



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

OFFICE OF PUBLIC AND INDIAN HOUSING

January 5, 2023

Dear Executive Director,

CY 2023 Housing Choice Voucher Program (HCV) Program Renewal Awards:

The purpose of this letter is to inform public housing agencies (PHAs) administering the Housing Choice Voucher (HCV) Program of the status of HCV program funding, projections for calendar year (CY) 2023 renewal funding, the steps PHAs must take to support the funding process and the projected Housing Assistance Payment (HAP) and Administrative Fee (AF) proration for the HCV Program and Mainstream Vouchers based on the Consolidated Appropriations Act, 2023.

Additionally, this letter highlights the importance of timely and accurate reporting to the Voucher Management System (VMS) and Public and Indian Housing Information Center (PIC), and the impact PIC reporting has on the Enterprise Voucher Management System (EVMS).

Current Status of HCV Program Funding while HUD is calculating renewal funding:

PHAs should expect timely HAP and AF disbursements for the HCV Program, and Mainstream Voucher Program through February 2023. PHAs were sent notification from the Financial Management Center in mid-December 2022 that funds have been obligated to PHAs as follows:

- January and February 2023 HAP obligations at 100% proration of estimated CY 2022 eligibility,
- January and February 2023 AF obligations at 89% proration of estimated CY 2023 eligibility,
- For PHAs administering Mainstream Vouchers, both HAP and AF for January and February 2023 have been obligated at 100% and 89%, respectively, and,

CY 2023 Funding Projections - Estimated HAP and Administrative Fee Prorations:

The Consolidated Appropriations Act, 2023 (PL 117-328) enacted on December 29, 2022, referred to hereafter as “the 2023 Act”, establishes the formula HUD will use for the 2023 HAP renewals for the HCV Program and Mainstream Vouchers. The Act also appropriates AF funding and funding for new incremental vouchers. The 2023 Act will be available for review online at the following link: [Public Laws | Congress.gov | Library of Congress](#).

The 2023 Act provides a \$2.9 billion (10.5 percent) increase in HCV program funding overall. This includes a \$2.3 billion (10.5 percent) increase for Contract Renewals, and a \$367 million (15 percent) increase in Administrative Fees. This is an historic increase intended to help PHAs adjust to recent inflationary pressures. Although final PHA-level funding amounts will not be available until the end-of-year reconciliation is completed in March 2023, PHAs should expect a funding increase of around 10 percent, on average. **HUD strongly recommends PHAs use HUD’s [HCV Utilization Tools](#) to make program adjustments now to account for this substantial funding increase.**

The Department has evaluated the 2023 Act and estimates that it provides **funding at approximately a 99% HAP proration and a 91% AF proration**. At this level of HAP funding, PHAs can anticipate an offset and reallocation from HAP program reserves that will ensure an overall HAP proration of approximately 100%.

As always, the proration levels described above are at the national level and are calculated by estimating the full HCV program renewal need for CY 2023 and comparing the estimated renewal need to the funding provided by the 2023 Act. To estimate the program renewal need, HUD utilized HAP costs reported in the VMS through September 2022 and extrapolated those costs through December 2022, with adjustments made for first time voucher renewals and an applied national average inflation factor of 10.13%. Please note that local inflation factors will be used to calculate each individual PHA's CY 2023 eligibility and these factors may significantly differ between an individual PHA's inflation factor and the national average.

PHAs' preliminary CY 2023 inflation factors have been incorporated into the Two-Year Forecasting Tool (TYT), and the HAP proration factor has been set to 100%. For this reason, it is recommended that PHAs use the TYT to optimize CY 2023 leasing plans. The TYT can be accessed directly by downloading a spreadsheet from this [forecasting tool link](#), entering the PHA number and launching a forecasting populated with VMS data and funding information.

HUD staff will be evaluating budget and leasing utilization projections considering the above proration assumptions. Some PHAs may hear from HUD staff if, given those assumptions, a shortfall or significant leasing potential is projected. For information on budget and leasing trends, reserve balances, program admissions, attrition, per unit cost (PUC), and more, PHAs may access the [HCV Data Dashboard](#).

Required PHA Activities to Support the Funding Process:

VMS Costs and Leasing Review Period

Non-Moving to Work (non-MTW) PHAs CY 2023 renewal eligibility for HCV, Mainstream, and the EHV Program will be based on actual and eligible HAP costs incurred during CY 2022 and reported in VMS. Therefore, all PHAs must review the completeness and accuracy of their CY 2022 costs and leasing reported in VMS at this time. The deadline to submit CY 2022 costs and leasing adjustments in VMS, if needed, is **January 27, 2023**.

As for MTW PHAs, Expansion MTW PHAs' renewal eligibilities will also be based on eligible HAP and non-HAP costs incurred and reported in VMS, which formula is provided in the Operations Notice, and for the original 39 MTW PHAs' their HAP renewal eligibilities will continue to be in accordance with the terms of their individual MTW agreements.

The Department anticipates HCV Program and Mainstream Voucher renewal awards will be announced during the month of May 2023.

As a reminder, the EHV CY 2023 renewals calculation was published under PIH Notice 2021-15. The EHV renewal funding is in Section 6(c) and 7(b), which states that HAP renewals will be based on VMS costs through CY 2022 as the baseline and inflation factor. EHV administering PHAs can also anticipate a modest offset for reallocation from EHV HAP program

reserves. The Department anticipates the EHV renewal notifications will occur during the month of March 2023.

PIC Reporting and EVMS

All CY 2022 PIC reporting must be successfully submitted by no later than 4 p.m., Friday, March 31, 2023. PIH will utilize tenant level information in PIC for HAP and AF set-aside adjustments, which includes but is not limited to, portability special fees and the portability category of the HAP set-aside. EHV Program AF and other special and service fees will also be calculated or based on PIC family HAP and leasing data.

Also, PIH is in the process of expanding the use of EVMS to additional housing agencies in CY 2023. EVMS uses PIC tenant level data to determine HCV Program HAP and AF disbursements; therefore, it is imperative that PHAs maintain timely and accurate PIC reporting. For additional information on EVMS, please click on the following link:

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/eVMS.

Should you have any questions about utilizing the Two-Year Tool for leasing projections, please do not hesitate to contact your Field Office representative. For any HCV Program funding related inquiries, please reach out to your FMC Financial Analyst.

Sincerely,

Danielle Bastarache
Deputy Assistant Secretary
Office of Public Housing and Voucher
Programs