



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

PRINCIPAL DEPUTY ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

December 6, 2024

Dear Executive Directors and PHA Board Chairs,

I am writing to emphasize the critical importance of careful and diligent planning and management of your Housing Choice Voucher (HCV) program in Calendar Year (CY) 2025. As you are aware, a fundamental principle of the HCV program is to manage within your budget. HUD has limited funds to address public housing agencies (PHAs) HCV funding shortfalls and additional funding is not guaranteed in any given year. In other words, your agency should not rely on additional funds from HUD beyond what is provided in renewal funding when planning your HCV leasing and funding utilization for CY 2025.

Over the past two years, PHAs have experienced an unprecedented increase in voucher Housing Assistance Payment (HAP) costs, which most PHAs to date have been able to address through a combination of existing program reserves and new funding. As a result, many PHAs will enter 2025 with very limited program reserves, and the availability and amount of future shortfall funding from HUD is uncertain. While HUD expects that voucher costs will soon stabilize, it is critical that PHAs prioritize careful leasing and funding utilization decision-making, both now and throughout CY 2025, to ensure that families currently assisted are not placed at risk of termination due to funding shortfalls.

The Department has evaluated CY 2025 funding scenarios under the draft [Senate](#) and [House](#) bills that were recently passed by their respective committees. Typically, HUD provides HCV HAP renewal funding between 99-100% HAP proration each year. Based on HUD's most recent projections, **the draft Senate fiscal year (FY) 2025 bill would provide funding at an estimated 97.5% HAP proration** and estimated 93.3% Administrative Fee (AF) proration. **The draft House bill provides an estimated 88.59% HAP proration** with an estimated 100% AF proration. (Although the House bill proposes a slightly lower amount for AF than the Senate's, it yields a higher proration because the proposed HAP funding is significantly lower and will support fewer vouchers and would therefore represent more AF funding per voucher.)

I encourage PHAs to use the HCV Utilization Tools to make sound program decisions. PHAs may have to make hard decisions to limit or cease voucher issuances or modify other policies (such as payment standards) in response to limited funding or potential shortfalls. HUD has created these tools to help PHAs to model the effects of various policy options, maximize program utilization, and avoid shortfalls. The tools are available on the [HCV Utilization Tools](#) section of www.hud.gov/hcv. These include:

- **The Two-Year Tool (TYT).** The TYT assists PHAs in managing their program budget in the current year and the year ahead. The tool provides the most current HUD program financial data—so PHAs can forecast how different voucher issuance decisions and local rent trends may impact their budget.
- **The Payment Standard Tool (PST).** The PST allows PHAs to determine the impact of potential payment standard changes on both program costs and participant rent burden.

HUD's Shortfall Prevention Team (SPT) is another important resource for your agency. If your agency was in a shortfall in 2024, you will continue to work with the SPT, at least initially, to manage your program in 2025. If your local PIH Field Office has referred you to the SPT to confirm a shortfall, that team will be reaching out to you to develop an Action Plan to assist you in managing your shortfall for CY 2025.

Your local PIH Field Office is available to provide training and assistance on these tools and to help your PHA navigate the months ahead. I recommend that your Board receive training on interpreting TYT modeling and regularly review TYT updates at Board meetings. You may also learn more about HUD HCV program resources and the HCV funding process by viewing the [HCV Overview Video Series](#), or visiting www.hud.gov/hcv.

Sincerely,



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