

# The Benefits of Converting HUD's Housing Choice Voucher Program to an EBT System

Nam D. Pham, Mary Donovan, and Cassandra Brzezinski<sup>1</sup>

September 2020

## SUMMARY

The Section 8 Housing Choice Voucher (HCV) program provides rental assistance to low- and moderate-income households in need. The program is funded by U.S. Department of Housing and Urban Development (HUD) and is managed at a local level through public-private partnerships. In 2019, the program's budget was nearly \$22.6 billion and supported over 2.3 million rental units. However, the program does not reach its full potential due to operating system inefficiencies and challenges which discourage housing providers from accepting more vouchers or participating in the program altogether. The need for housing assistance is substantial. Fewer than one quarter of income-eligible households receive aid due to funding limitations. If the HCV program can increase efficiency and encourage participation, it can better serve current participants and provide assistance to more families in need.

One possible improvement for the HCV program is to change the voucher to an Electronic Benefit Transfer (EBT) system that is similar to the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP) for food assistance. By modernizing its payment system, the HCV program would realize increased efficiencies and attract more housing providers to participate in the program. Since these two programs share similar characteristics and operating structures, we estimated and applied the positive impacts of the SNAP EBT system to estimate the benefits of implementing EBT for the HCV program.

Four key findings of this report are (Table 1):

1. Federal administrative costs as a share of program expenditures decreased by 21.6% from 8.2% of total expenditures to 6.4% after SNAP transitioned to EBT. An equivalent efficiency improvement for the HCV program would save \$407.6 million per year. These cost savings could be used to reduce PHA funding gaps, allow PHA staff to focus more on program services and spend less time on administrative tasks, and help to maximize the program's potential.
2. The improper payment rate decreased by 51.8% after SNAP transitioned to EBT. An equivalent improvement in the HCV program would reduce improper payments by \$207.6 million per year, including \$148.9 million in overpayments. Reducing improper payments through EBT would greatly improve program integrity and the cost-savings would allow PHAs to provide housing assistance to families that are currently on waiting lists for the program.

---

<sup>1</sup> Nam D. Pham is Managing Partner, Mary Donovan is Principal, and Cassandra Brzezinski is a Senior Associate at ndp | analytics. The National Apartment Association provided financial support to conduct this study. The opinions and views expressed in this report are solely those of the authors.

3. The number of participating retailers in SNAP increased 6.2% per year on average after the implementation of EBT. An equivalent increase in housing provider participation would result in 104,542 additional housing units for the HCV program.
4. The added efficiencies of an EBT system combined with \$556.5 million of cost savings per year from administrative costs and overpayments will help PHAs to better serve current housing providers and renters, increase the number of housing units that accept HCV, allow more families to participate in the program.

Table 1.  
**Potential Benefits of EBT to the Housing Choice Voucher Program**

	SNAP EBT Experience	Potential annual benefits of an implementation of an EBT to HCV
Reduction in Annual Federal Administrative Costs	21.6% decrease	\$407.6 million
Reduction in Annual Improper Payments	51.8% decrease	\$207.6 million
Number of Participating Units	6.2% growth	104,542

The report is organized into three sections: Section 1 examines the HCV program characteristics and current program challenges including federal administrative costs, improper payments, and participation. Section 2 examines SNAP characteristics, its transition to an EBT system, and the benefits realized by this transition in terms of federal administrative costs, improper payments, and participation rate of retailers. Section 3 applies the findings from our analysis of SNAP to the HCV program to estimate the benefits of transitioning to EBT.

## SECTION 1. THE HOUSING CHOICE VOUCHER PROGRAM

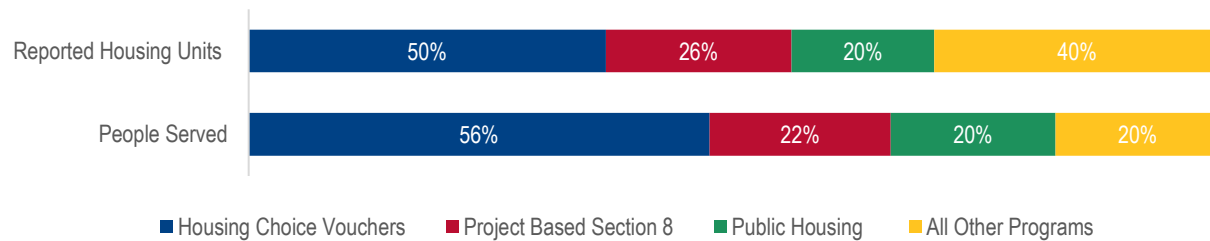
The mission of HUD is to create strong, sustainable, inclusive communities and quality affordable homes for Americans.<sup>2</sup> As such, HUD offers a variety of rental assistance programs, including the HCV program, Project-based Section 8 Housing, Public Housing, and other programs. The HCV program is arguably the most well-known, with about 2,200 participating Public Housing Agencies (PHAs) currently administering the program. These agencies are local authorities who work with housing providers to ensure homes for millions of renters across America. By administering the program through PHAs, HUD is able to address the issue of housing unaffordability on a regional level and better meet housing needs in light of market conditions.

The HCV program is the largest HUD rental assistance program, both in terms of the number of housing units and recipients. In 2019, the HCV program accounted for 2.3 million (49.8%) of HUD's 4.6 million reported rental assistance housing units, followed by 1.2 million Project-based Section 8 units (26.4%), 914,549 Public Housing units (19.8%), and 187,770 units in other programs (4.1%). The HCV program accounts for an even

<sup>2</sup> HUD. 2020. FY 2021 Annual Performance Plan, FY 2019 Annual Performance Report.

