and the U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (Public Law 110-28) established a new methodology for HAP renewal funding for the calendar year (CY) 2007 funding cycle using the Voucher Management System (VMS) leasing and cost data for the most recently completed period of 12 consecutive months for which the Secretary determined the data to be verifiable and complete, prior to pro rations, and by applying the 2007 Annual Adjustment Factor (AAF) as established by the Secretary, and by making any necessary adjustments for the costs associated with the first-time renewal of tenant protection or HOPE VI vouchers or vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act. This renewal methodology is commonly referred to as re-benchmarking. The 2008 Act establishes a new baseline period for calculation of HAP renewal funding for CY 2008 as described below.

3. **Calculation of CY 2008 HAP Funding Allocations :**

The 2008 Act reads in part as follows:

“(1)\$14,694,506,000 for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act): *Provided*, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2008 funding cycle shall provide renewal funding for each public housing agency based on voucher management system (VMS) leasing and cost data for the most recent Federal fiscal year and by applying the 2008 Annual Adjustment Factor as established by the Secretary, and by making any necessary adjustments for the costs associated with deposits to family self-sufficiency program escrow accounts or the first-time renewal of tenant protection or HOPE VI vouchers or vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act: *Provided further*, That notwithstanding the first proviso, except for applying the 2008 Annual Adjustment Factor and making any other specified adjustments, public housing agencies specified in category 1 below shall receive funding for calendar year 2008 based on the higher of the amounts the agencies would receive under the first proviso or the amounts the agencies received in calendar year 2007, and public housing agencies specified in categories 2 and 3 below shall receive funding for calendar year 2008 equal to the amounts the agencies received in calendar year 2007, except that public housing agencies specified in categories 1 and 2 below shall receive funding under this proviso only if, and to the extent that, any such public housing agency submits a plan, approved by the Secretary, that demonstrates that the agency can effectively use within 12 months the funding that the agency would receive under this proviso that is in addition to the funding that the agency would receive under the first proviso: (1) public housing agencies that are eligible for assistance under section 901 in Public Law 109-148 (119 Stat. 2781) or are located in the same counties as those eligible under section 901 and operate voucher programs under section 8(o) of the United States Housing Act of 1937 but do not operate public housing under section 9 of such Act, and any public housing agency that otherwise qualifies under this category must demonstrate that they have experienced a loss of rental housing stock as a result of the 2005 hurricanes; (2) public housing agencies that would receive less funding under the first proviso than they would receive under this proviso and that have been placed in receivership within the 24 months preceding the date of enactment of this Act; and (3) public housing agencies that spent more in calendar year 2007 than the total of the amounts of any such public housing agency's allocation amount for calendar year 2007 and the amount of any such public housing agency's available housing assistance payments undesignated funds balance from calendar year 2006 and the amount of any such public housing agency's available administrative fees undesignated funds balance through calendar year 2007: *Provided further*, That notwithstanding the first two provisos under this paragraph, the amount of calendar year 2008 renewal funding for any agency otherwise authorized under such provisos shall be reduced by the amount of any unusable amount (as determined by the Secretary, due to limits in this paragraph with respect to an agency's authorized level of units under contract) in

such agency's net restricted assets account, in accordance with the most recent VMS data in calendar year 2007 that is verifiable and complete, which exceeds 7 percent of the amount of renewal funding allocated to the agency for the calendar year 2007 funding cycle pursuant to section 21033 of Public Law 110-5, as amended by section 4802 of Public Law 110-28: *Provided further*, That up to \$50,000,000 shall be available only: (1) to adjust the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs from portability under section 8(r) of the Act of tenant-based rental assistance; and (2) for adjustments for public housing agencies with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation: *Provided further*, That none of the funds provided under this paragraph may be used to support a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract: *Provided further*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph, after subtracting \$723,257,000 from such amount, pro rate each public housing agency's allocation otherwise established pursuant to this paragraph: *Provided further*, That except as provided in the last proviso, the entire amount specified under this paragraph, except for \$723,257,000 shall be obligated to the public housing agencies based on the allocation and pro rata method described above and the Secretary shall notify public housing agencies of their annual budget not later than 60 days after enactment of this Act: *Provided further*, That the Secretary may extend the 60 day notification period with the written approval of the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the Moving to Work demonstration shall be funded pursuant to their Moving to Work agreements and shall be subject to the same pro rata adjustments under the previous proviso;

