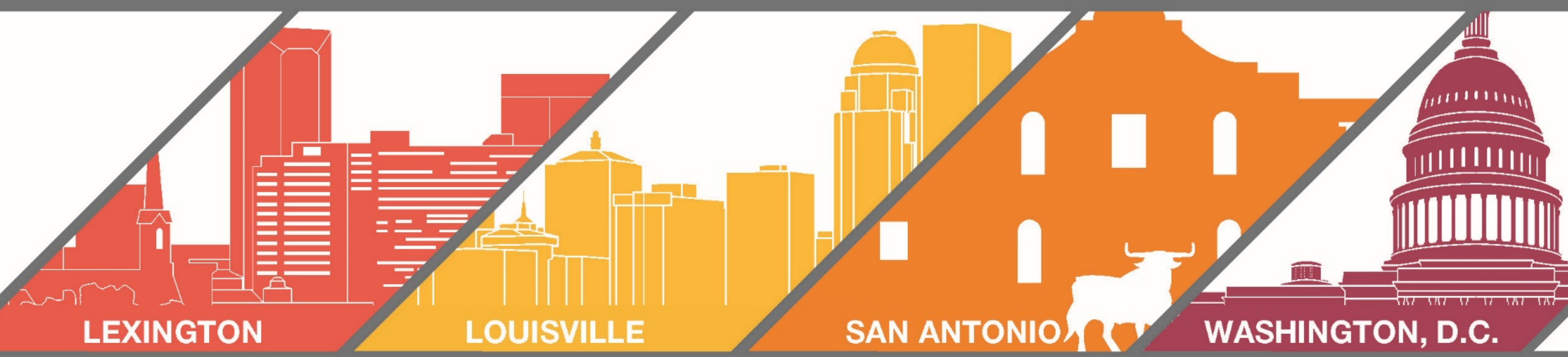
The Rent Reform Demonstration: Interim Findings on Implementation, Work, and Other Outcomes

Executive Summary



PD&R

U.S. Department of Housing and Urban Development | Office of Policy Development and Research

The Rent Reform Demonstration: Interim Findings on Implementation, Work, and Other Outcomes

Executive Summary

August 9, 2019

James Riccio
Nandita Verma
Victoria Deitch

Acknowledgments

This report would not have been possible without the contributions of many people.[1] We are especially grateful to the families who are participating in the Rent Reform Demonstration at the Lexington-Fayette Urban County Housing Authority, Louisville Metro Housing Authority, San Antonio Housing Authority, and District of Columbia Housing Authority, whose experiences have informed this report. We also want to give special thanks to the staff members of these agencies who have been implementing the new rent policy and whose experiences inform the operational lessons documented in this report; the study depends greatly on their efforts to implement the alternative rent policy with care. In addition, we appreciate the assistance of agency staff members who were deeply involved in designing the policy and in determining how best to implement it (and the study procedures), or who have supported their agencies' continued engagement in the demonstration. These include in Lexington, Executive Director Austin Simms, with Andrea Wilson, Aldean Pleasant, and Tonya Christopher; in Louisville, former Executive Director Tim Barry, current Executive Director Lisa Osanka, with Deborah Gilbert and Tracy Holmes-Bell; in San Antonio, Executive Director David Nisivoccia, with Richard Milk, Pat Ortega, Brandee Perez, Gary Baxter, Priscilla Salazar, and Valerie Ochoa; and in Washington, D.C., current Executive Director Tyrone Garrett, former Executive Director Adrianne Todman, with Kimberley Cole, Ronald McCoy, Anissa Jones, Lori Parham, Jannie Lebby, Fatima Koroma, and Rani Joseph.

We are also grateful to the staff at the U.S. Department of Housing and Urban Development (HUD) for their valuable feedback on the evaluation, and for reviewing drafts of this report. These include, from the Office of Public and Indian Housing, Dominique Blom, Marianne Nazzaro, Chris Golden, Alison Christensen, John Concannon, and Ebony Gayles; and from the Office of Policy Development and Research, Todd Richardson, Mark Shroder, Carol Star, Lynn Rodgers, Meena Bavan, Paul Joice, Elizabeth Rudd, and especially Marina Myhre. Marina Myhre serves as our HUD Contracting Officer's Representative and has been a source of steady and thoughtful guidance on all aspects of this study, including this report.

We thank reviewers who serve on our expert panel and have given us comments on the study and this report: Nicole Barrett and Emily Warren of the Council of Large Public Housing Authorities; Janelle Beverly of the Fairfax County Redevelopment and Housing Authority; Elayne Weiss of the National Low-Income Housing Coalition; Tushar Gurjal of the National Association of Housing and Redevelopment Officials; Lawrence Katz of Harvard University; Noelle Porter of the National Housing Law Project; Andrew Lofton of the Seattle Housing Authority; Larry Orr (consultant); Greg Russ of the Minneapolis Public Housing Authority; Barbara Sard and Will Fischer of the Center on Budget and Policy Priorities; and Michael Wiseman of George Washington University.

