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December 1979

ALLOWANCE PROGRAM ADMINISTRATION:  
INTERIM FINDINGS

G. Thomas Kingsley

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HOUSING ASSISTANCE SUPPLY EXPERIMENT

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A RAND NOTE

*This Note was prepared for the Office of Policy Development and Research, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, under Contract No. H-1789. Its views and conclusions do not necessarily reflect the opinions or policies of the sponsoring agency.*

**Rand**  
SANTA MONICA, CA. 90406

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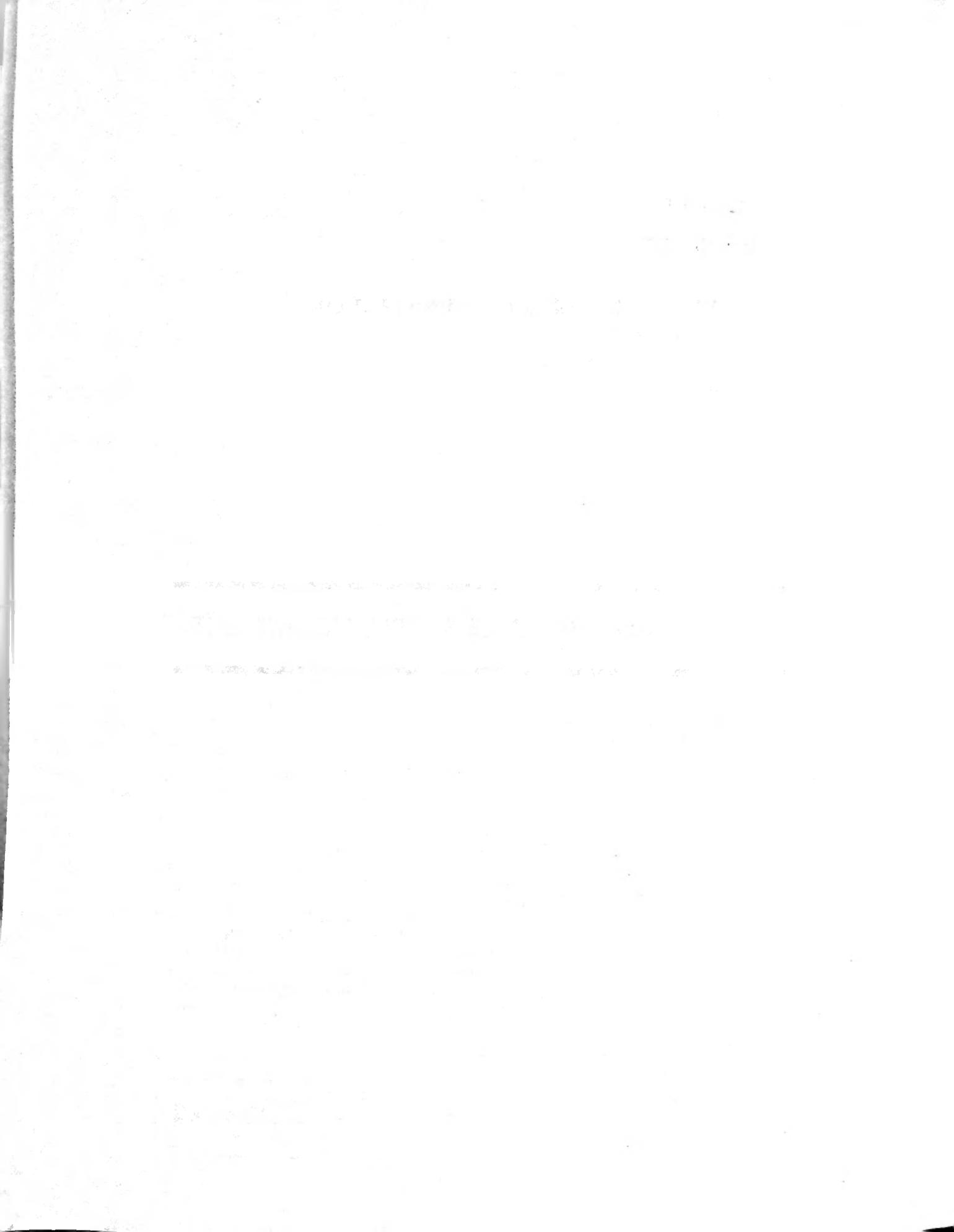
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PREFACE

This note was prepared for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). Its subject is the administration of the housing allowance programs being operated as a part of the Housing Assistance Supply Experiment; the period is July 1974 through September 1977. The contents are essentially the same as those of Sec. VI of the experiment's fourth annual report.\* The information is being published as a separate document at HUD's suggestion, to serve as a convenient reference for audiences particularly interested in administrative issues.

The note summarizes research conducted by the experiment's Field and Program Operations Group (FPOG), under the direction of the author, who serves as the group's manager. In addition to carrying out its research activities, FPOG designed and installed the program's administrative systems, and continues to be responsible for monitoring program operations.

The note presents major findings from original research on administrative costs (by the author and Priscilla M. Schlegel), on outreach (by the author and Daniel J. Alesch), on enrollment processing (by Stacey W. Gamble), on error control (by Paul E. Tebbets), and on housing certification and enrollee services (by Deborah R. Both, Iao Katagiri, and Sheila Nataraj Kirby). Sally Rich and Diane Munley collated most of the data used in the work.

The senior staffs of the housing allowance offices (HAOs) in Brown County, Wisconsin, and St. Joseph County, Indiana--the agencies that administer the allowance program--were also substantial contributors. Virtually all whose names are listed on the HAO organization charts in the Appendix offered ideas, anecdotes, and interpretations that helped shape the result. While the author and FPOG bear the

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\* *Fourth Annual Report of the Housing Assistance Supply Experiment*, The Rand Corporation, R-2302-HUD, May 1978.

responsibility for the final substance, much of that substance was originally contributed by the HAOs. W. Eugene Rizer, director of the Brown County HAO, as well as Hollis E. Hughes, Jr., and Timothy M. Corcoran, director and deputy director of the St. Joseph County HAO, played particularly active roles in the development of all sections. Thomas Chapman from St. Joseph County was principally responsible for source material on the outreach program in that site.

Special acknowledgement is due Ira S. Lowry, manager of the experiment's Design and Analysis Group, who gave advice on framing research issues, commented on research methods and findings, and also edited Secs. II through VII of this report.

Charles E. Nelson, Rand's program director for the experiment, Thomas K. Glennan, Paul Hill, and Nancy O'Neill, also of Rand, Howard M. Hammerman, HUD's Government Project Manager for the experiment, and James Zais and Marc Bendick of The Urban Institute also reviewed earlier drafts and made many helpful comments.

It is also appropriate here to acknowledge the contributions of others to the design, implementation, and management of the allowance programs. They include the site managers--Daniel J. Alesch in Brown County and Thomas W. Weeks in St. Joseph County--who serve as Rand's representatives in the two site communities and also as chairmen of the respective HAO boards of trustees. They also include former FPOG staff members: Robert Dubinsky (FPOG manager through December 1975), Earl Carter, Alan Greenwald, David Groo, Hal Moursund, Michael F. Shea (also the first site manager in St. Joseph County [through April 1976]), Robert Tabor, and Karen Goldfarb Watson. Previous HAO directors were Theodore H. Bauer in Brown County (through December 1975) and Charles F. Lennon in St. Joseph County (through May 1978). Peggy W. Spohn served as deputy director of the St. Joseph County HAO through May 1976.

Contributions to design and implementation were also made by HUD's previous Government Project Managers for the Supply Experiment, Gilmer Blankespoor and Martin D. Levine. Kenneth J. Alles, of HUD's Chicago regional office, has monitored operations in both sites since the programs began.

Richard F. Gallagher of Foley and Lardner, Milwaukee, has served as general counsel for both HAOs since they were initiated. His guidance was instrumental in establishing sound procedures and dealing with a host of issues that arose as operations proceeded.

American Management Systems (AMS) assisted Rand by designing the HAO computer-processing systems and studying procedural issues. Aslan Palachi of the AMS staff, as the one centrally responsible for system design, substantially contributed to the effectiveness of HAO procedures.

Finally, we recognize the community leaders who have served with Rand on the two HAO boards of trustees. In Brown County, they include Ruth Clusen, Judith V. Crain, Philip J. Hendrickson, George F. Kress, Robert C. Nelson, and John M. Rose; in St. Joseph County, Charles F. Crutchfield, Martha LaSane, Ernestine Morris Raclin, and Franklin D. Shurz, Jr. As noted above, Daniel J. Alesch and Thomas W. Weeks of Rand served as chairmen. Other Rand trustees holding positions on both boards were Gustave H. Shubert, Rand's Senior Vice President, Barbara R. Williams, Deputy Vice President (Washington Office), Charles E. Nelson, G. Thomas Kingsley, and Robert Dubinsky.



SUMMARY

This note reports interim findings through September 1977 about the administration of the housing allowance programs being operated as a part of the Housing Assistance Supply Experiment. The experiment has been designed and operated by The Rand Corporation to test market and community effects of a fullscale allowance program in two metropolitan areas. It is a component of the Experimental Housing Allowance Program (EHAP) sponsored by the U.S. Department of Housing and Urban Development (HUD).

In the experimental program, monthly assistance payments are made directly to low- and moderate-income households to help them obtain adequate housing in the private housing market. All income-eligible renters and homeowners may enroll, and they may live in any housing they choose within the program areas; but to receive assistance, their units must meet basic housing quality standards.

The sites for the experiment were chosen because of strong contrasts in their housing markets. The first is Brown County, Wisconsin (metropolitan Green Bay), where there is a very small minority population and where housing vacancy rates are low because of rapid growth in employment and population. Program enrollment began there in June 1974. By September 1977, 3,100 households were receiving monthly allowance payments.

The second site is St. Joseph County, Indiana (metropolitan South Bend), where declining employment and population have led to high vacancy rates and a surplus of deteriorated housing in the central city. Blacks account for a significant percentage of South Bend's population. Open enrollment for the program began in the county in April 1975. By September 1977, 4,900 households were receiving payments.

The program is administered at each site by a separate nonprofit corporation--a housing allowance office (HAO)--established and monitored by Rand to assure conformance to experimental requirements. Funding for each program is committed for ten years.

The HAOs perform administrative functions that are similar to those of many public programs--interviewing applicants to determine their eligibility, inspecting housing, distributing monthly benefit payments. Accordingly, and considering the program's scale and duration, HAO administrative results are more pertinent to established programs than is usual for an experiment. Moreover, experimental requirements prompted elaborate and careful recordkeeping, thus creating an unusually rich data base for administrative research. The interim findings on costs and procedures reported here have laid the groundwork for later research exploiting the entire data base.

#### ADMINISTRATIVE COSTS

The HAO accounting systems allow us to allocate expenditures among administrative functions. In this analysis, which reports on the allocation of costs from April through December 1976 (when both programs were well established but neither had reached its maximum size), overhead expenses are allocated to functions in proportion to their direct costs. Identifiable research support costs (e.g., preparing data files or special studies for Rand) are excluded, as are costs incurred by Rand or HUD in monitoring the program.

Perhaps the most striking finding is that when compared per unit of workload or service provided, administrative costs in the two HAOs were almost the same. Adjusting for minor functional differences, client intake costs per new recipient (the costs of activities required to bring new households into the program) differed in the two sites by less than 4 percent. Client maintenance cost per recipient year (costs associated with making payments and periodically recertifying eligibility and housing) differed by less than 1 percent.

Intake costs in the two sites averaged \$249 per new recipient. Outreach expenses accounted for 24 percent, enrollment processing for 49 percent, and housing certification (inspections and related services) for the remaining 27 percent. Maintenance costs per recipient year averaged \$133, with payment operations accounting for 16 percent, eligibility recertification for 58 percent, and housing recertification for 26 percent.

If it is assumed that once authorized, clients will receive payments for an average of three years, and intake costs are amortized

over that period, total administrative costs work out to \$216 per recipient year. Of that total we estimate that \$146 was required for income transfer functions and \$70 for administering housing requirements. The \$146 income transfer cost for the HAOs is about half the national average administrative cost per case served by the AFDC program (Aid to Families with Dependent Children) in 1976. Only 6 of the 50 states reported AFDC costs per case below the HAO average.

## CLIENT INTAKE

### Outreach

Efficiency in the experiment depended on rapid program enrollment. The HAOs were encouraged to use a variety of techniques to inform the eligible population about the program and its benefits. They relied on methods traditional for public agencies: seeking publicity in local media, making presentations to community groups and agencies that deal with potential clients, distributing brochures and posters in public places. They also made extensive use of paid advertising--in newspapers, on radio and television, and by direct mail.

Advertising clearly governed the flow of applications during the first two years--application rates climbed with each new media campaign and trailed off thereafter as advertising was reduced. About half of all applicants cited advertising and media publicity as their source of information about the program. The remainder heard about it from friends, relatives, landlords, or social agencies. As program knowledge spread, advertising's effectiveness diminished--costs per applicant rose considerably in the second program year.

### Enrollment: Initial Processing

Most potential applicants contact the HAO by telephone. HAO staff answer questions about the program and collect information required to fill out a preliminary application form. Callers who appear to be ineligible are discouraged from proceeding. The forms for the others are computer processed and the applicants scheduled for interviews, which are conducted by trained HAO enrollers, who follow a standard

pattern of questioning to obtain information on income and other household characteristics that determine eligibility and payment amounts.

Despite screening, only 55 percent of all Brown County applicants and 49 percent of St. Joseph County applicants actually enroll; the others either drop out before the interview, are found ineligible, or decline participation during the interview. (The AFDC program and the Supplementary Security Income program seem to have about the same rate of preenrollment attrition as the HAOs.) Attrition increases costs because staff spend time with households that never become recipients. However, most attrition occurs early on, before many costs have accrued. We estimate that with perfect screening, enrollment costs would drop 20 to 30 percent per enrollee. The HAOs have experimented with techniques to reduce attrition, but none has had notable success. We judge that given eligibility rules, considerable preenrollment attrition is unavoidable in enterprises like the allowance program.

The HAOs emphasize considerate treatment of clients during enrollment. Interview appointments are individually scheduled (so applicants do not have to wait in line at the office) and are held in private rooms. Interviewers are trained to treat clients with respect, and the confidentiality of the information provided is carefully guarded. Not only have such measures contributed to clients' positive views of the program, we judge they have also been cost-effective, reducing friction with clients and raising staff morale and productivity.

#### Enrollment: Error Control

HAO efforts to reduce error in interview data are rigorous. Applicants are requested to bring documentation (paycheck stubs, bank statements, etc.) to the interview. A large sample of all undocumented information is later verified with third-parties. All enrollment forms are subjected to computer edits and manual reviews. An independent accounting firm annually audits internal procedures.

By the end of the interview, the data are quite accurate. Error control procedures correct most of the remaining problems. We

estimate that in St. Joseph County, errors remaining when enrollment forms are completed would cause a net overpayment of about \$18 per recipient year (1.9 percent of the average annual payment): \$11 due to client misreporting and \$7 due to staff errors. Verification and data reviews lead to the correction of \$13.50, leaving a residual error of \$4.50. We estimate an even smaller initial error (\$7 per recipient year) for Brown County, almost all of which is corrected during error control.\*

Excepting third-party verification in St. Joseph County, the administrative cost of routine HAO error control is larger than the savings it creates. However, since both clients and staff know they exist, the procedures probably act to prevent error. They are also important to the program's image in the community. It seems reasonable to look for ways to improve their efficiency, but not to eliminate them.

Client misreporting is an important issue. In the HAOs' experience, most of it appears to be inadvertent. While all cases of suspected misreporting receive special review, only 8 in Brown County and 20 in St. Joseph County had, through September 1977, warranted referral to federal authorities for further investigation.

#### Housing Certification

By the time every 100 enrollees are either authorized for payment or drop out of the program without authorization, the HAOs will have conducted 140 to 156 housing evaluations for them. They include evaluations of the units occupied at enrollment, reevaluations made after attempted repairs, and evaluations of other units to which enrollees moved or planned to move.

It costs an average of \$25 to conduct an evaluation and notify clients of the results, and an additional \$6 for processing evaluation forms, renter lease agreements, and related documents. On site, initial evaluations take an average of 26 minutes in Brown County, 32 in St. Joseph County.

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\* Note that because some samples are small and error rates are low, the estimates are subject to considerable sampling variability.

HAO evaluators must have prior experience in housing-related fields, and they invest considerable time in training with the HAO standards. Errors--differences between the original evaluation and one performed by a quality control checker--occur in less than 2 percent of the cases checked.