(2) \$200,000,000 for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance: *Provided*, That the Secretary shall provide replacement vouchers for all units that were occupied within the previous 24 months that cease to be available as assisted housing due to demolition, disposition, or conversion, subject only to the availability of funds;

- A. A new HAP funding baseline will be established based on validated leasing and HAP cost data in the VMS for FFY 2007, the period of October 1, 2006 through September 30, 2007.
- B. The baseline will be increased to provide funds for the first time renewal of vouchers for HOPE VI and tenant protection actions awarded to PHAs effective August 1,

2006 and later and expiring before December 31, 2008 as the HAP costs for those vouchers may not be fully reflected in VMS. Tenant protection vouchers include vouchers awarded for housing conversion actions, non-renewal or termination of Section 8 Moderate Rehabilitation contracts, and the demolition or disposition of public housing units. HUD will adjust funding for these vouchers to insure each voucher is funded for 12 months during CY 2008. HUD will assume that the vouchers are leased 90 days after the effective date of the increment and are reflected in VMS from that point forward. For those periods not covered by the original funding award and not included in VMS, HUD will fund the higher of the per unit amount initially funded or the validated per unit VMS amount. The following is a hypothetical example of an increment awarded in CY 2007 which will expire in CY2008:

New Increment Effective Date:	April 1, 2007
New Increment Expiration Date:	March 31, 2008
Number of Units:	75
Budget Authority (BA):	\$472,500
Per Unit BA:	\$525
(BA divided by 75 units and divided by 12 months)	
Average FFY 2007 VMS per Unit Cost:	\$480
Funding in 2008:	
1. January through March of 2008 from the original BA;	Months 3
2. Leasing and costs assumed in VMS beginning July 1, 2007 (90 days after effective date) through September 2007	3
3. Remaining months funded at higher of original per unit BA or average PUC from VMS baseline; in this example. (They are funded at \$525 per unit per month, for 75 units)	6
Total months funded in 2008	12

- C. Adjustments in funding will be made for voucher units that were not in use during any months of FFY 2007 (October 2006 through September 2007) because they were held to meet a commitment pursuant to section 8(o) (13) (project-based voucher (PBV) assistance) of the U.S. Housing Act of 1937. In order to qualify for this type of an adjustment, the units must have been under a Project-Based Voucher (PBV) Agreement to Enter into a Housing Assistance Payments Contract (AHAP) that covered part or all of FFY 2007. The Department has already requested this information from the PHAs under the process described in Section 4 below.
- D. Adjustment for costs associated with deposits to family self-sufficiency (FSS) program escrow accounts will be calculated based on the number of active FSS participants with progress reports in PIC multiplied by the average monthly escrow

