



U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Special Attention:
Secretary's Representatives; State and Area
Coordinators; Director, Section 8 Financial
Management Center; Program Center
Directors, Directors, Offices of Public
Housing; Public Housing Agencies
Administering Section 8 Programs

Notice PIH 99-15 (HA)

Issued: March 8, 1999

Expires: December 31, 1999

Cross References:

Subject: Budget Preparation for the Transfer of Section 8 Certificates to the Voucher Program

1. **PURPOSE:** This Notice provides instructions to public housing agencies (HAs), Office of Public Housing HUBs, Program Centers, and the Financial Management Center to facilitate the preparation and review of tenant-based Section 8 budgets resulting from the merger of the rental certificate and rental voucher programs.
2. **BACKGROUND:** Section 545 of the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276, approved October 21, 1998) authorized the merger of the rental certificate and rental voucher programs. The merger of the certificate and voucher programs will be implemented by issuance of a regulation. In anticipation of the merger and to reduce the number of required budgets and financial statements from administering HAs, the Department intends to fund all increments of the Section 8 tenant based programs upon renewal under a joint instrument (Exhibit B).

Beginning in April, 1999, as certificate funding increments on Exhibit A of the CACC expire, they will be renewed as tenant-based funding increments on Exhibit B of the CACC. This will enable the Department to transfer expiring funding increments from the CACC Exhibit A (funding for the certificate program) to the Exhibit B (funding for the tenant-based certificate and voucher programs) and is an important first step in the transition to the new single tenant based voucher program.

3. **APPLICABILITY:** This Notice is applicable to HAs with certificate funding increments expiring April 1, 1999 or later. This Notice does not apply to Offices of Native American Programs with Section 8 certificate contracts expiring on or after September 30, 1997, which will not be renewed pursuant to the Native Americans Housing Assistance and Self Determination Act of 1996.
4. **IMPACT ON HA BUDGETS:** HAs with an approved budget which included a projection of renewal funds for CACC Exhibit A (certificate) increments expiring April 1, 1999 or later, will be required to submit revised budgets and requisitions. The approved HA budget projects Exhibit A renewals on the certificate budget. Since the policy has been changed to renew Exhibit A (certificate) expirations as Exhibit B

(voucher) funding increments, budget revisions are necessary to adjust the projected funding for Exhibit A renewals as a decrease to the certificate budget and an increase to the voucher budget. The budget revision should be submitted to HUD for approval at least one month prior to the expiration date of the first certificate expiring on or after April 1. This will allow adequate processing time for the Section 8 Financial Management Center to ensure timely payments to HAs.

HAs who have submitted a budget for the fiscal year beginning April 1, 1999 are required to submit revised budgets and requisitions for both the certificate and voucher programs to reflect the policy change if the HA has Exhibit A funding increments expiring April 1, 1999 or later. The revised budgets should be submitted by May 3, 1999 to ensure adequate processing time for the Section 8 Financial Management Center.

HAs who have not yet submitted budgets for the fiscal year beginning April 1, 1999 are reminded to incorporate the policy change in both the certificate and voucher program budgets.

If an HA has a voucher program only, there is no requirement to submit a new budget or a budget revision.

Both the certificate and voucher budgets and requisitions must be submitted simultaneously. Failure by the HA to submit the new or revised budgets and requisitions will result in discontinuance of the disbursement of monthly payments to HAs or a reduced payment.

5. PROJECTION OF RENEWAL FUNDING: The HA will project the estimated amount of funding to be received for each voucher renewal in the following manner:

- a) Determine the Exhibit A (certificate) and Exhibit B (voucher) increments expiring between April 1 and the end of the HA year and the number of units to be replaced.
- b) Determine the actual Per Unit Cost (PUC) from the last closed year end statements to develop a weighted average PUC, if applicable.
- c) Apply the appropriate inflation factors.
- d) Multiply the inflated PUC by the number of units expiring. Multiply the total by 12 (months) and prorate the projected renewal funding to the applicable HA year.
- e) Add \$5 per unit to fund an estimated increase in the administrative fee authorized in the QHWRA.

6. PER UNIT COST: The PUC is calculated as follows:

- a) **HAs with a certificate and voucher program:** From the latest approved year end statements (HUD 52681), divide total annual contributions earned for both the certificate and voucher programs by the total unit months leased for the certificate and voucher programs. This provides a weighted average PUC.
- b) **HA with a voucher program only:** From the latest approved voucher program year end statement (HUD 52681), divide total annual contributions earned by the number of unit months leased.
- c) **HA with a certificate program only:** From the latest approved certificate year end statement (HUD 52681), divide total annual contributions earned by the number of unit months leased.
- d) **HA with no approved year end statement:** The PUC will be obtained in this order:
 - State Agency weighted average.

- Weighted average of another agency within the same geographic area.
- State Agency voucher PUC.
- State Agency certificate PUC.

7. **INFLATING THE PUC:** Based upon the determination of the PUC as identified in 6, the PUC will be inflated to **1998** levels. If the PUC was derived from a last closed year end statement in 1996, it will be inflated by 1.05%; if the PUC was derived from a last closed year end in 1997, it will be inflated by 1.025%. If the PUC was derived from a last closed year end in 1998, no inflation is required.

The QHWRA changed the way in which the inflation is applied for FY **1999**. The inflation percentage used to bring the PUC determined above to the 1999 level is based upon the Housing Assistance Payments Program Contract Rent Annual Adjustment Factors (AAF), table 2, published in the Federal Register on September 24, 1998. Multiply the PUC for 1998 determined above by the higher of the "Highest Included" or the "Cost Utility Excluded" percentage for the PMSA area identified for your jurisdiction. If the HA is not included in a PMSA area, use the regional metro or non-metro percentage as applicable for the HA. This determines the 1999 PUC.

8. **VOUCHER RENEWAL FUNDS:** Multiply the inflated 1999 PUC by the number of expiring units. Multiply the total by 12 months and prorate the projected renewal funding to the applicable HA year. Add \$5 per unit to fund the estimated increase in the administrative fee.

9. **BUDGET ADJUSTMENT:** Prepare a budget revision to the approved certificate program budget to reduce Total Annual Contributions Required (line 26) of the HUD 52673 to reflect the exclusion of projected cost of certificate renewals April 1, 1999 or later.

Prepare a new voucher budget (previously certificate only program HAs), or budget revision (certificate and voucher program HAs) for the voucher program to increase Total Annual contributions Required (line 26) of the HUD 52673 to include the projected costs of voucher renewals April 1, 1999 or later as determined in step 8.

Make the corresponding adjustments to the form HUD 52672, Supporting Data for Annual Contributions Estimates and the form HUD 52663, Requisition for Partial Payment of Annual Contributions.

Submit the documents to the Financial Management Center for review and approval.

10. **CONTACT:** Questions related to this Notice may be directed to the Headquarters Section 8 Finance Division at (202) 708-2934.

_____/s/_____
Harold Lucas, Assistant Secretary
for Public and Indian Housing