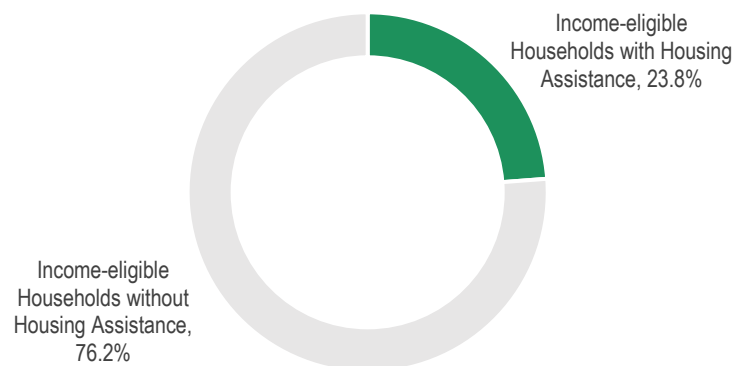
larger share of rental assistance recipients, with 5.2 million (55.6%) of the 9.4 million people served in 2019. Project-based Section 8 served 2.0 million people (21.9%), Public Housing served 1.9 million (20.2%), and other programs served 218,282 people (2.3%). (Figure 1)

Figure 1.  
**HCV is the Largest HUD Rental Assistance Program<sup>3</sup>**



Like many governmental assistance programs, HUD’s housing programs aim to serve low- and moderate-income individuals and families. Indeed, by law, PHAs must provide 75% of housing choice vouchers to applicants whose incomes do not exceed 30% of the area median income. Moreover, over half of HCV households have a family member who is elderly or disabled, 43% are families with children, and 35% are working families. However, households that receive HUD aid are only a fraction of those in need. Less than one in every four income-eligible households (23.8%) receives housing assistance. HUD is unable to extend aid to more households due to funding limitations. (Figure 2)

Figure 2.  
**Only 23.8% of Income-Eligible Households Receive Housing Assistance<sup>4</sup>**



<sup>3</sup> HUD. Picture of Subsidized Households Database, 2019; Figures may not add to 100% due to rounding.

<sup>4</sup> Joint Center for Housing Studies of Harvard University. 2013. America’s Rental Housing: Evolving Markets and Needs.

## HCV Program Structure

The HCV program is unique compared to other HUD programs because the assistance is directed to renters and is not tied to a specific unit or property. If a recipient family moves, their assistance continues, and they are able to relocate freely to another property that participates in the program.

To participate in the program, an individual or family applies through their local PHA. If approved, the recipient works with the PHA to determine the unit size based on family size and composition. The PHA also calculates the amount of housing assistance the recipient will receive based on “the amount generally needed to rent a moderately-priced dwelling unit in the local market.”<sup>5</sup> Recipients must pay up to 30% of their monthly income for rent and utilities. If the recipient selects a home with a monthly rent higher than the voucher plus their monthly income contribution, the recipient is expected to pay the difference.

The approval process is complex. In order to accept a housing voucher, the housing provider must comply with the HCV process and terms of agreement. As part of the process, the PHA must determine if the rent is reasonable and the housing unit must meet HUD housing quality standards and pass PHA inspection. If the unit does not pass, the housing provider must address issues identified in the inspection and then schedule and pass a reinspection before the lease can be executed. Additionally, the housing provider must agree to the HUD tenancy addendum requirements and other HUD and PHA policies. Once the housing provider executes the lease with the renter and the housing assistance payment contract with the local PHA, the housing provider can receive the voucher-portion of the rent. In order to renew the lease with the renter, much of the process needs to be completed again.<sup>6</sup> (Figure 3)

Figure 3.  
**The HCV Program Process<sup>7</sup>**

Renter	Housing Provider	PHA
Applies and receives voucher from PHA	Markets unit	Screens renter for HCV eligibility
Selects unit	Screens renter for suitability; selects renter	Provides voucher to renter (funds provided by HUD)
Renter and housing provider complete Request for Tenancy Approval (RFTA)		
	Accepts rent offer	Reviews RFTA
	Complies with and passes PHA inspection, and agrees to terms of tenancy lease addendum	Determines rent reasonableness
		Schedules and completes inspection

<sup>5</sup> HUD. Housing Choice Vouchers Fact Sheet.

<sup>6</sup> HUD. Housing Choice Voucher Program: General Lease Up Process for Landlords, Public Housing Authorities and Tenants.

<sup>7</sup> HUD. Housing Choice Voucher Program: General Lease Up Process for Landlords, Public Housing Authorities and Tenants.

Renter and housing provider execute lease		Housing provider and PHA execute Housing Assistant Payments contract; PHA receives executed agreements	
Moves in and pays security deposit; pays monthly rent	Receives PHA housing assistance payment and rent payment	Sends housing provider monthly housing assistance payment	
Complies with lease and reports issues to housing provider	Manages property and enforces lease	Assists with renter and housing provider issues, if needed	
Renews lease	Unit complies with and passes reinspection	Schedules and completes reinspection; determines rent reasonableness if rent increases	

## HCV Program Challenges and Operating Inefficiencies

The current HCV system has three key inefficiencies that limit HCV participation and reduce benefits: the federal administrative cost burden and processes, improper payments and errors, and the participation rate of housing providers.

