Overview

The housing choice voucher (HCV) program is HUD’s largest assisted housing program, providing housing for more than 2 million low-income households. In 2015, HUD provided more than $1.6 billion in administrative fees to support the local administration of the program by nearly 2,300 local public housing agencies (PHAs) nationwide. Currently, HCV administrative fees are allocated to PHAs based on a formula that is loosely tied to local housing rents, which do not necessarily reflect the costs of operating the program. In 2010, HUD contracted with Abt Associates to measure the costs of operating a high-performing and efficient HCV program, identify the main cost drivers that account for variation in administrative costs among PHAs, and propose a new administrative fee formula based on those findings. The Housing Choice Voucher Administrative Fee Study was published in August 2015 and formed the basis for HUD to develop a proposal to modify the administrative fee formula (HUD, 2015).

This paper presents an important example of how HUD is using research to improve its understanding of HCV administrative costs and to improve the formula for funding program administration.

Design of the HCV Administrative Fee Study:

- Direct measurement of staff time spent on local program administration at 60 PHAs across the country. Measurement of staff time was conducted using specially programmed smartphones and random moment sampling.

- Time estimates, along with detailed data on labor, non-labor, and overhead costs were used to translate the time spent on the HCV program into overall and per unit administrative costs.

- The 60 PHAs in the study sample operated high-performing and efficient HCV program and were diverse in terms of program size, region of the country, urban setting, organizational structure, and client characteristics.

- A large and active Expert and Industry Technical Review Group (EITRG) provided input at key stages of the study. (EITRG included representatives from the major affordable housing industry groups, Executive Directors and HCV Program Directors from high performing PHAs, affordable housing industry technical assistance providers, housing researchers, and industrial engineers).

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1 The work for the project that was the basis for this paper was conducted by Abt Associates, RSG and Phineas consulting under contract to the US Department of Housing and Urban Development. Authors include Jennifer Turnham, Meryl Finkel, Larry Buron, Melissa Vandawalker, and Bulbul Kaul, of Abt Associates; Kevin Hathaway, RSG; and Chris Kubucki, Phineas Consulting. All opinions and errors are the responsibility of the authors.

The study used Ordinary Least Squares (OLS) regression modeling to identify the factors that accounted for variation in administrative costs across the study sample and to develop a formula that captured those costs as accurately as possible.

**Key Findings from the HCV Administrative Fee Study:**

- The average annual administrative cost was $840 per voucher and the median was $778 per voucher in 2013 dollars.

- Key factors driving variation in administrative costs are: the number of vouchers being administered, average wage and benefit levels for local government workers in the PHA’s area, and characteristics of the households served by each PHA.

- The study’s recommended formula was able to explain 63 percent of the variation in program costs.

**Policy Use of Study Findings:**

- Following the release of the study, HUD published online tools that would allow PHAs to assess the funding impact of the study’s recommended formula and solicited feedback through listening sessions across the country and a public solicitation of comment notice.

- Based on this feedback, HUD revised some of the study’s recommended formula variables and published a proposed rule July 6, 2016 as the first step toward changing the funding formula for the local administration of the voucher program.

- The study provided estimates of the costs of operating a high performing program, which allowed HUD to request funding from Congress based on actual costs.

**Background of the HCV Administrative Fee Study**

For much of the voucher program’s history—starting with the Section 8 Certificate Program in the 1970s—program administrative fees have been calculated based on the number of vouchers under lease and a percentage of the local Fair Market Rent (FMR). The existing fee formula, in place since 2008, calculates two fee rates—one that applies to the first 7,200 voucher unit months under lease and one that applies to all subsequent unit months. Both fee rates are based on a percentage of the 1993 or 1994 FMR, limited by floor and ceiling amounts, multiplied by an inflation factor that captures the increase in local wage rates over time. The existing formula is very closely tied to the FMR, which does not have a strong theoretical link to administrative costs. It is also loosely tied to program size (through the two fees based on unit months under lease).

Since 2008, HCV administrative fees have been prorated to stay within the amounts authorized under HUD’s appropriations acts. Between 2008 and 2010, the administrative fee proration was 90 percent.

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3 Federal Register Vol. 81, No. 129 July 6, 2016
or higher, meaning that PHAs received at least 90 percent of the administrative fees they would have received if full funding were available. Starting in 2011, the proration rate deepened, reaching 69 percent in 2013 before increasing to 79 percent in 2014 and 82 percent in 2015.

In 2010, HUD contracted with Abt Associates to measure the costs of operating a high-performing and efficient HCV program, and identify the main cost drivers that account for variation in administrative costs among PHAs. A second goal of the study was to improve upon the existing formula by incorporating the PHA, market, and program characteristics that have been empirically shown to affect administrative costs. The HCV Administrative Fee Study was completed in 2015. (HUD, 2015).

**Design of the HCV Administrative Fee study**

The HCV Administrative Fee study had several important features designed to ensure that its findings were accurate, credible, and appropriate for developing a fee formula:

- **The study used a time measurement approach.** Directly measuring the time that PHA staff spent on the HCV program overall and on core HCV program activities. The study measured time at 60 PHAs across the country, conducting eight consecutive weeks of time measurement at each PHA. The study collected detailed data on labor, non-labor, and overhead costs for the same period as the time data, which allowed the research team to translate the time spent on the HCV program into overall program costs.

- **A Random Moment Sampling (RMS) approach** was used to collect detailed and accurate information on how much time PHA staff spent on HCV activities. At each of the 60 PHAs, over the eight-week period, HCV staff reported on what they were working on at 12–15 random points during the day using a specially programmed device, similar to a smartphone. The study collected 581,000 responses from more than 900 PHA staff across the 60 PHAs. These responses were used to create estimates of the staff time spent on different activities within HCV program administration with high levels of accuracy.

- **The study was designed to capture all costs incurred by the HCV program.** Including costs for items that were provided to the HCV program free of charge by another entity (such as local government), funded through the PHA’s HCV administrative reserves, or funded through another program or line of business operated by the PHA. Including all costs, regardless of funding source, and excluding costs that may be funded by the HCV program but not incurred by the program helped address concerns about the potentially circular relationship between the administrative costs measured through the study and the administrative fee that PHAs receive. The study’s cost estimates included costs that were eliminated or reduced in response to reduced administrative fee funding between 2011 and 2013 but that were necessary to a high-performing program.

