

# HUD RENTAL ASSISTANCE

## Improved Guidance and Oversight Needed for Utility Allowances



Report to Congressional Committees

June 2024

GAO-24-105532

United States Government Accountability Office

Accessible Version

# GAO Highlights

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Highlights of [GAO-24-105532](#), a report to congressional committees

June 2024

## HUD RENTAL ASSISTANCE

### Improved Guidance and Oversight Needed for Utility Allowances

#### Why GAO Did This Study

About 5 million low-income households receive HUD rental assistance. Households that pay utilities separately from rent receive utility allowances that should cover reasonable utility costs. To the extent allowances do not fully cover costs, households may become rent-burdened.

The joint explanatory statement for the Consolidated Appropriations Act, 2022 includes a provision for GAO to study the effect of utility costs on assisted households' rent burdens, with a focus on HUD rental assistance programs administered by PHAs. This report examines (1) the risk of households being rent-burdened because of utility expenses, (2) utility allowance tools and guidance that HUD provides to PHAs, and (3) HUD's oversight of PHAs' utility allowances.

GAO reviewed laws, regulations, and HUD tools and guidance for utility allowances; analyzed HUD and AHS data; and interviewed HUD officials, industry stakeholders such as contractors that PHAs use, and a nongeneralizable sample of 13 PHAs selected for diversity in size and location.

#### What GAO Recommends

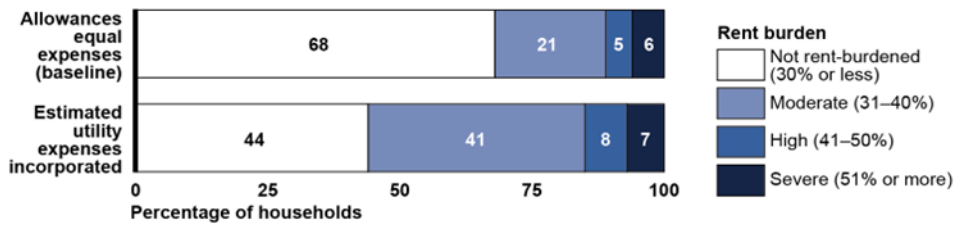
GAO is making five recommendations to HUD, including developing a plan to obtain feedback on the usability of its utility allowance model, improving the accessibility and feedback mechanisms for its guidebooks, and enhancing collection and analysis of allowance data. HUD neither agreed nor disagreed with the recommendations.

#### What GAO Found

The Department of Housing and Urban Development (HUD) provides rental assistance to low-income households, including through the Housing Choice Voucher (voucher) and Public Housing programs administered by about 3,700 public housing agencies (PHA). PHAs are required to provide utility allowances to assisted households that pay utilities separately from rent.

The number of assisted households that are rent-burdened (pay more than 30 percent of income on rent and utilities) because their utility expenses exceed their allowances is unknown. But GAO's analysis suggests out-of-pocket utility expenses can increase the risk of being rent-burdened. GAO estimated that 32 percent of voucher households were rent-burdened when utility allowances were assumed to equal expenses (baseline, top bar in figure). When GAO incorporated American Housing Survey (AHS) utility expense estimates, the estimated share of voucher households that were rent-burdened in 2021 (most recent data available) was 56 percent (bottom bar in figure).

### Rent Burdens of Voucher Households Using Different Utility Expense Estimates, 2021



Source: GAO analysis of HUD and American Housing Survey data. | GAO-24-105532

### Accessible Data for Rent Burdens of Voucher Households Using Different Utility Expense Estimates, 2021

Basis for percentage utility expense estimate	Severe (51% or more)	High (41-50%)	Moderate (31-40%)	Not rent-burdened (30% or less)
Utility allowance (baseline)	6	5	21	68
Estimated median utility expenses (AHS)	7	8	41	44

Source: GAO analysis of HUD and American Housing Survey data. | GAO-24-105532

Note: For more details, see fig. 1 in GAO-24-105532.

HUD’s allowance-related tools and guidance have weaknesses that may limit their usefulness for PHAs. For instance, HUD has a model to help PHAs calculate allowances, but some PHAs and industry stakeholders told GAO it was hard to use or they could use more support and training. HUD plans to update the model if it receives funds to do so, but its proposed operating plan does not include steps to obtain feedback on the model’s usability. HUD’s guidebooks are not readily accessible or searchable on its website and do not provide avenues for user feedback.

HUD’s oversight of utility allowances provides limited assurance that allowances are current and reasonable. For instance, HUD does not collect or regularly analyze certain program-wide data on allowances for the Public Housing or voucher programs. GAO’s analysis of HUD data identified at least 97,000 households (assisted by at least 1,800 PHAs) with the same allowance in every year in 2019–2022. Utility rates increased sharply in this period, suggesting some PHAs may not have updated allowances as required.

Improvements in HUD’s model usability, guidebooks, data collection, and analysis could help ensure that utility allowances better approximate expenses and help reduce rent burdens of assisted households.

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**Abbreviations**

AHS	American Housing Survey
CPI	Consumer Price Index
HCV	Housing Choice Voucher
HUD	Department of Housing and Urban Development
HUSM	HUD Utility Schedule Model
IT	information technology
OMB	Office of Management and Budget
PHA	public housing agency
PIH	Office of Public and Indian Housing

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June 27, 2024

The Honorable Brian Schatz  
Chair  
The Honorable Cindy Hyde-Smith  
Ranking Member  
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Steve Womack  
Chairman  
The Honorable Mike Quigley  
Ranking Member  
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies  
Committee on Appropriations  
House of Representatives

The Department of Housing and Urban Development (HUD) provides rental assistance to about 5 million low-income households. Under federal law, families receiving HUD rental assistance generally must contribute at least 30 percent of income to their rent, which HUD interprets to include costs for reasonable utility consumption.<sup>1</sup>

When families pay for utility costs separately from rent, they receive a HUD-funded utility allowance from their state or local public housing agency (PHA). The allowances are designed to cover the expected costs of reasonable utility consumption. If the allowances are less than (or more than) households' utility expenses, the households pay the balance out of pocket (or keep the difference). HUD reported that in 2017, 73 percent of all assisted households (3.4 million) received utility allowances that totaled approximately \$6.9 billion.

However, these allowances may not fully cover utility costs and may cause some HUD-assisted households to become rent-burdened—that is, pay more than 30 percent of their incomes toward rent and out-of-pocket utility expenses.<sup>2</sup> The joint explanatory statement accompanying the Consolidated Appropriations Act, 2022 includes

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<sup>1</sup>The U.S. Housing Act of 1937, as amended, requires that a household receiving assistance under the act pay the highest of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of any welfare payment designated for housing costs. § 1(a)(1), 42 U.S.C. § 1437a(a)(1). However, the foregoing is subject to minimum rent requirements and certain program-specific exceptions. See, e.g., 42 U.S.C. §§ 1437a(a)(2)-(3), 1437f(o)(2); 24 C.F.R. §§ 960.253, 982.505, 982.515. Under HUD regulations, monthly income is household income less allowable exclusions. See 24 C.F.R. §§ 5.603, 5.609. Monthly adjusted income is monthly income less allowable deductions. See 24 C.F.R. §§ 5.603, 5.611. Unless otherwise noted, we use income to refer to the HUD-adjusted monthly income for an assisted household.

<sup>2</sup>Rent burden, sometimes referred to as cost burden, is a widely used housing affordability concept. Our definition of rent-burdened uses percentage thresholds consistent with those used by HUD.

a provision for us to study rent burdens and utility costs among households in HUD rental assistance programs administered by PHAs.<sup>3</sup>

This report examines (1) the risk of HUD-assisted households being rent-burdened because of utility expenses, (2) HUD's utility allowance tools and guidance for PHAs, and (3) HUD's oversight of PHA utility allowances. We focused on the two largest PHA-administered rental assistance programs that provide utility allowances to assisted households: Public Housing and Housing Choice Vouchers (HCV).<sup>4</sup> HUD's Office of Public and Indian Housing (PIH) oversees these programs.

For the first objective, we analyzed data for 2019–2022 from the PIH Information Center and data for 2019 and 2021 from the American Housing Survey (AHS) to (1) estimate the number and share of rent-burdened assisted households and (2) examine the extent to which out-of-pocket utility expenses may contribute to rent burden.<sup>5</sup>

For the second objective, we reviewed HUD documents pertaining to utility allowances and assessed HUD's allowance-setting tool and guidance against PIH Guidance Principles and Office of Management and Budget (OMB) policies pertaining to public websites and digital services.<sup>6</sup> To obtain information about the usefulness of HUD tools and guidance for PHAs, we conducted semistructured interviews with a nongeneralizable sample of 13 PHAs and reviewed supporting documentation about their utility allowances. We selected the sample to obtain diversity in PHA size, Census regions, and urban and rural locations. We included PHAs participating in HUD's Moving to Work demonstration.<sup>7</sup> We also interviewed contractors and state-level PHAs that develop utility allowance schedules.

For the third objective, we reviewed HUD's policies, procedures, and information on PHA compliance with utility allowance requirements. We assessed HUD's policies and procedures against federal internal control standards for addressing risks and communicating information.<sup>8</sup> We also analyzed 2011–2022 data from the PIH Information Center and from the Bureau of Labor Statistics' Consumer Price Index (CPI) to assess the extent to which (1) households' utility allowances were updated and (2) changes in allowances kept pace with changes in the CPI for household energy during that period.<sup>9</sup> Additionally, we interviewed HUD officials about

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<sup>3</sup>See 168 Cong. Rec. H1709, at H3028 (daily ed. Mar. 9, 2022); H.R. Rep. No. 117-99, at 106-7 (2021). Pub. L. No. 117-203, 136 Stat. 49.

<sup>4</sup>Our scope excludes project-based rental assistance programs and smaller PHA-administered programs.

<sup>5</sup>We assessed the reliability of HUD's data by reviewing the methods HUD uses to help ensure that PHAs report accurate information and by interviewing cognizant HUD officials. We determined that the HUD data we used were sufficiently reliable for describing broad patterns in the rent burdens, utility allowances, and utility expenses of assisted households. At the time of our reporting, 2022 HUD administrative data and 2021 AHS data were the most recent available. AHS is conducted every other year.

<sup>6</sup>See [https://www.hud.gov/open/innovation\\_ideas\\_in\\_action/pihguidanceprinciples](https://www.hud.gov/open/innovation_ideas_in_action/pihguidanceprinciples); last accessed on February 15, 2024. Also see Office of Management and Budget, *Delivering a Digital-First Public Experience*, M-23-22 (Washington, D.C.: Sept. 22, 2023).

<sup>7</sup>Moving to Work is a demonstration program that provides PHAs with opportunities to test strategies that reduce costs, facilitate employment, and increase housing choice. Participating PHAs are exempted from various program rules and have increased flexibility on how they use federal funds.

<sup>8</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>9</sup>We assessed the reliability of HUD administrative data and CPI data by reviewing supporting documentation, conducting electronic testing, and interviewing knowledgeable officials. We determined that the data were sufficiently reliable for identifying patterns and trends in utility allowances and general household energy expenses.

their process for overseeing PHAs' compliance with utility allowance requirements. See appendix I for additional information about our scope and methodology.

We conducted this performance audit from November 2021 to June 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### HUD Rental Assistance Programs

HUD oversees and funds a number of rental assistance programs, including the Public Housing and HCV programs administered by PHAs.

- **Public Housing.** The program assists communities in providing decent and safe rental housing for eligible low-income families.<sup>10</sup> Public Housing units vary in size and type, from single-family houses to apartment units in high-rise buildings. Assisted households have the option to pay a flat, market-based rent or make an income-based contribution.<sup>11</sup>
- **HCV.** The program helps eligible low-income families to rent decent, safe, and sanitary housing in the private market.<sup>12</sup> A household receiving voucher assistance may choose their housing, including single-family homes, townhouses, and apartments. The PHA pays a housing subsidy directly to the property owner on behalf of an assisted household, and the household pays the difference between the actual rent charged by the property owner and the housing subsidy.

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### Utility Allowances

In determining rent contributions and subsidies under the Public Housing and HCV programs, HUD has interpreted rent to include both shelter costs and reasonable utility costs. This policy helps ensure equitable treatment between households that have utilities included in rent and households that pay utility costs directly to utility companies.

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<sup>10</sup>Low-income families are generally those whose annual incomes do not exceed 80 percent of the area median income. 42 U.S.C. § 1437a(b)(2)(A); 24 C.F.R. § 5.603. Under HUD regulations, annual income is household income less allowable exclusions. See 24 C.F.R. § 5.609.

<sup>11</sup>42 U.S.C. § 1437a(a)(2); 24 C.F.R. § 960.253. The U.S. Housing Act of 1937, as amended, permits PHAs to reduce income-based rent below the amount specified in the act and make certain other changes. See § 1(a)(2)(B)(ii), 42 U.S.C. § 1437a(a)(2)(B)(ii). See also 24 C.F.R. § 960.253(c).

<sup>12</sup>For more information about income eligibility requirements, see 42 U.S.C. § 1437f(o)(4) and 24 C.F.R. § 982.201(b)(1).



When an assisted household pays a utility company directly, the household receives a utility allowance determined by its PHA.<sup>13</sup> The allowances are estimates of utility costs for different classes of units and are generally not tailored to the specific needs of individual households.<sup>14</sup> However, because assisted households live in different sizes and kinds of units, PHAs generally establish allowances based on the number of bedrooms and the type of structure (for example, a unit in a high-rise apartment or a single-family dwelling). According to HUD, utility allowances can range from less than \$10 to more than \$200 per month, depending on the number of utilities they cover and their uses. Any portion of expenses not covered by allowances can contribute to households rent burden that exceeds 30 percent.

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## HUD Regulations and Guidance for Utility Allowances

HUD regulations set out requirements for PHAs to establish and annually maintain utility allowances for their Public Housing and HCV programs.<sup>15</sup> The currency and reasonableness of allowances are key underlying objectives of HUD's requirements.<sup>16</sup>

- **Currency.** For both programs, PHAs must review the basis for allowances at least annually and revise allowances if any applicable utility rates have changed by 10 percent or more from the rate on which the allowances are based.<sup>17</sup>
- **Reasonableness.** For Public Housing, allowances must approximate a reasonable consumption of utilities by energy-conservative households of modest circumstances.<sup>18</sup> For HCV, allowances must be based on the typical costs of utilities and services paid by an energy-conservative households that occupy housing of similar size and type in the same locality.<sup>19</sup>

HUD regulations do not require PHAs to use a specific methodology to calculate utility allowances, but do require PHAs to consider certain factors that could affect consumption (such as the size, type, and location of

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<sup>13</sup>Utility allowances are paid by subtracting them from the amount the household would otherwise owe. *E.g.*, 24 C.F.R. §§ 960.253, 982.505, 982.515. If the utility allowance exceeds this amount, the PHA may pay the difference to the household or utility supplier directly, with some exceptions. *E.g.*, 24 C.F.R. §§ 5.632, 982.514(b). In the Public Housing program, utility allowances are also provided for PHA-furnished utilities that are check-metered (that is, measured based on actual utility consumption for an individual housing unit). 24 C.F.R. §§ 965.501(b), 965.502(a). Because allowances are a component of overall rental assistance costs, changes in allowance amounts may affect the number of households a PHA can serve.

<sup>14</sup>PHAs may adjust allowances to reflect individual household needs in certain circumstances, such as in connection with providing reasonable accommodations to persons with disabilities. *See, e.g.*, 24 C.F.R. §§ 965.508, 982.517(e).