### *Federal Administrative Costs*

Housing assistance programs have significant administrative expenditures due to the complexity of eligibility determinations and processes for approving housing providers. HUD allocated nearly \$2 billion and 8.3% of its 2019 federal budget to administrative fees for PHAs to administer voucher programs (\$1.9 billion of \$22.6 billion).<sup>8</sup> (Table 2)

Table 2.  
**Administrative Fees Accounted for 8.3% of the Housing Choice Voucher Program for 2019<sup>9</sup>**

	2019 Budget	Percent
Total HCV Funding	\$22,598,000,000	100.0%
Housing Assistance Payments Renewal Funding	\$20,313,000,000	89.9%
Administrative Fees	\$1,886,000,000	8.3%
Other HCV Program Funding	\$399,000,000	1.8%

<sup>8</sup> HUD. 2019. Housing Choice Voucher Program CY 2019 Funding Implementation Webcast; Public Housing Agency Briefing. April.

<sup>9</sup> HUD. 2019. Housing Choice Voucher Program CY 2019 Funding Implementation Webcast; Public Housing Agency Briefing. April.

Importantly, these administrative fees do not cover all PHA costs. In 2019, HUD projected that earnings were anticipated to equal only 79% of eligibility.<sup>10</sup> In other words, PHAs were expected to operate at full capacity with 21% less revenue. This deficit has been an issue for many years in the past. PHAs have been underfunded since at least 2010, severely limiting their ability to manage the HCV program, public housing as well as their program priorities.<sup>11</sup> Moreover, the limited funding creates challenges for both housing providers and renters who rely on PHAs as a resource.

### *Improper Payments*

Federal assistance programs monitor improper payments, including both overpayments and underpayments of benefits. The most recent HUD Quality Control Report, released in 2016, showed that the improper payment rate for PHA-administered Section 8 programs, including HCV, was 30% (15% subsidy underpayments and 15% subsidy overpayments).<sup>12</sup> The financial consequences of the errors are material, averaging \$412.1 million per year during FY 2006-15. In FY 2015 alone, 71.7 % of the monetary value of the errors was overpayments (\$287.5 million) and 28.3% was underpayments (\$113.3 million). (Figure 4)

Figure 4.

### **Erroneous Gross Payments Averaged Over \$412 Million for PHA-Administered Assistance<sup>13</sup>**



Improper payments create challenges for housing providers who receive payment directly from PHAs. Often, PHAs pay housing providers a lump sum payment for multiple voucher holders, without identifying who the payment covers and the correct amount per recipient. This also creates a major issue for housing providers when trying to reconcile financials and collect the correct rent payment amount from residents with vouchers.

<sup>10</sup> HUD. 2019. Housing Choice Voucher Program CY 2019 Funding Implementation Webcast. April.

<sup>11</sup> Bell, Alison, and Douglas Rice. 2018. Congress Prioritizes Housing Programs in 2018 Funding Bill, Rejects Trump Administration Proposals. Center on Budget and Policy Priorities. July 18.

<sup>12</sup> ICF International. 2016. FY 2015 Improper Payment for Quality Control for Rental Subsidy Determination Study.

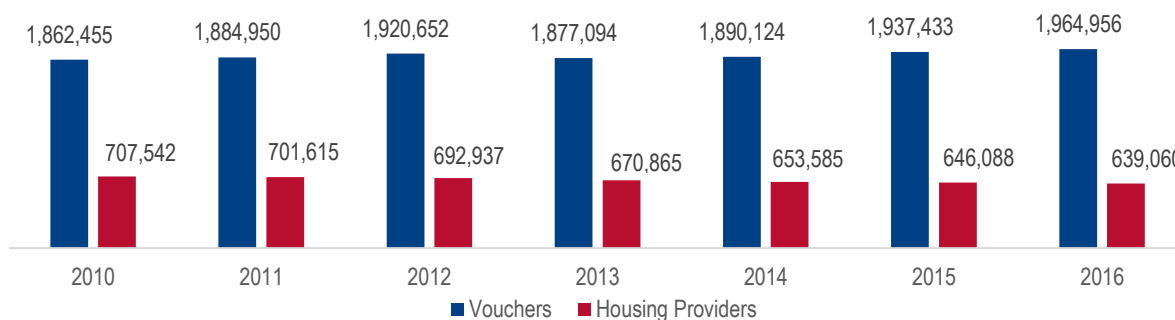
<sup>13</sup> ICF International. 2016. FY 2015 Improper Payment for Quality Control for Rental Subsidy Determination Study.

## Program Participation

While the HCV program typically allocates 100% or more of funding annually, the need is much greater. According to a recent HUD study: “because of the high demand for vouchers, many PHAs have waiting lists, and some PHAs even closed their waiting lists when the number of waiting households grew too large for the PHA to assist within a reasonable period.”<sup>14</sup>

One constraint that limits the number of housing assistance recipients is the number of housing providers participating in the program. While the number of housing units, measured by the number of vouchers redeemed, has increased slightly, the number of housing providers has declined over time. In 2010, there were 1.8 million vouchers redeemed at units owned by 707,542 housing providers; by 2016, the number of vouchers had increased to 2.0 million, but the number of housing providers dropped to 639,060.<sup>15</sup> The average year over year decline in housing provider participation was 1.8% from 2010 to 2016, with over 10,000 providers leaving the program each year, on average. During this period, the average year over year growth for vouchers was 0.8%. As a result, the number of housing providers per 100 vouchers has declined from about 38.0 in 2010 to 32.5 in 2016 with an average of 35.4 during this period. While exact figures have not been released, HUD has observed continuing decline in housing provider participation since 2016.<sup>16</sup> (Figure 5)

Figure 5.  
**The Number of HCV Housing Providers Has Declined Over Time While the Vouchers Redeemed for Housing Has Increased Slightly<sup>17</sup>**



In order to assist more families in need, HUD needs more housing providers to participate in the HCV program. Just recently, HUD began researching this issue. A study by the Poverty and Inequality Research Lab at Johns Hopkins University found that a housing provider’s decision to accept vouchers is generally motivated by financial factors related to faster occupancy and rent payment.<sup>18</sup> HCV program inefficiencies

<sup>14</sup> HUD. 2019. “Landlords: Critical Participants in the Housing Choice Voucher Program.” Evidence Matters. Winter.

