



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

PRINCIPAL DEPUTY ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

April 9, 2015

Dear Executive Director:

Yesterday HUD released the *Housing Choice Voucher Program Administrative Fee Study*. The main purpose of the study was to identify and measure the actual costs of operating a high-performing and efficient housing choice voucher (HCV) program and then propose a new administrative fee formula based on those findings and costs. The Executive Summary, Draft Final Report, and a PowerPoint presentation that provides an overview of the study are now available at the following website: <http://www.huduser.org/portal/hcvfeestudy.html>.

I encourage you to visit the HUD website to download the study and other materials. I also invite you to watch the webcast of HUD's public briefing on the study's findings and recommended fee formula, which will be held on April 17th. The HUD webcast will also be recorded and available for future viewing. Further information on this event is available at the following website: <http://www.huduser.org/HousingChoiceVouchers/index.html>.

In undertaking this study, HUD sought to address the critical need for data regarding the actual cost of administering the HCV program. The last study on HCV administrative costs was conducted over twenty years ago and was based on administrative data rather than actual levels of effort by Public Housing Agency (PHA) staff. Furthermore, the existing formula is based on the Fair Market Rent (FMR) with no documented connection to the actual cost of administering the HCV program. As you are aware, administrative fees have consistently been prorated downward since 2008. HUD has been very concerned that the significant administrative fee proration in recent years have impeded and disrupted PHA operations and hampered efforts to carry-out basic programmatic responsibilities. In these challenging budgetary times, it is vital that HUD and Congress have accurate, reliable information about how much it costs to administer an effective and efficient HCV program, and that the fee formula reflects the actual cost drivers of program administration.

The study's findings have confirmed what we already know to be true – current administrative fee funding does not meet the reasonable costs of administering the program. For example, for the July 2013 through June 2014 period that the study analyzed, the fees received for the average PHA covered only 77 percent of the estimated cost to administer the program. Under the fee formula recommended by the study, 92 percent of PHAs would have received higher fees for that period of time.

Clearly one of the most immediate concerns from a PHA's perspective is how the study's recommended fee formula would impact your individual agency. To help answer this question, HUD will provide you with the study's analysis that compared the fees received by your PHA from July 2013 through June 2014 to the fees your PHA would have received under the new formula for the same time period. In addition, we are updating that analysis to provide your PHA with the same information for Calendar Year (CY) 2014. Since administrative fees are

established on a CY basis, the CY 2014 comparison may be more illustrative of the potential impact of the study's recommended formula for your agency. HUD plans to provide you this information by the end of April, 2015.

Now that the study is complete, the Department plans to develop a proposed rule for a new administrative fee formula using the study's findings. HUD will issue a Notice of Information to help inform the development of the proposed rule and we want to hear from you. We will also reach out to PHAs through convening sessions and other forums over the next several months. Our goal is to complete and publish the proposed rule before the end of CY 2015.

In closing, I wish to express the Department's sincerest appreciation to both the 60 PHAs that participated in the study and the members of the Expert and Industry Review Group (EITRG). The EITRG consisted 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 other experts. The EITRG's insights and suggestions greatly strengthened both the study's approach and presentation of the findings. With respect to the participating PHAs, over the eight week time measurement period, HCV staff reported on what they were working on at 12-15 random points each day for a period of 40 days. The study ultimately collected 581,000 responses from more than 900 PHA staff. Leadership and staff at these agencies also freely shared their expertise and insights on all aspects of HCV administration with the study team. We are very grateful for their invaluable contribution to this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lourdes', with a long horizontal flourish extending to the right.

Lourdes Castro Ramirez
Principal Deputy Assistant Secretary
for Public and Indian Housing