We acknowledge our research partners from other organizations who played a crucial role in the design of the new rent policy and the evaluation, worked directly with the housing agencies to implement the new rent rules and research procedures, or provided feedback on the evaluation: John Goering of the

[1] The Acknowledgments list the institutions with which individuals were affiliated at the time they contributed to the work reflected in this report.

City University of New York, Don Davis of the Bronner Group, Ingrid Gould Ellen of New York University, and Roberta Graham and Jessica Porter of Quadel.

Marty Abravanel and Diane Levy of the Urban Institute and Barbara Fink (consultant), along with MDRC's Jonathan Bigelow and Keith Olejniczak, conducted multiple rounds of field research to document the experiences of the housing agencies implementing the new rent rules and those of the families subject to the new policy. Their insights from the field helped shape the observations in this report. Toni Castro-Cosio helped us organize and analyze the qualitative data. Barbara Fink's support was also instrumental in analyzing the vast amount of qualitative data gathered for this study. David Long helped to conceptualize the cost analysis methodology, collect cost data, and draft the cost appendix.

Cynthia Miller and Ingrid Gould Ellen offered helpful insights on early findings and report drafts, and Gordon Berlin provided important feedback on the report. Josh Vermette, Audrey Yu, and Katerina Galkin processed and analyzed the quantitative data. Andrew Rock wore many hats and provided invaluable support: he conducted field research, helped with the analysis of the qualitative data, and prepared the exhibits and assisted with fact-checking. Alice Tufel and Carole Campbell edited the report drafts, and Ann Kottner helped prepare drafts for HUD. Finally, we appreciate the support of our resource manager, Crystal Ganges-Reid.

Foreword

In 1969, a landmark piece of national affordable housing legislation, sponsored by and subsequently named after U.S. Senator Edward Brooke, was enacted into law. This law, the Brooke Amendment, established limitations on the rents charged to families and individuals in federally assisted housing. Initially, the Brooke Amendment limited rent charges to 25 percent of an assisted family's income. Over time, numerous changes were made to the basic rent setting policy including, raising the threshold to 30 percent (enacted in 1981), adding numerous adjustments, exclusions and deductions, as well as adding minimum and ceiling rent options.

Over the last few decades, critics have suggested that the Brooke Amendment, in its pursuit of safeguarding affordability, creates a disincentive to work by dampening tenant motivation to earn more income. In response, The Department of Housing and Urban Development (HUD) has undertaken a Rent Reform Demonstration to comprehensively test alternatives to the current rent-setting requirements for one of its key, and largest, housing assistance programs: Housing Choice Vouchers (HCV). The Demonstration has three key goals it is testing. They are, specifically, how to:

- Incentivize employment for work-eligible individuals
- Reduce the complexity and administrative burden for PHAs
- Avoid unnecessary hardship on assisted families

This demonstration has been underway since 2015 and in that time over 6,600 families have been randomly assigned to either the alternative rent rules or a control group subject to the existing rules at the four Public Housing Agencies (PHAs) that are participating in the demonstration. This report "Interim Findings" is one of two reports being released simultaneously on the Rent Reform Demonstration. It presents results on the new rent policy's effects, or "impacts," on household heads' labor market and housing-related outcomes from the demonstration's second followup period, 27 to 30 months after the alternative rent model was implemented for the treatment group. The other report is "Early Effects", which presents findings from the first 12 to 18 months after the alternative rent model went into effect for the treatment group.

The interim findings for the key outcomes of employment and earnings varied substantially across locations. There were significant positive effects on earnings in Lexington and San Antonio and on employment in Lexington, but not in Louisville or Washington, D.C. The interim report period, however, is not sufficiently long enough to capture the full effects of the triennial recertification policy.

The report also presents other interim effects: larger monthly rental housing subsidies in the first three years and longer tenure in the voucher program, which are expected short-term results related to the use of triennial income recertification to establish tenant rent contributions; increased use of hardship remedies, decreased PHA administrative actions, and almost no effect on TANF or SNAP benefits receipt or homeless service use.

The Interim Findings report also provides some preliminary calculations of the cost of administering the alternative rent model that show it would cost the same or less for PHAs to administer.

Findings on long-term housing assistance payments will not come until after the triennial recertification data is analyzed in the next report.

Given the early nature of this review, it is too soon to draw firm conclusions on the triennial recertification (the element of the model most expected to influence employment and earnings) and whether it is having its intended effect. However, the findings indicate that a new minimum rent does not seem to have any short-term impact on employment or earnings, based on the lack of employment or earnings effects in Washington, DC where the minimum rent increased from $0 to $75.

Future reports will assess the impact of the alternative rent model, including any long-term effects, through a followup survey. There will be an additional interim report, expected in 2021, with the final report gathering 6 years of data (covering two triennial recertifications), scheduled for 2023.

Seth D. Appleton
Assistant Secretary for Policy Development and Research
U.S. Department of Housing and Urban Development

Executive Summary

For many years, housing subsidies offered by the federal Housing Choice Voucher (HCV) program, which help eligible low-income families cover their rental costs in the private rental market, have been calculated in a manner that may create a disincentive for tenants to work. Because voucher holders pay 30 percent of their income (after certain exclusions and deductions) toward their rent and utilities, their subsidies fall as their incomes rise, creating an implicit marginal "tax" on increased earnings. Critics of this rent policy believe that it also imposes a substantial and costly administrative burden on public housing agencies (PHAs), in part because the policy requires PHAs to adjust subsidies, up or down, as families' incomes fall or rise, and to apply complicated rules in determining subsidy levels.