<sup>15</sup>For Public Housing, see 24 C.F.R. pt. 965, subpt. E. For HCV, see 24 C.F.R. § 982.517. On May 7, 2024, HUD published a final rule amending certain regulations for the HCV program effective June 6, 2024. Department of Housing and Urban Development, *Housing Opportunity Through Modernization Act of 2016—Housing Choice Voucher (HCV) Implementation; Additional Streamlining Changes*, 89 Fed. Reg. 38,224 (May 7, 2024). *See also* 89 Fed. Reg. 46,020 (May 28, 2024). This report reflects regulatory requirements in effect prior to such amendments.

<sup>16</sup>The underlying objectives of currency and reasonableness are related because out-of-date allowances may not approximate the cost of reasonable or typical utility consumption. We discuss these concepts separately for presentation purposes.

<sup>17</sup>24 C.F.R. §§ 965.507, 982.517.

<sup>18</sup>24 C.F.R. § 965.505(a).

<sup>19</sup>24 C.F.R. § 982.517(b). *See also* 24 C.F.R. § 5.603 (“utility allowance”).

the unit).<sup>20</sup> According to PHA officials, they may calculate the allowances in-house, adopt the allowances calculated by a state-level PHA for their area (if applicable), or hire a contractor. PHAs generally maintain utility allowance schedules that list the types of utilities covered and the corresponding allowance amounts, by unit size and type.

HUD posts the following guidance on its website to help PHAs establish and maintain their utility allowances in accordance with HUD requirements:

- **Public Housing Occupancy Guidebook (2020).** This guidebook has a chapter on utility policies at Public Housing properties, including tenant responsibility for utility consumption and how to calculate a utility allowance.<sup>21</sup>
- **Housing Choice Voucher Program Guidebook (2020).** This guidebook includes a chapter that provides high-level guidance to PHAs on establishing, reviewing, and revising utility allowance schedules for HCV units.<sup>22</sup>
- **Utility Allowance Guidebook (1998).** This guidebook provides in-depth information on the policies PHAs must follow to establish their utility allowances for the Public Housing program. The guidebook also includes suggested methods to calculate allowances, such as the engineering-based and consumption-based methods.<sup>23</sup>
- **Utility Allowance Schedule Form HUD-52667 (2023) Instructions.** HUD requires PHAs to file Form HUD-52667 to report utility allowance data for the HCV program. According to HUD officials, PHAs submit the form electronically through an online portal. The instructions provide guidance to PHAs for determining allowances, such as the types of utilities that PHAs should consider and potential sources of information.<sup>24</sup>
- **HUD Utility Schedule Model (HUSM) Instructions (2020).** The instructions provide step-by-step information on how to use HUSM, a web application tool that allows PHAs to calculate a utility allowance schedule by inputting utility rate and other information.<sup>25</sup>

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<sup>20</sup>See 24 C.F.R. § 965.505(c)-(d), 24 C.F.R. § 982.517(b).

<sup>21</sup>Department of Housing and Urban Development, Office of Public and Indian Housing, *Public Housing Occupancy Guidebook: Utilities* (Washington, D.C.: June 2020).

<sup>22</sup>Department of Housing and Urban Development, Office of Public and Indian Housing, *Housing Choice Voucher Program Guidebook: Utility Allowances* (Washington, D.C.: May 2020).

<sup>23</sup>Department of Housing and Urban Development, *Utility Allowance Guidebook* (Washington, D.C.: Sept. 1998).

<sup>24</sup>Department of Housing and Urban Development, Office of Public and Indian Housing, *Form HUD-52667: Utility Allowance Schedule* (Washington, D.C.: April 2023).

<sup>25</sup>Department of Housing and Urban Development, Office of Policy Development and Research, *HUD Utility Schedule Model (HUSM) Instructions* (Washington, D.C.: June 2020).

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## Housing Assistance Payment Formula for HCV Program

The calculation of a household's monthly assistance payment under the HCV program is prescribed by statute and addressed in HUD regulations and guidance.<sup>26</sup> The assistance formula has three major components:

**Payment standard.** The maximum amount of the monthly assistance payment.<sup>27</sup> PHAs may determine a payment standard that is between 90 percent and 110 percent of area fair market rents.<sup>28</sup>

- **Total tenant payment.** The minimum amount a household will pay toward rent (inclusive of utilities). It is the greatest of 30 percent of monthly adjusted income, 10 percent of monthly income, public welfare assistance designated for use in paying housing costs, or the minimum rent determined by a PHA.<sup>29</sup>
- **Gross rent.** The contract rent (paid to the property owner) plus the utility allowance (provided to a household that pays utility expenses separately from rent). If utilities are included in rent, the contract rent and gross rent will be the same amount.

The monthly housing assistance payment is the lower result of two calculations: the payment standard for a family minus the total tenant payment, or the gross rent minus the total tenant payment. As a result, households that choose units with gross rents above applicable payment standards must pay the difference, plus the total tenant payment.<sup>30</sup>

Many factors can affect rent burden, such as renting a unit with rent above the payment standard or using more utilities than the utility allowance covers.

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## HUD Oversight Tools for PHA Utility Allowances

HUD has mechanisms for monitoring PHAs' compliance with its annual utility allowance requirements, including the following:

- The Comprehensive Compliance Monitoring Review is HUD's national protocol for assessing PHA performance in managing assistance programs and complying with HUD regulatory requirements, including

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<sup>26</sup>See, e.g., 42 U.S.C. § 1437f(o)(2); 24 C.F.R. § 982.505; Department of Housing and Urban Development, Office of Public and Indian Housing, *Housing Choice Voucher Program Guidebook: Calculating Rent and Housing Assistance Payments* (Washington, D.C.: July 2019).

<sup>27</sup>The payment standard for a household is the lower of the payment standard for the family unit size indicated on the voucher, or for the size of the unit leased by the family. For more information, see Department of Housing and Urban Development, Office of Public and Indian Housing, *Housing Choice Voucher Program Guidebook: Payment Standards* (Washington, D.C.: July 2019).

<sup>28</sup>HUD annually publishes updated fair market rents, which are meant to represent the cost to rent privately owned housing of modest nature with suitable amenities. 24 C.F.R. § 888.111. HUD may approve a payment standard outside of this range in certain circumstances. See, e.g., 24 C.F.R. § 982.503(c)-(d).

<sup>29</sup>24 C.F.R. § 5.628. Under HUD regulations, monthly income is household income less allowable exclusions. See 24 C.F.R. §§ 5.603, 5.609. Monthly adjusted income is monthly income less allowable deductions. See 24 C.F.R. §§ 5.603, 5.611. If the utility allowance exceeds the total tenant payment, the PHA will provide a utility reimbursement to the household or directly to the utility supplier. 24 C.F.R. § 982.514(b). PHAs must establish a minimum rent of up to \$50, with some exceptions. 24 C.F.R. § 5.630.

<sup>30</sup>When the gross rent exceeds the payment standard, the household's rent burden must not exceed 40 percent of income at the time of initial occupancy. E.g., 24 C.F.R. § 982.508.

for utility allowances. The protocol details roles and responsibilities for HUD headquarters, regional directors, and field office staff in implementing the reviews.

- The Section Eight Management Assessment Program is HUD’s mechanism for monitoring PHAs’ administration of the HCV program.<sup>31</sup> It includes performance indicators that PHAs self-report to HUD, including an indicator for compliance with HUD’s requirements for utility allowance schedules.
- Under the Single Audit Act of 1984, as amended, and related OMB regulations, any nonfederal entity that expends \$750,000 or more in federal awards during a fiscal year must have a single audit conducted for that year.<sup>32</sup> Single audits are conducted by independent auditors, such as certified public accountants.<sup>33</sup> An accompanying OMB compliance supplement identifies requirements subject to the audit and includes audit objectives and suggested procedures for determining compliance with requirements.<sup>34</sup> The supplement includes audit requirements pertaining to utility allowances for the HCV program. HUD staff are to review a PHA’s most recent single audit as part of a comprehensive compliance monitoring review.

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## Risk of Being Rent-Burdened Was Higher When We Incorporated Estimated Utility Expenses

The precise number of assisted households that are rent-burdened because their utility expenses exceed their allowances is unknown because HUD does not collect data on household-level utility expenses and this information is difficult to obtain.<sup>35</sup> The Housing Opportunity Through Modernization Act of 2016 requires HUD to publish local utility costs and consumption data for use in establishing utility allowances under the HCV program, to the extent such data can be collected cost effectively.<sup>36</sup> However, HUD officials determined they could not collect the utility data in a cost-effective manner. They also noted that utility providers do not release households’ utility consumption data because of privacy issues.

To estimate the risk of HUD-assisted households being rent-burdened because of utility expenses, we conducted analyses using two different proxies of household-level utility expenses from available HUD and survey data.<sup>37</sup> The first—our baseline estimates—included rent and utility allowances reported by PHAs and

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<sup>31</sup>See 24 C.F.R. pt. 985.

<sup>32</sup>31 U.S.C. § 7502(a); 2 C.F.R. § 200.501(b). A single audit is an audit of an entity’s federal awards and financial statements. Single audits can identify deficiencies in the recipient’s compliance with laws, regulations, contracts, or grant agreements and in its financial management and internal control systems. In some circumstances, an entity may elect to have a program-specific audit in lieu of a single audit. *E.g.*, 2 C.F.R. § 200.501(c).

<sup>33</sup>31 U.S.C. §§ 7501(a)(8), 7502(c).

<sup>34</sup>The compliance supplement is available on OMB’s website and codified at 2 C.F.R. pt. 200, app. XI.

<sup>35</sup>In this report, we use rent burden to refer to the share of income a household contributes toward rent and utilities because HUD interprets rent to include costs for reasonable utility consumption when calculating rental contributions and subsidies.

<sup>36</sup>§ 108, Pub. L. No. 114-201, 130 Stat. 782, 801 (codified at 42 U.S.C. § 1437f(o)(20)).

<sup>37</sup>We categorized a household as rent-burdened if the monthly costs of rent and utilities were 31 percent or more of income. We also refer to levels of rent burden as moderate (31–40 percent of income), high (41–50 percent), and severe (51 percent or more). We rounded percentages in the rent burden categories to the nearest whole number.

used utility allowances as a proxy for utility expenses (assumed allowances equaled expenses).<sup>38</sup> The second included PHA-reported rent but used AHS estimates of household utility expenses.<sup>39</sup> Our analyses largely focused on HCV households because HCV households are more likely to pay utilities separately from rent.<sup>40</sup>

We estimated that most assisted households were not rent-burdened when utility allowances equaled expenses. However, we estimated that more than one-half of HCV households were rent-burdened when we incorporated AHS estimates of utility expenses into the analysis. We also found that higher utility expenses and larger unit sizes were associated with increases in the risk of being rent-burdened. See appendix II for a discussion of options that selected PHAs and stakeholders cited for reducing assisted households' utility expenses.

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## Assuming Allowances Equaled Utility Expenses, We Estimated Most Households Were Not Rent-Burdened

### Voucher Households Were More Likely to Receive Utility Allowances Than Public Housing Households

HCV households were more likely than Public Housing households to be eligible for a utility allowance (pay utilities separately from rent). As a result, the risk of out-of-pocket utility expenses contributing to rent burden is especially relevant to the HCV program.

HUD administrative data reported by PHAs indicate that, as of 2022, about 88 percent (approximately 1.73 million of 1.96 million) of HCV households were potentially eligible to receive a utility allowance. In comparison, about 45 percent (approximately 308,000 of 679,000) of Public Housing households were potentially eligible to receive a utility allowance.<sup>41</sup>

HCV households also tended to have higher utility allowances, with a median of \$122 per month, compared to a median of \$92 per month for Public Housing households. For perspective, the median share of total housing costs (gross rent) accounted for by utility allowances of HCV households was approximately 11 percent.<sup>42</sup>

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<sup>38</sup>PHAs are required to submit Form HUD-50058 data at least annually for each household that participates in PIH-assisted housing programs. Reported fields include the rent and (if applicable) utility allowance for each household.

<sup>39</sup>See appendix I for more information on the methods we used to estimate rent burden.

<sup>40</sup>We also could not reliably estimate utility expenses for Public Housing households because of data limitations. Specifically, in AHS data, we could not differentiate among Public Housing and other programs that were out of our scope to produce estimated utility expenses for Public Housing.

<sup>41</sup>The most recent year for which data were available at the time of our reporting was 2022. We excluded households assisted by PHAs participating in the Moving to Work demonstration. As a result, household totals may not match those reported elsewhere.

<sup>42</sup>These percentages are based on the full amount of the utility allowance divided by the total amount each household contributes to housing, including the utility allowance.

### Nearly All Public Housing and Most Voucher Households Were Not Rent-Burdened When We Assumed Allowances Equaled Expenses

Assuming households' utility expenses equaled their reported utility allowances, we estimated that about 6 percent of Public Housing households (approximately 40,000 of 679,000) were rent-burdened in 2022.<sup>43</sup> About 1 percent of Public Housing households had moderate rent burdens (31–40 percent of income), another 1 percent had high rent burdens (41–50 percent), and about 4 percent had severe rent burdens (51 percent or more).<sup>44</sup>

Under the same assumption, we estimated that about 25 percent of HCV households were rent-burdened in 2022 (approximately 498,000 of 1.96 million).<sup>45</sup> About 16 percent of HCV households had moderate rent burdens, about 4 percent had high rent burdens, and about 5 percent had severe rent burdens.

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### We Estimated a Greater Share of Voucher Households Were Rent-Burdened When We Incorporated Utility Expense Estimates

#### More Than One-Half of Voucher Households Were Rent-Burdened When We Incorporated Utility Expense Estimates

We estimated the share of HCV households that could be rent-burdened because of utility expenses. To do so, we compared rent burden estimates in which we assumed 2021 utility allowances equaled expenses (baseline scenario) to estimates using AHS 2021 data to approximate household utility expenses.<sup>46</sup> HCV households face a greater risk of being rent-burdened than Public Housing households because they can rent units that exceed the payment standard and because they are more likely to receive a utility allowance, which may not cover all utility expenses.<sup>47</sup>

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<sup>43</sup>Additionally, 5 percent of Public Housing households had \$0 in reported income. Many of these households may also be rent-burdened, but we could not reliably determine rent burdens for these households because different circumstances could lead to the reporting of \$0 household income.

<sup>44</sup>PHAs must establish a minimum monthly rent of up to \$50 for Public Housing. According to HUD officials, this can contribute to rent burden if the minimum rent is greater than 30 percent of a household's income, or if a household switched from one rent method to another (flat rent or income-based rent) or experienced a drop in income.

