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May 1982

HOUSING ALLOWANCE PROGRAM ADMINISTRATION:  
FINDINGS FROM THE SUPPLY EXPERIMENT

G. Thomas Kingsley, Sheila Nataraj Kirby, W. Eugene Rizor

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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.*



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PREFACE

This report was prepared for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). It is the Housing Assistance Supply Experiment's final report on the administration of the housing allowance programs operated in Brown County, Wisconsin, and St. Joseph County, Indiana, from 1974 through 1980.

The report's purpose is in part to synthesize the findings of other studies of program administration in the Supply Experiment, particularly those on administrative costs (Kingsley and Schlegel, 1979 and 1982) and eligibility certification (Rizor, forthcoming). It also presents new material, however, evaluating alternative approaches to performing the various administrative functions required in a housing allowance program.

Many individuals contributed to this research. The authors are particularly indebted to their Rand colleagues Priscilla M. Schlegel (who participated in much of our original analysis) and to Luetta S. Pope who prepared the typescript for the report.

Ira S. Lowry deserves special acknowledgement. As the Experiment's Principal Investigator, he played a significant role in designing the original administrative concept for the allowance program, advising managers as the programs were implemented, and offering valuable suggestions on the conduct of the research.

We also thank David Grissmer, of Rand, and Howard M. Hammerman, HUD's Government Project Manager for the Experiment, who reviewed earlier drafts. Their criticisms and suggestions have led us to enhance both the quality of the analysis and the clarity of its presentation.

Below we list the 1974-80 trustees and senior officers of the housing allowance offices of Brown and St. Joseph counties--the agencies that administered the housing allowance programs--and the staff of Rand's Field and Program Operations Group--responsible for administrative design, implementation and overall management control.

Together, they are the people most responsible for the outcomes this report describes.

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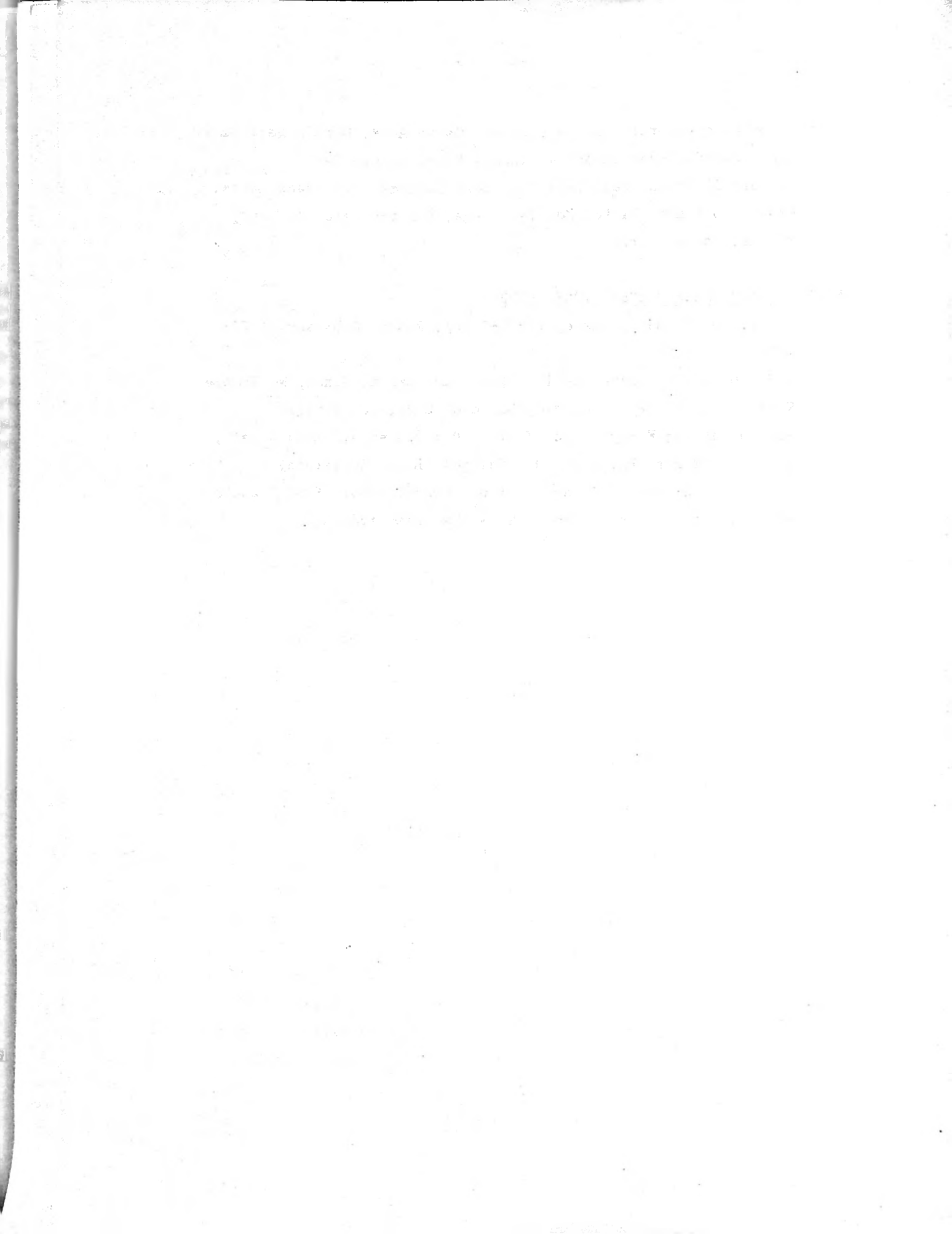
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## SUMMARY

As part of the the Housing Assistance Supply Experiment, housing allowance programs were established in Brown County, Wisconsin (metropolitan Green Bay), and St. Joseph County, Indiana (metropolitan South Bend). These programs made monthly payments directly to low- and moderate-income households to help them obtain adequate housing. All income-eligible renters and homeowners could enroll and live in any housing they chose in the program area, but to receive assistance their dwellings had to meet basic housing quality standards.

The experiment was conducted by The Rand Corporation and sponsored by the U.S. Department of Housing and Urban Development (HUD). Its purpose was to test the effects of a housing allowance program on housing market conditions, but it also yielded a data base that permitted a more thorough technical analysis of program administration than is usually feasible in public programs.

In this report, we summarize the findings of several administrative studies completed as a part of the experiment. We first review the effectiveness and efficiency of program administration in the two sites and examine some of the factors that influenced performance. Then, based on this analysis, we discuss implications for regular operating programs, both for a national housing allowance program<sup>1</sup> and for other programs with similar functions. Our review covers the first five years of program operation in both sites: July 1974 through June 1979 in Brown County and April 1975 through March 1980 in St. Joseph County.

### ADMINISTRATIVE FUNCTIONS

The two allowance programs were administered by Housing Allowance Offices (HAOs), nonprofit corporations supervised by Rand when the experiment was under way. Both became the largest public assistance agencies in their communities. Together, in their first five years they enrolled 29,800 households and disbursed 428,300 monthly allowance payment checks to those who met program housing requirements.

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<sup>1</sup>In 1981, HUD and the President's Commission on Housing recommended the national implementation of a "housing voucher" program in many respects similar to the programs operated in the Supply Experiment.



The work of the HAO staff was considerably less complicated than that of administrators in traditional housing assistance programs: they were not called upon to build, buy, or lease residential properties; nor to supervise, regulate, or audit private builders, owners, or managers. They had only four functions to perform:

- Outreach: Using advertising and other techniques to inform eligibles that assistance was available.
- Eligibility certification (or enrollment) and recertification: Accepting applications and interviewing applicants to determine whether they were eligible, and if so, the amount of the payment they were entitled to receive; periodically updating information on household status and income and revising eligibility and payment determinations accordingly. (In many assistance programs, this function is called "means test" administration.)
- Housing certification and recertification: Evaluating participants' housing before they entered the program and periodically thereafter and perhaps offering services to help those in deficient housing repair their current units or move to other units so they could qualify for payments.
- Payments operations: Disbursing monthly payments to recipients.

This work divides naturally into two phases: intake (outreach and initial eligibility and housing certifications required to bring new recipients into the program); and maintenance (activities required to maintain recipients in the program, which include payments disbursement, semiannual and annual recertification of eligibility and housing recertification, annually and when recipients move to new dwellings).

#### ADMINISTRATIVE PERFORMANCE

In reviewing the performance of the HAOs, we were concerned both with effectiveness and efficiency. For a program of this type, effectiveness has three dimensions.

The first is prompt workload processing. Our records show that throughout the first five years, neither HAO allowed backlogs to develop in maintenance work; payments and recertifications were always on schedule. A large backlog in intake would mean excessive delays for applicants, but of a backlog of reasonable size in relation to processing capacity promotes efficiency. The intake backlog in the Brown County program was always within an appropriate range. Mostly because of budget constraints, the St. Joseph County program often had a large backlog but it was never so large as to cause adverse reactions in the community.

The second dimension of effectiveness is program integrity: avoidance of errors and fraud in determining eligibility, payments, and housing standards.

We found that attempted fraud was rare in both programs. In the five-year period, 756 suspicious cases were uncovered and special reviews showed that only 73 of those warranted referral to federal authorities for further investigation. Many inadvertent errors however, were made by participants and staff. HAO quality control systems and audits both permitted measurement and facilitated correction of those errors.

- In eligibility certification and recertification, client misreporting that affected payments was discovered in no more than 3.1 percent of all cases. The typical error was large, but since so few cases were involved, the net effect on all payments was small. If those errors had not been corrected, overpayment in the of \$3 to \$5 per recipient-year would have resulted.
- Staff errors occurred more frequently, from 7 to 10 percent of all cases. Depending on the site and process involved, if those errors had gone uncorrected, the net effect on all payments would have ranged from -\$1 to +\$10 per recipient-year.
- Quality control and third-party verification, however, corrected most of those errors. We estimate that the residual (uncorrected) error netted an overpayment representing no

more than 0.6 percent of all payments in either site. In contrast, a 1976 study of the Aid to Families with Dependent Children (AFDC) found payment errors in 25 percent of all cases with net overpayments amounting to 8 percent of the average payment (the lowest AFDC regional average in 1978 was 4 percent).

Quality control statistics for housing evaluations show that evaluator errors appeared in 1.5 percent of all cases but affected no more than 0.4 percent of the individual entries on all evaluation forms.

Even before corrections were made, the total payment error rate at the HAOs was substantially below AFDC averages. We credit the techniques used in certification interviews to prevent error: e.g., following a thorough and orderly interview protocol, letting interviewees know that independent verification and quality control procedures would be applied, photocopying documentation such as paycheck stubs.

The third dimension of effectiveness is client and community satisfaction. The HAOs made it a point to create a cooperative rather than hostile relationship between staff and their clients. Transactions with participants were designed to protect their privacy and dignity and to avoid unnecessary inconvenience for them. For example, interviews were conducted by appointment in private rooms. Such efforts seem to have paid off. In independent surveys conducted as a part of the experiment, 84 to 90 percent of all respondents who were program recipients answered yes to the question, "Is the program run the way it should be?" Positive responses to a similarly worded question in a national survey of tenants of public and publicly assisted housing projects ranged from 63 to 69 percent. Community-wide reactions to HAO performance were also positive, but less strongly so than those of participants.

Our analysis of administrative efficiency was based on a special accounting system that enabled us to allocate expenditures among each of the functions noted earlier (and a number of more detailed subfunctions) and then divide by associated workload counts to

determine costs per case processed. We then reassembled these costs to establish two summary measures: intake cost per new recipient and maintenance cost per recipient-year.

Because of the larger eligible population in its community, the St. Joseph County program had on average 62 percent more recipients than the Brown County program. Summary cost measures, however, were very similar in the two sites when the program reached "steady state" conditions (mid-1977 through mid-1979). Because of this similarity, we can use intersite averages to summarize the results (all costs in constant 1976 dollars).

- During the steady-state period, intake costs averaged \$194 per new recipient. Enrollment accounted for 53 percent of the total, housing certification for 34 percent, and outreach for 13 percent.
- Maintenance costs averaged \$115 per recipient year: eligibility recertification accounted for 60 percent, housing recertification for 28 percent, and payments operations for 12 percent of that total.
- Both HAOs improved their administrative efficiency, even during the third through fifth years of operation. Between mid-1976 and the midpoint of the steady state period, intake cost per new recipient declined by 10 percent per year and maintenance cost per recipient year declined by 8.2 percent per year.

Recipient attrition rates show that the average HAO recipient remains in the program for exactly four years. Administrative costs for the typical recipient, then, will be \$194 for intake plus four times \$115 for maintenance: a total of \$654 or, now diving by four, \$163 per recipient-year.

- This cost is 16 percent below the \$190 average calculated by comparable methods for a national sample of Section 8 Existing Housing programs. Section 8 administrative

functions are generally similar to those of the HAOs, except that subsidies are disbursed through contracts with landlords. This gives Section 8 agencies additional work in landlord outreach and negotiating and maintaining those contracts. On the other hand, at the time these comparisons were made, Section 8 required eligibility recertifications only once each year for nonelderly recipients and once every two years for the elderly.<sup>2</sup> The HAOs recertify all recipients' eligibility semiannually.

The HAO \$163 total can be divided into \$108 to administer the programs income transfer functions and \$55 to administer housing requirements. The former was only 37 percent of the \$295 average cost of administering the same functions in the national AFDC program in 1976. The HAO's \$108 was lower than the AFDC averages in all but two states.

#### INFLUENCE OF ATTRITION AND PARTICIPANT CHARACTERISTICS

Per-unit administrative costs in the St. Joseph County program were nearly the same as those in the Brown County program, whose typical workloads were much smaller. Our analysis evidenced some economies of scale in HAO "overhead" functions, but they were small enough to be easily offset by other factors. Thus, operating scale was not a major determinant of administrative cost (at least not in programs in the HAO size range, serving from 3,000 to 6,500 recipients at any time).

Participant attrition, however, had a substantial effect on the costs of administration in both the intake and the maintenance phase. On the average in intake, 57 percent of all applicants dropped out before being qualified for payments. In their first five years, the HAOs' recipient attrition rate (recipient terminations per recipient year) often reached 35 percent, although we estimate a long-term average of about 25 percent). Since there were no important scale effects, administrative costs can be expected to vary in proportion

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<sup>2</sup>The Section 8 program recently changed requirements such that all households must be recertified annually.

to workload volumes. Attrition affects costs because it causes dramatic variations in workload volumes.

- Given actual attrition, to yield one new recipient from intake, the HAOs had to accept and process 2.32 applications, conduct 1.58 enrollment interviews, enroll 1.24 households, and perform 2.07 housing evaluations. If attrition was eliminated, only one application, interview, and enrollment, and 1.68 housing evaluations would be required. We estimate that as a result, intake cost per new recipient would be reduced from \$194 to \$130.
- At steady state, the HAOs initiated 1.26 semiannual recertifications and processed 0.81 annuals and 0.98 housing evaluations per recipient year. With no attrition, one semiannual and annual and 1.40 housing evaluations would be required. Because of the shape of the attrition curve and the differences in per case costs, maintenance cost per recipient-year would actually increase (from \$115 to \$134) if no recipient was ever terminated..
- A reduction in the recipient attrition rate, however, can reduce total administrative cost per recipient year since the slight increase in maintenance cost can be more than offset by the effect of amortizing intake cost over a longer duration of reciprocity.

Different types of clients have markedly different impacts on administrative costs. This occurs principally because their attrition rates differ, but in some functions, costs per case also vary (e.g., some types of clients have more complicated thus more time consuming enrollment interviews than others). Estimates for different life cycle stage groups in Brown County illustrate the point.

- Variations in intake cost per new recipient are pronounced. The cost for the highest group (nonelderly homeowner couples with children), \$202, exceeds the cost for the lowest group

(elderly single renters) by 43 percent. Maintenance costs per recipient year do not vary as much; the cost for the highest group (nonelderly renter couples without children), \$130 exceeds that for the lowest group (elderly renter singles) by 17 percent.

Because of significant differences in the average duration of reciprocity over which intake costs are amortized, the range of variations is much greater when total administrative costs per recipient-year are calculated. Nonelderly renter couples receive payments for an average of only 1.25 years and require an administrative expense of \$260 per recipient year. Elderly single homeowners generate a cost just over half that amount (\$135); their average duration of reciprocity is 7.8 years.

Age and household composition have more effect on administrative cost than tenure. Total administrative cost per recipient year was \$172 for renters and \$153 for homeowners.

Participant characteristics also affect error control. For example, we found marked differences in the results of independent verifications of eligibility and income data. Under HAO rules, verification was done on a sample basis: a case had a higher probability of being verified if the participant provided little or no documentation on income and household status. With this system, cases for elderly participants were verified most often, but the amount of error detected was small.

#### IMPLICATIONS FOR OTHER ASSISTANCE PROGRAMS

The HAOs maintained high standards of performance with respect to each of their administrative goals. Almost all staff were recruited locally and salary structures were comparable to those of other agencies in their communities. Considering this and the program's scale and duration, the HAOs' administrative challenge was more like that faced in a regular operating program than an experimental one.

Clearly, the experimental context encouraged good performance, but we believe that features of HAO administrative procedures and operating style were more responsible for their achievements, features that in many instances could be adopted to improve administration in other assistance programs.

Below we discuss those features our experience suggests were most important. In some cases our analysis allows us to identify modifications of HAO procedures that would have increased efficiency. Our suggestions are most pertinent to HUD and the local public housing agencies (PHAs) that administer the Section 8 Existing Housing program and would administer a national housing voucher program if one is enacted. Many, however, are applicable to other assistance programs as well.

#### Eligibility Certification and Payments

These functions accounted for administrative costs of \$108 per recipient-year (two-thirds of the total): \$62 for screening, scheduling, and obtaining means test information from participants, \$15 for error control, \$18 for computer processing, and \$13 for payments operations.

Applicant screening and attrition. Screening entails asking potential program applicants a few focused questions pertaining to eligibility when they first inquire about the program. Effective screening can reduce the number of unproductive enrollment interviews and thereby save cost. The HAOs found no other cost-effective technique for reducing intake attrition, which appears inevitable in programs of this type.

Eliciting means test information. Thorough, face-to-face enrollment interviews following a tightly structured pattern of questions have many advantages. Interviewers can probe inconsistent responses and supplement explanations to avert applicants' anxieties and facilitate their understanding. Also, by noting error control procedures and other techniques, they can set a tone that prevents misreporting. With thorough interviews at enrollment and periodically thereafter, less costly mail-back questionnaires (particularly if computer generated) can be safely used for intervening recertifications.

Specification of rules. Interviewer creativity is desirable when it comes to helping applicants feel comfortable and understand the



intricacies of income accounting rules, but not when it comes to applying those rules. HAO experience suggests that understandable and unambiguous rules work best. They should leave the interviewer the least possible latitude for judgment. When in doubt, err on the side of the arbitrary and the mechanistic. As far as possible, do not request information that cannot be documented. Use simple formulas that produce reasonable (if not perfectly accurate) answers to avoid complicated or unverifiable assessments. If an interviewer thinks a rule is unfair to a particular household because of special circumstances, encourage him to think up a better rule, but do not permit an exception for the case at hand. Harsh guidelines, perhaps, but the alternatives imply more serious deficiencies judged on the grounds of both equity and efficiency.

Eligibility criteria. Another eligibility restriction could have significantly reduced HAO cost without being inequitable. We saw that it cost much more to administer the program for household types that had high attrition rates (e.g., the temporarily unemployed). Although such households need cash assistance, it is doubtful that earmarking that assistance for housing is cost effective. The unemployed are much less likely to adjust their housing consumption because of a housing allowance than those who have inadequate incomes over a longer term. One way to exclude the temporarily unemployed would be to withhold participation until six to nine months after loss of employment. Without such a rule, we estimate that a temporary recession could swell program costs 50 percent with virtually no beneficial effects on housing improvement. This issue is not much of a concern for programs like the Section 8 Existing Housing program that presently has long waiting lists, but it could become important if a voucher program was ever expanded so that a larger proportion of all eligibles became able to participate.

Frequency of recertification. Recertification frequencies should be related to the frequency with which household circumstances change. If an agency recertifies households too often, it will incur substantial administrative costs with few adjustments in payments; if the schedule is too lax, administrative costs will go down, but

erroneous payments will be excessive. Our analysis suggests that annual recertification of households which are primarily supported by social security payments and semiannual recertification of all other households, is close to optimum for housing assistance programs. Had the HAOs followed then applicable Section 8 rules (recertifications every two years for elderly and annually for the rest), total renter administrative cost would have decreased by 18 percent and renter payments would have increased by 13 percent. Since payments are much larger per recipient year, total outlays would go up by 8 percent. This would have implied excess outlays of \$91,000 per year in a program serving 10,000 recipients.

Documentation and verification. The least costly but probably most effective HAO error control technique was encouraging participants to bring ample documentation to interviews. These supporting documents reduced reliance on the participant's memory and helped to avoid mistakes such as using take-home pay rather than gross income as a basis for assistance. An external audit showed that virtually all of the documentation provided was authentic. Given the documentation requirement, actual verification with third parties could be done on a sample basis. The HAOs' procedure just about broke even in the strict fiscal sense. In Brown County, for example, it cost \$2.81 per recipient year to administer but saved \$2.84 reducing erroneous payments. The HAOs could have improved verification efficiency by reducing the sample to 5 percent for the elderly. Administrative cost would have gone down to \$1.77 with virtually no change in the amount saved.

Quality control. An HAO staff member other than the original interviewer double-checked the accuracy of every enrollment and recertification form; this procedure was not cost effective. In Brown County, for example, it cost \$12.34 per recipient year and saved only \$1.14. Eliminating it altogether, however, would have eliminated management's check on staff errors and thus an incentive for accuracy. If the HAOs had performed quality control reviews for only a randomly selected 5 percent sample of all cases plus 2 percent for special circumstances, administrative cost would have been reduced by \$11.48,

offset against only a \$1.06 increase in net payment error. Elimination of all quality control surely would have increased the loss due to error by a much more substantial amount.

Automated records management. Both HAOs used computer-based records management systems with the same design. Enrollment forms were entered into the computer to establish an initial record for each client. All subsequent transactions were entered as adjustments to that record and payments were modified automatically. Each month, an addressed mailing envelope containing a check made out to the client in the appropriate amount was, in total, a product of the computer. The system contributed more to consistency, accuracy, and efficiency than perhaps any other feature of allowance program administration. The revolutionary improvement in data processing capabilities since the HAO system was designed would support a much more efficient system today; one in which information could be keyed directly into the computer while interviews were in process and a variety of useful management reports could be obtained on call. Given the dramatic reduction in computer costs, integrated systems covering participant, housing unit, error control, payment and cost information should not be out of reach for even the smallest housing authority during the 1980s.

#### Housing Certification

The costs of administering HAO housing certification totaled per recipient-year--\$45 for housing evaluation, and \$4 for services to help participants meet program housing requirements.

Housing evaluation. Housing evaluations were conducted for all clients by HAO staff to determine whether their current or prospective dwelling met basic requirements for space, habitability, health and safety. The features most critical to the success of the HAO evaluation process were similar to those noted above for eligibility certification: standards that were clear and could be applied with minimum ambiguity; an evaluation form designed to facilitate efficient and consistent inspections; a "no exceptions" policy; a formal quality control program (5 percent sample) taken seriously by agency management. Reevaluations of recipient housing units were required

annually by the HAOs. This requirement worked well in the Supply Experiment; participants and the public accepted it as reasonable. Still, if some groups seldom failed their annual housing reevaluations (i.e., the quality of their housing did not often change), the time between reevaluations for them might be extended. We found, however, that annual failure rates were significant for all groups, ranging from as low as 9 percent for elderly couples in Brown County to as high as 59 percent for single renters with children in St. Joseph County.

Housing services. Although the HAOs initially provided information sessions to help enrollees learn how to secure acceptable housing, few availed themselves of such help. Yet, roughly 80 percent of all enrollees were able to do what was necessary to qualify for payments.

Interviews with a sample of those who dropped out persuaded us that neither more guidance nor front-end financing (i.e., to repair a dwelling so that allowance payments could begin) would have much altered the outcome. The survey showed that half of the renters and 65 to 75 percent of the homeowners took no action to try to qualify before they terminated from the program. From 50 to 65 percent dropped out for reasons that indicate additional services would not have been of benefit; e.g., some became ineligible soon after they enrolled, some became disenchanted with participation (too much paperwork, intrusion of privacy, etc.), some refused to move even though they would have had to do so to find acceptable housing. Those remaining (i.e., who dropped out because they were unable to meet program housing requirements) represented only 8 percent of all enrollees, and only 37 percent of them said they thought the HAO should have offered more help.