<sup>15</sup> HUD. 2018. Landlord Participation Study Multidisciplinary Research Team. October 17.

<sup>16</sup> HUD. 2020. HCV Landlord Webinar 1: Background and Introduction. January 29.

<sup>17</sup> HUD. 2018. Landlord Participation Study Multidisciplinary Research Team. October 17.

<sup>18</sup> Johns Hopkins University. 2018. “Urban Landlords and the Housing Choice Voucher Program: A Research Report.” Prepared for U.S. Department of Housing and Urban Development.

have direct negative impacts on the housing provider's bottom line. For example, housing providers find HCV inspections to be unpredictable and inconsistent. As a result, the housing provider has difficulty financially planning for or preemptively addressing issues that may be identified during an inspection. For initial inspections, the move-in date can be delayed due to inspection findings and the housing provider can lose a whole month's rent.<sup>19</sup> Recent HUD research found that more than half of nonparticipating housing providers cited these inspections as a motivation for not participating in the HCV program.<sup>20</sup>

Additionally, the current system creates heavy administrative burdens, and the lack of funding for PHAs makes it difficult for staff to serve as a resource for housing providers. Indeed, the recent HUD housing provider research found that over 40% of nonparticipating housing providers identified paperwork and lack of PHA support as motivations for not participating in the HCV program.<sup>21</sup> Some examples of the administrative burdens include HUD's Request for Tenancy Approval and other paperwork, local PHA requirements like proving ownership of units, and slow timelines for approval compared open market renters.<sup>22</sup> Reducing the administrative burden will result in fewer barriers for housing providers to participate in the program and it will increase the amount of time that PHA staff can allocate to supporting program participants. As a result, more housing providers may be willing to participate in the program and current participants may open up more units to voucher recipients.

## SECTION 2. SNAP AND ITS EVOLUTION TO EBT

In order to understand how transitioning to an EBT system could improve HCV program efficiencies, we analyzed the experience of the Supplemental Nutrition Assistance Program (SNAP). This program, the largest and most well-established government assistance EBT program, provides recipients with monetary assistance for food. The program resembled the current HCV program originally because it used a traditional form of vouchers, commonly known as food stamps, before transitioning to the current EBT system.

### SNAP Characteristics

In 2019, SNAP provided benefits to more than 35 million low-income and underserved Americans each month, on average.<sup>23</sup> The benefits vary based on size of the household, income, and price of food. SNAP recipients are expected to spend 30% of their own income on food.<sup>24</sup> The characteristics of SNAP recipients are similar to HCV recipients: they are often low-income working families or families with elderly or disabled family members. More than 67% of SNAP participants are families with children, almost 34% are families with members who are elderly and or disabled, more than 43% are in working families.<sup>25</sup>

---

<sup>19</sup> Johns Hopkins University. 2018. "Urban Landlords and the Housing Choice Voucher Program: A Research Report." Prepared for U.S. Department of Housing and Urban Development.

<sup>20</sup> HUD. 2020. HCV Landlord Webinar 1: Background and Introduction. January 29.

<sup>21</sup> HUD. 2020. HCV Landlord Webinar 1: Background and Introduction. January 29.

<sup>22</sup> 2018. Landlord Participation Study Multidisciplinary Research Team. October 17.

<sup>23</sup> USDA Food and Nutrition Service. Supplemental Nutrition Assistance Program Participation and Costs, as of April 10, 2020.

<sup>24</sup> USDA Food and Nutrition Service. SNAP Eligibility Frequently Asked Questions.

<sup>25</sup> Nchako, Catlin and Lexin Cai. 2020. A Closer Look at Who Benefits from SNAP: State-by-State Fact Sheets. Center on Budget and Policy Priorities.



## SNAP's Transition to the Current EBT System

EBT was authorized for food assistance in the Hunger Prevention Act of 1988, when the federal government recognized a need to address severe domestic hunger and subsequently modified its Food Stamp Program to address multiple systemic challenges.<sup>26</sup> This legislation permitted pilot projects to test alternative benefit delivery systems in the hopes of enhancing efficiency and transparency of the Food Stamp Program.

In 1990, the Mickey Leland Memorial Domestic Hunger Relief Act fully established the use of EBT, permitting the USDA to continue conducting EBT projects. Following widespread public support, the Personal Responsibility and Work Opportunity Reconciliation Act, enacted in 1996, mandated that states implement EBT systems no later than 2002.<sup>27</sup> Overall, most states were able to fully implement EBT systems within this period. By February 2003, 46 states plus the District of Columbia and Puerto Rico had active EBT statewide systems and the remaining states were running pilot programs or preparing to activate statewide systems.<sup>28</sup> By 2004, EBT systems were implemented for SNAP nationwide.<sup>29</sup>

## Benefits of Transitioning to EBT

While the distribution of benefits varies by state, it generally follows the same process. Before EBT, paper coupons were printed and shipped to state and local agencies. Recipients would obtain coupons in the mail monthly and would hand the coupons to cashiers as payment for food at approved retailers. Retailers would collect and redeem the coupons. EBT streamlined the process, so that benefits were automatically transferred to a plastic card held by the recipient, similar to a debit card, and used to redeem benefits at approved retailers. Retailers collect benefits data at the point of sale, and the total benefits are automatically aggregated daily and transmitted to the Federal Reserve Bank, which deposits the equivalent funds into the retailer's account.<sup>30</sup>

The transition to EBT proved beneficial to all stakeholders: recipients, retailers, and the government. The key benefits include reduced federal administrative costs, improved operational efficiency, reduced improper payments, and an increased number of participating retailers.