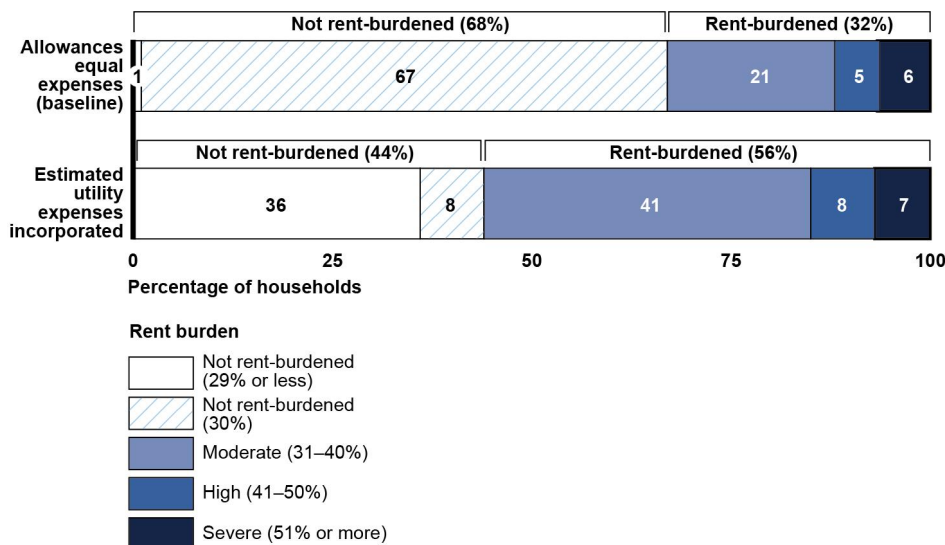
<sup>45</sup>Additionally, 7 percent of HCV households had \$0 in reported income. Many of these households may also be rent-burdened, but we could not reliably determine rent burdens for these households because different circumstances could lead to the reporting of \$0 household income.

<sup>46</sup>Both sets of estimates use the contract rent, assistance payment amount, and income for each household as reported in HUD administrative data. Because of data limitations, we could not reliably calculate estimated utility expenses for Public Housing households, so we excluded them from this analysis. We also excluded households with \$0 in reported income and those that had all utilities included in their rent. We further excluded an additional 40,000 households because we could not reliably estimate utility expenses by building type and number of bedrooms from AHS 2021 data, leaving about 1.5 million HCV households.

<sup>47</sup>If the gross rent (contract rent plus utility allowance) is greater than the payment standard, the household is required to pay the additional amount plus the total tenant payment. A 2017 study commissioned by HUD found that much of the rent burden faced by HCV households was attributable to renting units above local payment standards, combined with changes in income that did not keep pace with rising rents. This study also assumed utility allowances equaled expenses. See Economic Systems, Inc., *Rent Burden in the Housing Choice Voucher Program*, prepared for Department of Housing and Urban Development, Office of Policy Development and Research (Falls Church, Va.: 2017).

We estimated a substantially higher share of rent-burdened HCV households when we assumed each household paid the median utility expenses for the household’s building type and number of bedrooms, based on AHS 2021 estimates.<sup>48</sup> Specifically, as shown in figure 1, we estimated that 56 percent of HCV households were rent-burdened in 2021. This compared to 32 percent under the baseline scenario in which allowances equaled expenses (a 24 percentage point difference).<sup>49</sup> The estimated share of households with moderate rent burdens was 21 percentage points higher using the AHS estimates.<sup>50</sup> The shares with high or severe rent burdens were 2 and 1 percentage points higher, respectively.

**Figure 1: Comparison of Estimated Rent Burden Levels for Housing Choice Voucher (HCV) Households Using Different Utility Expense Estimates, 2021**



Source: GAO analysis of Department of Housing and Urban Development (HUD) and American Housing Survey (AHS) data. | GAO-24-105532

**Accessible Data for Figure 1: Comparison of Estimated Rent Burden Levels for Housing Choice Voucher (HCV) Households Using Different Utility Expense Estimates, 2021**

Basis for percentage utility expense estimate	Severe (51% or more)	High (41-50%)	Moderate (31-40%)	Not rent-burdened (30%)	Not rent-burdened (29% or less)
Utility allowance (baseline)	6	5	21	67	1
Estimated median utility expenses (AHS)	7	8	41	8	36

Source: GAO analysis of Department of Housing and Urban Development (HUD) and American Housing Survey (AHS) data. | GAO-24-105532

<sup>48</sup>We got similar results when we used other methods for incorporating AHS utility expense estimates, including more complex approaches, into our rent burden analysis. See appendix I for more details.

<sup>49</sup>For this comparative analysis, we focused on 2021 because the 2021 AHS data were the most recent available when we conducted the work. The AHS is conducted biennially.

<sup>50</sup>Percentage point differences may be different than shown in figure 1 because of rounding.

Note: Percentages in rent burden categories are rounded to the nearest whole number. Rent burden refers to the percentage of HUD-adjusted monthly income a household pays toward rent and utilities. We calculated rent burdens as contract rent (rent due to the property owner) plus estimated utility expenses less assistance payment, divided by adjusted income. Each bar shows the estimated rent burdens of HCV households eligible to receive utility allowances using different estimates of household utility expenses. The top bar—utility allowance (baseline)—assumes all households eligible to receive an allowance paid utility expenses equal to their allowance. The bottom bar assumes all households paid the estimated median utility expenses for their building type and number of bedrooms, based on AHS estimates. We excluded households in the Moving to Work demonstration and those with homeownership vouchers, \$0 reported adjusted income, or that did not pay utilities separately from rent. We also excluded utility expense estimates with relative margins of error greater than 21 percent at the 95 percent confidence level, leaving about 1.6 million households.

The estimated shares of rent-burdened households were sensitive to changes in utility expense assumptions because rent burdens were concentrated around 30 percent of income (the threshold for being rent-burdened) in the baseline scenario. Of the approximately 67 percent of households with rent burdens at the 30 percent threshold in our baseline estimate, about 45 percent were rent-burdened and about 45 percent had rent burdens of less than 30 percent after we incorporated median AHS utility expense estimates.<sup>51</sup> The latter group may include households whose rental assistance payments included utility allowances that exceeded their estimated utility expenses.

The difference in estimated rent burden for 86 percent of households was less than 10 percentage points between the two scenarios. Additionally, the median rent burden was 1 percentage point higher in the scenario using AHS estimates than it was in the baseline scenario (31 percent versus 30 percent, respectively).<sup>52</sup> This suggests that the typical household paid slightly more than 30 percent of their income on rent and utilities in 2021 when we incorporated AHS estimates of utility expenses.

### Risk of Being Rent-Burdened Was Associated with Higher Utility Expenses

Our analysis based on AHS estimates suggests that the risk of out-of-pocket utility expenses contributing to rent burdens increased with higher estimated utility expenses (see table 1). For example, estimated utility expenses were more likely to exceed utility allowances for households in a three-bedroom detached or a semi-detached home than for households in a zero- or one-bedroom low-rise apartment. In both unit-type categories, the risk of estimated utility expenses exceeding allowances (and contributing to rent burden) increased at the higher ranges of utility expenses.

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<sup>51</sup>Of the 45 percent that were not rent-burdened in the baseline scenario but were rent-burdened in the scenario using AHS estimates, 41 percent had a moderate rent burden, 3 percent had a high rent burden, and 1 percent had a severe rent burden.

<sup>52</sup>The 25th percentile rent burden was 2 percentage points lower (28 percent versus 30 percent). The 75th percentile rent burden was 2 percentage points higher (36 percent versus 33 percent), when rounded to the nearest whole number.



**Table 1: Percentiles of Utility Allowances and Estimated Utility Expenses among Housing Choice Voucher (HCV) Households, by Selected Building Types and Number of Bedrooms, 2021**

Unit type	Number of households	Percentile	Utility allowance	Estimated utility expenses (confidence interval)
All HCV households potentially eligible for allowances	1,723,000	25th	\$78	\$70 (\$65, \$75)
All HCV households potentially eligible for allowances	1,723,000	50th	\$117	\$114 (\$109, \$119)
All HCV households potentially eligible for allowances	1,723,000	75th	\$182	\$190 (\$185, \$195)
Three-bedroom detached or semi-detached	279,000	25th	\$150	\$150 (\$140, \$160)
Three-bedroom detached or semi-detached	279,000	50th	\$203	\$210 (\$200, \$220)
Three-bedroom detached or semi-detached	279,000	75th	\$252	\$300 (\$270, \$330)
Zero- or one-bedroom low-rise	264,000	25th	\$55	\$50 (\$45, \$55)
Zero- or one-bedroom low-rise	264,000	50th	\$75	\$80 (\$75, \$90)
Zero- or one-bedroom low-rise	264,000	75th	\$101	\$104 (\$99, \$109)

Source: GAO analysis of Department of Housing and Urban Development and American Housing Survey data. | GAO-24-105532

Note: Point estimates for estimated utility expenses are bolded. Confidence intervals at the 95 percent confidence level are in parentheses. Utility allowances do not include households in the Moving to Work demonstration or those with homeownership vouchers.

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## Limitations Exist in Usability and Accessibility of HUD's Utility Allowance Tools and Guidance

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### HUD's Plans for Updating Its Utility Allowance Tool Do Not Include Steps to Obtain Feedback on Usability

HUD regulations specify requirements PHAs must follow when calculating utility allowances, but do not require a particular methodology (see sidebar).<sup>53</sup> In 2003, HUD released HUSM to provide a consistent basis for calculating utility allowances and help ensure that HUD requirements are followed. PHAs can enter locality and utility rate information in HUSM to generate utility allowance schedules by housing type. Although HUD made HUSM available on the HUD website at no cost to users, six of the 13 PHAs we interviewed hired contractors to generate their utility allowance schedules.<sup>54</sup> Some contractors use HUSM, or a modified version of HUSM, to calculate utility allowance schedules for PHAs.

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<sup>53</sup>For Public Housing, see 24 C.F.R. § 965, subpt. E. For HCV, see 24 C.F.R. § 982.517. Methods HUD describes in its guidance include engineering-based method (uses engineering calculations, standardized consumption tables, in-house information, or a combination of these), consumption-based method (uses actual consumption data from tenant units in the PHA's portfolio), and HUSM (uses nationally representative survey data and correlations and regression techniques for calculations).

<sup>54</sup>See Department of Housing and Urban Development, Office of Policy Development and Research, *FY 2015 Utility Allowance Comparison Study: Improper Payment for Quality Control for Rental Subsidy Determination Study* (Washington, D.C.: Aug. 31, 2016). The study found that about 46 percent of the participating PHAs used contractors to calculate utility allowance schedules for Public Housing. For the voucher program, the study found that about 40 percent of "PHAs/projects" contracted out their utility allowance schedules, with a project defined as a county or township in which a PHA administered the program. HUD does not have more recent estimates of PHAs' use of contractors to calculate utility allowance schedules.

### HUD Utility Allowance Requirements

Department of Housing and Urban Development (HUD) regulations specify requirements public housing agencies (PHA) must follow when calculating utility allowances but do not require a particular methodology.

For the **Public Housing** program:

- Methodologies for establishing allowances should approximate reasonable consumption of utilities by energy-conservative households of modest circumstances, consistent with requirements of a safe, sanitary, and healthful living environment.
- Allowances should reflect reasonable consumption for major equipment or utility functions furnished by the PHA for all residents, essential equipment whether or not furnished by the PHA, and minor equipment furnished by residents.
- PHAs should consider relevant factors that affect consumption requirements.
- For the **Housing Choice Voucher** program:
  - Allowances must be based on typical cost of utilities paid by energy-conservative households that occupy housing of similar size and type in the same locality.
  - Allowances must reflect normal patterns of consumption for the community as a whole, and current utility rates.
  - Allowances must include utilities needed to achieve housing quality standards.

Source: 24 C.F.R. §§ 965.505, 982.517(b). | GAO 24 105532

All six PHAs said that they hired a contractor to generate their utility allowance schedules because the calculations are complex or would take a long time for their staff to complete. According to both contractors we interviewed, PHAs hire contractors when they do not have the necessary expertise or staff resources to maintain utility allowances themselves.

According to HUD officials, HUD has not updated HUSM since 2016, but plans to do so, subject to funding availability. The officials said the plan includes updating the tool with the latest Residential Energy Consumption Survey data to account for changes since 2016.<sup>55</sup> HUD officials said they requested but did not receive fiscal year 2024 appropriations for utility allowance modeling. They said they presented the request to congressional appropriations committees in a proposed operating plan for the agency's Office of Policy Development and Research.

However, HUD's proposed operating plan for updating the model did not include steps to obtain feedback on the usability of HUSM. Some PHAs and contractors we interviewed identified challenges related to using the tool, which included the following:

- **Limited support and training.** Three of the 13 PHAs we interviewed suggested that HUD provide PHAs with more support and training on using HUSM. HUD officials said they accept and answer technical questions from PHAs about HUSM. However, one of the PHAs that uses the tool asked its HUD field office about the tool's methodology and calculations, but the office said it no longer provided support for HUSM and was unable to answer the PHA's question. Another PHA said its contractor had to provide it more detailed instructions about how to collect the information needed to use the tool.
- **Perceived difficulty level.** Of the two contractors we interviewed, one said HUSM is complex and that the data entry forms are difficult to use. Two PHAs said that they tried to use HUSM but stopped because it looked too difficult to use. For example, one PHA said the required inputs would be too complicated for the PHA to complete.

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<sup>55</sup>The Department of Energy's Energy Information Administration administers the Residential Energy Consumption Survey to a nationally representative sample of housing units to collect energy characteristics, usage patterns, and household demographics.

- **Lack of customization options.** One PHA said the structure of some of its utility rates makes it difficult to enter the information into HUSM. Another PHA and a contractor said that HUSM does not allow PHAs to enter utility rates from multiple providers for the same utility type, limiting the tool’s usefulness.
- **Limited PHA familiarity/no references in Public Housing guidance.** Four PHAs said they were familiar with HUSM solely because their contractor or state-level PHA uses the tool to calculate their utility allowances. Two other PHAs were not familiar with HUSM. Although the tool originally was developed to be consistent with the required Form HUD-52667 for the HCV program, HUD officials said that HUSM can be used to calculate utility allowance schedules for other programs. However, HUSM is not included in the Utility Allowance Guidebook or the Public Housing Occupancy Guidebook’s chapter on utilities. HUSM also is not highlighted on the web pages for the Public Housing and HCV program guidebooks. PIH officials noted that HUD does not require use of HUSM and, therefore, does not promote it. However, some PHAs may not be aware of the tool if it is not referenced in guidance for setting utility allowances.

Because we interviewed a sample of stakeholders, the above challenges may not be comprehensive or representative of all PHAs and contractors. However, they illustrate the potential value of collecting additional stakeholder views to identify challenges and opportunities to improve HUSM’s usability.

OMB policies for digital services state that agencies should proactively identify customer or user pain points and opportunities to make improvements to existing experiences. The policies also state that agencies should use research and data to validate assumptions about how customers or users want to interact with their agency or service.<sup>56</sup>

HUD’s proposed operating plan to update HUSM does not include actions to ascertain issues with the user experience because HUD has prioritized steps to improve the reliability of the tool’s outputs, such as updating the underlying data. While improving HUSM’s reliability would be an important first step in updating the tool, HUD may not realize the full benefits of that improvement without also addressing challenges that limit HUSM’s use. Developing a plan to obtain stakeholder feedback on the usability of HUSM would position HUD to identify and address those challenges as soon as practicable.

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## HUD’s Utility Allowance Guidance Did Not Fully Align with Standards for Availability and Accessibility and for Feedback

HUD’s utility allowance guidance aligned with five of the seven characteristics of good guidance cited in PIH’s Guidance Principles but did not fully align with the remaining two on availability and accessibility and on feedback (see table 2).<sup>57</sup> According to HUD officials, PIH uses the Guidance Principles to help ensure that published guidance assists PHAs in calculating utility allowances.

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<sup>56</sup>Office of Management and Budget, *Delivering a Digital-First Public Experience*. According to the OMB policy, user research focuses on understanding user behaviors, needs, and motivations through observation, interviews, collaborative design methods, and other feedback methodologies (such as focus groups or usability testing).