#### Enrollee Services

The HAOs offer limited services to help enrollees meet program requirements. Group information sessions have been offered on leases, landlord-tenant relations, housing discrimination, housing standards and repair techniques, and home purchase. Legal services are available to clients who encounter housing discrimination. The HAOs occasionally distribute information brochures and newsletters on home maintenance and related topics.

The demand for such services has been limited--only 9 persons in Brown County and 178 in St. Joseph County ever attended the HAO information sessions, despite staff efforts to make them inviting and useful. Given Brown County's small minority population, few discrimination complaints were anticipated. However, in St. Joseph County, only 35 complaints were filed by program clients through September 1977, even though the HAO had enrolled over 2,000 minority households by then.

In light of this result and the fact that about 80 percent of all enrollees eventually qualify for payments, it would be unreasonable to provide more extensive service to all enrollees. However, more research is required to see whether additional services for the 20 percent who do not meet program housing requirements would be warranted.

#### CONCLUSIONS AND DIRECTIONS FOR FURTHER RESEARCH

The HAOs established a good performance record in their administration of the allowance programs through September 1977. Low error rates were maintained as thousands of households had their eligibility certified and recertified and their housing evaluated, and received monthly allowance payments. Clients rarely complained about the way

the programs were run in general or the way they were treated individually. Yet administrative costs were reasonable considering the functions performed, and administrative outcomes were surprisingly similar in the two sites given the diversity in their client populations.

Good results were easier to achieve in the experiment than they would be in a regular national program. Over 95 percent of the HAO employees were recruited locally, with salaries comparable to those in local government; but the experimental context helped secure a more capable staff than could be expected in a public agency at the same pay rates.

Still, we believe that HAO administrative performance was critically dependent on features that apply to nonexperimental programs: serious staff training programs; routine quality control of operations that affect payments; use of formal management reporting systems on productivity, cost, and other administrative variables; reliance on automated client and payment records; and simplicity in the program design, avoiding administrative burdens on clients as well as staff.

Further administrative research in the Supply Experiment will explore the long-range determinants of costs and other administrative measures. Two questions will be emphasized. First, can means test procedures (enrollment and recertification) be varied so as to reduce cost without substantial losses in accuracy? Second, can cost-effective services be designed for the roughly 20 percent of all enrollees who do not meet program housing requirements and therefore do not qualify for payments?

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on the ground for several  
weeks. The weather was  
very disagreeable, and  
the people were much  
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of a more comfortable  
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1 The first part of the document is a list of names and addresses of the members of the committee.

2 The second part is a report on the work of the committee during the year.

3 The third part is a list of the names of the members of the committee who have resigned.

4 The fourth part is a list of the names of the members of the committee who have been elected.

5 The fifth part is a list of the names of the members of the committee who have been re-elected.

6 The sixth part is a list of the names of the members of the committee who have been elected to the office of chairman.

7 The seventh part is a list of the names of the members of the committee who have been elected to the office of secretary.

8 The eighth part is a list of the names of the members of the committee who have been elected to the office of treasurer.

9 The ninth part is a list of the names of the members of the committee who have been elected to the office of clerk.

10 The tenth part is a list of the names of the members of the committee who have been elected to the office of auditor.

11 The eleventh part is a list of the names of the members of the committee who have been elected to the office of assessor.

12 The twelfth part is a list of the names of the members of the committee who have been elected to the office of collector.

13 The thirteenth part is a list of the names of the members of the committee who have been elected to the office of recorder.

14 The fourteenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the court.

15 The fifteenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the peace.

16 The sixteenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the sessions.

17 The seventeenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the assizes.

18 The eighteenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the crown court.

19 The nineteenth part is a list of the names of the members of the committee who have been elected to the office of clerk of the county court.

20 The twentieth part is a list of the names of the members of the committee who have been elected to the office of clerk of the district court.

21 The twenty-first part is a list of the names of the members of the committee who have been elected to the office of clerk of the municipal court.

22 The twenty-second part is a list of the names of the members of the committee who have been elected to the office of clerk of the justice of the peace court.

23 The twenty-third part is a list of the names of the members of the committee who have been elected to the office of clerk of the court of common pleas.

24 The twenty-fourth part is a list of the names of the members of the committee who have been elected to the office of clerk of the court of appeals.

25 The twenty-fifth part is a list of the names of the members of the committee who have been elected to the office of clerk of the supreme court.

## I. INTRODUCTION

The effectiveness of a government program cannot be fully evaluated without knowledge of the way it has been administered. Regardless of its basic design, a program's aims may be significantly frustrated or enhanced by the character of its field administration.

This note presents interim findings on the administration of a program being operated as a part of a major social experiment--the Housing Assistance Supply Experiment. It examines program costs and other aspects of administrative performance over a roughly three-year operating period.

This introductory section describes how the program works within the context of the experiment, summarizes data on program size and participant characteristics, and discusses the administrative research charter, as well as outlining the remainder of the note.

### THE SUPPLY EXPERIMENT<sup>\*</sup>

In most traditional federal housing programs, assisted households live at reduced rents in specific housing projects. Public funds are channeled through a local housing authority or a private landlord, developer, or mortgage lender. The housing allowance program works quite differently. Monthly payments are made directly to low- and moderate-income households to help with their expenses in existing private housing. The amount of the payment is calculated to fill the gap between the "standard cost of adequate housing" in the community and one quarter of the household's adjusted gross income; if income increases, the housing allowance is reduced. Homeowners as well as renters are eligible, and recipients can move wherever they want (within the program

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\* Material summarized here is discussed in depth in the *Fourth Annual Report of the Housing Assistance Supply Experiment* (The Rand Corporation, R-2302-HUD, May 1978), and the *Fifth Annual Report of the Housing Assistance Supply Experiment* (The Rand Corporation, R-2434-HUD, July 1979).

area) or change tenure without interrupting their assistance. While they are receiving payments, however, they must live in housing that has been inspected and approved as meeting basic housing standards. That requirement "earmarks" the subsidy for housing, thus distinguishing the allowance approach from that of regular income transfer programs.

In the beginning, advocates of housing allowances suggested that they might revitalize the private market for well-maintained older housing, and that government costs per family would be much lower than under conventional new-construction programs. In addition, they imagined such an approach would avoid the problems associated with concentrating the poor in self-contained "projects." Yet it also had its critics, who warned, among other things, of excessive inflation and insufficient housing improvement. The costs and benefits were thus far from self-evident.

Given the complexity of the issues and the paucity of data on housing market dynamics, Congress authorized the U.S. Department of Housing and Urban Development (HUD) to test housing allowances. Accordingly, HUD initiated the Experimental Housing Allowance Program (EHAP), having three components: the Demand Experiment (a small sample test of consumer reactions to housing allowances offered under varying terms in two metropolitan areas); the Administrative Agency Experiment (described below); and the Supply Experiment.

The Supply Experiment was designed and is operated by The Rand Corporation. Its role is to examine housing market and community reactions to a fullscale, long-term allowance program. Program enrollment is open to all eligible households in two metropolitan areas with contrasting market structures:

- o Brown County, Wisconsin (metropolitan Green Bay). The program began here in June 1974. Brown County then had about 170,000 inhabitants (48,000 households). The area has a persistently tight housing market--because of rapid growth in employment and population--and a small minority population.
- o St. Joseph County, Indiana (metropolitan South Bend). Program enrollment began here in April 1975, when the county had a

population of 240,000 (76,000 households). Manufacturing employment has declined sharply since World War II, resulting in population losses. The central city has a large surplus of deteriorated housing, and suburban vacancy rates are rising. The minority population is significant; blacks account for 18 percent of all South Bend households.

Program funding was committed for a ten-year operating period.\* HUD provides the funds through an annual contributions contract with housing authorities in each site. The programs are administered by separate nonprofit corporations--housing allowance offices (HAOs)--established solely for that purpose by Rand, and operating under contract to the housing authorities.

The ten-year period comprises first, an experimental phase of about five years during which Rand employees occupy most positions on the HAO boards of trustees and control HAO activities, and second, a postexperimental phase during which local community leaders assume full control over program operations. The experimental phase ended in June 1979 in Brown County. In St. Joseph County, the end of the experimental phase is targeted for March 1980.

In the experimental phase, four annual metropolitan-wide surveys were conducted at both sites. Each entailed interviews with the tenants, homeowners, or landlords associated with a representative sample of residential properties (about 2,000 parcels per site), as well as actual inspections of the properties and their neighborhoods. In addition to collecting survey data, Rand also assembles quarterly information about program participants and their housing from HAO records.

The research charter for the experiment originally called for analyzing four effects of the program: supply response (mix of housing improvement and price changes); changes in the behavior of market intermediaries (such as lenders, insurance companies, real estate brokers);

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\* The program is funded under Sec. 23 of the U.S. Housing Act of 1937.

resulting residential mobility and neighborhood change; and impingement on nonparticipants. The charter was subsequently expanded to include research on program participation, effects on participants, and program administration.

While a housing allowance program of the form operating in Brown and St. Joseph counties has not been proposed for implementation nationwide, research findings from the Supply Experiment remain relevant for national housing policy. They have already provided guidance for the design and operation of the Sec. 8 Existing Housing Program, enacted in 1974, which is similar to the allowance program in many respects. They have also extended general knowledge of housing market dynamics. Many decisions HUD must make would benefit from a better understanding of the way actors in the private housing market are likely to respond to various public initiatives. The Supply Experiment data base, with detailed longitudinal information on so many aspects of market behavior, is a unique resource for this purpose.

#### ALLOWANCE PROGRAM PARTICIPATION

At the end of September 1977, the experimental allowance program had operated for 39 months in Brown County and 33 months in St. Joseph County.\* Table 1 summarizes the status of all applications for assistance received by the HAO in each site through that date. Altogether, 34,700 applications had been received, 16,800 households had been enrolled, and over 13,100 had received one or more allowance payments. At that time, about 10,000 were still enrolled and over 8,000 were receiving monthly payments.

The St. Joseph County program had 6,340 enrolled households, 73 percent more than the 3,675 total for Brown County. The difference simply reflects size difference between the counties, rather than disparities in program effectiveness. In both sites, enrollment represented about 8 percent of all resident households and 40 to 50 percent of all households eligible for the program.

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\* During the first three months of the program in St. Joseph County, applications were invited from 750 homeowners, of whom 103 enrolled. There had been only 30 months of open enrollment as of September 1977.

TABLE 1  
 SELECTED ENROLLMENT AND PAYMENT AUTHORIZATION STATISTICS  
 THROUGH SEPTEMBER 1977

Item	Brown County		St. Joseph County	
	Number of Cases	Percent of Total	Number of Cases	Percent of Total
<i>Enrollment</i>				
All applicants	12,745	100.0	21,943	100.0
Screened out before interview <sup>a</sup>	3,268	25.6	5,788	26.4
Screened out by interview <sup>b</sup>	2,189	17.2	4,447	20.3
Awaiting interview or processing	506	4.0	1,682	7.7
Eligible and enrolled	6,782	53.2	10,026	45.6
<i>Payment Authorization</i>				
All enrollees	6,782	100.0	10,026	100.0
Authorized for payments	5,562	82.0	7,490	74.7
Currently receiving payments	3,148	46.4	4,913	49.0
Payments suspended <sup>c</sup>	269	4.0	554	5.5
Enrollment terminated <sup>d</sup>	2,145	31.6	2,023	20.2
Never authorized for payments	1,220	18.0	2,536	25.3
Authorization pending <sup>e</sup>	258	3.8	873	8.7
Enrollment terminated <sup>d</sup>	962	14.2	1,663	16.6

SOURCE: HAO management information system, monthly program reports.

NOTE: Payments are not authorized until the housing unit chosen by an enrollee has been evaluated by the HAO and certified for occupancy; and for a rental unit, until an executed copy of an acceptable lease agreement has been filed with the HAO. Percentages may not add exactly to totals or sub-totals because of rounding.

<sup>a</sup> Applicant ineligible or declined interview.

<sup>b</sup> Applicant ineligible, declined to complete interview, or declined enrollment.

<sup>c</sup> Current housing is not certified or enrollee has violated reporting requirements or other program rules.

<sup>d</sup> Voluntary or involuntary. Involuntary terminations usually result from change in income or family circumstances that affects eligibility.

<sup>e</sup> Awaiting housing certification or lease agreement. See Note above.

In some respects the characteristics of enrollees in the two programs are quite similar. In both sites, slightly less than half the households had three or more persons in 1977; the remainder was divided evenly between one- and two-person households. Approximately a third of the households were headed by persons 62 years of age or older.

But there are some important differences, mirroring differences in the low-income populations of the two sites. In Brown County's program, about 36 percent of the 1977 enrollees were homeowners; in St. Joseph County, where housing prices are much lower, half were homeowners. Another notable difference is in race. Households headed by racial minorities accounted for only 4 percent of total enrollment in the Brown County program, but 29 percent in the St. Joseph County program, which draws on a much larger minority population. Most (92 percent) of the minority enrollees in St. Joseph County were blacks.

Incomes of participants are considerably lower in St. Joseph County than in Brown County, particularly among renters. In September 1977, the average annual adjusted gross income of renter enrollees was \$2,642 in St. Joseph County and \$3,783 in Brown County.\* The averages for enrolled homeowners were higher: \$3,587 in St. Joseph County and \$4,197 in Brown County.

As noted earlier, the amount of the allowance received by enrollees who meet program housing requirements is the difference between one-fourth of a household's adjusted gross income and the standard cost of adequate housing in the community. Rand estimates the standard cost for different-sized households on the basis of survey data. It represents the typical annual cost in a modest neighborhood in the local housing market of sound housing units whose size, equipment, and facilities are adequate for household needs. The original estimates have been updated several times to account for inflation. The September 1977 standards for St. Joseph County ranged from \$120 per month for one-person households

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\* Adjustments are those required by law and vary with age of head, number of dependents, and number of secondary wage earners. Gross income for a homeowner includes an imputed income equal to 5.0 percent of his equity in his home.

to \$190 for households of 9 or more persons. The Brown County schedule was higher; monthly costs ranged from \$130 to \$245.

Allowance payments based on the formula averaged \$94 a month for renters and \$64 for homeowners in St. Joseph County and \$78 for renters and \$66 for homeowners in Brown County. Since homeowners make up a larger proportion of St. Joseph County participants, the overall averages were about the same: \$76 in St. Joseph County and \$74 in Brown County.

Through September 1977, the Brown County HAO had disbursed \$6.1 million in allowance payments; the HAO in St. Joseph County had disbursed \$6.4 million. At the September rate, the annual outlay would have been \$2.8 million in Brown County and \$4.5 million in St. Joseph County--an overall average of \$903 per year for each of 8,061 households.

#### RESEARCH IN PROGRAM ADMINISTRATION

The scale of the allowance program is clearly much larger than is typical for social experiments. Anticipating the scale and the length of the operating period, considerable emphasis was given to designing administrative systems before the experiment began. Rand's Field and Program Operations Group and the senior staffs of the two HAOs analyzed the requisite administrative functions and consulted with a variety of experts while formulating program rules and operating procedures.\*

HUD had in fact recognized the importance of administrative research in the original design for EHAP. To address administrative issues in EHAP, HUD launched the Administrative Agency Experiment (AAE). In the AAE, eight limited-scale allowance programs (enrollment averaged just

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\*The rules and procedures are recorded in a comprehensive administrative handbook (the *Housing Allowance Office Handbook*) whose contents were approved by HUD and have been modified, with HUD approval, as warranted by experience. Detailed instructions are provided in a series of manuals, of which the most important are the *Instruction Manual for the Enrollment Application* and the *Housing Evaluation Manual*. In addition, policy clarification memoranda are issued as needed--through September 1977, a total of 195--to elucidate existing rules or report rule modifications.

over 1,000) were set up and administered by different types of agencies (two local housing authorities, two welfare offices, two units of metropolitan government, and two state agencies with responsibility for housing programs). The programs ran for two years. HUD specified the basic program standards and functions that each agency had to perform, but discretion was left to the agencies in the design of administrative procedures.\*

The analysis of program administration was added to the Supply Experiment agenda primarily because such characteristics as its size and length of operating period contrasted dramatically with the AAE. The analysis depends on the records kept by the HAOs, which, partly because of the nature of the program and partly because of the recordkeeping system itself, have several advantages for administrative research:

- o They cover enough cases (35,000 applicants and 17,000 enrollees, as of September 1977) to support detailed statistical analyses.
- o Program rules and administrative procedures are carefully specified and conformance to them is monitored, so that relationships between rules or procedures and program results can be clearly identified.
- o A great deal of detail about clients and their transactions with the HAOs is preserved in machine-readable form, with entries audited for error.
- o It is possible to study the effectiveness of program procedures over time, as clients learn how the system works and as the client population changes.
- o Rules and procedures are tested under a variety of personal circumstances from a broader spectrum of clients--renters and homeowners, old and young, families and single persons, employed and unemployed--than in most housing or transfer programs.