We conclude that a national demand-oriented housing assistance program such as Section 8 or vouchers could be quite effective even if it provides no direct services to its participants. Some low-income households will need extra help in securing and maintaining decent housing, but that percentage is small. Their needs might be better handled through referrals to local groups set up to deal with such problems than by assigning the task to agencies administering a federal assistance program.

### Training and Management Information Systems

Two other features of the HAO approach that affected all program functions were vital to ensuring good administrative performance.

The first is the HAOs' formal staff training programs. Training sessions allowed HAO managers to stress productivity and quality control with all new employees. Also by tightly defining methods for handling repetitive tasks, training reduced employees' discretion to follow less efficient approaches in their jobs.

The second is the HAOs' design and use of management information systems. These systems reported trends in staffing, costs, and functions per unit of output for most HAO functions as well as error rates. Most reports were computer-generated so they did not place substantial tabulation burdens on employees. Top managers reviewed the reports regularly and stepped in to take corrective actions when serious problems emerged; they also used the statistics in performance reviews for individual employees. For the most part,, however, the systems promoted efficiency without heavy-handed action from the top. Individual staff members and section supervisors, knowing that reports would surface emerging problems, did what they could ahead of time to prevent "bad news" from showing up in the statistics.

### CONCLUSIONS

Overall, we believe there were two keys to successful administration in the Supply Experiment housing allowance program. The first was the purposefully limited nature of HAO administrative functions. The HAOs' main activities, eligibility certification and housing certification, have a basically simple design. It was easier to measure output, quality, and productivity than it would be with more complex assignments.

Consider, for example, how much more complicated administration would have been with what might at first seem to be a simple change: making payments to landlords, as in the Section 8 program, instead of tenants. Intake funds would have to be spent on landlord outreach and negotiating agreements with landlords. In maintenance, the staff would have to inspect and account for the vacated units of landlords who

still have active contracts as well as periodically renegotiating contract terms and enforcing their provisions. A whole new recordkeeping system would be required. Available data on the cost of these activities are not authoritative, but they indicate that the addition to administrative expense per recipient year is indeed substantial. In deciding about whether or not to adopt this feature for a national voucher program administrative implications need to be explicitly weighed in against any perceived program benefits. Possibly because they have been difficult to estimate, administrative implications often do not receive the attention they are due when Congress considers alternative program designs.

The second key was the HAOs' implementation of a series of management techniques: formal training programs, intensive quality control, the automation of basic recordkeeping, reliance on management information systems, and accounting systems that relate costs to output. These techniques are not new; textbooks on administration have espoused them for years and private firms have used them with increasing regularity over the past two decades. HAO experience adds to the evidence that such techniques can make a significant difference to public program effectiveness; yet, they are often the last changes to be implemented (or the first to go) when the public sector faces fiscal constraints. Stronger incentives for their adoption deserve serious attention at all levels of government.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. The second part outlines the procedures for handling discrepancies and errors, including the steps to be taken when a mistake is identified. The third part covers the requirements for the format and content of financial statements, ensuring they are clear, concise, and easy to understand. The final part discusses the role of the auditor in verifying the accuracy of the information provided and the consequences of non-compliance with the standards.

The document also addresses the need for transparency and accountability in financial reporting. It states that all financial data must be reported in a timely and accurate manner, and that any changes or corrections must be clearly documented. The importance of maintaining a strong internal control system is also highlighted, as it is essential for preventing fraud and ensuring the integrity of the financial records. The document concludes by reiterating the commitment to high standards of financial reporting and the importance of working together to achieve these goals.

In conclusion, the document provides a comprehensive overview of the requirements for financial reporting and the role of the auditor. It stresses the importance of accuracy, transparency, and accountability in all financial transactions and the need for a strong internal control system. The document serves as a guide for all parties involved in the financial reporting process, ensuring that they are aware of their responsibilities and the consequences of non-compliance.

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## I. INTRODUCTION

This report examines the administrative performance of two housing allowance programs established as a part of the Housing Assistance Supply Experiment. Unlike most experimental programs, they operated at a large scale over a long period of time enrolling 30,000 households during their first five years. Administrative functions were similar to those in many other assistance programs--interviewing applicants to determine their eligibility, inspecting housing, and disbursing monthly benefit payments.

At a time of heightened concern about the effectiveness of government programs, their experience is noteworthy for two reasons. First, they maintained data systems that supported more thorough analysis of administrative performance and its determinants than is usually possible for public programs. Second, the data show that they achieved enviable performance records--timely workload processing, low error rates, client and community satisfaction, and low administrative cost.

As we review this experience, the data base enables us to quantify relationships seldom explicitly analyzed in administrative studies; for example, surprising variations in staff work that arise when dealing with different types of participants, tradeoffs in terms of cost and error rates implied by various adjustments to basic program rules. Lessons are drawn about specific rules and procedures in housing assistance programs, but also about avenues for administrative improvement that are relevant to a much broader range of government activities.

We discuss the structure of our analysis in more detail after we describe the context in which the programs operated.

### THE HOUSING ALLOWANCE EXPERIMENTS<sup>1</sup>

In most traditional federal housing programs, assisted households live at reduced rents in specific housing projects. Public funds are

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<sup>1</sup>Material summarized here is discussed in depth in the Comprehensive Final Report of the Housing Assistance Supply Experiment (1982) and the U.S. Department of Housing and Urban Development's final report on the Experimental Housing Allowance Program (1981).

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. Recipients can move wherever they want within the program 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 early 1970s, advocates of the housing allowances approach suggested that it might revitalize the private market for well-maintained older housing, and that government costs per family would be much lower than that of conventional new-construction programs. In addition, it would avoid the problems associated with concentrating the poor in self-contained "projects." Yet, the approach also had its critics, who warned, among other things, of excessive inflation and insufficient housing improvement.

Given the complexity of the issues and the lack 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), which had three components: the Demand Experiment (a small sample test of consumer reactions to housing allowances offered under varying terms in two metropolitan areas, Phoenix and Pittsburgh); the Administrative Agency Experiment (described below); and the Supply Experiment.

The Supply Experiment was designed and operated by The Rand Corporation from 1974 through 1980 to test the market and community effects of a full-scale, long-term housing allowance program. Would the program cause rent inflation and disrupt neighborhoods? To what

extent would it induce property owners to invest more in upgrading and maintaining the existing housing stock?

#### PROGRAM OPERATIONS IN THE SUPPLY EXPERIMENT

Unlike the other components of EHAP (and most other public policy experiments), the Supply Experiment did not rely on evidence from a selected sample of participants. Program enrollment was open to all eligible households (renters and homeowners) in two metropolitan areas with contrasting market structures:

- Brown County, Wisconsin (metropolitan Green Bay). Brown County has a persistently tight housing market because of rapid growth in employment and population. It has very few minority-group residents. When the experiment began, its total population was about 170,000 (48,000 households).
- St. Joseph County, Indiana (metropolitan South Bend). Manufacturing employment declined sharply in St. Joseph County since World War II resulting in population losses. The central city has a large surplus of deteriorated housing, and there is a large minority population. Total population was 240,000 (76,000 households) when the experiment began.

The program has been administered in each site by a separate nonprofit corporation--a Housing Allowance Office (HAO)--initially set up by Rand. Program funding (under Section 23 of the U.S. Housing Act of 1937) flowed from HUD to local housing authorities who in turn contracted with the HAOs to handle all aspects of program operations.

The experiment's designers agreed that a long-term funding commitment would be required to stimulate the market response that would occur under a permanent national program, but that Rand would not need to control the programs or observe effects for the full duration. Accordingly, the program funding contract was written for a period of ten years, but the "experimental phase" was designed to run from the date that contract was signed through the end of the first five years of open enrollment. During the experimental phase, Rand employees held



a majority of the positions on the Board of Trustees of each HAO and controlled HAO activities to ensure conformance to experimental requirements. Rand then relinquished its control to local community leaders who, as trustees, are responsible for program activity for the rest of the ten-year operating period.

In Brown County, the funding contract was signed in March 1974. After a systems-testing period, open enrollment was initiated in June 1974. The experimental phase ended five years later in June 1979. In St. Joseph County, the contract was signed in September 1974; open enrollment began in April 1975, and the experimental phase was complete at the end of March 1980.

#### RESEARCH IN PROGRAM ADMINISTRATION

In planning EHAP, HUD recognized that any program's aims can be frustrated or enhanced by the character of its field administration, regardless of the quality of its basic design. Accordingly, the Administrative Agency Experiment (AAE) was launched to test options for administering the housing allowance program. In the AAE, eight limited-scale allowance programs (enrollment averaged just over 1,000) were set up in different cities. The programs ran for two years. HUD specified the basic program standards and administrative functions, but discretion was left to the agencies in the design of administrative procedures.<sup>2</sup>

Administrative research was also sponsored in the Supply Experiment because the scale and duration of the programs operated by the HAOs represented an administrative challenge of an obviously different character. It was inappropriate to vary administrative procedures to test alternatives, since doing so would have interfered with the central purposes of the Supply Experiment-- evaluating program effects on the housing market. Nonetheless, much could be learned by watching the way constant and more tightly defined functions and procedures held up under large workload volumes and over a longer period of time. Comparisons could be made between outcomes in the two sites, and the task of

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<sup>2</sup>AAE findings are summarized in Hamilton et al. (1977) and Hamilton (1979). They are noted and compared with Supply Experiment findings as appropriate throughout this report.

administering the program for homeowners could be examined (the AAE was limited to renters only). Furthermore, the automated data systems developed for the HAOs would facilitate a more detailed and precise analysis of effects than was possible in the AAE.

The main purpose of our research has been to identify administrative principles and techniques that would improve effectiveness and efficiency in regular operating programs (a national housing allowance program or other programs that have similar administrative tasks to perform). The work has entailed: (1) establishing measures of performance derived from basic administrative goals; (2) using these measures to rate the HAOs' administration of the allowance program (in the aggregate and function by function); (3) examining differences over time and between the sites; and (4) insofar as the data permit, identifying determinants of administrative performance and the way they interact to affect program outcomes.

#### THE PURPOSE AND STRUCTURE OF THIS REPORT

Initial Supply Experiment administrative studies reviewed HAO operating experience through 1977, focusing on administrative functions and their costs (Kingsley, 1978) and techniques used to control errors in client eligibility and payment determinations (Tebbets, 1979). More recent studies used data covering the full five-year experimental phase in both sites. Topics include administrative cost and efficiency (Kingsley and Schlegel, 1982), and the eligibility certification process (Rizor, 1982).

This report summarizes the findings from these studies and draws additional policy implications. Section II provides background information important to understanding subsequent analysis. First, since so much of our analysis focuses on specific administrative functions (e.g., eligibility certification, housing evaluation) that section defines all functions performed by the HAOs and explains how the way the HAOs handled them differs from approaches followed in other programs. Second, Section II discusses how HAO procedures were designed and references complete descriptions. Third, it describes

the composition of the participant population in both sites--a factor shown later to be of great importance to administration.

In Section III, we identify three goals that determine administrative effectiveness and measure HAO performance against them. Section IV deals with a fourth administrative goal--efficiency. It establishes a framework for measuring administrative cost per unit of service provided and uses that framework to evaluate HAO experience. In both of these sections, we show how HAO achievements varied over the operating period and, where possible, how they compare with performance in other assistance programs.

The influence of participant composition on administrative outcomes is discussed in Section V. We review differences in administrative costs and payment errors generated by different types of households as defined by age, household composition, and housing tenure variables.

Sections VI and VII examine the rules for the major HAO administrative functions, reviewing HAO performance and the advantages and disadvantages of alternative approaches. Section VIII discusses more general management and institutional factors important to effective administration.

#### THE CHANGING POLICY CONTEXT

The environment that establishes the relevance of our analysis for housing programs has changed markedly since EHAP began. In 1974, after early EHAP findings were available but long before the experiments were complete, Congress established the Section 8 Existing Housing program. Like the housing allowance approach, this program is demand-oriented (assisting low-income households in existing housing) rather than supply-oriented (providing subsidies for the construction of new projects or the rehabilitation of older structures). The Section 8 Existing Housing program has grown faster than any other national housing program. In communities throughout the nation, it is typically administered by local housing authorities, the same agencies that operate the conventional public housing program. Even though its rules differ from those of the allowance program in important ways (see

Section IV) the principal policy application of EHAP findings since 1974 has been in guiding the growth of Section 8.

More recently, based dominantly on reviews of EHAP findings the President's Commission on Housing (1981) and HUD (see Housing and Development Reporter, 1981) have recommended the adoption of a national "housing voucher" program more like the original housing allowance approach. If approved by Congress, it is likely that households presently assisted under the Section 8 Existing Housing program would be phased into the voucher program. It would not be necessary to build a new set of administrative structures from scratch: the local housing authorities and other agencies that presently administer Section 8 would undoubtedly assume operating responsibilities for the new program. If the housing voucher approach is not approved, we expect that the Section 8 Existing Housing program will be retained.

In this report, we recognize these developments, framing our analysis and findings where appropriate in a manner that is sensitive to the local housing authority context. However, our findings should be relevant to the administration of other government programs as well.

## II. FUNCTIONS, PROCEDURES AND PARTICIPANTS

While the Supply Experiment was under way, the HAOs had two basic objectives: (a) to operate the housing allowance program, and (b) to support the experiment's research agenda by such activities as preparing data files for use by Rand researchers, conducting special studies, and preparing special reports and presentations. This section describes the five major administrative functions required to accomplish the first of these objectives. Three functions--outreach, eligibility certification, and payments--are a necessary part of any income-transfer program. The fourth function, housing certification, partially earmarks the transfer for housing; and the fifth, administrative support, includes management, accounting, and other activities needed for basic institutional maintenance.

### OUTREACH

Outreach entailed a variety of techniques to inform eligible households about the program and encourage them to apply. The HAOs relied on methods traditionally used by social service agencies to increase awareness of their programs: posters, brochures, presentations to community groups, and establishing referral channels with other social agencies. Because of the experimental interest in rapid enrollment, however, they also used paid advertising in newspapers and on local radio and television stations.

### ELIGIBILITY CERTIFICATION

Like outreach, initial eligibility certification (or enrollment) is an "intake" function, that is, one that is required to bring new participants into the program. Specifically, it entailed:

Screening and scheduling. Preliminary screening of applicants and scheduling enrollment interviews for those not clearly ineligible.

- Program information and enrollment interview. Providing information to applicants about program rules, and conducting interviews with them to obtain information on household status and income; determining whether the household was eligible; if eligible, determining the amount of its allowance entitlement; and signing participation agreements with eligibles who chose to enroll.
- Error control and data processing. 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.

In the "maintenance" phase (for enrollees already receiving allowance payments), periodic eligibility recertifications were mandatory to weed out participants who subsequently became ineligible; and to adjust allowance entitlements for others in response to changes in income or other household circumstances. Allowance program rules called for three types of recertification:

- Semiannual recertification. Processing mail-back questionnaires on household status and income, prepared halfway between enrollment anniversaries. Included follow-up to obtain additional information when questionnaire responses were inadequate, plus error control and data processing.
- Annual recertification. Activities were similar to those in enrollment certification: scheduling, interviewing, error control, and data processing. The interview was conducted in the month of the client's enrollment anniversary.
- Special recertification. Administering recertifications by telephone or interview in special circumstances between semiannual and annual recertifications.

Although all income-transfer programs administer "means tests" like those just outlined, many handle them differently. Four features distinguish the HAO approach. First, the HAOs used the computer more than do many agencies. Enrollment interview forms were batched, keypunched, and entered into the computer to establish an initial record for each client. All subsequent transactions were entered as adjustments to that record, and payments were also adjusted automatically. Second, the HAOs devoted more effort to error control. All assertions of fact by clients had to be either documented (the HAOs kept photocopies of the documentation) or verifiable by third parties. All interview forms were computer-edited and then manually reviewed to catch any errors made by the interviewers. Third, although shared by many welfare agencies, the HAOs' pattern of recertifying eligibility every six months was unique among housing programs. HUD's Section 8 and public housing programs recertify tenants at least annually. Fourth, the HAOs took great care to minimize psychic costs for clients undergoing means tests. Interviews were conducted by appointment in private rooms, and the interviewers were trained to treat clients with dignity as they itemized their economic difficulties.

#### PAYMENTS

This function included preparing and mailing monthly allowance checks; suspending or terminating payments in response to determinations of ineligibility or rule violations; and adjusting payment amounts to reflect recertification results, previous underpayments or overpayments, or security deposit advances.

In the HAOs, this function was almost completely automated. In disbursing payments, for example, there were no manual operations. An addressed mailing envelope containing a check made out to the recipient in the appropriate amount was, in total, a product of the computer.

#### HOUSING CERTIFICATION

Allowance payments were not authorized unless and until a client's dwelling met program quality standards. The major staff activity for

this function, therefore, was housing inspection in both the intake and maintenance phases. Specific subfunctions were:

- Housing evaluation. Inspecting enrollees' housing units; informing them of the results; reevaluating units after repairs were attempted; processing evaluation results and lease agreements; and authorizing payments to those whose housing qualified.
- Housing reevaluation. Annually inspecting dwellings occupied by recipients; inspecting units to which recipients planned to move; informing recipients of evaluation results; reevaluating failed units after repairs had been attempted; and processing results.

The HAO evaluation process was carefully designed to promote accuracy and efficiency. The housing evaluation form, instructions for conducting the evaluation and recording its results, and the method of reporting results to the client were considered together during design and in pretests. The most unusual aspect of the HAO approach, however, was the emphasis given to quality control. Five percent of all regular evaluations were duplicated by the evaluation supervisor or his assistant. Discrepancies were recorded and analyzed for regular feedback to the staff.

This function had another activity which, like housing evaluation, would not be required in a direct cash-transfer program. Again, we split the activity depending on whether it applied to the intake or the maintenance phase:

- Enrollee services. Providing services to help enrollees obtain certifiable housing. In the Supply Experiment, such services consisted mainly of voluntary group counseling sessions and legal services in discrimination cases.
- Recipient services. Conducting voluntary group counseling sessions, providing literature on housing maintenance, and



providing legal services for discrimination cases to help recipients maintain residence in certifiable housing.

When EHAP was initiated, some advocated making program services more comprehensive--including, for example, agency staff participation in client negotiations with landlords, or in repairing deficient dwellings. In the Supply Experiment, services were purposely limited, in part to test the ability of participants to meet program housing requirements without them.

#### ADMINISTRATIVE SUPPORT

HAO administrative support activities included general management, press and community relations, staff training, management reporting, budgeting and accounting, personnel management, secretarial and clerical services, and purchasing and equipment maintenance--activities required in almost all local government agencies. The HAOs attempted to follow the best of modern business practices in each of these areas.

Their efforts in two areas were noteworthy and unusual for a government assistance program. First, they took the task of staff training quite seriously: formal training manuals were developed, and all new staff attended both general seminars on overall HAO purposes and procedures and training courses for their particular jobs. Training was most rigorous for personnel assigned to eligibility and housing certification functions: employees had to demonstrate proficiency in simulated interviews or evaluations before they were allowed to handle regular workloads. Second, the HAOs developed and maintained formal statistical reporting systems to measure administrative performance, and used them regularly in day-to-day management.

#### ADMINISTRATIVE PROCEDURES AND STANDARDS

The administrative procedures employed to implement the Supply Experiment's housing allowance programs were designed by Rand's Field and Program Operations Group and the senior staffs of the two HAOs. They are recorded in a comprehensive Housing Allowance Office Handbook, whose contents were approved by HUD and modified as warranted by

subsequent experience (Katagiri and Kingsley, 1980). The Handbook covered all elements of program administration. More detailed instructions for several functions were provided in a series of manuals of which the most important were the Instruction Manual for the Enrollment Application and the Housing Evaluation Manual. In addition, policy clarification memoranda (PCMs) were issued as needed to clarify rules or transmit modifications. A total of 228 PCMs were issued during the experimental phase.

While the number of technical modifications over the five years was substantial, almost all represented "fine tuning"; the basic procedures designed at the outset were retained throughout. It is also important to note that, with a few minor exceptions, detailed procedural specifications were the same for both HAOs. HUD and Rand monitored program operations more intensively than could be expected in a regular operating program to assure consistency between sites and over time.

HAO procedures in eligibility and housing certification were designed to ensure that participants and their housing continue to meet a set of specified standards. These standards cover the determination of client eligibility, the amount of the allowance payment eligible clients are entitled to receive, and the acceptability of housing units. They are presented in Appendix A of this report as they appear in the Housing Allowance Office Handbook.

#### CHARACTERISTICS OF PARTICIPANTS

Over the five-year experimental phase in both sites, a total of 29,799 households were enrolled in the housing allowance programs (Table 2.1). For several reasons, many of them failed to meet program housing requirements and thus did not qualify to receive allowance payments. By the end of year five, 23,055 (77 percent) had become recipients.

There was substantial turnover during the period predominantly because the incomes of many participants increased such that they were no longer eligible to receive assistance. By the end of year five, only 12,092 were still enrolled and 10,178 were receiving monthly payments.

Table 2.1

CHARACTERISTICS OF PARTICIPANTS, BROWN AND ST. JOSEPH  
COUNTIES HOUSING ALLOWANCE PROGRAMS

	Brown County	St. Joseph County
<i>Number of Enrollees and Recipients</i>		
Cumulative, Years 1-5		
Enrolled	10,200	19,599
Received payments	8,388	14,667
Current, at end of Year 5		
Enrolled	4,136	7,956
Receiving payments	3,563	6,615
<i>Characteristics of Enrollees, Years 1-5 (percent)</i>		
All Enrollees	100	100
Renter	68	56
Elderly head of household <sup>a</sup>	27	31
Nonwhite head of household <sup>b</sup>	4	28
Single person <sup>c</sup>	32	33
<i>Life Cycle Stage Distribution of Recipients During Year 3 (percent)</i>		
All Recipients	100	100
Nonelderly singles, no children	8	8
Nonelderly singles, with children	30	33
Nonelderly couples, no children	4	3
Nonelderly couples, with children	20	10
Elderly singles <sup>a</sup>	27	34
Elderly couples <sup>a</sup>	10	13
Renter Recipients	100	100
Nonelderly singles, no children	12	11
Nonelderly singles, with children	39	52
Nonelderly couples, no children	5	4
Nonelderly couples, with children	19	11
Elderly singles <sup>a</sup>	21	19
Elderly couples <sup>a</sup>	4	3

SOURCE: HAO management information reports as defined in Appendix A, Kingsley and Schlegel, 1982.

<sup>a</sup>Household head 62+ years of age.

<sup>b</sup>Black, Latin, American Indian, or Oriental. In Brown County, mostly American Indian; in St. Joseph County, mostly black.

<sup>c</sup>One person living alone or with nonrelatives. Before August 1977 (program year 4 in Brown County, year 3 in St. Joseph County) only elderly single persons could enroll.

The St. Joseph County program was substantially larger than its Brown County counterpart throughout. Its average recipient population over the experimental phase exceeded Brown County's by 62 percent (although as Table 2.1 indicates it was 85 percent larger at the end of year five). This gap was a function of the aggregate population sizes of the two communities rather than any behavioral differences. In both sites, current enrollment typically represented about 8 percent of all resident households and 40 to 50 percent of all households eligible for the program. (See Comprehensive Final Report, Section IV).

There were two striking variances in participant characteristics. First, mirroring differences in the composition of the eligible populations, households headed by nonwhites made up only 4 percent of cumulative enrollment in Brown County, but 28 percent of the total in St. Joseph County. Second, renters were more dominant in Brown County (68 percent) than St. Joseph County (56 percent). The reason for this difference is that there were more homeowners eligible to participate in St. Joseph County. South Bend has a substantial stock of low-value, owner-occupied housing, whereas Green Bay does not.

In other respects, the participant mixes in the two sites were similar. For example, about the same proportion of all enrollee households were headed by elderly persons (27 to 31 percent) and single persons living alone or with nonrelatives (one-third).

In the bottom panel of Table 2.1 we show the distributions of recipients in year 3 in both sites by life-cycle stage, a descriptor that has accounted for much behavioral variation evidenced in Supply Experiment studies (see, for example, Fourth Annual Report, 1978). We first divide all recipients into two groups according to the age of the head of household: elderly (62 years of age or older) and nonelderly (under 62). Among the elderly, we differentiate between households headed by single persons and households headed by married couples. We do the same within the nonelderly category, but further subdivide to separate households with children from those totally made up of adults.