The U.S. Department of Housing and Urban Development (HUD) launched the Rent Reform Demonstration to test important modifications to the federal government's traditional rent policy to determine whether the changes can improve tenants' success in the labor market and reduce the administrative burden on PHAs in operating the voucher program. The demonstration focuses on families living in privately owned housing units and receiving "tenant-based" vouchers, which are not restricted to any rental building or apartment. This report is the third in an ongoing evaluation of the modifications to HUD's traditional policy and the second to report on the policy's impacts.

As described in the following, the new policy changes the ways in which subsidies are calculated; introduces or increases the minimum dollar amount families are expected to pay toward their rent and utilities (typically referred to collectively as "minimum rent"); requires no income reporting to the PHA and no reductions in families' housing subsidies for 3 years, even if their incomes grow; and includes a number of safeguards to protect tenants from excessive rent burden, such as when their incomes decline. The demonstration began enrolling voucher holders in 2015 and is operating in four cities and PHAs: Lexington-Fayette Urban County Housing Authority (generally referred to as the "Lexington Housing Authority"), in Lexington, Kentucky; Louisville Metropolitan Housing Authority, in Louisville, Kentucky; San Antonio Housing Authority, in San Antonio, Texas; and District of Columbia Housing Authority, in Washington, D.C. These housing agencies are a subset of 39 PHAs that, at the time the project was launched, were part of HUD's Moving to Work (MTW) demonstration program, which allows selected PHAs more administrative flexibility in operating their housing assistance programs. HUD selected MDRC and its partners to lead the initiative,[2] working closely with them and the four PHAs to help design a new rent policy and to evaluate it using a randomized controlled trial.

This report is the third in a series of five reports on the Rent Reform Demonstration. The first "Baseline" report presented initial information on the demonstration's implementation and on the study participants' original characteristics. The "Early Effects" report is second in the series and provides preliminary findings from the first 12 months after the new rent policy went into effect. This "Interim Findings" report presents results from the first 27-30 months of followup. It covers the new rent policy's effects, or "impacts," on families' labor market and housing-related outcomes, receipt of other government

[2] The study team includes the Urban Institute, the Bronner Group, Quadel Consulting & Training, Ingrid Gould Ellen (New York University), and John Goering (City University of New York).

benefits, and use of homelessness services. It also uses indepth qualitative interviews conducted with PHA staff and tenants to explore their experiences with, and views of, the new policy.

The fourth report in the series (expected in 2021) will present findings from the long-term followup survey and the first triennial recertification, about 36 months after the new rent policy went into effect. The fifth and final report (expected in 2023) will provide concluding findings of the demonstration after the second triennial recertification, about 72 months after the new rent policy effective-date.

The results of this current report indicate that, when the findings for all four PHAs are combined, the new policy did not generate statistically significant increases in tenants' average earnings during the available followup period. The story varied substantially across locations, however, with some positive effects on earnings in Lexington and San Antonio but not in Louisville and Washington, D.C. The new policy increased families' tenure in the voucher program and the total amount of housing subsidies received; the policy also reduced the number of certain types of PHA transactions with families. As of now, it has had little effect on families' receipt of other government benefits. A preliminary analysis of administrative costs suggests that the new policy is unlikely to have cost more for PHAs to operate than the existing policy (not counting subsidy expenditures) during the available followup period and may have cost somewhat less.

HUD's Traditional Rent Policy

A family receiving a housing choice voucher is expected to contribute 30 percent of its "adjusted income" toward its rent and utilities under HUD's traditional rent policy.[3] This contribution is known as the "total tenant payment" (TTP). Adjusted income is determined by applying several allowable deductions from the family's pre-tax gross income (such as a deduction for some childcare costs for working parents).[4] The calculation looks forward in time, basing the adjusted income estimate on the amount of income a family *currently receives and anticipates receiving* during the coming year ("current/anticipated" income in this report). The PHA pays the difference between the family's TTP and the maximum combined amount for rent and utilities that the PHA will allow for rental units for families of given sizes, called a "payment standard." PHAs are currently permitted to establish a minimum TTP, or "minimum rent," of up to $50 per month, although not all have done so.

This traditional "percentage of adjusted income" approach builds a strong safety-net feature into the rent subsidy system: If a family's income falls, the family pays less toward their housing costs. This approach, however, also implicitly "taxes" tenants for increasing their earnings, which some experts contend reduces their work effort. The traditional rent policy also requires PHAs to review families' incomes at least annually to recertify their continued eligibility for the voucher program and to adjust their TTPs and housing subsidies if their incomes have changed. The complex rules governing the calculation

[3] Throughout his report, HUD's "traditional" rent policy for voucher holders refers to the national rent policy in effect for non-Moving to Work PHAs *before* the passage of the Housing Opportunity Through Modernization Act of 2016. "Existing" rules refer to those in place at each of the Rent Reform Demonstration's PHAs, which, in some cases, vary somewhat from HUD's traditional policies.
[4] "Gross income" refers to a family's total pre-tax income minus certain types of excluded income.

of income and rent are commonly considered to be administratively burdensome and prone to errors that can lead to improper payments. The new rent policy attempts to address these problems.

