August 11, 2015

Regulations Division
Office of the General Counsel
Department of Housing and Urban Development
451 7th Street SW
Room 10276
Washington, DC 20410-0500

Re: Docket No. FR-5874-N-01] HUD Administrative Fee Formula--Solicitation of Comment
Docket No. FR-5874-N-02] HUD Administrative Fee Formula--Extension of Public Comment

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (hereafter “NAHRO”), I am pleased to offer the following comments in response to the notice (FR-5874-N-01) entitled "HUD Administrative Fee Formula - Solicitation of Comment" and the notice (FR-5874-N-02) entitled "HUD Administrative Fee Formula - Extension of Public Comment" published in the Federal Register on June 26, 2015 and July 16, 2015 respectively. Formed in 1933, NAHRO represents over 20,000 individual and agency members. Collectively, NAHRO members administer approximately 1.7 million Housing Choice Vouchers, making the adequacy of the associated administrative fees one of the most critical issues our organization addresses.

NAHRO is pleased to have the opportunity to comment on the proposed administrative (hereafter "admin") fee formula. We commend the Department of Housing and Urban Development (hereafter "HUD" or "the Department") for extending the comment period by an additional fifteen days in response to a request by NAHRO, the Council of Large Public Housing Authorities (hereafter "CLPHA"), and the Public Housing Authorities Directors Association (hereafter "PHADA"). This extension, which allowed for more meaningful public participation, shows that HUD takes the views of its stakeholders seriously. NAHRO looks forward to participating with the Administration in a fair and open process that takes into account the comments and concerns of interested parties.
This comment letter is divided into two sections. In Part I, we have outlined our specific concerns with the proposed administrative fee formula. Then, in Part II, we have provided responses to a selection of the specific questions posed by HUD in its solicitation of comment.

Part I - NAHRO's Concerns about the Proposed Administrative Fee Formula

1. NAHRO is concerned that the PHAs sampled for the study on which the proposed formula is based are not representative of the entire universe of PHAs, thereby misrepresenting the true costs of running voucher programs.

NAHRO is concerned about the sample selection that was used to conduct the HCV Administrative Fee Study. The study sample only included PHAs that had a “high performer” Section Eight Management Assessment Program (SEMAP) designation. We believe that by limiting the study sample in this way, the PHAs that were looked at were not representative of the entire universe of PHAs. By looking at only high performing PHAs, the Admin Fee Study may be systematically ignoring certain higher costs faced by many PHAs.

In looking at only high performer PHAs, NAHRO believes that the Admin Fee Study may have neglected taking into account other costs that affect other PHAs and prevent them from being classified as high performer PHAs through no fault of their own. For example, low leasing success rates due to tight housing markets, which are entirely outside of the PHA’s control, but make it hard for potential voucher holders to find appropriate units, can negatively impact some agencies’ SEMAP scores.1 If this indicator prevents those PHAs from receiving high performer status, then the additional costs from working in a tight housing market are excluded in the Admin Fee Study.

By looking at only high performer PHAs, the study also ignores the possibility that a PHA may not be a high performer currently because it is being underfunded through the old formula, an effect that would only be magnified by the years of deep prorations which PHAs have faced. If not for the inadequate current level of admin fee funding, some of these PHAs may have received high-performer status as well. Unfortunately, the study does not recognize any unique costs that these PHAs might be facing.

Additionally, NAHRO is concerned about the small size of the sample used in the study. The size of the sample was not purposefully determined, but rather, as the study states, the “overall sample size was constrained by the availability of resources for the study.”2 Because the adequacy of the data put into a model directly relates to the quality of the results, NAHRO is deeply concerned that the study as conducted cannot adequately serve as the basis for a new fee formula. NAHRO feels that the sample size should have been set at a level that would produce a formula that would have a greater degree of predictive value, instead of being arbitrarily set based on external non-relevant factors.