The recipient populations in both sites are dominated by two groups: nonelderly singles with children and elderly singles (accounting for one-third each in St. Joseph County and somewhat less than that in Brown County). The next largest groups are nonelderly couples with children and elderly couples. Nonelderly households without children (singles and couples) represent only small portions of the total in both sites.

### III. MEASURING ADMINISTRATIVE PERFORMANCE

How well did the HAOs perform the functions we have outlined? Before we can answer, we need to discuss the criteria by which their performance should be evaluated.

#### GOALS OF PROGRAM ADMINISTRATION

Administrative goals can be thought of as distinct from program goals. The program was designed to ease the housing expense burdens of low-income households, to improve the quality of their housing, and to distribute assistance equitably among the eligible population. Administration of the program, however, could be effective independent of how well these program goals are achieved..

The HAOs had two types of administrative goals: to perform the requisite program functions effectively, and to do so efficiently. In this section, we discuss the effectiveness of HAO performance; in the next, we discuss how efficiently they achieved their goals.

Performing the requisite program functions entailed:

- Prompt workload processing. Expediting required workloads associated with intake, maintenance, and terminations in accord with program rules to avoid unreasonable delays and backlogs.
- Program integrity. Making accurate determinations with regard to eligibility certification, housing certification, and payments, thus ensuring that the right households receive the correct amount of assistance in accord with program standards. Accuracy was particularly important in the Supply Experiment because of the need for reliable research data as well as the responsibility of safeguarding public funds.
- Client and community satisfaction. Meeting program expectations and minimizing unnecessary burdens for clients (such as excessive paper work, infringements on privacy, unclear rules and procedures) or frictions in the general community of nonparticipants.

These goals do not offer unambiguous guidelines. They often pull in opposing directions. An extreme attempt to avoid burdens for clients, for example, might lead to the elimination of effective error-control devices. Overzealous error control, on the other hand, might substantially increase operating cost as well as inconvenience clients. The task for the HAOs was to achieve the proper balance among them.

#### PROMPT WORKLOAD PROCESSING

Of the three performance goals, managing the workload ought to be the easiest to achieve. In the allowance programs, however, it was no small assignment. It was understood at the outset that because the program was open to all eligibles, the HAOs would have to handle workload volumes far in excess of those required by any prior experimental program, and they would have to do so continuously over a ten-year operating period. In fact, by the end of their second year, the HASE programs were the largest public assistance programs in Brown and St. Joseph counties, serving more beneficiaries than even the local Assistance to Families with Dependent Children (AFDC) programs.

If the HAOs failed at this goal and were unable to process their workloads at all--let alone promptly--their failure would drastically alter the rules themselves. Clearly, this did not happen in HASE. Operating under the same set of requirements, the two HAOs together accepted 59,300 applications, enrolled 29,800 applicants, and authorized 23,100 enrollees for payments during their first five years of open enrollment. Intake and maintenance activity entailed processing 113,400 means tests and 79,100 housing evaluations, and the disbursement of 428,300 monthly allowance checks (see Table 3.1).

Large backlogs of work at various stages would indicate problems in service delivery, even if the work eventually got done; waiting times between successive events could be lengthy. In the maintenance phase, backlogs never accumulated at either HAO. In each of the 60 program months for which we have data, allowance payment checks always were mailed in time to reach recipients by the first of the next month (although there were a few close calls), and each

Table 3.1

HOUSING ALLOWANCE OFFICE WORKLOADS

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<i>Brown County</i>						
<u>CLIENT INTAKE</u>						
Applications	5,893	3,832	2,753	2,800	2,828	18,106
Interviews	4,326	2,763	2,036	1,971	1,945	13,041
Enrolled	3,104	1,985	1,701	1,654	1,756	10,200
Housing evaluations	4,285	2,947	2,700	3,125	3,224	16,281
New recipients	2,313	1,676	1,488	1,412	1,499	8,388
<u>CLIENT MAINTENANCE</u>						
Recertifications						
Semiannual	1,050	3,012	3,276	3,470	3,660	14,468
Annual	122	1,926	2,360	2,723	2,956	10,087
Special	—	258	429	412	556	1,655
Housing evaluations	59	2,578	3,069	3,429	3,208	12,343
Recipient years	939	2,492	3,201	3,346	3,600	13,578
<u>TERMINATIONS</u>						
Enrolled, never paid	167	524	280	265	249	1,485
Received payments	122	898	1,138	1,160	1,261	4,579
Total	289	1,422	1,418	1,425	1,510	6,064
<i>St. Joseph County</i>						
<u>CLIENT INTAKE</u>						
Applications	10,053	8,807	6,816	6,501	9,021	41,198
Interviews	7,219	6,199	4,664	4,580	6,029	28,691
Enrolled	4,425	4,341	3,413	3,290	4,130	19,599
Housing evaluations	6,398	6,041	5,718	4,691	5,806	28,654
New recipients	3,006	3,293	2,796	2,466	3,106	14,667
<u>CLIENT MAINTENANCE</u>						
Recertifications						
Semiannual	2,162	4,376	5,928	5,922	5,825	24,213
Annual	80	2,522	4,290	4,520	4,717	16,129
Special	391	790	709	692	760	3,342
Housing evaluations	169	3,127	5,465	6,120	6,902	21,783
Recipient years	1,254	3,780	5,232	5,672	6,178	22,116
<u>TERMINATIONS</u>						
Enrolled, never paid	345	900	1,065	763	903	3,976
Received payments	204	1,303	1,775	2,206	2,179	7,667
Total	549	2,203	2,840	2,969	3,082	11,643

SOURCE: HAO Management Information reports as tabulated in Kingsley and Schlegel, 1982.

NOTE: For Brown County, year 1 began July 1, 1974 and year 5 ended June 30, 1979. For St. Joseph County, year 1 began April 1, 1975 and year 5 ended March 31, 1980.



cohort of recipients due for eligibility or housing recertification was processed without holdovers to the following month. Although the HAOs deserve credit for this achievement, it was made easier by one of the program's most basic administrative policies: that if workloads expanded beyond HAO capacity at any point, resources were to be shifted to maintenance activity first, allowing the backlogs to develop in intake. We considered it critical to program discipline (both internal and external) that recipients be able to expect payments and recertifications on time.

Our attention, then, shifts to the intake phase. Under normal conditions, we expected enrollment to take about 1.5 months, including time to receive, screen, and process the application; schedule and conduct the enrollment interview; and then check and computer-process the results. We used this standard to evaluate the size of HAO intake backlogs. Specifically, we measured how often the total number of cases in process at the end of a quarter (application submitted but enrollment results not yet entered in the computer) exceeded intake capacity (number of cases the HAO actually processed over the quarter, expressed as a 1.5-month rate).

The Brown County HAO backlogs exceeded this standard only once during its first five years: three months after enrollment began. Actually, we did not regard substantial intake backlogs as a problem then or at any other time during either HAO's first year. During that year, we expected to receive the largest number of applications. The benefits of processing all of them at normal speeds could well have been offset by institutional costs such as personnel and data-quality problems associated with the use of short-term employees to handle peak workloads.

The St. Joseph County HAO, however, had a quite different experience. The number in the enrollment process there exceeded the 1.5-month processing capacity 75 percent of the time, even in years two through five; it was more than double that capacity 25 percent of the time. Why didn't the HAO hire more staff to reduce the backlog? Although there are a number of short-term explanations, the main reason was budgetary. St. Joseph County's administrative budget was already much larger than Brown County's budget, and was viewed

as significant in the community. With uncertainty about future applications, there was also the concern that new staff hired and trained to reduce the backlog might have to be terminated shortly if intake activity dropped off. These concerns were shared by HUD as reflected in the tough reviews they gave St. Joseph County's budget requests. In hindsight, we think all parties were too cautious.

With respect to the first goal--prompt workload processing--it is hard to fault the Brown County HAO's performance. Even with what we now consider to be excessive intake backlogs, we think the St. Joseph County HAO's performance was also quite solid in this regard overall. Intake waiting times never got so long that unfavorable community sentiment was aroused. They did not dampen the St. Joseph County HAO's local reputation as an effective agency--a reputation based in part on its consistently prompt performance of other processing tasks.

#### PROGRAM INTEGRITY

Measuring the accuracy of means-test determinations is complicated and requires special record-keeping techniques used by few income-transfer agencies. Several definitions should help clarify our approach. First, we note that we are primarily concerned with payment errors (errors in the amount of the allowance paid a client) rather than minor clerical errors that have no fiscal impact. We next define two types of payment error:

- Client misreporting: errors made by clients in reporting income or other household data to the HAO, whether intentional (fraudulent) or not.
- Staff errors: errors made by staff in transcribing information or performing calculations.

Within each type of payment error, we establish four categories:

- Potential error: the error in monthly entitlements that would occur if the agency made no effort to prevent error in the course of gathering household information.

- Initial error: the error in monthly entitlements that actually exists when the interviewer forwards means-test results for formal entry in agency records.
- Corrected error: that portion of initial error later identified and corrected by agency error-control techniques such as staff data review or third-party verification.
- Uncorrected error: the error remaining after control techniques have been applied.

Finally, we must recognize that although most errors are made in the client's favor (correction saves the government money), some errors are inadvertently made in the agency's favor, and that these are corrected, outlays to clients must be increased. Net payment error is the difference between such overpayments and underpayments in a group of completed means tests. If there is an initial net payment error of \$5, the agency could reduce outlays by \$5 if all individual errors were caught and corrected; if the net payment error is minus \$5, correction reverses the flow.

Our measures of HAO error are presented in Table 3.2.<sup>1</sup> The time periods covered by the samples vary slightly, but most cover the middle three out of the first five years of open enrollment in each site. We present averages for the samples as a whole because although there was significant month-to-month variation, we found no discernible long-term trends in error rates, either up or down. In summary:

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<sup>1</sup>The HAOs only verify and exercise quality control on a sample of all cases. Estimates of initial (uncorrected) error can be made by projecting errors found in the sample to the total population. To avoid costly reviews, client misreporting errors are processed only if they would change payments by \$10 or more per month. Smaller errors are not tabulated in this analysis. It is possible, of course, that even complete third-party verification might miss something, e.g., an undisclosed part-time job. A thorough, independent audit of both HAOs in 1978, however, concluded that at least within the bounds of feasible measurement, the extent of any such residual error was negligible. The audit entailed completely reinterviewing clients and making direct checks with a variety of outside parties who might have information on the client's income, whether or not the client mentioned them (see Tebbets, 1979).

Table 3.2

ACCURACY OF HAO MEANS TEST DETERMINATIONS

	Brown County		St. Joseph County	
	Intake	Annual	Intake	Annual
<i>Sample Size</i>				
Client Misreporting	5,358	6,637	11,490	10,403
Staff Error Corrected	467	689	775	591
Staff Error Uncorrected	291	413	545	332
<i>Percent of Cases With Payment Errors</i>				
<u>Client Misreporting</u>				
Initial error	3.1	2.8	2.3	1.8
Corrected	2.9	2.3	1.7	.9
Uncorrected	.2	.5	.6	.9
<u>Staff Error</u>				
Initial error	6.8	7.1	10.1	8.4
Corrected	5.8	4.4	5.7	5.4
Uncorrected	1.0	2.7	4.4	3.0
<i>Average Net Payment Error Per Recipient Year (\$)</i>				
<u>Client Misreporting</u>				
Initial error	2.96	3.79	5.22	4.35
Corrected	2.93	2.80	3.89	1.99
Uncorrected	.03	.99	1.33	2.36
<u>Staff Error</u>				
Initial error	9.62	-1.30	5.53	2.60
Corrected	4.59	.15	2.40	.62
Uncorrected	5.03	-1.45	3.13	1.98
<u>Total Error</u>				
Initial error	12.58	2.49	10.75	6.95
Corrected	7.52	2.95	6.29	2.61
Uncorrected	5.06	-.46	4.46	4.34
<i>Performance Ratios</i>				
<u>Percent of Net \$ Error Corrected</u>				
Client misreporting	99	74	75	46
Staff error	48	NC	43	24
Total	60	NC	59	38
<u>Net \$ Error as Percent of Payments</u>				
Initial error	1.39	.31	1.21	.79
Corrected	.84	.35	.71	.30
Uncorrected	.55	-.04	.50	.49

SOURCE: Estimated by HASE staff from sample studies of HAO case records conducted by HAO staff. See Rizer, 1982.

- Client misreporting that affected payments occurred in 2.3 to 3.1 percent of all enrollment interviews and 1.8 to 2.8 percent of annual recertifications in St. Joseph and Brown counties, respectively. Most of the errors were corrected by third-party verifications. The typical error was sizeable. In St. Joseph County enrollment, for example, the typical error in the client's favor would have led to an overpayment of \$394 in a year's time, and the typical error in the HAO's favor to a \$338 annual underpayment. But since the two types of errors are netted out and so few cases had errors, the effect was negligible when considered in relation to all payments. In Brown County, the uncorrected net payment error amounted to \$.03 per recipient-year for intake (enrollment) and \$.99 per recipient-year for annual recertifications. The corresponding figures for St. Joseph County were \$1.33 and \$2.36.
- Staff payment errors occurred more frequently--in 7 to 10 percent of enrollments and in 7 to 8 percent of annual recertifications in Brown and St. Joseph counties, respectively. Again, HAO staff caught and corrected most of those errors. Uncorrected net payment errors per recipient-year were in the \$2 to \$3 range in St. Joseph County, and \$5 for Brown County enrollments. The value for Brown County annuals was negative (-\$1.45); that is, had all staff errors been caught and corrected, the HAO would have discovered that underpayments exceeded overpayments.
- In St. Joseph County, total uncorrected error (client and staff error taken together) led to an overpayment of \$4.50 per recipient-year or 0.5 percent of total payments. In Brown County, the uncorrected overpayment from enrollments was \$5 (0.6 percent of all payments); uncorrected errors in annual recertifications led to a net underpayment of \$.46 (0.04 percent).

Available evidence suggests that this is an enviable record. A study of the national AFDC program during the first half of 1976, for example, 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.<sup>2</sup> AFDC's quality-control program has since led to improvements in many areas, but the HAO rates (under 1 percent in both sites) still were well below the lowest AFDC regional average (4 percent) in 1978 (Griffiths and Callahan, 1980).

HAO efforts in catching and correcting errors played a relatively small part in achieving this level of accuracy. Initial errors at the HAOs (e.g., net overpayment rates for intake of 1.4 percent in Brown County and 1.2 percent in St. Joseph County) were already well below the AFDC rates cited above. This does not mean, however, that the HAOs do not deserve the credit. We cannot measure "potential" error, but Harrar (1976) suggests that in means tests generally, such error may be substantially above the reported rates for the AFDC program. We believe that the HAOs' major accomplishment in error control was in preventing errors, particularly by their thorough and systematic approach in conducting enrollment and recertification interviews (see discussion in Rizer, 1982, Section V).

Allowance program integrity, of course, depended on accuracy and consistency in housing evaluations as well as in means tests. Our only detailed study of this topic was done by Tebbets (1979). He used October 1975 through August 1976 quality-control data to show that in both HAOs, the overall pass-fail determinations in control evaluations differed from those of the original evaluations in only 1.5 percent of all cases. Overall determinations can differ if there is a discrepancy in any one of 80 possible entries on the typical evaluation form. Using a subsample, Tebbets found that differences on individual entries

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<sup>2</sup>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 (Executive Office of the President, 1978, p. 347).

occurred 0.1 percent of the time in Brown County and 0.4 percent of the time in St. Joseph County.

#### PARTICIPANT AND COMMUNITY SATISFACTION

Evidence on local attitudes about the allowance program was obtained from the Supply Experiment's annual marketwide surveys in each site (surveys independent of any affiliation with the HAOs). Relevant findings are presented in Section VI of the experiment's Comprehensive Final Report (1982) and are summarized below.

Program recipients in the sample overwhelmingly approved of the program and the way it was being run (top panel of Table 3.3, survey data about three years after start of program). Beneficiaries of social programs normally endorse the organizations that assist them, but the positive ratings for the allowance program (consistently around 90 percent in both sites) are unusually high. In a survey by Louis Harris and Associates (1976), national samples of tenants in several subsidized housing programs were asked whether those programs were being run the way they should be. Positive responses were given by 69 percent of the respondents in the Section 236 rent subsidy program, 68 percent in the Section 235 mortgage subsidy program, and 63 percent in the conventional public housing program.

The Supply Experiment surveys showed that participants rated HAO staff performance as high or higher than other program features. About 80 percent said they understood the rules pertaining to eligibility and housing evaluations and thought they were fair. However, over 90 percent of those who were interviewed by the HAOs (including those found to be ineligible as well as those enrolled) expressed satisfaction with the work of the staff. Only 6 percent said they needed advice that they did not get from the HAOs. There was little variation in these ratings (or others shown in Table 3.3) among households of different types (as defined by age, race, education, family size, housing tenure, income or location of residence).

When enrollees in the sample were asked whether anything about the allowance program should be changed, four-fifths had no criticisms to offer. Among the remainder, there was little consensus on which changes

Table 3.3

PROGRAM EVALUATIONS BY RECIPIENTS AND INFORMED HOUSEHOLD HEADS: BROWN AND ST. JOSEPH COUNTIES, SURVEY WAVE 4

	Percent Distribution		
	Yes	Natural, Or No Opinion	No
<i>Program Recipients</i>			
Is the program a good idea overall? <sup>a</sup>			
Brown County	90.0	7.9	2.2
St. Joseph County	92.0	3.6	4.4
Do HAO staff know what they are doing?			
Brown County	90.4	4.2	5.4
St. Joseph County	90.0	5.5	4.5
Is the program run the way it should be?			
Brown County	88.9	3.4	7.8
St. Joseph County	84.0	8.2	7.9
<i>All Household Heads Informed About the Program</i>			
Is the program a good idea overall? <sup>a</sup>			
Brown County	61.6	21.6	16.9
St. Joseph County	61.8	25.1	13.2
Do HAO staff know what they are doing?			
Brown County	71.5	15.1	13.3
St. Joseph County	59.9	18.8	21.2
Is the program run the way it should be?			
Brown County	59.8	18.4	21.9
St. Joseph County	50.2	24.1	25.7

SOURCE: Tabulated by HASE staff from weighted records of the wave 4 survey of households (early 1977 in Brown County, early 1978 in St. Joseph County) as presented in Tables 6.2 and 6.7, *Comprehensive Final Report*.

NOTE: Except for rounding error, each row in each panel would add to 100.0 percent.

<sup>a</sup> Respondents rated the program on a 7-point scale, "good idea" to "bad idea." In this panel, ratings 1-3 are coded as "good idea" and ratings of 5-7 are coded as "bad idea." Ratings of 4 are coded as neutral and are combined with "no opinion" and "don't know" responses.



would be desirable; 50 different recommendations and criticisms were mentioned, but none was supported by more than a small percent of all enrollees. Surprisingly, the number that thought income and eligibility rules were too generous was larger than the number that thought they were too strict.

Community-wide attitudes about the allowance program and its administration were also positive but, as would be expected, approval ratings were not as high as those given by direct participants. Among all heads of households evidencing any knowledge of the program, 62 percent in both sites thought the program itself was a "good idea" and from 50 to 72 percent gave positive ratings to the staff and the way the program was run (bottom panel in Table 3.3). We compared these ratings, obtained about three years after the programs had been in operation, with similar ratings given just one year after the programs began. The percent that approved the program overall had stabilized or declined modestly. In both sites, however, the percent stating that the HAO staff knew what they were doing and that the program was being run as it should be, had increased.

IV. MEASURING ADMINISTRATIVE EFFICIENCY

Both HAOs rate high marks for meeting their performance goals, but how high a price did they pay for that achievement? They did spend a considerable amount of money administering the program: together, \$13.6 million in the five-year experimental period (Table 4.1). Administrative costs averaged \$1.1 million per year in Brown County, \$1.6 million in St. Joseph County. In both sites, almost exactly two-thirds of those expenses went for staff salaries and fringe benefits.

Data presented this way, however, tell us nothing about efficiency. To evaluate HAO administrative expenditures, we need to calculate cost per unit of output or service provided.

Table 4.1

HOUSING ALLOWANCE OFFICE EXPENDITURES

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<i>Brown County (\$000s)</i>						
<u>ADMINISTRATIVE EXPENDITURES</u>						
Salaries and Fringe	686	706	772	720	685	3,569
Office and equipment rental	109	118	111	109	110	556
Supplies	63	64	59	53	54	294
Other	382	202	115	136	135	969
Total	1,240	1,089	1,056	1,018	985	5,388
<u>HOUSING ALLOWANCE PAYMENTS</u>	744	1,902	2,780	3,022	3,486	11,934
<u>TOTAL EXPENDITURES</u>	1,983	2,992	3,837	4,040	4,471	17,323
<i>St. Joseph County (\$000s)</i>						
<u>ADMINISTRATIVE EXPENDITURES</u>						
Salaries and Fringe	878	1,117	1,140	1,171	1,243	5,549
Office and equipment rental	136	146	163	165	166	776
Supplies	90	113	101	93	102	498
Other	342	274	237	307	221	1,381
Total	1,445	1,649	1,641	1,736	1,733	8,204
<u>HOUSING ALLOWANCE PAYMENTS</u>	1,255	3,047	4,595	5,121	6,315	20,334
<u>TOTAL EXPENDITURES</u>	2,701	4,696	6,236	6,857	8,049	28,539

SOURCE: HAO accounting records as tabulated in Kingsley and Schlegel, 1982.

NOTE: For Brown County, year 1 began July 1, 1974 and year 5 ended June 30, 1979. For St. Joseph County, year 1 began April 1, 1975 and year 5 ended March 31, 1980. All expenditures in current dollars.

## MEASURING EFFICIENCY

Measuring change in the efficiency of HAO administration required an accounting system that would allow us to allocate costs to the administrative functions described earlier in this section. The system was installed in April 1976 (21 months after open enrollment began in Brown County; 12 months in St. Joseph County). It is described fully in Kingsley and Schlegel, 1979; and Kingsley and Schlegel, 1982.

Since personnel costs make up such a large proportion of the total, the way they are broken down is most important. HAO employees distribute their work hours each day among a series of detailed activity codes.<sup>1</sup> Hours by activity can be translated into salary and fringe dollars that can then be aggregated by function.

Different methods are used for nonpersonnel costs. Some of these costs are clearly chargeable to only one direct function; e.g., advertising bills were appropriately charged only to outreach. Others can be distributed as direct charges among several functions based on related information: e.g., data on automobile mileage by purpose of trip offers a reasonable basis for distributing local travel costs. Yet others cannot reasonably be allocated as direct charges and must be grouped as indirect costs in the Administrative Support category.

Once all costs are allocated, we divide by appropriate workload counts for each function. For example, from April through December 1976, the Brown County HAO spent \$29,584 directly on annual recertification interviews and conducted 1,662 such interviews, implying a cost of \$17.80 per case.<sup>2</sup> Since the denominators (workload measures) for each maintenance function differ, we cannot simply aggregate function costs like these to yield an overall measure of the cost of maintenance; we used the recipient-year as a

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<sup>1</sup>The system has 68 different activity codes but only a few apply to any one staff member at any time. Time sheets are reviewed by supervisors to assure conformity to specifications.

<sup>2</sup>In this, and all subsequent calculations of administrative costs in this report, costs are expressed in constant 1976 dollars for consistency with other presentations of costs in EHAP (see, for example, U.S. Department of Housing and Urban Development, 1980).

common unit of account. We found that over the long term, the Brown County HAO conducted 0.87 annual interviews per recipient-year.<sup>3</sup> Thus the direct cost of those interviews was \$15.49 per recipient-year ( $\$17.80 \times 0.87$ ).

For intake costs, however, it does not make sense to use recipient-years as the denominator. When the program is growing rapidly and intake dominates HAO workloads, intake costs per recipient-year will be high. When the program has reached steady state (only enough intake to replace terminations), intake cost per recipient-year might be negligible. The calculations would produce these results even with no change in the efficiency of intake activity. Instead, it is appropriate to relate the cost of intake to its own direct output--the number of new recipients added to the program. We follow a similar procedure, however: calculate the cost per case processed for each intake function then multiply by the number of such cases required to yield one new recipient.