### *Reduced Federal Administrative Costs*

In the long run, transitioning to an EBT system has reduced the administrative burden to the federal government and increased efficiencies.<sup>31</sup> For SNAP, federal administrative costs, as a percentage of total expenditures, has decreased since the implementation of EBT in the late 1990s and early 2000s. These administrative costs include the federal share of state administrative expenses, education and training programs, and other federal costs. During the ten years (1985-95) before EBT implementation, the

---

<sup>26</sup> USDA Food and Nutrition Service. A Short History of SNAP.

<sup>27</sup> USDA Food and Nutrition Service. A Short History of SNAP.

<sup>28</sup> Stegman, Michael A., Jennifer S. Lobenhofer, and John Quinterno. 2003. The State of Electronic Benefit Transfer (EBT).

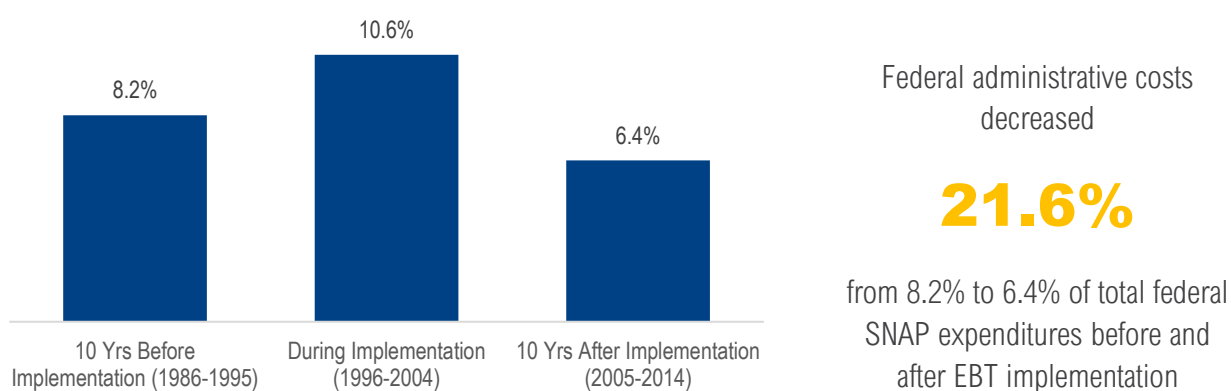
<sup>29</sup> USDA Food and Nutrition Service. A Short History of SNAP.

<sup>30</sup> Stegman, Michael A., Jennifer S. Lobenhofer, and John Quinterno. 2003. The State of Electronic Benefit Transfer (EBT).

<sup>31</sup> Isaacs, Julia. 2008. The Costs of Benefit Delivery in the Food Stamp Program Lessons from a Cross-Program Analysis. USDA Economic Research Service. March

administrative cost per recipient per month averaged 8.3% of total expenditures. As expected, during the EBT transition period (1996-2004), administrative costs increased, averaging 10.6% of total expenditures. After EBT implementation, administrative costs as a percentage of total expenditures declined. During the ten years (2005-14) after EBT was fully implemented in 2004, administrative costs averaged 6.4% of total expenditures. The EBT system created efficiencies and reduced the federal administrative cost burden by 21.6% from 8.2% of total expenditures to 6.4% of total expenditures. (Figure 6)

Figure 6.  
**The Share of Administrative Costs Has Decreased Since EBT Was Implemented<sup>32</sup>**



### *Reduced Improper Payments*

Transitioning from a paper voucher system to an EBT system reduces improper and illegitimate payments.<sup>33</sup> With paper vouchers, the federal government only has access to the information provided by the retailer after the benefits have been used. This opens opportunities for error and fraud by both the retailer and the recipient. The retailer may, knowingly or unknowingly, allow recipients to purchase nonqualified items, receive cash for the vouchers, and may underreport the number of vouchers received. Additionally, the recipient can sell voucher benefits for cash since there is no real way to track whether the person using the paper vouchers is the intended recipient. In contrast, the EBT system keeps record of the benefits allocated to the recipient's card, benefits redeemed by the recipient at a retailer (both the amount spent and the products purchased), and government payments to the retailer for the amount of benefits redeemed. This detailed data provides an audit trail that would not be available with paper vouchers.

<sup>32</sup> USDA Food and Nutrition Service. Supplemental Nutrition Assistance Program Participation and Costs, As of April 10, 2020.

<sup>33</sup> Humphrey, David B. 1996. "The Economics of Electronic Benefit Transfer Payments." Federal Reserve Bank of Richmond.