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\* The AAE has been completed and a series of reports prepared. Most findings are summarized in W. L. Holshouser, Jr., *Administrative Procedures in a Housing Allowance Program: The Administrative Agency Experiment*, Abt Associates, Cambridge, Mass., March 1977.

- o Parallel records are available from two experimental sites that differ in many program-relevant characteristics, helping us assess the generality of conclusions.

#### ORGANIZATION OF THE REPORT

This note presents interim findings on program administration, through September 1977. Section II reviews the administrative functions the HAOs perform and the objectives that influenced their design. It then examines administrative costs over the reporting period of April through December 1976. Sections III through VII report on the five main functions that bring applicants into the program: outreach (Sec. III), enrollment processing (Sec. IV), enrollment error control (Sec. V), housing evaluation (Sec. VI), and enrollee services (Sec. VII). Section VIII draws conclusions about the HAOs' administrative performance and considers topics for further research.



## II. ADMINISTRATIVE OVERVIEW

This section describes the administrative functions performed by the HAOs and the objectives that guided their design. It then analyzes administrative costs and draws comparisons with other programs.

### FUNCTIONS

Like most organizations, the HAOs are divided into sections, within which staffs perform similar or interrelated tasks. Daily activities are regulated by a hierarchy of supervisors headed by the HAO director (see the Appendix). Budgets and expenditure reports follow the pattern HUD established for local housing authorities, with line items for each major type of expenditure--such as salaries, office rent, computer services. To plan and monitor administrative procedures, however, we adopted a functional view of activities and their costs.

In that view, HAO activities are grouped into four classes according to the purposes they serve rather than the nature of the work itself. *Client intake functions* comprise all activities directed to bringing eligible households into the program. *Client maintenance functions* comprise all activities that serve continuing clients. Those two groups constitute program operations, as distinct from support services, which consist of *general support functions* and *research support functions*. The activities within each function are detailed below.

### Client Intake

The consequence of *outreach*, which uses advertising and other techniques to inform eligibles about the program, is designed to be *enrollment*, which entails the HAOs' arranging and administering means tests for households that submit an application. The process includes

- o *Screening* applicants and *scheduling* enrollment interviews for those not screened out as clearly ineligible.
- o Providing *program information* to applicants about program rules and *conducting interviews* with them to obtain information on

household status and income; determining whether a household is eligible; if it is eligible, determining the amount of its allowance entitlement; and signing participation agreements with eligibles who choose to enroll.

- o Checking enrollment forms to detect and correct errors; verifying undocumented information with employers, banks, public agencies, etc.; and creating client records in the HAO computer system.

A further intake function--*housing certification*--distinguishes the allowance program from a pure income transfer program. It has two components:

- o Inspecting enrollees' housing units; informing them of the results; reevaluating units after repairs are attempted; processing evaluation results and lease agreements and authorizing payments to those whose housing qualifies.
- o Helping enrollees obtain certifiable housing. Such services consist mainly of voluntary group counseling and legal services (in discrimination cases).

#### Client Maintenance

HAO *payment operations* include disbursing monthly allowance checks; suspending or terminating payments; and adjusting payments to reflect recertification results, previous underpayments or overpayments, or security deposit advances. The HAO also conducts periodic means tests of three types to monitor client eligibility and allowance entitlement:

- o *Annual recertification*. Activities are similar to those in enrollment certification: scheduling, interviewing, error control, and data processing. The interview is conducted in the month of the client's enrollment anniversary.
- o *Semiannual recertification*. Processing mailback questionnaires on household status and income, prepared halfway between enrollment anniversaries. Includes followup to obtain

additional information when questionnaire responses are inadequate, plus error control and data processing.

- o *Special recertification.* Administering means tests by telephone or interview in special circumstances between annual and semiannual recertifications.

*Housing recertification* assures that recipients continue to meet housing requirements. It includes (a) conducting *housing reevaluations*: annually inspecting dwellings occupied by recipients; inspecting units to which recipients plan to move; informing recipients of evaluation results; reevaluating failed units after repairs have been attempted; and processing results; and (b) providing *recipient services*: conducting voluntary group counseling sessions; providing literature on housing maintenance; and providing legal services for discrimination cases.

#### Support Services

The HAO provides both *general support* and *research support* services. The first supports regular program operations and research, including general management, training, press and community relations, financial management and accounting, personnel administration, and secretarial services. The second meets special needs of the experiment--for example, preparing computer files for transmission to Rand, conducting studies, and preparing reports and presentations for HUD.

#### Design Objectives

In designing procedures to carry out the functions described above, three objectives were paramount: safeguarding program integrity, treating clients considerately, and organizing the work efficiently. The first priority was to ensure that the right people got the right amounts of money and that all transactions could be traced through HAO records. Procedures were designed to ensure that decisions on each household's eligibility and each dwelling's acceptability were based on reliable information and conformed to clear rules. Because program records would

be used not only for administrative monitoring but also for program research, their accuracy was doubly important. We designed error control procedures accordingly.

Second, we sought procedures that were considerate of clients' time, dignity, and privacy. Thus, enrollment interviews are separately scheduled so applicants need not wait in line. The interviews are held in private rooms. Information provided by a client is treated confidentially, and third-party confirmation is sought only with a client's written permission. Program rules, forms to be completed by clients, and letters to them are written in the clearest language we could devise.

Third, we planned the sequence of work and the format of records to eliminate redundant effort, automate routine activities, and focus staff attention on the steps that required judgment.

#### COSTS

Once program procedures had stabilized, we installed a cost accounting system that reflects the functional distinctions summarized above. The full system has been operating in both HAOs since April 1976, and the findings (summarized here and reported in full in the following pages) are derived from cost data for the subsequent nine months, through December 1976:\*

- o Operating cost ratios were surprisingly similar in the two HAOs. Maintenance cost per recipient year in St. Joseph County differed from the comparable Brown County figure by less than 1 percent. Omitting outreach and enrollee service costs (because the sites handled those functions differently during the base period), intake costs per new recipient differed by less than 4 percent.
- o Intake cost averaged \$249 per new recipient. The enrollment process accounted for 49 percent of that total, housing certification for 27 percent, and outreach for 24 percent.

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\*The data are normalized to minimize the influence of special circumstances during the base period.

- o Maintenance cost averaged \$133 per recipient year. Again, means test administration (eligibility recertification) accounted for the largest share (58 percent). Housing recertification accounted for 26 percent and payment operations, 16 percent.
- o Average total administrative cost was about \$216 per recipient year. (Intake costs were amortized on the assumption that the average recipient would receive payments for three years.)
- o Without housing certification, we estimate that the average administrative cost would fall to \$146 per recipient year. Earmarking the allowance payments for housing purposes thus has a marginal cost of \$70 per recipient year and also reduces the number of recipients by about 22 percent.
- o Although interprogram cost comparisons are inexact because of differences in program functions, the HAOs' costs per recipient year appear reasonable in relation to those of other operating programs. Indeed, the HAOs' costs for income transfer functions are well below the national average for AFDC administration.

#### History and Composition of HAO Expenditures

Despite dramatic shifts in the composition of their workloads, both HAOs have held expenditure levels relatively constant since the program began. Monthly administrative costs have averaged \$94,000 since open enrollment started in Brown County. The St. Joseph County average has been \$133,000 per month.

The HAOs are highly labor-intensive. During the first year of operation they spent considerable sums on supplies, automobiles, and equipment. But even then, salaries and fringe benefits accounted for over half the total administrative costs in both sites. During the second year, salaries and fringe benefits accounted for two-thirds of the total in both sites. The next largest category, office and equipment rental, accounted for about 10 percent. Percentages in other categories were comparatively small.

### Costs Distributed by Function

During the base period, HAO employees recorded how much time they spent daily on each activity and function described below. Those accounts were used to disaggregate personnel costs by activity. The costs of other items either were assigned to particular activities, or if shared among activities, were allocated in proportion to workload measures or personnel costs. Activities or costs that were not readily allocable to program operations (e.g., office rent) were assigned to general support.

Such methods distinguished intake, maintenance, and general support costs. Research costs were more difficult to estimate. Although some activities (such as developing presentations for the experiment's review panel) serve research purposes only, others (such as record maintenance) serve both operations and research. Here, we count only the clearly separable research costs.\*

Table 2 shows cost distributions for the base period. At that time, St. Joseph County's program was larger and growing more rapidly than Brown County's. The average monthly costs for each function are therefore greater in St. Joseph County, with the greatest difference for client intake. Research support costs are nearly the same.

### Costs Relative to Workload

In the next step, general support costs (about 45 percent of the total in each site) were allocated among the other three functions in proportion to their direct costs. With "overhead" thus distributed, we set research support costs aside, then estimated intake and maintenance costs per recipient, as shown in Table 3.

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\* In so doing, we follow the lead of a study of HAO operations by independent accountants, who nonetheless recognized that additional research costs were embedded in program operations. For example, they estimated that the HAO client master file could be reduced to nearly a fourth of its actual size without degrading program operations; the extra data primarily serve research purposes. See Touche Ross and Co., *Operations Review of the South Bend Housing Allowance Office; Final Report*, Washington, D.C., submitted to HUD on 21 October 1976.

Table 2

COST OF ADMINISTRATIVE FUNCTIONS,  
APRIL TO DECEMBER 1976

Function	Monthly Average			
	Brown County		St. Joseph County	
	Amount (\$)	Percent	Amount (\$)	Percent
Program operations:				
Client intake	17,200	19.1	39,500	28.7
Client maintenance	18,200	20.2	21,800	15.9
Total	35,400	39.3	61,300	44.6
Support services:				
General support	40,800	45.2	61,300	44.6
Research support	14,000	15.5	14,800	10.8
Total	54,800	60.7	76,100	55.4
All functions	90,200	100.0	137,400	100.0

SOURCE: Analysis by HASE staff of HAO accounting records.

NOTE: Intersite differences reflect differences in program size and in activity mixes from April through December 1976: St. Joseph County's program was larger and growing more rapidly. Distributions may not add exactly to totals because of rounding.

For intake activities, we first calculated the full cost per unit of work (e.g., per enrollment interview) actually performed during the base period. We then multiplied the unit cost by the number of work units per household authorized for payment from the beginning of the program through the end of the base period. The second step minimized distortion due to lags in intake processing: Not all work performed during the base period was accountable to applicants who became recipients during that same period.

Intake costs were a fourth higher in St. Joseph County (\$276) than in Brown County (\$222), mostly because of larger expenditures for outreach and enrollee services. The costs of enrollment were slightly higher in Brown County; the costs of housing certification were slightly higher in St. Joseph County. The reasons for major differences are discussed later in this section. For now, we stress the cross-site average--\$249 per new recipient.

Table 3

ADMINISTRATIVE COSTS PER RECIPIENT, APRIL TO DECEMBER 1976

Activity, by Function	Brown County		St. Joseph County	
	Amount (\$)	Percent	Amount (\$)	Percent
<i>Intake Costs (Per New Recipient)</i>				
Outreach	45.98	20.7	78.41	28.4
Enrollment:				
Screening and scheduling	24.58	11.1	18.01	6.5
Interview and program information	52.25	23.6	54.22	19.7
Error control and data processing	45.66	20.6	43.84	15.9
Total	122.49	55.3	116.07	42.1
Housing certification:				
Housing evaluation	52.23	23.5	64.89	23.5
Enrollee services	1.08	.5	16.45	6.0
Total	53.31	24.0	81.34	29.5
All intake activities	221.78	100.0	275.82	100.0
<i>Maintenance Costs (Per Recipient Year)</i>				
Payment operations	19.32	14.5	23.43	17.6
Eligibility recertification:				
Annual	42.75	32.0	39.97	30.1
Semiannual	29.12	21.8	22.80	17.2
Special	10.98	8.2	9.96	7.5
Total	82.85	62.0	72.73	54.8
Housing recertification:				
Housing reevaluation	29.46	22.1	30.24	22.8
Recipient services	1.87	1.4	6.37	4.8
Total	31.33	23.5	36.61	27.6
All maintenance activities	133.50	100.0	132.77	100.0

SOURCE: Analysis by HASE staff of HAO accounting records and management information reports.

NOTE: See accompanying text for methods of estimation. Amounts include both direct and indirect costs, excluding identifiable research-related costs.

Lags are not greatly significant for maintenance activities. Consequently, we simply divided the full costs of each activity during the base period by the number of recipient years of service provided during the same period. Costs per recipient year were almost identical in the two sites: \$134 in Brown County and \$133 in St. Joseph County.

However, the costs of component activities varied much as did those of the intake activities and for much the same reasons. Again, we stress the cross-site average, \$133 per recipient year.

#### Comparison with Other Programs

Tables 4 and 5 compare the administrative costs of the Supply Experiment's allowance programs with the costs of other housing and welfare programs. Such comparisons are necessarily imprecise because each program serves a different population, provides different services, and records costs differently. Nonetheless, the tables provide a useful perspective on HAO costs.

Table 4 compares HAO costs with those reported for the smaller allowance programs conducted in seven of the eight Administrative Agency Experiment (AAE) sites; and, with less validity, to HUD's cost standards for the Sec. 8 existing housing program. In all cases, it is feasible to separate intake and maintenance costs; and for Supply Experiment and AAE comparisons, we amortize intake costs in each case over a postulated three-year period of reciprocity to estimate total costs per recipient year.\*

In each of the seven AAE sites, program functions were similar to those performed by the HAOs, but enrollments ranged from only 500 to 1,500 and were limited to renters. Procedures, which were designed by the administering agencies, varied considerably in the rigor of eligibility and housing certification and in services to participants. The range of costs is thus wide, but the median is 50 percent above the corresponding HAO figure.\*\*

The Sec. 8 existing housing program differs from the Supply Experiment's allowance program in two important respects: It is limited to renters, and the administering agency contracts with the landlord

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\* In other words, total cost per recipient year =  $1/3$  (intake cost per new recipient) + maintenance cost per recipient year.

\*\* The cost figures for the AAEs have all been increased by 14.7 percent, the amount of the change in the national consumer price index between August 1974 (the approximate midpoint of AAE program operations) and August 1976 (the approximate midpoint of the HAO base period).

Table 4

ADMINISTRATIVE COSTS OF SELECTED HOUSING ASSISTANCE PROGRAMS

Program and Statistic	Actual or Planned Cost (\$)		
	Intake (per new recipient)	Maintenance (per recip- ient year)	Total <sup>a</sup> (per recip- ient year)
<i>Housing Allowance Programs (Actual Costs)</i>			
Supply Experiment (2 sites):			
Range .....	222-276	133-134	207-225
Median <sup>b</sup> .....	249	133	216
Administrative Agency Experiment (7 sites):			
Range .....	204-344	148-306	219-401
Median .....	290	235	332
<i>Sec. 8 Existing Housing Program (Planned Costs)</i>			
Brown and St. Joseph Counties:			
Range .....	(c)	167-191	(d)
Median <sup>b</sup> .....	275	179	(d)

SOURCES: Data for the Supply Experiment are from Table 3; Administrative Agency Experiment data, from Charles M. Moloy, J. Patrick Madden, David Budding, and William L. Hamilton, *Administrative Costs in a Housing Allowance Program: Two Year Costs in the Administrative Agency Experiment*, Abt Associates, 1 February 1977; Sec. 8 data, from U.S. Department of Housing and Urban Development, *Section 8 Housing Assistance Payments Program, Existing Housing Handbook*, 7420.3 Rev., App. 5, August 1976, and *Federal Register*, Vol. 42, No. 127, effective 29 March 1977.

NOTE: Populations served, functions performed, and cost categories are not strictly comparable across programs. See accompanying text for discussion of adjustments to the source data. AAE costs were increased by 14.7 percent to compensate for inflation from mid-1974 to mid-1976. Costs for the Jacksonville, Florida, AAE site were excluded in establishing the AAE range because operating experience there was not comparable to that in the other sites.

<sup>a</sup> Intake costs amortized over postulated three-year average duration of reciprocity.

<sup>b</sup> For two observations, the median and average are identical.