- deposit in PIC multiplied by six months (assumes escrows began, on average, halfway through the year).
- E. Adjustments in funding will be provided for HCV participants returning to the HCV program as a result of the end of their participation in the Disaster Voucher Program (DVP) on December 31, 2007 or earlier. DVP, for all prior voucher holders, ended no later than December 31, 2007; therefore, there is no Voucher HAP data for most of these families in VMS for FFY 2007. VMS data must be supplemented to ensure every PHA will have adequate funding for these participants. Using the Disaster Information System (DIS) to identify participants, HUD has confirmed with the initial and receiving PHAs those tenants who are returning to the HCV program (either physically returning home or remaining at their present locations). PHAs with these participants will be funded, in addition to their VMS-based funding, for each January 1, 2008 returnee for the full twelve months, at the PHA's average 2008 funding level. If the participant left DVP prior to December 31, 2007, HUD confirmed whether or not they came back to the HCV program at that time. If so, HUD will add the number of months these participants were not in VMS for FFY 2007 to the PHA's CY 2008 HAP Renewal funding. Special provisions have been established to accommodate those DVP households that were participants in the HCV program at the Housing Authority of New Orleans (HANO) at the time of the disaster. Many of these households have decided to remain in the area of the PHAs that provided their DVP assistance, rather than return to New Orleans. Due to the significant number of households involved, the Department has offered these PHAs the option to request that the vouchers for these participants be transferred to their program. Affected PHAs have been contacted about this option, and all transfers will be reflected in their 2008 fund allocations. All affected PHAs will be provided information at the time of the final funding allocation which will indicate for which participants funding is being provided.
- F. The HUD-published AAF for 2008 will be applied to the PHA's 12-month renewal allocation after all adjustments have been applied. The specific AAF that HUD will use pursuant to Congress' direction to reflect inflation can be found at HUD's website at: <http://www.hud.gov/offices/pih/programs/hcv/>. The AAF that includes the highest cost utility will be applied. The AAF will be adjusted upward by a factor of 25 percent, to reflect the time lag between the new baseline period and the start of CY 2008.
- G. This baseline amount will be increased or decreased respectively to reflect the transfer of vouchers to or from the PHA, to ensure the costs represented by transferred vouchers are included in the eligibility of the receiving PHA.
- H. HUD will determine the total eligibility for all PHAs, compare that amount to the total FY 2008 appropriation available for renewals, and will prorate each PHA's CY 2008 eligibility.
- I. In accordance with the 2008 Act, HUD will then reduce the total prorated allocation by \$723,257,000, by reducing each PHA's CY 2008 allocation by that portion of their unusable Net Restricted Assets (NRA) account that exceeds 7 percent of the PHA's

CY 2007 renewal funding. For Moving to Work Agencies (MTWs), this reduction applies only to funds that are not fungible under the MTW agreement. MTW agencies with a specific number of MTW units per their MTW agreements will be subject to the reduction on the NRA attributable to those units not covered by the MTW agreement.

4. **Funding Allocations and Requests for Adjustments:** By letter dated December 31, 2007, PHAs were provided an opportunity to review and request adjustments to the following:

- Units transferred from a PHA during FFY 2007;
- Vouchers held from leasing pursuant to a project-based voucher (PBV) commitment during any months of FFY 2007; and
- Discrepancies in the VMS data reported by the PHAs for the months of FFY 2007.

By a separate notification, those PHAs that were awarded new vouchers during the period beginning August 1, 2006, were requested to confirm those vouchers.

The Department reviewed all requests that were submitted by the established deadlines and made all approved adjustments. PHAs will be notified in writing of the results of those reviews. **There will be no further adjustments or appeals to the funding allocations provided to PHAs.**

PHAs will be advised of the calculated balance in their Net Restricted Assets account, the useable and unusable portions, and the impact on the calculation of renewal funding awarded for CY 2008. The calculations will include any approved changes to FFY 2007 VMS data that impact the Net Restricted Assets account. These calculations will be provided with the CY 2008 allocation letters.

5. **HAP Funding for Tenant Protection Actions:** HUD will provide replacement vouchers for all units that were occupied within the previous 24 months that cease to be available as assisted housing due to public housing demolition, disposition, or conversion, subject only to the availability of funds..
6. **Over-leasing.** The 2008 Act continues to prohibit the use of appropriated funds by any PHA for over-leasing. Over-leasing occurs when a PHA has more unit months under HAP contract for the calendar year than are available under its Annual Contributions Contract baseline, even if the PHA has sufficient Budget Authority to support the additional unit months. Although a PHA may not over-lease its HCV units, it is also not required to lease up to its authorized baseline if it does not have the funding to do so.

If a PHA engages in over-leasing, it must identify other sources to pay for the over-leasing, and the PHA must take immediate steps to eliminate any current over-leasing. PHAs should consult with their Public Housing field office staff for assistance in determining needed actions. HUD has no authority to provide funds to support unit months leased in excess of the PHA's baseline units under ACC and will not do so.