- **All the PHAs in the study were high performing and efficient.** The sampling universe for the time measurement study was PHAs that administered at least 101 vouchers, that were not participating in the Moving to Work (MTW) demonstration, and that scored as “high performers” on HUD’s Section 8 Management Assessment Program (SEMAP) in the previous three years or in at least two of the previous four years for those PHAs not rated.
each year. PHAs that did not meet the SEMAP high performance score criteria above but that were determined to be high-performing HCV programs by HUD headquarters and field staff and were recommended for inclusion in the study were also included in the sampling universe. In addition, each of the 60 PHAs in the time measurement study met performance and efficiency criteria confirmed through a site visit conducted by the study team.

- **The study was based on a diverse sample of PHAs**, including PHAs with HCV programs ranging in size from 101 to more than 45,000 vouchers; PHAs operating in all regions of the country and in urban, suburban, and rural settings; PHAs with different organizational structures; and PHAs that differed from one another in terms of the characteristics of their HCV program participants. The study applied sampling weights to the raw data from the sample of 60 so that the study findings could be interpreted as representing the sampling universe of HCV programs with more than 100 vouchers and at least two years of high performer ratings on SEMAP. The study findings were not weighted to be representative of the HCV program as a whole. The study weights ensured that the weighted sample accurately represented the universe of high-performing HCV programs along key dimensions, including program size, program type (HCV only versus combined), and participant characteristics.

- **The study had a large and active Expert and Industry Technical Review Group (EITRG)** consisting of representatives from the major affordable housing industry groups, Executive Directors and HCV Program Directors from high performing PHAs, affordable housing industry technical assistance providers, housing researchers, and industrial engineers. This group of 20+ individuals met five times over the course of the study, reviewing the study design at different stages and reviewing preliminary and revised findings. EITRG feedback played an important role in strengthening the study’s approach and presentation of findings.

**Descriptive Findings From Time Measurement**

The time measurement data collection using Random Moment Sampling resulted in a robust set of time data. As shown in Exhibit 1, the response rate to RMS notifications was 99 percent across the 60 study sites. The median response time to notifications was 18 minutes, suggesting that most staff responded quickly to notifications and therefore would have had good recall of what they were working on. In total, the study collected 581,000 data points from more than 900 PHA employees on how they spent their time during the eight-week RMS period.
For every voucher under lease, the 60 PHAs in the study spent, on average, 13.8 hours per year on frontline HCV activities. The 95 percent confidence interval for this average was 12.9 to 14.6 hours per voucher under lease per year. The time estimates from this study were for frontline activities only. Frontline activities are those related to the day-to-day operations of the HCV program. They include all the core program activities—such as intake, lease-up, annual recertifications, and inspections—and are specific to the HCV program. The study defined vouchers under lease as: the study PHA’s own vouchers under lease, plus any port-in vouchers that the study PHA administered on behalf of other PHAs, minus any port-out vouchers that left the study PHA’s jurisdiction and were administered by other PHAs.

In addition to frontline activities, overhead activities also are associated with operating the HCV program. Overhead activities are generally not directly attributable to a program or project but support the agency as a whole. They include PHA upper management, human resources, legal, finance, accounting and payroll, IT, risk management, procurement, and quality control activities that are not specific to the HCV program.\(^4\) Overhead activities were included in the study’s cost estimates, but the study did not produce time estimates for work done by overhead staff. Thus, the 13.8 hours spent per voucher per year is for the frontline work of administering the HCV program.

\(^4\) Many HCV management functions, such as staff supervision, data management, quality control, SEMAP, preparation and disbursement of housing assistance payments, and program and budget monitoring, are frontline HCV activities and were captured in the RMS data collection.
Of all the frontline time spent on the program, the largest share was for ongoing occupancy activities—that is, the work done on behalf of existing HCV participants. On average, 50 percent of frontline staff time was spent on ongoing occupancy activities. This was followed by intake, eligibility, and lease-up activities for households applying to and entering the program (16 percent of frontline staff time), monitoring and supervisory activities for all aspects of the program (16 percent of frontline staff time), and Housing Quality Standards (HQS) inspection activities for new admissions and existing participants (15 percent of frontline staff time). On average, frontline staff spent only 2 percent of their time providing supportive services to HCV participants outside of the Family Self-Sufficiency program.

The modest share of time spent on intake is consistent with the fact that the HCV programs in the study were not growing during the study period, as was true of the HCV program as a whole. Thirty-seven of the 60 PHAs in the study experienced a decline in the number of vouchers under lease between 2011 and 2013, with an average decrease of -4.5 percent. For the remaining 23 PHAs, the number of vouchers under lease increased by an average of 8 percent. Across the sample as a whole, the average growth in vouchers under lease was less than 1 percent.

Although the study’s time estimates are expressed as hours (or minutes) per voucher under lease, the time includes work done on behalf of program applicants and new admissions, as well as administrative work related to handling new voucher allocations, and work related to managing the files and documentation for past and current households in the program. Time per voucher under lease is a useful way of presenting time estimates that can be compared across PHAs with different program sizes, but it does not mean that the time is only for households under lease. The study also used transaction counts to show time per activity, such as time per HQS inspection.

**Time on Intake, Eligibility, and Lease-Up**

Intake, eligibility, and lease-up covers all the frontline work conducted on behalf of new applicants to the HCV program from the time a household applies to the program to the time the household comes under lease, with the exception of time spent on HQS inspections for new households.\(^5\)

Across all of the vouchers under lease in the program, PHAs spent an average of 138 minutes (2 hours and 18 minutes) per voucher per year working on intake, eligibility, and lease-up work. This includes all activities related to managing the waiting list, processing new applicants, and helping newly admitted households lease a unit. The 95 percent confidence interval for this average was 102 to 174 minutes per voucher under lease per year.

The most time-consuming aspects of intake, eligibility, and lease-up were managing the wait list and applications (average of 49 minutes per voucher under lease per year), determining eligibility (average of 33 minutes per voucher under lease per year), and issuing vouchers and assisting households through the search process (average of 16 minutes per voucher under lease per year).

In addition to calculating time spent on intake, eligibility, and lease-up work per voucher under lease, the study also used transaction counts collected from the study PHAs to calculate time spent on these activities on a per voucher issued basis. For every new or turnover voucher issued, PHAs spent an

\(^5\) Time on inspections is captured in the “Inspections” category (see discussion below).
average of 196 minutes (3 hours and 16 minutes) on eligibility determinations and 85 minutes (1 hour and 25 minutes) on voucher issuance and assistance through the housing search process.