<sup>c</sup> No range; the figure of \$275 applies nationwide.

<sup>d</sup> Not calculable under Sec. 8 formula.

Table 5

ADMINISTRATIVE COST OF HOUSING ALLOWANCES VERSUS AFDC

Program and Jurisdiction	Annual Cost per Case (\$)		
	Income Transfer	Housing Requirements	Total
<i>Housing Allowance Program</i>			
Brown County	149	58	207
St. Joseph County	144	81	225
Average	146	70	216
<i>AFDC<sup>a</sup></i>			
New York (highest cost)	582	--	582
California	441	--	441
Indiana	226	--	226
Wisconsin	145	--	145
Mississippi (lowest cost)	77	--	77
National average	295	--	295

SOURCES: Housing allowance program data are from Table 3. AFDC data are from Toby H. Campbell and Marc Bendick, Jr., *A Public Assistance Data Book*, The Urban Institute, 1978, pp. 7, 8, 252, and 253.

NOTE: Housing allowance costs per case are based on a postulated three-year average duration of reciprocity, as in Table 4. AFDC costs per case are based on amounts spent during fiscal year 1976 for determining eligibility and administering payments, divided by the average monthly caseload during that year; costs of social services to recipients are excluded from the table.

<sup>a</sup>Entries are shown for selected states; the national average (50 states) weights each state's costs by its caseload.

as well as the tenant. Enrollees are encouraged to nominate privately owned rental units for agency approval, whereupon the agency pays a rent supplement directly to the landlord. Moreover, the cost figures shown for that program do not reflect operating experience and also differ conceptually from the corresponding HAO costs. HUD allows the administering agency up to \$275 to enroll and place each new tenant, but the cost of replacing tenants or landlords who subsequently drop out of the program is subsumed in an annual administrative allowance per recipient. That amount is linked to a schedule of fair market rents maintained by HUD for each local housing market; hence the difference in maintenance costs shown for Sec. 8 in Brown and St. Joseph counties.

In fact, the program is inactive in those sites and national data on actual Sec. 8 costs have yet to be released by HUD. Early indications from a number of Sec. 8 agencies are that the intake cost allowance is ample, but that maintenance cost allowances may be too low to cover actual costs.\* However, the scheduled costs shown in the table for both intake and maintenance are higher than those reported by the HAOs.\*\*

Table 5 compares HAO costs with those reported for state and local administration of AFDC. For the HAOs, the comparison distinguishes costs attributable to income transfer functions from those attributable to the enforcement of the program's housing requirements, inasmuch as AFDC programs have no housing requirements. The AFDC costs shown are only those attributable to income transfer functions, specifically excluding the costs of social services that some states provide to recipients.

Separating HAO income transfer costs from housing requirement costs entailed four steps. First, the cost of all activities connected with housing certification were deleted from both intake and maintenance. Second, the remaining intake costs were spread over a larger base of

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\* See Westat, Inc., *PHA Administrative Functions and Fees, Study of Sec. 8 Housing Assistance Programs for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development*, 23 May 1977.

\*\* HAO costs as estimated here would fall substantially below the Sec. 8 standards over the long term were it not that the preliminary fee to cover initial intake costs is granted only once under Sec. 8 rules. Subsequent costs to cover intake for households joining the program to replace recipients who drop out are charged to the ongoing fee for maintenance. With continued turnover in the recipient population over time, the Sec. 8 standards become harder to meet. Applying cost ratios from Table 6.3 to actual HAO workloads, we estimate that cumulative HAO costs in both sites would have been 40 to 50 percent below the totals allowed in Sec. 8 standards at the end of the first year of allowance program operations, but only about 10 to 12 percent below them at the end of the second year. At the end of the third year, HAO costs would just about reach the ceilings implied under Sec. 8 rules. (These estimates assume an initial Sec. 8 allocation of 3,500 units for the Brown County program and 6,000 units for the St. Joseph County program.)

recipients (housing certification requirements prevent about 22 percent of all enrollees from becoming recipients). Third, the adjusted intake cost per recipient was amortized and combined with the new maintenance cost per recipient year. Fourth, the adjusted total cost for income transfer functions was subtracted from the unadjusted total to obtain the marginal cost per recipient year of administering the housing requirements. For the two-site average, we obtain an annual income transfer cost of \$146 per recipient and an annual housing requirement cost of \$70.

The figures for state and local AFDC administration were computed by The Urban Institute from financial and caseload statistics. (The national average was computed by Rand from Urban Institute data.) The national average is twice the income transfer cost of the HAOs and a third larger than total HAO administrative costs. Only six of the 50 states had AFDC costs that were lower than the HAO income transfer average of \$146.

#### Cost/Subsidy Ratios

Managers of income transfer programs are often asked how much they spend on administration per dollar of subsidy. While such ratios are important in overall policy evaluation, they are misleading if used to compare the efficiency of administrative systems.

In fiscal year 1976, the AFDC program paid an average benefit of \$2,697 per case. With an average annual administrative cost per case of \$295, AFDC thus spent 11 cents in administration for each dollar it gave recipients. The HAOs' average annual allowance payment from April through December 1976 was \$870; their administrative cost was \$216 per recipient year, or 25 cents per dollar of subsidy. Without housing requirements, administrative costs would have been \$146 per recipient year, or 17 cents per dollar of subsidy.

The work of program administration is not influenced by the amounts for which benefit checks are written. The HAOs could provide higher annual subsidy payments without increasing their administrative costs

by making only a simple adjustment to the benefit formula. The computer would then automatically generate checks for larger amounts. By the same reasoning, reducing the AFDC check amounts would not directly cause administrative savings. Administrative cost per case served, the ratio used earlier, is a much better indicator of administrative efficiency because it reflects the amount of work performed.

### III. OUTREACH: INFORMING ELIGIBLES ABOUT THE PROGRAM

This section is the first of five that report the HAOs' experience with client intake. It explains how administrative procedures reflected experimental purposes, describes the procedures, then evaluates them.

#### PURPOSE OF OUTREACH

Many people who are eligible for benefits from federal income transfer programs never apply for them--perhaps because of ignorance, perhaps because of incapacity, or perhaps out of simple distaste for the program. One purpose of the Supply Experiment was to learn what portion of the eligible population--estimated at about a fifth of all households in each site--would choose to participate in a housing allowance program. Outreach was designed so that those who were eligible would learn about the program and what it offered them. Participation rates would then reflect informed choices.

Because the experiment had a limited duration, it was important to spread program information quickly. However, surprisingly little was known about the best ways to reach the low-income population. We therefore encouraged the HAOs to try a variety of methods, expecting that not all would be equally cost-effective. They sought publicity in local media; explained the program to community groups and agencies that dealt with potential clients; and advertised by direct mail, with brochures and posters in public places, in newspapers, and on radio and television. The HAOs' experience with media advertising, rarely used for such purposes, is especially instructive, showing that:

- o Although other outreach methods helped, paid advertising governed the flow of applications in both sites during the first two program years. Because the level and timing of such advertising is easily controlled and because public response is immediate, the HAOs were able to match the flow of applications to processing capability, a substantial advantage. However, effective advertising is expensive.

- o Advertising could convey only the simplest messages. Attempts to provide audiences with information by which they could determine their own eligibility were generally unsuccessful. However, the purposes of the program were communicable and its image, hence its attractiveness, could be shaped by a judicious choice of symbols.
- o Advertising and media publicity were cited by about half of all applicants as their source of information; the remainder heard about the program from friends, relatives, landlords, or welfare agencies. Racial minorities and welfare recipients were the least media-oriented of all applicants, and the elderly, the most.
- o As program knowledge spread, advertising's effectiveness diminished. Although each new media campaign temporarily increased the flow of applications, costs per applicant rose considerably. Both HAOs cut back sharply on advertising during the third program year, concluding that major information objectives had been met even though many eligibles still had not enrolled.

#### USE OF ADVERTISING

Traditional public relations techniques are an important part of the HAO outreach programs. Through September 1977, the Brown County HAO had made 168 presentations to community groups and issued 42 press releases about program events. The St. Joseph County HAO had made 276 presentations to community groups and issued 54 press releases. By that date both HAOs had distributed thousands of brochures, and their officers had appeared on many local news and public affairs programs. But what distinguished the HAO outreach programs was their use of media advertising.

In the first 30 months (10 quarters) after enrollment opened, the Brown County HAO spent an average of \$2,061 a month on media advertising, the equivalent of \$7.76 per household initially eligible for the

program. The St. Joseph County HAO, over its first 10 quarters, spent an average of \$6,964 a month, or \$13.41 per initial eligible.\*

By design, the intensity of outreach fluctuated from month to month. Both sites staged media campaigns lasting from one to four weeks each, separated by longer quiet periods. In each campaign, new materials and themes were tried and responses analyzed for the next effort. During each campaign, the backlog of unprocessed applications mounted rapidly; when it became excessive, the campaign was ended and the HAO staff worked to interview the applicants and enroll those who were eligible. When the backlog dropped below a certain level, a new campaign was mounted. In both sites, the major campaigns were staged in the second, fifth, and eighth quarters after enrollment began.

The two HAOs allocated advertising funds differently. Over the first 10 quarters in St. Joseph County, expenditures per eligible household amounted to \$4.23 for newspaper advertising, \$1.21 for radio, and \$7.98 for television. The comparable rates in Brown County were a little higher for newspapers (\$4.73) and radio (\$1.75) but much less for television (\$1.28).

The differences are largely explained by community reaction. The Brown County HAO was criticized by community leaders for "advertising to give away public money." Explanations of the special experimental needs for outreach softened but did not eliminate that reaction. Television advertising was particularly criticized. Because Green Bay television stations serve a 17-county regional market of over 150,000 homes, about 95 percent of the potential audience was ineligible for the program because of either place of residence or income. The St. Joseph County HAO was also criticized for advertising, but not as severely. The South Bend television market also exceeds county boundaries, but not by as

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\* Expenditures for media advertising are only a part of the full cost of outreach that was presented in Table 2. During the base period (quarters 8 through 10 in Brown County and 5 through 7 in St. Joseph County), Brown County HAO media costs accounted for only 53 percent, the remainder being for salaries of staff working on outreach, printing, and miscellaneous needs. Media costs accounted for 67 percent of total St. Joseph County outreach costs during the base period.

much. With less constraint, it was possible there to experiment more with television outreach.

Another difference between the sites was in the use of direct mail advertising--sending fliers or letters enclosing program brochures to groups likely to be eligible for allowances. The Brown County HAO began using direct mail in its fifth quarter. Through September 1977 it had mailed 39,000 pieces, most to low-income neighborhoods. The St. Joseph County HAO's use of direct mail was more extensive and more varied. It first used the technique in its fourth quarter, and through September 1977 had mailed 69,000 pieces. Most were directed to groups whose addresses could be obtained from directories--retired persons, households with workers in low-wage occupations, and female heads of household.

#### ADVERTISING CONTENT

It would have been ideal if the media could have conveyed enough information about program purposes, rules, and eligibility to enable eligible households to make informed decisions about participating before contacting the HAO. In brochures and group presentations it was possible to go into some detail, but not in media advertising.

Early advertisements in both sites gave criteria for eligibility, including approximate income limits for different household sizes. But few households proved able to add and adjust their incomes appropriately. Consequently, later advertisements explained only the basic features of the program and encouraged those who were interested to call the HAOs for more information. Most advertisements said, in effect: (a) the housing allowance program is open to residents of this county; (b) it is being run by the housing allowance office; (c) it provides money to low- and moderate-income households; (d) the purpose is to help with housing; and (e) call (telephone number) if you are interested.

In their advertising, both HAOs sought to avoid the "welfare image." Most eligibles were not welfare clients, and local advisers believed that many people would not enroll unless housing allowances were differentiated from welfare. Although media advertising said that the program was open to all types of households, nonwelfare groups (such as

the elderly) were mentioned prominently, and housing improvement was stressed. Both HAOs televised brief testimonials volunteered by satisfied clients (during the fifth quarter in Brown County and the eighth quarter in St. Joseph County).

Since media advertising would reach all segments of the eligible population, the HAOs generally avoided targeting it to particular groups. The exception was St. Joseph County's eighth-quarter campaign, which focused on benefits to the elderly. The campaign generated a large number of applications from elderly persons, but also created some confusion, reflected in telephone inquiries from nonelderly persons who had become uncertain about their eligibility.

#### RESPONSE TO OUTREACH

After 10 quarters of outreach, the Brown County HAO had received 11,034 applications (an average of 368 per month) and the St. Joseph County HAO, 21,943 (an average of 732 per month). The flow was far from smooth in either site. In Brown County, the application rate peaked in the second and third quarters, then dropped off considerably (see Table 6). Later peaks were much lower than the first. St. Joseph County's highest intake rates occurred during its first two quarters. Subsequent rates varied considerably from quarter to quarter, declining less dramatically than in Brown County.

Before the program began, the opinion was often expressed that most of the eligibles who decided to participate would apply during the first year and that the programs would stop growing shortly thereafter. In Brown County, however, the program continued to grow for a full 30 months. Not until the eleventh quarter was the number of new enrollees approximately offset by the number of terminated enrollments. At the end of its first 10 quarters the St. Joseph County program was still growing, although we judge that its growth rate would have dropped sharply during the eleventh quarter except for the change allowing single persons under 62 (a group ineligible under previous rules) to enroll.

More can be learned about the response to outreach by examining how applicants learned about the program. The application form asks

Table 6

MONTHLY APPLICATIONS AND MEDIA COSTS

Quarter	Average Number of Applications per Month	Media Cost	
		Average per Month (\$)	Per Application (\$)
<i>Brown County</i>			
1st	235	--	--
2d	522	2,679	5.13
3d	703	1,722	2.45
4th	337	1,764	5.23
5th	295	5,133	17.40
6th	299	2,816	9.42
7th	242	1,311	5.42
8th	360	4,509	12.53
9th	279	500	1.79
10th	270	177	.66
Average	368 <sup>a</sup>	2,061	5.60
<i>St. Joseph County</i>			
1st	873	1,705	1.95
2d	898	6,810	7.58
3d	725	6,753	9.31
4th	760	6,383	8.40
5th	864	8,156	10.73
6th	596	7,878	13.22
7th	570	6,159	10.81
8th	714	12,448	17.43
9th	495	9,479	19.15
10th	724	3,878	5.36
Average	731 <sup>a</sup>	6,964	9.52

SOURCE: HAO management information reports and accounting records through 10th quarter after start of open enrollment in each site.

<sup>a</sup>The 567 Brown County applications and 285 St. Joseph County applications that were received before the start of open enrollment are excluded from the averages for the first quarter at each site but included in the cumulative averages.

them to check one or more sources of information. Their responses through September 1977 are summarized in Table 7.

In both sites, advertising or media publicity was named about half the time. Referrals by friends, relatives, or others accounted for the remainder. Reflecting the difference in outreach strategies, television was mentioned more often in St. Joseph County, whereas radio and newspapers were more important as sources in Brown County. Referrals are distributed most identially in the two sites: Friends and relatives provided program information to about a third of all applicants; churches and agencies were named by about a tenth.

We expected media advertising to be more influential at the start and word-of-mouth communication to increase as program knowledge spread. However, no such shift is evident in the data. As long as the media were being used, advertising and publicity accounted for a relatively constant share of all sources checked. In both sites, the percentage of applicants checking referrals, as well as the percentage checking the media, went up rapidly during intensive advertising and declined afterwards.

Different types of clients found out about the program from different sources. Through June 1976 in St. Joseph County, for example, 48 percent of all white enrollees but only 35 percent of the nonwhite enrollees checked media sources. Those sources were checked by 44 percent of all respondents with wage and salary income and by 50 percent of those receiving social security benefits or pensions, but by only 33 percent of those on welfare. For racial minorities and welfare recipients, the more frequently cited sources were friends, relatives, and social agencies. The pattern was similar in Brown County.

#### IMPORTANCE OF ADVERTISING

We have no way of estimating what participation rates would have been if the HAOs had not used advertising. It seems certain, however, that program growth would have been much slower, and probable that ultimate program size would have been smaller.