Additionally, HUD will determine, based on CY 2007 leasing data in VMS, whether or not a PHA's renewal funding will need to be reduced due to over-leasing during that period. Since the October to December 2007 leasing data will not be known until the data is validated and funding allocation notices will be sent prior to the validation, the Department will separately notify PHAs of any reduction in renewal funding due to CY 2007 over-leasing after the validation period is complete.

7. **Special Provisions for Certain PHAs resulting from the Consolidated Appropriations Act, 2008:** The 2008 Act provides three categories of PHAs for which the calculated renewal allocation may be different than that resulting from the re-benchmarking methodology. The three categories of PHAs are: (1) PHAs that are eligible for assistance under Section 901 of Public Law 109-148 or are located in the same counties as those eligible under Section 901 and operate voucher programs under section 8(o) of the U.S. Housing Act of 1937 but do not operate public housing under section 9 of such Act; any public housing agency that otherwise qualifies under this category must demonstrate that they have experienced a loss of rental housing stock as a result of the 2005 hurricanes; (2) public housing agencies that would receive less funding under re-benchmarking per the 2008 Act than they would receive under the special provisions of the 2008 Act, and that have been placed in receivership in the 24 months prior to the enactment of the 2008 Act; and, (3) public housing agencies that spent more in calendar year 2007 than the total of the amounts of any such PHA's CY 2007 allocation and available HAP NRA funds through CY 2006, and the amount of the PHA's available Net Cumulative Administrative Fee Equity (Net Unrestricted Assets) account through CY 2007, including excess administrative fees from periods preceding the establishment of that account.
8. **Calculation of renewal allocation for (3) Categories of PHAs provided in the Consolidated Appropriations Act, 2008, described in Item 8 above:**
- A PHA in category (1) above may receive funding for CY 2008 based on the **higher** of the amount the PHA would receive under the provisions of the 2008 Act (re-benchmarking) or the amount the PHA received in CY 2007 (including any adjustments and application of the 2008 AAF). In order to receive funding on the basis of the amount received in CY 2007, the PHA must submit a plan, to be approved by the Secretary, that demonstrates that the PHA can effectively use, within 12 months of HUD approval of the plan, the funding that the PHA would receive under this provision which is in addition to the funding the agency would receive under the 2008 Act (re-benchmarking). The plan must additionally document that the PHA sustained a loss of rental housing availability due to the hurricanes. If a plan is not submitted or is not approved, the PHA's funding will be based on re-benchmarking.
 - A PHA in category (2) above may receive the amount the PHA received in CY 2007 (including any adjustments and application of the 2008 AAF). To receive renewal funding based on the CY 2007 funding allocation (including any adjustments and application of the 2008 AAF) a PHA must submit **a plan**, to be approved by the Secretary that demonstrates that the PHA can effectively use, within 12 months of HUD approval of the plan, the additional amount it would receive based on this

methodology. If a plan is not submitted or is not approved the PHA's funding will be based on re-benchmarking.

- A PHA will be determined by HUD to be in category (3) above if the PHA spent more in CY 2007 than the total of the amounts of any such PHA's CY 2007 allocation amount and available housing assistance payments (HAP) Net Restricted Assets account through CY 2006 and the amount of any such PHA's available Net Cumulative Administrative Fee Equity account as of December 31, 2007. A PHA determined by HUD to be in category (3) will receive for CY 2008 the amount the PHA received for CY 2007 (including any adjustments and application of the 2008 AAF).