<sup>57</sup>See [https://www.hud.gov/open/innovation\\_ideas\\_in\\_action/pihguidanceprinciples](https://www.hud.gov/open/innovation_ideas_in_action/pihguidanceprinciples); last accessed on February 15, 2024. The principles are that guidance “meets customer needs” and meets HUD standards of “quality, objectivity, utility and integrity.” The characteristics are timeliness; ready availability and accessibility; accuracy; precision; consistency; proper format and vehicle; and [use of] stakeholder input/customer feedback. Because HUD associated the principles with specific characteristics, we focused our analysis on the characteristics rather than the overarching principles.

**Table 2: GAO Assessment of Selected HUD Utility Allowance Guidance against PIH Good Guidance Characteristics**

Guidance characteristic	Description	Assessment
Timeliness	Guidance should be available at the point it will be needed by the customer.	Aligned
Ready availability and accessibility	Guidance should be readily available to customers (be able to be accessed quickly and efficiently).	Did not fully align
Accuracy	Guidance should supplement and expand on the relevant issue and not contradict it.	Aligned
Precision (on target)	Guidance should be relevant to customers and meet the needs of customers to maintain utility allowances.	Aligned
Consistency	Guidance should be consistent with, and not contradict, other existing HUD guidance.	Aligned
Proper format and vehicle	Guidance should be delivered to the customer in the appropriate format and via the appropriate method.	Aligned
Stakeholder input/ Customer feedback	Guidance should provide avenues for stakeholder input (to ensure the guidance meets customer needs).	Did not fully align

Source: GAO analysis of guidance from the Department of Housing and Urban Development’s (HUD) Office of Public and Indian Housing (PIH). | GAO-24-105532

HUD’s utility allowance guidance was timely because it is published on HUD’s website and therefore was available for PHAs to use as needed. The guidance we reviewed was accurate because it did not contradict underlying HUD regulations. The guidance was consistent because it did not contradict other HUD guidance for utility allowances. The guidance was precise because PHAs could use it to calculate and administer utility allowances. For example, three of the six PHAs we interviewed that used HUD guidebooks or tools found the in-depth examples and specific utility benchmarks useful. Finally, the guidance was in the proper format and vehicle because it was presented in a useable form, such as guidebooks or instructions posted online.

Utility Allowance Guidance Was Not Readily Available and Accessible

HUD has published guidance that informs PHAs about how to maintain utility allowances. But, contrary to PIH good guidance characteristics and OMB policies, HUD has not optimized the navigability and searchability of its website to help ensure that the guidance is available and accessible to users.<sup>58</sup>

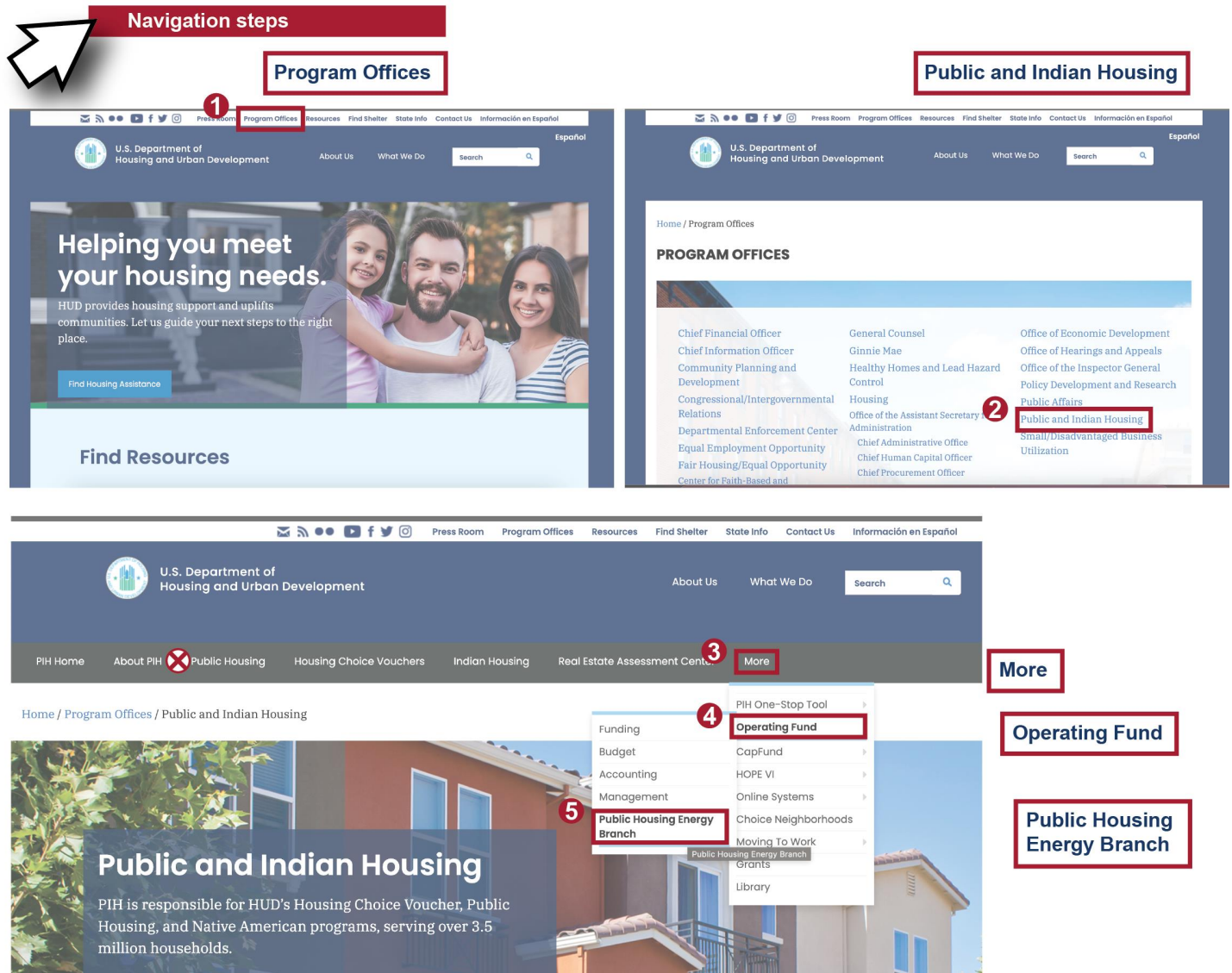
- **Navigability.** Utility allowance guidance on HUD’s website can be difficult to find if a user does not already know the document’s name or location. For example, when starting at the Public Housing landing page, a user might reasonably expect to find the guidance under the “Helpful Tools and Resources” header, which includes a link to HUD publications such as handbooks and manuals.<sup>59</sup> Instead, a user would have to look under the “Public Housing Related Topics” header, then click on the “Public Housing Management and Occupancy Division” link to access the utility allowance guidance. Although PIH officials said they substantially revised the Public Housing Management and Occupancy Division’s website, users unaware of the name of the publication (“Public Housing Occupancy Guidebook”) might not know to look there.

<sup>58</sup>OMB policies state that agencies’ public websites must contain a search function that allows users to easily search content intended for public use. See Office of Management and Budget, *Delivering a Digital-First Public Experience*.

<sup>59</sup>For the Public Housing landing page, see [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph](https://www.hud.gov/program_offices/public_indian_housing/programs/ph); last accessed on Jan. 12, 2024.

Additionally, although PIH updated its Public Housing Energy Branch web page in July 2023 and included links to information on utility allowances, the page is difficult to find, and the link path is not intuitive.<sup>60</sup> For example, instead of accessing allowance information from the Public Housing drop-down menu, a user needs to navigate to the More tab, hover over Operating Fund, and click on Public Housing Energy Branch to access the information (see fig. 2).

Figure 2: Example of Difficulties in Finding Utility Allowance Guidance on the HUD Website, as of November 2023



Source: GAO screen captures of the Department of Housing and Urban Development (HUD) website. | GAO-24-105532

- **Search optimization.** The HUD website search bar does not always display relevant results. For example, entering the title of the Utility Allowance Guidebook into the search bar does not produce the

<sup>60</sup>The Public Housing Energy Branch develops, implements, and manages water and energy efficiency incentive programs for PHAs. The branch also publishes utility allowance information on their program web page. For more information, see [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/pheb](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/pheb) (last accessed Mar. 2, 2024).

guidebook as a search result (see fig. 3). Users also might encounter difficulties in finding Public Housing utility allowance guidance. For example, when using broad search terms, such as “public housing utility allowances,” the first four or five links that come up are often for HCV guidance or general allowance guidance that do not include links to any guidebooks. Additionally, it is difficult to find the HUSM Instructions document using the HUD search bar. For example, the instructions are not included in the results when using search terms such as “HUSM Instructions” or “HUD Utility Schedule Model Instructions.” Users would need to know that the HUSM Instructions only can be found on HUDUser.gov, which is a separate site from HUD.gov.

**Figure 3: Example of Difficulties in Finding Allowance-Related Guidance Using the Search Bar on HUD’s Website, as of December 2023**



Source: GAO screen captures of the Department of Housing and Urban Development (HUD) website. | GAO-24-105532

HUD officials said the agency has been working to make its web pages more user-friendly and on evaluating and updating information. For instance, HUD created a Customer Experience Division in the Office of the Chief Financial Officer that is dedicated to making HUD’s website easier to navigate, according to HUD officials.<sup>61</sup> But according to PIH, the Customer Experience Division was not involved in the July 2023 update of the Public

<sup>61</sup>This effort is separate from PIH’s refresh of the Public Housing Energy Branch page. For more information on the Customer Experience Division, see [https://www.hud.gov/customer\\_experience](https://www.hud.gov/customer_experience).

Housing Energy Branch's web page. PIH officials also said they had not yet evaluated the navigability of their website as part of the current update.

Without guidance that is readily available and accessible on HUD's website, PHAs may find it harder to find the information they need to comply with utility allowance requirements.

### Utility Allowance Guidance Does Not Include Avenues for Customer Input and Feedback

HUD utility allowance guidance does not include avenues for customers to provide feedback on its quality or usability. Although PIH's characteristics of good guidance state that guidance should provide avenues for feedback, program guidebook web pages and their respective utility allowance chapters do not provide contact information for submitting questions or other feedback. In contrast, other HUD program and policy guidebooks or web pages (such as those for the Moving to Work demonstration and the Enterprise Income Verification system guidebook) include program-specific or individual contact information.<sup>62</sup>

According to HUD officials, PIH's regular meetings with PHA industry groups and individual PHAs provide opportunities for feedback. Officials also said that HUD prioritizes including email addresses on the HUD website (for example, on the Public Housing Energy Branch page), rather than in the guidance documents, for ease of updating. However, all the email addresses provided on the Public Housing Energy Branch page are for queries about specific programs and none are designated for providing feedback on the guidance. Additionally, there are no comparable email addresses displayed for feedback on the HCV guidance web page.

By not developing and implementing feedback mechanisms for utility allowance guidance on its website, HUD may not be aware of users' issues with guidance (such as problems with ease of use or clarity) or receive suggestions about opportunities for improvement.

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## **HUD's Oversight Provides Limited Assurance That Utility Allowances Are Consistent with Agency Objectives**

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### **Our Analysis of PHA Data Indicates a Risk That Some Utility Allowances May Not Be Current or Reasonable**

Our analysis of HUD data on Public Housing and HCV utility allowances identified potentially problematic patterns that suggest some allowances may not be consistent with the objectives of currency and reasonableness that underlie HUD regulatory requirements.

#### Potential Indications of Allowances That Are Not Current

Our analysis of HUD administrative data reported by PHAs indicates a risk that some PHAs might not be meeting HUD requirements for regularly updating utility allowances, especially for Public Housing households.

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<sup>62</sup>HUD requires PHAs to use the Enterprise Income Verification system to verify tenant incomes and other information necessary to administer rental assistance.



To assess changes in utility allowances over time, we analyzed households that lived in the same units and were assisted by the same PHAs during selected periods. Specifically, we examined two cohorts: one from 2011 through 2019 and another from 2019 through 2022. We chose the first time frame because HUD suspended the requirement (in response to the COVID-19 pandemic) to update allowances from April 10, 2020, to December 31, 2021.<sup>63</sup> We chose the second time frame because 2019 was the last full calendar year PHAs reported allowance data before the suspension, and utility rates generally increased in 2020–2022.<sup>64</sup> The 2011–2019 cohort consisted of about 247,000 households assisted by about 2,800 PHAs across both programs, and the 2019–2022 cohort consisted of about 890,000 households assisted by about 3,000 PHAs across both programs.

- **2011–2019 cohort.** PHAs did not report any change in the utility allowance of at least 5,000 households (assisted by nearly 500 PHAs) over that period.<sup>65</sup> These cases were more common for Public Housing households than for HCV households. Specifically, PHAs reported the same utility allowance amount for about 8 percent (approximately 3,400 of 41,000) of Public Housing households, compared to about 1 percent (approximately 1,700 of 206,000) of HCV households.
- **2019–2022 cohort.** PHAs did not report any change in the utility allowance amount for at least 97,000 households (assisted by at least 1,800 PHAs). As before, these cases were more common for Public Housing households. PHAs did not report any change for about 31 percent (approximately 42,000 of 135,000) of Public Housing households, compared to about 7 percent (approximately 55,000 of 755,000) of HCV households.

HUD’s last broad study of utility allowances in the Public Housing and HCV programs was issued in August 2016 and reported findings similar to our results for the 2019–2022 cohort.<sup>66</sup> The study included an analysis of the frequency of utility allowance schedule updates during the 5-year period ending in fiscal year 2015. The study found that 9.6 percent of sampled Public Housing households and 2.1 percent of sampled HCV households received no updates to their allowances in this 5-year period.<sup>67</sup>

### Potential Indications of Allowances That Are Not Reasonable

To assess the reasonableness of unchanged utility allowances for households in our 2019–2022 cohort, we analyzed CPI average price data for electricity (price per kilowatt-hour) and piped gas (price per therm) over

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<sup>63</sup>See, e.g., Department of Housing and Urban Development, *COVID-19 Statutory and Regulatory Waivers and Alternative Requirements for the Public Housing, Housing Choice Voucher (including Mainstream and Mod Rehab), Indian Housing Block Grant and Indian Community Development Block Grant programs, Suspension of Public Housing Assessment System and Section Eight Management Assessment Program, Revision 3*, Notice PIH 2021-14 (HA), (Washington, D.C.: May 4, 2021): 28, 36.

<sup>64</sup>Relatively few households lived in the same units from 2011 through 2022. Limiting our analysis to a single cohort over that time frame would have excluded many households whose utility allowances likely should have been increased given generally sharp utility rate increases in 2020–2022.

<sup>65</sup>Whether these households should have received an update to their utility allowance would depend on many factors, which we discuss in a later section.

<sup>66</sup>Department of Housing and Urban Development, *FY 2015 Utility Allowance Comparison Study: Improper Payment for Quality Control for Rental Subsidy Determination Study* (Washington, D.C.: Aug. 31, 2016).

<sup>67</sup>These figures are unweighted results based on a random sample of 742 HCV households and 359 Public Housing households. Results may not be generalizable to all Public Housing and HCV households.

that period.<sup>68</sup> Nationally, average utility rates for electricity and piped gas increased by 20 percent and 64 percent, respectively, from 2019 through 2022.<sup>69</sup>

Our analysis indicates that thousands of households with potentially unchanged utility allowances may have experienced substantial utility rate increases. For 18 metropolitan areas for which CPI utility rate data were available, the average rates for both electricity and piped gas service increased by more than 10 percent in 14 areas during 2019–2022.<sup>70</sup> We identified at least 30,000 households (assisted by more than 200 PHAs) in these areas with utility allowances that remained unchanged in that period, according to HUD administrative data.<sup>71</sup> As a result, their allowances might not have reflected the cost of reasonable or typical energy consumption for those areas.

