April 13, 2015

Ms. Lourdes Castro Ramírez
Principal Deputy Assistant Secretary for Public & Indian Housing
U.S. Department of Housing & Urban Development
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Washington, DC 20410

Dr. Kathy O’Regan
Assistant Secretary for Policy Development & Research
U.S. Department of Housing & Urban Development
451 Seventh Street, SW, Room 8100
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Dear Ms. Castro Ramírez and Dr. O’Regan,

As participants in the Expert and Industry Technical Review Group (EITRG), we appreciate your consideration of our organizations’ input throughout the Housing Choice Voucher Administrative Fee Study process. We look forward to providing detailed additional feedback on the Final Report in response to your forthcoming solicitation of public comment. Our current pressing concern, however, is HUD’s plan to provide comparative data to housing authorities and other stakeholders about the application of the recommended fee formula. We strongly believe that HUD must provide transparent and easily interpretable information so that housing authorities and program stakeholders can accurately assess the impact that the change in the formula would have had in terms of their fee eligibility and the funding that they have received. To accomplish this goal, HUD must provide HAs with data sufficient to illustrate both the recommended formula’s impact on HAs’ individual eligibility as well as the impact it would have on their share of the available funding.

We were disappointed to see HUD’s use of a 75 percent proration as the standard for comparison in the Administrative Fee Study release, despite concerns raised by members of the EITRG at the February 11, 2015 meeting, in written comments, and again during our March 19 conference call. Providing comparative numbers that represent a 75 percent proration under the current formula and full funding of the recommended formula is plainly misleading. The comparisons in the study report and the resulting claim that 92 percent of housing authorities would be “gainers” under the recommended formula fail to inform program stakeholders and policymakers adequately about impacts of both fee structures, rates and revenues appropriations aside. They also obfuscate the very real impact of the Congressional appropriations process and the risk of proration due to inadequate funding.

The HA-level data that HUD provides must allow an “apples to apples” comparison. As the Executive Summary states, “[i]n large part, this [large percentage of gainers] reflects the higher level of overall fees predicted by the proposed formula—$1.835 billion for the period of July 1, 2013 through June 30, 2014, compared with $1.461 billion under the existing formula.” Though we appreciate that HUD explicitly acknowledges the effect of this comparison in the study materials, we are concerned that policymakers and stakeholders will pay more attention to the distorted message that the numbers appear to convey than to the disclaimer.

Given the confusion that the materials will create, the importance of clarity in HUD’s future data releases cannot be understated. To create a relevant and accurate comparison for understanding the
impact of the recommended formula on HA eligibility, HUD should publish data on housing authorities’ eligibility under the recommended formula as compared to their eligibility under the current formula. We believe that these numbers would be useful to our members as they think about future budgetary implications of the formula change, even as we recognize that eligibility is likely to be more volatile under the recommended formula than under the current one, under which the only changes are due to inflation. We strongly suggest that HUD provide all housing authorities with their HA-level CY2014 administrative fee rates for which they would be eligible under each of the formulas, on a per-UML basis. By way of comparison, it is worth noting that HUD’s Public Housing Operating Cost Study included comparisons of HAs’ present Operating Fund formula eligibility with HAs’ formula eligibility under HUD’s study recommendations.

This information on its own, however, would also provide only a partial picture of the impacts of the recommended formula. Because total CY 2014 eligibility under the recommended formula is less than the total CY 2014 eligibility under the current formula, the actual appropriation would have resulted in a higher proration under the recommended formula. This means that the on-the-ground impact of the change would not be equivalent to the change in eligibility. To illustrate:

According to Exhibit ES-9/7-25, total eligibility for the study period under the current formula was $1,922,686,896, while total eligibility for the study period under the proposed formula was $1,835,011,172. The actual administrative fees paid during this period totaled $1,460,874,791. Considering that amount as the appropriation for the study period, the resulting proration is 75.98% under the current formula and 79.61% under the recommended formula.

EXAMPLE 1: A HA that has less than 600 vouchers (and thus only one fee rate) has a current fee rate of $100 per UML. Under the proposed formula, the new fee rate is $95. Looking at eligibility against eligibility, it would appear that under implementation of the proposed formula, this HA would have experienced a 5% decline in admin fees. But considering the actual appropriation, it would have received $75.98 ($100x75.98%) under the current formula and $75.22 ($95x79.61%) under the recommended formula, an actual decline in funding of only 0.46%.

EXAMPLE 2: A HA that has less than 600 vouchers (and thus only one fee rate) has a current fee rate of $100 per UML. Under the proposed formula, the new fee rate is $98. Looking at eligibility against eligibility, it would appear that under implementation of the proposed formula, this HA would have experienced a 2% decline in admin fees. But considering the actual appropriation, it would have received $75.98 ($100x75.98%) under the current formula and $78.02 ($98x79.61%) under the recommended formula, an actual gain in funding of 2.68%.

