NAHMA HUD Update: Proposed Rule - New Administrative Fee Formula for the HCV Program
Dear NAHMA Member,

On July 6, HUD published the following proposed rule regarding new methodology for determining the amount of funding a public housing agency (PHA) will receive for administering the Housing Choice Voucher (HCV) program.

Administrative fees under the HCV program are currently calculated based on the number of vouchers under lease and a percentage of the local fair market rent, with an annual inflation adjustment. The new administrative fee formula proposed by this rule is based on a study conducted by Abt Associates for HUD that measured the actual costs of operating high-performing and efficient HCV programs. In this rule, HUD proposes to adopt the recommended formula from Abt with modifications based largely on public comments.

However, HUD did make three significant modifications to the study's recommended fee formula in developing HUD's proposed administrative fee formula:

- 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 the average local government wage rate for all of the metropolitan counties in the PHA's state;
- The health insurance cost index formula variable was replaced with a new ''benefit load'' formula variable, which is designed to more accurately reflect the variation in costs for all benefits that are paid on behalf of HCV employees, as opposed to using health insurance costs as a proxy to account for the variation in all benefit costs; and
- The small area rent ratio (SARR) variable has been removed from the proposed formula. HUD is sensitive to the concerns that the SARR may be more of an artifact of where PHA jurisdictions are located than an indicator of the level of additional effort to expand housing opportunities or recruit landlords in what may be more expensive rental markets. HUD was also concerned about the instability of the variable when tested with other combinations of variables in different regression models.

With a new formula, HUD aims to better capture the costs of the program and better compensates PHAs for their administration of an HCV program. The proposed rule outlines the base fee formula calculation and also answers questions that were received as part of a solicitation of public comment.

HUD is offering the opportunity for public comment on this proposed rule. Comments will be due in October, 2016. If you would like to submit comments as part of NAHMA's response to this proposed rule, please send them to NAHMA staff by Tuesday, September 20, 2016.

The proposed rule may be found on the NAHMA website here.

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