#### COSTS OF CLIENT INTAKE AND MAINTENANCE

Cost data consistent with this framework are presented in Table 4.2, covering the period April 1976 through June 1979. Total direct intake and maintenance cost ratios are charted in Fig. 4.1.

Looking at the direct costs of maintenance, we note two findings in particular. First, even though Brown County total outlays for maintenance were typically 50 percent less than those in St. Joseph County, direct maintenance costs per recipient-year were very nearly the same in the two sites (e.g., \$75 and \$76, respectively, in 1976). Second, maintenance costs per recipient-year declined significantly in both sites over the period; the drop was substantial in 1976 and 1977, and gradual thereafter. Comparing Brown County's \$75 cost in 1976 with its \$55 weighted average for July 1977 through June 1979 (which approximates steady-state conditions), the cost declined

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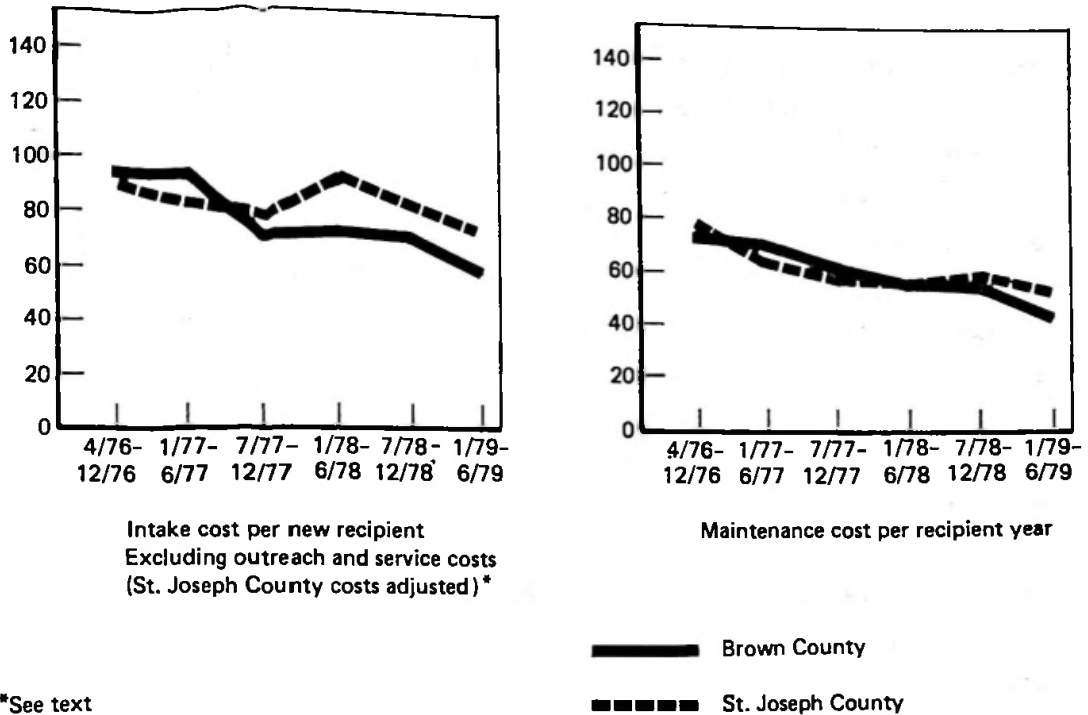
<sup>3</sup>The number of recipient-years of program service provided by the HAO is the equivalent of 12 months of recipient status regardless of the number of households involved. If, during a given year, two households received payments for 6 months and two others for 9 months, the yield would be 2.5 recipient-years (30 recipient months divided by 12).

Table 4.2

ADMINISTRATIVE COSTS OF INTAKE AND MAINTENANCE

	Apr-Dec 1976	Jan-Jun 1977	Jul-Dec 1977	Jan-Jun 1978	Jul-Dec 1978	Jan-Jun 1979
<i>Brown County</i>						
<u>ADMINISTRATIVE COST (1976 \$ in thousands, annualized)</u>						
Program Operations						
Intake	206	132	116	108	102	97
Maintenance	218	216	212	199	197	165
Total	424	348	328	308	300	262
Experimental Support	168	137	140	124	119	67
Administrative Support	508	481	508	472	466	441
Total	1,100	965	976	905	885	770
<u>INDIRECT (ADMIN. SUPPORT) PER DOLLAR DIRECT COST</u>	.857	.992	1.085	1.093	1.113	1.341
<u>INTAKE COST PER NEW RECIPIENT</u>						
Direct	115	106	78	76	74	62
Total	209	210	163	161	157	146
<u>MAINTENANCE COST PER RECIPIENT YEAR</u>						
Direct	75	72	62	58	57	47
Total	137	143	129	122	120	110
<i>St. Joseph County</i>						
<u>ADMINISTRATIVE COST (1976 \$ in thousands, annualized)</u>						
Program Operations						
Intake	473	510	339	257	364	264
Maintenance	262	279	306	345	326	316
Total	735	790	645	602	690	580
Experimental Support	178	205	151	128	202	83
Administrative Support	756	740	725	697	661	666
Total	1,669	1,735	1,522	1,427	1,553	1,329
<u>INDIRECT (ADMIN. SUPPORT) PER DOLLAR DIRECT COST</u>	.828	.744	.910	.955	.741	1.004
<u>INTAKE COST PER NEW RECIPIENT</u>						
Direct	152	161	122	130	147	98
Total	275	281	233	254	256	197
<u>MAINTENANCE COST PER RECIPIENT YEAR</u>						
Direct	76	64	58	58	60	54
Total	137	112	112	114	104	109

SOURCE: Analysis of HAO accounting records and Management Information Reports in Kingsley and Schlegel, 1982.



\*See text

Fig. 4.1 — Intake and maintenance direct cost ratios  
(constant June 1976 dollars)

by 25 percent. The change for St. Joseph County (from \$76 to \$57) was virtually identical.

Direct intake costs per new recipient also declined in both sites. In Brown County, the cost was \$115 in 1976 and \$73 in the steady-state period, a drop of 36 percent. Intake cost in St. Joseph County started higher (\$152), and did not decline by as much (steady-state average of \$121, implying a 20-percent decline). The fact that the St. Joseph County cost did not decline as much is explained by the jump in 1978 expenses caused by severe winter storms that disrupted workloads, unprecedented intake-staff turnover, and an intensive outreach campaign (see Kingsley and Schlegel, 1982). But why were intake costs there higher than Brown County's throughout? Most of the difference is explained by two factors. First, St. Joseph County spent more on outreach and enrollee services as a matter of policy.

Second, fewer applicants there made it through all of the steps required to become recipients; thus intake workloads were higher per new recipient. If we control for these factors by eliminating outreach and service costs and use the Brown County workload requirements vector in both sites (see Fig. 4.1), we find very little difference in the efficiency of remaining intake functions. The Brown County average over the whole period is \$76; the St. Joseph County average is \$83, only 9 percent higher.

Direct costs of program operations, however, tell only part of the story. To examine total administrative costs, we need to factor in expenses for administrative support functions.<sup>4</sup> To do this, we allocate them to the other functions in proportion to their direct costs. In general, such indirect costs were higher per dollar of total cost in Brown County than in St. Joseph County, but not by much. The effect, then, is that the curves for total cost look very much like those for direct costs only, but with the Brown County curves somewhat higher on the chart. Our conclusions about direct costs apply to the totals as well: per unit costs of intake and maintenance were surprisingly similar in the two sites and declined significantly from 1976 through 1979.

#### COSTS BY FUNCTION

The costs of administering each intake and maintenance function during the steady-state period are shown in Table 4.3. Clearly, the eligibility certification function (means-test administration) is most costly. In Brown County, it accounted for 60 percent of all intake costs and 63 percent of all maintenance costs; 48 percent and 58 percent, respectively, in St. Joseph County. As would be expected, given their requirements, the costs of annual recertifications are more than twice those of semiannuals. The HAOs' emphasis on error control

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<sup>4</sup>For comparability with other programs, experimental support costs must be excluded. The allocation of costs to this category was conservative; i.e., the costs of some activities mandated only by experimental needs were left in the intake and maintenance categories because we did not have sufficient data to allow us to remove them reliably (see Kingsley and Schlegel, 1979).

Table 4.3

ESTIMATED STEADY STATE INTAKE COSTS PER NEW RECIPIENT  
AND MAINTENANCE COSTS PER RECIPIENT YEAR

	Brown County			St. Joseph County		
	1976 \$		Percent of Total Cost	1976 \$		Percent of Total Cost
	Direct Cost	Total Cost		Direct Cost	Total Cost	
<i>Intake Cost Per New Recipient</i>						
<u>OUTREACH</u>	2.41	5.18	3.3	24.30	46.08	20.0
<u>ELIGIBILITY CERTIFICATION</u>	43.47	93.47	59.6	58.00	109.98	47.7
<u>Screening and Scheduling</u>	10.43	22.43	14.3	14.61	27.70	12.0
Receipt and Screening of Contacts	5.65	12.15	7.8	5.62	10.66	4.6
Application Computer Processing	2.06	4.43	2.8	1.48	2.80	1.2
Interview Scheduling	2.72	5.85	3.7	7.51	14.24	6.2
<u>Interview and Program Information</u>	20.52	44.12	28.1	24.74	46.91	20.4
<u>Error Control and Data Processing</u>	12.52	26.92	17.2	18.65	35.37	15.3
Enrollment Data Review	4.09	8.79	5.6	7.83	14.85	6.4
Enrollment Verification	1.13	2.43	1.6	2.15	4.08	1.8
Enrollment Computer Processing	7.30	15.70	10.0	8.67	16.44	7.1
<u>HOUSING CERTIFICATION</u>	27.01	58.07	37.1	39.30	74.52	32.3
<u>Housing Evaluation</u>	25.88	55.64	35.5	32.81	62.21	27.0
Housing Evaluation	21.80	46.87	29.9	26.15	49.58	21.5
Housing Requirements Processing	4.08	8.77	5.6	6.66	12.63	5.5
<u>Enrollee Services</u>	1.13	2.43	1.6	6.49	12.31	5.3
<u>TOTAL INTAKE</u>	72.89	156.72	100.0	121.60	230.58	100.0
<i>Maintenance Cost Per Recipient Year</i>						
<u>PAYMENTS OPERATIONS</u>	7.32	15.74	13.1	5.76	10.92	10.0
<u>ELIGIBILITY RECERTIFICATION</u>	35.10	75.47	62.9	33.24	63.03	57.8
<u>Semiannual Recertification</u>	10.01	21.52	17.9	7.74	14.67	13.4
SAR Client Contact and Processing	7.94	17.07	14.2	5.56	10.54	9.6
SAR Verification	.19	.41	.3	.18	.34	.3
SAR Computer Processing	1.88	4.04	3.4	2.00	3.79	3.5
<u>Annual Recertification</u>	21.41	46.04	38.4	20.64	39.14	35.9
AR Interview Scheduling	1.35	2.90	2.4	.37	.70	.6
AR Interview	11.61	24.96	20.8	10.96	20.78	19.1
AR Data Review	4.04	8.69	7.3	3.86	7.32	6.7
AR Verification	.65	1.40	1.2	.79	1.50	1.4
AR Computer Processing	3.76	8.09	6.7	4.66	8.84	8.1
<u>Special Recertification</u>	3.68	7.91	6.6	4.86	9.22	8.5
SR Interview	2.28	4.90	4.1	2.97	5.63	5.2
SR Data Review	.58	1.25	1.0	.55	1.04	1.0
SR Verification	.16	.34	.3	.22	.42	.4
SR Computer Processing	.66	1.42	1.2	1.12	2.13	1.9
<u>HOUSING RECERTIFICATION</u>	13.42	28.85	24.0	18.49	35.06	32.2
<u>Housing Reevaluation</u>	12.75	27.41	22.8	17.33	32.86	30.2
Housing Reevaluation	10.47	22.51	18.7	15.26	28.94	26.6
Housing Requirements Processing	2.28	4.90	4.1	2.07	3.92	3.6
<u>Recipient Services</u>	.67	1.44	1.2	1.16	2.20	2.0
<u>TOTAL MAINTENANCE</u>	55.84	120.06	100.0	57.49	109.01	100.0

SOURCE: Analysis of HAO accounting records and Management Information Reports in Kingsley and Schlegel, 1982.



shows up prominently: staff data-review and verification costs accounted for from 12 to 17 percent of all intake eligibility-certification costs, for example.

Housing certification is the next most expensive function. Housing evaluation accounted for between one fifth and one third of all costs. Service costs were negligible in Brown County, and comparatively small in St. Joseph County.

#### TOTAL ADMINISTRATIVE COST PER RECIPIENT-YEAR

To characterize overall HAO efficiency, we need a summary measure that brings together the costs of intake and maintenance--total administrative cost per recipient-year. The simplest way to calculate this measure would be to divide total costs of an operating program in a given period by the number of recipient-years recorded by the program during that period. At a fixed level of efficiency, however, this approach will produce widely differing estimates depending solely on variations of the ratio of intake activity to maintenance activity.

For example, imagine a program that logs in two new recipients and one recipient-year in a given period of time. Assume Brown County costs: \$157 for intake and \$120 for maintenance. The total cost is \$434 per recipient-year ( $\$157 + \$157 + \$120$ ). Assume instead only one new recipient is added: the total cost would be \$277 per recipient-year ( $\$157 + \$120$ ); yet efficiency, by definition, has not changed.

The only reliable way to calculate the measure is to use a different method that considers cost over the long term. Data on recipient attrition during the first two years of the program permitted us to estimate that the average Brown County recipient remained in the program for 3.67 years after the initial payment authorization. The full administrative cost for the typical recipient, therefore, will be \$157 for intake plus 3.67 times \$120 per year for maintenance--a total of \$597 or, now dividing by 3.67, \$163 per recipient-year. We estimate that the average duration of reciprocity in St. Joseph County is 4.28 years. Similar calculations using that average show that long-term total administrative cost there was also \$163 per recipient-year.

COMPARISON WITH OTHER PROGRAMS

In Table 4.4, we compare the administrative cost of the Supply Experiment allowance programs with the costs of other housing and welfare programs. Where sufficient data are available, we divide costs into two components: those required for basic income-transfer functions, and those required for housing earmarking.

Consider Brown County costs as an example. Income-transfer costs there in the intake phase include the cost of all functions except housing certification ( $\$157 - \$58 = \$99$ , per new recipient). But if there were no housing requirements, all enrollees would automatically become recipients. The Brown County HAO enrolled 1.17 households for every one finally authorized for payment; thus, without earmarking, intake cost would be  $\$85$  per new recipient ( $\$99$  divided by 1.17), or (dividing by the 3.67-year average duration of reciprocity again),  $\$23$  per recipient-year. In the maintenance phase, subtracting housing recertification costs from the total leaves  $\$90$  per recipient-year ( $\$120 - \$30$ ). The total income-transfer cost is thus  $\$113$  per recipient-year ( $\$23 + \$90$ ), and by implication, the residual  $\$50$  is the additional administrative cost required to earmark the transfer for housing. In St. Joseph County, income-transfer costs are somewhat lower and housing requirements costs somewhat higher. The intersite averages are  $\$108$  for income-transfer, and  $\$55$  for housing requirements.

HAO total costs were substantially below even the lowest cost recorded among the seven agencies administering housing allowance programs in the Administrative Agency Experiment (AAE). The AAE median ( $\$235$ ) exceeded the  $\$163$  HAO average by 44 percent. The AAE agencies had much smaller workloads than the HAOs (500 to 1,500 enrollees), and only renters were allowed to participate. All shared the same basic administrative functions as the HAOs, but were given considerable latitude in designing procedures to implement them, which accounts for the wide variation in outcomes.

Most of the cost difference between the two experiments is explained by high AAE expenditures for housing certification. The AAE median earmarking cost was 2.5 times the HAO average largely because

Table 4.4

ADMINISTRATIVE COSTS OF SELECTED HOUSING  
AND WELFARE PROGRAMS

Program	Cost per Recipient-Year (1976 \$)		
	Income Transfer	Housing Certification	Total
<i>Supply Experiment</i>			
Brown County	113	50	163
St. Joseph County	103	60	163
Average	108	55	163
<i>Administrative Agency Experiment<sup>a</sup></i>			
Most expensive site	202	275	403
Least expensive site	92	61	194
Median	133	138	235
<i>Section 8 Existing Housing</i>			
0-49 recipients	(b)	(b)	216
50-99 recipients	(b)	(b)	191
100-299 recipients	(b)	(b)	170
300-499 recipients	(b)	(b)	214
500-999 recipients	(b)	(b)	191
1,000+ recipients	(b)	(b)	296
Average	(b)	(b)	190
<i>Aid to Families with Dependent Children</i>			
Most expensive state	582	(c)	582
Least expensive state	77	(c)	77
National average <sup>d</sup>	295	(c)	295

SOURCES: Supply Experiment data are from Table 8.5; Administrative Agency Experiment data are from U.S. Department of Housing and Urban Development (1980) and Maloy, Madden, and others (1977); Section 8 data are from Coopers and Lybrand (1981); AFDC data are from Campbell and Bendick (1978).

NOTE: Costs for each program were converted to 1976 dollars. Intake costs for the Supply and Administrative Agency experiments and for the Section 8 program are amortized over the estimated average duration of reciprocity (4 years). AFDC costs for determining eligibility and administering payments for fiscal 1976 were divided by average monthly caseload during that year; costs for social services to recipients were excluded.

<sup>a</sup>Seven sites, excluding Jacksonville, Florida, where operating experience was unusual. Income transfer, housing certification, and total entries are for different sites, so the components do not add to the total.

<sup>b</sup>Not available.

<sup>c</sup>Not applicable.

<sup>d</sup>Average of state costs, each weighted by caseload.

most AAE agencies spent substantial amounts on services to help enrollees find certifiable housing. In fact, AAE housing evaluation procedures were considerably less rigorous than those used by the HAOs. There were no regular quality control procedures and in some sites, participants themselves were responsible for housing inspections. (See Hamilton, 1979.)

The AAE median income-transfer cost was only 25 percent higher than the HAO average, but AAE processing requirements here were also less demanding. First, where the HAOs recertified client eligibility once every six months, the AAEs required only annual recertifications for nonelderly recipients and biennial recertifications for the elderly. Second, although some AAE agencies developed formal error-control procedures, none emphasized them as much as the HAOs.

HAO costs were also well below the administrative costs estimated for a sample of agencies operating Section 8 Existing Housing programs. This component of the broader Section 8 program was HUD's fastest growing vehicle for housing assistance in the late 1970s. It operates like a housing allowance program, with three major differences. First, as in the AAE, only renters can participate. Second, subsidy payments are disbursed indirectly, through contracts made with landlords, rather than as direct payments to tenants. Third, subsidies equal the difference between the tenant's income-based rent-paying ability and his actual rent rather than a standard rent, which the allowance program formula uses.<sup>5</sup>

These differences give Section 8 agencies several additional administrative tasks to perform. In the intake phase, funds must be spent on outreach for landlords, as well as tenants, and on negotiating contracts and rent levels with landlords who decide to participate. In the maintenance phase, Section 8 agencies have additional responsibilities reviewing landlord eviction requests, inspecting and accounting for the vacated housing units of landlords who still have active contracts, and renegotiating rents and other contract terms as conditions change.

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<sup>5</sup>For more complete discussions of these differences, see Kingsley and Schlegel, 1982, Rydell et al., 1981, and Drury et al., 1978.

There are no authoritative estimates of the additional costs implied by these special Section 8 functions, but we suspect they are significant. Wynn (1981) asked five agencies to estimate the amount of staff time they devoted to various activities. Their responses showed that in the intake phase, special Section 8 functions required 15 to 39 percent of the manpower needed for all other functions of an allowance program. In the maintenance phase, the range was 18 to 61 percent.

These responses indicate that a Section 8 program ought to cost more to administer than an allowance program at the same level of efficiency. However, there is a compensating factor. Section 8 eligibility recertification requirements are the same as those noted above for the AAE. Thus, the Section 8 agencies had much less work to do than the HAOs in this major maintenance function.

The AFDC program, of course, does not have housing certification requirements to administer, so it is appropriate to compare AFDC costs with HAO income-transfer costs only. HAO costs average \$108 per recipient-year, 37 percent of the 1976 national AFDC average, and lower than the AFDC averages for all but two states. It appears that the other housing programs (AAE and Section 8) also spend less than AFDC in administering income-transfer functions, but they required less than half of the eligibility recertifications performed by the HAOs or the typical AFDC office.

#### DETERMINANTS OF PERFORMANCE

The HAOs met their administrative goals as the housing allowance programs got under way they either maintained high standards of performance or improved upon them as time went on. Their most important achievement was not just getting required work done on schedule, controlling errors, maintaining positive client and community relations, or cutting administrative costs, but rather, accomplishing these tasks all at the same time. There are many things the HAOs could have done better, but on the whole their record is encouraging, especially considering current skepticism about the effectiveness of programs administered in the public sector.

The HAOs were organized and supervised by The Rand Corporation as part of a highly visible social experiment. Is their experience relevant to the world of regular program operations? We judge that there were enough similarities to regular programs to make the search for broader lessons worthwhile. First, in both scale and duration, the Supply Experiment allowance programs were far more ambitious than the usual experimental program. Second, while the excitement associated with the project gave the HAOs an edge over local governments in recruitment, more than 95 percent of the employees in both HAOs were recruited locally and HAO salary structures were comparable to those of local agencies. Third, the HAOs were not driven by the profit motive or the pressures of competitive markets; they were nonprofit institutions whose funding was assured for a ten-year period.

In looking back over their experience, we sought to identify the most important factors that affected the HAOs' ability to meet their goals, and thus to identify major determinants of administrative performance that we can generalize to other allowance programs.

Of primary importance was the intentionally limited nature of HAO administrative functions. The HAOs' two main activities, eligibility and housing certifications, shared several common features. The number of cases that had to be processed was clearly prescribed under program rules; employees did not have the discretion to perform more or less of them. Clear guidelines for handling individual cases were also defined--guidelines that limited employee discretion so as to ensure efficiency as well as consistency (and thus equity) in the application of standards. These characteristics made it easier to measure output, quality, and productivity than it would have been were the functions more complex. In short, these functions were more "controllable."

In contrast, many functions typically associated with other housing programs are open-ended and harder to control; these include, for example, checking and auditing the work of private builders; managing housing projects (selecting tenants, controlling vacancies, making repairs), and negotiating with landlords on behalf of low-income households. With such activities, there are few clear standards

concerning how much time should be allocated to a given task, and it is harder to measure performance to everyone's satisfaction. Certainly, there are more opportunities for things to go wrong.

In addition to administrative simplicity, we identified three other major determinants of administrative performance, which we analyze in the remainder of this report:

- Attrition and the mix of household types in the participant population.
- The specification of administrative rules and procedures for both the eligibility and housing certification functions of the HAOs.
- Several managerial and institutional factors, including staff training, quality control, and management reporting systems.

In discussing each, we first note the way the factor operates to affect administrative performance. Then, based on this knowledge, we assess options that might have improved that performance in the Supply Experiment. Finally, we draw lessons relevant to the implementation of a national housing allowance program or administrative improvement in other programs.

## V. INFLUENCE OF ATTRITION AND THE PARTICIPANT MIX

As we began our analysis of administrative costs, we expected scale to be a significant variable, but it was not. As we have seen, per-unit costs in the St. Joseph County program were nearly the same as those in the Brown County program, yet St. Joseph County's recipient population was on average 62 percent larger. As we examined changes in direct costs of each HAO function and subfunction, we found few cases where the influence of scale, independent of time, was significant (Kingsley and Schlegel, 1982, Sec. III). Scale effects were evident in overhead expenses: Brown County overhead cost per recipient-year exceeded the comparable figure in St. Joseph County by 14 percent at steady state. But this gap was not large enough to notably affect total costs and it was much smaller than we had anticipated. Thus it appears that economies of scale have little impact on allowance program administration (at least not in programs serving from 3,000 to 6,500 current recipients).

If scale is not important, then cost will vary roughly in proportion to workload volumes. We found that workload volumes are most affected by participant attrition in both the intake and the maintenance phases, and that attrition rates varied dramatically and consistently for different types of participants in the two sites.

### EFFECTS ON INTAKE WORKLOADS

Intake costs per new recipient are driven by workloads per applicant and by applicant attrition. If all applicants were eligible and followed through to meet all program requirements, each intake function and subfunction would have to process just one case per new recipient. But this is not a realistic expectation for any public assistance program. Only 52 percent of Brown County's applicants and 37 percent of St. Joseph County's applicants were eventually authorized to receive payments.

