Impact

A regulatory impact analysis must accompany every economically significant federal rule or regulation. The Office of Policy Development and Research performs this analysis for all U.S. Department of Housing and Urban Development rules. An impact analysis is a forecast of the annual benefits and costs accruing to all parties, including the taxpayers, from a given regulation. Modeling these benefits and costs involves use of past research findings, application of economic principles, empirical investigation, and professional judgment.

Impact Analysis of the Proposed Rule on Streamlining the Portability Process in the Housing Choice Voucher Program

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The opinions expressed in this article are those of the author and do not necessarily reflect those of the U.S. Department of Housing and Urban Development.

Abstract

Proposed regulatory changes would streamline the portability process in the Housing Choice Voucher Program (HCVP) and enable public housing authorities (PHAs) to better serve families and expand housing opportunities. The proposed rule would yield intangible benefits to program participants and, if successful, increase financial transfers between PHAs. The regulatory action would not be economically significant under Executive Order 12866[1] *and Office of Management and Budget Circular A-4,*[2] *however, because the aggregate financial impact is far less than the $100 million annual threshold.*

[1] See OMB (1996).

[2] See OMB (2003).

Background

The Housing Choice Voucher Program (HCVP) is the largest subsidized housing program in the United States that helps very low-income families, elderly people, and disabled people afford decent, safe, and sanitary housing in the private market.[3] In 2010, the HCVP subsidized rents for more than 2.5 million low-income households for an estimated $17.3 billion.[4]

Program Description

Public housing authorities (PHAs) locally administer housing choice vouchers using federal funds from the U.S. Department of Housing and Urban Development (HUD). A family that is issued a housing choice voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This rental unit (which may include the family's current residence) must meet minimum standards of health and safety, as determined by the PHA, which pays a housing subsidy directly to the landlord on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount that the HCVP subsidizes.[5] Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.

Eligibility

The PHA determines eligibility for a housing voucher based on the total annual gross income and family size; eligibility is limited to U.S. citizens and specified categories of noncitizens who have eligible immigration status. In general, the family's income may not exceed 80 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the Area Median Income.

Portability

A key feature of the HCVP is the mobility, or portability, of the voucher assistance. The term *portability* refers to the process of leasing a dwelling unit with tenant-based housing voucher assistance outside the jurisdiction of the PHA that initially issued the family its voucher (the initial PHA). Portability allows an eligible family with a housing choice voucher to use that voucher to lease a unit anywhere in the United States where a public housing agency is operating an HCVP. Currently, program regulations detail where a family may move and the responsibilities of the initial PHA and the receiving PHA (the PHA with jurisdiction over the area to which the family desires to move).

[3] The HCVP is authorized by section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1473f(o)1437f(o)), and the HCVP regulations are in 24 CFR part 982.

[4] See HUD (2011).

[5] PHA rent policies may specify that the PHA will use a percentage of a family's income or some other reasonable system to determine income-based rents. In general, the total tenant payment is the highest of the following, rounded to the nearest dollar: 30 percent of the family's monthly adjusted income, 10 percent of the family's monthly income, the welfare rent, or the minimum rent.

Administrative Fee

The receiving PHA may either accept an incoming family to its own program (absorption) or bill the initial PHA. Under current regulation, when a voucher is in a portability billing arrangement between the initial PHA and receiving PHA, the initial PHA must pay the receiving PHA 80 percent of its administrative fee for each month the family receives assistance at the receiving PHA.

Basic Facts About the Housing Choice Voucher Program

Exhibit 1 shows the total budget authority for the HCVP was about $17 billion, as of March 2011. The HCVP had about 2.2 million units under lease at that time, and about 50,000 portable vouchers were under lease. The total housing assistance payment—which is the payment to landlords—for portable vouchers under lease was about $463 million.

Exhibit 1

Housing Assistance Payments

	Month of March 2011	Annualized
Total budget	$1,413,075,669	$16,956,908,028
Total number of units under lease	2,162,516	2,162,516
Total HAP for all units under lease	$1,389,606,707	$16,675,280,484
Total number of portable vouchers under lease	49,736	49,736
Total HAP for all portable vouchers under lease	$38,619,715	$463,436,580

HAP = housing assistance payments.

Source: High-performance goal data maintained by the U.S. Department of Housing and Urban Development Office of Public and Indian Housing

Key Provisions of the Proposed Rule

The following provisions of the proposed rule are likely to have programmatic, economic, or financial effects on PHAs or other program participants.

Administrative Fee

Under current regulation, when a voucher is in a portability billing arrangement between the initial PHA and receiving PHA, the initial PHA must pay the receiving PHA 80 percent of its administrative fee for each month the family receives assistance at the receiving PHA.

The proposed rule would set the maximum amount the initial PHA is required to pay at 100 percent of the receiving PHA's administrative fee rate. This change prevents a receiving PHA with a lower administrative fee from profiting from an initial PHA with a higher administrative fee.

Mandatory Absorption of Portability Vouchers

To ensure that a PHA uses its available budget authority to the maximum extent possible, and to reduce the number of portability billing arrangements between agencies, this proposed rule would require a PHA that (1) is using 95 percent or less of its available budget authority and (2) has a leasing rate of less than 95 percent to absorb incoming portability families until the percentage of available budget authority or the leasing rate is at least 95 percent.

Briefing Families on Housing Choice

Currently, many PHAs supply new tenants with a briefing packet that includes a map of the PHA jurisdiction, area schools, and relevant community organizations, as well as landlords or owners who have expressed interest in participating in the HCVP. This proposed rule would require that the briefing packet include materials identifying housing opportunities in areas where the eligible low-income (ELI) rate is less than 15 percent, both within the jurisdiction of the PHA and in neighboring jurisdictions.