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1 See 24 C.F.R. §985.3(p).
While NAHRO understands the Department’s interest in only funding the costs necessary to act as a high-performing agency, such a policy may have the unintended consequence of erecting additional barriers to agencies ability to improve their operations. For example, many high performing agencies have made substantial investments in IT infrastructure that supports efficient and effective performance. By virtue of receiving admin fees that are based on data collected from PHAs that have already made these investments and are reaping the benefits, other agencies may never have sufficient resources to follow suit.

2. **NAHRO is concerned that conducting the study during sequestration has led to distorted results.**

NAHRO believes that conducting the study during the sequestration period has led to distorted results that undervalue the costs of running a voucher program and underestimate the time spent on many activities. While the study tried to take into account cost-cutting actions taken between site visits to the PHA and the cost data collection, this adjustment does not go far enough. The study did not account for PHAs that took cost-cutting actions before site visits and then did not revisit those decisions. Though the study states that they were still high performers at the time of the site visits, this does not take into account the possibility that cost reductions may have a long term impact on the program that may not have been felt at the time of the site visits. Sequestration forced cuts to programs out of necessity, but those cuts, while not having an immediate impact, could still harm the long term efficacy of the program. In addition, it is likely that the study observed PHAs operating in their leanest configurations, doing only the minimum functions required. By basing the study on this time, the Department all but eliminates the possibility of a PHA receiving a fee sufficient to support a more robust level of service.

3. **NAHRO does not believe that the admin fee formula should be used to incentivize PHAs to undertake certain behaviors or policy choices.**

NAHRO does not believe that the admin fee formula should be used to incentivize certain policy decisions on the part of PHAs. The purpose of the proposed admin fee should be to accurately reflect the administrative costs of running voucher programs. NAHRO is disappointed to see questions in HUD's solicitation of comment that would seem to indicate that HUD is not looking to honestly fund the true costs of running voucher programs, but is using the formula to manipulate PHAs into fulfilling HUD's collateral policy objectives. For example, the purpose of the PHA size factor should be to reflect the costs that are associated with small, medium, and large PHAs as a result of the scale of their program. The proposed admin fee formula should not be designed to force "small PHAs in close proximity to one another [to] merge" by virtue of not receiving funding for costs predicted by the PHA size indicator. To withhold these fees--which result from real costs--from PHAs, would be to impose a penalty on small PHAs.

NAHRO has long argued against forced regionalization of PHAs, holding that these are decisions that are more appropriately made by local officials. PHAs and their boards are in the best position to decide whether the interests of their communities would be best served by merging with other PHAs. There may be a number of reasons that some communities are better
served through multiple smaller PHAs than a single large PHA including greater knowledge of local rental markets, greater responsiveness to voucher holder needs, and better outreach and education to local landlords.

4. **NAHRO believes that the current formula does not adequately represent the cost of running a voucher program by large, urban PHAs.**

NAHRO believes that the current formula does not adequately represent the cost of running a voucher program by large, urban PHAs. Despite being statistically significant, the Urban PHA variable was not included in the final formula because the study determined that there was not a strong theoretical basis for it. The study concluded that, in many ways, urban areas should be easier to serve because HCV units tend to be less dispersed, there are more landlords with multiple HCV units, and there is more multifamily housing. According to the study, this has the effect of reducing time spent on inspections. The study suggested that there may be characteristics of an urban population—such as a higher rate of poverty—that the urban PHA variable was picking up, but dismissed this possibility when testing the percentage of the HCV population that lives in urban areas turned out to not be statistically significant.

There may be other theoretical reasons for why operating a PHA in a large urban area may be more expensive. These reasons include large, urban areas having low vacancy rates, the age of housing stock in urban areas, the complexity of inspections in an urban environment, and the additional time required to be spent on monitoring and supervisory activities in these environments. While the study tested these variables independently and found they did not rise to the level of statistical significance, this may be because the study sample was not large enough and did not appropriately weigh urban PHAs.