The New Rent Policy

The new rent policy developed for the Rent Reform Demonstration substantially alters the traditional rent subsidy approach for voucher holders. The model includes the following core features:

- **A 3-year schedule rather than an annual schedule for recertifying families' continued eligibility for the voucher program**
  - Under the triennial recertification schedule, if a family increases its income during the 3 years, it does not report that increase to the PHA. Consequently, its TTP will not be raised and its housing subsidy will not be reduced during that period.
- **A new formula for calculating a family's TTP and subsidy**
  - Eliminates all deductions from pre-tax income, so that gross income (full income before taxes), rather than adjusted income, is the basis for calculating a family's TTP.
  - Sets a family's TTP at 28 percent of gross income over the prior 12 months (referred to as "retrospective income"), rather than 30 percent of current/anticipated adjusted income.
  - Ignores a family's income from assets when the total value of its assets is less than $25,000 (and does not require documentation of those assets).
  - Simplifies the policy for determining utility allowances, basing the allowance on a streamlined standard schedule mostly according to unit size (rather than certain characteristics of the unit and utilities), with some adjustments for more expensive utilities.
  - Establishes a minimum TTP of not less than $50 per month (versus the minimum TTP of *no more* than $50 per month traditionally) and requires families to pay at least the specified minimum TTP directly to their landlords.
- **Safeguards for families**
  - At the start of the three 3-year period, allows for a 6-month "grace-period" TTP, set at a lower amount, if a family's current/anticipated gross income is lower than its retrospective gross income by more than 10 percent.
  - Allows one interim recertification per year if a family's retrospective income falls by more than 10 percent before the next required triennial recertification.
  - Specifies a generally standard set of hardship conditions and remedies (TTP reductions) to protect families from excessive rent burdens.

Of all the new rent policy's features, the 3-year recertification is the one most expected to improve labor market outcomes, because it eliminates the implicit "tax" on earnings during the 3-year period. The introduction of a minimum TTP, or the increase in an existing one, might also increase work effort because some tenants may need to increase their earnings to have enough income to meet the new minimum.

The PHAs participating in the demonstration helped develop this common framework. They also saw a need, however, to adapt the model in response to local conditions. At the same time, the demonstration had to accommodate some policy changes that the PHAs had already implemented. For example, the PHAs set their minimum TTPs at different levels, ranging from $50 to $150 per month. The PHAs in Louisville and Washington, D.C., introduced a minimum TTP for the first time ($50 and $75, respectively); San Antonio, which had already implemented a minimum TTP, increased it for the demonstration from $50 to $100. Lexington had already introduced a $150 minimum TTP before the demonstration began, and it continued that policy for both the new rules group and the existing rules group.[5] The process for determining hardship remedies also varies across the PHAs, although the general conditions defining a hardship and the remedies themselves do not. Washington, D.C., had already instituted a simplified approach for calculating families' cost of utilities, a version of which each of the other PHAs in the demonstration adopted for the new rules group.

Evaluation Design and Sample Characteristics

At the beginning of the study, the PHAs and MDRC identified existing voucher holders who would soon be scheduled for an annual recertification meeting to calculate their new TTPs and rent subsidies. Families deemed eligible for the Rent Reform Demonstration were then randomly assigned to either a new rent rules group that would be subject to the new policy for the duration of the demonstration or to a control group that would continue to be subject to the existing rent rules.[6] Certain types of families, including those defined as elderly or disabled according to HUD criteria, were excluded from the demonstration.[7]

In Louisville, an opt-out option was offered to families assigned to the new rules group—they could choose to continue having their TTPs calculated according to the existing rent policy. By the end of the enrollment period, about 22 percent of the eligible families in Louisville's new rent rules group chose to opt out of the new policy, although they did not opt out of the evaluation. To avoid biasing the research, the evaluation continues to treat the opt-out families as members of the new rent rules group (rather than the existing rules group), even though they are subject to the existing rent rules. This decision may somewhat dilute the estimated effects of the new rent policy in Louisville because not all members of the new rent rules group were exposed to the new policy.

Preexisting policies in two of the other PHAs need to be kept in mind when interpreting the results of the evaluation. As mentioned previously, Lexington's $150 minimum TTP applies to both research

---

[5] Lexington generally does not permit any reductions in TTPs below the minimum in its application of the demonstration's hardship policy. The other three PHAs may temporarily waive the minimum TTP as a hardship remedy, but they generally require families with zero income to report their family expenditures regularly to the PHA.
[6] In this report, "control group" and "existing rules group" are used interchangeably.
[7] For full details on the evaluation design and characteristics of sample members, see Riccio, Deitch, and Verma (2017) and Riccio and Deitch (2019).

groups (and permits few hardship exemptions). In addition, Washington, D.C., instituted a biennial recertification schedule for working-age, nondisabled families before joining the Rent Reform Demonstration.[8] Thus both the new rent rules group and the control group had their TTPs capped during the early portion of the study's followup period. These differences across the PHAs create opportunities for learning more about certain features of the new rent policy. They also mean that the "pooled" impact estimates (all four PHAs combined) reflect the summary results of somewhat different tests in four locations and must be interpreted with that in mind.