In both sites, application rates were high during the first few weeks after enrollment began, an event accompanied by considerable

Table 7

SOURCES OF PROGRAM INFORMATION MENTIONED BY APPLICANTS

Source of Information	Brown County		St. Joseph County	
	Number of Mentions	Percent	Number of Mentions	Percent
Advertising and publicity:				
Television	1,140	8.7	5,414	20.0
Radio	1,656	12.6	893	3.3
Newspapers	2,804	21.3	4,549	16.8
Mailings	721	5.4	2,653	9.8
Poster-billboard	105	.8	221	.8
Total	6,426	48.8	13,730	50.7
Referrals:				
Friend or relative	4,057	30.8	8,732	32.3
Landlord or realtor	316	2.4	396	1.5
Church or agency	1,557	11.8	2,751	10.2
Total	5,930	45.1	11,879	44.0
Other	799	6.1	1,439	5.3
Total	13,155	100.0	27,048	100.0

SOURCE: HAO management information reports through September 1977.

NOTE: By September 1977, 12,745 applications had been filed in Brown County, and an average of 1.03 sources of program information were mentioned per application. In St. Joseph County, with 21,943 applications through September 1977, 1.23 sources were mentioned per application.

(free) publicity. But rates soon dropped off sharply, rising only with the first advertising campaign.\* After that, monthly and even weekly increases and decreases in application rates mirrored variations in media advertising quite closely. Advertising and publicity accounted for about half of all responses from applicants who were asked how they

\* Applications received per week in Brown County averaged 47 in weeks 5 through 8, 24 in weeks 9 through 12, and 123 in weeks 16 through 19--the first four weeks after advertising began. The St. Joseph County averages were 165 in weeks 5 through 8, 101 in weeks 9 through 12, and 338 in weeks 20 through 23--the first four weeks after the start of advertising.

had heard about the program, and the number of referral responses increased as did advertising responses during campaigns. In other words, many friends, relatives, and others who referred applicants to the HAO apparently were themselves prompted by advertising.

But did the HAOs need to spend as much as they did on advertising? Over the first 30 months, the Brown County HAO spent \$7.76 per eligible household and the St. Joseph County HAO spent \$13.41, yet both achieved about the same participation rate at the end of the period.\* The extra expenditure in St. Joseph County was almost all for television advertising, more expensive per message than radio or newspaper advertising, but also thought to be more effective.

We are not sure that the St. Joseph County HAO would have attracted the same number of applicants had it spent at the Brown County rate. Still, it is evident that the media became less effective over time in both sites. During quarters 2 through 4, the Brown County HAO spent only \$4.00 on media advertising for each application received, but \$11.50 during quarters 5 through 8. The St. Joseph County HAO spent about \$8.40 per applicant during quarters 2 through 4, and \$12.60 during quarters 5 through 8.

Managers of both HAOs believe that media advertising was needed to establish the program's identity in the community and spread awareness of it among those who were eligible. But in retrospect, they judge that they could have advertised less, particularly during the second year, without much effect on participation rates. Of course, if the local programs had been part of a national one, free national publicity could have done much to establish program identity. Moreover, a national program would have been easier to explain and national advertising would have cost less per viewer or listener.

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\* See *Fourth Annual Report*, Sec. IV.



#### IV. THE ENROLLMENT PROCESS

Initial processing for HAO enrollment entails screening applicants, scheduling enrollment interviews, providing program information, and conducting enrollment interviews. Most potential applicants first contact an HAO by telephone. Less than a fifth do so by mailing in an application, and only a few by visiting the office. In a telephone contact or office visit, the responding HAO employee begins by reviewing program features and answering questions. If the inquirer is then still interested in applying, the employee asks questions designed to screen out those who are obviously ineligible. A brief application form is prepared for those not screened out. Applications are processed by computer and scheduling rosters prepared. Applicants are contacted (in the order of application) to set dates for enrollment interviews.

After scheduling, the HAOs send each applicant a brochure with more information about the program and a list of documents (e.g., pay-check stubs, bank statements) that may be needed during the interview. Both HAOs offer information sessions for those who want to learn more about the program. In Brown County, a 20-minute slide presentation is given immediately before the interview. In St. Joseph County, applicants are invited to an hour-long group session scheduled separately from the interview.

The interview is conducted by a trained enroller, who follows a standard pattern of questions to obtain information on place of residence, household composition, assets, income deductions, and housing expenses. The applicant is asked to document the financial information; if documentation is lacking, he is asked to sign forms that authorize the HAO to verify the data with third parties.

When the enrollment form is complete, the applicant is asked to sign it, certifying that the information he has provided is accurate and complete. The enroller then determines whether the applicant is eligible, and if so, calculates the amount of his allowance entitlement.

Eligible applicants then review the program's participation agreement and sign (thereby enrolling) if they agree to its conditions. Finally, those who have enrolled are reminded about the housing certification requirements they must meet before they can receive payments.

The main findings about enrollment are that

- o Despite preapplication screening, attrition during the enrollment process appears inevitable. Only 55 percent of all Brown County applicants and 49 percent of St. Joseph County applicants actually enroll; the others either drop out before the interview, are found ineligible, or decline participation during the interview.
- o Most of those who do not enroll drop out before much has been spent on them, so the cost of attrition is less than the rates might suggest. With perfect preapplication screening, enrollment costs would drop by about 20 to 30 percent per enrollee, but no method of screening in an open enrollment program is likely to approach perfection.
- o Individual scheduling of interviews and other measures of consideration for client's dignity and convenience do not markedly increase administrative costs. In fact, HAO supervisors believe that these courtesies pay for themselves by raising staff morale and facilitating transactions with clients.
- o Because some groups have higher attrition rates and more complicated interviews than others, administrative costs vary by client type. For example, the cost of enrollment is about 20 percent higher per homeowner than per renter.

#### ATTRITION BETWEEN CONTACT AND ENROLLMENT

By the end of September 1977, the Brown County HAO had recorded 23,210 contacts with potential applicants and the St. Joseph County HAO, 30,672. Table 8 shows the attrition that occurred as households who inquired about the program either dropped out voluntarily or were screened out by the HAO at various stages of enrollment.

Table 8  
ATTRITION BETWEEN CONTACT AND ENROLLMENT

Item	Brown County		St. Joseph County	
	Number	Percent	Number	Percent
<i>Contacts with Potential Applicants</i>				
Screened out	10,465	45.1	8,729	28.4
Applications submitted	12,745	54.9	21,943	71.5
Total	23,210	100.0	30,672	100.0
<i>Applications Submitted</i>				
Applicant dropped out before interview	3,268	25.6	5,788	26.4
Case pending <sup>a</sup>	506	4.0	1,682	7.7
Applicant interviewed <sup>b</sup>	8,971	70.4	14,473	66.0
Total	12,745	100.0	21,943	100.0
<i>Applicants Interviewed</i>				
Ineligible	1,523	17.0	2,489	17.2
Declined or did not complete interview	666	7.4	1,958	13.5
Enrolled	6,782	75.6	10,026	69.3
Total	8,971	100.0	14,473	100.0

SOURCE: HAO management information reports through September 1977.

NOTE: Screened-out contacts from potential applicants may include duplicate contacts from the same household. In all other categories, duplicates have been deleted.

<sup>a</sup>Not yet interviewed, or interviewed but case not yet processed.

<sup>b</sup>Interviewed and case processed.

The biggest difference between the sites is in the proportion of contacts that result in an application--55 percent in Brown County vs. 72 percent in St. Joseph County. The Brown County HAO has thus far interviewed a slightly higher percentage of all its applicants (70 percent vs. 66 percent) and has enrolled a higher percentage of all interviewees (76 percent vs. 69 percent).

Because each site had a backlog of applications, the ratio of completed enrollments to initial contacts overstates attrition. Assuming

that "cases pending" are resolved in the same pattern as those acted upon, attrition from each 1,000 contacts can be summarized as follows:

	Brown County	St. Joseph County
Contacts with potential applicants..	1,000	1,000
Applications submitted.....	549	715
Applicants interviewed.....	402	511
Applicants enrolled.....	304	354

Thus, only 30 percent of all contacts in Brown County and 35 percent in St. Joseph County lead to enrollments. Is so much attrition usual in income transfer programs? We have not found any other program that keeps comparable records on the early stages of enrollment, but data on case decisions are roughly comparable to the results of the HAO interview stage. Of 3.0 million national Supplemental Security Income (SSI) case decisions from January 1974 through July 1975, only 68 percent resulted in--to use our term--enrollment. Of 2.5 million AFDC case decisions in 1976, 67 percent had that result.\* The comparable HAO figures are 76 and 69 percent for Brown and St. Joseph counties, respectively.

Those who drop out before an enrollment interview may be either eligible or ineligible. Eligible households are most likely to be erroneously discouraged from applying at the early stages, when neither the household nor the HAO has much information about the other. But carrying truly ineligible households further through the enrollment process subjects them to fruitless inconvenience and adds to administrative costs.

The HAOs have tried various means to increase the efficiency of the process. Brown County developed more detailed probes for screening initial contacts by telephone, with the hope of reducing the

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\* SSI data are from U.S. Department of Health, Education, and Welfare, Social Security Administration, *Denials Under the Supplemental Security Income Program, January 1974-1975*, Research and Statistics Note 26, 16 December 1976. AFDC data are from U.S. Department of Health, Education, and Welfare, Social and Rehabilitation Service, *Applications and Case Dispositions for Public Assistance, October-December 1976*, DHEW Publication (SRS) 77-03109, NSCC Report A-12 (12 October 1976), June 1977.

ineligibility rate at the interview stage. Both HAOs make reminder calls to most applicants shortly before their scheduled interview and followup calls to those who do not appear. But such measures have not notably affected attrition rates.\*

#### ENROLLMENT COSTS WITH PERFECT SCREENING

Administrative costs accumulate as potential enrollees move through the enrollment process. As the system now operates, 45 percent of all contacts in Brown County and 28 percent in St. Joseph County are screened out before they submit an application. However, about half of all applicants fail to enroll--after their cases have consumed varying amounts of HAO and client effort. We might well wonder if there would be gains from more efficient screening.

In an open enrollment program, it must be assumed that many who are ineligible will nevertheless inquire about enrolling. As noted earlier, we found that outreach messages designed to facilitate self-screening did not work. The critical issue for determining eligibility is usually income, and the tests are necessarily too complex for self-administration.

Suppose, however, that Brown County's preapplication telephone screening could be developed to perfect efficiency, with no increase in its present cost of \$3.82 per contact. (By perfect efficiency, we mean that all those rejected at this stage would either be ineligible or would drop out before enrollment despite being eligible; and all those accepted would prove eligible and enroll.) In that (improbable) event, each 1,000 contacts in Brown County would lead to 304 applications (the actual number is 549). Combining the screening costs for 1,000 contacts with the costs of scheduling, interviewing, and checking on 304 applicants (all resulting in enrollments) yields an average cost per enrollee of \$77, a 22 percent reduction from the observed cost of \$99 (see Table 9).

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\* Although Brown County has less postapplication attrition than St. Joseph County (45 vs. 50 percent), that was true even before the Brown County HAO began more intensive screening.

Table 9

POTENTIAL ENROLLMENT COST SAVINGS FROM PERFECT PREAPPLICATION SCREENING

Enrollment Activity	Cost Per Case (\$)	Current Method		With Perfect Screening	
		Number of Cases	Total Cost (\$)	Number of Cases	Total Cost (\$)
<i>Brown County (304 Enrollees per 1,000 Contacts)</i>					
Preapplication screening	3.52	1,000	3,520	1,000	3,520
Application processing and interview scheduling	4.51	549	2,476	304	1,371
Information session and interview	31.78	402	12,775	304	9,661
Interview data review	11.31	402	4,547	304	3,438
Interview data processing	13.39	402	5,383	304	4,071
Third-party verification <sup>a</sup>	6.98	184	1,284	184	1,284
Total for 304 enrollees	(b)	(b)	29,985	(b)	23,345
Total per enrollee	(b)	(b)	99	(b)	77
<i>St. Joseph County (354 Enrollees per 1,000 Contacts)</i>					
Preapplication screening	1.27	1,000	1,270	1,000	1,270
Application processing and interview scheduling	4.86	715	3,475	354	1,720
Information session and interview	27.76	511	14,185	354	9,827
Interview data review	10.64	511	5,437	354	3,767
Interview data processing	9.06	511	4,630	354	3,207
Third-party verification <sup>a</sup>	15.71	87	1,367	87	1,367
Total for 354 enrollees	(b)	(b)	30,364	(b)	21,158
Total per enrollee	(b)	(b)	86	(b)	60

SOURCE: Analysis by HASE staff of HAO accounting records and management information reports through September 1977.

NOTE: "Current Method" entries reflect attrition rates derived from Table 8 and administrative cost factors for April-December 1976. "With Perfect Screening" entries, use the same cost factors but assume that only those who finally enroll will survive preapplication screening.

<sup>a</sup>The percentage of interview records that are verified is smaller in St. Joseph County because the average level of documentation is higher there. However, the cost per case verified is also higher in St. Joseph County.

<sup>b</sup>Not applicable.

In St. Joseph County, preapplication screening turns away proportionately fewer callers than in Brown County but also costs less per contact. If we assume, as for Brown County, that perfect screening is possible without raising screening costs, the average cost per enrollee could be reduced by 30 percent, from \$86 to \$60.

More realistic assumptions about the perfectability of screening would yield less savings. Table 8 shows, for instance, that a fourth of all applicants voluntarily drop out before being interviewed, and we seriously doubt that screening would identify them. Even if they could be identified, they could hardly be denied the right to submit an application. Moreover, better screening would almost certainly raise costs. If the cost of Brown County's more elaborate screening is applied to the data for St. Joseph County, the potential enrollment savings amounts to 22 rather than 30 percent of current costs per enrollee. Perfect screening would be the equivalent of an enrollment interview, with attendant costs. Both HAOs plan further refinements in screening methods and are seeking ways to reduce preinterview attrition among eligibles who apply, but no one expects such measures to eliminate attrition during the enrollment process.

#### DOES IT COST MORE TO BE CONSIDERATE?

Although we have not estimated the amount, extra expense has clearly attended the HAOs' efforts to deal considerately with applicants and enrollees. Private interviewing cubicles require more floor space and renovation than an open floorplan. More has been spent on training the HAO staff to treat clients tactfully. Safeguarding the confidentiality of client records complicates the flow of work. On the other hand, transactions with clients--especially enrollment interviews--go smoothly when the clients are relaxed and confident that their names and the personal information they disclose will not become public knowledge.

The only "extra" we have measured is the cost of scheduling--\$8 per enrollee in Brown County, \$11 in St. Joseph County. It is expensive mainly because applicants often miss their appointments. Of the St. Joseph County applicants scheduled for interviews through

September 1977, 38 percent did not show up; the Brown County rate was 22 percent. Contacting those clients again and scheduling new interviews meant more work. Also, the no-show rate seems unpredictable, causing both HAOs to overschedule; staff with other regular assignments have been trained to help with the interview workload on peak days.

But would costs have gone down if scheduling had been eliminated and applicants had been told to come to the office any time and wait for an interview? Under that scheme, daily workloads would have been even more variable than they are, and it would have been harder to use staff efficiently. Applicants would have come less prepared for the interview. The waiting line would have required an attendant. Finally, the inconvenience of standing in a line or the possibility of being seen in it would have discouraged some eligible applicants.

Many anecdotes suggest that the consideration shown them contributed to clients' positive views of the program.\* HAO managers believe that treating clients courteously reduces rather than increases administrative costs, by easing agency-client relationships and raising staff morale.

#### HOW DIFFERENT TYPES OF CLIENTS AFFECT ENROLLMENT WORKLOADS

The question whether it costs more to enroll some types of clients than others is still being investigated: some of the factors influencing

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\* Program enrollees living on properties that form part of the experiment's marketwide survey panels were asked a series of questions to determine how they viewed the program. In the initial surveys, responses were obtained from 240 households in Brown County and 567 in St. Joseph County. Of the total, 71 percent in Brown County and 81 percent in St. Joseph County said they thought the program was being run "the way it should be." Fourteen percent in Brown County and 31 percent in St. Joseph County said they would like to see changes in the program. In St. Joseph County, most of the suggested changes affected program standards rather than program administration. Every 100 client responses to the question yielded only 13 suggestions for administrative change: 5 involved providing more information or services; 3, toughening checks on income or spending; and 5, complaints about staff, paperwork, infringements of privacy, or other aspects of administration. (See *Fourth Annual Report*, Sec. IV. Note, however, that Brown County responses on suggestions for changes to the program had not been coded when that report was published.)

workloads and costs are shown in Table 10, which groups applicants by tenure and age of household head. There are some clear, though insubstantial, differences in attrition rates. Homeowner and elderly applicants are more likely to keep their interview appointments than renter or nonelderly applicants. Interviewed homeowners are less often enrolled than interviewed renters; and within each tenure class, the elderly more often pass the interview. Thus, homeowners are more likely to follow through on their applications but are less able to assess their own eligibility.