9. **Submission of Plans for Category (1) and Category (2) PHAs:** PHAs that are potentially eligible under **Categories (1) and (2) above** have been notified in writing and advised of the procedures and deadline for submitting a plan. The Department will notify PHAs of approved plans and final funding amounts.
10. **Funding for Administrative Costs.** For CY 2008, **\$1,351,000,000** is available to fund PHA administrative (admin fees) and other expenses related to the HCV program. Of this amount, up to \$35,000,000 will be available to the Secretary to allocate to PHAs that need additional funds to administer this program as detailed below. Ongoing Administrative fees of no less than \$1,316,000,000 will be allocated for CY 2008 for ongoing administrative fees, which will be calculated as provided for by section 8 (q) of the United States Housing Act as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276). Under this calculation, PHAs will be paid a fee for each voucher that is under HAP contract as of the first day of each month. Administrative fees for incremental vouchers will also be paid based on leasing. The Department has developed and posted administrative fee rates for each PHA, to enable PHAs to calculate potential fee eligibility. Fee rates can be found at <http://www.hud.gov/offices/pih/programs/hcv/adminfees2008.cfm>. PHAs serving multiple admin fee areas may, in lieu of the fee determined for their agency, request a blended rate, based on the actual location of their assisted units on January 1, 2008. PHAs must advise the Financial Management Division, Housing Choice Voucher Program, in writing to the address cited in Section 12 no later than March 31, 2008 if they are requesting a blended rate. The blended rate will be used for the entire calendar year. In order to stay within the appropriated amount, the Department will pro-rate quarterly with monthly disbursements based on prior leasing activity. Each PHA's administrative fee eligibility will be reconciled to estimates and pro-rations every quarter. PHAs have received administrative fee advances for the early months of CY 2008. These advances were based on fee disbursements for December 2007. Because the fee provisions for 2008 are significantly changed from 2007, a PHA should not assume that the amounts advanced in the early months of the year will approximate the amounts across the year.

11. **Allocation of the \$35 million Administrative Fee Set-Aside.**

- 1) **Tenant Protection Fees.** From the \$35 million administrative fee set-aside, up to \$30 million, until depleted, will be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including administrative fees for HCVs related to new vouchers for HOPE VI and tenant protection actions. Fees will be paid based on leasing for all vouchers, including renewal, tenant protection and other incremental awards. Additionally, a special fee of \$200 will be provided for each unit occupied on the date of the eligibility event, for multifamily conversions only.
- 2) **Special Fees.** Approximately \$5 million will be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs.
- 3) **Special Fees remaining from 2007 Appropriations:** The Office of Housing Voucher Program recognizes, and continues encouraging the excellence and dedication of PHAs promoting the expansion of the national homeownership opportunities. To honor the PHAs commitment with this program the Secretary determined that the remaining funds from the 2007 Special Fees will be utilized to assist Public Housing Agencies administering Homeownership programs that have not been reimbursed the one-time \$5,000 fee bonus for implementing a new Homeownership program, and the \$1,000 special fee for homebuyers closings reported in PIC. Any remaining funds, after reimbursement of the Homeownership fees will be under the Secretary discretion to assist PHAs in need of additional funds to administer their Housing Choice Voucher Program
- 4) **Other Provisions.**
 - i. **Administrative Fees for Development Activities.** Administrative fees provided from this appropriation shall only be used for activities related to the provision of section 8 tenant-based rental assistance, including related development activities. Examples of related development activities include, but are not limited to, unit modification for accessibility purposes and development of project-based voucher units.
 - ii. **Restrictions.** Any administrative fees from 2008 funding (as well as 2004, 2005, 2006 and 2007 funding) that are subsequently moved into the Net Unrestricted Assets Account (also known as the Administrative Fee Equity Account) in accordance with GAAP at year-end must only be used for the same purposes. If a PHA has not adequately administered its HCV program, HUD may prohibit use of funds in the Net Unrestricted Assets Account and may direct the PHA to use funds in that account to improve administration of the program or to reimburse ineligible expenses in accordance with the regulation at 24 CFR 982.155(b)(3).

12. **\$50 million Set-Aside to Adjust PHA Baselines.** The 2008 Act provides that up to \$50 million shall be available only: (1) to adjust the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs from portability under Section 8(r) of the Act for tenant-based rental assistance; and (2) for adjustments to public housing agencies with voucher leasing rates at the end of the calendar year 2007 that exceed the average leasing for the 12 month period used to establish the allocation. HUD will process requests first under the first proviso and, once funded; will move to adjustments pursuant to the second proviso. The Department will consider the following when determining PHA eligibility for funds under Category 1 and/or 2:

1) Category (1) eligibility provides for adjustments for PHAs that experienced an increase in renewal costs from portability under Section 8(r) of the Act for tenant-based rental assistance. Renewal costs for portability will be based upon PIC reporting of portable vouchers being billed to each PHA and the average cost of those vouchers as compared to the PHA's CY 2008 funded rate, which is the FFY 2007 average HAP costs adjusted via the 2008 AAF.