All of the theoretical factors mentioned above have causal connections to higher administrative costs. In many large, urban centers with extremely low vacancy rates, participants have difficulty in finding housing that meets the program’s quality and affordability guidelines. Additionally, landlords may be less willing to retain existing voucher holders when they have the ability to be selective about their tenants. This lengthening of the lease-up period will inevitably lead to higher administrative costs as PHA staff do their best to assist program participants in locating and securing a unit. Many large, urban areas also have very old housing stock. These units are more likely to have a higher administrative cost because these units are more likely to fail inspections. Additionally, inspections in large, urban areas can be very complex. Inspectors may be subject to local ordinances that add additional time to each inspection. The time it takes to commute to inspections and between inspections may also be longer in very densely populated areas. Finally, local ordinances may add supervisory requirements that lead to greater time and money being spent on monitoring and supervisory activity.

Urban PHAs may also be impacted by the averaging of local wage rates that happens in an MSA. A PHA serving the center city may be forced to pay higher wages than outlying communities within the same MSA. However, the wage rate variable included in the formula does not reflect wage variation within the region, allowing lower-cost areas to dilute the value of this indicator.
5. **NAHRO is concerned that the formula only explains 63 percent of the costs of operating a voucher program.**

NAHRO is concerned that the proposed formula only explains 63 percent of the costs of operating a voucher program. Some of this unexplained variability stems from the large number of potential cost drivers including the variation in per unit costs across study sites; the variation among PHA characteristics; the variation among program characteristics; and the small sample size used in the study. While NAHRO understands that from a research perspective this number represents a high level of explanatory power for the proposed formula, from a program management perspective, this number still misses explaining a large portion of admin fee variability.

There is still 37 percent variability that is unexplained. This leaves open the possibility that some PHAs, were they to be funded under the proposed admin fee formula would be drastically underfunded. While the 63 percent explanatory number may be a good number for a study with this sample size, a more inclusive study, with a larger, more diverse sample size, may have a number that explains variability among the admin fee to a greater extent. NAHRO strongly suggests crafting a base formula with greater explanatory potential.

**Part II - Answers to Select Questions Posed by HUD's Solicitation of Comment**

1. **Wages**

   *Is using the state average wage reasonable for a state PHA?*

   NAHRO believes that the state average wage should not be used for a state PHA. A better proxy would be the average metropolitan wage rate that is used for non-state PHAs located in metropolitan counties. Many state PHAs will have offices located in metropolitan areas and the average metropolitan wage rate would more closely align with their costs than the average annual non-metropolitan wage for employees for the PHA's state.

2. **PHA size**

   *As an incentive to have small PHAs in close proximity to one another merge, should the increase in funding for smaller PHAs only be applied to remote smaller PHAs?*

   The recognition of increased costs for smaller PHAs should be applied to all smaller PHAs, not just remote smaller PHAs. If HUD were to increase the funding for only remote smaller PHAs, the end effect would be to penalize many small PHAs by supplying them with less funding. NAHRO does not believe it is appropriate to create and apply a penalty to a PHA, when the PHA has done nothing to deserve this penalty. HUD would be creating penalties for PHAs that are doing everything correctly. From a fiscal standpoint, driving small PHAs out of business may also increase nationwide costs. Under the proposed formula, statewide programs generally would receive substantially higher per-voucher admin fees, and many of the vouchers turned back by small agencies would likely go to these programs.
Additionally, as mentioned in Part I of these comments, HUD should not be making decisions about local communities. These decisions are best left in the hands of PHAs, who—as local actors—are best positioned to have the greatest access to on-the-ground information, which will allow them to make decisions that optimally serve their communities. HUD should consider other avenues for program efficiencies.