Because homeowners are likely to have more complex incomes and assets than renters, there were some preexperimental concerns about the administrative burden entailed in certifying their eligibility. The table shows that their interviews do in fact take longer than those of renters, but not much. Our most important finding about interview length is that the distributions are similarly concentrated in the two sites. Interviews average an hour, with a standard deviation of 25 minutes; only 1.5 percent of all interviews last more than two hours.

Taking into account both the differences in attrition and the effect of different interview lengths, we estimate that enrollment costs per homeowner exceed costs per renter by 20 percent in Brown County and 17 percent in St. Joseph County. However, homeowners require fewer housing evaluations than renters and are more likely to meet the housing requirements. Moreover, once they become recipients, they are likely to retain that status longer than renters. We therefore expect future analysis to show that total administrative costs per recipient year are lower for homeowners than for renters.

Table 10

FACTORS AFFECTING ENROLLMENT COSTS BY HOUSING TENURE AND AGE OF APPLICANT

Housing Tenure and Age of Head	Number of Applicants	Percent Surviving		Average Length of Interview (min)
		From Application to Interview	From Interview to Enrollment	
<i>Brown County</i>				
<i>Renters</i>				
Under 62	4,510	68	78	54
62 and over	1,126	72	84	59
Total	5,636	69	79	55
<i>Homeowners</i>				
Under 62	2,388	72	65	66
62 and over	1,611	74	70	61
Total	3,999	73	67	64
<i>Renters and Homeowners</i>				
All ages	9,640 <sup>a</sup>	70	74	59
<i>St. Joseph County</i>				
<i>Renters</i>				
Under 62	5,208	61	72	55
62 and over	856	59	78	62
Total	6,064	61	72	56
<i>Homeowners</i>				
Under 62	3,612	63	61	65
62 and over	2,943	67	70	68
Total	6,555	65	65	66
<i>Renters and Homeowners</i>				
All ages	12,644 <sup>a</sup>	63	68	61

SOURCE: Tabulated by HASE staff from HAO records through June 1976.

NOTE: Housing tenure and age of head are sometimes reported differently on application and enrollment records. The last three columns of the table are based on enrollment records.

<sup>a</sup>Totals include 5 Brown County applicants and 25 St. Joseph County applicants who were not classified by age or tenure.

V. ENROLLMENT ERROR CONTROL

Although means tests are widely used in income transfer programs to determine both eligibility and benefit amounts, little is known about how the procedures affect the results. The frequency of testing, how information is obtained from or about the client, the complexity of income and benefit calculations, how agency staff are trained, and the way data are processed and audited--all influence the reliability of eligibility determinations and the accuracy of payments. The importance of the issue is illustrated by a study of the national AFDC program, which found payment errors in 25 percent of all cases reviewed and estimated that net overpayments amounted to an average of \$216 per recipient year, or 8 percent of the average payment.\*

The Supply Experiment's planners drew on what guidance they could find in designing procedures both to prevent and to correct errors. Information about applicants' incomes and assets is collected in hour-long interviews conducted by trained personnel who follow a detailed protocol. Critical information not documented by the applicant is subject to third-party verification. Completed forms are reviewed manually and by computer for errors in transcription or calculation, misapplied rules, or implausible statements. Once enrolled, clients must recertify their income semiannually and are readministered the full means test annually. The following description of the effect of the HAO system on payments draws on records of errors caught and corrected in the course of normal operations, as well as sample audits

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\* The study was based on a sample audit of 45,000 cases, conducted by the Social and Rehabilitation Service, U.S. Department of Health, Education, and Welfare, during the first half of 1976; findings were reported in a news release dated 16 December 1976. We computed average dollar amounts of net overpayments by applying the reported 8 percent net overpayment rate to national benefit and caseload data for fiscal year 1976, (Appendix to *Budget of the United States Government, Fiscal Year 1978*, p. 347).

conducted by HAO staff and independent accountants.\* We principally find that

- o The data gathered during client interviews are quite accurate. Client misreporting that affects payments by more than \$10 per month occurs in about 5 percent of all enrollment interviews. If uncorrected, those errors would lead to an average net overpayment of about \$3 per recipient year in Brown County and \$11 in St. Joseph County.
- o Staff errors in transcribing interview data, calculating income adjustments or allowance entitlement, or interpreting program rules occur in 14 to 23 percent of all enrollments. If uncorrected, they would lead to net overpayments averaging from \$4 to \$7 per recipient year.
- o Regular error control procedures correct at least two-thirds of the errors described above. We estimate that errors affecting payments persist in only 2 to 9 percent of all enrollments. The resulting net overpayment is under \$5 per recipient year in both sites, or less than 1 percent of the average annual payment.
- o Most misreporting appears to be inadvertent. Although all suspect cases are reviewed by the HAOs, only eight in Brown County and 20 in St. Joseph County have warranted referral to federal authorities for further investigation.

#### PREVENTING ERRORS IN THE INTERVIEW

Having followed essentially the same interview procedures throughout the experiment, we cannot say how much error is prevented by our methods. Other studies show that data collected in thorough interviews are more reliable than those from forms completed by applicants,\*\* and

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\* Payment errors are only part of the story. We also have data on other errors (e.g., in family or housing circumstances) that affect administrative and research costs but not payments. Such effects are hard to measure.

\*\* William S. Harrar, *The Accuracy of Self-Administered Reporting*, Rural Income Maintenance Experiment Final Report, Vol. II, Institute for Research on Poverty, University of Wisconsin, Madison, 1976.

the HAO staffs generally agree. They note that applicants often misunderstand the concepts and jargon of income accounting and that the means test as a whole is too complex for any but trained personnel to administer.

The HAOs ask applicants to document as many income items as is feasible. About 45 percent of the applicants in Brown County and 39 percent in St. Joseph County bring in acceptable evidence (e.g., pay-check stubs, W-2 forms) that accounts for at least half their reported incomes. Since March 1976, the St. Joseph County HAO has raised that proportion to 67 percent by asking some applicants to return with more evidence.

Surprisingly, applicants are least able to document income from other government transfer programs. Those programs usually send participants award letters (which often get lost), but do not provide regular confirmation of amounts such as appear on most payroll check stubs. A sample study in St. Joseph County found the following documentation rates by income source:

Income Source	Income Documented as Percent of Cases with Income Reported
Wage or salary	42
Pension or annuity	50
AFDC	18
SSI	17
Social security	10

#### ERRORS DUE TO MISREPORTING

Although all undocumented entries on the enrollment form are subject to third-party verification, only a sample of cases is actually verified. The sampling rate varies according to how much of the applicant's reported income is documented. All cases documenting less than a tenth of income are verified, but only one case in ten documenting over half of income. Interviewers are instructed to refer any suspicious case for verification, regardless of its documentation.

When a case is selected for verification, requests for pertinent information (signed by the applicant) are sent to relevant third

parties--such as employers, banks, welfare agencies. Most responses are returned within two weeks. Because third-party reports might be wrong, clients are invited to review those that would (if correct) affect their allowance; but to avoid costly reviews, payment corrections are proposed only if the change would exceed \$10 a month.

As practiced, verification leads to payment changes for 4 percent of all enrollees in Brown County and 2 percent in St. Joseph County. Some payments are increased and others decreased, the net effect being a slight reduction: \$2.20 per recipient year in Brown County and \$6.40 in St. Joseph County. The highest discrepancy rate is for wage and salary income.

From sample studies of verification reports, we can estimate the effects of both more comprehensive verification and more stringent payment change rules. If all enrollment records rather than only a sample were verified, the verification workload would increase by 72 percent in Brown County and 107 percent in St. Joseph County. However, payments would be reduced by only another \$1 per recipient year in Brown County and \$5 in St. Joseph County. If the threshold for payment corrections were lowered from \$10 to \$1, the number of cases requiring client review would increase by 206 percent in St. Joseph County, but payments would be reduced by only about 42 cents per recipient year. (We presently lack the data needed to estimate these effects for Brown County.) On the evidence so far, neither measure looks attractive in terms of HAO costs and fiscal gains. Further studies may lead to more efficient verification sampling or to a reappraisal of the \$10 threshold for payment changes.

Even complete verification of undocumented entries would not catch all misreporting. Documentation may be forged, or income sources may be concealed. An independent accounting firm (Arthur Young and Co.) has audited the documents supplied by a sample of 100 clients in each site, interviewed the clients, and checked with likely unreported sources of income. The results indicate that there has been very little additional error due to the above causes. In neither site were any forged documents found; in Brown County there was one case with an unreported asset (a bond), as well as one case with unreported income (a

parttime job), and in St. Joseph County there was one case with unreported income (a parttime job).

Most evidence of client misreporting comes from routine verification procedures, but sometimes HAO staff or third parties (neighbors or landlords) bring cases of suspected misreporting to the attention of the HAOs. Each case, whatever its origin, is investigated. Through September 1977, 43 cases had been opened in Brown County and 241 in St. Joseph County. The HAOs had then completed their reviews of 35 and 225 cases, respectively, finding evidence of misreporting in 17 Brown County cases and 61 St. Joseph County cases. However, the HAOs concluded that most errors were inadvertent. Only eight Brown County cases and 20 in St. Joseph County were referred to federal authorities for further investigation.

#### ERRORS COMMITTED BY HAO STAFF

Each completed enrollment form is reviewed twice: once by a certification specialist who checks both the form and its supporting documents; and once by a computer program that tests all fields in the machine-readable enrollment record for completeness and consistency. Sample studies of error reports show that together the procedures find about 1.4 missing or erroneous entries per enrollment form in Brown County and 2.5 in St. Joseph County. However, few of the errors affect eligibility status or allowance entitlement. In Brown County, errors affecting payments are found in about 13 percent of all enrollment forms; if uncorrected, the errors would lead to net overpayments averaging \$3.50 per recipient year. In St. Joseph County, the error discovery rate is 16 percent and the net overpayment is \$7.20.\*

The sequence of manual and computer checking differs in the two sites; hence the proportion of all errors caught by each method differs. The computer checks primarily identify errors in transcription or calculation, whereas the manual checks also note errors in the application of program rules. The payment changes noted above are virtually all attributable to manual error identification. Postcertification audits of a sample of cases in each site have been used to estimate the frequency of uncorrected staff errors. More were found in St. Joseph

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\*The data exclude errors that affected payments by less than \$1 per month.

than in Brown County, but their net effect on payments was virtually nil in both sites.

#### BENEFITS AND COSTS OF ERROR CONTROL

To summarize, the HAO error control procedures have identified and corrected errors affecting payments in 16 to 18 percent of all enrollments in each site. From verification records and postcertification audits, we estimate that 2 percent of all clients in Brown County and 9 percent in St. Joseph County are either overpaid or underpaid because of uncorrected errors.

The significance of the errors is best measured in dollars per recipient year, but the appropriate accounting depends on the perspective. If primary concern is about equitable treatment of clients, underpayments and overpayments are equally important and should be summed without regard for sign (yielding gross payment error). If program costs are at issue, underpayments should be subtracted from overpayments (giving net payment error). Table 11 summarizes our findings about both gross and net payment errors.

In Brown County, client misreporting and staff errors would lead to gross payment errors averaging about \$24 per recipient year, of which 95 percent are corrected by error control procedures. Thus, hardly anyone gets more or less than he is entitled to under program rules. However, the fiscal benefit of error control, measured by the \$5.70 reduction in net overpayments per recipient year, is quite small. St. Joseph County is different. Client and staff errors lead to larger gross payment errors (\$34 per recipient year), of which only three-fourths are corrected. The fiscal saving from error control is also larger, averaging \$13.60 per recipient year.

Overall, the direct savings from the HAO error control activities are less than the cost of those activities. Verification, which corrects client misreporting, costs \$4.11 per enrollee in Brown County and \$3.97 in St. Joseph County, whereas the corresponding fiscal savings are \$2.20 and \$6.40. Routine review of enrollment forms to correct staff errors costs \$11.31 per interview in Brown County and \$10.64 in St. Joseph County, as against fiscal savings of \$3.50 and \$7.20 per

Table 11  
SUMMARY OF PAYMENT ERRORS

Disposition and Source of Error	Average Payment Error per Recipient Year (\$)			
	Brown County		St. Joseph County	
	Gross <sup>a</sup>	Net <sup>b</sup>	Gross <sup>a</sup>	Net <sup>b</sup>
<i>Identified</i>				
Client misreporting	12.60	3.20	16.90	11.40
Staff error	11.10	3.50	17.10	6.70
Total	23.70	6.70	34.00	18.10
<i>Corrected</i>				
Client misreporting	11.30	2.20	11.10	6.40
Staff error	11.10	3.50	13.10	7.20
Total	22.40	5.70	24.20	13.60
<i>Uncorrected</i>				
Client misreporting	1.30	1.00	5.80	5.00
Staff error	(c)	(c)	4.00	-.50
Total	1.30	1.00	9.80	4.50

SOURCE: Estimated by HASE staff from sample studies of HAO case records conducted by HAO staff and independent accountants.

NOTE: Errors affecting payments by less than \$10 per month are excluded from the analysis of client misreporting; errors affecting payments by less than \$1 per month are excluded from the analysis of staff error. Entries are based on samples as small as 95 cases and error rates are low, so the estimated dollar amounts are subject to considerable sampling variability; 95 percent confidence intervals range from \$3 to \$17.

<sup>a</sup>Sum of positive and negative errors without regard to sign, divided by the number of cases with and without error. Average errors from different sources are added here to form totals, even though the errors may be offsetting in individual cases.

<sup>b</sup>Sum of positive and negative errors divided by the number of cases with and without error.

<sup>c</sup>Too few errors in sample to permit estimation.

enrollee.\* Those comparisons do not take into account the deterrent effect of verification on misreporting or the administrative savings from correcting staff errors that do not directly affect payments.

The intersite differences noted in Table 11 should not obscure the fact that all the entries in that table are small relative to average annual payments. In September 1976, the average annual payment was \$864 in Brown County and \$936 in St. Joseph County. If uncorrected, gross payment errors would have amounted to less than 4 percent of average payments in each county. Net payment errors--the fiscal loss--would have amounted to less than 2 percent of average payments. After error correction, the residual net payment errors are less than 0.5 percent of average payments in both sites.\*\*

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\* Cost per interview and saving per enrollee are not strictly comparable because not all interviews result in enrollments. If all enrollment form review costs were included in the figure for those who enroll, the cost per enrollee would be about \$15 in both sites.

\*\* A study at the St. Joseph County HAO indicates that these figures would not be much different if we included the smaller misreporting errors that are discovered through verification but not corrected, i.e., those affecting payments by from \$1 to \$10 per month. Gross payment errors would still amount to about 4 percent of average payments; net payment errors--the fiscal loss--would still amount to about 2 percent of average payments; and the residual net payment errors would equal less than 0.7 percent of average payments.

## VI. HOUSING CERTIFICATION

Those who enroll in the program can draw allowances only while occupying dwellings whose quality the HAO has approved. Renters must also execute an HAO-approved lease agreement with their landlords. Although the program sets no limits on a participant's housing expenses, the allowance cannot exceed that expense. Those requirements distinguish the allowance program from a pure income transfer program. Enforcing them is the function of housing certification.

Housing evaluation is the most complex part of certification. The experiment's planners had to design a set of housing standards that would reflect the public interest in participants' residential environment and devise a system for enforcing the standards efficiently. Generally, the standards follow model housing codes promulgated by national organizations, but are reconciled in some particulars with the local codes in our two sites.\* The HAO standards are enforced by on-site evaluations of enrollees' dwellings before payments are authorized and annually thereafter. The following pages discuss the workload, reliability, and costs of housing evaluation for new enrollees. The key findings are that

- o Between enrollment and first housing certification, the HAOs conduct 140 housing evaluations per 100 enrollees in Brown County and 156 in St. Joseph County. They include initial

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\*The Green Bay housing code reviewed in the development of HASE standards is Sec. 31 of the Code of General Ordinances, City of Green Bay, originally adopted in February 1965. In South Bend, a model code is used: Building Officials and Code Administrators International, *Basic Housing-Property Maintenance Code* (2d ed. 1970, with 1971 supplement), adopted by amendment to Sec. 11.1, Chap. 11 of the South Bend Municipal Code in January 1973. Other model codes reviewed include American Public Health Association and U.S. Public Health Service, Department of Health Education and Welfare, *Recommended Housing Maintenance and Occupancy Ordinance* (Washington, D.C., 1971), Southern Building Code Congress, *Southern Standard Housing Code* (Birmingham, Alabama, 1973), and International Conference of Building Officials, *Uniform Housing Code* (Whittier, California, 1973).

evaluations of dwellings occupied at enrollment, deficiency reevaluations (after repairs are made), and evaluations of dwellings to which enrollees move.