2) Category (2) eligibility provides for PHAs that would experience a significant decrease in funding that could result in the loss of vouchers, due to the re-benchmarking. To determine eligibility under this category, the Department will compare the PHA's leasing from VMS, at the **higher** of the unit months leased in December 2007 or the average unit months leased in October through December 2007 to the average of the 12 months of FFY 2007, and will calculate the number of unit months the PHA would be able to lease based on the CY 2008 re-benchmarking funding allocation. If the difference is a decrease of 3 percent or more in the number of unit months the PHA would be able to lease in CY 2008 using the level of funding provided under the re-benchmarking funding allocation, the PHA will be eligible for funding under this category. Under this Category, PHAs may include in their October to December average or December actual leasing those persons then covered by DVP who subsequently returned to the HCVP by January 1, 2008, and for whom funding was **not** provided at the time of the PHA's CY 2008 funding allocation. PHAs submitting requests for these returning HCV participants must provide the following to support a request for funds: Returning HCV participant's first name, last name, last 4 digits of the social security number and the date the participant returned to the HCV program.

Although HUD will calculate the eligibility under both categories and a PHA does not need to submit any supporting documentation, except in the case of Category 2 if a PHA is requesting funds due to additional leasing by DVP participants (former voucher holders only), the PHA must submit the required certification in Attachment A in the manner prescribed below.

To be eligible for consideration of funds under category (1) and/or (2), the PHA must complete Attachment A to this Notice -- Application for the \$50 Million Set-Aside -- (by marking the applicable category 1 and/or 2 and must ensure signature by the appropriate PHA official) and submit it to the Department at the address below:

U.S. Department of Housing and Urban Development
Office of Housing Voucher Programs
Attn: Miguel A. Fontanez Sanchez, Director, Financial Management Division
Room 4232
451 7th Street, S.W.
Washington, DC 20410

The PHA's request must be received no later than close of business (5:00 p.m. EST) Friday, April 11, 2008. **It is recommended that requests be sent using overnight mail (USPS, UPS, Fed Ex, DHL, etc) that requires signature upon delivery. Standard delivery mail will be accepted; however, it is important to note that non-expedited mail has no guaranteed delivery time and is subject to the Department's security screening, which can delay delivery.** Requests not received on time will not be processed. Faxes and electronic submissions will not be accepted.

Set-aside funds may not be granted for any purposes other than the two cited above. In requesting set-aside funds, a PHA does not need to submit any documentation, and none will be reviewed. Calculations and funding will be determined by HUD per the described formula.

13. **Quality Assurance.** The Department will continue to deploy Quality Assurance (QA) teams to conduct on-site reviews of PHAs to ensure the integrity of PHA-reported data for the HCV program, as well as to ensure compliance with other program requirements, including over-leasing. QA staff will also review compliance with rent reasonableness requirements to ensure that owners are receiving rents that are comparable to similar unassisted units in the market. The allocations are subject to further adjustments if a future QA review warrants such adjustments.
14. **PHA Requirements.**
 - A. PHAs may only use CY 2008 HAP funding for housing assistance payments, and only for CY 2008 and future CY HAP needs. PHAs must continue to submit required financial documents including, but not limited to, quarterly VMS electronic submissions. PHAs will receive monthly disbursements based on their budgetary allocations from HUD on a CY basis. PHAs may request adjustments to monthly disbursements, not to exceed their annual budgetary allocations, by contacting their financial analyst at the Financial Management Center (FMC). PHAs may not use HAP funds for administrative expenses.
 - B. PHAs must manage their programs in a prudent manner to enable them to serve families within their CY 2008 allocations and voucher baselines. PHAs should review their policies and operations to ensure they are not incurring costs beyond what is needed to support decent housing of a modest nature within market rents for HCV participants.
 - C. The 2008 Act provides that incremental vouchers under the One-Year Mainstream program previously made available for non-elderly disabled families shall, to the extent practicable, continue to be provided to non-elderly disabled families upon turnover.