For Brown County's intake process to yield one new recipient, the HAO had to receive, screen and process 1.94 applications,



conduct 1.35 enrollment interviews, and enroll 1.17 households. Because not all enrollees meet program housing requirements and many who do request several housing evaluations in process, 2.18 housing evaluations were required.

Table 5.1 shows how these Brown County workload ratios varied by applicant tenure and life-cycle stage.<sup>1</sup> The first column shows that three-fourths of the elderly who submit applications attend the enrollment interview. The nonelderly are all more likely to drop out before the interview, but there are differences among subgroups. Nonelderly homeowners who apply are interviewed more frequently than nonelderly renters; within both groups, singles with children attend much more frequently than do couples or singles without children.

The pattern is different for the fraction of all interviews that yield enrollment. Whereas renters are more likely to drop out before the interview than owners, they are less likely to be screened out by the interview. Homeowner couples have the highest probability of being found ineligible at the interview, presumably because their more complicated household circumstances (family composition, income, assets) make it harder for them to accurately evaluate their own eligibility beforehand. In both tenure groups, nonelderly singles with children and elderly singles are most likely to enroll once interviewed.

The probability of meeting program housing requirements and qualifying for payments is more like that for attending the interview. Elderly renters and homeowners have the highest conversion rates. Rates for elderly couples and singles in the two tenure groups fall in the range from 87 to 91 percent. Nonelderly homeowners convert less reliably, though not by much, and nonelderly renters even less so.

In meeting those requirements, different groups place different burdens on the housing evaluation staff. The elderly require fewer

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<sup>1</sup>We use Brown County data to illustrate these findings for both sites. Although averages differed somewhat, variations by client type in the two sites were remarkably similar. A participant group that tended to rank high or low on a particular ratio in one site usually had the same rank in the other (see Kingsley and Schlegel, 1982, Section V). Data in Tables 5.1, 5.2, and 5.3 are for the steady-state period of July 1977 through June 1979.

Table 5.1

ESTIMATED STEADY STATE INTAKE WORKLOAD RATIOS  
BY TENURE AND LIFE CYCLE STAGE

Brown County Housing Allowance Program

	Interviews Per Applicant	Enrollees Per Interview	New Recipients Per Enrollee	Housing Evaluation Per New Recipient	New Recipients Per Applicant
<u>Renters</u>					
Nonelderly					
Singles, no children	.60	.86	.87	2.11	.44
Singles, with children	.78	.95	.87	2.28	.64
Couples, no children	.70	.85	.80	2.11	.47
Couples, with children	<u>.69</u>	<u>.86</u>	<u>.75</u>	<u>2.37</u>	<u>.44</u>
All nonelderly renters	.67	.89	.85	2.21	.50
Elderly					
Singles	.75	.96	.88	1.94	.63
Couples	<u>.82</u>	<u>.93</u>	<u>.87</u>	<u>2.17</u>	<u>.67</u>
All elderly renters	.76	.95	.88	1.98	.64
All Renters	.68	.90	.85	2.18	.52
<u>Homeowners</u>					
Nonelderly					
Singles, no children	.78	.80	.86	2.07	.53
Singles, with children	.79	.90	.90	2.26	.64
Couples, no children	.74	.69	.89	2.10	.45
Couples, with children	<u>.74</u>	<u>.67</u>	<u>.82</u>	<u>2.20</u>	<u>.40</u>
All nonelderly owners	.76	.77	.86	2.20	.51
Elderly					
Singles	.79	.90	.92	2.11	.65
Couples	<u>.74</u>	<u>.52</u>	<u>.91</u>	<u>2.11</u>	<u>.35</u>
All elderly owners	.76	.74	.91	2.11	.51
All Homeowners	.76	.76	.88	2.17	.51
<u>All Households</u>	.70	.87	.85	2.18	.52

SOURCE: Estimated by HASE staff based on Brown County HAO records through June 1978. See Kingsley and Schlegel, 1982.

evaluations because more of them live in acceptable housing to begin with. Other owners require more evaluations after attempting repairs, and other renters require more premove evaluations.

It is interesting to note that the only groups requiring more evaluations than average are nonelderly households with children. They are least likely to live in acceptable housing when they enroll in the program, and appear to have the most difficulty making repairs or finding new units that meet program standards.

The last column in Table 5.1 shows the composite ratios for intake yield. The elderly (except for homeowner couples) and nonelderly singles with children have the highest probability of qualifying for payments once they apply (64 to 67 percent). In the other groups, only from 35 to 53 percent of all applicants ever become recipients.

#### EFFECTS ON MAINTENANCE WORKLOADS

Program rules require that all continuing allowance program recipients have one semiannual recertification, one annual recertification and one maintenance housing evaluation each year. Given these rules, it may seem surprising that per recipient-year at steady state, the Brown County HAO had to initiate 1.19 semiannual recertifications, process 0.82 annual recertifications, and conduct 0.96 housing reevaluations (Table 5.2).

Again, the pattern is explained largely by attrition. Out of a cohort of 100 new recipients, about 96 will still be in the program at the time their first semiannual recertification is due, but many will be terminated as a result of that recertification or other events later in the year. The cohort will log only 81 recipient-years during its first year, and if so, it will have had 1.19 semiannuals initiated per recipient-year (96 divided by 81). There will have been a substantial number of terminations by the time annual recertifications fall due. Assuming that 66 of the original 100 are processed as continuing eligibles after that recertification, the HAO will have processed 0.82 such cases per recipient-year (66 divided by the same 81 recipient-years). Since they come later, the number of annual housing reevaluations per recipient-year cannot exceed 0.82; but with premove evaluations and reevaluations of failed units added in, the evaluation total will be higher (e.g., 0.96, as above).

With a steeper attrition curve, the number of semiannual recertifications initiated per recipient-year would be higher, the number of annuals lower. In a cohort with very little attrition, both numbers would move closer to 1.0.

Differences in attrition rates cause notable differences in workload requirements for the groups shown in Table 5.2. Nonelderly

Table 5.2

ESTIMATED STEADY STATE MAINTENANCE WORKLOADS PER RECIPIENT  
YEAR BY TENURE AND LIFE CYCLE STAGE

Brown County Housing Allowance Program

	Semiannual Recertifications		Annual Recertifications		Special Recertification	Housing Reevaluations
	Initiated	Processed	Initiated	Processed		
<u>Renters</u>						
Nonelderly						
Singles, no children	1.22	1.09	.95	.83	.17	.95
Singles, with children	1.26	1.11	1.00	.87	.15	1.22
Couples, no children	1.53	.98	.86	.61	.39	.98
Couples, with children	<u>1.37</u>	<u>1.03</u>	<u>.94</u>	<u>.68</u>	<u>.31</u>	<u>.99</u>
All nonelderly renters	1.28	1.08	.97	.81	.19	1.10
Elderly						
Singles	1.07	1.01	.92	.88	.01	.89
Couples	<u>1.10</u>	<u>1.02</u>	<u>.95</u>	<u>.85</u>	<u>.18</u>	<u>.83</u>
All elderly renters	1.08	1.01	.92	.87	.04	.88
All Renters	1.23	1.06	.96	.83	.16	1.04
<u>Homeowners</u>						
Nonelderly						
Singles, no children	1.08	.98	.97	.88	.22	.84
Singles, with children	1.19	1.00	.94	.78	.17	.87
Couples, no children	1.19	.90	.89	.67	.26	.62
Couples, with children	<u>1.31</u>	<u>.90</u>	<u>.86</u>	<u>.56</u>	<u>.26</u>	<u>.59</u>
All nonelderly owners	1.21	.96	.92	.71	.21	.75
Elderly						
Singles	1.02	.98	.94	.89	.01	.87
Couples	<u>1.06</u>	<u>.97</u>	<u>.94</u>	<u>.83</u>	<u>.07</u>	<u>.77</u>
All elderly owners	1.03	.98	.94	.87	.03	.84
All Homeowners	1.11	.97	.93	.80	.11	.80
All Households	1.19	1.03	.95	.82	.14	.96

SOURCE: Estimated by HASE staff based on Brown County HAO records through June 1978. See Kingsley and Schlegel, 1982.

couples require the most semiannuals and the least annuals. The reverse is true for elderly households. Nonelderly singles fall in between on both scores. The same pattern of differences shows up in requirements for special recertifications. Nonelderly couples require by far the most, the elderly the least, and nonelderly singles a number in between. The pattern for maintenance housing evaluations would be the same as that for annual recertifications, except that a higher propensity to move (and/or greater difficulty finding acceptable new housing) push up the evaluation rate for renters generally and for renter households with children in particular.

HOW MUCH DOES ATTRITION INCREASE TOTAL COST?

We have seen that participation attrition rates set most workload requirements in both intake and maintenance, but how large is the effect on administrative cost? To find out, we averaged cost and workload requirements presented above for the two HAOs and then modified the workload ratios to simulate a case in which there was no attrition whatsoever (Kingsley and Schlegel, 1982, Table 4.6).

In the intake phase, every applicant would be authorized for payment eventually. It would be necessary to process only one application, one interview, and one enrollment per new recipient. The number of verifications and housing evaluations per enrollee would probably remain the same, but even so, workload requirements decline because each enrollment would yield a recipient. In total, we estimate that intake cost per new recipient would decline by one third (from \$194 to \$130).

With no attrition in the maintenance phase, costs would actually increase slightly--an outcome that at first seems surprising. If no recipient was ever terminated, there would be one semiannual recertification initiated per recipient-year (down from 1.26 with attrition) and one annual processed (up from 0.81). The number of housing evaluations per recipient-year would go up. One annual reevaluation would be required (up from 0.70) and we can assume the same ratios for premove evaluations and failed-unit reevaluations as in the attrition case. All in all, the nonattrition case requires fewer of the less expensive tasks (semiannuals) and more of the more expensive (annual recertifications and housing evaluations). We estimate that maintenance cost per recipient-year would increase by 16 percent (from \$115 to \$134).

Assuming the program ran forever, intake cost would all but vanish ( $\$130$  divided by infinity) and total administrative cost per recipient-year would verge on \$134, a 12 percent reduction from the HAOs' actual \$163 average. A program without attrition is, of course, impossible, but it should be helpful for program managers to understand the range of possible effects.

What would happen to costs under a more realistic assumption, say, the average duration of reciprocity increased from four to five years? Intake cost per recipient-year would be \$39 (\$194 divided by five). We estimate that maintenance cost would increase to \$120 per recipient-year. The total would, therefore, be reduced modestly, from \$163 to \$159.

#### EFFECTS ON COSTS PER CASE

Differences in participant characteristics clearly affect the number of cases the HAO must process within each function; but at least for some functions, those differences also affect the amount of administrative resources that must be devoted to each case. These include enrollment, screening and interviews, and data reviews in both eligibility certification and recertification. Some participants have more complicated household circumstances than others. For complex cases, interviewers must spend more time asking questions and recording responses; review staff must spend more time checking the forms.

Interview length should be a good proxy for cost in these activities. The average enrollment interview takes 57 minutes in Brown County. Holding the other variables constant, interviews for couples take longer than those for singles; interviews for the elderly take longer than those for the nonelderly; and those for homeowners take longer than those for renters (Fig. 5.1). Annual recertification interviews take less time (40 minutes on average), but the pattern of variation by tenure and life-cycle is the same.

There are few opportunities for participant characteristics to affect costs in the other HAO functions. The particular entries on an enrollment form do not affect the cost of computer processing, for example. We had thought that housing evaluation costs might vary by type of participant; that it would take longer to complete an evaluation for some than others. Earlier research, however, confirmed that such variations were negligible (see Fourth Annual Report, 1978, Table 6.12).

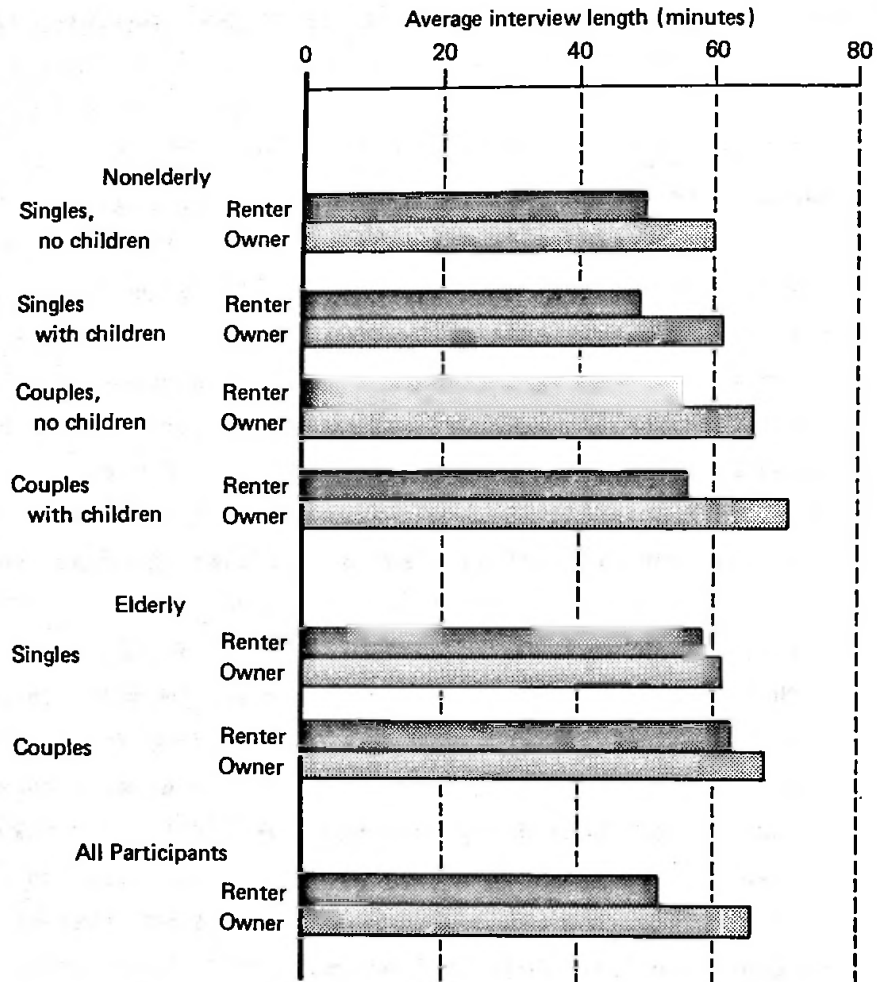


Fig. 5.1 – Length of enrollment interviews by tenure and life-cycle stage: Brown County Housing Allowance Program

## PARTICIPANT CHARACTERISTICS AND ADMINISTRATIVE COSTS

Patterns of variation in workload requirements and unit costs by type of participant are not uniform across functions. Singles with children, for example, required fewer enrollment interviews per enrollee than most groups, but had the largest number of requests for housing evaluations. The pattern for enrollment interview workloads is almost the reverse of that for annual interviews: Groups requiring more of the former per new recipient require fewer of the latter per recipient-year.

Does it cost more, in total, to administer the program for some types of households, or do function-by-function differences cancel out? We estimated administrative costs for each group, using data summarized above and the same framework that we used to analyze average costs earlier in this section (see Kingsley and Schlegel, 1982). The results for Brown County are presented in Table 5.3.

There are distinct variations in the intake phase. Because they have more attrition in enrollment interviews and their interviews take longer, couples cost more than singles in all categories. The highest cost (\$211 per new recipient for elderly couples who own their own homes) is 49 percent greater than the \$142 for the lowest-cost group, elderly single renters. It costs only slightly more to administer intake for all homeowners (\$172) than for all renters (\$153).

In the maintenance phase, variations are not as significant. The highest cost for any individual group (\$131 per recipient-year for nonelderly renter couples without children) is only 17 percent above the \$111 average for the lowest-cost group (again, elderly single renters).

As before, to calculate stable measures of total administrative cost per recipient-year, we need to know the average duration of reciprocity for each group. Here, the pattern is what we would expect based on our analysis of maintenance workloads. Those groups that had the most semiannual recertifications and the fewest annuals per recipient-year had the steepest attrition curves, implying the shortest durations of reciprocity. Data in Table 5.3 show that the



Table 5.3

ESTIMATED STEADY STATE RECIPIENCY DURATIONS AND ADMINISTRATIVE COST BY TENURE AND LIFE CYCLE STAGE

Brown County Housing Allowance Program

	Average Duration of Reciprocity (Years)	Administrative Cost (1976 \$)		
		Intake Cost Per New Recipient	Maintenance Cost Per Recipient Year	Total Cost Per Recipient Year
<u>Renters</u>				
Nonelderly				
Singles, no children	2.93	154	117	170
Singles, with children	2.94	144	124	173
Couples, no children	1.25	162	131	261
Couples, with children	<u>1.55</u>	<u>178</u>	<u>128</u>	<u>243</u>
All nonelderly renters	2.61	154	123	182
Elderly				
Singles	3.99	142	111	147
Couples	<u>4.87</u>	<u>154</u>	<u>121</u>	<u>153</u>
All elderly renters	4.13	<u>146</u>	<u>113</u>	<u>148</u>
All Renters	2.99	153	121	172
<u>Homeowners</u>				
Nonelderly				
Singles, no children	6.17	161	126	153
Singles, with children	2.41	154	121	185
Couples, no children	2.24	177	118	197
Couples, with children	<u>1.53</u>	<u>202</u>	<u>124</u>	<u>255</u>
All nonelderly owners	2.65	173	123	188
Elderly				
Singles	7.72	150	115	135
Couples	<u>4.71</u>	<u>211</u>	<u>118</u>	<u>162</u>
All elderly owners	6.72	168	116	141
All Homeowners	5.00	172	119	153
<u>All Households</u>	3.67	157	120	163

SOURCE: Estimated by HASE staff based on Brown County HAO records through June 1978. See Kingsley and Schlegel, 1982.

differences are marked. We estimate that the average nonelderly renter couple without children stays in the program as a recipient for 1.25 years. The average elderly single homeowner stays more than six times that long (7.72 years).

Since the formula for calculating long-term total costs amortizes intake expenses over the duration of reciprocity, the totals are quite sensitive to those durations. The result is more variation between groups in total costs than in either intake or maintenance costs.

It is by far most expensive to administer the program for nonelderly couples (total costs range from \$197 to \$261 per recipient-year). The least expense is required for the elderly (\$135 to \$162), and nonelderly singles generally fall in between. The cost for the highest group on the list (\$261 for nonelderly renter couples without children) is almost twice that for the lowest group (\$135 for elderly single homeowners).

Life-cycle stage clearly has more effect on administrative cost than tenure. Total cost per recipient-year for renters was \$172, only 12 percent above the \$153 average for owners.

Figure 5.2 shows these costs divided into income-transfer and housing-requirements components. The relationship between components also varies by group. The costs of earmarking assistance for housing raises total administrative cost for nonelderly renters by 50 percent, for elderly renters by 40 percent, for nonelderly homeowners by 37 percent, and for elderly homeowners by 33 percent.

#### PARTICIPANT CHARACTERISTICS AND ERROR RATES

The HAOs verified means-test data on a sample basis. If the participant brought sufficient documentation to the interview (pay stubs, assistance-award letters, etc.) to account for more than half of total income, there was only a ten percent chance the case would actually be verified with appropriate third parties (employers, banks, other assistance agencies, etc.). Verification rates were higher when less documentation was provided. The HAOs obtained independent verifications in all cases where the participant was unable to document more than 10 percent of income or the interviewer felt the case was suspicious.

Uniformly applying fixed sampling rates led to different outcomes for different participant groups (Table 5.4). In both sites, but particularly in Brown County, means-test data for elderly participants were verified more often than for the nonelderly. The reason is that social security payments represent the main source of income for many elderly households. Most of those households do not retain their original award letters; and social security checks do not come with

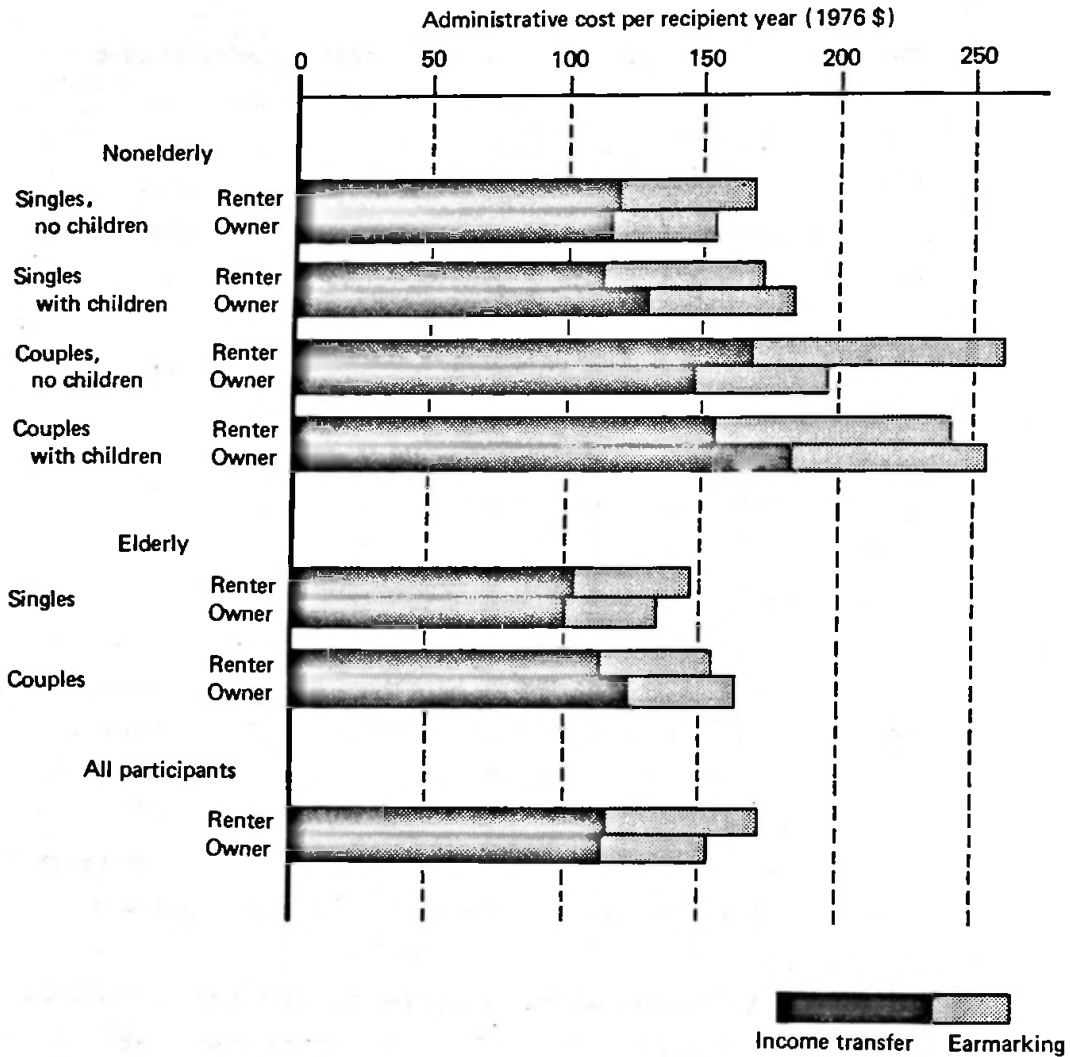


Fig. 5.2 — Administrative cost by tenure and life-cycle stage:  
Brown County Housing Allowance Program

Table 5.4

VERIFICATION RATES AND ERRORS BY TENURE AND  
LIFE CYCLE STAGE: PROGRAM YEARS 2-4

Client Group	Brown County		St. Joseph County	
	Enrollment	Annual Recertification	Enrollment	Annual Recertification
<i>Percent of Certification Cases Verified</i>				
Nonelderly renters	46	46	40	28
Elderly renters	82	74	49	46
Nonelderly homeowners	46	46	30	26
Elderly homeowners	82	67	37	36
All	54	57	38	33
<i>Percent of Verification Cases with Major Errors</i>				
Nonelderly renters	7.2	6.2	4.8	5.4
Elderly renters	3.0	2.4	1.7	.8
Nonelderly homeowners	7.0	6.5	6.7	5.3
Elderly homeowners	.9	2.1	2.2	1.4
All	5.5	4.1	4.3	2.9
<i>Average Net Annual Amount Per Verification Error (\$)</i>				
Nonelderly renters	100.57	178.00	218.65	178.95
Elderly renters	17.76	15.87	116.38	113.25
Nonelderly homeowners	153.47	181.19	260.35	306.83
Elderly homeowners	-103.50	-.57	271.94	213.36
All	99.63	129.39	224.64	220.46

SOURCE: Estimated by HASE staff from sample studies of HAO case records by HAO staff. See Rizor, 1982.

stubs that could be used for documentation. Under HAO rules, these cases typically had to be verified.