**Time on Ongoing Occupancy**

Ongoing occupancy, as defined by the study, covers all the work conducted for the tenancy of existing HCV participants, with the exception of time spent on HQS inspections, which is treated separately. For every voucher under lease, PHAs spent an average of 6 hours and 49 minutes per year on ongoing occupancy, performing tasks associated with maintaining households already in the program, not including inspections, management tasks, and supportive services. The 95 percent confidence interval for this average was 6 hours and 12 minutes to 7 hours and 24 minutes per voucher under lease per year.

Two activities accounted for more than three-quarters of the time spent on ongoing occupancy for the average PHA. These activities were annual recertifications, required for all households in the program, and interim recertifications, required under certain circumstances. PHAs spent an average of 3 hours and 52 minutes on each annual recertification and an average of 1 hour and 40 minutes on each interim recertification. Other ongoing occupancy activities—such as processing moves, processing terminations, and providing reasonable accommodation services—took far less time.

**Time on Portability**

An important feature of the HCV program is that voucher holders may move with their vouchers to another PHA’s jurisdiction. This feature is known as portability. Households that move into the PHA’s jurisdiction from another PHA’s jurisdiction are known as port-ins and households that move out of the PHA’s jurisdiction and into another PHA’s jurisdiction are known as port-outs. For most PHAs, the number of port-in and port-out vouchers is small relative to the number of vouchers under lease. However, PHAs must follow time-consuming procedures to process port-ins and port-outs. The study measured the work associated with processing port-ins and port-outs, including paperwork, inter-PHA communication, and billing.

For port-ins, the study found that on average, PHAs spent 155 minutes (2 hours and 35 minutes) on port-in related activities for every port-in household (defined as new port-ins plus existing port-ins administered by the PHA through a billing arrangement). However, the time spent per port-in household varied greatly among PHAs, resulting in a wide 95 percent confidence interval for this average: from 102 to 209 minutes. The median time spent on port-in activities was 100 minutes (1 hour and 40 minutes) per port-in household.

For port-outs, PHAs spent an average of 71 minutes (1 hour and 11 minutes) on port-out related activities for every per port-out household (defined as new port-outs plus existing port-outs administered by another PHA through a billing arrangement). The 95 percent confidence interval for this average was 47 to 95 minutes. The median time spent on port-out activities was 41 minutes per port-out household.
**Time on Inspections**

For the 47 PHAs in the study that conducted their HQS inspections using in-house staff, the study collected information on the time spent on inspections overall and on different types of inspections. Taking into account all the work that goes into each inspection, including work scheduling the inspection and completing post-inspection paperwork, the total time spent on inspections averaged 104 minutes (1 hour and 44 minutes) per inspection. The 95 percent confidence interval for this average was 89 to 119 minutes (1 hour and 29 minutes to 1 hour and 59 minutes).

Considering only the time associated with conducting the inspection and getting to and from the inspection, PHAs spent an average of 53 minutes per inspection, with a 95 percent confidence interval of 42 to 64 minutes. The average time per inspection was slightly higher for first inspections (52 minutes) than for reinspections (47 minutes).

The study found wide variation among PHAs on the time spent on complaint, emergency, and special inspections, which is not surprising given that these types of inspections occurred infrequently. The average time spent conducting and getting to and from complaint, emergency, and special inspections was 114 minutes and the median time was 75 minutes.

**Time on Monitoring and Supervisory Activities**

Monitoring and supervisory activities are mainly done by HCV program supervisors but are still considered frontline activities because they support the HCV program only. This category includes reporting to HUD, internal program monitoring and reports, quality control activities, audit and board support, and staff supervision. On average, PHAs spent 132 minutes (2 hours and 12 minutes) per year for every voucher under lease on frontline monitoring and supervisory activities. The 95 percent confidence interval for this average was 105 to 159 minutes (1 hour and 45 minutes to 2 hours and 39 minutes).

Planning and monitoring work took up the largest share of this time (51 minutes per year per voucher under lease), followed by work associated with preparing budgets and Housing Assistance Payment (HAP) disbursements (43 minutes per year per voucher under lease). The amount of time spent on HUD reporting was modest on a per voucher basis—an average of 24 minutes per year per voucher under lease—but nevertheless translated to about 410 hours per year for a program of 1,000 vouchers, or about one-quarter of a full-time equivalent staffer. The average time on staff supervision was 13 minutes per year per voucher under lease, or about 220 hours per year for a program of 1,000 vouchers.

**Time on Supportive Services Outside of the FSS Program**

The PHAs in the study spent very little time on supportive services outside of the FSS program. Such services included providing case management and service referrals, working with service partners, helping households with homeownership, and working on expanding housing opportunities. The study estimated that, across all vouchers under lease, the average PHA spent less than 30 minutes per voucher per year providing these types of services. The PHAs in the study reported that they did not

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6 This information was not available for nine PHAs that contracted out their HQS inspections during the RMS data collection period and for four PHAs that were transitioning to contracted-out inspections during the RMS data collection period.
have the resources to invest substantial staff time in supportive services or expanding housing opportunities even though they valued these activities.

**Time by Special Voucher Type**

In addition to time spent on the regular voucher program, the study measured time spent on eight types of special vouchers: project-based, tenant protection, Veterans Affairs Supportive Housing (HUD-VASH), non-elderly disabled (NED), family unification program (FUP), five-year mainstream, disaster, and homeownership vouchers. HUD-VASH, NED, FUP, five-year mainstream, and disaster vouchers are programs with special appropriations of funds that PHAs have been encouraged to apply for in order to serve populations with special needs. Tenant-protection vouchers are issued to replace public housing or project-based Section 8 units that have left the assisted housing stock. Project-based vouchers and homeownership vouchers are options available to a PHA for using the funds that have already been allocated to them.

The study asked PHA staff to record time working on special voucher programs whenever they were aware of working on these programs, with the goal of estimating a time per voucher for certain special voucher programs that could be compared to the time per voucher for the regular program. Collecting time data related to special vouchers was challenging because of the very small size of the special voucher programs. Nine of the 60 PHAs had no special vouchers at all, and special vouchers represented 15 percent of the portfolio for the remaining PHAs.

Due to the small sample sizes, the study was only able to examine the time spent per voucher per year for three special voucher types: project-based vouchers, homeownership vouchers, and HUD-VASH vouchers. The study excluded time spent on inspections from the special voucher analysis because the inspectors in the study had said at the time of data collection that they could not reliably identify what type of voucher they were working with for a given inspection and therefore would tend to report their work as relating to regular vouchers. The study also restricted the comparison to the set of PHAs that had each type of voucher so that time spent on a given special voucher type would be compared to time spent on regular vouchers by the same PHAs.