The impact analysis includes a total of 6,665 families across the four PHAs. Nearly all (94 percent) of the heads of those households are women.[9] In Lexington, Louisville, and Washington, D.C., most are Black; in San Antonio, the majority (75 percent) are Hispanic/Latino.

This report uses several types of quantitative data in assessing the effects of the new rent policy: PHA administrative records; unemployment insurance (UI) wage records obtained through the National Directory of New Hires (NDNH), which capture employer-reported employment and earnings; benefit records on the receipt of Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP); and information from the Homelessness Management Information System in each locality on stays in shelters and use of other housing and services for the homeless. The followup period for the purposes of this report is defined as the period that begins after a family's new TTP took effect, which is roughly the third quarter after families were randomly assigned, through the following 27 months or 30 months, depending on the data source. The analysis that examines the operation of the new policy uses, in addition to PHA records, qualitative data from indepth interviews with staff and tenants. The cost analysis draws on PHA fiscal records and other data sources.

Findings on Household Heads' Employment and Earnings

In examining the new policy's effects on tenants' earnings, the study focuses primarily on the household heads. The reason: most of the non-heads of households were the young adult children of the household heads (many of whom were no longer on the lease, possibly having moved away, thus limiting their exposure to the new or existing rent policies).[10]

- **With all four PHAs combined, the new rent policy did not improve labor market outcomes for household heads.**

Among household heads in the four-PHA pooled sample, the majority (75.5 percent) of those in the existing rules group (the control group) worked in a UI-covered job at some point during the 27-month followup period for this report. The rate for the new rent rules group was identical. Moreover, as Table

[8] At the time of site selection, the biennial policy applied only to families whose anticipated incomes increased by a small or modest amount (less than $10,000 per year from a single income source); those with income increases above that threshold were to continue with an annual recertification schedule. In June 2016, during the demonstration's first followup year, the PHA removed the income threshold. After that, even the control group families (and other families who were not in the demonstration) with income increases above the threshold were switched to a biennial schedule.

[9] The household head is the main person in the household responsible for the subsidy agreement with the PHA. Where more than one adult is present, the family designates the household head.

[10] Impact findings on the labor market outcomes of these other adults are included in the report's appendix B.

ES.1 shows, the average quarterly employment rate and average total earnings for each research group differed little.[11] As mentioned previously, the pooled results of the new rent policy can be difficult to interpret because of differences across the PHAs in their minimum TTPs and control group conditions. Particularly problematic is Washington, D.C.'s application of a biennial recertification schedule for the entire control group. For this reason, pooled results were also estimated without Washington, D.C. Although the earnings effects were somewhat larger for the three-PHA sample, they were still not statistically significant (as shown in Table ES.1).

Table ES-1. Impacts on Employment and Earnings Within First 27 Months of Followup: Heads of Households

Outcome	New Rent Rules	Existing Rent Rules	Difference (Impact)		P-Value
All PHAs					
Average quarterly employment[a] (%)	57.2	56.2	1.0		0.171
Average total earnings ($)	25,014	24,418	597		0.202
Sample size (total = 6,665)	3,312	3,353			
All PHAs except Washington, D.C.					
Average quarterly employment[a] (%)	61.4	60.3	1.1		0.203
Average total earnings ($)	24,170	23,337	833		0.110
Sample size (total = 4,756)	2,368	2,388			
Lexington					
Average quarterly employment[a] (%)	65.4	62.6	2.8		0.139
Average total earnings ($)	24,946	22,972	1,974	*	0.072
Sample size (total = 979)	486	493			
Louisville					
Average quarterly employment[a] (%)	60.8	61.8	-1.0		0.463
Average total earnings ($)	24,266	25,505	-1,239		0.151
Sample size (total = 1,908)	947	961			
San Antonio					
Average quarterly employment[a] (%)	60.0	57.6	2.4		0.101
Average total earnings ($)	23,629	21,336	2,293	***	0.007
Sample size (total = 1,869)	935	934			
Washington, D.C.					
Average quarterly employment[a] (%)	46.6	46.0	0.5		0.709
Average total earnings ($)	27,056	27,163	-107		0.915
Sample size (total = 1,909)	944	965			

(continued)

[11] Average earnings are based on all sample members in each group and include zero earnings for individuals who were not employed.

(Table ES-1 continued)

SOURCE: MDRC calculations using quarterly wage data from the National Directory of New Hires.

NOTES: PHA = public housing agency.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between research groups.

The p-value indicates the likelihood that the difference between the new rent rules group and the existing rent rules group arose by chance. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The variation across the four PHAs in estimated impacts on total earnings in the full period is statistically significant at the 10 percent level based on an H-statistic test.

Confirmatory outcomes were tested for multiple hypothesis testing using the Benjamini-Hochberg procedure. The adjusted p-value = .202 for the impact on total full period earnings for all four PHAs combined. The adjusted p-value = .110 for the impact on total full period earnings for all PHAs combined excluding Washington, D.C.