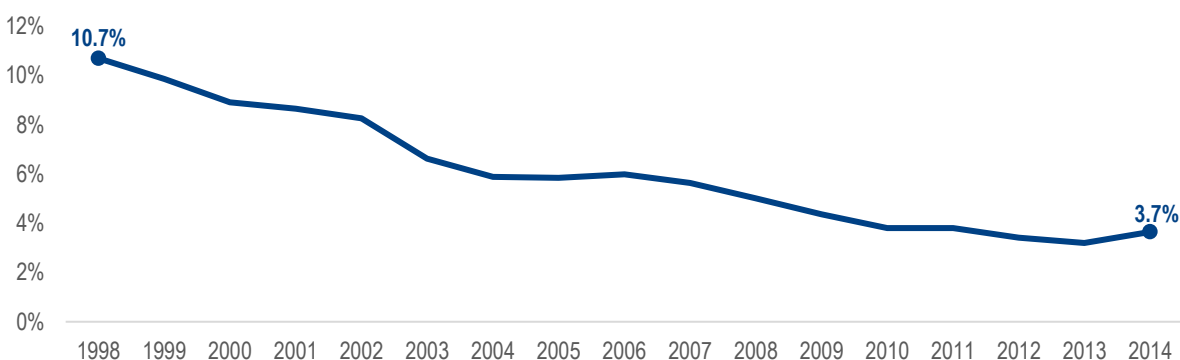
The EBT system has provided federal and state governments with better and more accessible data, and subsequently has contributed to a reduction in improper payments related to SNAP benefits. We analyzed the improper payment rate between 1998, the oldest data available, to 2014, 10 years after EBT was fully implemented. During these 16 years, the improper payment rate dropped from 10.7% in FY 1998 to 3.7% in FY 2014.<sup>34</sup> The implementation of the EBT reduced the error rate of improper payments by 51.8% from an average of 9.3% (five years before EBT was fully implemented) to an average of 4.5% (ten years after EBT was fully implemented). (Figure 7)

SNAP's improper payment rate decreased

**51.8%**

from 9.3% to 4.5%

Figure 7.  
**EBT Reduced SNAP Improper Payment Rates (Over- and Under-Payments) Substantially<sup>35</sup>**



Additionally, EBT has shown to reduce the prevalence of SNAP benefit fraud since USDA is able to analyze real-time transaction data for suspicious activity.<sup>36</sup> USDA found that “retailer trafficking,” which occurs when a retailer accepts SNAP benefits in violation of the Food and Nutrition Act, decreased by about 19%, or \$155 million in 25 states with EBT from 1996 to 1998.<sup>37</sup> Today, 80% of retail trafficking is identified through analyzing EBT data.<sup>38</sup> This data also helps agencies identify fraud by recipients; the rate of “food stamp trafficking” – the exchange of food stamps for cash or other goods – decreased from nearly 4% in the early 1990s to 1% after the EBT program was fully implemented.<sup>39</sup>

<sup>34</sup> USDA Food and Nutrition Service. Quality Control Annual Reports.

<sup>35</sup> USDA Food and Nutrition Service. Quality Control Annual Reports.

<sup>36</sup> Congressional Research Service. 2018. Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP).

<sup>37</sup> Humphrey, David B. 1996. “The Economics of Electronic Benefit Transfer Payments.” Federal Reserve Bank of Richmond.

<sup>38</sup> Congressional Research Service. 2018. Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP).

<sup>39</sup> Hunt, Kathleen. 2016. “From Paper to Plastic: Electronic Benefits Transfer as Technology of Neoliberalization.” Communication and Critical/Cultural Studies, Volume 13, No. 4: 380-399.

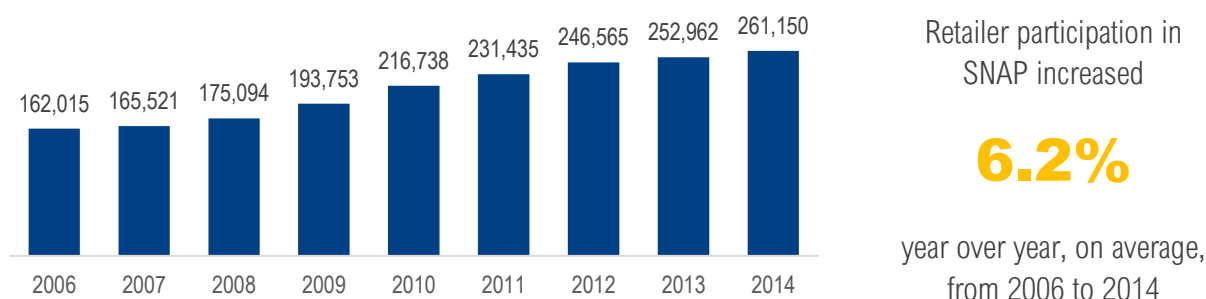
### Increased Participation

Since the implementation of EBT, participation has increased both in the number of program participants and retailers involved in the program. Research has shown that the number of participants in SNAP increased due to the transition of benefits to an EBT system because it reduced stigma associated with food stamps and increased convenience for benefit recipients.<sup>40</sup>

Importantly, the number of participating retailers also increased. Nearly a decade after SNAP was fully implemented in 2004, the number of retailers had increased 161.2% from 162,015 in 2006 (the latest data available) to 261,150 in 2014.<sup>41</sup> During this period, the year over year growth averaged 6.2%. (Figure 8)

Figure 8.

**By 2014, 10 years after EBT Implementation, the Number of SNAP Retailers Had Grown to 261,150**



Government policies and partnerships have made it easier for retailers to participate in SNAP, which has helped to increase participation over time. When EBT was first implemented, states could provide the processing equipment to retailers at no cost.<sup>42</sup> Today, certain types of vendors, like farmers markets, can still get free SNAP EBT equipment. From 2014 to 2017, the free equipment program helped 1,771 farmers markets and direct marketing farmers in 48 states get the systems needed to process SNAP benefits at their stands.<sup>43</sup> These policies make it easier for vendors, like farmers, who may not otherwise participate in the program, to accept SNAP benefits.