**Project-Based Vouchers**

The study was able to develop time estimates for 27 of the 29 PHAs in the study that had made the decision to use some of their voucher funding as project-based vouchers. The 27 PHAs all had at least one project-based voucher under lease and recorded time spent on project-based vouchers during the RMS period.

One PHA was very different from the others in that it recorded 95 hours of work time on project-based vouchers during the RMS period but had only one project-based voucher under lease at that time (and only two project-based vouchers under lease six months later). During the RMS period, this PHA was in the process of developing and issuing an RFP for project-based vouchers and was therefore expending a lot of time on the program before having that type of voucher under lease. The PHA’s HCV Director recorded 52 hours of work during the eight-week RMS period under the “monitoring and supervisory” activity that included developing and issuing the RFP. This is indicative of the upfront work involved in the project-based voucher program, but should be considered a lower bound as the upfront work may have begun before and continued after the eight-week period.
The other 26 PHAs with project-based vouchers under lease were not seeking to create new project-based units and therefore were operating the program in a steady state. These 26 PHAs, on average, spent about the same amount of time per voucher for project-based vouchers as for regular vouchers once the project-based vouchers were under lease. The average time per project-based voucher was 10.3 hours per voucher per year, compared to 11.4 hours per voucher per year for regular vouchers. However, there was wide variation across the 26 PHAs in the time spent per voucher on project-based vouchers and a large confidence interval around the average (4.6 to 16.0 hours). The study team recommended that HUD conduct further research into both the upfront and ongoing costs of project-based vouchers.

**Homeownership Vouchers**

The study was able to develop time estimates for 27 of the 33 PHAs in the study that had chosen to use some of their voucher funding for a homeownership program. On average, excluding time spent on inspections, the 27 PHAs spent 22.1 hours per voucher per year for homeownership vouchers, compared to 13.6 hours per voucher per year for regular vouchers. As was the case with project-based vouchers, there was substantial variation across the 27 PHAs in the time spent per voucher on homeownership vouchers and thus a wide confidence interval around the average—6.2 hours to 38.1 hours. The main driver of the higher average time per voucher was the large amount of time spent on supportive services for homeownership vouchers. This included all the work related to counseling families about homeownership and supporting them through the home-buying process.

Seven of the 27 PHAs with homeownership vouchers experienced homeownership closings during the RMS period. As would be expected, the average time per voucher was higher among the PHAs with homeownership closings. These PHAs spent an average of about six hours per homeownership voucher during the eight-week RMS period, compared to about three hours per homeownership voucher among the PHAs without closings, and about two hours per regular voucher.

**HUD-VASH Vouchers**

The study collected time data for 21 PHAs in the study that administered HUD-VASH vouchers, a program with separate appropriations with the purpose of ending veteran homelessness. Two of the 21 PHAs recorded very large amounts of time spent on HUD-VASH during the RMS data collection period but had very few HUD-VASH vouchers under lease. One of the PHAs recorded 59 hours spent on HUD-VASH during the two-month data collection period, with only one HUD-VASH voucher under lease. The other PHA recorded 30 hours spent on HUD-VASH during the two month period, with only three HUD-VASH vouchers under lease. These two PHAs were in the process of developing new HUD-VASH programs and logged a large amount of time developing partnerships and providing service referrals for clients.

The large amount of time spent by the two PHAs with new programs suggests that the HUD-VASH program is very time consuming in the early stages. However, the study recommended further research and a larger sample size to substantiate this claim and to estimate the upfront time needed for an average PHA starting a HUD-VASH program.

The study results were not conclusive regarding time spent on the HUD-VASH program once established. The study’s time estimates did not show that the HUD-VASH program takes more time than the regular voucher program to administer on an ongoing basis. The average time per HUD-VASH voucher was 10.4 hours per voucher per year, compared to 13.0 hours per voucher per year for
regular vouchers. The 95 percent confidence interval around the average time spent per HUD-VASH voucher was 7.5 to 13.2 hours.

That the study did not find definitive evidence that administering the HUD-VASH vouchers takes more time than administering regular vouchers and was not consistent with what PHAs in the study reported, which was that HUD-VASH is a very time consuming program even after the initial start-up phase. The study may have underestimated the time spent on HUD-VASH vouchers because the program was so small (less than 5 percent of the voucher portfolio for most study sites) and some aspects of program administration were done for several voucher types at the same time. It could also be that PHA staff had difficulty differentiating among voucher types for some activities and therefore defaulted to recording their time under regular vouchers. Another possibility is that part of the additional work required for the HUD-VASH programs was conducted by senior managers—overhead staff who at many study sites did not participate in RMS. In view of the policy objective of the HUD-VASH program and the importance of encouraging PHAs to apply for and administer HUD-VASH, the study recommended that HUD undertake further research into the type and amount of work required for the ongoing administration of the HUD-VASH program and how the work may differ from that required for the regular HCV program.

Time by Household Type

The study collected data on the time spent on annual recertifications for five categories of households: homeless at admission, elderly, non-elderly disabled, small family (1 to 5 members), and large family (6 or more members). The study found that the average time to conduct annual recertifications was lower for elderly and non-elderly disabled households than it was for family households and for households that were homeless at admission. The average time spent on annual recertifications was 3.0 hours per voucher per year for elderly households and 2.4 hours per voucher per year for non-elderly disabled households, compared to 5.6 hours per voucher per year for family households.

At the time of RMS data collection, 45 of the 60 PHAs in the study served at least one household that was homeless at admission. However, these households only represented a small percentage of the total households served and PHA staff had difficulty identifying at the time of data collection which households had been homeless at admission. Only 14 of the 45 PHAs recorded any time spent on annual recertifications for homeless households during the RMS period and for two PHAs the time recorded was unrealistically small given the number of homeless households served. Thus, the study was able to estimate time per annual recertification for homeless households for only 12 PHAs. Across the 12 PHAs, the average time spent on annual recertifications was 4.6 hours per voucher per year for homeless households, higher than for the other household types, but the 95 percent confidence interval around this average was very wide—2.2 to 7.1 hours. Given this uncertainty and HUD’s interest in providing further incentives to PHAs to serve homeless households, the study recommended that HUD undertake additional research to determine which elements of the program take more time for these households on a per household basis.

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7 The study was not able to estimate the time spent on intake for households that were homeless at admission compared to other household types because we did not have reliable counts of the number of homeless families issued vouchers during the data collection period.
How Much Does it Cost to Run a High-Performing and Efficient HCV Program?