Sample sizes for specific outcomes may vary because of missing values.

[a]Average quarterly employment is calculated as total number of quarters with employment divided by total number quarters of follow-up, expressed as a percentage.

- **The new rent rules produced positive impacts on labor market outcomes in Lexington and San Antonio but not in Louisville or Washington, D.C.**

In Lexington, by the end of the 27-month followup period, average earnings for the new rules group were $1,974 higher than those of the control group (Table ES.1), a gain of 8.6 percent above the control group mean.[12] In San Antonio, the new rules group, on average, earned $2,293 more than the control group (a gain of nearly 11 percent).

In contrast, in Washington, D.C., the new policy produced no statistically significant differences between the two research groups in employment and earnings; and Louisville showed negative effects that are statistically significant in Year 2 (not shown in Table ES.1). The negative impacts mean that the outcomes of the *control group* were better than those of the new rules group. This pattern is not the result of the new rules group cutting back on work. Indeed, the earnings trends are positive for *both* research groups; they are just less positive for the new rules group. Longer term followup data will show whether the negative earnings effect persists.

- **A modest minimum TTP may not affect household heads' employment or earnings.**

Because Washington, D.C., used a biennial recertification policy with the control group, neither research group faced the normal percentage-of-income work disincentive during the first 2 years of followup. Consequently, any difference in labor market outcomes during that period could not be explained by the rent policy's triennial recertification component. The introduction of a $75 minimum TTP for the new rent rules group in Washington, D.C. (compared with no minimum TTP for the control group), however, could, in theory, increase work effort for the new rent rules group. The evaluation's finding of no positive impacts on labor market outcomes in this PHA suggests that a minimum TTP, by itself, may not

[12] The variation across the four PHAs in estimated impacts on earnings is statistically significant at the 10 percent level.

promote greater work effort. This finding is only suggestive because it is based only on a test of a particular dollar amount in one location.

- **Triennial recertifications may have a positive effect on household heads' earnings independent of the minimum TTP.**

Because Lexington's preexisting $150 minimum TTP was applied to both research groups, that minimum TTP cannot help in explaining the new policy's positive earnings impact in that PHA. What likely accounts for most, if not all, of that effect is the new rent policy's extended recertification period. This finding suggests that, by itself, substituting a triennial recertification schedule for an annual schedule holds some potential to improve tenants' earnings. San Antonio's results bolster this conclusion. It seems unlikely that San Antonio's $50 increase in the minimum TTP drove its substantial positive earnings effects (given the finding that the modest minimum TTP in Washington, D.C., had no effect). At the same time, the Louisville results caution that a triennial recertification policy may not always lead to earnings gains, at least in the short term.

- **So far, impacts on household heads' earnings have had few spillover effects on families' receipt of TANF or SNAP benefits.**

Despite the new rent policy's positive impacts on household heads' earnings in Lexington and San Antonio, and its negative impacts in Louisville, it had almost no effects on families' receipt of TANF or SNAP benefits during the first 27 months of followup. Why that might be the case cannot be answered definitively at this time. One reason may have to do with how those benefit systems treat changes in income. For example, provisions such as earnings disregards and income-reporting schedules, among others, mean that an immediate dollar-for-dollar relationship between income changes and benefit changes does not exist. The evaluation's subsequent two reports, which will present findings after the first and second triennial recertifications, will explore more fully the relationship between earnings gains and impacts on receipt of TANF and SNAP benefits.

Impacts on Outcomes Related to Housing Subsidies

The new rent policy substantially changed the rules for calculating and adjusting TTPs over time. These changes have had consequences for families' housing subsidies and PHAs' experiences in administering the voucher program.

- **The new rent rules modestly increased the likelihood that families would still be receiving housing subsidies by the end of the 30-month followup period.**

The new rent policy's cap on TTPs meant that families in the new rules group would not become income-ineligible for the voucher program before their triennial recertifications no matter how much money they earned. Consequently, the new rules group was less likely than the control group to exit the voucher program during the first 30 months of followup. As Table ES.2 shows, with all four PHAs combined, 84.9 percent of the new rent rules group was still in the voucher program and "leased up" (that is, using their rental subsidies) in Month 30, compared with 78.7 percent of the existing rules group—a statistically significant increase of 6.2 percentage points above the control group rate. This pattern occurred in each of the four PHAs.

Table ES-2. Impacts on Families' Subsidy Receipt and Housing Costs Within First 30 Months of Followup