The payoff from such verification was low, however. Considering verifications of all sources of elderly participants' income and assets, major errors were identified in 0.9 to 3.0 percent of all cases, and the net effect on payments per error was comparatively low (again, particularly in Brown County). Verifications for nonelderly participants uncovered substantially more errors, and the value per error was higher.

### POLICY IMPLICATIONS

Variations in workload and cost relationships by participant groups were strikingly similar in Brown and St. Joseph counties. The intersite similarities of error rates for specific groups were not as strong, but still they existed. This suggests that we can generalize at least some of our findings. We do not assert, for example, that in all areas the cost of administering a housing allowance program for elderly single homeowners would be 52 percent of the cost for nonelderly renter couples without children, as it was in Brown County. But we do believe that in all programs that administer means tests and housing certifications, costs for the former will be significantly lower than those for the latter.

The main value of this analysis for other programs should be its use as a guide for more accurate budgeting. It would clearly be a mistake to provide the same administrative resources to a Section 8 Existing Housing program serving 1,000 elderly households as to one serving 1,000 nonelderly couples.

We think there is another implication, however, relevant to all housing assistance programs. We see that young couples generated the highest administrative cost in the Supply Experiment. This is because, as a group, their household circumstances tend to be relatively unstable--a characteristic that implies a short period of reciprocity. Total program costs would have been reduced if they had not participated, but means tests showed that such short-termers (and there were some in all life-cycle/tenure groups) needed financial assistance. Certainly, it would be inappropriate to exclude anyone from the program simply on the basis of age or household composition; yet we doubt that the extra cost of earmarking housing assistance for short-term groups is justified.

It is now generally assumed (see Mulford, 1979) that families decide how much they will spend for housing based on their longer-term income expectations, not their immediate rate of income. When unemployment occurs, housing expenditures are likely to be reduced only after a prolonged period of inability to find a comparable

source of income. Thus, housing allowances should have little effect on housing consumption during short periods of eligibility.

The short-termers, then, could be legitimately excluded. One way would be to start housing assistance only six to nine months after the loss of a primary source of income. Another would be to use the household's income over the last full year (rather than the current rate of income as the HAOs did) as the basis for eligibility determinations.

A provision like this could tremendously tighten program fiscal control. Recessions in 1974 and 1980 caused program enrollments to swell in both of our sites, and during those periods, the temporarily unemployed made up a much larger proportion of all recipients than they did during the steady-state conditions we have discussed above.

At steady state, Brown County's total program outlay was \$1,068 per recipient-year (\$905 for allowance payments and \$163 for administration). If the temporarily unemployed were not allowed to participate, a short-term recession would have little effect on this outlay. If they could join, however, the number of recipients could well increase by one third, as it did in St. Joseph County in 1980. Program costs, however, would increase by more than one third, because the unemployed who have little additional income thus receive allowance payments much higher than the average, and because their short reciprocity durations result in higher administrative costs.

Assuming a one third increase in short-term unemployed recipients, and assuming they all had characteristics like the nonelderly renter couples without children for whom we presented data above, program outlays per recipient-year would increase by 14 percent to \$1,220 (\$1,024 for allowance payments and \$196 for administration). Counting the effect of increases both in number of recipients and average cost, the total annual outlays of a program serving 1,000 recipients at the start would increase from \$1.07 million to \$1.62 million (by 51 percent).

VI. EVALUATING ALTERNATIVE RULES AND PROCEDURES  
FOR ELIGIBILITY CERTIFICATION

Eligibility certification is the major administrative function of a housing allowance program, so how it is accomplished can significantly affect program success. For example, we saw that the HAOs recertified household eligibility more than twice as often as would be required under Section 8 program rules. If they had adopted the Section 8 approach, administrative costs would have been reduced significantly, but the number of payments would surely have increased. Which approach is best?

With only minor modifications, the two HAOs conducted eligibility certifications under the same set of rules and procedures over a five-year period. Clearly, we could have learned more about the costs and benefits of different administrative options had the HAOs conducted formal experiments with different techniques. Nonetheless, five years of operating experience, even using the same rules, provides insight into what is workable and what is not. Below we present our conclusions. In some cases, we have data to demonstrate our point. In the others, we rely on a consensus of judgment among Rand's FPOG staff and senior HAO managers. The discussion is structured around six essential features of any eligibility certification system:

- Extent of intake application screening (e.g., none vs. intensive).
- Specification of income-accounting rules (e.g., general vs. specific).
- Form of means test (e.g., interview vs. mail-back questionnaire).
- Frequency of recertification (e.g., semiannually vs. annually).
- Type and extent of error control (e.g., 100 percent verification vs. sample verification).
- Form of record management (e.g., automated vs. not automated).

### INTAKE APPLICATION SCREENING

In its first year of operation, the Brown County housing allowance program enrolled only 53 percent of its applicants (27 percent dropped out before the interview and 20 percent either dropped out or were found to be ineligible at the interview). To improve its yield, the HAO began more intensive preapplication screening, asking potential applicants more questions to help determine whether they were eligible when they first called the HAO. Conditions did improve. In the steady-state period, 60 percent of all applicants were enrolled (31 percent dropping out before the interview and 9 percent at the interview).

The St. Joseph County HAO had even lower yields in its first year: 28 percent dropped out before the interview and 28 percent at the interview, leaving 44 percent enrolled. The HAO did not adopt Brown County's intensive screening approach, but tried more intensive follow-up to persuade more applicants to attend the interview. These efforts did not work. By the steady-state period, the proportion dropping out before the interview actually increased (to 33 percent). Even without intensive screening, the proportion dropping out at the interview decreased somewhat (to 19 percent), leaving 48 percent enrolled.

We draw three conclusions: First, intensive preapplication screening (within limits such that the per case costs do not approach those of the interview itself) is probably worthwhile. The number of interviews the Brown County HAO had to conduct for ineligibles decreased significantly. Second, efforts to get more applicants to attend the interview are probably not cost effective. Subsequent estimates from HASE surveys show that among those who dropped out before the interview, 69 percent in Brown County and 82 percent in St. Joseph County were ineligible a few months after they had applied. Third, we can envision no cost effective technique for substantially reducing preenrollment attrition. We have shown elsewhere that attrition rates in other similar programs fall in a similar range (see Kingsley, 1979). Earlier, we estimated that if there were a perfect screening mechanism (with 100 percent of applicants becoming enrollees), HAO intake cost per new recipient would decline by \$64 (average for both sites).



### INCOME-ACCOUNTING RULES

There is a sizeable literature on the merits of various income-accounting rules (see, for example, Zais, Melton, and Berkham, 1975). This is not the place to present our views on the equity or incentive effects of particular specifications. Three comments on their administration are warranted, however.

First, we emphasize the importance of making the rules understandable and unambiguous. To do this, we need to ensure that they operate in conjunction with acceptable documentation. Suppose an applicant is employed and the rule simply requires the interviewer to determine his "current rate of income" from his job. If the applicant works irregular hours, he and the interviewer could spend a long time debating how to calculate the current rate. The HAO manuals went further, specifying for such a case: "Use pay stubs covering at least six of the past eight weeks to determine an average income per pay period; multiply the average times the number of pay periods per year." Arbitrary, yes, but this method eliminates debate. It was less likely that the applicant would return later and say "Another interviewer at the HAO gave one of my coworkers more benefits and he gets the same wage I do." Since the HAOs kept photocopies of all documentation, a subsequent auditor could quickly and clearly determine whether the interviewer applied the rule correctly. Asking the question, "How can this be documented?" was a critical step in designing the rules initially; where the answer was "It can't," we usually needed to rethink our approach.

Second, we note the benefits of a clear "no exceptions" policy. Regardless of how unfair an interviewer thought the application of a rule was in a particular case, neither he nor any of his superiors was permitted to grant an exception. This policy would have led to institutional explosions, however, if another channel had not been open. The interviewer could tell the client, "I think this rule may not be fair to you, and while I have to apply it today, I will talk to my supervisor about changing the rule to take into account cases like yours." In the first year of HAO operations, many such requests for change were made. Those requests were reviewed by HAO managers, Rand,

and HUD. In many cases changes were made, but in others they were not (because no one could devise an alternative that would work better across the board). In subsequent years, the volume of change requests dropped off significantly. One indication that the process worked is that in five years of program operations at both HAOs, no client ever requested the HAOs' formal hearing process (which would have given him access to an independent panel that would judge whether HAO staff had applied specific rules in accord with general program standards). We are confident that the task of controlling exceptions consistently would have been impossible had they been allowed; that acceptance of the "no exceptions" rule by both clients and staff was vital to maintaining efficiency as well as program integrity.

Third, we review some advantages of a "prospective income" accounting system like the one used by the HAOs. In this type of system, when the interviewer's calculations show that a client is entitled to receive \$80 per month, that is precisely what the client will receive until a required recertification shows that an adjustment is warranted (unless an initial error is discovered). In a retrospective system (often advocated for welfare reform; see Allen, 1973), the agency must obtain data on the client's actual income over the period, and to the extent that it differs from the "best estimate" made initially, the client may have to pay back some portion of what he had received. If the period between recertifications is short (say one month), the adjustment may not be large, but it could be substantial with semiannual recertifications.

Retrospective systems have been advocated because they are more accurate, by definition, and should save the government money. We do not assert that such savings would be insignificant, but we do suggest that they be balanced against two substantial costs. First, there is the burden for the administrative agency: HAO managers occasionally had to recover overpayments from their clients; they not only considered this their most time-consuming and onerous task, but were seldom able to collect the full amounts due. Collection tasks would have been significantly more frequent with a retrospective system.

Second, there is the burden of uncertainty and potential red tape for the client.

The foregoing discussion on income accounting points up the importance of "certainty" as a guiding principle in effective program administration. In HAO income accounting, both staff and clients always knew exactly where they stood. We think this may have been as important a factor as considerate treatment in clients' positive evaluations of the program's administration.

#### FORM OF ELICITATION

The HAOs held thorough face-to-face enrollment interviews with all applicants. As soon as each interview was scheduled, the applicant was sent a brochure explaining program rules and the purpose of the interview, as well as a list detailing the documents (e.g., paycheck stubs, bank statements) that he should bring to the HAO on the day of the appointment.

The interview was conducted by a trained enroller, who followed a standard pattern of questions to obtain information about place of residence, household composition, assets, income, deductions, and housing expenses. As each question about financial items came up, the applicant was asked to show the relevant documentation. If the documentation was not available, the applicant was asked to sign forms that authorized the HAO to verify the data with appropriate third parties. When the enrollment form was complete, the applicant was asked to sign it, certifying that the information he provided was accurate and complete.

In this context, the interviewer was able to verify the applicant's understanding of income-accounting terms and rules, probe unclear responses, and emphasize (explicitly and implicitly) that the HAO would be aggressive about catching and correcting errors. From the way they responded, it was clear that few applicants could have filled out an enrollment form properly without the interviewer's guidance, even if detailed written instructions had been provided. As we noted earlier, we cannot measure the error prevented by this approach, but our judgment is that it outweighed by far any additional administrative cost implied.

It not only prevented error in enrollment data, but also set a tone that we believe prevented error in subsequent recertifications.

With a thorough initial interview, we saw less risk in using a less expensive mail-back questionnaire for the semiannual recertification. Data on errors discovered in verifying and in the quality control of those recertifications support our judgment (see Rizer, forthcoming). In addition, we believe the design of the questionnaire form was important. The HAO form was computer-generated: it showed the client the responses he had given to household composition and income questions in the last interview and asked him only to indicate any changes. We could have expected less accuracy had we given the client a blank form and asked him to fill in all the information from scratch.

In the Supply Experiment, we considered it important to return again to the complete interview form for the annual recertification. This might not be needed in a national program, however. For groups that experience changes in household status infrequently, it might be possible to use two to three mailback recertifications between interviews without significant losses in accuracy.

#### FREQUENCY OF RECERTIFICATION

The frequency with which an income-transfer program recertifies client eligibility ought to be related to the frequency of change in client circumstances. If an agency recertifies too often, it will incur a substantial administrative cost and yield few adjustments in payments. On the other hand, recertifying too infrequently will save administrative expense but permit a significant number of erroneous payments to be made.

Although the HAOs required recertifications much more frequently than did the Section 8 program, they by no means had the most rigorous requirement among income-transfer programs. Allen (1973) and Kershaw (1973) recommended monthly recertification for the AFDC program, and that approach is now being tested in a number of states (see Crespi, Kaluzny, and Tidwell, 1978). The results generally (although not conclusively in our view) suggest that monthly reporting

may work best for AFDC. Even so, what works there may not be optimal for housing assistance programs. The decision should depend on the relationship between administrative costs and payment savings in the program at hand.

If recertifications yielded minimal changes in eligibility or allowance payments, we would conclude that the period between them could be extended. This conclusion is not warranted in the Supply Experiment programs. In both sites, about 70 percent of all semiannual recertifications and over 90 percent of all annuals caused payment changes or terminations (Table 6.1). Terminations resulted in 10 to 15 percent of all semiannuals and annuals initiated in both sites. Semiannuals reduced monthly allowance outlays per 100 cases initiated by \$1,200 in Brown County and \$1,800 in St. Joseph County. Annuals reduced outlays per 100 cases initiated by \$1,500 to \$1,600 in both sites.

In both sites, the results differ considerably, depending on age of household head. Although both the elderly and nonelderly are about as likely to experience a negative payment change (either downward adjustment or termination), the nonelderly are much more likely to be terminated. The difference in the effect on payments is striking. Annual recertifications for 100 elderly households in Brown County reduce monthly outlays by \$500; the reduction for nonelderly households expressed comparably is \$2,200. The difference is similar in St. Joseph County annuals and in semiannuals in both sites, and does not vary depending on whether the households are renters or homeowners.

Information derived from this analysis and the cost model presented earlier, permits us to estimate the dollar tradeoffs that would have occurred had the HAO tried other options. Figure 6.1 illustrates the approach for elderly and nonelderly renters in Brown County. Each graph plots the attrition of a cohort of 100 typical recipients in each group over a two-year period. The graphs start three months before the cohort is due for a semiannual recertification. The solid lines represent typical HAO experience. The nonelderly cohort curve declines gradually until a recertification

Table 6.1

EFFECTS OF RECERTIFICATIONS ON ELIGIBILITY STATUS AND PAYMENTS

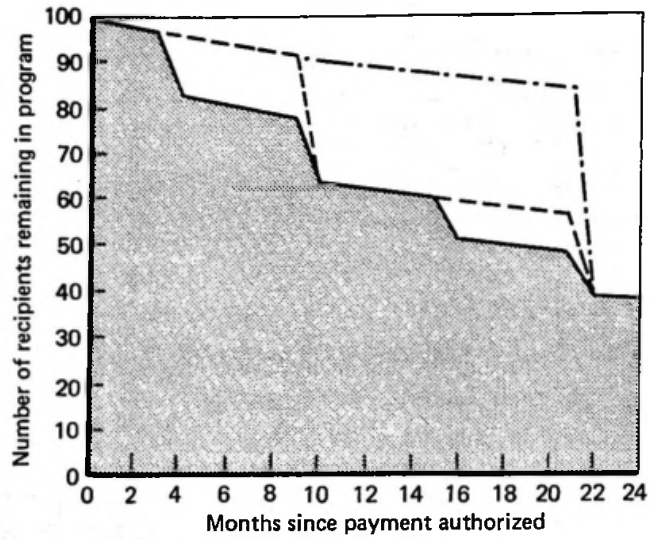
	Brown County			St. Joseph County		
	Nonelderly	Elderly	Total	Nonelderly	Elderly	Total
<i>Semiannual Recertification</i>						
<u>Outcome of recertification</u> (percent of cases initiated)						
Participation terminated	14.9	1.7	10.0	22.8	4.7	14.6
Payment decreased	44.6	55.9	48.8	31.8	59.3	44.2
Payment increased	15.7	8.3	13.0	13.8	4.8	9.7
No change	24.1	34.1	28.2	31.7	31.3	31.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
<u>Net change in average monthly payment per 100 recipients (\$)</u>						
Renters	-1,693	-3.71	-1,313	-2,969	-7.08	-2,553
Homeowners	-2,025	-3.51	-1,074	-2,474	-6.78	-1,361
Total	-1,768	-3.61	-1,248	-2,774	-6.83	-1,832
<i>Annual Recertification</i>						
<u>Outcome of recertification</u> (percent of cases initiated)						
Participation terminated	19.4	5.1	13.5	24.2	6.5	15.1
Payment decreased	48.2	62.9	54.2	39.7	53.9	47.0
Payment increased	20.4	27.8	23.4	22.5	38.3	30.6
No change	12.0	4.2	8.8	13.7	1.3	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
<u>Net change in average monthly payments per 100 recipients (\$)</u>						
Renters	-1,949	-4.78	-1,507	-2,976	-6.27	-2,375
Homeowners	-2,997	-6.12	-1,569	-2,319	-4.84	-1,074
Total	-2,202	-5.48	-1,529	-2,720	-5.16	-1,589

SOURCE: Tabulated by HASE staff from HAO records through June 1978 for Brown County and December 1978 for St. Joseph County. See Rizzor, 1982.

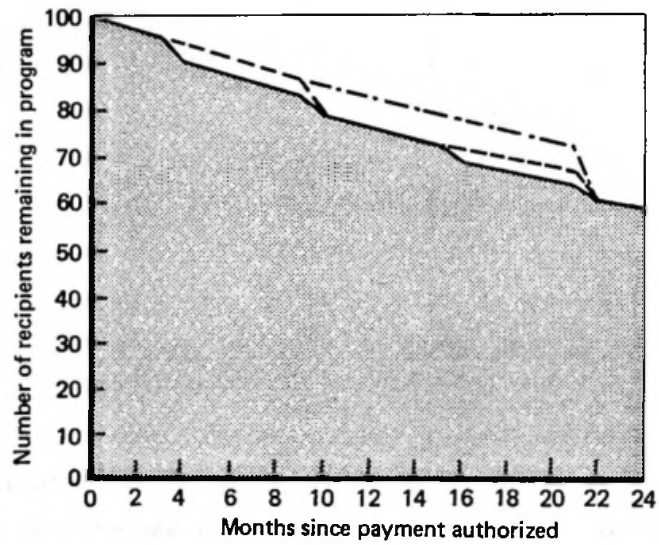
occurs, shows a sizeable number of terminations, then continues to decline at a gradual rate. The elderly cohort experiences more rapid attrition between recertifications, but much less because of them. The dashed line shows the likely pattern if recertifications occurred only once each year. The dot-dash line is the attrition curve implied by biennial recertifications.

Consider, for example, what would happen if the HAOs had switched to an annual cycle. On the payment side, the number of

Nonelderly renters



Elderly renters



- Current program rules
- - - Annual recertification only
- · - · - Biennial recertification only

Fig. 6.1 – Recipient attrition curves under alternative recertification frequencies (Brown County renters)

participants (thus, monthly payments) in months 4 through 9 and 16 through 21 would be higher (difference between solid line and dashed line) because a number of ineligibles would not have been terminated. Payments would continue without adjustment for those who continue to be eligible at the semiannual point (an effect we can estimate but not show on the graph), whereas the semiannual previously caused a net decrease.

On the cost side, the main effect, of course, is to eliminate the full administrative cost of semiannual recertification, but other adjustments are required as well. The number of recipient-years will increase (again the difference between the solid line and the dashed line) and more annual recertifications will be required (difference between solid and dashed lines at month 9 and 21).

Table 6.2 presents the estimated effects of two options for Brown County renters. Program costs are calculated per 100 recipients per year. In the first option, we assume the recertification standards of the Section 8 program. Nonelderly renters would be recertified only once each year. Administrative outlays per 100 recipients would decline by \$2,600 (14 percent), but payments would increase by \$13,300 (13 percent), implying a net increase in outlays of \$10,700 (9 percent). Under this option, the elderly would be recertified only once every two years. Administrative costs for them would decline substantially (by 35 percent) but payments would also increase (by 12 percent). The effect of both adjustments is again a net increase in outlays (\$4,400 or 5 percent). Clearly, the HAOs would have wasted funds had they adopted this approach.

In the second option, we retain the current semiannual requirement for nonelderly recipients, but make two changes for the elderly. First, they would be recertified only once each year. Second, every other annual recertification would be done by mail-back questionnaire rather than complete interview. This approach would increase program efficiency, but only marginally: administrative expenses decline by \$3,700 and payments increase by \$3,100, yielding a net savings of \$600 per hundred recipients.



Table 6.2

ESTIMATED IMPACTS OF ALTERNATIVE RECERTIFICATION  
FREQUENCIES ON PROGRAM COSTS FOR BROWN COUNTY  
RENTER RECIPIENTS AT STEADY STATE

(Annual outlays for 100 recipients,  
1976 \$ in thousands)

	Adminis- trative Cost	Allowance Payments	Total Cost
<i>Brown County Actual (Base Case)</i>			
<u>Total Costs</u>			
Nonelderly	18.2	98.9	117.1
Elderly	14.8	79.1	93.9
All renters	17.2	94.1	111.3
<i>Option 1 - Adopt Section 8 Recertification Frequencies</i>			
<u>Total Costs</u>			
Nonelderly	15.6	112.2	127.8
Elderly	9.7	88.6	98.3
All renters	14.1	106.3	120.4
<u>Difference from Base Case</u>			
Nonelderly	-2.6	+13.3	+10.7
Elderly	-5.1	+ 9.5	+ 4.4
All renters	-3.1	+12.2	+ 9.1
<i>Option 2 - Recertify Elderly Annually</i>			
<u>Total Costs</u>			
Nonelderly	18.2	98.9	117.1
Elderly	11.1	82.2	93.3
All renters	16.4	94.7	111.1
<u>Difference from Base Case</u>			
Nonelderly	--	--	--
Elderly	-3.7	+3.1	-.6
All renters	-.8	+ .6	-.2

SOURCE: Estimated by HASE staff based on analysis of HAO  
accounting records and Management Information Reports.

ERROR CONTROL OPTIONS

When HAO administrative systems were being designed, we thought that third-party verification (to catch and correct client errors) and data review (to handle staff errors) would be the most important error-control techniques. We now see that what happened in the enrollment interview was more important.

The HAOs' reliance on client-provided documentation deserves emphasis in this context. The practice did require one additional expense (making photocopies for HAO files), but on the whole, it saved administrative cost. When clients provided ample documentation, the interview went smoothly and took less time. We believe that this was the key to preventing many small and inadvertent errors, whose correction would have added to administrative costs later in the program. The only risk was the possibility of forgery. An independent audit, however, showed that this risk was negligible. The auditors sent photocopies of over 1,000 randomly selected pieces of documentation back to the people who supposedly had prepared them (employers, doctors, etc.). In no case had the documentation been forged (see Tebbets, 1979, Sec. VI).

With such error prevention in the interview, there was not much error left for the other control techniques to correct. Calculations (data from Tables 3.2 and 4.3) show that the relationship between the cost of administering these techniques and the net payment error they corrected was almost identical in both sites. Verification just about broke even in the strict fiscal sense. Per recipient-year, it cost \$2.81 and saved \$2.84 in Brown County, and it cost \$2.76 and saved \$2.46 in St. Joseph County. Staff data review, however, was far from cost-effective. In Brown County, it cost \$12.34 and saved \$1.14 per recipient-year. In St. Joseph County, it cost \$12.87 and saved \$1.05.

The results suggest that neither technique should be implemented in a national program exactly as they were in the Supply Experiment; yet, we would strongly recommend against dropping them entirely. We are confident that because both client and HAO interviewer knew during the interview that these error-control techniques would be applied later, initial error was significantly reduced. It should be possible, though, to reduce sample sizes and thereby cut administrative costs without offsetting increases in payment errors.

Examining verification results (Table 5.4), we found that because of HAO sampling rules, elderly clients are most likely to need verification; yet the net payment error found and

corrected by that process is negligible. In Brown County, for example, verification for the elderly cost \$3.14 per recipient-year as against a net savings of one cent. If sampling rules were adjusted so that only 5 percent of all enrollment and recertification cases for the elderly were verified, cost for them would decline to \$.16 per recipient-year with no measurable change in payments. Total verification cost would be reduced by 37 percent (to \$1.77), and total savings would remain at \$2.84--not a very substantial change in relation to total HAO administrative cost, but one worth implementing nonetheless.