*Should the formula consider additional size categories?*

The *HCV Administrative Fee Study* found that PHAs with 500 or fewer vouchers under lease had significantly higher per unit costs. To avoid a “cliff” scenario where all programs with 500 or fewer average units would be funded at one rate and those above would not be funded for the size variable at all (creating an incentive to maintain programs at fewer than 500 vouchers), a sliding scale was added to the proposed formula. This sliding scale would lower the amount of money programs receive under the size variable as the program size grows. Currently, the proposed formula fully funds—under the size variable—voucher programs with 250 or fewer units under lease. For PHAs with more than 250 average units, but fewer than 750 units, there is a sliding scale, where as a PHA’s number of units increases, its per-unit funding decreases. For programs with 750 or more units, there is no additional funding because of the greater size of the program (and the smaller marginal cost of each additional voucher).

NAHRO believes that this sliding scale is incorrectly configured. It underpays programs with units that are more than 250, but less than or equal to 500, since the study found that all programs of 500 units or less face significant additional costs for administering vouchers. All programs with 500 or fewer units should be paid the same full amount under the size variable, since those are the programs with the higher costs. There should still be a sliding scale, similar to the sliding scale currently being used by the proposed formula, but it should apply for PHAs with programs of greater than 500 units to PHAs with 1,000 units.

3. **Health Insurance Cost Index**

*Is this a good measure of the health insurance costs facing PHAs?*

While NAHRO believes that this is an appropriate measure of the health insurance costs facing PHAs, NAHRO does not believe that this metric accurately captures all benefit costs. See answer below for further details.

*Are health insurance costs a good proxy for the benefits costs facing PHAs?*

NAHRO does not believe that this is a good proxy for the costs of all benefits borne by PHAs for two reasons. First, the proxy looks at the annual average costs to private employers from the U.S. Department of Health and Human Services Medical Expenditure Panel Survey in the state of the PHA main office. A proxy that captures the costs of benefits for public employees—as opposed to private employees—would more accurately reflect the actual costs that are borne by PHAs, given that in most places PHAs tend to be governmental organizations.
Second, a data point that more accurately captures the costs of all benefits, not just health insurance costs, should be used instead. For example, looking only at the health insurance cost index does not take into account the cost of benefits such as pensions. NAHRO has heard from its membership that many of these other benefits do not correlate with the health costs index and may actually be much higher. A proxy that measures and takes into account these higher PHA costs would be more accurate.

*Should this variable, given its weak statistical significance, be included as part of the formula?*

NAHRO believes that despite the weak statistical significance, a factor which measures the costs of benefits should be used as a part of the formula, though that factor may not necessarily be an index that tracks only health costs. There is a strong theoretical argument for a factor of this type. Additionally, NAHRO members agree, through their experiences, that this is the type of factor for which there should be an attempt at capturing the cost. NAHRO has argued that excluding employee benefits costs from the Public Housing Operating Fund inflation factor has resulted in serious devaluation of the Operating subsidy; a similar mistake should not be repeated for the administrative fee.

4. **Percent Households with Earned Income**

NAHRO has serious concerns about this variable. While NAHRO understands that the percent households with earned income variable has a high predictive value in explaining the variability in administrative costs, NAHRO is concerned that this variable, as currently constituted, could have the unintended consequence of incentivizing PHAs to institute preferences for households with earned income as a means of dealing with admin fee shortfalls. NAHRO recommends using a more neutral variable so that skewed incentives are not integrated into the admin fee formula.

*Are there exceptional costs for non-wage earners that should be considered for the formula?*

NAHRO is concerned that the study does not fully capture the range of costs associated with serving particular household types. NAHRO members cited the above-baseline costs of serving several population categories. For example, many members noted that transactions with elderly households require additional time to ensure that the program participants understand what is happening. In addition, members cited the burden of calculating deductions for unreimbursed medical expenses as part of the recertification process. Other members reported that serving homeless households required additional investments of time from PHA staff. While we understand that some of these cost drivers are correlated with one another, we are concerned that the costs of serving these other population types are not captured by the formula.