Outcome	New Rent Rules	Existing Rent Rules	Difference (Impact)	P-Value
All PHAs				
Currently enrolled in HCV program and leased up	84.9	78.7	6.2 ***	0.000
Total housing subsidy ($)	24,886	23,555	1,332 ***	0.000
Sample size (total = 6,665)	3,312	3,353		
All PHAs except Washington, D.C.				
Currently enrolled in HCV program and leased up	80.4	73.6	6.9 ***	0.000
Total housing subsidy ($)	18,031	16,501	1,530 ***	0.000
Sample size (total = 4,756)	2,368	2,388		
Lexington				
Currently enrolled in HCV program and leased up	78.9	74.0	4.9 *	0.073
Total housing subsidy ($)	16,214	15,009	1,204 ***	0.008
Sample size (total = 979)	486	493		
Louisville				
Currently enrolled in HCV program and leased up	82.7	73.6	9.1 ***	0.000
Total housing subsidy ($)	19,146	17,446	1,700 ***	0.000
Sample size (total = 1,908)	947	961		
San Antonio				
Currently enrolled in HCV program and leased up	78.9	73.3	5.6 ***	0.004
Total housing subsidy ($)	17,906	16,257	1,649 ***	0.000
Sample size (total = 1,869)	935	934		
Washington, D.C.				
Currently enrolled in HCV program and leased up	96.1	91.5	4.6 ***	0.000
Total housing subsidy ($)	42,143	40,950	1,193 *	0.085
Sample size (total = 1,909)	944	965		

(continued)

(Table ES-2 continued)

SOURCE: MDRC calculations using PHA data.

NOTES: PHA = public housing agency. HCV = Housing Choice Voucher.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between research groups.

The p-value indicates the likelihood that the difference between the new rent rules group and the existing rent rules group arose by chance. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The variation across the four PHAs in estimated impacts on total housing subsidy in the full period is not statistically significant based on an H-statistic test.

Confirmatory outcomes were tested for multiple hypothesis testing using the Benjamini-Hochberg procedure. The adjusted p-value = .000 for the impact on the total full period housing subsidy for all four PHAs combined and for all PHAs combined excluding Washington, D.C.

- **On average, families in the new rent rules group paid somewhat less toward their housing costs while in the voucher program compared with the existing rules group.**

Over the course of the 30-month followup period, the new rent rules group paid an average TTP of $291 per month while in the voucher program, or $28 less than families in the control group paid while they were still receiving vouchers. Because of the minimum TTP policy, however, a smaller proportion of families in the new rules group than the control group paid zero or extremely low TTPs.

- **Compared with the control group, families in the new rent rules group received more in total rental subsidies, an expected short-term result of the policy changes.**

The lower average TTP for the new rules group combined with a longer duration in the voucher program resulted in families in that group, on average, receiving a somewhat higher cumulative housing subsidy than they would have received in the absence of the new policy (represented by the control group's subsidy amount). This result was intended by the policy design so that families would experience the benefits of their increased work effort during the 3 years between recertifications. As Table ES.2 shows, for all four PHAs combined, the new rules group received an average of $24,886 per family in housing subsidies through Month 30 of the followup period, which is $1,332 (or nearly 6 percent) more than the control group average ($23,555).[13] A generally similar pattern is evident across the PHAs.

- **A growing proportion of families used the new rent policy's hardship remedies.**

Families whose TTPs exceed 40 percent of their current/anticipated gross incomes are considered to have excessive rent burdens and are generally eligible to request a hardship remedy. These remedies, which are renewable, include setting the TTP at the minimum level or at 28 percent of current income for up to 6 months at a time. Families in Lexington are only eligible for a hardship remedy if they are paying TTPs that exceed the PHA's $150 minimum and still meet the 40-percent threshold, and their TTPs can only be reduced to the $150 minimum.

[13] This impact estimate remains statistically significant after adjustment for multiple outcomes.

Hardship remedies can be issued to qualifying families at any time during the 3-year period, but families must request them. Across all PHAs, about 14 percent of families requested and received a hardship remedy by the end of the followup period; these remedies ranged from 8.8 percent in San Antonio to 18.7 percent in Washington, D.C. The pooled rate is higher than it was at the time of initial recertification when only 0.5 percent of families across the four PHAs received a hardship remedy and after the first year of followup. The increase may reflect the possibility that a growing proportion of families experienced a post-recertification loss of income over time. It could also reflect a growing awareness among already-qualifying families of the availability of this safeguard and a willingness to request it.

- **The new rent policy has not affected the likelihood of household heads using special housing or services for the homeless.**

Homelessness data were obtained from the Homeless Management Information System in each study location. These data show that among household heads pooled across all four PHAs, very few in either the new rent rules group or the existing rules group had received housing assistance for homeless families or individuals or had received services for the homeless. In general, the use of homelessness housing and services may have been rare in part because most families were still receiving housing choice vouchers at the end of the followup period for this report.

- **The new rent policy substantially reduced the likelihood of PHA actions (with or on behalf of families) as families' circumstances changed.**

One goal of the new rent policy is to reduce the PHAs' administrative burden in administering the voucher program. One way this could be achieved is by reducing the number of actions staff had to take with or on behalf of families as their circumstances changed. For all PHAs combined, nearly all (89.5 percent) of the control group had a circumstance that required action on the part of PHA staff during the followup period.[14] Among families in the new rules group, the rate was 71.9 percent. More important than these overall numbers are the reductions in the most time-consuming actions—those requiring recalculation of TTPs and subsidies, including regularly scheduled recertifications and interim recertifications because of increases or decreases in family income. The new rent policy led to a reduction of about 68 percentage points in the likelihood that families would have a regularly scheduled recertification during the followup period; a reduction of nearly 20 percentage points in the likelihood of an interim recertification in response to a loss of income and a reduction of about 24 percentage points for the likelihood of an interim recertification as a result of an increase in income.