Across the 60 PHAs, the average administrative cost per voucher for calendar year 2013 ranged from $42.06 per unit month leased (UML) to $108.87 per UML.\(^8\) The average cost per UML for all 60 PHAs was $70.03 and the median cost per UML was $64.84. The 95 percent confidence interval for the average was $65.11 to $74.95. The average annual cost for 2013 was $840 per voucher and the median annual cost was $778 per voucher.\(^9\)

The study’s cost estimates included all costs associated with administering the HCV program for the period when the time and cost data were collected, which for most study sites was in 2013.\(^10\) The cost estimates included costs for regular vouchers as well as for special vouchers. They included frontline labor costs (wages plus all employee benefits), frontline (direct) non-labor costs, and overhead costs (including both labor and non-labor costs).

Frontline labor costs were the largest component of HCV program costs, representing 57 percent of program costs on average, with a 95 percent confidence interval of 53 to 61 percent. After frontline labor, the next largest cost component was frontline non-labor costs (24 percent on average, confidence interval of 20 to 28 percent), followed by overhead costs (19 percent on average, confidence interval of 15 to 24 percent).

The study compared the estimates of 2013 costs to the fees received by the 60 PHAs between July 1, 2013, and June 30, 2014. During this time period, the administrative fee proration averaged 75 percent. Only 2 of the 60 PHAs in the study received sufficient fees during this period (with proration) to cover their estimated costs for 2013. For the average PHA in the study, the fees received during this time period (with proration) covered 77 percent of the estimated cost of administering the program (95 percent confidence interval of 72 to 82 percent). Across the 60 PHAs, the percent of costs covered by the fees received (with proration) ranged from 45 percent to 115 percent.

Cost by Activity

In addition to the total HCV administrative costs per voucher, the study estimated costs per activity. Exhibit 2 shows cost estimates for key HCV activities, in 2013 dollars.

\(^8\) UML is calculated as total unit months leased, plus port-in months leased minus port-out months leased.

\(^9\) As a point of comparison, the 1988 study of the voucher program estimated an average annual cost per voucher of $326 ($27.17 per month) for large urban PHAs (Leger and Kennedy 1988). This translates to $642 per year ($53.50 per month) in 2013 dollars, compared to the current study’s estimate of $840 per year ($70.03 per month).

\(^10\) Data collection took place in 2012 for four PHAs. For these PHAs, the study applied an inflation factor based on the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) to estimate the costs for 2013. Data collection took place in 2014 for seven PHAs. The study did not convert the costs for these seven PHAs to 2013 dollars because data collection was complete by April 2014.
Exhibit 2. Estimated Cost per Activity, 2013

<table>
<thead>
<tr>
<th>Activity</th>
<th>Average Cost per Activity</th>
<th>95% Confidence Interval</th>
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<tr>
<td>Eligibility determination</td>
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</tr>
<tr>
<td>Annual recertification</td>
<td>$226</td>
<td>$183 - $269</td>
</tr>
<tr>
<td>Interim recertification</td>
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<td>$119 - $169</td>
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<td>Inspection of any type, conducted by PHA staff</td>
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<td>$84 - $112</td>
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<td>$83 - $112</td>
</tr>
<tr>
<td>Reinspection conducted by PHA staff</td>
<td>$94</td>
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</tbody>
</table>

What Accounts for the Variation in HCV Administrative Costs?

The cost estimates produced by the study indicate that administrative costs vary substantially across PHAs. To explain the variation in HCV administrative costs, the study team conducted univariate and multivariate analyses on a large number of PHA characteristics, program characteristics, and market characteristics that could be potential cost drivers. In all of these analyses, the dependent variable was the administrative cost per voucher (i.e., per unit) for each of the 60 PHAs in the time measurement study. The independent variables were the potential cost drivers, such as program size, the local wage rate, and the characteristics of HCV participants at each PHA.

The first step to identify the factors driving variation in HCV administrative costs was to work with HUD and the EITRG to identify a list of PHA, program, and market factors that could theoretically be expected to affect per voucher administrative costs. Through this process the study team identified more than 50 potential cost drivers. The study team then ran correlations to examine, for each of the variables identified as potential cost drivers, whether there appeared to be a relationship between that variable and the variation in per voucher costs observed across the 60 PHAs in the study.

The correlation analysis showed that HCV program size was highly correlated with per unit administrative costs. PHAs with 500 vouchers or fewer were found to have statistically significantly higher per unit administrative costs compared with larger programs, so the study team selected a binary variable that captured whether the PHA had 500 vouchers or fewer under lease to control for size.

The correlation analysis also found that per unit administrative costs were highly correlated with a local wage index derived from the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW). The wage index captured local variations in average wages paid to local government workers, which served as a proxy for local variations in what PHA staff are paid.

Together, these two variables—program size and wage index—explained 35 percent of the observed variation in per voucher administrative costs.

To improve upon this model, the study tested the other potential cost driver variables one by one and in combination with each other. Through this process, and carefully considering the theory behind how each variable could affect HCV administrative costs, the study team identified seven final cost drivers. Exhibit 3 presents the cost drivers identified and their relationship to administrative costs. Together, these variables explained 63 percent of the observed variation in administrative cost per voucher.
### Exhibit 3. HCV Administrative Cost Drivers

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Explanation</th>
<th>Data Source</th>
<th>Relationship to HCV Administrative Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program with 500 or fewer vouchers</td>
<td>The formula has two size categories—500 or fewer vouchers under lease and more than 500 vouchers under lease.</td>
<td>Average vouchers under lease from HUD Voucher Management System (VMS) data (total unit months leased + port ins – port-outs, divided by 12).</td>
<td>Large programs have lower per voucher administrative costs since for many tasks the marginal cost of doing the task for one extra voucher is small.</td>
</tr>
<tr>
<td>Wage index</td>
<td>The ratio of the local wages for local government employees to the national average.</td>
<td>Index created from the BLS QCEW, Annual Wage Data on Local Government Employees and HUD geocoded data for county in which PHA main office is located.</td>
<td>The wage rates paid to HCV staff are based in part on the prevailing wage in the area where the PHA is located. PHAs operating in markets with higher than average prevailing wages will have higher administrative costs.</td>
</tr>
<tr>
<td>Health insurance cost index</td>
<td>The ratio of the average health insurance cost for employers in the state in which the PHA is located to the national average health insurance cost.</td>
<td>Index created from the U.S. Department of Health and Human Services (HHS) Medical Expenditure Panel Survey.</td>
<td>Benefits costs are a substantial component of labor costs for the HCV program. The benefits costs a PHA faces are related to the costs of health insurance in the state where the PHA is located.</td>
</tr>
<tr>
<td>Percent of households with earned income</td>
<td>The percent of the PHA’s voucher households with income from wages.</td>
<td>Count of number of households served during the year with income from wages, divided by total number of vouchers under lease. From HUD PIH Information System (PIC).</td>
<td>Income certification and recertification is more complex for households with income from wages, increasing administrative costs.</td>
</tr>
<tr>
<td>New admissions rate</td>
<td>The number of households admitted to the voucher program as a result of turnover or new allocations of vouchers in the year as a percent of PHA’s vouchers under lease.</td>
<td>Count of households admitted to the program during the year (from HUD PIC) divided by total number of vouchers under lease.</td>
<td>The intake and lease-up work associated with admitting new households to the program increases administrative costs.</td>
</tr>
<tr>
<td>Small area rent ratio</td>
<td>A measure of how the average rents in the area where a PHA’s voucher participants live compare to the average rents for the overall area.(^a)</td>
<td>HUD PIC data on HCV participant addresses geocoded to small area FMR data.</td>
<td>PHAs that have a higher share of program participants living in relatively high-cost areas may have higher costs associated with serving those participants.</td>
</tr>
<tr>
<td>60 miles</td>
<td>Percent of voucher holders living more than 60 miles from the PHA’s headquarters.</td>
<td>HUD PIC data on HCV and PHA headquarters addresses.</td>
<td>PHAs that serve large geographic areas have higher costs because inspectors have to cover larger distances and/or the PHA has to establish branch offices.</td>
</tr>
</tbody>
</table>