5. **New Admission Rate**

NAHRO does not believe that the new admission rate variable accurately captures all the work that is performed in the typical voucher lease-up. Although the work associated with assisting families who do not ultimately lease-up is theoretically included in the time measurement for
each successful family, we do not believe that the new admission rate variable fully captures all of the behind the scenes work that PHAs do for households that do not successfully lease-up. In some communities with tight rental markets, NAHRO members reported success rates of approximately 1 in 4. While the formula is intended to capture the costs associated with all 3 unsuccessful households as part of the new admission rate, NAHRO believes that the impact of this variable on the total formula is far too small to be accurate. For each new admission, as well as unsuccessful household, PHAs must do substantial work, including waiting list management, eligibility screening, briefing, search assistance, income calculation, etc. The small impact of the new admission rate variable cannot possibly reflect the totality of these costs.

*To smooth out year-to-year fluctuations in admission rates, HUD is proposing to use three-years of admissions data to calculate this variable. Is that a long enough period or should HUD consider 5 years?*

NAHRO believes that a three-year period is an appropriate length of time. Our membership feels that the averaging out of three years would provide the optimal trade-off between the excess volatility that may occur without any averaging and the lack of responsiveness that may occur with a five-year average. While volatility will make planning harder, a lack of responsiveness in this factor may leave PHAs short-funded, if they have spikes in their new admission rates.

6. **Small Area Rent Ratio**

*While this may serve as a motivator for PHAs with a low-rent service area to merge with a PHA with a higher cost service area, it is a disincentive for the PHAs within a higher cost service area to merge. How could this factor be used to incentivize both parties to merge?*

NAHRO rejects the premise of this question. Again--as mentioned in Part I of these comments and in Question 2 of Part II of these comments--HUD should not be using the admin fee formula to force PHAs to regionalize. The purpose of the formula should be to correctly estimate the administrative costs of HCV programs so that PHAs can efficiently and effectively run these programs.

NAHRO is also concerned that the small area rent ratio does not appropriately measure the actual costs of helping voucher holders to access high opportunity neighborhoods. By measuring outcomes instead of process, the small area rent ratio is impacted by a range of factors beyond the administrative elements, including the accuracy of the FMR, the PHA’s available HAP, the availability of rental housing units in high cost parts of the community, etc. Although counterintuitive, by focusing on outcomes instead of process, the small area rent ratio gets away from measuring the costs borne by PHAs.

NAHRO would support bonus payments to PHAs for efforts to increase voucher holders’ access to high opportunity neighborhoods in the PHA’s service area.
7. Distance from Main Office

The research is clear that PHAs that serve voucher holders over a very large area have higher costs. The researchers have used as a proxy for this the average distance from the main office of over 60 miles. HUD recognizes that this could be problematic if an agency primarily serves households in a relatively small geography, but that small geography is more than 60 miles from its “main” office. HUD is exploring different ways to implement this finding such that it does not have this problem. HUD encourages comment on approaches to implementing the research most effectively without providing more funding that is appropriate.

NAHRO is concerned that this indicator is not accurately capturing the intended costs. While the very large impact of the variable results in large numbers of dollars resulting from this indicator, NAHRO is skeptical that these costs are truly reflective of the added costs of serving households at a distance. The majority of the PHAs that receive substantial funding as a result of this indicator are state-wide programs. NAHRO believes that additional refinement is necessary to understand whether these programs operate on a state-wide or regional basis and what factors contribute to their costs.

8. Fee Floor

The fee floor is projected at $42 per unit month. Can PHAs operate for less than this fee floor amount per month? If so, what would the proposed amount be and what are the supporting data that might be available?

No. NAHRO is skeptical that PHAs can properly operate on even $42 a month. Absent reliable evidence to the contrary, NAHRO does not believe it is appropriate to set any fee rates lower than the lowest observed cost.

9. Maximum funding

Among the 60 study sites, the highest calculated per unit month rate was $108.87. Should HUD set a maximum funding amount per unit month? If so, what should the maximum funding amount per unit month be?

