

Why GAO Did This Study

The Department of Housing and Urban Development's (HUD) Housing Choice Voucher (voucher) program subsidizes private-market rents for approximately 2 million low-income households. HUD pays a subsidy that generally is equal to the difference between the unit's rent and 30 percent of the household's income. HUD also pays an administrative fee, based on a formula, to more than 2,400 local housing agencies to manage the program. Over time, program expenditures steadily have risen, causing some to question how well HUD managed costs and used program resources. This report (1) discusses the key drivers of cost growth in the voucher program and the actions taken to control this growth and (2) analyzes various options to cut costs or create efficiencies. For this report, GAO analyzed HUD data; reviewed budget documents, program laws and regulations, guidance, academic and industry studies, and GAO reports; and interviewed officials from HUD, industry groups, and 93 housing agencies.

What GAO Recommends

GAO identifies options for increasing efficiencies and recommends that HUD (1) determine what level of reserve funding housing agencies should maintain and reduce future budget requests by the amount of excess reserves and (2) consider proposing options for simplifying program administration and changes to the administrative fee formula. HUD did not agree or disagree with the recommendations. While it noted that the draft provided an accurate assessment, it offered some clarifications and responses.

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HOUSING CHOICE VOUCHERS

Options Exist to Increase Program Efficiencies

What GAO Found

Several factors—including rising rents, declining household incomes, and decisions to expand the number of assisted households—were key drivers of the approximately 29 percent increase (before inflation) in housing agencies' expenditures for the voucher program between 2003 and 2010. Congress and HUD have taken steps to limit cost increases while maintaining assistance for existing program participants. For example, Congress moved away from providing funding to housing agencies based on the number of voucher-assisted households they were authorized to subsidize and instead provided funding based on the generally lower number of voucher-assisted households housing agencies actually subsidized in the prior year. Further, HUD has proposed administrative relief and program flexibility for housing agencies, including streamlining program requirements and reducing subsidies paid.

GAO identified several additional options that, if implemented effectively, could substantially reduce the need for new appropriations, cut costs (expenditures), or increase the number of households assisted.

- **Reduce housing agencies subsidy reserves.** Housing agencies have accumulated approximately \$1.8 billion in subsidy reserves (unspent funds). They can hold the funds in reserve or spend them on authorized program expenses in future years. Over time, large sums can accumulate. Although HUD has sought the authority to offset (reduce) its future budget requests by the amount of "excess" subsidy reserves, it has not provided Congress with complete or consistent information on how much of these reserve funds housing agencies should retain for contingencies. GAO has highlighted the importance of providing clear and consistent information on housing agencies' reserves to Congress so it can make informed funding decisions.
- **Implement administrative reform.** HUD officials have noted that certain requirements for administering the voucher program are burdensome and costly and could be streamlined. In addition, the formula HUD uses to pay administrative fees to housing agencies is not tied to current administrative costs or requirements. HUD has an administrative fee study underway, which intends to identify specific reforms to ease administrative burden, increase efficiencies, and suggest ways to align the administrative fee formula with the functions housing agencies perform. Without this information, Congress may not have the information necessary to make fully informed policy and funding decisions related to the voucher program.
- **Implement rent reform and consolidate voucher administration.** Rent reform (for example, reducing subsidies by requiring households to pay more toward rent) and consolidation of program administration under fewer housing agencies could yield substantial cost savings—approaching \$2 billion—or allow housing agencies to serve additional households, provided annual savings were reinvested in the program. However, while these options may have some advantages over the current program structure, they would require policymakers to consider some potential trade-offs, including increased rent burdens for low-income households, increased concentration of assisted households in high poverty areas, and more limited local control over voucher programs.