Larger efficiency improvements are possible by drastic reductions in staff data review. Suppose that instead of reviewing every case, the HAOs cut back to a 5 percent randomly selected quality control plus another 2 percent for special circumstances (e.g., reviewing all cases completed by new employees during their first month on the job). Again using Brown County data, administrative cost would decline to \$0.86 and errors corrected to \$0.08 per recipient-year. The \$11.48 reduction in costs would be offset by only a \$1.06 increase in uncorrected net payment error. In a program with 1,000 recipients, this change would save \$10,420 per year.

#### RECORDS MANAGEMENT

Earlier, we noted that both HAOs used the same unified computer system to maintain means-test data, adjust payments, and record other administrative transactions for all clients. The system provided many benefits. Built-in edit routines eliminated many clerical errors, and the internal discipline of the accounts prevented others. For example, the system printed out the clients' names, addresses, and identification numbers on most forms; mistakes in copying, so common in manual record-keeping, were thus avoided. More broadly, system protocols prevented not only individual interviewers, but also the two HAOs, from following different rules. There was only one set of procedures, and unless the software was changed, the system would not accept entries that did not conform. Regular system outputs included automatic reminders to staff when follow-up actions were required, and automatic

counts of various transactions and their characteristics for use in management reporting. Clearly, the administrative cost of records management was considerably less than it would have been if the same tasks had been performed manually, given the same quality standards. In fact, we doubt that it would have been feasible to perform them all manually.

Had this report been issued five years ago, we would have recommended that a computer system similar to that used by the HAOs be considered for all larger agencies if a national housing allowance program were to be implemented. But times have changed. Those five years have seen a truly revolutionary improvement in data-processing efficiency. The HAO system (not its capabilities, but the way it works) is now quite archaic.

If the system were being designed today, data processing economics would allow us to move beyond batch processing. HAO staff would key responses directly into a terminal while enrollment and recertification interviews were under way. Editing would occur in process. At the end of the interview, the computer would print out a hard-copy record that the client would sign to certify its accuracy, but there would be little additional paperwork.

Two implications are important. First, such an automated system would shorten the interview, facilitate data review and verification, and eliminate the need for some file-maintenance staff and all data-entry staff. In short, administrative cost per recipient-year should decline significantly.

Second, in the 1980s, sophisticated data-processing systems should be feasible in small as well as large agencies that administer allowance or Section 8 programs. Data-processing costs have been reduced so much in relation to other administrative expenses that all housing agencies are likely to adopt computers for word processing and other basic record-keeping in the next few years. When that happens, the addition of eligibility certification, client-record maintenance, and payments modules will not represent a major challenge.

VII. EVALUATING ALTERNATIVE RULES AND PROCEDURES  
FOR HOUSING CERTIFICATION

In this section, we review rules and procedures governing the HAOs' housing certification function as we have reviewed them for the eligibility certification function above, asking whether any alternative rules and procedures would have improved the HAOs' administrative performance. We look at five features of housing certification:

- Specification of program housing standards.
- Form of housing evaluation.
- Frequency of housing reevaluation.
- Extent of quality control.
- Extent of housing services provided.

SPECIFICATION OF HOUSING STANDARDS

Here, as with our earlier discussion of income-accounting standards, we note only administrative implications. Two conclusions are similar to those for income accounting. First, we believe that a successful housing certification process also depends on standards that can be applied without much ambiguity. In designing the standards for the Supply Experiment, we tried to limit the amount of discretion left to the evaluator. There was a specified list of items he had to rate in each housing unit, and for each item, we sought a basis for acceptance that would be clearly observable; i.e., instead of stating simply that walls had to be in "good condition," as some standards do, we specified those observable defects that would warrant a failure rating. The effort was not always successful. In a number of instances, we could not define hazardous conditions precisely enough to avoid some latitude for evaluator judgment. Nonetheless, we believe that the success we did achieve substantially reduced the likelihood of costly wrangling with participants about acceptance ratings.

Second, we also favor a strong "no exceptions" policy for housing evaluations. The HAOs were able to enforce such a policy here as they

were with means-tests; they had the opportunity to question and perhaps revise the standard for all households but not to grant exceptions for individual households. Again, the policy led to a number of adjustments to the standards in the first year or so, but the number of requests for exceptions or changes decreased thereafter. AAE agencies did permit exceptions in housing certification and found it difficult to control erosion of their standards (see Hamilton, 1979).

Third, we conclude that administrative and political factors seriously limit the stringency of housing standards that can be applied in a mass evaluation program. The funds available for local code enforcement usually allow agencies to inspect only a small fraction of the units in their communities each year; the same is true for Section 8 Existing Housing programs so far. In contrast, the Supply Experiment allowance programs evaluated an estimated 65 percent of all rental units (87 percent of all substandard units) in Brown and St. Joseph counties during their first five years of operations. They may well be the only mass evaluation programs operating in the United States.

The Supply Experiment imposed health and safety housing standards that did not deal with aesthetics or require more than minimal facilities. Because so many dwellings were being evaluated, the local political establishment paid attention. General pressure to maintain the standards sometimes vied with pressure to relax them in individual cases, since failure meant denying assistance to needy households. In such cases, Rand and the HAO usually had to forcefully argue that less stringency would constitute a clear and present threat to health and safety. Where smaller programs might be able to get away with standards not essential to basic health and safety, we doubt that such standards are feasible for a large-scale program. The point would be important to keep in mind in either a sizeable expansion of the Section 8 program or the adoption of a national housing allowance program.

An example is found in EHAP's Demand Experiment (again, programs affecting only a small number of units). In that experiment, one housing standard required, in most rooms, windows whose areas were the

equivalent of 10 percent of the floor areas of those rooms. A high percentage of the units failed because of that standard alone (see Valenza, 1977), and in such cases there was obviously no inexpensive way to make the repair. There is no clear evidence that windows of slightly smaller dimensions represent a threat to the health of the inhabitants. We think this standard might well have been legitimately overturned by the political process if it had been employed in a full-scale housing allowance program.

#### FORM OF EVALUATION

In this feature of a housing evaluation process, there are not many options. Someone has to physically inspect a housing unit, record the results, and enter them into agency records. HAO experience, however, does suggest two guidelines for other programs. First, prescribe a clear, step-by-step routine for evaluators to follow as they go through a housing unit, and reinforce the discipline of the routine by the design of the evaluation form. The sequence of the form should follow the sequence of the evaluation, and the listing of blanks to be filled in should ensure that the evaluator takes note of all physical characteristics that can affect program quality standards. This approach was critical to consistency and efficiency in Supply Experiment evaluations.

Second, we would advise that only trained evaluators be used. Only a few HAO evaluators had inspection experience prior to joining the HAO staff, but all received considerable training once employed. Some were also "cross-trained" (e.g., they developed skills in housing evaluation in addition to conducting interviews or reviewing data), but none was permitted to inspect dwellings before demonstrating competence in the techniques of that job.

In some AAE agencies, evaluations were performed by staff generalists (employees not trained in evaluation) or by participants (Hamilton, 1979). We believe that both approaches create serious risks likely to outweigh any potential savings in a large-scale program. The successful operation of the program in Brown and

St. Joseph counties depended heavily on the credibility of the evaluation system. Community leaders in both sites took the enforcement of our standards seriously; political difficulties would have ensued if some allowance determinations had been based on inspections by participants who obviously had a vested interest in the outcome. Housing certification is the program's main distinguishing feature. If housing evaluations are not conducted impartially, the program's ability to upgrade housing is obviously impaired.

#### FREQUENCY OF REEVALUATION

In the Supply Experiment, annual reevaluations were required. Although they did not have programs that lasted long enough to test options, AAE researchers share the judgment that evaluations once each year are appropriate (Hamilton, 1979). Earlier, we examined prospects for changing the original eligibility recertification cycle for certain groups. Is there any evidence to support a similar change for housing reevaluation?

The principle should be the same: Recertification frequency should be related to the frequency with which household circumstances change. If some groups seldom fail their annual housing reevaluations (i.e., the quality of their housing does not often change), the time between reevaluations for them might be extended. However, all groups had significant failure rates at annual recertifications in the Supply Experiment. Among the nonelderly in both sites, the rate was at least 25 percent; it ran as high as 59 percent for single renters with children in St. Joseph County. Rates for the elderly were lower--9 to 24 percent--but not low enough, in our judgment, to justify an extension of the reevaluation cycle.

The annual reevaluation requirement worked well in the Supply Experiment. Participants and the public understood it easily, and generally seemed to accept it as reasonable. Anecdotal evidence suggests that many participants appreciated having yearly, independent assessments that pointed up deficiencies in their dwellings they might otherwise not have noticed. Recognizing the administrative cost of more frequent reevaluations and the possible credibility loss



associated with a more extended cycle, we judge that annual reevaluations are a sensible recommendation for Section 8 and other national housing programs.

#### QUALITY CONTROL

HAO experience suggests that a formal quality-control program is essential to an effective housing evaluation system. Data from the Supply Experiment show that errors in pass-fail determinations were seldom made by evaluators in either site (see Tebbets, 1979, Sec. IV). We believe that the existence of the quality-control program had a great deal to do with that result. Without quality control, program managers have no way to answer the question, "How do you know your standards are being enforced?" The times are such that program survival may well depend on their ability to answer that question reliably.

#### COSTS IN PERSPECTIVE

In the Supply Experiment allowance programs, housing evaluation costs averaged \$60 per recipient year (\$64 housing certification cost per recipient year minus \$4 spent for services). In the review above, we have not recommended any changes that would reduce this cost. We have argued in essence that if you are going to do earmarking you need to "do it right" if program housing improvement objectives are to be attained. We see no easy ways to cut back on the HAO evaluation system significantly without risking those objectives.

Are the program's housing benefits worth \$60 per recipient year? A report on program administration is not the place to respond to the question. In answering it, the perspective should be broader than just the program's direct effects, however. If an open enrollment housing allowance (or voucher) program was implemented nationwide, the experience in Brown and St. Joseph Counties indicates that it would largely supplant the need for sizeable local housing code enforcement programs. A much larger share of all U.S. housing would be regularly inspected than in the past and there would be positive inducements to repair deficiencies when detected. Local governments could feel

more comfortable providing only emergency and complaint-response inspection services, and cut back on code enforcement outlays where they now provide a more extensive evaluation program.

#### THE ROLE OF HOUSING SERVICES

When the Supply Experiment began, both HAOs invited participants to attend information sessions to better equip them to meet program housing requirements and become more effective housing consumers. Topics included home-repair techniques, tips on moving and purchasing a house, lease agreements and fair-housing law, and others. The Brown County HAO stopped the sessions after a few months because participant interest was low. The St. Joseph County HAO continued to offer them, but no more than a small fraction of all recipients attended. Free legal services were also available to participants who felt they had been discriminated against in their search for better housing, but again, few people made use of them.

This evidence, coupled with the fact that about 80 percent of all enrollees qualified for payments, makes it clear that services were not important to the success of the allowance program. It would have been a costly error to have made services mandatory for all enrollees--a view generally corroborated by research on the AAE, where mandatory services were attempted (see Hamilton, 1979, Chap. 3).

But we do not claim that services have no role to play. Would it be possible to target services efficiently to help the other 20 percent of all enrollees who presently drop out before they meet program housing requirements? In the Supply Experiment, these participants have been termed EENPs (Enrolled Eligibles Not Paid). We were not able to actually test the effects of targeting services to them, but we did survey a 1,222-household sample to find out (a) the actions they took attempting to qualify for payments and (b) whether their circumstances at termination suggested they might have been candidates for additional service.

We found that a surprisingly small percentage made any effort to meet program housing requirements (Table 7.1). Fourteen to 16

Table 7.1

ACTION TAKEN BY EENP HOUSEHOLDS AFTER ENROLLMENT

	Renters		Owners	
	Brown County	St. Joseph County	Brown County	St. Joseph County
No Action Attempted				
No evaluation requested	16.6	23.0	11.5	16.7
Failed evaluation	28.3	19.1	64.4	48.1
Passed evaluation	8.4	3.0	--	1.0
Total	53.3	45.1	75.9	65.8
Attempted Repairs	14.0	16.3	24.1	28.9
Searched for Another Dwelling	18.8	19.7	--	3.7
Moved	14.0	18.9	--	1.6
All Cases	100.0	100.0	100.0	100.0

SOURCE: Survey of a sample of 1,222 out of the 1,821 households that were enrolled by both HAOs from June 1976 through December 1978 but were never authorized for payments.

percent of all renters, and 24 to 28 percent of all homeowners attempted to repair their preenrollment dwellings; about 19 percent of the renters (but few owners) searched for another unit; and 14 to 19 percent of the renters (again few owners) actually moved. Roughly half of the renters, and 65 to 75 percent of the owners took no action at all. We might have expected that everyone in this group had failed the initial evaluation and had decided that repairing or moving to get into the program would not be worth the effort. But a sizable number never even requested an initial evaluation of their housing unit, and a few renters, who had passed their evaluations, presumably did not qualify because either they or their landlords refused to sign the required HAO lease agreement.

Table 7.2 provides more information on how many EENP households might have been candidates for targeted services. Analysis shows that at the outside, only 35 to 50 percent fall in that category.

There are several reasons why services would not have been warranted for the majority. Among the renters, 17 to 24 percent had become ineligible by the time they dropped out; 15 to 16 percent,

Table 7.2

POTENTIAL CANDIDATES FOR SERVICE AMONG EENP HOUSEHOLDS

	Renters		Owners	
	Brown County	St. Joseph County	Brown County	St. Joseph County
<u>SERVICES NOT WARRANTED</u>				
Ineligible	24.1	17.0	23.8	17.2
Other Change in Circumstances				
New job or income change	5.4	2.7	3.6	5.1
Thought ineligible	<u>10.2</u>	<u>11.8</u>	<u>5.9</u>	<u>2.9</u>
Subtotal	15.6	14.5	9.5	8.0
Had to Move But Would Not Do So				
Overcrowded in current dwelling	3.8	0.9	7.2	6.4
Lived in subsidized housing	0.6	4.3	—	0.8
Lived with relatives	1.6	5.4	—	—
Landlord refused to sign lease	1.9	0.9	—	—
Landlord refused to make repairs	<u>8.0</u>	<u>4.8</u>	<u>—</u>	<u>—</u>
Subtotal	15.9	16.3	7.2	7.2
Dissatisfied with Program				
Allowance too small	5.7	3.1	8.3	5.6
Other (administrative burden, pride, privacy, etc.)	<u>3.8</u>	<u>6.7</u>	<u>11.9</u>	<u>12.3</u>
Subtotal	9.5	9.8	20.2	17.9
Total Services Not Warranted	65.1	57.6	60.7	50.3
<u>POTENTIAL CANDIDATES FOR SERVICE</u>				
Financial Problems Only				
Moving only	1.6	3.4	—	0.8
Repairs only	1.6	2.9	14.3	25.5
Either	—	<u>1.4</u>	<u>—</u>	<u>—</u>
Total	3.2	7.7	14.3	26.3
Technical Problems Only				
Moving only	8.9	9.0	2.4	.6
Repair only	8.3	10.5	8.3	2.7
Either	<u>11.4</u>	<u>13.2</u>	<u>14.3</u>	<u>4.6</u>
Total	28.6	32.7	25.0	7.9
Financial and Technical Problems				
Moving only	—	—	—	15.0
Repair only	2.2	—	—	—
Either	<u>.9</u>	<u>2.0</u>	<u>—</u>	<u>.5</u>
Total	3.1	2.0	—	15.5
Total Potential Candidates	34.9	42.4	39.3	49.7
TOTAL EENPs	100.0	100.0	100.0	100.0

SOURCE: Survey of a sample of 1,222 out of the 1,821 households that were enrolled by both HAOs from June 1976 through December 1978 but were never authorized for payments.

although still formally eligible, had a change in circumstances (usually a new job or other increase in income) that caused them to decide they did not need the allowance anymore. Another 16 percent refused to move, even though program rules required them to do so to qualify for payments. Finally, 10 percent had become dissatisfied with the program--in many cases because they thought the allowance was too small to be worth the trouble. Among the homeowners, a much larger percentage dropped out because they were dissatisfied with the program; fewer terminated because they refused to move or their incomes increased.

We categorized EENP survey respondents as potential candidates for services if they gave problems with moving or making repairs as one of their reasons for termination (even if it was not the primary reason). Among them, a modest number of renters, but a sizable proportion of homeowners, said that their problems were financial only. They needed front-end financing before they could move or, more often, make repairs, but they did not need advice or technical help from anyone. A larger proportion (in all groups except St. Joseph County owners) said the reverse was true. Money was not the problem. They needed technical help in searching for a new unit or in making repairs. Some respondents were physically able to take the required action themselves but did not know how to go about it. Others needed more direct assistance. The number indicating that they needed both financial and technical help was quite small.

The fact that a number of EENPs could have used additional help, however, does not indicate that they would have accepted assistance from the HAO, or if they did, that the services would have assured conversion to recipient status. We have no definite evidence on these points, but responses to one survey question cast doubt about the payoff from a targeted service program. The potential candidates were asked whether they thought the HAOs should have offered them more advice or help in making repairs or finding a new place to live. Only 37 percent of them (44 percent of those with financial problems only and 27 percent of those with technical problems only) answered affirmatively.

We now turn to the question how the HAOs might have designed a targeted service-delivery system. The first task would be to select a method for targeting. If the candidates shared similar characteristics, they could be identified and the service arranged for at the time of the enrollment interview. However, their characteristics are diverse. It would be very difficult to pick them out from among all enrollees.

Another approach would be to wait for a time: allow all enrollees to try to meet program housing requirements on their own, and after a reasonable period, find out who is having problems. The St. Joseph County HAO actually tried this approach in a limited experiment in years 3 and 4. Three months after enrollment, the staff tried to contact all enrollees who had not yet been authorized for payment. They attempted to reach everyone they could by phone, and sent letters to the others asking them to contact the HAO.

Data on 773 such attempts show that the HAO was able to get in touch with only 49 percent. The nature of the problems and service needs of those contacted generally conform to findings from the EENP survey. It is reasonable to assume that those the HAO was unable to contact were generally not in the EENP group that would meet our criteria for service candidates. Among those contacted, telephone questioning can effectively separate those who do from those who do not meet the criteria.

There is a method for delivering financial assistance that proved efficient in Brown and St. Joseph Counties. The HAO offered advances on allowance payments to cover security deposits for renters moving to new locations. The advances averaged \$174; amounts were repaid with deductions from the new recipients' next six monthly allowance payments. A few of these recipients dropped out of the program before the advance had been fully repaid, and the HAOs often had trouble collecting the remaining balances in these instances. However, the aggregate repayment rate was surprisingly high for a public assistance program.

This experience suggests that, assuming reasonable amounts required for repairs or moving expenses, there would be no need for a front-end grant. The HAOs could offer advances to be repaid by subsequent deductions for these purposes as well, and expect few losses. There are, however, two other potentially serious administrative difficulties.

First, how would the HAOs ascertain that the amount of an advance requested for repairs was reasonable? It might have to set up a new staff unit to review bids for contractors, and would thus become directly involved in clients' contract-repair transactions; the potential administrative complexity and liability could be significant. The problems might be overcome, to some extent, by putting a limit on the repair advance (say \$200); enrollees whose unit deficiencies implied larger repair bills could be referred to other agencies offering rehabilitation loans and grants.

A potentially more serious risk is that incentives for other enrollees might change if front-end financing were made available by the HAOs directly. Without that option, most enrollees who attempt to repair their units are able to do so without HAO assistance. If it became known that the HAO would offer front-end financing, how many of them would wait to take advantage of that opportunity? How many would decide to use contractors rather than do the work themselves? How many would attempt to "pad" the cost estimates?

We do not know the answer to these questions, but we think the risks to some of the allowance program's most beneficial features are high enough to discourage such a policy change without additional testing.

Agency staff could provide technical assistance of two types: (a) counseling (providing information and advice), and (b) direct assistance (participating directly in the enrollees' negotiations with landlords or repair contractors; doing repair work for the enrollee; accompanying the enrollee on the search for a new dwelling).

Some evidence from the St. Joseph County follow-up program suggests that assistance of the first type is not likely to be

effective. When the St. Joseph County staff contacted enrollees who had not met program housing requirements, they asked if the enrollee would like suggestions on how to solve the problems. About 60 percent accepted. The staff believe that this advice made the difference in a number of cases; enrollees who otherwise would not have done so, took the needed actions to meet program requirements. The overall results, however, are not optimistic. The ultimate conversion rates for enrollees who received such counseling were compared with those of earlier enrollees who had not met program requirements three months after enrollment. The aggregate rate for both groups was about the same: Roughly one-third were subsequently authorized for payments. A comparison of rates for different participant groups showed that this outcome was not the result of compositional differences.

The only direct assistance offered to enrollees in the St. Joseph County project was free auto transportation in the search for new housing; the demand was negligible. We have no evidence on the real demand for or effectiveness of other direct assistance techniques. We point out, however, that all of the other direct techniques would represent a significant role change for HAO staff; again, the additional administrative complexity and liability implied deserve careful evaluation.

To summarize, we have found that only a small fraction of all enrollees are potential candidates for service (in Brown County, 7 percent of the renters and 6 percent of the owners; in St. Joseph County, 13 percent of the renters and 8 percent of the owners). We have also suggested that providing an effective targeted-services program is no easy task, and that even if one were available, we have no assurance that it would cause a high percentage of the candidates to become recipients.

We conclude that a national demand-oriented housing assistance program (Section 8, housing allowances, or vouchers) could be quite effective if the administering agencies provided no responsive services to its participants whatsoever. This is not to say that many low-income households do not need extra help in securing and



maintaining decent housing--only that the administering agencies in a national subsidy program need not provide it. In the Supply Experiment, we are sure that many among the 80 percent of all enrollees who qualified for payments did obtain extra help, but they were able to obtain this assistance from friends or other local groups and agencies not affiliated with the program directly. Federal policy might be better focused on how to encourage the development of such local resources.

### VIII. MANAGERIAL AND INSTITUTIONAL FACTORS

We have argued that the simplicity of the allowance program's administrative design contributed substantially to the HAOs' effectiveness. The low- and moderate-income households that received assistance were responsible for meeting program housing requirements (making repairs, moving, negotiating with landlords) without direct help from the HAO staff, and as we have seen, almost all were successful at it. This left the HAOs with more controllable tasks to perform: certifying eligibility and housing, and disbursing payments.

We have seen that the cost of these functions is driven predominantly by attrition rates. The higher the percentage of applicants who drop out before becoming recipients, the larger the intake workload the HAO will have to process, and therefore, the higher the intake cost per new recipient. Higher recipient attrition rates in the maintenance phase increase workloads in more expensive functions as compared with less expensive ones, and thus somewhat increase maintenance cost per recipient-year. But amortizing intake costs over the average duration of reciprocity shows us that high recipient attrition rates effect a dramatic increase in total administrative cost per recipient-year. Different types of clients have different probabilities of attrition (rates by life-cycle and tenure group were remarkably consistent in the two sites); thus, the composition of the applicant and recipient populations considerably affects administrative workloads and costs.

We have also seen that changes in rules and procedures governing major HAO functions could have had a marked impact on costs and program integrity. However, we found that the particular combination of rules and procedures the HAO started with proved effective overall; there are few things we would change in hindsight.

None of these factors, however, guaranteed good performance. Had the HAO staff been less diligent, the outcomes might have been

quite different--backlogs, error rates, administrative costs, and client frustration all could have increased significantly. What caused the HAOs to perservere?

#### SOME NATURAL ADVANTAGES

Part of the explanation no doubt lies in some advantages the HAOs had over typical government agencies. First, the excitement associated with a nationally visible experiment helped the HAOs recruit a top-quality staff. Second, the HAO governing boards cared about efficiency and exhibited this concern by regularly taking stock of program costs and errors, and by encouraging efficiency improvements. Since the HAOs were private, nonprofit corporations, they were freer to create incentives for performance than are most public agencies. The HAO boards and top managers had more flexibility in hiring and firing and they were able to tie salary adjustments directly to worker performance.

We do not believe, however, that these advantages tell all or even most of the story; there were a number of other important factors. Almost all HAO staff (over 95 percent in both sites) were recruited locally, and salary structures were comparable to those of local agencies. The HAOs were not subject to the competitive pressures of the private sector; ample funding was assured by HUD. Also important were the management techniques that the HAOs applied in three areas discussed below--techniques that could be more widely adopted by local agencies that administer housing and income-transfer programs.

