



National Association of Housing and Redevelopment Officials

630 Eye Street NW, Washington DC 20001-3736
(202) 289-3500 Toll Free 1 (877) 866-2476 Fax (202) 289-8181

April 6, 2010

Miguel A. Fontanez Sanchez
Director of Housing Voucher Financial Management Division
U.S. Department of Housing and Urban Development
401 7th Street SW, Room
Washington, DC 20410

Dear Mr. Fontanez Sanchez:

Thank you for your reply to our letter of March 11, 2010 (attached), regarding the set-aside available to PHAs for portability costs that exceed renewal funding awarded.

The per voucher subsidy cost differential associated with portability for low-income households of identical family composition and income differs greatly from one community to another, ranging from a ratio of 2:1 to 3:1 in many instances. Portability cost adjustments are also crucial for those PHAs that have a very significant volume of net portability HAP deficit expenses relative to their total annual budget authority. Finite HAP funding each year, coupled with the existing portability funding and reimbursement system, creates in some instances financial barriers to portability. We know that the Department seeks to be part of the solution to portability problems. As such, it is essential that HUD implement accurate portability cost adjustments to PHAs in 2010 as soon as possible.

In your March 11 letter you state, "The OHVP have consistently selected PIC, rather than VMS, to identify the Ports' increased costs incurred by PHAs because we can do it systematically, avoiding a potential double-funding. There is no convenient way to tease out the new port activities/charges without referring to PIC...We agree with you that the process does have problems. Although the PHAs know the process, because we have used it each time portable costs have been included in the set-aside, they still apparently have problems with PIC reporting and communications between PHAs to ensure this happens on a timely and consistent basis. We are discussing alternatives for the future and welcome your ideas...For the current year, we are compelled to follow through with the process outlined in the Notice, and we will continue to work with the PHAs to achieve reporting that will support their actual needs."

Your response implies that using existing VMS voucher leasing and cost data would pose a potential risk of double funding. You state that there is no convenient way to tease out the new port activities/charges without referring to PIC. With PHAs that have HCV programs only without any special voucher programs (i.e., HUD-VASH, FUP or Mainstream), HUD could use the existing VMS data for the fourth quarter of 2009 without any double counting and without the need for PIC data. For PHAs with both HCV programs and special voucher programs and

Akinola Popoola, PHM, President; **Betsey Martens**, Senior Vice President; **David Allen Brown**, PHM, SHM, Vice President-Member Services; **Larry Hopkins**, Vice President-Community Revitalization & Development; **Clifton C. Martin**, CMPO, SPHM, PHM, Vice President-Professional Development; **Elizabeth C. Morris**, Vice President-International; **Dianne Quast**, PHM, Vice President-Housing; **J. William Quirk**, Vice President-Commissioners; **Saul N. Ramirez, Jr.**, Chief Executive Officer

until such time that HUD makes the kinds of improvements NAHRO recommended in our April 2, 2010 comment letter regarding HUD's proposed enhancements to VMS (attached) to capture information by special voucher programs, HUD could simply use PIC data to isolate portability costs attributable to their special voucher programs in conjunction with use of their VMS data for their HCV programs to ensure that there was not any double counting of their portability costs. Instead, like the Department's wholesale use of PIC data for PHAs' mid-month HAP expenses which contributed in large measure to the voucher funding crisis in 2009, HUD is opting to continue its practice of wholesale use of PIC data.

All PHAs report through the Voucher Management System's existing fields on portable vouchers paid: port-out, as well as portable vouchers administered: port-in. As described in our letter, this information on portability voucher leasing and costs in VMS provides HUD with the data it needs to determine each agency's net portability HAP expenses under section 8(r) of the Act. Upon receiving your response, it is still unclear to NAHRO and our PHA members why HUD is using PIC data on a wholesale basis and not using VMS as the main source of portability data for this purpose.

Portability Involving MtW Agencies

Included in NAHRO's September 2008 letter (attached) to HUD regarding problems in PIC is a discussion of the fact that certain portability billing information between MtW agencies and non-MtW agencies is not properly captured in HUD's PIC data. This is one of several issues that will potentially create problems in 2010 when PIC data is used instead of VMS data for the purpose of portability reimbursement. After receiving your response, NAHRO and our members are still uncertain as to how HUD plans to fix this problem in 2010 with its planned use of PIC data.

Applicability of Statutory Provision Requiring Use of VMS Leasing and Cost Data

Our March 11, 2010 letter cited the "Consolidated Appropriations Act, 2010" (P.L. 111-117), which states, "... *Provided, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2010 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...*"(emphasis added)

By stating that in your response that HUD is "compelled to follow through with the process outlined in the Notice," which cites the use of PIC data for portability costs, is the Department asserting that the provision of law below does not apply to distribution of a portion of the \$150 million adjustment fund for portability reimbursement?

HUD Is on Track To Perpetuate Voucher Funding Problems

Referring to VMS, HUD's March 31, 2010 notice of information collection states, "It is a critical data system that is used for a variety of major functions, including budget formulation, utilization analysis, and funding allocations. As such, accuracy of the data is extremely important." Unfortunately, HUD's improper use of its existing VMS data and omission of related changes to

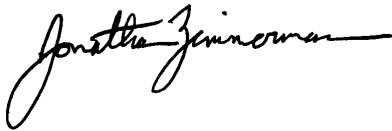
the next generation of VMS will continue a practice that does not provide PHAs with accurate funding allocations and adjustments. If HUD does not revise its proposed VMS form to include specific line items relating to portability, NRA, UNA, Cash/Investments and vouchers issued for each specific voucher program (i.e., HCV, HUD-VASH, FUP, and Mainstream) as recommended in our April 2, 2010 letter, and the existing and proposed VMS form is a justification for the Department's wholesale use of PIC data for adjusting *all* PHAs' funding attributable to portability, this would be disconcerting to NAHRO and its members.

Conclusion

Given the scope of funding errors that took place last year, we believe that all interested parties would benefit from a clear and continued dialogue on important funding issues until such time as there is an adequate and systemic resolution to this serious problem.

We welcome the opportunity to discuss this with you further. Thank you for your time and consideration. If you have any questions or comments, please feel free to e-mail me at jjzimmerman@nahro.org or call me at 202-580-7213.

Sincerely,



Jonathan Zimmerman
Senior Policy Advisor – Housing Assistance Programs

cc: Ms. Danielle Bastarache, Director of Voucher Programs
Mr. Michael Dennis, Deputy Director of Voucher Programs
Ms. Carissa Riddle, Director, Housing Voucher Financial Management Center

Encl. NAHRO March 11, 2010 letter on PIC vs. VMS data for portability cost adjustments
NAHRO April 2, 2010 comment letter on VMS enhancements
NAHRO 2008 letter to HUD regarding problems in PIC