- o The lower quality of St. Joseph County's housing is reflected in more deficiency and move-related evaluations. In both sites, nonelderly renters require more evaluations than any other group of enrollees, primarily because they more often move before first certification.
- o A trained evaluator can rate some 38 aspects of a dwelling (habitable rooms, essential facilities, hazards to health or safety) in 26 minutes on site. Tests show that different evaluators reach the same conclusions, both on individual items and overall, in 98 percent of all cases.
- o Housing certification costs per case average \$25 for conducting the evaluation and reporting its results to the client, plus \$6 for processing evaluation results, lease agreements, and housing expense statements. Because some enrollees request more than one evaluation, the average cost per enrollee is \$45 and the average cost per new recipient is \$59.

#### HOUSING EVALUATION WORKLOAD

During the first two program years, each 100 enrollments generated 140 housing evaluations in Brown County and 156 in St. Joseph County. Table 12 shows that initial evaluations of dwellings occupied by clients when they enroll account for most of the workload. To obtain data on preenrollment housing conditions, the HAOs try to evaluate each such dwelling even though the occupant may plan to move, but do not always succeed. Evaluations are completed on about 95 percent of all enrollment dwellings in Brown County and 92 percent in St. Joseph County; for one group of highly mobile renters in St. Joseph County, the success rate is only 83 percent.\*

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\* Those who intend to move sometimes avoid scheduling evaluation appointments until the move has been completed, whereupon the HAO has no grounds for requesting admission to the vacated dwelling. Sometimes a landlord refuses to permit an evaluation (e.g., for a departing tenant); and public housing units are not evaluated as a matter of policy (their occupants must move to unsubsidized dwellings in order to qualify for payments).

Table 12

PRECERTIFICATION HOUSING EVALUATIONS

Type of Enrollee	Evaluations per 100 Enrollees, by Type					
	Number of Enrollees	Initial <sup>a</sup>	Deficiency <sup>b</sup>	Premove or Postmove <sup>c</sup>	Other <sup>d</sup>	Total
<i>Brown County</i>						
<i>Homeowners</i>						
Nonelderly:						
No children	148	101	39			
Couple with children	614	98	39	3	2	145
Single with children	306	99	36	1	1	139
Elderly:						
Couple	289	96	32		2	138
Single	540	97	31	1	3	132
All	1,897	98	35	0	2	130
				1	2	136
<i>Renters</i>						
Nonelderly:						
No children	502	93	29	19	2	144
Couple with children	759	94	34	22	3	153
Single with children	964	92	28	20	2	144
Elderly:						
Couple	115	96	29	9	6	138
Single	564	95	20	8	3	126
All	2,904	94	28	18	2	143
All enrollees	4,801	95	31	11	2	140
<i>St. Joseph County</i>						
<i>Homeowners</i>						
Nonelderly:						
No children	305	100	41	2	3	146
Couple with children	594	98	34	1	4	137
Single with children	756	98	39	3	5	144
Elderly:						
Couple	515	99	35	0	2	137
Single	1,298	98	42	1	2	143
All	3,468	98	39	1	2	142
<i>Renters</i>						
Nonelderly:						
No children	445	85	41	35	3	164
Couple with children	645	88	35	36	5	164
Single with children	1,746	83	45	52	5	186
Elderly:						
Couple	67	100	31	9	6	146
Single	450	98	34	6	3	142
All	3,353	86	41	40	5	172
All enrollees	6,281	92	40	20	4	156

SOURCE: Tabulated by HASE staff from HAO records through June 1976 for Brown County and December 1976 for St. Joseph County.

NOTE: Items may not add to totals because of rounding.

<sup>a</sup>Evaluation of dwelling occupied at time of enrollment, attempted whether or not the enrollee planned to move, unless the dwelling was public housing. However, some enrollees who planned to move evaded this evaluation. During part of the period, reinstatement evaluations were coded as initial evaluations, so some enrollees appear to have two initial evaluations.

<sup>b</sup>Reevaluation.

<sup>c</sup>Includes evaluations requested either before or after clients moved into the dwelling.

<sup>d</sup>Includes special-appeal and reinstatement evaluations (but see note a).

Deficiency reevaluations are conducted at the request of enrollees whose current or prospective dwellings have failed initial evaluations, presumably after defects have been repaired. About 31 percent of the enrollees in Brown County and 40 percent in St. Joseph County call for such reevaluations, which encompass only the previously failed items and nearly always result in the dwelling's approval.

An enrollee who plans to move is urged by the HAO to arrange an evaluation of the prospective dwelling before he is committed to it, so he will know what if anything must be done to bring it to program standards. Despite the HAO's urging, enrollees often move, then request evaluations. Nearly all premove and postmove evaluations are conducted on behalf of nonelderly renters, some of whom request evaluations of several dwellings as they search for an acceptable one.

Because the HAO does not authorize payments until housing certification is complete, evaluation delays penalize the enrollee and should therefore be minimized. Although the HAOS strive for quick response, evaluations conducted during periods of heavy enrollment have been delayed for longer than is desirable. In both sites, the median elapsed time between enrollment and initial evaluation is 6.9 days; between a request for and completion of a deficiency reevaluation, 3.5 days; and between a request for and completion of a move-related evaluation, 4.7 days. Whereas applicants often fail to show up for scheduled enrollment interviews, only about 6 percent of all evaluation appointments are missed.

An evaluation entails thoroughly inspecting a dwelling's interior and exterior to rate 38 items on the evaluator's checklist; some items are rated separately by room, others only once for the dwelling as a whole. Each defect is recorded in enough detail for later communication to the client. For initial evaluations of enrollment units, evaluators spend an average of 26 minutes on site in Brown County, 32 minutes in St. Joseph County (see Table 13). The added time required in St. Joseph County reflects collection of extra research data (dimensions of rooms, storage cabinets, and counter space).

Evaluation time increases slightly with the size of a dwelling unit but does not vary much with property characteristics. Unacceptable

Table 13

TIME ON SITE FOR PRECERTIFICATION HOUSING EVALUATIONS

Type of Evaluation	Time on Site (min)			
	Brown County		St. Joseph County	
	Mean	Standard Deviation	Mean	Standard Deviation
<i>Precertification</i>				
Initial (enrollment dwelling)	25.7	7.2	31.9	7.8
Deficiency reevaluation	8.6	5.1	9.9	6.2
Remove or postmove	25.2	7.9	34.5	9.4
<i>Initial, by Type of Unit</i>				
Single-family detached:				
0-1 bedroom	25.9	7.9	30.3	8.2
2-4 bedrooms	25.1	6.0	30.3	6.6
5+ bedrooms	28.2	7.9	33.6	8.0
Duplex or row house:				
0-1 bedroom	23.4	6.3	28.5	8.2
2-4 bedrooms	22.4	5.7	30.2	8.6
5+ bedrooms	25.4	8.3	36.2	9.3
Apartment building or rooming house:				
0-1 bedroom	23.2	6.1	30.7	8.3
2-4 bedrooms	24.5	6.2	32.8	7.8
5+ bedrooms	27.6	7.5	35.7	8.6
Mobile home	22.0	4.9	26.4	7.0
<i>Initial, by Result</i>				
Acceptable	23.7	6.3	30.2	7.1
Not acceptable	27.7	7.5	33.2	8.0

SOURCE: Tabulated by HASE staff from HAO records through June 1976 for Brown County and December 1976 for St. Joseph County.

dwellings take longer than acceptable ones. Because of their limited scope, deficiency reevaluations take less than a third as long as initial or move-related evaluations. Note that the times shown in the table include only time on site; travel time is more variable and can easily exceed time on site in individual cases. However, the HAOs try to schedule appointments in geographic clusters so as to economize on travel.

### CONSISTENCY IN EVALUATION RESULTS

Housing standards are difficult both to design and to administer equitably. Design is hampered by the lack of scientific evidence as to the risks associated with commonly acknowledged defects. Administration of many common standards requires either expensive equipment and time-consuming measurement or else reliance on an evaluator's judgment.

The program's housing standards are a mix of specific requirements for space and facilities and a list of features to be checked for specified or unspecified hazards. Some items (e.g., number of rooms) are readily countable or measurable; for others, we rely on general criteria and the trained judgment of the evaluator (e.g., the adequacy of natural light and ventilation, whether or not an electrical fixture is hazardous). If any feature of a dwelling is failed, the dwelling is rated unacceptable.

The HAOs have taken a number of steps to improve evaluator judgment and to achieve consistent application of the standards. The standards themselves are specified in each site's handbook and are supplemented by training manuals that interpret the rules and suggest criteria for close decisions. Evaluators must have previous training or experience in architecture, construction, real estate sales, or code enforcement. Training is thorough and each trainee's evaluations are independently rechecked. About 5 percent of all evaluations are repeated by a supervisor, for quality control. Cross-site tests are conducted periodically.

Those methods seem to work. In both sites, overall pass-fail findings from quality control evaluations differ from the results of the originals in only 1.6 percent of all cases.\* As might be expected, discrepancy rates vary with the amount of judgment entailed. For example, in St. Joseph County, discrepant ratings were rare (0.1 percent or less) for such items as working toilets, sinks, and kitchen ranges, but more common (1.0 to 2.0 percent) for condition of roofs, walls, or

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\* Data are from 275 quality control evaluations in Brown County and 527 in St. Joseph County, conducted from October 1975 through August of 1976.

floors. The highest discrepancy rate (2.3 percent) was for the condition of windows.\*

#### COST OF HOUSING CERTIFICATION

From the cost analysis described earlier, we estimate that the Brown County HAO spends an average of \$24 per housing evaluation, the St. Joseph County HAO, \$27. The costs include scheduling and conducting the evaluation, preparing the evaluation report, and notifying the client of the results, plus a share of overhead expenses. Separately from the HAO's evaluation section, another staff group collates evaluation results with lease agreements and data on enrollees' housing expenses, checking all for conformance with program rules and issuing payment authorizations when all requirements are met. In both sites, that process costs about \$6 (including overhead) per evaluation performed.

The total for each certified unit is thus a minimum of \$30 to \$33, more if over one evaluation is required. The average cost of housing certification per enrollee is estimated to be \$45. Since not all enrollees qualify for payments, the cost per new recipient is still higher, about \$59.

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\* Data are from 308 quality control evaluations conducted in St. Joseph County from March through August of 1976.

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## VII. ENROLLEE SERVICES

An important premise of the housing allowance concept is that most of those who cannot afford adequate housing can nevertheless manage their money, make sensible housing decisions, and negotiate competently with landlords, lenders, contractors, and other actors in the housing market. Only if that premise is correct can a program of direct cash assistance be effective in improving recipients' housing.

No one supposes that the premise holds for either all low-income households or none of them; but experts disagree about how many need what kind of guidance. In the Supply Experiment, we deliberately limited supporting services so as to learn what proportion of enrollees could manage without them. The HAOs have provided only two kinds of services besides cash: housing information, and legal aid in housing discrimination cases.\*

Early on, enrollees were invited to attend any of three housing information sessions scheduled periodically by the HAO. One session dealt with leases, landlord-tenant relationships, and the fair housing law. The second reviewed local housing alternatives and explained the steps in home purchase. The third described the HAO's housing standards and discussed home improvement techniques. All were designed as group lectures and discussions, not individual counseling.

Both HAOs have offered brochures on home improvement to their clients. The St. Joseph County HAO periodically sends its clients a newsletter with tips on home maintenance, home improvement, and energy conservation. In June 1977, the same HAO began offering a list of currently available rental units to clients interested in moving. The list is compiled by a local antipoverty agency, mostly from classified ads; it makes no recommendations or endorsements.

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\* Complaints are referred to an attorney retained by the HAO (in St. Joseph County, the local Legal Aid Society) who investigates and takes legal action if appropriate.

Despite all these efforts, we find that very few enrollees have used the services offered by the HAO:

- o Only nine persons in Brown County and 178 in St. Joseph County attended any housing information sessions. Only two housing discrimination complaints were submitted to the HAO in Brown County and 35 in St. Joseph County. Yet both kinds of service were well publicized.
- o About 80 percent of all enrollees resolve their housing problems well enough to qualify for payments without special counseling or intermediation by the HAOs, or even cash advances for repairs. The need as well as the demand for special services thus seems quite limited.
- o Some enrollees who do not qualify for payments might benefit from counseling or technical services, even though housing information sessions do not attract them. We are currently investigating their circumstances to learn why they do not take the actions required for housing certification.

#### RESPONSE TO HOUSING INFORMATION SERVICES

Clients who attended housing information sessions generally liked them, or said they did. However, attendance was so sparse in Brown County--nine persons in 18 months--that the sessions were finally discontinued. In St. Joseph County, 178 persons have attended such sessions, which are still being offered. But even counting each attendee as a different enrolled household (some were friends or relatives), 178 is less than 2 percent of all enrollees.\*

The HAOs have worked hard to make the sessions interesting and informative and have publicized them thoroughly. The attendance record clearly indicates that few clients believe they need advice in addition

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\* Program information sessions are more popular. In Brown County, a 20-minute slide show precedes the enrollment interview, so all enrollees attend. The St. Joseph County HAO schedules voluntary group sessions, attended by 2,600 persons through September 1977.

to money. Whether or not they judge correctly, it seems unlikely that mandatory sessions would accomplish more.

The list of rental units in St. Joseph County has been popular with enrollees. Most renters take a copy when they enroll and many call back later for new editions. Clients also seem to appreciate newsletters and home improvement brochures; but we cannot show that they affect behavior.

#### RESPONSE TO HOUSING DISCRIMINATION SERVICES

Given the area's virtual absence of racial minorities, it is not surprising that only two Brown County clients have ever complained to the HAO about housing discrimination. In neither case did the attorney find grounds for legal action.

St. Joseph County's segregated housing market has given rise to more complaints--35 through September 1977, nearly all from households headed by black or Latin women. The Legal Aid Society has investigated and closed 26 cases without action (nine because the client lost interest and 17 because of insufficient evidence). Two cases were resolved by mediation and four actions were filed. The judge ruled against one complainant; one case was resolved out of court; and the other two actions have yet to be adjudicated. Three complaints are still being investigated by the Legal Aid Society.

Though few discrimination complaints have been submitted, we think free legal aid is worthwhile, both to help those discriminated against and to discourage discrimination by publicizing its illegality.

#### DO ENROLLED NONRECIPIENTS NEED ADDITIONAL HELP?

About half of all enrollees in each site occupy dwellings that already meet the program's housing standards when they enroll; they qualify for payments without further effort. Roughly 30 percent fail initial housing evaluations but either repair their homes or move in order to become recipients. The remaining 20 percent fail, never meet the housing requirements, and so never qualify for payments.

The last group contains the obvious candidates for counseling or technical services to help them remedy their housing defects and become

recipients. Although we have many anecdotes about them, only since the summer of 1977 have their circumstances been studied systematically. At that time, the St. Joseph County HAO began calling enrollees who had not obtained certifiable housing within two months of their enrollment date. The caller tried to learn why the enrollee had not acted and offered advice or assistance. A preliminary report on the first 200 such cases gives the following details:

- o Despite three attempts in each case, the HAO was unable to contact half of those enrollees. Of the 103 contacted, 21 planned to obtain certifiable housing by moving and 78 by repairing their current dwellings. Only four said they did not plan to stay in the program.
- o None of those planning to move were interested in attending a special information session offered by the HAO. Only one reported difficulty in getting his prospective landlord to sign an HAO-approved lease agreement. Those planning repairs gave a variety of reasons for not having done them. Twenty-five said they could not understand the deficiency list sent to them by the HAO; 18 said they could not afford the indicated repairs; others were waiting for free time, good weather, or promised help from relatives or landlords.

Given the circumstances of the inquiry, responses are likely to be defensive and reasons for delay sometimes invented. The HAO employees who made the calls think that many of those contacted had lapsed into inaction even though they faced no serious impediments. The telephone reminder and a little advice was enough to motivate some to act.

The early results may be modified by study of larger samples, but they do not indicate a large unfilled need for supporting services. One issue we especially plan to investigate is whether those who say they cannot afford the requisite repairs would benefit from cash advances or help in negotiating home improvement loans. But to judge from the sample, such cases account for less than a fifth of those who fail to qualify promptly and less than 4 percent of all enrollees.