#### STAFF TRAINING

All HAO employees were given formal training when they joined the staff. Training for those who would work in means-test administration, housing certification, and financial management was most extensive. Employees were required to perform successfully in numerous simulated interviews, data reviews, housing evaluations, or accounting transactions before they were assigned regular workloads. They attended periodic updating sessions to learn new techniques,

and to affirm their working understanding of rule changes and basic skills. In the training sessions, the reasons behind HAO rules and procedures were explained, as well as the mechanics of their application. Training also emphasized sensitivity in dealing with participants, offering specific techniques for handling possibly difficult staff-client relations.

HAO managers always thought that the benefits derived from training far exceeded its cost. Bendick (1978) has shown that the error rate in the national AFDC program could be noticeably reduced if all local agencies had staff training programs.

#### QUALITY CONTROL

HAO staff working in means-test administration, housing evaluation, and financial management knew that samples of their weekly output would be checked by other employees, and that some of their work would be checked again by external auditors. Regular management use of the quality-control results thus heightened motivation. Similarly, summary statistics were reported and discussed in staff meetings, and employees' error rates figured in their annual salary reviews.

#### MANAGEMENT REPORTING SYSTEMS

Special emphasis was given to the design of HAO management information systems. Rand and HAO managers worked together to devise performance measures that would be credible to staff as well as to overseers. Efforts were made to rely on computer-generated numbers wherever possible, so that the staff would not feel overburdened in preparing management reports. Report formats were carefully designed to display important changes prominently, so they would not be missed in a sea of details.

We believe these tools were perhaps more important than initial staff quality in achieving the HAO's administrative objectives. This judgment may seem surprising to many readers, but we think the motivational power of information is too often discounted.

Consider the motivations of a section supervisor whose unit's productivity is unambiguously reported at the end of each week. If the line on the graph turns down, everyone (his colleagues and his boss) will know. He has good reason to take the steps necessary to prevent that from happening, or if he cannot, to develop a reasonable explanation of why doing so is beyond his control.

Top management in the HAOs reviewed and acted on performance reports for individual units on a weekly basis. Rand and local HAO trustees received monthly summaries and discussed general trends in board meetings, but seldom questioned the director's handling of performance at the section level. On the whole, we found that the reporting systems made the task much easier for all levels of management. It was important for top management to have access to regular reports and be aware of HAO performance, but they did not need to intervene in section affairs unless the supervisor called for help. The HAO reporting systems provided incentives for supervisors to detect and try to solve emerging problems themselves, before those problems showed up in the statistics.

Appendix A

STANDARDS FOR THE BROWN COUNTY HOUSING  
ALLOWANCE PROGRAM\*

STANDARDS RELATING TO ELIGIBILITY AND ALLOWANCE PAYMENTS

1. Place of Residence

Only households residing in Brown County are eligible to receive housing assistance payments in this program. If households move outside of Brown County, their eligibility for housing assistance payments will terminate.

Applications from those households who are residents of Brown County (household is defined minimally as head-of-household or spouse) are processed automatically on a first-come first-served basis.

2. Household Composition Eligibility Criteria

To be eligible to participate in the program, a household must be one of the following:

a. A household consisting of two or more persons, at least one of whom is an adult, who live together and who are related to each other by blood, marriage or operation of law.

b. A household consisting of one person who is 62 years of age or older, or a household consisting of one person 18 years of age or older who is disabled or handicapped or who has been forced to move because of a federally proclaimed natural disaster or by federal, state or local public action.

Once an eligible household as defined above exists, unrelated persons may count as eligible household members if they live with the household and are dependent on it for 50 percent or more of their support.

Other single persons between 18 and 62 years of age are also eligible, but the number of such households that may receive payments is limited to 10 percent of the total recipients authorized for the program under its Annual Contributions Contract. Because of this

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\*Standards for the St. Joseph County program are exactly the same except for site specific references.

limitation, the enrollment of single persons will be implemented in stages, with the priority in the earliest stages being given to older persons within this group.

### 3. Definition of Disabled and Handicapped

An individual is considered disabled if he is eligible to receive disability assistance from Social Security and other public programs. Handicapped persons are individuals who have a physical or mental impairment which: (a) is expected to be of long-continued and indefinite duration; (b) substantially impedes ability to live independently; and (c) is of such a nature that such ability could be improved by more suitable housing conditions. In cases where disability and physical or mental impairment cannot be easily identified, written verification from the attending physician may be required.

### 4. Other Individuals Residing with an Eligible Household

Other individuals who reside with an eligible household as defined above are not counted as members of that household for the purpose of determining household size or the applicable standard cost of adequate housing, and their incomes are not counted in the total household income. They are counted, however, in the application of the program's occupancy standard for the size of the housing unit. Such individuals may apply for program participation on their own and may be eligible if they meet program eligibility standards and if the portion of the housing unit they occupy meets the housing evaluation standards of the program.

### 5. Definition of Adult

An adult is defined as an individual who is 18 years of age or older or is under 18 and considered legally responsible. In households where there is no adult (as defined) a minor may substitute for an adult, provided that he/she has a legal guardian.

### 6. Definition of Related Persons

The following are considered to be related persons: husbands and wives; sons and daughters; fathers and mothers; aunts and uncles; sons-in-law and daughters-in-law; mothers-in-law and fathers-in-law; brothers-in-law and sisters-in-law; stepsons and stepdaughters; brothers and sisters; first cousins; adopted sons and daughters; grandparents and great-grandparents; grandchildren and great-grandchildren; nephews and nieces; stepbrothers and stepsisters; half brothers and half sisters; stepfathers and stepmothers; and foster sons and daughters.

### 7. Definition of Support

Support includes payments for food, shelter, clothing, medical and dental care, and educational expenses.

#### 8. Definition of Eligible Household Member

Anyone who lives with an eligible household at the time an eligibility determination is made and who qualifies under the definitions in A2 above, is an eligible household member and is taken into account in determining the household's size (as used in establishing the applicable standard cost of adequate housing and applying program occupancy standards) and its adjusted gross income. There are two exceptions to the above rule:

a. An individual who is now living with the household but who is expected to leave within the next 30 days and to be absent for a period of 90 consecutive days thereafter is not considered to be an eligible household member.

b. An individual who is not now living with the household but who is expected to join the household within the next 90 days and who is expected to live with the household for a period of at least 90 consecutive days thereafter is considered to be an eligible household member if he qualifies under the definitions of A2 above.

However, any individuals claimed as dependents for income tax purposes may be claimed for the purpose of the dependency deduction even though they do not qualify as eligible household members by the above definitions.

#### 9. Definition of Head of Household

The head of household is an eligible member of a household who is an adult and is legally responsible for the household's relationship with the HAO. If more than one eligible household member qualifies as head of household, the eligible members should designate one of their number as head.

#### 10. Functions of the Head of Household

The head of household must sign the Enrollment Application, the Participation Agreement, and the lease and will be legally responsible for his or her household's relationship with the HAO. The head of household is also the payee for allowance payments and signs all other documents required by the HAO, but he may delegate these responsibilities to another eligible household member if circumstances warrant, e.g., if the head of household is frequently out of town.

#### 11. Students and Armed Forces Personnel

Students and Armed Forces personnel are eligible to enroll in the program if they meet the definition of an eligible household member as defined in A8 above.



## 12. Loss of Household Members

If household members die, or move away from the housing unit occupied by the household and are expected to be absent so long that they no longer qualify as eligible household members (see A8), the following standards apply:

a. If the members that remain in the unit for which payments are being made include the household head: (1) the members that remain are treated as an eligible household automatically; (2) the members that depart are not treated as an eligible household automatically, but they may apply and enroll as such subject to their meeting all program requirements.

b. If the household head dies or departs, the right to continued payment ceases for the members that remain in the unit unless and until they designate a new household head who signs a new Participation Agreement.

c. If the household head moves to a new unit and other members remain in the unit for which payments are being made, the household head and other members that move with him may constitute an eligible household. However, they must provide information on changes in household status to the HAO at that time and they will be subject to a redetermination of continued eligibility and the amount of the allowance entitlement based on this information.

d. In any case above, if the household remaining in the unit is composed of a single person under 62 years of age who is not handicapped, disabled or displaced, the household composition criterion regarding single-person households will be waived until such time as the household moves out of that particular unit.

## 13. Income Eligibility Criteria

To be income-eligible at the time of enrollment, a household's size and adjusted gross income (see definition below) must be such that its maximum allowance entitlement is not less than \$10 per month. Once enrolled, households continue to be income eligible as long as their household size and adjusted gross income are such that the maximum allowance entitlement is greater than zero.

## 14. General Definition of Income

The household income used to determine initial and continuing income-eligibility and to calculate the maximum allowance entitlement is adjusted gross income, which is defined as total household income less allowable deductions. Total household income includes income from all sources (excluding nonrecurring income) of the head of household and spouse and of each additional household member who is at

least 18 years of age or older, anticipated to be received during the twelve months following enrollment or annual recertification, and excluding the income of full-time students (other than the head or spouse).

15. Components of Total Household Income

The components of total household income include, but are not limited to, the following:

a. Earned Income (before federal, state, FICA, and other mandatory payroll taxes): (1) wages, salaries, fees, commissions, bonuses, tips, including vacation pay, sick-leave pay, and severance pay; (2) net income derived by the household from a business whether owned individually, in partnership, or in some other form (gross business income less business expenses).

b. Grant Income: (1) Social Security Payments; (2) Supplemental Security Income Benefits (SSI); (3) Unemployment Compensation; (4) Workmen's Compensation, illness or accident benefits over what was needed to cover expenses; (5) Aid to Families with Dependent Children (AFDC); and (6) other public assistance.

c. Other Income: (1) alimony payments received (not included in AFDC); (2) foster parent payments; (3) child support received pursuant to legal order or obligation (not included in AFDC); (4) education stipends, scholarships, fellowships, or GI benefits in excess of what is needed for tuition, fees, and books; (5) recurring cash contributions in excess of \$20 per month from persons not living in the household or from private charities; (6) strike benefits, military (housing) allotments, if they are on a continuing basis; (7) net income from rent paid by roomers and boarders (gross income from roomers and boarders less amount of actual expenses incurred in relation to the roomer and his unit); and (8) pensions and annuities (retirement programs for government employees or military personnel, pensions from private employers, veterans' disability, etc.).

d. Cash Income from Income-Producing Assets: (1) net income on real property (rent minus allowable expenses); (2) interest (e.g., from savings accounts, treasury bonds); (3) dividends; and (4) other cash income derived from asset holdings.

e. Income Imputed to Nonincome-Producing Assets: i.e., assets from which no cash income is derived such as real property that has no rental income. Income is imputed to nonincome-producing net assets at the rate of 5 percent per year.

16. Items Excluded from Total Household Income

The following types of income are excluded from the calculation of total household income:

- a. Income received by household members less than 18 years of age unless they are head of household or spouse.
- b. Income of full-time students, unless they are head of household or spouse.
- c. Nonrecurring income, such as: (1) casual, sporadic, or irregular gifts, including amounts that are specifically received for reimbursement of the cost of illness or medical care; (2) lump-sum additions to family assets, such as inheritances or insurance payments, including payments under health and accident insurance and Workmen's Compensation, capital gains, and settlements for personal or property losses (which will be reflected as a change in assets); (3) amount of educational scholarships paid directly to the student or to the educational institution and amounts paid by the federal government to a veteran for use in meeting costs of tuition, fees, or books, to the extent that such amounts are so used (also affects part-time students); (4) special pay to a serviceman who is head of household, away from home, and exposed to hostile fire; (5) relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (PL-91-646, 84 Stat. 1894); and (6) allotments for the purchase of foods in excess of the amount actually charged eligible households, pursuant to the Food Stamp Act of 1964 (7. U.S.C. 2016[e]).

#### 17. Allowable Deductions

After the Total Household Income has been computed, the following deductions are applied to determine the household's adjusted gross income:

- a. Ten percent of household total income for households whose head of household or spouse is 62 years of age or over or disabled or handicapped; 5 percent of household total income for other households.
- b. Extraordinary medical expenses where not compensated for or covered by insurance, defined as medical expenses in excess of 3 percent of Total Household Income.
- c. Amounts for unusual occupational expenses not compensated for by the employer, such as special tools and equipment, but only to the extent by which such expenses exceed normal and usual expenses incidental to employment.
- d. Amounts paid by the household for the care of children or sick or incapacitated household members when determined necessary to the employment of head of household or spouse. The amount deducted shall represent either: (1) the actual amount of expenses verified by receipts or statements from the individual employed to provide the care; or where expenses are not verified, (2) a standard amount to cover no more than 50 hours of care per week at reasonable rates.

However, in no case may the amount exceed the amount of income received by the released household member.

e. Exemption of \$300 for each dependent, i.e., each minor (other than the head or spouse) and for each adult (other than head or spouse) dependent upon the household for support.

f. Exemption of \$300 for each secondary wage earner (a household member deemed to be a dependent under Item e above not included). A secondary wage earner is a household member 18 years of age or older other than the head of household who is not a full-time student and who works more than 20 hours per week.

g. Amounts paid out by a household member for court-documented child support and alimony.

#### 18. Asset Limitation

Your household's total net assets (savings accounts, home equity, etc.) cannot be greater than the program asset limits. These limits change from time to time. The HAO staff will tell you the limits in force for any particular date.

#### 19. Definition of Assets

Assets are defined as property and other capital items, including but not limited to:

- a. Real property.
- b. Financial assets, such as: (1) checking accounts; (2) savings accounts; (3) savings bonds and other bonds; (4) cash on hand; and (5) stocks and mutual funds.

#### 20. Definition of Net Value of Assets

The net value of an asset is its market value less encumbrances, such as outstanding mortgages, trusts or deeds, and secured loans.

#### 21. Subsidized Housing

Households residing in housing assisted under federal programs are ineligible to receive housing allowance payments, but may enroll in the program if they intend to move to a nonsubsidized unit. These federal programs are: (a) low rent public housing; (b) HUD Section 23 Leased Public Housing; (c) HUD Section 235; (d) HUD Section 236; (e) HUD Section 221(d)(3) BMIR; (f) mutual self-help housing; (g) rent supplements; (h) HUD Section 202; (i) Farmers Home Administration Section 502; and (j) Farmers Home Administration Section 515.

Units that have been or will be rehabilitated using HUD Section 115 Rehabilitation Grants and/or Section 312 Rehabilitation Loans or Home Improvement Programs do not fall within this definition of subsidized housing.

## 22. Amount of Assistance

The maximum housing allowance to which an eligible client is entitled is calculated by means of a formula which takes into account the household's annual adjusted gross income and the standard cost of adequate housing in Brown County. The formula provides for housing assistance equal to the difference between the standard cost of adequate housing (varying with household size) and 25 percent of the annual adjusted gross income of the household.

In no case, however, may a household receive a housing allowance payment that exceeds its average actual housing expenses. For renters, actual housing expenses are defined as contract rent plus the standard cost of those utilities not included in the contract rent. For homeowners, actual housing expenses are defined as the actual amount of interest payments on mortgages and other loans for the purpose of improving the house, property taxes, and the standard cost of insurance premiums, utilities, and maintenance.

The maximum allowance entitlement is calculated based on a projected annual rate of adjusted gross income as of the date the information is provided to the HAO by the household. The current rate of income (annualized) is used wherever possible to determine the projected annual rate, provided that current income is documented and represented a steady rate.

## STANDARDS RELATING TO HOUSING QUALITY AND OCCUPANCY

### 1. Introduction

A household enrolled in the Housing Allowance Program may receive allowance payments only when residing in a housing unit (or rooming unit) that has been evaluated by the HAO and has been certified as decent, safe, and sanitary, taking into account both the characteristics of the unit and the characteristics of the assisted household.

### 2. Definition of Housing Unit and Rooming Unit

Clients may receive allowance payments when residing in either a housing unit or a rooming unit as defined below:

a. Housing Unit: A housing unit is a house, apartment or group of rooms, occupied or intended for occupancy as separate living quarters, which has: (1) access to the outside of the building

directly or through a public area within the building, and (2) complete kitchen and bathroom facilities for the exclusive use of the occupants.

b. Rooming Unit: A rooming unit is a room or group of rooms, occupied or intended for occupancy as separate living quarters, which is not a part of a housing unit, and in and of itself does not have all of the characteristics necessary to be a housing unit.

### 3. Living Space

To be certifiable for occupancy by a program participant, a unit must meet the following minimum standards related to living space:

a. Habitable Rooms: Each habitable room must have a sufficient floor area and ceiling height to permit normal activities by the occupants and must meet requirements set forth below for heating and electrical facilities, natural light and ventilation. (A bathroom--any room containing an unenclosed toilet or bathing facilities--is not a habitable room.) Each habitable room must contain a minimum of seventy (70) square feet of floor area and have a clear height of six (6) feet six (6) inches or more in at least thirty-five (35) square feet of the ceiling area.

b. Bedrooms: Each bedroom must be a habitable room that can be closed off from all other rooms and that does not contain kitchen facilities (except where the space for kitchen facilities and their use does not occupy the dominant portion of the room).

c. Occupancy: The minimum number of bedrooms a unit must have for occupancy by households of various sizes is as follows:

<u>No. of Persons Occupying the Unit</u>	<u>No. of Bedrooms Required</u>
1 or 2 persons	1
3 or 4 persons	2
5 or 6 persons	3
7 or more persons	4

d. Living Room: A unit occupied by more than two persons must have one habitable room in addition to the kitchen and bedrooms to serve as a general living area.

### 4. Facilities

To be certifiable for the allowance program a unit must have the following minimum facilities:

a. Toilet and bath facilities: A housing unit must contain a separate and private room (or rooms) in which the following are present and in working order: (1) toilet, (2) wash basin with hot and

cold running water, (3) bath tub or shower with hot and cold running water. For a rooming unit these facilities must be provided within the same building, reasonably accessible to and available for use by the occupants, and not normally shared by more than eight (8) persons, including the occupants of the rooming unit.

b. Kitchen facilities: A housing unit must contain a kitchen in which the following are present and in working order: (1) cooking stove or range, (2) refrigerator, (3) kitchen sink with hot and cold running water. For a rooming unit, a facility regularly serving hot meals or a kitchen meeting the criteria above must be reasonably accessible to the occupants.

c. Heating facilities: A unit must contain heating facilities that are in working condition and capable of providing adequate heat to all rooms in the unit. A heating fixture is required in every bathroom and habitable room unless the capacity of a fixture in one location is clearly capable of heating more than one surrounding room. Portable electric room heaters may not serve as primary sources of heat. Unvented room heaters that burn gas, oil or other flammable liquids are not acceptable as heating facilities.

d. Electrical facilities: Electrical facilities must be present and in working order in each habitable room and the bathroom as required for the provision of adequate artificial lighting and the operation of necessary household appliances. The kitchen must have two separate electric convenience outlets or one electric convenience outlet and one ceiling or wall electric light fixture with a safe switching device. The bathroom must have at least one electric convenience outlet or one ceiling or wall light fixture with a safe switching device. All other habitable rooms must have at least one electric convenience outlet.

##### 5. Natural Light and Ventilation

To be certifiable for the allowance program, a unit must meet the following minimum standards:

a. Natural light: Natural illumination of each habitable room except for the kitchen during daylight hours must be strong enough to permit normal domestic activities without artificial lighting. Each habitable room except for the kitchen must have at least one window facing directly outdoors (or to a sun porch).

b. Ventilation: The bathroom and each habitable room must have at least one openable window or other source that provides the equivalent ventilation.

6. Hazardous Conditions

To be certifiable for the allowance program, a unit must be free of conditions that endanger the health and safety of the occupants related to the following elements of the property:

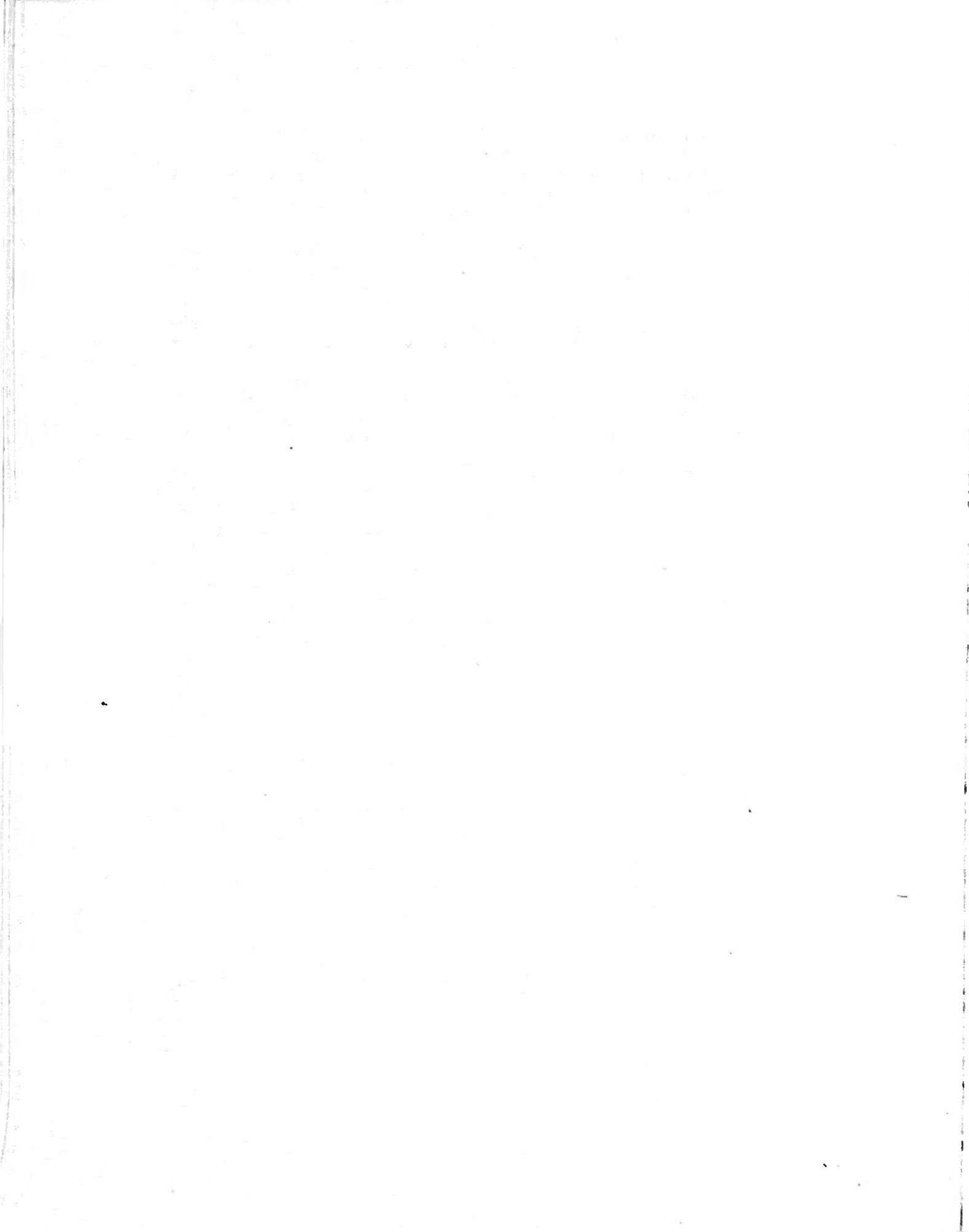
a. Exterior Property Area: Sanitation and storage, grading and drainage, trees and plant materials, and accessory structures or fences.

b. Exterior of the Building: Foundations, walls and exterior surfaces, roofs, stairs, porches and railings, windows, and doors and hatchways.

c. Interior of the Unit and Public Spaces in the Building: Exits, sanitation and storage, walls and ceilings, floors, stairs, and railings, toilet and bath facilities, kitchen facilities, heating facilities, electrical facilities, water heater, plumbing system, heating system, and electrical system.

d. Lead-based Paint: In properties where children under seven years of age are to be residents or are frequent visitors during the period when allowance payments are received, conditions endangering the health and safety of the occupants include the existence of any cracking, scaling, chipping, peeling, or loose paint, which may have dangerous lead content, on any applicable surfaces. Applicable surfaces include all interior surfaces and those exterior surfaces such as stairs, decks, porches, railings, windows and doors which are readily accessible to children under seven years of age.





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