As USDA transitioned to EBT, it also streamlined processes and transitioned other aspects of the program online. Today, retailers can apply, submit documentation electronically, and access training guides, videos, and other resources online.<sup>44</sup> These simplified and easily accessible processes reduce the administrative burden for retailers who want to participate in SNAP.

<sup>40</sup> Isaacs, Julia. 2008. The Costs of Benefit Delivery in the Food Stamp Program Lessons from a Cross-Program Analysis. USDA Economic Research Service. March

<sup>41</sup> USDA Food and Nutrition Service. Retail Management Reports.

<sup>42</sup> USDA. 2014. "Deadline Approaching for SNAP Retailers to Pay EBT Equipment Costs, as Required by the Farm Bill." September 17.

<sup>43</sup> Farmers Market Coalition. "SNAP EBT Equipment Program." Online.

<sup>44</sup> USDA. "SNAP Retailer." Online.

Importantly, EBT continues to improve the SNAP program. Through pilot programs, SNAP has evolved with changing patterns in technology and consumer behavior. For example, after noticing e-commerce trends, the 2014 Farm Bill authorized a pilot program for retailers to accept SNAP benefits online.<sup>45</sup> As of May 2020, SNAP online purchasing is already available in 12 states, with 12 additional states planning to implement EBT for online grocery purchases in the near future.<sup>46</sup> With the current economic hardships and health concerns resulting from the COVID-19 pandemic, these advancements could not be more timely. In March 2020, largely in response to the pandemic, nearly 31% of households had used online grocery and delivery services in the past month.<sup>47</sup> Now, many SNAP recipients can do the same with their benefits. Adapting to innovations by grocery retailers and changes in consumer purchasing trends would not be possible with a paper voucher system.

### SECTION 3. PROGRAM SIMILARITIES AND OPPORTUNITIES FOR HCV

SNAP and the HCV program are similar in nature, and the challenges currently faced by the HCV program parallel SNAP before it transitioned to the current EBT system. Both programs provide governmental assistance to low-income and underserved Americans. The benefit amount per person or per family depends on a number of factors such as household size, income, and market prices. SNAP and the HCV program both issue benefits monthly and recipients are expected to contribute 30% of their own income towards food and housing assistance, respectively. (Table 3)

Table 3.  
**Key SNAP and HCV Program Similarities**

	SNAP	HCV Program
<b>Program Focus</b>	Food assistance	Housing assistance
<b>General Eligibility</b>	Low-income, disabled, and/or elderly individuals and families	Low-income, disabled, and/or elderly individuals and families
<b>Benefit Frequency and Amount</b>	Monthly, based on household size, income, food prices	Monthly, based on household size, income, and housing prices
<b>Recipient Expected Contribution</b>	30% of own resources on food	30% of own resources on housing
<b>Government Administrator</b>	State agency or local SNAP office	Local PHA

<sup>45</sup> USDA. "FNS Launches the Online Purchasing Pilot." Online.

<sup>46</sup> SNAP online purchasing is currently operational in Alabama, Arizona, California, Florida, Idaho, Iowa, Kentucky, Nebraska, North Carolina, New York, Oregon, and Washington State. States that are planning or working to implement EBT online purchasing are District of Columbia, West Virginia, Missouri, Texas, Vermont, Minnesota, Nevada, Colorado, New Mexico, Rhode Island, Wisconsin, and Wyoming; USDA. 2020. "USDA Approves Wyoming to Accept SNAP Benefits Online." May 14.

<sup>47</sup> Melton, John. 2020. "Online Grocery Shopping Soars During the Coronavirus Crisis." Digital Commerce 360. March 30.

Prior to EBT, SNAP had similar challenges to the current HCV program, where program inefficiencies caused higher administrative costs, higher improper payment rates, and untapped growth potential. Over time, since EBT implementation, SNAP has realized great benefits in these areas. Average federal administrative costs as a percentage of expenditures decreased by 21.6% and the error rate of payments dropped by 51.8%. In addition, the number of participating retailers increased steadily by 6.2% per year. (Table 4)

Table 4.  
**Summary of SNAP Benefits Since EBT Implementation**

	SNAP Pre-EBT	SNAP Since EBT	Results
Federal Administrative Costs as % of Total Expenditures	8.2% (10-yr average)	6.4% (10-yr average)	21.6% decrease
Improper Payment Rate	9.3% (5-year average)	4.5% (10-yr average)	51.8% decrease
Participating Retailers	162,015 (2006)	261,150 (2014)	6.2% growth per year (simple average)

### Benefits of EBT to the HCV Program

In 2019, the HCV program spent over 8.3% of its federal budget on administrative costs, which is very similar to the average for the SNAP program before EBT implementation (8.2%). However, unlike SNAP, the PHAs that administer the HCV program are underfunded by more than 20%. If the HCV program realized an impact similar to SNAP, the HCV administrative cost savings would be 21.6% from efficiency improvements (administrative costs would be reduced 8.3% to 6.5% of total expenditures). In 2019, the HCV budget was nearly \$22.6 billion and the administrative costs were nearly \$1.9 billion. Applying the impact of SNAP's EBT system, we estimated the HCV program administrative cost savings could allow for over \$407.6 million in federal funds to be reallocated to support PHAs and assist more families in need. (Table 5)