Whether these households should have received a utility allowance increase depends on many factors, including the size and timing of rate changes by utility providers and the timing of PHA reviews of utility rates for potential updates.<sup>72</sup> To illustrate, if PHAs that last revised utility schedules in 2019 were to review their allowance schedules in 2022, the need to increase allowances would depend partly on the utility rate data that were used at the time of the review. For example, fewer PHAs might have had to revise allowances if they conducted their review at the beginning of 2022 instead of the end, if rates increased later that year.<sup>73</sup> Based on our analysis of CPI average price data, average utility rate changes exceeded 10 percent in six of 18 metropolitan areas in 2019–2021 versus 14 of 18 areas in 2019–2022.

We also observed wide variation by metropolitan area and program in the extent to which median utility allowances were correlated with general household energy expenses.<sup>74</sup> For example, among Public Housing and HCV cohorts we examined in 19 metropolitan areas with available data, we found several instances of sharp 1-year changes (increases and decreases) of 20 percent or more in their median utility allowances without a corresponding change in general household energy expenses for the area.<sup>75</sup> These instances may

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<sup>68</sup>The Bureau of Labor Statistics publishes estimates of the average prices consumers paid for selected goods and services, including certain utilities, calculated from observations collected for measuring price movement in the CPI.

<sup>69</sup>According to CPI average price data, during 2011–2019, the national average price for electricity did not change by more than 10 percent, while the average price for piped gas was 11–14 percent lower than 2011 levels in 2012, 2015, and 2016.

<sup>70</sup>Metropolitan areas generally refer to core-based statistical areas based on OMB's 2013 delineations.

<sup>71</sup>The four remaining metropolitan areas had an average increase of more than 10 percent only for gas during 2019–2022.

<sup>72</sup>We did not have a way to determine which utilities were included in each household's utility allowance. During 2019–2021, the average rate only for gas increased by more than 10 percent in 10 metropolitan areas, and the average rate for only electricity increased by more than 10 percent in one metropolitan area. One metropolitan area had a change of less than 10 percent for both utilities. Nationally, the average rate for electricity and gas increased by 4 percent and 23 percent, respectively, in 2019–2021.

<sup>73</sup>See 24 C.F.R. § 982.517(b). *But see*, 24 C.F.R. § 965.507(b).

<sup>74</sup>Correlations were very low in many cases (and even negative in some cases). We compared the median utility allowance by program (both overall and among cohorts of households living in the same type of unit) and by metropolitan area against the CPI for household energy for each metropolitan area. The CPI for household energy measures the price movement of residential energy items used for heating, cooling, lighting, cooking, and other appliances and household equipment. We got similar results when comparing same-year and 1- and 2-year lagged CPI values.

<sup>75</sup>Specifically, we found that during 2011–2019, the median utility allowances for eight Public Housing cohorts and five HCV cohorts changed by more than 20 percent in 1 year, but the CPI for household energy for their area either changed in the opposite direction or changed by no more than 11 percent annually in any year prior to the sharp change in the median allowance.

indicate cases in which PHAs were not consistently following HUD requirements for setting allowances that reflect the cost of reasonable or typical energy consumption in those areas.

According to researchers and officials of housing advocacy organizations we interviewed, these sharp increases or decreases could be caused by factors such as changes in what utilities were included in the allowance, changes in the method or the contractor used to calculate allowances, an increase or decrease in funding levels, or correcting for previously low or unchanged allowances. However, HUD's current monitoring practices (which we discuss later in this section) are unlikely to identify sharp changes in utility allowances that may merit further review.

HUD's August 2016 study on utility allowances also included findings pertaining to the reasonableness of allowances.<sup>76</sup> For a random sample of HCV and Public Housing households, the study compared the households' utility allowances to their utility bills. The study found that the utility allowances provided an estimated net underpayment of \$14 per month on average.<sup>77</sup> However, the study also found that the average monthly utility allowance received by assisted households in fiscal year 2015 was not statistically different from the average monthly amount for utility cost expenditures.<sup>78</sup>

Others also have noted issues with the reasonableness of utility allowances, including a 2019 study of allowances in four Florida cities.<sup>79</sup> The study examined utility allowances for electricity for HCV households during 2010–2013. A key finding was that allowances frequently underestimated electricity costs and that making allowances more accurate would reduce households' out-of-pocket utility expenses in many cases.

### Inconsistent Allowances That Raise Potential Reasonableness Concerns

We also found some evidence of inconsistent utility allowances that raise potential reasonableness concerns. Specifically, we identified instances in which two PHAs that administer a voucher program in the same locality (such as a local and a state-level PHA) provided monthly allowances that varied substantially from each other. In the example illustrated in figure 4, we compared allowances provided by two such PHAs for a selected bundle of utilities. The local PHA provided \$52 more per month, or \$624 more per year, than the state-level PHA. The largest variance among specific line items was for natural gas heating, for which the local PHA's allowance (\$118) was almost seven times the state-level PHA's allowance (\$17). Most other line items differed by \$9 or less. See appendix III for additional examples of utility allowance variations between PHAs that serve the same locality.

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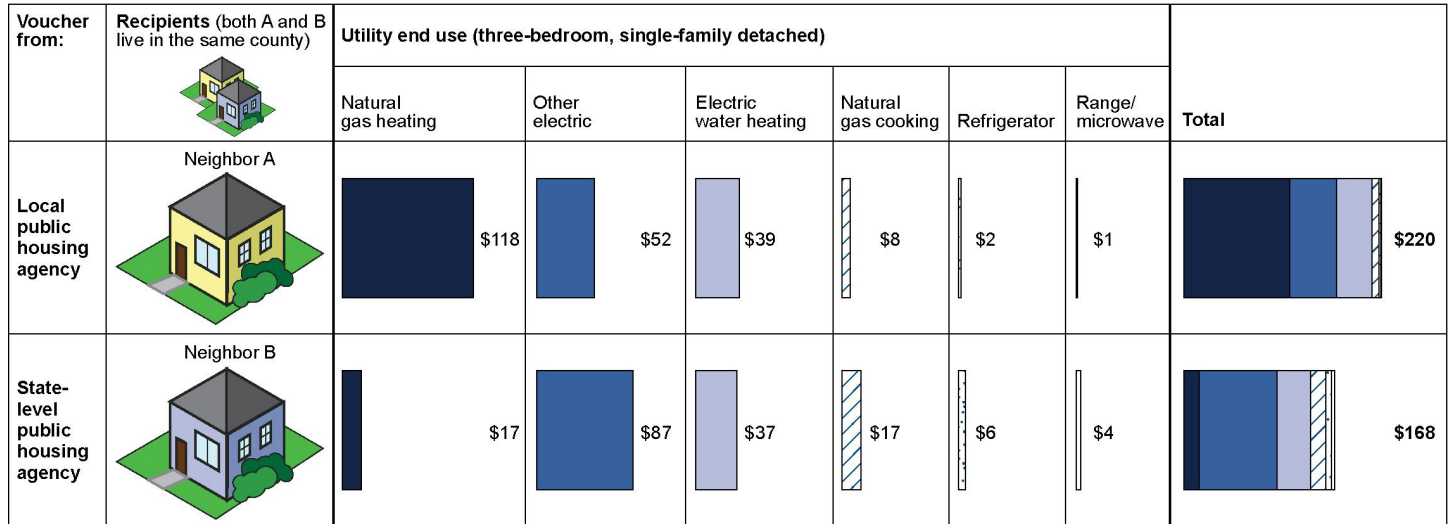
<sup>76</sup>Department of Housing and Urban Development, *FY 2015 Utility Allowance Comparison Study*.

<sup>77</sup>The margin of error at the 95 percent level of confidence is plus or minus \$9.

<sup>78</sup>The average monthly dollar amount of utility allowances that HCV and Public Housing households received in fiscal year 2015 was \$116, with a margin of error at the 95 percent confidence level of plus or minus \$11. The average dollar amount of monthly utility expenditures for these households was \$130, with a margin of error of plus or minus \$14.

<sup>79</sup>Anne Ray, et al., *Household Energy Costs and the Housing Choice Voucher Program: Do Utility Allowances Pay the Bills?* (2019). The study focused on the Florida cities of Gainesville, Jacksonville, Orlando, and Tallahassee.

**Figure 4: Example of Differences between Selected Line Items of Monthly Utility Allowances for Housing Choice Voucher Households in the Same Geographic Area**



Source: GAO analysis and icons. | GAO-24-105532

**Accessible Data for Figure 4: Example of Differences between Selected Line Items of Monthly Utility Allowances for Housing Choice Voucher Households in the Same Geographic Area**

**Utility end use (three-bedroom, Single Family Detached)**

Utility type	Fond du Lac County (local PHA)	Wisconsin Housing and Economic Development Agency (state-level PHA)
Natural gas heating	\$118	\$17
Other electric	\$52	\$87
Electric water heating	\$39	\$37
Natural gas cooking	\$8	\$17
Refrigerator	\$2	\$6
Range/microwave	\$1	\$4
<b>Total</b>	<b>\$220</b>	<b>\$168</b>

Utility type	Fond du Lac County (local PHA)	Wisconsin Housing and Economic Development Agency (state-level PHA)
Natural gas heating	\$87	\$8
Other electric	\$48	\$69
Electric water heating	\$32	\$28
Natural gas cooking	\$7	\$17
Refrigerator	\$2	\$6
Range/microwave	\$1	\$4
<b>Total</b>	<b>\$177</b>	<b>\$132</b>

Source: GAO analysis and icons. | GAO-24-105532

Note: The figure illustrates variances in selected line items of monthly utility allowances that a local and a state-level public housing agency (serving the same locality in the Midwest) provided for households receiving Housing Choice Vouchers. The effective dates of the utility allowances were January 1, 2023, for both public housing agencies.

Consistent with our analyses, the 2019 study of allowances in four Florida cities found that because allowances varied widely across PHAs and over time within a PHA, the amount by which allowances offset utility expenses could vary even for households living in same-sized units in the same areas or in areas with similar climates. Additionally, a 2003 report on the development of HUSM noted that PHAs varied in how they calculate utility allowances, resulting in allowances that differed from those provided by nearby PHAs.<sup>80</sup>

HUD officials said allowances may vary when one PHA serves rural parts of an area while the other serves the urban parts. However, HUD officials said that while they do not require utility allowances of PHAs serving the same locality to be identical, they expect the allowances not to vary widely. Variation in allowances between nearby PHAs also may stem partly from the use of different calculation methodologies. For example, according to officials from the state and local PHAs highlighted in figure 4, one PHA used HUSM, while the other used the engineering-based method. However, it is unclear why that would result in the large differences we observed in specific line items.

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## HUD Monitoring Provides Limited Information on PHAs' Compliance with Utility Allowance Requirements

HUD's compliance checks for utility allowance requirements are narrowly focused and are conducted for a limited number of PHAs. In addition to HUD's direct oversight, OMB's compliance supplement for single audits sets out compliance requirements, audit objectives, and suggested audit procedures pertaining to utility allowances for the HCV program. Taken together, these oversight mechanisms provide some assurance that reviewed PHAs complied with specific allowance requirements but are not designed to be comprehensive, in-depth assessments of whether utility allowances are current, or to determine whether they are reasonable. The depth and coverage of these checks also are limited by the large number of PHAs that HUD oversees (about 3,700 in 2022).

**Limited compliance checks for a sample of PHAs.** HUD uses its Comprehensive Compliance Monitoring Review Plan (updated in January 2023) to review judgmental samples of PHAs each year (5 percent in each PIH field office region in fiscal year 2023).<sup>81</sup> HUD selects the PHAs based on risk factors including audit findings, internal control and governance weaknesses, and low voucher utilization or Public Housing occupancy rates.

During these reviews, HUD uses checklists tailored to the HCV and Public Housing programs to help assess compliance with certain utility allowance requirements. HUD takes the following actions:

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<sup>80</sup>GARD Analytics, *Utility Allowance Model Final Report* (Washington, D.C.: June 5, 2003).

<sup>81</sup>According to HUD officials, the Comprehensive Compliance Monitoring Review Plan is the primary review guidance for assessing PHAs' program performance and compliance with HUD requirements. The plan establishes a national protocol for assessing PHAs' performance. Department of Housing and Urban Development, *Comprehensive Compliance Monitoring Review Plan* (Washington, D.C.: January 2023). HUD's selection process results in a nonprobability sample of PHAs reviewed and results are not generalizable to all PHAs in the United States.

- For HCV, HUD verifies whether the PHA annually reviewed utility rates and updated utility allowances if rates changed by 10 percent or more (since the last allowance update) and documents the date of the PHA review.
- For Public Housing, HUD verifies whether the PHA reviewed the basis for its utility allowances at least annually and documents the date of the PHA review.

Officials also said that HUD selected 194 PHAs for monitoring reviews in fiscal year 2023. As of November 9, 2023, officials said that HUD staff had conducted all reviews and were addressing any identified issues with PHAs. According to HUD officials, the completed reviews identified noncompliance with utility allowance requirements at 10 of 194 PHAs reviewed. The most common issue was not updating allowances (four PHAs). Other issues included not having a policy for maintaining allowances or not obtaining housing board approval for allowances.

**Varying coverage of utility allowances in other monitoring mechanisms.** HUD also uses review mechanisms specific to its HCV and Public Housing programs, but they differ in their coverage of utility allowance requirements.

- HUD's Section Eight Management Assessment Program measures PHAs' administration of HCV against numerous performance indicators, including one to maintain an up-to-date utility allowance schedule in accordance with HUD regulations.<sup>82</sup> PHAs are to submit self-certifications of compliance with the indicators, which HUD uses to assess PHAs' performance. HUD regulations specify the methods to be used to verify the certifications (for example, reviewing independent audit reports).<sup>83</sup> HUD also may conduct remote quality control reviews for a limited sample of PHAs (71 from January 2018 through January 2020).<sup>84</sup> HUD will lower the assessment rating (that is, assign zero points) for the utility allowance indicator if HUD finds that the related certification is deficient.<sup>85</sup>
- HUD's Public Housing Assessment System examines PHA's administration of the Public Housing program and includes indicators for the physical condition of housing units, financial condition of each housing project, management operations and capabilities, and obligation of HUD capital grants. HUD conducts the assessments but does not explicitly check for compliance with utility allowance requirements.

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<sup>82</sup>HUD issued pandemic-related waivers that suspended the assignment of new scores under Section Eight Management Assessment Program reviews from April 10, 2020, until December 31, 2021. See, e.g., Department of Housing and Urban Development, Notice PIH 2021-14: 39-40. According to HUD officials, since 2020 HUD has been reviewing assessment certifications for 2020, 2021, and 2022. As of October 2023, the most current HUD-verified results were from 2019.

<sup>83</sup>Other verification methods include reviewing PHA-reported data and performing on-site confirmatory reviews. 24 C.F.R. § 985.3.

