

Housing Voucher Success and Utilization Indicators, and Understanding Utilization Data

Glossary of Indicators

There are various indicators of how successfully an agency uses available Housing Choice Voucher resources to assist needy families. All of these indicators are important, but the significance and implications of each for families and agencies differ somewhat. Below is a glossary of key success and utilization indicators, followed by brief discussion of indicator data that are available, and how stakeholders may use them. (State and local housing agency data for some of these indicators are available on the Center’s “National and State Housing Fact Sheets and Data” web page.)¹

Leasing: Voucher leasing is the measure of how many households an agency is assisting at any given time. It is the number of households that are using housing vouchers to rent units in a given month, or on average over the course of a year.

Lease-up rate: The voucher lease-up rate is the percentage of an agency’s “authorized housing vouchers,” whose number is set by the Department of Housing and Urban Development (HUD), that households are using to lease units (typically in a month or year). This number is the result of many rounds of new voucher allocations that HUD (at Congress’ direction) has implemented — some by a statutory formula and others by competitive award — over the more than 40 years that the program has been in existence. In recent appropriations acts, Congress has strictly prohibited the use of federal funds for vouchers that exceed an agency’s authorized cap (excepting agencies participating in the Moving to Work demonstration, which are exempted from this prohibition).

For instance, if a housing agency is authorized to administer 980 housing vouchers, and families are using 882 vouchers to lease units, then the agency’s lease-up rate is 90 percent (882 divided by 980). (Note: relatively few agencies lease up 100 percent of their authorized vouchers because it has been more than a decade since Congress provided them with sufficient funds to do so. As a result, this indicator has become less helpful in gauging agencies’ performance.)

Funds expenditure rate: Each year, HUD provides every housing agency an amount of budget authority to pay rental subsidies to landlords on behalf of participating households. An agency’s voucher funds expenditure rate is the share of its subsidy funding allocation that it spends to assist families with vouchers during the year. For instance, if, in a given year, an agency receives \$2.5 million for voucher assistance and spends \$2.4 million to assist families, its funds expenditure rate is 96 percent (2.4 million divided by 2.5 million). This indicator is the most important for assessing program performance in terms of how well funds are used to assist needy families because it measures the extent to which a housing authority received voucher assistance funds in a given year that it did not fully use.

¹ <https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets#table1> and <https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets#table4>.

HUD SEMAP utilization rate: HUD uses a combined indicator to assess agency performance under the Section 8 Management Assessment Program (SEMAP). This measure combines the voucher lease-up and funds expenditure measures: the SEMAP measure is *the higher* of an agency's voucher lease-up and funds expenditure rates. In combining two factors, HUD's SEMAP measure acknowledges several important realities about program administration. Frequently, for example, housing agencies do not receive enough funding to use all their authorized vouchers, and a performance measure that relied entirely on unit utilization thus would be unfair.

Reserve balance: Funding reserves are unspent voucher assistance funds that an agency received in prior years. The magnitude of an agency's reserve balance is typically expressed as a percentage equal to the reserve amount divided by the agency's annual renewal funding allocation. For instance, if an agency has \$100,000 in funding reserves and received \$1 million in voucher renewal funding in the current year, then its reserve level is 10 percent (\$100,000 divided by \$1 million). This is the best overall indicator of whether a public housing agency could assist more families by better utilizing existing funds; high reserve balances could be due to ineffective administration.

Under HUD's financial management procedures, agencies hold a modest portion of reserves in their own account ("restricted net position" or RNP), and HUD holds an additional portion that agencies may draw on by request. It is prudent for housing agencies to maintain modest reserve balances as a hedge against unexpected events such as an atypical spike in rents or success rates (defined below) or an unexpected reduction in their annual funding allocation. The reserve level that is prudent depends in part on how large the agency is. For instance, high-performing, large agencies may maintain reserves equal to 4 to 6 percent of their annual funding, while it may be prudent for small agencies to keep larger reserve balances because small changes in leasing or costs can have a significant impact on their voucher budgets.

Success rate: An agency's success rate is the percent of vouchers it has issued to families in a year that result in an actual lease and assistance contract with a landlord. When HUD last studied voucher success rates in 2000, the national average voucher success rate in metropolitan areas was 69 percent. This means almost 7 out of 10 families newly issued vouchers were able to lease a unit using their vouchers.²

The study also found that success rates differed significantly across the country due to differences in housing agency management and local rental markets: 9 out of 10 families successfully used their vouchers in about 12 percent of agencies, while at the other extreme only about half of families issued vouchers were successful in 15 percent of agencies. While these numbers may have shifted over time, there likely remains significant variation in voucher success rates by agency and location.

