New Administrative Fee Formula

HUD has published its revision of the new administrative fee formula for the Housing Choice Voucher (HCV) Program. The formula revises a previous formula that was recommended by the Housing Choice Voucher Administrative Fee Study, which was published by HUD in the summer of 2015. This new revised formula and the study recommended formula were both created to replace the current administrative fee formula.

The study measured the cost of operating a high-performing HCV program and recommended a new formula for calculating and distributing administrative fees to public housing authorities (PHAs). The study found that the most significant factors determining administrative costs were program size and local wages. The study also determined that employee health insurance costs, the percentage of households with earned income, a PHA’s new admissions rates, the average rents in the areas where a PHA’s voucher participants live and the percentage of HCV households living more than 60 miles from the PHA’s headquarters were also major drivers of administrative costs. Together, these seven cost factors make up the study-proposed administrative fee formula.

After releasing the study-proposed formula, HUD solicited comments on how the formula could be improved. NAHRO, along with other interested stakeholders, provided comments, which HUD read and used to revise the study-recommended formula. In July of 2016, HUD released a new revised administrative fee formula. The new revised formula was composed of six variables, instead of seven variables.

The new revised formula would calculate administrative fees on the basis of the following variables:

1. Program size;
2. Wage rates;
3. Benefit load;
4. Percent of households with earned income;
5. New admissions rate; and
6. Percent of assisted households that live a significant distance from the PHA’s headquarters.

The PHA’s fees would be calculated yearly and then have a revised inflation factor applied to the calculated fee. HUD has made three major changes to the prior formula:

1. For PHAs in metropolitan areas, the wage index formula variable is based on the average local government wage rate for the PHA’s metropolitan Core Based Statistical Area (CBSA), rather than that average local government wage rate for all of the metropolitan counties in the PHA’s state;
2. The health insurance cost index formula has been replaced with a new “benefit load” formula variable, which is designed to measure the variation in costs for all benefits that are paid for HCV employees, not just health insurance costs [In NAHRO’s comments we wrote the health insurance cost index metric does not “accurately (capture) all benefit costs” and recommended “(a) proxy that measures and takes into account these higher PHA costs”]; and
3. The small area rent ratio (SARR) variable has been removed from the proposed formula.

At this time, there has been no additional update on the status of the administrative fee formula. Whether HUD will decide to continue forward with updating it will depend on the new political appointees being put in place.

HUD’s Resource Page on the New Revised Administrative Fee Formula:

For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org