## VIII. CONCLUSIONS AND DIRECTIONS FOR RESEARCH

### DETERMINANTS OF ADMINISTRATIVE PERFORMANCE

As the preceding sections show, through September 1977 a good record had been established in administering the Supply Experiment's housing allowance programs. Administrative systems proved capable of handling large workloads without excessive backlogs or delays. High accuracy was attained in means tests and housing certifications, assuring that almost all payments went to the right people in the correct amounts (as defined by program standards). Client views about the programs were strongly positive; few complained about red tape or inconsiderate treatment by staff. Yet administrative costs were modest compared with those of other programs having similar functions.

One surprising finding is the similarity of the outcomes in the two sites, as measured by costs, error rates, and other data. Given the contrasts between the sites, particularly in the client population, more variation had been expected.

An obvious reason for the control achieved is that the HAOs have operated as a part of a major social experiment. Rand has been formally responsible for HAO activities, and with HUD, has devoted more time designing procedures and monitoring performance than could be expected of any agency in a regular program.

Over 95 percent of the employees of both HAOs were recruited locally, and salaries were deliberately set comparable to those in local government.\* But the experimental context helped us secure a more capable staff and sustain higher staff motivation than one would expect of a public agency at the same pay rates. We believe performance also benefited from the HAOs' status as a new institution, freshly created to administer the allowance program. Program objectives and standards might not have been so carefully nurtured if existing agencies had been given the job--largely because of employee attitudes and incentive structures rooted in the agencies' pasts.

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\* As of July 1976, staff salaries averaged \$11,817 in the Brown County HAO and \$11,368 in the St. Joseph County HAO.

Nonetheless, while those conditions are important, we believe they are not sufficient to assure effective program administration. The following features have been essential to the HAOs' success:

- o Staff Training. All employees assigned to work in means test administration, housing certification, and financial management participate in a training program. Successful performance in simulated situations is required before staff are assigned to regular workloads. One training objective has been to ensure that staff know not only the rules and procedures but also the reasons for them and how to explain them simply to clients. Another has been to ensure that staff understand the importance of dealing considerately with clients and have the requisite skills.
- o Quality Control. Staff whose work affects client payments know they will be checked on a sample basis by HAO management, and often by external auditors. The results are reported in staff meetings and used to revise training programs and evaluate individual performance. The experiment's level of quality control might not be cost-effective in a regular operation, but while samples may be reduced in postexperimental HAO operations, the basic quality control procedures will be retained.
- o Formal Management Reporting Systems. Monthly statistical reports are prepared--mostly by computer--on workloads, backlogs, staff assignments, productivity, expenditures, and quality control results. They provide the basis for planning and budgeting by HAO management and also for management control of operations.
- o Automated Client and Payment Records. It would have been much more costly, if not impossible, to operate allowance programs the size of those in Brown and St. Joseph counties without a unified computer system to record all client transactions and generate allowance payments, promoting accuracy and consistent treatment for similar cases.

- o Simplicity in Program Design. The design of the program does not unrealistically burden HAO staff or clients. Other programs have been flawed by overly elaborate rules and procedures for assuring accountability or equity. Such rules and procedures are difficult to track and may be ignored for the present or simplified later.

All of these features apply to regular operating programs. Although the principles they embody are not new (they are advocated in most public management texts), they are often abandoned in actual practice. One reason may be that serious job training, reducing administrative burdens for clients, quality control, formal management reporting and like efforts seem to imply increased costs. Allowance program data suggest, to the contrary, that together they can reduce program costs.

#### FURTHER RESEARCH

The complete HASE data base will contain administrative data over a five-year operating period in both sites. Obvious directions for research include (a) using the full data base to examine long-term variations in costs and other administrative measures, and (b) studying client maintenance functions in depth to parallel the analysis of intake functions reported here.

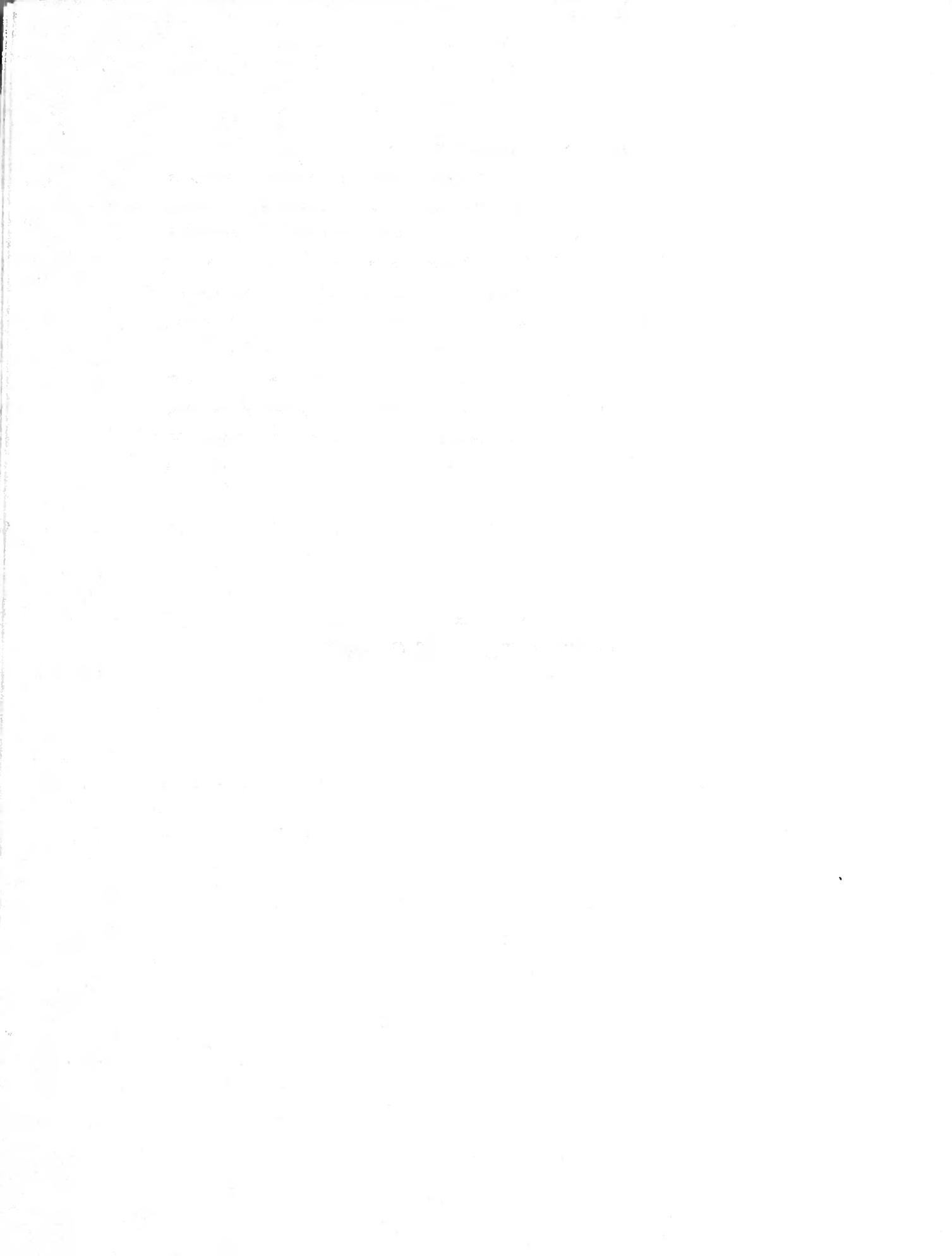
By studying individual functions, we hope to clarify the determinants of variation in administrative outcomes, thus yielding findings directly relevant to designers and managers of other programs. Because allowance programs are unique, their experiences cannot be directly transferrable. For example, even if we found that a different sampling strategy for verification or particular revisions to means test procedures for different types of clients would substantially reduce costs in the allowance programs, that finding could not be used to estimate the reductions from similar changes in other programs. Nonetheless, it would provide guidelines for improvements in regular programs entailing similar tasks.

Subsequent research will emphasize two topics. The first topic is means test administration (enrollment and recertification), the most expensive component of allowance program administration. Costs are influenced by the form of data collection (e.g., interview or mail-back questionnaire), the frequency of recertification, and the nature and intensity of error control. Further study should provide insights into the way variations in those features affect both cost and accuracy.

The second topic is enrollee services. About a fifth of all enrollees never qualify for allowance payments because they do not meet program housing requirements. We hope to learn more about the reasons as a basis for determining whether alternate services could help them at a reasonable cost.

Appendix

ORGANIZATION CHARTS OF THE HOUSING ALLOWANCE OFFICES



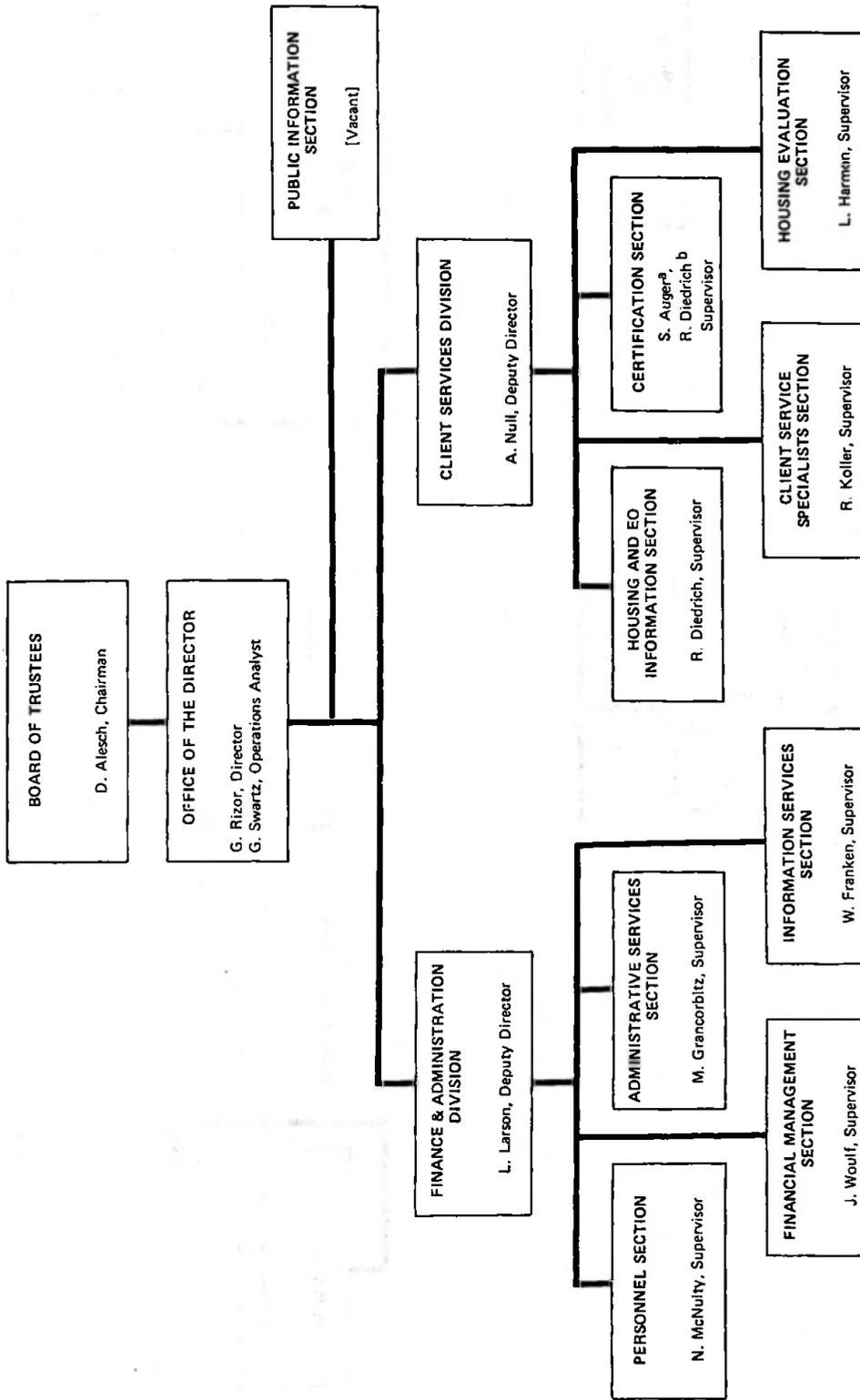


Fig. A.1—Organization of the housing allowance office for Brown County  
October 1976-September 1977

<sup>a</sup> Until August 1977.  
<sup>b</sup> As of August 1977.

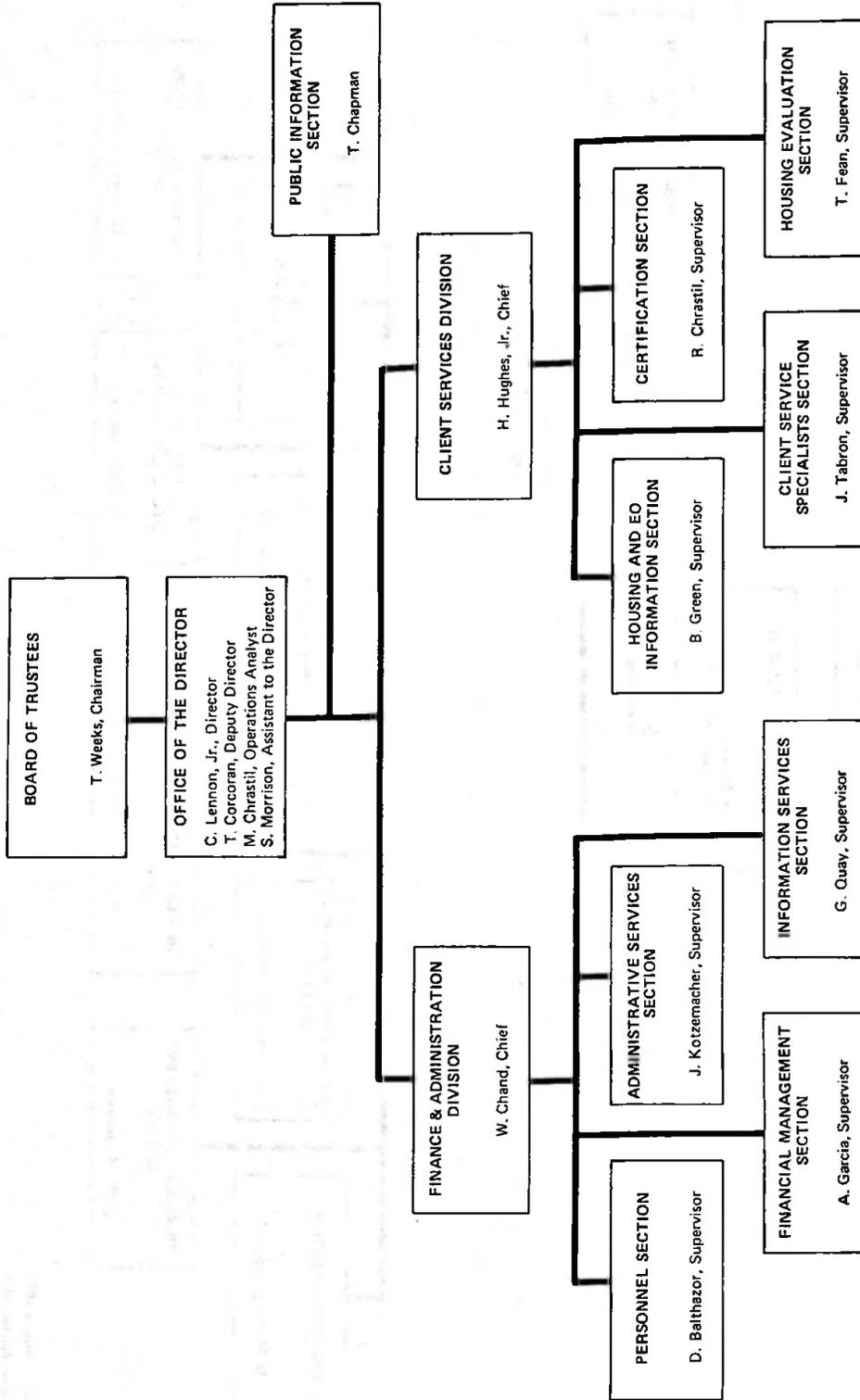


Fig. A.2—Organization of the housing allowance office for St. Joseph County  
October 1976-September 1977



RAND/N-1277-HUD