



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

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:

Directors of HUD Regional and Field
Offices of Public Housing;
Public Housing Agencies that Administer the
Housing Choice Voucher Program

Notice PIH 2024-29 (HA)

Issued: August 9, 2024

Expires: This notice remains in effect until
amended, superseded, or rescinded.

Cross References: PIH Notice 2024-16, PIH
Notice 2024-21

SUBJECT: HCV 2024 HAP Funding – Second Offset Based on Excess HAP Reserves

- Purpose.** This notice informs public housing agencies (PHAs) that the Department of Housing and Urban Development (HUD) will apply a second offset to a number of PHAs' Calendar Year (CY) 2024 Housing Choice Voucher (HCV) housing assistance payments (HAP) renewal funding allocations based on the excess amounts in PHAs' Restricted Net Position (RNP, commonly known as HAP reserves), including HUD-held reserves. This action is undertaken to make additional funding available to prevent the termination of rental assistance for participating HCV families as the result of insufficient funding.
- Background.** The appropriations for the HCV HAP renewal funding for CY 2024 is made available through the Consolidated Appropriations Act, 2024 (Public Law 118-42, enacted on March 9, 2024, and referred to in this notice as "the 2024 Act."). PIH Notice 2024-16 describes the HCV HAP renewal funding allocation calculation that HUD exercised in accordance with the 2024 Act.

The 2024 Act provides up to \$200 million for the HAP Set-aside, through which HUD may adjust PHAs' CY 2024 HAP renewal allocations for certain specified purposes. One of the eligible categories under the HAP Set-aside is funding for PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funding. As discussed in section 11.A of PIH Notice 2024-16, this shortfall funding category may also be funded in whole or in part through the offset described in section 4, step 5 of that notice.

Due to 2024 shortfall concerns, HUD must take steps to ensure that PHAs will have sufficient funding resources to prevent terminations in CY 2024. HUD issued PIH Notice 2024-21, *HCV 2024 HAP Funding – Revised HAP Set-aside Shortfall Funding Requirements*, on June 24, 2024. PIH Notice 2024-21 established additional PHA

eligibility requirements for the CY 2024 shortfall funding category, including more stringent restrictions on the issuance of vouchers, and announced that HUD was prioritizing the need for shortfall funding to prevent terminations over the other HAP Set-aside funding categories.

Under the 2024 Act, HUD has the authority to offset PHAs' CY 2024 allocations based on the excess amounts of PHA net restricted asset accounts (including HUD-held reserves, as determined by the Secretary). The 2024 Act limits the use of the offset for two purposes – preventing the termination of rental assistance for families as a result of insufficient funding, and to avoid or reduce the proration of renewal funding allocations.

HUD has historically exercised this offset authority only once per calendar year and typically does so at the time it finalizes the HAP renewal funding allocation calculations. HUD then notifies PHAs of the applicable offsets and their CY allocations. Based on an analysis of updated program cost data, however, HUD has determined that the magnitude of the funding shortfalls in CY 2024 is larger than previously anticipated. To make additional funds available to prevent the termination of families due to funding shortfalls, HUD has determined it is necessary to exercise a second offset against PHAs' CY 2024 renewal allocations based on excess HAP reserve funds. Amounts from this second offset will be used to make additional shortfall funding awards in accordance with the requirements under PIH Notice 2024-16 and PIH Notice 2024-21.

- 3. Calculating the second offset.** HUD will perform a second and final offset impacting a limited number of Expansion Moving to Work (MTW) and non-MTW PHAs. Similar to the first offset, the second offset will come from the program reserves reconciled through December 31, 2023, that are determined to be excess.

HUD will take several factors into account in determining what amount of the reconciled December 31, 2023 HAP reserve balance constitutes excess reserve for this second offset. This includes accounting for any amounts that were previously offset in step 5 of the 2024 calculation of CY 2024 HAP renewal funding calculation under PIH Notice 2024-16 and for reserves determined necessary by HUD to support voluntary transfers previously approved in CY 2024 when the transfer of vouchers did not include funding. In addition, HUD will determine any HAP reserves now needed by the PHA to make assistance payments on behalf of families based on the latest VMS data and HUD's latest analysis using the Two-Year Forecasting Tool (TYT) as of July 30, 2024 are not available for offset.

PHAs that were determined not to have excess reserves available for offset based on their projected spending in CY 2024 under the terms of that first offset are not automatically excluded from this second offset. If the HUD analysis using the more recent data now determines that excess reserves are available from the PHA's reconciled December 31, 2023 HAP reserve balance, the PHA's excess reserves will be offset.

