Housing Choice Voucher Program – New Administrative Fee Formula Proposed Rule

Frequently Asked Questions, July 2016

Contents

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1.   How is the benefit load calculated?

The benefit load is calculated for each state and then assigned to each PHA based on the PHA's state. The benefit load is the sum of the total benefits paid to HCV employees is divided by the sum of the total salaries paid to HCV employees from PHA's FDS submission. The total benefits cost comes from line items on the FDS that capture PHA contributions to employee benefit plans such as pension, retirement, and health and welfare plans. In addition, the included line items record administrative expenses paid to the state or other public agency in connection with a retirement and other post-employment benefit plans (if such payment is required by state law), and with trustee's fees paid in connection with a private plan (if such payment is required under the plan contract). The following table provides the FDS lines items used in the benefit load calculation:

#	FDS Line #	FDS Line Name	Definition
1	91100	Administrative Salaries	FDS
2	92100	Tenant Services Salaries	FDS
3	93500	Utilities Labor	FDS
4	94100	Maintenance Labor	FDS
5	95100	Protective Services Labor	FDS
6	96210	Compensated Absences	FDS
7		Total Salary	Sum of 1 - 6
8	91500	Administrative Benefits	FDS
9	92300	Tenant Services Benefits	FDS
10	93700	Utilities Benefits	FDS
11	94500	Maintenance Benefits	FDS
12	95500	Protective Services Benefits	FDS
13	96130	Worker's Compensation Insurance	FDS
14		Total Benefit	Sum of 8 - 13
15	Calculation	Benefit Load	14 / 7

The data source is the approved FDS submissions for the past three completed fiscal years at the time the fee is calculated. If a PHA does not have an approved FDS for one or more of the fiscal years, those years are not included in the calculations.

The numerator for the variable is the sum the Total Benefits paid to HCV employees across all PHAs, using the past three years of approved FDS data from each PHA in the state. As an example and for simplicity sake, let's assume we have a state with only 3 PHAs. For the Total Benefits, the numerator would be:

(HCV Total Benefits for PHA1 FY1 + HCV Total Benefits for PHA1 FY2 + HCV Total Benefits for PHA1 FY3) +

(HCV Total Benefits for PHA2 FY1 + HCV Total Benefits for PHA2 FY2 + HCV Total Benefits for PHA2 FY3) +

(HCV Total Benefits for PHA3 FY1 + HCV Total Benefits for PHA3 FY2 + HCV Total Benefits for PHA3 FY3)

The denominator for the variable is the sum the Total Salaries paid to HCV employees across all PHAs, using the past three years of approved FDS data from each PHA in the state. In our example (a state with only 3 PHAs), the denominator would be:

(HCV Total Salaries for PHA1 FY1 + HCV Total Salaries for PHA1 FY2 + HCV salaries costs for PHA1 FY3) +

(HCV Total Salaries for PHA2 FY1 + HCV Total Salaries for PHA2 FY2 + HCV Total Salaries for PHA2 FY3) +

(HCV Total Salaries for PHA3 FY1 + HCV Total Salaries for PHA3 FY2 + HCV Total Salaries for PHA3 FY3)

The benefit load for the state is:

(Total $ for HCV Total Benefits for PHAs 1-3, FY1-FY3) / (Total $ for HCV Total Salaries for PHAs 1-3, FY1-FY3)

This produces a percentage (in decimal form) that is applied to all the PHAs in the state. The decimal is updated each year based on the most recent 3 fiscal years of data available. The decimal is multiplied by 100 to produce a value between 0 and 100 and rounded to two decimal places. This is the value for the state. The formula then applies maximum and minimum values of 22.56 and 60.48 respectively (based on the values for the variable observed for the study sample). If the state value is higher than 60.48, the PHAs in that state are assigned the maximum value of 60.48 for purposes of calculating the fee. If the state value is lower than 22.56, the PHAs in that state are assigned the minimum value of 22.56 for purposes of calculating the fee. If the state value is at least 22.56 and no higher than 60.48, the state value is used.