\(^a\) For PHAs in metropolitan counties, the small area rent ratio is calculated as the median gross rent for the zip codes where voucher holders live, weighted by the share of voucher holders in each zip code, divided by the median gross rent for the metropolitan area. For PHAs in non-metropolitan counties, the small area rent ratio is calculated as the unadjusted two-bedroom FMR for the non-metropolitan counties where the PHA operates divided by the published FMR.
What would be an Appropriate Formula for Allocating Administrative Fees to PHAs Operating HCV Programs on an Ongoing Basis?

One of the most important outcomes of the HCV Administrative Fee study was the development of a recommended formula for allocating HCV administrative fees. The study team used the following criteria to guide the formula development work:

- The formula should be consistent with the findings of the time measurement, cost study, and cost driver analysis.
- The elements that comprise the formula and how they affect administrative costs should have a sound theoretical basis.
- The formula should be based on data that are available for all PHAs through HUD’s data systems or publicly available datasets.
- The formula should be understandable to a wide range of readers and stakeholders.
- The final implemented formula should be predictable from year to year to allow for PHA planning.
- The final implemented formula should consider a phase-in plan or provisions for protecting PHAs against changes from their current level of funding that could potentially jeopardize high-performing and efficient administration of the program.

Based on these criteria, the study presented a recommended fee formula and discussed potential modifications to the formula over time. The recommended fee formula was derived from a regression model based on the seven variables that the study found to drive per unit administrative costs.

Components of the Study’s Recommended Fee Formula

The variables in the study’s recommended fee formula were the seven final cost drivers described in Exhibit 3, with the exception of the program size variable, which was defined somewhat differently to avoid sudden drops in fees as PHAs increase in size. The seven formula variables were:

- **Program size**: the number of vouchers under lease, including port-ins and excluding port-outs. PHAs would receive additional fee per voucher if they have fewer than 750 vouchers under lease, with the most additional fee received by PHAs with 250 or fewer vouchers under lease.
- **Wage index**: the wage rate for local government workers in the PHA’s jurisdiction compared to the national average wage rate for local government workers

The cost driver analysis found that PHAs with 500 or fewer vouchers under lease had significantly higher per unit costs. In a fee formula, a binary variable that separates PHAs into two groups—one with 500 voucher or fewer and one with more than 500 vouchers—would result in a cliff effect, that is, a substantial drop-off in fees once a PHA exceeds 500 vouchers under lease. To avoid the cliff effect, the formula provided additional fee to PHAs with fewer than 750 vouchers under lease on a sliding scale. The study team tested different ranges and found that the 250 to 750 range minimized the cliff effect without weakening the formula’s accuracy in predicting costs.
- **Health insurance cost index:** the cost (to employers) of health insurance in the PHA’s state compared to the national average cost of health insurance

- **Earned income share:** the percentage of the HCV households served by the PHA that have income from wages

- **New admissions rate:** the number of households admitted to the PHA’s HCV program (as a result of turnover or new allocations of vouchers) as a percentage of the total households served

- **Small area rent ratio:** a measure of how the average rents in the areas where a PHA’s voucher participants live compare to the average rents for the overall area

- **60 miles:** the percentage of HCV households served by the PHA that live more than 60 miles away from the PHA’s headquarters

The recommended fee was based on the total cost per voucher collected through the study for calendar year 2013. This cost per voucher included costs associated with intake and lease-up for households that may or may not end up under lease and costs associated with termination activities for participants who are no longer under lease. The cost per voucher included all costs required for operating a high performing and efficient HCV program as of 2013, including capital outlays.12

Exhibit 4 presents the specifications of the study’s recommended fee formula model. The seven variables in the formula cover a broad range of cost drivers. The formula recognized that smaller PHAs have higher per unit administrative costs and that costs vary locally based on differences in the prevailing wage rate and the local cost to employers of providing health insurance. The formula also reflected aspects of the program that take extra time: admitting new households to the program, serving households with earned income, assisting households to lease up in relatively high-cost areas, and administering the program over a larger geographic area.