<sup>84</sup>Findings from a 2012 HUD Office of Inspector General audit of the Section Eight Management Assessment Program included that HUD field office staff inconsistently monitored PHAs' program compliance. See Department of Housing and Urban Development, Office of Inspector General, *The Section Eight Management Assessment Program Lacked Adequate Controls to Accomplish Its Objective*, 2012-AT-001 (Washington, D.C.: Aug. 3, 2012). In response, HUD required its field offices to perform remote quality control reviews, among other things. See Department of Housing and Urban Development, Office of Inspector General, *HUD's Section Eight Management Assessment Program*, 2023-CH-0002 (Washington, D.C.: Mar. 6, 2023).

<sup>85</sup>24 C.F.R. § 985.3(d). HUD's verification method for the utility allowance indicator is based on review of the PHA's annual independent auditor report and an on-site confirmatory review (if performed). Separately, in 2023, HUD's Office of Inspector General reported that remote quality control reviews of 71 PHAs (from January 2018 through January 2020) found some inaccuracies in PHAs' self-reported compliance scores. HUD lowered the utility allowance compliance score for four PHAs in 2018 and three PHAs in 2019. See Department of Housing and Urban Development, Office of Inspector General, 2023-CH-0002.

**OMB compliance supplement.** OMB's compliance supplement for single audits sets out the compliance requirements, audit objectives, and suggested audit procedures for an independent auditor pertaining to utility allowances for the HCV program.<sup>86</sup> HUD staff are to review a PHA's most recent audit as part of its comprehensive compliance monitoring review.

- For HCV, the audit objective is to determine whether the PHA had reviewed utility rate data in the prior 12 months and adjusted its utility allowance schedule if there was a rate change of 10 percent or more since the last revision. Suggested audit procedures for determining compliance include reviewing the PHA's procedures for obtaining and reviewing utility rate data and ascertaining whether the PHA updated its allowance schedules (if warranted).
- For Public Housing, the compliance supplement does not explicitly address the calculation of utility allowances.
- The most recent single audit reports for 11 of the 13 selected PHAs we interviewed stated the PHAs complied in all material respects with the requirements in the compliance supplement. One of the other two PHAs had a finding pertaining to utility allowances (instances in which tenant files did not have correct utility allowances or documentation to determine correct allowances).

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## HUD's Oversight Does Not Include Regular Program-Wide Analysis of the Currency and Reasonableness of Utility Allowances

HUD's oversight of PHAs' compliance with utility allowance requirements is limited because it does not regularly collect or analyze certain program-wide data to help determine whether allowances for the Public Housing and HCV programs are current and reasonable.

### HUD Does Not Collect Public Housing Utility Allowance Schedules

HUD collects utility allowance schedules for the HCV program, but it does not collect allowance schedules for the Public Housing program.<sup>87</sup> HUD regulations require PHAs to document the basis for establishing and revising allowances under the Public Housing program and make such records available for HUD's review. However, the regulations do not require PHAs to report allowance schedules to HUD in a standardized form.<sup>88</sup> Federal internal control standards state that management should use quality information to achieve objectives, such as by obtaining relevant data from reliable external sources.<sup>89</sup>

HUD officials said they have been exploring whether to collect utility allowance schedule data for the Public Housing program. They said they are weighing the potential benefits to HUD's compliance monitoring of PHAs

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<sup>86</sup>The auditor must determine whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the auditee's major programs. 2 C.F.R. § 200.514(d). The compliance supplement provides information for auditors to understand federal programs' objectives, procedures, and compliance requirements subject to audit.

<sup>87</sup>PHAs file Form HUD-52667 to report their utility allowances for the HCV program.

<sup>88</sup>See *generally* 24 C.F.R. pt. 965, subpt. E. PHAs currently report utility allowances by household and by housing project, but not for their Public Housing program overall. PHAs also file Form HUD-52722 and Form HUD-52723 to report utilities expenses and changes in utility expenses for each housing project.

<sup>89</sup>[GAO-14-704G](#).

against potential administrative and other burdens (such as the need for additional IT support to collect, process, and store the data). However, according to HUD, collecting the information is not feasible in the short- to medium-term because of a lack of IT funds and because of other IT development priorities.

The burden on HUD and PHAs of collecting utility allowance schedule data may be limited because PHAs already are required to annually review the basis for allowances and revise allowances where necessary for Public Housing. Additionally, PHAs already are required to report HCV allowance schedules to HUD. Nevertheless, collecting allowance schedules for the Public Housing program initially would require HUD to complete several planning steps. These may include efforts such as determining how existing IT systems could be leveraged or modified to capture the information, defining the content and format of PHA reporting, and estimating associated costs.

In the absence of such data, HUD lacks the information needed for in-depth, program-wide analyses (as discussed below) that could enhance its oversight, including its ability to assess whether the utility allowances of assisted households are current and reasonable.

### HUD Does Not Regularly Analyze Program-Wide Utility Allowance Data

HUD's oversight of PHAs' utility allowances is limited because it has not developed mechanisms for regular analysis of program-wide HCV or Public Housing data. More specifically, the agency currently monitors judgmental samples of PHAs and lacks programmatic data analysis focused on the currency and reasonableness of utility allowances. Federal internal control standards state that management should design control activities to achieve objectives and respond to risks. This can include regularly analyzing data for monitoring performance measures and indicators.<sup>90</sup>

Our analyses of program-wide data suggest that some PHAs may not be routinely updating allowances to reflect increases in utility costs. These analyses used existing HUD data and ranged from basic trend analysis of utility allowances to more complex comparisons of allowance trends to the CPI for household energy.

PIH officials said they lacked the staff resources to collect and regularly analyze utility allowance data in the manner we did for this report. However, our work included analysis of data HUD already has. PIH could scale the complexity of its analyses to staffing resources or leverage the analytic expertise of HUD's Office of Policy Development and Research.

But without such analyses, HUD may not be able to identify patterns or trends indicating potential noncompliance or other problems with allowances that may be increasing the rent burdens of assisted households.

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## Conclusions

Utility allowances are an important part of HUD rental assistance because they help reduce rent burdens resulting from out-of-pocket utility expenses. Utility allowances are based on generalized estimates and therefore will not exactly match the utility expenses of many households. However, the substantial share of

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<sup>90</sup>[GAO-14-704G](#).



assisted households that may be rent-burdened when accounting for estimated utility expenses, and data patterns suggesting outdated or inconsistent utility allowances in some places, highlight the need for improved HUD guidance and oversight.

HUD has opportunities to enhance tools and guidance for PHAs. For example, incorporating steps to collect feedback on the usability of HUSM—the tool for developing allowance schedules—into its plans for updating the tool could address limitations identified in this report. Leveraging the broader website improvement efforts of HUD’s Customer Experience Division could help the agency improve website navigation and help users search for the tools and guidance. Providing feedback mechanisms (including contact information) dedicated to utility allowances could help HUD understand PHAs’ challenges in implementing HUD guidance.

HUD also has opportunities to enhance its oversight of PHA compliance with utility allowance requirements. Our program-wide analyses highlight the risk that some allowances may not be consistent with HUD’s objectives of currency and reasonableness. By taking initial steps to collect utility allowance schedules for the Public Housing program, HUD would begin to close an information gap that limits its ability to conduct regular, program-wide analysis. By establishing mechanisms for conducting such analysis in both the Public Housing and HCV programs, HUD would be better positioned to identify problematic patterns, such as allowances remaining unchanged for several years. It also could target PHAs for in-depth monitoring.

These oversight enhancements could help ensure that utility allowances better approximate expenses and help reduce rent burdens of assisted households.

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## Recommendations for Executive Action

We are making five recommendations to HUD:

The Secretary of HUD should ensure that the Principal Deputy Assistant Secretary for Public and Indian Housing and the Principal Deputy Assistant Secretary for Policy Development and Research develop a plan to solicit feedback on usability challenges that PHAs may face using HUSM. (Recommendation 1)

The Secretary of HUD should ensure that the Principal Deputy Assistant Secretary for Public and Indian Housing works with the Customer Experience Division to make utility allowance guidance more available and accessible on HUD’s website, including by improving website navigability and optimizing the search bar. (Recommendation 2)

The Secretary of HUD should ensure that the Principal Deputy Assistant Secretary for Public and Indian Housing includes feedback mechanisms and HUD contact information in utility allowance guidance or on HUD guidance web pages for PHAs. (Recommendation 3)

The Secretary of HUD should ensure that the Principal Deputy Assistant Secretary for Public and Indian Housing takes initial steps toward collecting PHAs’ utility allowance schedules for the Public Housing program, such as determining how existing IT systems could be leveraged or modified to capture the information, defining the content and format of PHA reporting, and estimating associated costs. (Recommendation 4)

The Secretary of HUD should ensure that the Principal Deputy Assistant Secretary for Public and Indian Housing develops mechanisms to regularly analyze utility allowance data for patterns that indicate a risk of

noncompliance with HUD requirements and incorporates such analysis into monitoring reviews of PHAs. (Recommendation 5)

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## Agency Comments and Our Evaluation

We provided a draft of this report to HUD for review and comment. HUD responded in an email from the PIH Audit Liaison Officer that incorporated comments from PIH and the Office of Policy Development and Research. HUD also provided technical comments, which we incorporated as appropriate.

HUD neither agreed nor disagreed with our five recommendations.

- **Recommendation 1.** Regarding our recommendation to develop a plan for soliciting feedback on HUSM's usability, HUD said it will consider appropriate mechanisms to receive feedback on HUSM. However, HUD also said that soliciting immediate feedback on HUSM could be misleading to PHAs and the public because HUD does not currently have funds to act on the feedback. Our recommendation does not call for HUD to solicit immediate feedback on HUSM. The aim of our recommendation is to help ensure that future updates of HUSM address usability challenges stakeholders have experienced with the current version of the tool. Developing a plan to solicit user feedback would be a useful first step toward that end.
- **Recommendation 2.** Regarding our recommendation to make HUD's utility allowance guidance more available and accessible, HUD said it substantially revised the websites for the Public Housing Energy Branch and the Public Housing Management and Occupancy Division during the course of our review but did not have substantive objections to our recommendation. Our draft report discussed updates to the Public Housing Energy Branch's website. We added language to the final report to acknowledge updates to the Public Housing Management and Occupancy Division's website.
- **Recommendation 3.** Regarding our recommendation to include feedback mechanisms in HUD's utility allowance guidance and guidance web pages, HUD said it can receive feedback through regular meetings with organizations representing PHAs and through regular field office conversations with PHAs. HUD also said that contact information for PIH field offices is available on HUD's web page. However, we maintain the importance of including utility allowance-specific feedback mechanisms in HUD's guidance and web pages to better understand any challenges specific to accessing and implementing utility allowance guidance that PHAs may face.
- **Recommendation 4.** Our draft report recommended that HUD require PHAs to annually report utility allowance schedules for the Public Housing program. HUD commented that it was willing to explore the possibility of building new IT system features to facilitate such collection but that collecting the information was not feasible in the short- to medium-term because of a lack of funds and because of other IT development priorities. We maintain that collecting PHAs utility allowance schedules would significantly enhance HUD's oversight of allowances. However, in light of HUD's feasibility concerns, we added language to our final report and modified the recommendation to focus on initial steps for HUD to take in the near term to progress toward eventual collection of PHAs' utility allowance schedules.
- **Recommendation 5.** Regarding our recommendation to develop mechanism for analyzing utility allowance data, HUD said PIH field offices would be responsible for additional analysis and compliance monitoring activities. PIH's Office of Field Operations had no comments on the recommendation.

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Letter

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We are sending copies of this report to the appropriate congressional committees and the Acting Secretary of HUD. This report will also be available at no charge on GAO's website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or [naamanej@gao.gov](mailto:naamanej@gao.gov). Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



Jill Naamane  
Director, Financial Markets and Community Investment

# Appendix I: Objectives, Scope, and Methodology

This report examines (1) the risk of Department of Housing and Urban Development (HUD)-assisted households being rent burdened because of utility expenses, (2) HUD’s utility allowance tools and guidance for public housing agencies (PHA), and (3) HUD’s oversight of PHA utility allowances. We focused on two of the largest PHA-administered rental assistance programs that provide utility allowances to assisted households: Public Housing and Housing Choice Vouchers (HCV). Our scope of work excludes smaller PHA-administered programs and project-based rental assistance programs. Our data analyses also exclude PHAs participating in HUD’s Moving to Work demonstration.<sup>1</sup> On May 7, 2024, HUD published a final rule amending certain regulations for the HCV program effective June 6, 2024.<sup>2</sup> This report reflects regulatory requirements in effect prior to such amendments.

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## Risk of Rent Burden Analysis

To examine the risk of assisted households being rent-burdened because of utility expenses, we analyzed administrative data from HUD for 2019–2022 and American Housing Survey (AHS) data for 2019 and 2021.<sup>3</sup> We obtained administrative data from HUD’s Office of Public and Indian Housing (PIH) Information Center, which PHAs submit using Form HUD-50058.<sup>4</sup> To determine the reliability of HUD administrative data and AHS data, we reviewed supporting documentation, performed electronic and statistical testing, and interviewed knowledgeable HUD officials. We determined that the HUD data we used were sufficiently reliable for describing broad patterns in the rent burdens, utility allowances, and utility expenses of assisted households. At the time of our reporting, 2022 HUD administrative data and 2021 AHS data were the most recent available.

Rent burden refers to the share of income households spend on rent and utilities.<sup>5</sup> Households assisted under the Public Housing and HCV programs are generally required to contribute at least 30 percent of income

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<sup>1</sup>Moving to Work is a demonstration program that provides PHAs with opportunities to test strategies that reduce costs, facilitate employment, and increase housing choice. Participating PHAs are exempted from various program rules and have increased flexibility for using federal funds. We also excluded other smaller PHA-administered programs, such as Moderate Rehabilitation and homeownership vouchers, as well as PHAs outside the 50 states and Washington, D.C.

<sup>2</sup>Department of Housing and Urban Development, *Housing Opportunity Through Modernization Act of 2016—Housing Choice Voucher (HCV) Implementation; Additional Streamlining Changes*, 89 Fed. Reg. 38,224 (May 7, 2024). See also 89 Fed. Reg. 46,020 (May 28, 2024).

<sup>3</sup>AHS is a biennial survey sponsored by HUD and conducted by the Census Bureau. The 2021 AHS was the most recent survey available during our analysis.

<sup>4</sup>Department of Housing and Urban Development, Office of Public and Indian Housing, *Form HUD-50058: Family Report* (Washington, D.C.: November 2013). PHAs are required to submit Form HUD-50058 data at least annually for each household that participates in PIH-assisted housing programs. The most recent data available at the time of our analysis were for 2022.

<sup>5</sup>We use rent burden to refer to the share of income a household contributes toward rent and utilities because HUD interprets rent to include costs for reasonable utility consumption when calculating rental contributions and subsidies.

toward rent and utilities.<sup>6</sup> We also defined levels of rent burden as not rent-burdened (29 percent or less), not rent-burdened (30 percent), moderate (31–40 percent), high (41–50 percent) and severe (51 percent or more).<sup>7</sup>

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## Baseline Rent Burden Estimates Assuming Utility Allowances Equaled Expenses

We used various formulas to estimate the rent burdens of assisted households. To establish a baseline of households' rent burdens, we used only HUD administrative data and assumed households' utility allowances (if applicable) equaled expenses, essentially treating the utility allowance as a proxy for utility expenses.

**Public Housing.** Public Housing households have the option to choose between an income-based or a flat, market-based rent contribution. Utility allowances are generally deducted from the tenant rent contribution. For Public Housing households with an income-based rent contribution, we estimated rent burden as the sum of tenant monthly rent contribution and utility allowance (if applicable), divided by income. For Public Housing households with flat rent, we estimated rent burden as tenant rent contribution divided by income.