PHA and Tenant Experiences

- **The process of calculating retrospective income in setting families' TTPs under the new rent policy was often burdensome for staff.**

When formulating the new rent policy, the designers were concerned that basing families' TTPs on their current and anticipated incomes would present difficulties in the context of triennial recertifications. Having staff try to estimate families' anticipated incomes in the coming 3 years was considered unrealistic.

---

[14] Some families may have never had a staff action because they left the voucher program early in the followup period, had their case transferred to another housing agency ("ported out"), or for other reasons.

Moreover, current income might only reflect transitory circumstances, and not be a good basis for predicting longer-term expected income. If current income were low only briefly, a family's TTP would be set at an unnecessarily low level for the duration of the 3-year period, raising PHAs' subsidy costs. The designers also wanted to avoid creating any temptation for tenants to reduce their earnings just before recertification to try to lock in low TTPs, knowing that those TTPs could be in place for up to 3 years without review. Basing TTPs on average monthly income over a 12-month look-back period (unless hardship criteria were met) was considered a better option.

The qualitative interviews with PHA staff made clear, however, that obtaining the necessary documentation to verify retrospective income was time-consuming for certain types of families and when determining eligibility for interim recertifications (generally restricted to one per year) and hardship remedies. For example, tenants who had held multiple jobs over the prior year often had difficulty securing paystubs from former employers. This problem was sometimes compounded when more than one adult in the household worked; this problem highlights the importance of finding ways to streamline the process of collecting and verifying retrospective income data.

- **Families in the new rent rules group appreciated the switch to triennial recertifications.**

The indepth interviews with a small sample of household heads and PHA staff suggest that although many families in the new rules group did not completely understand all the features of the new policy, they generally understood this one. They appreciated the reduced burden it placed on them to report income increases to the PHAs and the opportunity to keep more of their extra earnings. Many said they preferred the new rent rules to the existing rules largely because of this feature.

Preliminary Analysis of Administrative Costs

- **The new rent policy appears, so far, to cost no more to administer than the existing policy, and probably costs less.**

Administrative costs are those incurred by PHAs to operate a rent subsidy system and are distinct from the PHAs' direct expenditures on housing subsidies. The evaluation examines whether the new rent policy is less expensive to administer than the existing policy. A "base" calculation, representing the study's "best estimate" of administrative costs during the first 2.5 years of followup suggests that the average cost of operating the new rent policy was $22 less per family than the cost of the existing policy during the current followup period, with all four PHAs combined; it was $39 less per family when Washington, D.C., is excluded from the pooled results.

Given important limitations in the data available for the cost analysis, four sensitivity tests were conducted to assess the sensitivity of the findings to alternative assumptions used in constructing the base estimate. Most of the alternative calculations point to cost savings under the new policy, especially for the three-PHA pooled sample that excludes Washington, D.C.

A reasonable conclusion at this stage of the evaluation would be that, through the followup period available for this report, the new rent policy is unlikely to have cost more to administer than the existing policy, and it probably cost less, but not dramatically less. Longer-term data will be important in drawing a firmer conclusion.

Conclusion

The Rent Reform Demonstration's new rent policy was designed to simplify the administration of a complex housing subsidy and promote and support tenants' employment efforts without increasing families' material hardships or the overall cost of the subsidy system. It is too soon to draw firm conclusions about the policy's success in achieving these goals, because some of the policy's most important effects may not occur until after families complete their triennial recertifications. So far, however, the results paint a mixed picture. The policy has generated noteworthy positive effects on labor market outcomes over 27 months in two of the four PHAs, but no or negative effects in the other two and little overall change in employment and earnings for the four PHAs combined. The new policy has also had little overall effect so far on the receipt of TANF or SNAP benefits or the use of housing and services for the homeless. The findings on housing-related outcomes were more consistent across the four PHAs. On average, the new policy reduced the likelihood that families would exit the voucher program during the 30-month followup period, which meant that, on average, their total housing subsidies were greater than they would have been in the absence of the new policy. This is an intended interim effect of the policy's 3-year cap on TTPs to encourage work. The next stage of the evaluation will show whether these and other patterns persist after the triennial recertifications are completed.

Some features of the new policy have eased the administrative burden on PHAs of operating the rent subsidy program and were welcomed by staff and tenants alike, especially the extension of the recertification period. Other features, particularly the need to estimate and verify retrospective income over a 12-month look-back period, introduced new complications. Although the rationale for retrospective income is strong, the PHAs' experiences should encourage efforts to streamline the process of capturing that information.

The evaluation's next report, scheduled for 2021, will include an analysis of survey data as well as data on the outcome measures discussed in the current report for an approximate 39-month look-back period. These survey data will enable the evaluation to assess the effects of the new rent policy on a more comprehensive array of outcome measures, including additional indicators of families' material hardship, overall economic security, personal and family well-being, and views of the new policy. Data from the survey may also offer important insights into the variation in labor market impacts across the PHAs. The final report, scheduled for 2023, will encompass comprehensive data on all outcome measures after the second triennial recertification, including an updated cost analysis that will show if the likely small initial administrative cost savings grow or dissipate in the longer term.