HUD should not set a maximum funding ceiling. If the model states that a PHA’s cost to administer a voucher is a large number, then it does not make sense for HUD to artificially create a ceiling for this cost. The cost is still being experienced by the PHA and any proposed formula should still pay the cost.

10. Adjusting fees for future program changes

Where, in the future, there are reductions in cost associated with program changes such as less frequent reexaminations or inspections, how should HUD account for those reductions in the administrative fee formula? Should HUD review and revise the fee on a set schedule? How much advance notice do PHAs need?
NAHRO does not believe that fees should be adjusted for future program changes. If HUD, however, decides that reductions in the costs associated with program changes such as less frequent reexaminations or inspections should result in reductions in the administrative fee received by PHAs, then NAHRO believes that this principle should be followed to its logical conclusion and that increases in administrative burdens by new rules promulgated by HUD should result in concomitant increases in admin fee funding. Examples of future rules which will result in significant administrative burdens for applicable PHAs include HUD’s new affirmatively furthering fair housing rule, HUD’s soon-to-be-proposed Small Area FMR rule, HUD’s new UPCS-V protocol, the update to SEMAP, and the new portability rule.

NAHRO believes that regulations that impose one-time costs on PHAs as they adapt to the new rule should also be provided with a one-time supplemental administrative fee. Regulations that add chronic or permanent administrative burdens should be supplemented regularly so that PHAs are able to meet the additional regulatory requirements. NAHRO applauds HUD for understanding that additional regulatory requirements require additional funds.

11. Reducing funding disruptions

How might HUD reduce funding disruptions for the small number of PHAs likely to have a decrease in funding under the proposed formula relative to recent year funding levels? The research shows that even if Congress funded the proposed formula at 100 percent, there would still be a small number of PHAs (8 percent) with a funding reduction relative to their 2013 and 2014 funding levels.

NAHRO is disappointed that the Department continues to use a highly unlikely full-funding scenario as the basis for its policy setting. Given the fiscal constraints of the federal government, the historical lack of commitment to adequately funding administrative fees, and the parallel that can be drawn from the Public Housing Operating Fund and the deep prorations it continues to experience, NAHRO recommends that the Department plan for implementation of the formula in such a manner where a large number, perhaps even the majority of PHAs, experience declines in funding.

NAHRO recommends phasing in amounts for both “gainer” agencies and “decliner” agencies. After consulting with membership, NAHRO suggests that a phase-in similar to the one that occurred with the Operating Fund with the transition to asset management would be acceptable. Gainers would receive their increases over the course of two years, while decliners would have their fee rates reduced gradually over the course of five years. We offer this proposed phase-in schedule as a suggestion. NAHRO is open to other reasonable phase-in ideas from HUD or other interested stakeholders that allow sufficient time for our membership to adequately adjust to the new admin fee levels. NAHRO will evaluate other proposed phase-in suggestions with our membership.
12. Additional Cost Factors for Consideration

While the study team had no additional recommendations on the formula other than what has been described above, the team did note that they expected HUD to consider modifications to the formula or supplemental fee to support PHAs in addressing program priorities, strategic goals, and policy objectives at both the local and the national level. The findings from the study suggested four specific areas for further analysis and consideration:

i. Special voucher programs;

NAHRO believes that both creating and running special voucher programs represent additional costs to PHAs. While NAHRO understands that the costs of running special purpose voucher programs did not rise to the level of statistical significance in the Admin Fee Study, NAHRO believes that this may be because of an unrepresentative sample. The PHAs looked at in the study may not have had portfolios where special purpose vouchers were a large percentage of their overall number of vouchers.

The time taken to deal with special populations is much larger than the time taken for recipients of standard vouchers. One member stated that “[m]y staff used to be able to just dot the I’s and cross the T’s and make sure we were in compliance but that strategy no longer works with these populations. The partnerships take extra time and so much extra work. Dealing with unhappy landlords and the behaviors of these folks is time consuming and the burden that comes with partnerships is always present – try to keep your partners happy, your families housed and still be in compliance.”