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12 The cost per voucher includes costs for capital outlays and other costs that the participating PHAs funded with administrative fee reserves during the data collection period. However, it does not include the cost of any additional reserves that a PHA might determine it needs to maintain operations in the face of unexpected costs or an interruption in the flow of income.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient Estimate</th>
<th>Standard Error on Coefficient Estimate</th>
<th>p-value</th>
<th>Range of Values</th>
<th>Unit of Measurement</th>
<th>Standard Deviation of Variable</th>
<th>Relative Impact of Formula Variables&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-110.56</td>
<td>39.07</td>
<td>0.0064***</td>
<td></td>
<td>$ per UML</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program size</td>
<td>16.07</td>
<td>4.16</td>
<td>0.0003***</td>
<td>0 to 1</td>
<td>For PHAs with 250 vouchers or fewer, value is 1. For PHAs with 251 to 749 vouchers, value is 1-[(number of units under lease-250)/500]. For PHAs with 750 vouchers or more, value is 0</td>
<td>0.42</td>
<td>$6.75</td>
</tr>
<tr>
<td>Wage index</td>
<td>49.21</td>
<td>12.96</td>
<td>0.0003***</td>
<td>0.63 to 1.31</td>
<td>Ratio of local wage rate to national average wage rate</td>
<td>0.19</td>
<td>$9.35</td>
</tr>
<tr>
<td>Health insurance cost index</td>
<td>27.99</td>
<td>20.11</td>
<td>0.169</td>
<td>0.86 to 1.18</td>
<td>Ratio of local health insurance cost to national average health insurance cost</td>
<td>0.08</td>
<td>$2.24</td>
</tr>
<tr>
<td>Percent of households with earned income</td>
<td>0.93</td>
<td>0.21</td>
<td>&lt;.0001***</td>
<td>15.58 to 56.11</td>
<td>Percent (households with wage income/total households served)</td>
<td>7.83</td>
<td>$7.27</td>
</tr>
<tr>
<td>New admissions rate</td>
<td>0.24</td>
<td>0.33</td>
<td>0.472</td>
<td>2.93 to 52.19</td>
<td>Percent (new admissions/total households served)</td>
<td>9.79</td>
<td>$2.31</td>
</tr>
<tr>
<td>Small area rent ratio</td>
<td>60.83</td>
<td>35.00</td>
<td>0.0874*</td>
<td>0.93 to 1.14</td>
<td>Ratio of small area rent level to metro or state average rent level</td>
<td>0.04</td>
<td>$2.43</td>
</tr>
<tr>
<td>60 miles</td>
<td>1.01</td>
<td>0.06</td>
<td>&lt;.0001***</td>
<td>0 to 47.39</td>
<td>Percent (households that live more than 60 miles away from the PHA HQ/total households served)</td>
<td>5.18</td>
<td>$5.21</td>
</tr>
</tbody>
</table>

PHA = public housing agency. UML = unit months leased.

<sup>a</sup> Effect of one standard deviation change in formula variable on estimated costs per unit month. For example, if the wage index increases by one standard deviation (0.19), costs per unit month will increase by $10.00.

* Indicates significant at 10-percent level. ** Indicates significant at 5-percent level. *** Indicates significant at 1-percent level.

Notes: N = 60 PHAs. Observations were weighted to represent universe of high-performing PHAs from which the sample was selected.
In contrast to the study’s recommended fee formula, the fee formula currently in place has only one main component, the PHA’s Fair Market Rent in 1993 or 1994, which is multiplied by an inflation rate calculated based on the difference between the local wage rate for local government workers in 1993 and in the year for which the fee is being calculated. The existing fee formula assumes that the local FMR is a good proxy for what it costs to administer the HCV program.

The R-squared on the study’s recommended fee formula model was 0.63, meaning that the model was able to explain approximately 63 percent of the variation in administrative cost per unit observed across the 60 PHAs in the study. An R-squared of 0.63 is high for a regression model in a study of this type, but it nevertheless leaves about one-third of the variation of costs unexplained. The model predicted costs well for PHAs in most size categories, but less accurately for the largest PHAs (those with more than 10,000 vouchers under lease). Only 5 PHAs in the study sample had more than 10,000 vouchers and the variation in per-unit costs among these 5 PHAs was wide: 3 out of the 5 were at the upper end of the cost distribution, 1 was in the middle of the cost distribution, and 1 was at the lower end of the cost distribution. This variation made it more difficult to fit the regression model to these extra-large PHAs. The study suggested that HUD consider further adjustments for PHAs (of any program size) that would experience gains or losses relative to their current level of funding that HUD determines could jeopardize the PHAs’ ability to operate high-performing and efficient programs.

**Treatment of Portability under the Study’s Recommended Fee Formula**

The study’s recommended fee formula eliminated billing for administrative fees related to portability. Under the recommended formula, PHAs would receive 100 percent of their administrative fee for every voucher they administer, including port-in vouchers that they administer on another PHA’s behalf and excluding port-out vouchers that are administered by other PHAs. Under the existing formula, PHAs receive 100 percent of the administrative fee for vouchers that remain within their jurisdiction, bill the issuing PHAs for 80 percent of the issuing PHA’s fee for port-in vouchers, and are billed by receiving PHAs for 80 percent of their fees for port-out vouchers. The study recommended eliminating billing for administrative fees: PHAs would receive 100 percent of their own fee for vouchers that do not port and for port-in vouchers administered on behalf of other PHAs. PHAs would also receive a fee equivalent to 20 percent of their own fee for port-out vouchers administered by other PHAs.

**Calculating Fees under the Study’s Recommended Formula**

Exhibit 5 shows how the study’s recommended fee formula would calculate fees per unit per month. The calculation starts with negative $110.56 for all PHAs (the regression model intercept) and then adds $49.21 times the PHA’s wage index and $27.99 times the health insurance cost index. Next, the formula adds up to $16.07 depending on the number of vouchers under lease for PHAs with fewer than 750 vouchers under lease. The formula then adds $0.93 times the percent of households served by the PHA with earned income. Using the same approach, the formula adds $0.24 times the percent of households served by the PHA that that are new admissions to the program. The formula adds $60.83 times the PHA’s small area rent ratio. Finally, the formula adds $1.01 times the percent of households served by the PHA that live more than 60 miles from the PHA’s headquarters. The result is a fee expressed in terms of dollars per UML (including port-ins and excluding port-outs).
### Exhibit 5. Base Fee Formula Calculation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Applies to</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>All PHAs</td>
<td>- $110.56</td>
</tr>
<tr>
<td>Wage index</td>
<td>All PHAs</td>
<td>+ $49.21 x wage index</td>
</tr>
<tr>
<td>Health insurance cost index</td>
<td>All PHAs</td>
<td>+ $27.99 x health insurance cost index</td>
</tr>
<tr>
<td>Program size 1</td>
<td>PHAs with less than or equal to 250 units</td>
<td>+ $16.07</td>
</tr>
<tr>
<td>Program size 2</td>
<td>PHAs with 251 to 750 units</td>
<td>+ $16.07 x ([1- (\text{units}–250)/500])</td>
</tr>
<tr>
<td>Program size 3</td>
<td>PHAs with more than 750 units</td>
<td>+ $0</td>
</tr>
<tr>
<td>Percent of households with earned income</td>
<td>All PHAs</td>
<td>+ $0.93 x % of households with earned income</td>
</tr>
<tr>
<td>New admissions rate</td>
<td>All PHAs</td>
<td>+ $0.24 x % of households that are new admissions</td>
</tr>
<tr>
<td>Small area rent ratio</td>
<td>All PHAs</td>
<td>+ $60.83 x small area rent ratio</td>
</tr>
<tr>
<td>Percent of households more than 60 miles from PHA HQ</td>
<td>All PHAs</td>
<td>+ $1.01 x % of households living more than 60 miles from PHA headquarters</td>
</tr>
</tbody>
</table>

**Fee** Per UML = $  

HQ = headquarters. PHA = public housing agency. UML = unit month leased.