EXAMPLE 3: A HA that has less than 600 vouchers (and thus only one fee rate) has a current fee rate of $100 per UML. Under the proposed formula, the fee rate is $105. Looking at eligibility against eligibility, it would appear that under implementation of the recommended formula, this HA would have experienced a 5% gain in admin fees. But considering the actual appropriation, it would have received $75.98 ($100x75.98%) under the current formula and $83.59 ($105x79.61%) under the recommended formula, an actual gain in funding of 10.02%.

EXAMPLE 4: A HA that has less than 600 vouchers (and thus only one fee rate) has a current fee rate of $100 per UML. Under the proposed formula, the fee rate remains $100. Looking at eligibility against eligibility, it would appear that under implementation of the recommended formula, this HA would have experienced no change in admin fees. But considering the actual appropriation, it would have received
$75.98 ($100x75.98%) under the current formula and $79.61 ($100x79.61%) under the recommended formula, an actual gain in *funding* of 4.78%.

For this reason, we advise that any provision of fee rate figures be accompanied by total *eligibility* numbers, to signal to housing authorities that the total must be considered in determining impact. We also strongly suggest that HUD provide housing authorities with actual impact numbers, based on the actual appropriation for CY2014 of $1.49 billion that was made available for ongoing administrative fees and fees for new vouchers.

We suggest using CY2014 because the time period for which these data are calculated also has a significant effect on stakeholders’ ability to draw meaningful conclusions. Using the time period of July 1, 2013 to June 30, 2014 compounds the inappropriateness and misleading nature of the comparisons provided in the materials made public to date. This time period featured the lowest administrative fee and HAP prorations in the history of voucher programs. This period is also inconsistent with HAs’ calendar year funding and leasing period, and included relatively low admissions of new households to the voucher programs. HUD’s planned release of HA-level data for July 1, 2013 to June 30, 2014 will undermine the goal of providing transparent and accurate information to all interested parties.

Further, it was not until July 17, 2014 that HUD notified HAs that it would be using available unobligated carryover funds to increase administrative fee proration from 75 to 79 percent retroactive to January 1, and some time later that the additional fees were provided to HAs. As such, the administrative fee proration during the study period was closer to 72 percent than the 75 percent listed in the study report tables. HUD’s presentation materials and data releases should reflect this fact, and if HUD moves forward with plans to provide HA-level data for this time period, that data should also represent this more accurate proration. However, we strongly advocate for focusing on CY2014.

In light of the above discussion, we request that HUD publish the following information for all HAs, in a format that allows stakeholders to work with the data (i.e., not in a PDF):

<table>
<thead>
<tr>
<th>PHA XXxxx: Full CY2014 Admin Fee Rate (per UML)</th>
<th>CURRENT FORMULA</th>
<th>PROPOSED FORMULA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CY2014 Admin Fee Eligibility, all PHAs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual CY2014 Appropriation for Admin Fees</td>
<td>$1.49 billion</td>
<td></td>
</tr>
<tr>
<td>Admin Fee Proration based on CY2014 Appropriation (excluding carryover funds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHA XXxxx: Prorated CY2014 Admin Fee Rate (per UML)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHA XXxxx: Total CY2014 UMLs</td>
<td></td>
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We recognize that HUD has already begun making its calculations to prepare for sending data to housing authorities. However, presenting the data in this way would only require a few adjustments to what might have already been done, and will ensure that the data provided is maximally transparent and complete.

This is the most minimal data that our members require to assess the potential impact of the change. However, we also recognize the increased potential for volatility under the proposed formula. We therefore also urge HUD to provide additional data about the data points on which the above calculation of fee rates are calculated under the recommended formula. For each housing authority, HUD should publish a table containing the following information:
These data will enable stakeholders to model the effects of changes in each of the variables (and combinations thereof) on HA fee rate eligibility. This would help our members to get a better understanding of how the proposed formula might affect and be affected by their operations.

Finally, for both our members and for us as their advocates, only having data for a single time period is still extremely limiting to our ability to determine the potential future impacts of the potential change in the formula. This is especially true given the atypical nature of this time period, when housing authorities were still being impacted by and trying to recover from sequestration. We will expect you to release CY2015 data of the same type when it is available. In the meantime, we request that after this initial distribution of impact data, you continue to work with us to provide additional data on historical trends for the formula variables and how they differ by housing authority characteristics (e.g., size, region, etc.).

Thank you for your consideration of our analysis of what would be most helpful to our members at this time. We believe that having well-informed constituents will prove to also be helpful to HUD as you decide how to proceed with applying the findings of this study, as it will facilitate the solicitation of useful feedback and help you address concerns before full implementation of a new formula.

Sincerely,

Sunia Zateman  Saul N. Ramirez, Jr.  Timothy G. Kaiser
CLPHA  NAHRO  PHADA

cc: Marina Myhre, Social Science Analyst, Program Evaluation Division, PD&R
    Todd Richardson, Associate Deputy Assistant Secretary, Office of Policy Development, PD&R
    Danielle Bastarache, Deputy Assistant Secretary for Policy, Programs and Legislative Initiatives, PIH
    Becky Primeaux, Director, Housing Choice Voucher Management and Operations Division, PIH