Attachment A of this notice, *CY 2024 Second Offset for Reallocation*, shows the calculation HUD is using to determine the offset (including the categories of reserve funds that are protected from the offset) in the format that this information will be presented to the impacted PHAs. The HUD offset notification described below will also provide the amount of the PHA's revised renewal allocation and total CY 2024 HCV Funding¹ available to the PHA following the second offset. In addition, the notification will include instructions on how PHAs that believe that application of the second offset will place them in a funding shortfall position based on voucher issuance and leasing and/or increased HAP costs may provide updated information to HUD.

4. **Notification of the second offset.** HUD will provide the second offset calculations and the offset amount to the impacted PHAs by email. The notification process will be completed the week of August 12, 2024. The HUD offset notification will also show the revised CY 2024 HCV Renewal Funding and the total CY 2024 HCV Funding² available to the PHA after the application of the second offset.

In applying the second offset, HUD will not de-obligate any HAP renewal funding previously provided to the PHA. Instead, the second offset will be applied to CY 2024 HCV renewal funds that have not yet been obligated to the PHA. The amounts offset shall only be used to prevent the termination of rental assistance for families as the result of insufficient funding. HUD may reduce the amount of the second offset from the amount provided in the PHA notification based on the magnitude of confirmed shortfalls and the availability of funding needed to prevent the termination of families. HUD will notify PHAs of any reduction of the offset at that time. However, PHAs are cautioned that the adjusted HCV funding amount in the HUD notification reflects the PHA's current resources for CY 2024, and PHAs must manage their programs accordingly within those funding constraints.

PHAs that believe that application of the second offset will place them in a funding shortfall position based on voucher issuance and leasing (undertaken prior to receiving the HUD notification) or increased HAP costs will have an opportunity to provide updated information to HUD in accordance with the instructions and deadline included in the HUD offset notification. HUD will review the information submitted and determine whether to cancel or reduce the second offset based on calculated need to cover the PHA's estimated HAP expenses for the remainder of CY 2024. The HUD offset notification will provide the instructions and the specific format PHAs must use when submitting the updated data on voucher issuance, leasing, and costs that HUD will use to make its determination.

5. **Paperwork Reduction Act.** The information collection requirements contained in this Notice have been approved by the Office of Management and Budget (OMB) in accordance

¹ This is sum of the PHA's adjusted CY 2024 HCV renewal funding based on the application of the second offset and the PHA's Non-Renewal funding, which was not impacted by the second offset.

² As noted in the previous footnote, this also includes the PHA's Non-Renewal funding, which is not impacted by the offset.

with the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) and have been assigned the following OMB control numbers - Voucher Management System: 2577-0169; Financial Assessment Subsystem: 2535-0107. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

6. **Further Information.** Questions concerning this notice should be submitted by email to the Housing Voucher Financial Management Division, Office of Public Housing and Voucher Programs, at PIHFinancialManagementDivision@hud.gov.



Richard J. Monocchio
Principal Deputy Assistant Secretary
Public and Indian Housing

Attachment

Attachment A: CY 2024 Second Offset for Reallocation Calculation

CY 2024 Second Offset for Reallocation

HA Number:

HA Name:

CY 2023 End of Year Reserves

PROTECTED CATEGORIES

- A** Difference between the PHA's Eligibility and Prorated Eligibility
- B** CY 2024 Amounts needed to fully lease VASH units
- C** Difference between higher of December 2023 UMLs x 12 or CY 2023 UMLs up to baseline on units under CACC
- D** Difference between December 2023 PUC and Inflated CY 2024 PUC at capped annualized December leasing
- E** CY 2023 New incremental BA- 1/2 of Eligibility
- F** CY 2023 Set Aside Protection- 1/2 of Eligibility
- G** Portion of CY 2024 Renewal Eligibility (Based on units under CACC):
 - 4% - over 500 units*
 - 6% - 250 to 499 units*
 - 12% - Less than 250 units*
- H** PHAs with CY 2023 Inflation factors that were higher than the CY 2023 national weighted average inflator.
 - Difference between CY 2023 Inflated Renewal Funding and CY 2024 Inflated Renewal funding is protected.
- I** Protect 1/2 of RAD 1 HAP for Projects in their 1st Full Year of Funding during CY 2023
- J** Total Funds Available for Offset
- K** First Offset Amount (Total Funds Available for Offset x 68%)
- L** Second Offset Amount (Total Funds Available for Offset minus K)
- M** Prorated Eligibility After Offset

PHAs (including PHAs that received 2023 Shortfall funds) that are no longer facing a projected Shortfall in 2024 based on verified VMS data and HUD's projection as of July 30, 2024 have funds available for offset.

PHAs that are facing a projected Shortfall in 2024 based on verified VMS data and HUD's analysis as of July 30, 2024, and PHAs whose reserves are needed to support vouchers previously transferred in CY 2024 without funding do not have funds available for the second offset.

PHAs that received 2023 Lower-than-average Leasing funds that are not facing a projected Shortfall in 2024 based on VMS data and HUD's analysis as of July 30, 2024 have funds available for offset.