### Minimum Fees

A straight application of the recommended formula as shown in Exhibit 5 would, for two percent of PHAs, predict fees that are lower than the minimum cost of $42 per unit month leased found for the study sample. Given that no PHA in the study operated a high-performing and efficient HCV program for less than $42 per month, the study recommended that HUD set a minimum fee of $42 per unit month leased. The study also recommended a minimum fee of $54 per unit month leased for the PHAs in the U.S. Territories based on data suggesting that the formula may not predict costs well for these PHAs.

### Inflation Adjustments

After the new fee rate is calculated, and minimum fees applied, the study recommended that an inflation factor be applied to the calculated fee to account for costs that have gone up since 2013, the year for which the study estimated costs. The study recommended that HUD use a blended inflation factor that takes into account inflation in wages (based on the BLS Quarterly Census of Employment and Wages), inflation in benefits costs (based on the HHS Medical Expenditures Panel Survey), and inflation in non-labor costs (based on the BLS Consumer Price Index).

### Total HCV Administrative Costs Predicted by the Recommended Formula

The study estimated that $1.837 billion in fees would have been required to fund the high-performing and efficient administration of the HCV program during the July 1, 2013 through June 30, 2014 period, not including any phase-in provisions or other adjustments that HUD might apply when implementing the formula. The $1.837 billion study-predicted fees can be compared with the fees that HUD actually paid during the July 1, 2013 through June 30, 2014 period based on the existing administrative fee formula, the proration rates in effect during that period, and the same numbers of vouchers under lease. With proration, the administrative fees that HUD paid during this period to PHAs totaled $1.461 billion. If proration had not been used (that is, if PHAs had been funded at 100...
percent of the existing fee formula rates), the total administrative fees under the existing formula for this period would have been $1.923 billion.

**Phasing In the New Formula**

The study estimated that under its recommended formula, most PHAs would experience an increase in fees compared with what they received between July 1, 2013, and June 30, 2014, under the existing formula with 75-percent proration. In large part, this reflects the higher level of overall fees predicted by the recommended formula—$1.837 billion for the period of July 1, 2013, through June 30, 2014, compared with $1.461 billion under the existing formula. In implementing a new fee formula, the study recommended that HUD consider a transition or phase-in plan to allow PHAs time to adjust to the new fees, particularly for PHAs facing a decrease in funding under the new formula. The study also recommended that HUD consider modifications to the formula or supplemental fees to support PHAs in exercising their administrative discretion to address program priorities, strategic goals, and policy objectives at both the local and the national level, or in the event that program requirements change.

**Post-Study Modifications to the Recommended Formula**

After the HCV Administrative Fee study was completed, a team of HUD staff presented the findings to stakeholders across the county to solicit feedback on the study’s recommended formula. HUD also solicited feedback through a Federal Register notice (Federal Register, June 2015) that described the study findings and recommended formula. As a result of the feedback received, HUD modified three of the formula variables, developed an implementation plan, and published a proposed rule for the new administrative fee formula in the Federal Register on July 6, 2016 (Federal Register, July 2016). Comments to the latest proposal were due October 4, 2016.

The main modifications to the study’s recommended formula were as follows:

- For PHAs in metropolitan areas the wage index variable used in the regression model was replaced with the average local government wage rate for the PHA’s metropolitan Core Based Statistical Area (CBSA), instead of the average government wage rate for all the counties in the PHA’s state.

- The health insurance cost index was replaced by a “benefit load index” by state that includes all benefits paid to HCV employees in the state using actual benefit cost data from HUD’s Financial Data System (FDS).

- HUD decided to remove the SARR based on concerns about whether the SARR really captures variations in costs related to serving households in higher rent locations.

- HUD proposed an implementation plan by which a PHA’s per unit fee in any given year could not be less than 95 percent or more than 140 percent of the fee it received the previous year. This was to protect PHAs from declines in administrative fees that could impact program operations.
The revised formula presented in the proposed rule has an R-squared of 62 percent, which is very close to the R-squared in the original recommended formula. Exhibit 6 shows the formula coefficients and calculations.

Based on the comments received on the proposed rule, HUD expects to make further modifications to the recommended administrative fee formula in anticipation of publishing a final rule in 2017.

### Exhibit 6. Revised Recommended Fee Formula Calculation (Federal Register July 2016)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Applies to</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>All PHAs</td>
<td>-$33.47</td>
</tr>
<tr>
<td>Wage index</td>
<td>All PHAs</td>
<td>$+31.53 x wage index</td>
</tr>
<tr>
<td>Benefit load</td>
<td>All PHAs</td>
<td>$+0.78 x PHS’s benefit load</td>
</tr>
<tr>
<td>Program size 1</td>
<td>PHAs with less than or equal to 250 units</td>
<td>$+13.94</td>
</tr>
<tr>
<td>Program size 2</td>
<td>PHAs with 251 to 750 units</td>
<td>$+13.94 x [1- (units–250)/500]</td>
</tr>
<tr>
<td>Program size 3</td>
<td>PHAs with more than 750 units</td>
<td>$+0</td>
</tr>
<tr>
<td>Percent of households with earned income</td>
<td>All PHAs</td>
<td>$+1.02 x % of households with earned income</td>
</tr>
<tr>
<td>New admissions rate</td>
<td>All PHAs</td>
<td>$+0.15 x % of households that are new admissions</td>
</tr>
<tr>
<td>Percent of households more than 60 miles from PHA HQ</td>
<td>All PHAs</td>
<td>$+0.83 x % of households living more than 60 miles from PHA headquarters</td>
</tr>
<tr>
<td>Fee</td>
<td>Per UML</td>
<td>= $</td>
</tr>
</tbody>
</table>

### Summary

In summary, the HCV Administrative fee Study represents an important example of how HUD is using research to improve its understanding of HCV administrative costs and to improve the formula for funding program administration. The study estimates of the costs of operating a high performing HCV program can be used by HUD to request funding from Congress based on actual costs. This can help the agency receive the funding needed to run the program, since the funding request can be backed up by real data. In addition, the study data are being used to develop a new funding formula for the program based on factors that drive administrative costs.
References

Federal Register Vol. 80, No. 123 June 26, 2015

Federal Register Vol. 81, No. 129 July 6, 2016