2.   How will the formula be applied to MTW sites?

To varying degrees, per their MTW agreements, MTW PHAs may receive administrative fees for a portion of their vouchers that are currently calculated using the existing administrative fee formula (for example, special purpose vouchers that may not be used for fungibility).

3.   How are "per unit fees" and "total funding" calculated under the proposed rule formula and the existing formula?

The tools shown on the proposed rule web site offer two types of comparisons to help PHAs analyze the impact of the proposed rule formula on their funding:

1. Per unit fees for CY2015 under the proposed rule compared to the existing formula

2. Total funding for CY2015 under the proposed rule compared to the existing formula

Per Unit Fees

Per unit fees under the proposed rule is the fee rate that the proposed rule formula would have calculated for each PHA for CY2015, based on the proposed rule formula coefficients and PHA data values for CY2015. The proposed rule formula produces one fee rate for each PHA. The tools assume that the proposed formula would be fully funded, so no proration is applied to the per unit fee under the proposed rule.

Per unit fees under the existing formula is the per-unit fee that the PHA received in CY2015 under the existing formula, with the applicable proration of 81.565%. PHA's receive a column A

and a column B fee rate under the existing formula. The tool uses an average fee rate that is calculated by applying the prorated column A fee rate to the PHA's first 7,200 UMLs under lease and applying the prorated column B fee rate to any UMLs the PHA had under lease in CY2015 in excess of 7,200 UMLs. For this calculation, the UMLs for each PHA are based on the data reported for each PHA in VMS, which is what is used to calculate administrative fees under the existing formula. The UML count in VMS for a given PHA includes any UMLs that have ported out and were being administered by other PHAs under a billing arrangement. The UML count in VMS does not include port-in vouchers that the PHA may be administering on behalf of other PHAs.

Total Funding

Total funding under the <u>proposed rule</u> is calculated as follows:

(PHA's per-unit fee for 2015, as calculated by the proposed rule formula, x PHA's UMLs for non-ported vouchers and port-in vouchers for 2015)

+ (20% of PHA's per unit fee x PHA's UMLs for port-out vouchers)

Total funding under the <u>current formula</u> is calculated as follows:

(PHA's per-unit fee for 2015 under the existing formula, prorated at 81.565% x the PHA's UMLs for non-ported vouchers and port-out vouchers for 2015)

– Estimated fees that the PHA paid to other agencies for port-outs (80 percent of current formula fee at 81.565% proration)

+ Estimated fees that the PHA received from other agencies for port-ins (20 percent of initial PHAs' current formula fees at 81.565% proration)

4. What does HUD mean by fee "received" under the current formula? How does proration fit in to the comparisons between the proposed formula and the existing formula?

When the proposed rule (and associated tools) refers to the fees that a PHA "received" under the current formula, it means that fees that PHA's actually received in a given year, i.e., with the applicable proration applied. For example, the formula applies caps on declines so that a PHA's per unit fee in a given year cannot be less than 95% of the per unit fee it received in the previous year. That "per unit fee received" is the PHA's per unit fee eligibility multiplied by any applicable proration.

In all cases, when HUD compares fees under the proposed rule to fees under the existing formula, it is comparing fees that PHAs would receive under the proposed rule if HUD received full appropriations for the new formula, compared to the fees that PHAs actually received under the existing formula and the proration that was in effect at that time.

The study does not support fully funding the existing fee formula, and appropriated funding has required administrative fees to be prorated downward for many years. One of the main

objectives of conducting the study and implementing a new fee formula is to justify the funding requests necessary to fully fund administrative fees. HUD believes there is little likelihood that administrative fees will be fully funded under the current formula and that implementing a new formula that is based on actual costs of program administration and the main cost drivers that account for the variation in costs among PHAs is necessary in order for us to be successful in addressing administrative fee funding need. Therefore, HUD's comparisons focus on the actual fees received (the prorated fee) and the proposed fee. However, should PHAs or other interested stakeholders with to make their own comparisons (such as comparing the proposed formula fee to the existing formula fee without the proration), the "Administrative Fee Tool 2015" posted on the Administrative Fee Formula Proposed Rule webpage (go.usa.gov/x3JKT) allows the user to do so.