The proposed rule also requires the PHA to identify owners known to the PHA who are interested in participating in the HCVP or available, eligible units known to the PHA that are located in areas outside areas of ELI concentration. To comply with the proposed rule, PHAs in metropolitan Fair Market Rent areas would also be required to include a current list of other community organizations or programs that help families find units outside areas of ELI concentration.

Cost-Benefit Analysis

The implementation of the proposed rule would generate certain benefits to HCVP participants by increasing family choice in locating and securing suitable housing. The proposed rule would also generate some administrative and compliance costs to PHAs. It is estimated, however, that the benefits would largely outweigh the costs. The financial flows that the proposed rule would cause are addressed in the financial transfer section of this article.

Benefits of the Proposed Rule

The HCVP portability policy helps ensure that families have the opportunity to relocate to pursue increased or new employment opportunities or to gain access to higher performing schools for their children. An efficient portability process also helps ensure that victims of domestic violence and stalking have access to the resources necessary to relocate to a safe, stable home away from an abuser.

It is difficult to quantify the effects of mobility on the welfare of a program participant, and the jury is still out on the valuation of existing programs with some mobility component, such as the Moving to Opportunity (MTO) for Fair Housing demonstration[6] and the Gautreaux desegregation program in Chicago. Although, in principle, improved ability to port should result in better employment outcomes from greater access to available jobs, the MTO results do not allow us to quantify such benefits. Improved ability to port will presumably result in better matches between consumer needs and the locational amenities. Again, we do not know how to quantify.

[6] See http://www.nber.org/mtopublic/ for a comprehensive database on MTO research.

Costs of the Proposed Rule

The rule would not have any effect on the program budget at the national level per se. The portability billing arrangements proposed by this rule, however, may place some additional administrative burden on PHAs. Organizational costs may be associated with agreements and consolidating PHA operations, databases, and documents. For example, the proposed rule would require that the briefing packet include materials identifying housing opportunities outside areas of concentrated poverty both within the jurisdiction of the PHA and in neighboring jurisdictions. PHAs would also be required to identify owners interested in participating in the HCVP or available, eligible units located outside areas of concentrated poverty. To comply with the proposed rule, the PHA would also be required to include a current list of other community organizations or programs that help families find units outside areas of concentrated poverty.

Low-income people make choices based on information they know, including the choices informing their budget constraint. Because the budget constraint of low-income people is tightly binding, they may economize on information gathering as well; that is, they may decide not to gather information on the benefits of options beyond their budget constraint. The selection of a household into the HCVP loosens the household's budget constraint along the housing dimension. The intent of the information disclosure rule discussed in this report is to provide new voucher households with an expanded information set commensurate with their new budget constraint. It in no way cancels out the information on cost and other disadvantages of location in high-income neighborhoods that led the household to select a house in a low-income neighborhood before entering the HCVP. Households with vouchers will make rational decisions based on the combination of their own information and the information that the PHA provides. As for households without vouchers replacing voucher tenants who have moved out of units in low-income neighborhoods, in keeping with Glaeser, Kahn, and Rappaport (2000), it presumes that such moves are at least not welfare-reducing for nonsubsidized tenants operating within their budget constraints.

Financial Transfers

Although the financial effect of the proposed rule is marginal, it does have the potential to create substantial financial transfers among PHAs.

Mandatory Absorptions

In this proposed rule, HUD is proposing mandatory absorptions of portability vouchers when a PHA is using 95 percent or less of its available budget authority and has a leasing rate of less than 95 percent. It is HUD's position that this approach would ensure that PHAs are using their available budget authority to the maximum extent possible while also reducing the number of portability billing arrangements.

Administrative Fee

Under the current regulation, when a voucher is in a portability billing arrangement between the initial PHA and receiving PHA, the initial PHA must pay the receiving PHA 80 percent of its administrative fee for each month the family receives assistance at the receiving PHA. With the removal of potential barriers to mobility, an increase in the number of portability vouchers is expected and, thus, an increase in the amount of administrative fee transfers between PHAs. Given that PHAs are not required to report on interagency administrative fee transfers, data on such activity are not available.

The proposed rule would set the maximum amount the initial PHA is required to pay at 100 percent of the receiving PHA's administrative fee rate. In other words, the initial PHA would reimburse the receiving PHA for the lesser of (1) 80 percent of the initial PHA's ongoing fee or (2) the full amount of the receiving PHA's administrative fee. This change eliminates the incentive for a receiving PHA with a lower administrative fee to bill an initial PHA with a higher administrative fee to receive a higher administrative fee than what they would normally earn from HUD. This action should reduce portability billings for those PHAs for which 80 percent of the receiving PHA's fee is more than 100 percent of their own administrative fee. For example, assume a receiving PHA's administrative fee is $60. Under current rules, if a family moves to the receiving PHA's jurisdiction from an initial PHA that receives $100 in administrative fees for a housing voucher, the receiving PHA may bill the initial PHA for $80, which is $20 more than the PHA would earn if it simply absorbed the voucher. Under the proposed rule, the receiving PHA will receive $60 regardless of whether the receiving PHA bills the initial PHA or absorbs the family into its own program.

Conclusion

As presented in this analysis, the proposed changes to the portability process provided by the current HCVP regulations would not have a significant incidence on the national program budget (although there would be some amount less billed to HUD without the excess charges) nor have an economically significant effect on the economy, as defined by Executive Order 12866 (Regulatory Planning and Review). Although the proposed rule would not result in an economically significant effect, the proposed changes would yield certain intangible benefits to program participants and, if successful, increase financial transfers between PHAs. The primary purpose of this rule is to streamline the portability process and, in doing so, alleviate some of the administrative complications that families and PHAs both face with the current portability process.

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