After consulting with our membership, NAHRO believes that special purpose vouchers take significantly longer to administer than ordinary vouchers. When it comes to how much longer it takes to administer special purpose vouchers, we have received multiple answers from PHAs. One PHA stated that it took them 20% longer on average for special purpose vouchers over regular vouchers. Another PHA stated that it took 100% more time (i.e., twice as long) to administer special purpose vouchers. Another PHA shared their system for weighting vouchers by amount of time when calculating how much time each employee should be spending on each type of voucher. This PHA estimated that Family Unification Program (FUP) vouchers take 1.4 times as long to administer as standard Housing Choice Vouchers; HUD-VASH vouchers take 1.4 times as long to administer as standard Housing Choice Vouchers; and, that Project-Based Vouchers (PBV) take 1.2 times as long as standard vouchers.

To accurately fund the costs of administering these programs, HUD should provide additional funding through the use of supplemental fees. There should be supplemental fees both for PHAs that want to start a special purpose program,
which the study found to be a time consuming and administratively difficult process, and to implement and maintain these programs on a day to day basis.

ii. Serving homeless households;

For reasons similar to the rationale explained above, NAHRO believes that serving homeless households is a time consuming and administratively difficult process that the study did not pick up on.

Homeless households come with their own special programs needs and extra time commitments from staff members who must rise to meet the challenge presented by each homeless household. These challenges include convincing homeless households the benefits of receiving assistance, help in navigating the bureaucratic hurdles, additional time and oversight of the process of homeless households utilizing assistance, and dealing with any other problems that may arise with the household that is connected to their homelessness.

For example, when working with homeless households, mental health is a large concern. Time spent dealing with issues that involve mental health, including building partnerships with other organizations, can quickly make dealing with homeless households an incredibly expensive administrative cost.

NAHRO believes that to allow PHAs to continue to serve homeless households in an efficient and effective manner, HUD should provide supplemental fees to PHAs that are both starting programs to deal specifically with homeless households and also provide supplemental fees to those PHAs that currently have programs that serve homeless households.

iii. Performance incentives; and

As mentioned previously, NAHRO does not believe that the proposed admin fee formula should be used to incentivize behavior by PHAs. The purpose of the formula should be to accurately measure the costs of administering voucher programs so that PHAs can continue to efficiently and effectively run these programs.

iv. Expanding housing opportunities.

NAHRO believes that providing PHAs with supplemental fees will enable them to increase their landlord outreach and recruitment, participant education, search assistance, and other offerings that expand housing opportunities. The study struggled to capture the costs associated with these activities, and NAHRO is concerned that setting fee rates at the bare minimum necessary, even if fully funded, would preclude PHAs from taking on these additional efforts.
13. Potential Fraud

*HUD is specifically seeking comment on whether additional compensation should be provided to address any or all of these areas. In addition, what other areas should be considered for additional compensation? What would be the appropriate amount of compensation for these areas or any other areas, and what data would support the proposed amounts? What form should the compensation take—should it be built into the fee formula as a cost driver or should it be provided outside of the administrative fee formula as a separate supplemental fee?*

After consulting with our membership, NAHRO has found that investigating and finding fraud is a time consuming and administratively difficult process. In instances where fraud has been discovered, the formula should provide a supplemental fee to cover the costs of uncovering the fraud.

Another uncategorized expense is administering vouchers to households where English is a second language. Like households administered through special purpose vouchers or serving homeless households, these families are administratively more expensive because of the additional program services that these households require. Any proposed admin fee formula should recognize these additional costs and add a supplemental fee so that PHAs are able to efficiently and effectively serve these families.

NAHRO greatly appreciates the opportunity to provide the Department with additional information and feedback on the Admin Fee Study and the proposed formula. We look forward to continuing to partner with the Department to develop a fee formula that accurately reflects the true costs associated with administering the HCV program.

Sincerely,

Tushar Gurjal  
Policy Analyst, Section 8 Programs