**HCV.** For HCV households, we estimated rent burden as the sum of contract rent and utility allowance (if applicable) minus total assistance payment, divided by income.<sup>8</sup>

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## Rent Burden Estimates Incorporating Estimated Utility Expenses

To examine the risk of utility expenses contributing to rent burden for HCV households, we incorporated AHS estimates of household energy expenses into our rent burden estimates using three different methods. For this analysis, we used 2021 data because AHS 2021 was the most recent survey at the time of our analysis. Our formulas for these rent burden estimates were similar to those used for the baseline estimates. But instead of estimating total housing costs (before assistance payment) as contract rent and the household's utility allowance, we used contract rent and various estimates of utility expenses based on AHS estimates.<sup>9</sup> We also excluded Public Housing and households with \$0 reported income from this analysis because we could not reliably estimate rent burden for these households.

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<sup>6</sup>The U.S. Housing Act of 1937, as amended, requires that a household receiving assistance under the act pay the highest of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of any welfare payment designated for housing costs. § 1(a)(1), 42 U.S.C. § 1437a(a)(1). However, the foregoing is subject to minimum rent requirements and certain program-specific exceptions. See, e.g., 42 U.S.C. §§ 1437a(a)(2)-(3), 1437f(o)(2); 24 C.F.R. §§ 960.253, 982.505, 982.515. Under HUD regulations, monthly income is household income less allowable exclusions. See 24 C.F.R. §§ 5.603, 5.609. Monthly adjusted income is monthly income less allowable deductions. See 24 C.F.R. §§ 5.603, 5.611. Unless otherwise noted, we use income to refer to the HUD-adjusted monthly income for an assisted household.

<sup>7</sup>We also considered households with \$0 reported income separately because we could not reliably estimate rent burdens for these households. We also excluded irregular values for income and utility allowances for data reliability purposes.

<sup>8</sup>Contract rent is the monthly amount due to the property owner, including the assistance payment.

<sup>9</sup>Assistance payments for HCV households are based on the lower of (1) gross rent (contract rent plus utility allowance) minus the total tenant payment or (2) the payment standard minus the total tenant payment.

For each method, we used estimated utility expenses that corresponded to the household's (1) building type and number of bedrooms, or (2) metropolitan area.<sup>10</sup> We produced estimates for both 2019 and 2021 because of reporting changes for HUD assistance programs during the COVID-19 pandemic and because energy prices generally increased since 2020. We do not discuss the analyses based on metropolitan areas and 2019 in the body of this report because the sample sizes were smaller but showed similar results.

Specifically, all approaches showed that both the shares of households that were rent-burdened and the share that were not (rent burdens of less than 30 percent of income) were higher than in the baseline estimates.

- In the first method, we assumed each household had the median estimated utility expenditure, conditional on building type and number of bedrooms, or on metropolitan area. We present the estimates using building type and bedrooms for 2021 in the body of our report.
- In the second method, we assumed that households with allowances at or below the median of each building type and number of bedrooms (or metropolitan area) had estimated utility expenditures equal to the 25th percentile of their groups. We assumed that households with allowances above the median had estimated utility expenditures equal to the 75th percentile.
- In the third method, we assumed that households with allowances in the bottom, middle, and top terciles of each building type and number or bedrooms (or metropolitan area), respectively, had utility expenditures equal to the 25th, 50th, and 75th percentiles of their groups.

We based all AHS utility expense estimates on HCV households that reported paying utilities separately from rent. We also excluded estimates for the median utility expenditure with a relative margin of error greater than 21 percent.

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## Options for Reducing Household Utility Expenses

To examine options that may reduce rent burdens because of utility expenses (which we discuss in appendix II), we searched databases, such as ProQuest and EBSCO, to identify existing studies and articles about utility allowances. From this work and our interviews (described below), we identified and reviewed 15 studies completed from 2012 through 2022. We also reviewed a prior GAO report on utility allowances that included policy options that could reduce rent burdens.<sup>11</sup>

Additionally, we interviewed academics and housing advocacy groups selected because of their prior work on HUD utility allowances. These included researchers or representatives from the following organizations: Harvard University's Joint Center for Housing Studies, University of Florida's Shimberg Center for Housing Studies, National Low Income Housing Coalition, National Consumer Law Center, National Housing Law Project, and Community Change. We also interviewed staff of two associations representing PHAs that administer HUD rental assistance programs: the Council of Large Public Housing Authorities and the Public

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<sup>10</sup>We could not reliably estimate utility expenses by building type and number of bedrooms within metropolitan areas because of data limitations. For consistency across sources, we used the Office of Management and Budget's 2013 core-based statistical area delineations for metropolitan areas. In HUD administrative data, we assigned each household a metropolitan area based on its county according to these delineations.

<sup>11</sup>GAO, *Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses (Vol. I)*, GAO-RCED-91-40A; and *Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses (Vol. II)*, GAO-RCED-91-40B (Washington, D.C.: Mar. 26, 1991).

Housing Authorities Directors Association. We discussed relevant research and their perspectives on steps PHAs, HUD, and Congress could take to minimize rent burdens stemming from utility expenses.

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## HUD Utility Allowance Tools and Guidance

For this objective, we reviewed HUD documentation and obtained the views of selected stakeholders (see below) on the HUD Utility Schedule Model. We assessed the documentation and views against Office of Management and Budget website and digital service policies on conducting research to identify customer needs.<sup>12</sup>

We also reviewed selected HUD documents and websites that contain guidance to PHAs about utility allowances.<sup>13</sup> We assessed whether relevant parts of these materials aligned with the characteristics of good guidance set forth in HUD’s PIH Guidance Principles, such as ready availability and accessibility or allowing for stakeholder input.<sup>14</sup> When a majority of the guidance did not align with a characteristic of good guidance, we assigned a “did not fully align” rating for that characteristic. When a majority of the guidance aligned with a characteristic of good guidance, we assigned an “aligned” rating. We also assessed the availability and accessibility of HUD guidance against Office of Management and Budget website and digital service policies on website navigability and search function.

To obtain information about how PHAs used HUD tools and guidance and about their views on the usefulness of these resources, we conducted semistructured interviews with 13 selected PHAs and reviewed supporting documentation on their processes for setting utility allowances.<sup>15</sup> We selected a nongeneralizable sample of 11 PHAs to achieve a diversity of PHA size, Census regions, and urban and rural locations.<sup>16</sup> We excluded PHAs that HUD recently classified as “troubled” from our final selections.<sup>17</sup> We also added two PHAs participating in

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<sup>12</sup>Office of Management and Budget, *Delivering a Digital-First Public Experience*, M-23-22 (Washington, D.C.: Sept. 22, 2023).

<sup>13</sup>We reviewed selected provisions of the following documents: Public Housing Occupancy Guidebook: Utilities (2020), Housing Choice Voucher Program Guidebook: Utility Allowances (2020), Utility Allowance Guidebook (1998), Utility Allowance Schedule Form HUD-52667 Instructions (2023), and HUD Utility Schedule Model (HUSM) Instructions (2020). The 1998 guidebook, the 2020 HUSM instructions, and HUD websites were not part of our accuracy analysis.

<sup>14</sup>The principles are that guidance “meets customer needs” and meets HUD standards of “quality, objectivity, utility and integrity.” The specific characteristics of good guidance associated with these principles are shown in table 2 in this report. Although the PIH Guidance Principles are in draft form, PIH officials said they use these principles in developing guidance for the public.

<sup>15</sup>Prior to interviewing PHAs, we pretested the interview protocols with two PHAs to determine whether our questions were clear and if participants were able to provide information that we were seeking. For our pretests, we interviewed Detroit Housing Commission (Michigan) and Helena Housing Authority (Montana). We then interviewed the following PHAs: Berlin Housing Authority (New Hampshire); Chicago Housing Authority (Illinois); Fond du Lac County Housing Authority (Wisconsin); Hagerstown Housing Authority (Maryland); Home Forward (Portland, Oregon); Housing and Redevelopment Authority of Duluth (Minnesota); Housing Authority of King County (Washington); Housing Authority of the City of Cheyenne (Wyoming); Housing Authority of the County of Jefferson (Pennsylvania); Houston Housing Authority (Texas); Memphis Housing Authority (Tennessee); Philadelphia Housing Authority (Pennsylvania); and Trinidad Housing Authority (Colorado).

<sup>16</sup>Specifically, we reviewed PHAs included in the HUD Picture of Subsidized Households database that administer Public Housing or HCV. We determined and assigned a size category—small (less than 500 units), medium (500–4,999 units), and large (5,000 units or more)—to each PHA based on the total units available. We selected PHAs from each of the four Census regions (Northeast, Midwest, West, and South).

<sup>17</sup>HUD uses the Public Housing Assessment System to assess and score a PHA’s performance in managing its Public Housing program. PHAs with an overall score of less than 60 (on a scale of 100) are designated as “troubled.” See *generally* 24 C.F.R. pt. 902.

the Moving to Work demonstration that either utilize an uncommon utility allowance methodology or participate in HUD's Energy Performance Contract program.<sup>18</sup>

Additionally, we interviewed two contractors that two of our selected PHAs previously hired to develop their utility allowance schedules and two state-level PHAs that develop utility allowance schedules (that two of our selected PHAs used) about their methodologies and use of HUD tools.<sup>19</sup>

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## HUD's Oversight of PHAs' Utility Allowances

For this objective, we reviewed HUD regulations, policies, and procedures for monitoring PHAs and information on the results of HUD's monitoring reviews of PHAs. We reviewed HUD's 2023 monitoring review plan and corresponding review checklists for the Public Housing and HCV programs. For HUD utility allowance requirements, we reviewed HUD regulations, guidance, and forms for the Public Housing and HCV programs.<sup>20</sup>

The information and communication component of internal control—the quality information management and personnel communicate and use to support the internal control system—was significant to this objective, along with the related principle that management should use quality information to achieve the entity's objectives. The control activities component of internal controls—the actions management establishes to achieve objectives and respond to risks in the internal control system—also was significant to this objective, along with the related principle that management should design control activities for those purposes. We assessed HUD's data collection procedures and monitoring mechanisms for utility allowances to determine whether they were consistent with HUD's objectives of current and reasonable allowances.<sup>21</sup>

We also interviewed HUD PIH officials about their processes for overseeing PHAs' compliance with utility allowance requirements, including the scope and results of those efforts. We interviewed officials from HUD's Office of Policy Development and Research about their efforts to analyze and develop tools for setting utility allowances. Additionally, for the PHAs we interviewed, we reviewed their most recent single audit reports (addressing the PHAs' federal awards and financial statements) for any findings about their compliance with utility allowance requirements.<sup>22</sup>

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<sup>18</sup>The Energy Performance Contract program is a financing technique that uses energy or water cost savings from reduced energy or water consumption to repay the cost of installing energy conservation measures.

<sup>19</sup>The contractors we interviewed were Johnson Controls and Alan Fox Consulting. The state-level PHAs we interviewed were New Hampshire Housing and Montana Department of Commerce.

<sup>20</sup>For Public Housing, see 24 C.F.R. pt. 965, subpt. E. For HCV, see 24 C.F.R. § 982.517. For an example of HUD utility allowance guidance, see Department of Housing and Urban Development, Office of Public and Indian Housing, *Housing Choice Voucher Program Guidebook: Utility Allowances* (Washington, D.C.: May 2020). For an example of a utility allowance form, see Form HUD-52667, *Utility Allowance Schedule*.

<sup>21</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>22</sup>The Single Audit Act of 1984, as amended, established audit requirements for nonfederal entities that receive federal awards, including federal financial assistance. Pub. L. No. 98-502, 98 Stat. 2327 (Oct. 19, 1984) (codified as amended at 31 U.S.C. §§ 7501-7507). Related OMB regulations are codified at 2 C.F.R. pt. 200, subpt. F.



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## Utility Allowance Trends

To assess the extent to which PHAs update the utility allowances of households they assist, we analyzed HUD administrative data and Bureau of Labor Statistics' Consumer Price Index (CPI) data for 2011–2022. We included the same HUD programs as in the rent burden analysis. To determine the reliability of utility allowances reported in HUD administrative data and CPI data, we performed electronic testing and interviewed knowledgeable officials and researchers. We determined that the data were sufficiently reliable for identifying patterns in utility allowances, including allowances reported as unchanged, and for determining trends in general household energy expenses.

**Cohorts.** To track changes in utility allowances, we developed cohorts of households living in the same unit and assisted by the same PHA over several years. We developed three cohorts—one from 2011 through 2019, one from 2019 through 2022, and one from 2011 through 2022—for different purposes.<sup>23</sup> We chose the first time frame because HUD suspended the requirement to update allowances from April 10, 2020, to December 31, 2021 (in response to the COVID-19 pandemic).<sup>24</sup> We chose the second time frame because 2019 was the last full calendar year PHAs reported allowance data before the suspension, and because utility rates generally increased in 2020–2022. We chose the third time frame to identify longer-term trends and examine the extent to which utility allowances were correlated with the CPI for household energy.<sup>25</sup>

**Currency of utility allowances.** To examine the extent to which assisted households' utility allowances may or may not have been updated from 2011 through 2022, we examined trends in household-level utility allowance data for each cohort above. Specifically, we considered the number and share of households with the same allowances reported each year relative to other households in our cohorts that had allowances that changed at least once during each time period of interest.

**Reasonableness of utility allowances.** For households whose allowances did not change from 2011 through 2022, we examined trends in the CPI for average utility rates based on each household's core-based statistical area to assess whether each household possibly should have received an update to their allowance.<sup>26</sup> We examined households with unchanged allowances from 2011 through 2019 and from 2019 through 2022. Based on CPI data, we examined whether the average price for electricity and natural gas had changed by 10 percent or more over each time frame.

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<sup>23</sup>The 2011–2019 cohort consisted of about 247,000 households assisted by about 2,800 PHAs across both programs. The 2019–2022 cohort consisted of about 890,000 households assisted by about 3,000 PHAs across both programs. The 2011–2022 cohort consisted of about 153,000 households assisted by about 2,600 PHAs across both programs.

<sup>24</sup>See, e.g., Department of Housing and Urban Development, *COVID-19 Statutory and Regulatory Waivers and Alternative Requirements for the Public Housing, Housing Choice Voucher (including Mainstream and Mod Rehab), Indian Housing Block Grant and Indian Community Development Block Grant programs, Suspension of Public Housing Assessment System and Section Eight Management Assessment Program, Revision 3*, Notice PIH 2021-14 (HA) (Washington, D.C.: 2021): 28, 36.

<sup>25</sup>We repeated all analyses described below for all households (without using cohorts). We omitted discussion of these results in the body of this report because they revealed generally similar trends.

<sup>26</sup>CPI average price data indicate estimates of the average prices paid by the consumer for a good or service. For our purposes, we compared average price data for electricity (price per kilowatt-hour) and utility (piped) natural gas service (price per therm). Separately, the objectives of currency and reasonableness are related because out-of-date allowances may not approximate the cost of reasonable or typical utility consumption. We discuss these concepts separately in the report for presentation purposes.

To further examine the extent to which utility allowances were consistent with changes in general household energy expenses, we compared utility allowances against the CPI for household energy.<sup>27</sup> Specifically, we calculated and examined the correlation between the estimated median utility allowance and same-year CPI as well as 1- and 2-year lagged CPI values within each core-based statistical area.