Low success rates are frustrating for families, most of whom are precariously housed and have been waiting many months or years to receive assistance. Low success rates are also burdensome

² Prior to this 2001 study, HUD assessed success rates in the mid-1980s, which showed a success rate of 69 percent, and the early 1990s, which showed a success rate of 81 percent. Meryl Finkel and Larry L. Buron, "Study on Section 8 Voucher Success Rates: Volume I Quantitative Study of Success Rates in Metropolitan Areas," Abt Associates for HUD, November 2001, <https://www.huduser.gov/publications/pdf/sec8success.pdf>.

for housing agencies, because they have to process a larger number of applications for every successful voucher lease. Many factors, such as housing market conditions and landlord acceptance of vouchers, affect success rates, but effective program management can succeed in raising success rates even under difficult conditions, such as tight housing markets.

Understanding Agency Utilization Data

Recent and historical data for some of these indicators are available on the Center’s “National and State Housing Fact Sheets and Data” page,³ including, for every state and local housing agency:

- The number of households using housing vouchers, by year and quarter;
- The number of authorized housing vouchers, by year;
- The percent of authorized vouchers in use, by year;
- The funds expenditure rate, by year; and
- Total voucher assistance payments to owners (“housing assistance payment” or “HAP”), by year.⁴

Those with a strong understanding of the housing voucher program may also wish to review the data that HUD makes available in its “HCV Two-Year Projection Tool.”⁵ This tool is designed to assist housing agencies in administering their programs effectively, but it offers a range of data that are useful to others, too.

These data may be useful for answering basic questions of interest, such as:

- **How many people or households does the voucher program help in my community or state, and how has the number changed over time?** Annual or quarterly leasing data (“number of families using housing vouchers”) show the large numbers of low-income families in nearly every community that use housing vouchers to keep a roof over their heads and make ends meet. Our “Housing Choice Voucher Fact Sheets” provide additional data, such as the number of seniors, people with disabilities, and children in households in each state that use housing vouchers.⁶
- **Voucher assistance payments can help improve housing quality and prevent blight in communities. What resources does the program bring into my community?** “Total voucher assistance payments to owners” shows the total payments made to owners during each calendar year. These payments enable owners to make units available to low-income families at a rent they can afford. But they also provide a reliable stream of rents to owners.

³ <https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets#table1> and <https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets#table4>.

⁴ Center on Budget and Policy Priorities, “National and State Housing Fact Sheets & Data,” <https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets>.

⁵ This tool is available at https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/Tools.

⁶ Center on Budget and Policy Priorities, “Housing Choice Voucher Fact Sheets,” <https://www.cbpp.org/housing-choice-voucher-fact-sheets>.

Owners use these rents in part to maintain properties in safe and sound condition and meet federal housing quality standards, as well as to pay property taxes.

- **Are state and local housing agencies using available funds effectively to serve families?**

We publish both voucher lease-up and funds expenditure rate data for every housing agency. Because only a fraction of eligible low-income households receives rental assistance due to funding limitations, it is essential for housing agencies to use scarce resources as effectively as possible.

The voucher funds expenditure rate is the best measure of how effectively an agency is using available funds. In general, agencies should spend 100 percent of their annual funding allocation, and should spend an even higher amount if they have underspent funds in prior years and have excess reserves. If an agency does not spend all of its annual allocation — and particularly if it fails to do so over two or more consecutive years (when it already has sufficient reserves) — then there are good reasons for concern, as families on the waiting list are unnecessarily going without the assistance they need to afford housing. This is a sign that the agency may not be managing its program effectively.

There are circumstances in which it is reasonable for an agency to spend less than 100 percent of its funding for a short period (such as a single year). For instance, an agency may have spent all its reserves in the prior year to make up for a severe shortfall in funding — which occurred for many agencies in 2013 following the across-the-board funding cuts under sequestration imposed by the Budget Control Act of 2011 — and may decide it is prudent to rebuild a modest reserve balance to hedge against future shortfalls.

In short, when an agency has a voucher funds expenditure rate that is well below 100 percent, this may signal that it could be using its funds more effectively to serve additional families. Community stakeholders may thus use these data to analyze whether local agencies are making the best use of available funds. If an agency is using less than 100 percent of its authorized vouchers and has large reserve balances (higher than 4 percent for a large agency, for example), then the agency has an opportunity to assist more needy households by using its excess reserves to issue additional vouchers.