- D. The 2008 Act provides that incremental vouchers previously made available for family unification shall, to the extent practicable, continue to be provided for family unification.
 - E. PHAs must continue to submit financial data electronically to the Financial Assessment Subsystem (FASS). As provided by 24 CFR 982.152(d), PHAs that fail to meet this requirement will be subject to administrative actions including, but not limited to, an imposition of a penalty against a PHA's monthly administrative fees for failure to comply with reporting requirements until such time as the PHA complies with these requirements. This penalty represents a permanent reduction for the current calendar year that shall not be reversed; however, this will not impact the baseline calculations. Procedures are outlined in PIH Notice 2008-09.
 - F. PHAs must continue to report required data to the Voucher Management System (VMS). PHAs that do not submit the required data by the reporting deadline will be sanctioned as provided by 24 CFR 982.152(d), and in accordance with the procedures outlined in PIH Notice 2008-09.
15. **Restrictions on HAP Net Restricted Assets Account.** PHAs are reminded that funds in the HAP Net Restricted Assets account generated from CY 2005 and later appropriations may only be used for eligible HAP needs in the current and future CYs. CY 2008 funds **may not be used to cover any prior year deficits**. However, PHAs may use funds in the Administrative Fee Equity account for such purposes.
 16. **Excluded Programs.** The changes implemented by this Notice do not apply to renewal funding for the Section 8 Moderate Rehabilitation Program or Five-Year Mainstream vouchers.
 17. **MTW.** MTW agencies will continue to have their funding determined pursuant to their MTW agreements. HUD is directed by the Act, however, to apply the same pro-ration factor to the HCV budgets for MTW agencies as is applied to all other PHAs.
 18. **Incremental Vouchers.** The 2008 Act is providing funding for incremental vouchers for Family Unification Program, Veterans Affairs Supported Housing and Non-elderly disabled families, in the amounts of \$20 million, \$75 million, and \$30 million, respectively. The Housing Voucher Management and Operation Division is working on the standard operating procedures at this time, and will provide further guidance in a separate notice.

Paperwork Reduction Act.

The additional information collection requirements contained in this document are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). The OMB control number is 2577-0169. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Any questions concerning this Notice should be directed to the Housing Voucher Financial Management Division, Office of Public Housing and Voucher Programs, at (202) 708-2934 (this is not a toll-free number). Persons with hearing or speech impairments may access these numbers via TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339.

/s/

Paula O. Blunt, General Deputy Assistant Secretary
for Public and Indian Housing

CY 2008 Housing Choice Voucher Program
ATTACHMENT A – Application for \$50 Million Set-Aside

Name of PHA: _____
PHA Number: _____
Executive Director: _____

CHECK ALL BOXES THAT APPLY

_____ Category (1): I certify that _____ (PHA name and number) has experienced a significant increase in renewal costs resulting from portability.

_____ Category (2): I certify that _____ (PHA name and number) would experience a significant decrease in funding that could result in the loss of vouchers, due to the provisions of the Consolidated Appropriations Act, 2008, “re-benchmarking”.

_____ Category (2): I certify that _____ (PHA name and number) has DVP participants (former voucher holders) returning to the HCV program and for which funding was **not** provided at the time of the CY 2008 final funding allocation. The attached documentation provides the last name, first name, last 4 digits of the social security number and the date the participant returned to the HCV program.

ATTACH DOCUMENTATION OR INSERT INFORMATION HERE.

This certification must be signed by the appropriate PHA official and returned. No additional information is required or will be considered except for those PHAs requesting funds under Category 2 for DVP participants (former voucher holders) who are returning to the HCV program and for which funding was **not** provided in the CY 2008 final funding allocation.

Certification: I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

Signature of Executive Director and Date

Contact Name and Phone Number