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## Analysis of Utility Allowance Schedules

To illustrate the variation in utility allowances that can occur between PHAs administering the HCV program in the same locality (such as a local and state-level PHA), we developed an example for each of the four Census regions, based on the selected PHAs' 2023 utility allowance schedules. Each example used one state-level PHA and one local PHA that we judgmentally selected based on the following criteria:

- For three of the four Census regions (West, Midwest, and South), we identified the states corresponding to the 13 PHAs with whom we conducted semistructured interviews. For those states, we identified state-level PHAs that administered the HCV program, posted utility allowance schedules on their websites, and served localities that did not use the state-level PHA's allowance schedule.
- In the fourth Census region (Northeast), none of the state-level PHAs in states corresponding to our 13 selected PHAs met the above criteria. As a result, we judgmentally selected a state-level PHA outside of those states that met the criteria.
- For each of the four state-level PHAs we selected, we judgmentally selected a corresponding local PHA based on whether it administered its HCV program in the same locality as the state-level PHA, posted utility allowance schedules on its website, and had utility allowances that varied from those of the state-level PHA.<sup>28</sup>

Because our PHA selections are judgmental, the results of our comparisons cannot be generalized to all situations in which local and state-level PHAs serve the same locality.

For illustration purposes, we developed examples based on allowances for a single-family, detached, three-bedroom unit. For all the examples, we selected the following utility allowance line items to simulate common energy needs for a household: natural gas heating, other electric, electric water heating, natural gas cooking, tenant-provided refrigerator and range/microwave, air conditioning, water, sewer, and trash. Some utility allowance schedules include "other charges," which typically are flat fees for a specific utility type.

To help ensure the comparability of utility allowances for each pair of PHAs, we only included utility line items that appeared on both PHAs' utility schedules (except "other charges," which we included regardless of whether they appeared on both schedules). We discuss additional examples of variation between PHAs' utility allowances in appendix III.

We conducted this performance audit from November 2021 to June 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

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<sup>27</sup>The CPI for household energy measures the price movement of residential energy items used for heating, cooling, lighting, cooking, and other appliances and household equipment.

<sup>28</sup>We did not attempt to identify every local PHA that met those criteria.

audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Options Selected PHAs and Stakeholders Cited for Reducing Assisted Households' Utility Expenses

During our interviews with selected public housing agencies (PHA), their contractors, and other stakeholders, they discussed options that might help reduce utility expenses for assisted households that receive utility allowances.<sup>1</sup> The options generally were focused on promoting energy efficiency and changing households' energy consumption. We also identified other options (based on our literature review and our previous work) related to utility metering and PHA payment of utility costs.

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## Improving Energy Efficiency and Reducing Energy Costs

Stakeholders discussed options such as participation in programs that provide incentives or funding for energy efficiency-related improvements or renovations and wholesale purchases of energy.

- California's Solar on Multifamily Affordable Housing program provides state-funded incentives (credits) to install solar systems on eligible multifamily affordable housing properties and pass savings to tenants. For example, according to the program's website, a 94-unit multifamily apartment complex installed solar panels on the carport and rooftop. The PHA provides 100 percent of its solar credits to the tenants, yielding about \$47 per month in utility savings for each household.
- To help PHAs pay for energy renovations, the Department of Housing and Urban Development has an Energy Performance Contract program that allows PHAs to finance renovations with a loan (or other financing agreement) that is paid back through subsequent, resulting energy cost savings. For example, according to its website, the Boston Housing Authority saved approximately \$17 million in utility costs since 2002. A performance-contract renovation is projected to save more than \$120 million in utility costs over a 20-year period.
- Officials of a PHA association we interviewed said a member PHA worked with a pipeline management company to buy natural gas at wholesale rates, which yielded savings for the PHA and its tenants.

By making housing units more energy-efficient or identifying less expensive energy options, PHAs can help reduce their tenants' energy costs. Potential trade-offs include the costs and administrative burdens to PHAs of making renovations and working with third parties to implement energy-efficiency or cost-saving arrangements.

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<sup>1</sup>We conducted semistructured interviews with a nongeneralizable sample of 13 PHAs selected to obtain diversity in PHA size, Census regions, and urban and rural locations. We also interviewed two contractors, two state-level PHAs that develop utility allowance schedules for PHAs, two researchers, two associations representing PHAs, and four housing advocacy groups.

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## Changing Households' Energy Consumption

Stakeholders noted that PHAs can encourage households and private property owners to participate in energy audits, partner with local utilities to obtain energy-efficient appliances or other equipment, install smart thermostats, and provide education on reducing consumption or using equipment.

- Staff from the Harvard Joint Center on Housing Studies told us about nonprofit organizations that partner with local utilities to provide free energy audits and services (such as caulking windows to reduce air leakage) to help households be more energy-efficient.
- Officials from a housing advocacy organization told us that a PHA, through its partnership with a local utility, obtained new thermostats, low-flow faucets, and energy-efficient refrigerators at a discount for its housing units.
- Officials from a PHA association also told us that PHAs can install smart meters that allow tenants to monitor their energy usage.
- Officials from one PHA said they asked their utility partners to conduct training for tenants on how to use tools such as smartphone apps to help monitor and reduce energy consumption.

Officials of a housing advocacy organization and a 2015 study also noted that PHAs can convert their buildings from master metering to submetering (in which each household is billed for actual consumption). The study assessed utilities-related requirements for federal rental subsidy programs. It noted that when tenants pay for their utilities and realize their energy consumption costs, they have incentives to reduce energy usage.<sup>2</sup> However, the study also noted that when tenants pay for their utilities, property owners have less incentive to make energy-efficiency improvements, so tenants bear the costs of energy inefficiencies.

These measures can help households better monitor and conserve their energy use to yield cost savings. But these options also pose trade-offs for PHAs, including potentially significant up-front costs and administrative burdens, and may not substantially reduce household energy consumption.

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## Having PHAs Pay for Households' Utility Expenses

PHAs also could fully cover households' utility expenses. In a March 1991 report, we found that, among the PHAs we surveyed, about 45 percent of Public Housing households had annual rent burdens that exceeded 30 percent.<sup>3</sup> We recommended that if Congress wanted to ensure that each assisted household paid exactly 30 percent of income for rent and utilities, it consider revising federal housing law accordingly. We also stated that this action would require PHAs to pay all utility bills on behalf of assisted households and might result in (1)

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<sup>2</sup>See Roman Pazuniak, Vincent Reina, and Mark Willis, *Utility Allowances in Federally Subsidized Multifamily Housing*, working paper (June 10, 2015).

<sup>3</sup>The sample included 379 PHAs that administered more than 500 Public Housing units, 500 PHAs that administered 500 or fewer Public Housing units, 500 PHAs that administered more than 100 section 8 certificate units, and 400 PHAs that administered 100 or fewer section 8 certificate units. See GAO, *Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses (Vols. I)*, GAO-RCED-91-40A; and *Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses (Vol. II)*, GAO-RCED-91-40B (Washington, D.C.: Mar. 26, 1991). At the time of this study, HCV was not yet a program, but now includes certain aspects of the section 8 certificate program our 1991 report discusses.

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**Appendix II: Options Selected PHAs and Stakeholders Cited for Reducing Assisted Households' Utility Expenses**

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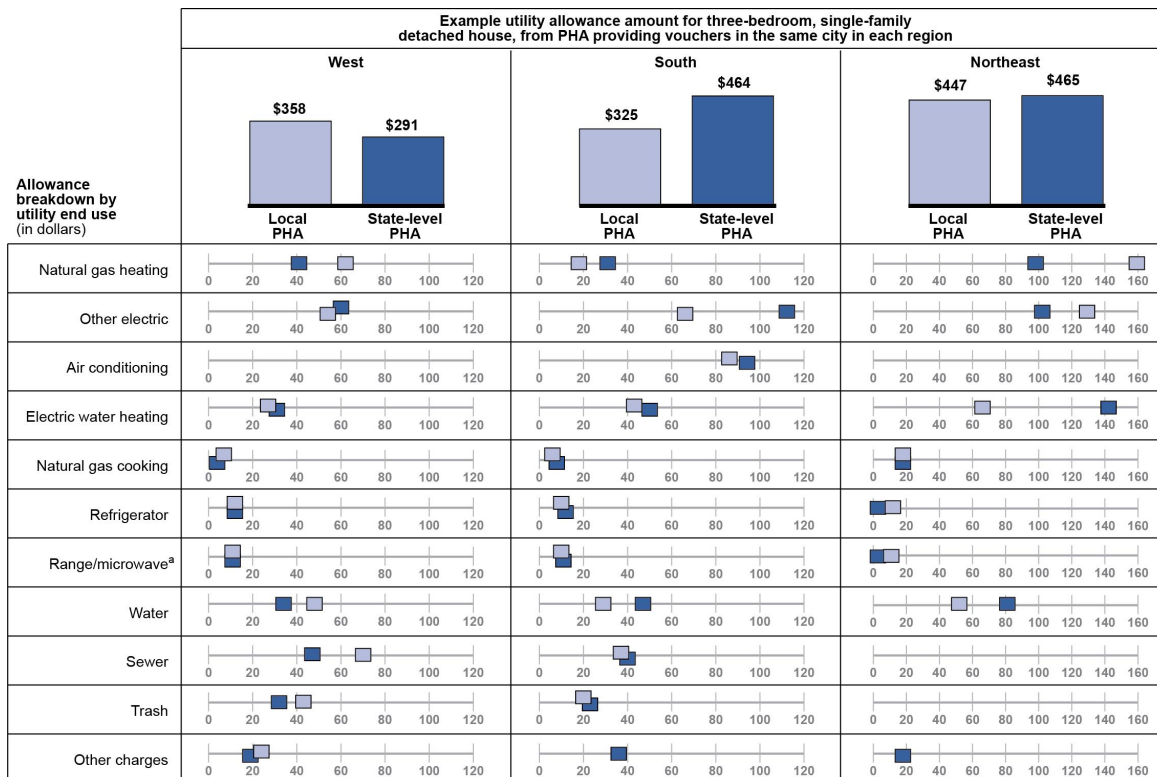
increased federal subsidies and (2) decreased incentives for assisted households to conserve energy. Congress did not act on the recommendation.

A trade-off of having PHAs fully cover utility bills is that it could increase overall rental assistance costs and therefore reduce the number of households PHAs were able to serve.

# Appendix III: Additional Examples of Utility Allowance Variation among PHAs That Serve the Same Locality

This appendix presents additional examples of variation in monthly utility allowances among public housing agencies (PHA) that administer the Housing Choice Voucher program in the same locality (such as a local and a state-level PHA). We developed illustrative examples for a single-family, detached three-bedroom unit for a locality in each of three Census regions (see fig. 5). We derived the allowance amounts from the utility allowance schedules of one local and state-level PHAs in each region.<sup>1</sup> To compare the examples, we selected the following line items to simulate common energy needs for a household: natural gas heating, other electric, electric water heating, natural gas cooking, tenant-provided refrigerator and range/microwave, air conditioning, water, sewer, trash, and “other charges” (typically, flat fees for a specific utility type).

**Figure 5: Illustrative Comparisons of Monthly Utility Allowances for Public Housing Agencies Providing Housing Choice Vouchers in the Same Locality**



Source: GAO analysis of public housing agencies' (PHA) data. | GAO-24-105532

<sup>1</sup>We selected state-level PHAs from the states corresponding to the local PHAs in our semistructured interviews. We then judgmentally selected local PHAs that also administer the Housing Choice Voucher program in the same locality as the state-level PHA and that publish their utility allowance schedules on their websites. See appendix I for additional details on our selection methodology.

Appendix III: Additional Examples of Utility Allowance Variation among PHAs That Serve the Same Locality

**Accessible Data for Figure 5: Illustrative Comparisons of Monthly Utility Allowances for Public Housing Agencies Providing Housing Choice Vouchers in the Same Locality**

	<b>West: Local PHA</b>	<b>West: State-level PHA</b>	<b>South: Local PHA</b>	<b>South: State-level PHA</b>	<b>Northeast: Local PHA</b>	<b>Northeast: State-level PHA</b>
Program	Housing Choice Voucher	Housing Choice Voucher	Housing Choice Voucher	Housing Choice Voucher	Housing Choice Voucher	Housing Choice Voucher
Housing type	3-bedroom, Single Family Detached	3-bedroom, Single Family Detached	3-bedroom, Single Family Detached	3-bedroom, Single Family Detached	3-bedroom, Single Family Detached	3-bedroom, Single Family Detached
Natural gas heating	\$62	\$41	\$18	\$31	\$159	\$98
Other electric	\$54	\$60	\$66	\$112	\$129	\$102
Air conditioning	na	na	\$86	\$94	na	na
Electric water heating	\$27	\$31	\$43	\$50	\$66	\$142
Natural gas cooking	\$7	\$4	\$6	\$8	\$18	\$18
Tenant-provided Refrigerator	\$12	\$12	\$10	\$12	\$12	\$3
Tenant-provided range/microwave	\$11	\$11	\$10	\$11	\$11	\$3
Water	\$48	\$34	\$29	\$47	\$52	\$81
Sewer	\$70	\$47	\$37	\$40	na	na
Trash	\$43	\$32	\$20	\$23	na	na
Other charges	\$24	\$19	na	\$36	na	\$18
<b>Total</b>	<b>\$358</b>	<b>\$291</b>	<b>\$325</b>	<b>\$464</b>	<b>\$447</b>	<b>\$465</b>

Source: GAO analysis of public housing agencies' (PHA) data. | GAO-24-105532

Note: If a line item within a Census region does not include a light or dark blue square, neither PHA included allowances for that line item in its schedule. We show allowances for "other charges" (typically, flat fees for specific utility types) regardless of whether one or both PHAs included them in their utility allowance schedules. The effective dates of the utility allowances for the PHAs are the following: January 1, 2023 (West, state-level PHA; South, local PHA; Northeast, local PHA); March 1, 2023 (West, local PHA; South, state-level PHA); and July 1, 2023 (Northeast, state-level PHA).

<sup>a</sup>This Northeast state-level PHA allowance amount is for a tenant-provided range/stove.

In the above examples, the total net difference in monthly utility allowances for the same locality was \$18 for the Northeast region, \$67 for the West region, and \$139 for the South region. On an annual basis, these differences equate to \$216, \$804, and \$1,688, respectively. In one example (West region), the local PHA had the higher overall utility allowance, while in the other two examples (South and Northeast regions), the state-level PHA had the overall higher utility allowance.

The contribution of any line item to the overall difference in monthly allowances varied by example. In the West region example, a \$23 variance in one line item (sewer) accounted for more than one-third of the total net difference, while other line items varied more modestly (such as \$3 for natural gas cooking) or not at all (such as refrigerator and range/microwave). In the South region example, a \$46 variance in the "other electric" line item accounted for almost exactly one-third of the total net difference, while most other line items varied from \$1 to \$13.



The Northeast region example exhibited a different pattern, with substantial but largely offsetting variances in two line items.<sup>2</sup> For instance, the state-level PHA's monthly allowance for electric water heating was \$76 higher than the local PHA's, but the local PHA's monthly allowance for natural gas heating was \$61 higher than the state-level PHA's.

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<sup>2</sup>For the Northeast region example, the effective date of the state-level PHA's allowance schedule was 6 months later than that of the local PHA's allowance schedule. However, we identified similar patterns when we used the state-level PHA's prior-year allowance schedule as the basis of comparison.

# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jill Naamane, (202) 512-8678 or [NaamaneJ@gao.gov](mailto:NaamaneJ@gao.gov)

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## Staff Acknowledgments

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