An EBT system would also help the HCV program reduce improper payments. The improper payment rate is currently 30% for the HCV program. This is over three times the average improper payment rate of SNAP before EBT was fully implemented. In addition to its financial impact, reducing improper payments will also boost confidence in the program, potentially increasing willingness by housing providers to participate. In 2015, HCV program made \$400.8 million improper payments, of which 71.7% was overpayments. Applying the impact of SNAP's EBT experience, we estimate an implementation of an EBT system would reduce HCV erroneous payments by over \$207.6 million, including \$148.9 million in

HCV federal  
 administrative savings  
 could reallocate

**\$407.6M**

to underfunded PHAs

HCV improper payments  
 could reduce by

**\$207.6M**

including a \$148.9M  
 reduction in  
 overpayments

overpayments (71.7% of \$207.6 million). Similar to administrative cost savings, the reduction in underpayments could be used to help more families in need. (Table 5)

Transitioning to an EBT system would simplify transactions for housing providers who would no longer have to detangle lump sum amounts received from PHAs and reconcile rent payments from residents. If increased efficiency can increase housing provider participation, the HCV program will be able to serve more individuals and families in need. After SNAP transitioned to EBT, the number of retailers grew, on average, by 6.2% per year compared to only 0.8% growth in HCV housing units, as measured by the number of vouchers redeemed. If the difference in growth (5.4%) is applied to HCV's 2.0 million reported vouchers in 2016,<sup>48</sup> 104,542 more units would be made available by 36,960 more housing providers (35.4 housing providers per 100 vouchers). Just as SNAP's EBT initiatives enabled less sophisticated retailers, like farmers market vendors, accept benefits, a similar system for housing may increase program participation by smaller housing providers. (Table 5)

The number of HCV housing units could increase

**105K**

Table 5.  
**SNAP Successes Applied to the Current HCV Program**

	HCV Program Current	SNAP EBT Impact	HCV Program Potential Impact
<b>Federal Administrative Costs</b> (share of total expenditures and value)	8.3% and \$1.9 billion (2019)	21.6% decrease	\$407.6 million cost savings
<b>Improper Payments</b> (rate and value)	30.0% and \$400.8 million (2015)	51.8% decrease	\$207.6 million reduction in improper payments
<b>Housing Units &amp; Providers</b> (average YOY voucher growth and value; average housing providers per 100 vouchers)	0.8% and 2.0 million vouchers; 35.4 housing providers per 100 vouchers (2016)	6.2% average growth for retailers	104,542 housing units and 36,960 more housing providers

<sup>48</sup> As of 2020, HUD reported that about 2 million households participating in the HCV program, so there has not been significant program growth since 2016. See for instance: HUD. 2020. HCV Landlord Webinar 1: Background and Introduction. January 29.



## Impact of Reallocating Cost Savings

The reduction in government costs alone could be reallocated to improve operational efficiency of the program, increase funding for services for existing voucher holders, or fund vouchers for more low-income families and individuals in need. The total federal government cost savings would be \$556.5 million per year, with \$407.6 million savings in administrative costs and \$148.9 million in improper overpayments (we exclude \$58.7 million in underpayments because there is no cost to the government).

HCV cost savings from EBT could be reallocated to assist to more than

**58K**

individuals and families

If these funds were allocated to assist families currently on waiting lists for housing assistance, over 58,000 more vouchers could be issued with the cost savings from EBT. The government spending per HCV unit per year is \$9,510 after accounting for reduced administrative costs. \$556.5 million in cost savings could cover 58,516 new housing assistance subsidies and 55.7% of the expected 104,542 new housing units available under an EBT system. (Table 6)

Table 6.  
**Impact of Reallocating Cost Savings on HCV Program**

Government Spending Per Unit	\$9,510
Government Cost Savings	\$556.5 million
Federal Administrative Spending	\$407.6 million
Improper Payments (Overpayment Only)	\$148.9 million
Potential New HCV Subsidies	58,516

Alternatively, the cost savings from EBT could be used to close funding gaps, resolve existing programmatic challenges, and help better serve current voucher holders. For example, the costs savings from implementing an EBT system could be allocated to expand HUD's new initiatives to further enable housing mobility, increase participation of housing providers, and reduce barriers for families to move to other jurisdictions.<sup>49</sup>

## Additional Examples of Efficiencies and Benefits

If the HCV program transitioned to EBT, it would realize additional efficiencies since states already have the infrastructure to administer EBT programs and it is easier to add benefits to the current system. To date, 38 states, plus the District of Columbia, offer at least two assistance programs via EBT and nearly half of all states (23 states and the District of Columbia) offer at least three programs through their EBT system.<sup>50</sup> Using

<sup>49</sup> HUD. 2020. "Secretary Carson Announces Housing Choice Voucher Mobility Demonstration." HUD No. 20-108. July 21.

<sup>50</sup> USDA Food and Nutrition Service. 2020. Electronic Benefits Transfer (EBT) Status Report by State, March 11.



the same benefit transfer system reduces complexities for recipients and improves tracking for state and federal agencies. It is also an effective way of to reduce administrative burdens and overall costs. Moreover, since PHA employees could rely on technology to automate some of the backend processes, they could transition their roles to better serve the needs of program participants.

Currently, EBT is being implemented for USDA's Women, Infants, and Children (WIC) Nutrition Program nationwide. Similar to SNAP, a key motivation of this transition was to reduce operating costs and combat fraud.<sup>51,52</sup> As expected, states that allocate WIC benefits via EBT have lower administrative costs than states without EBT. During 2015 to 2019, nutrition service and administrative costs per participant in states with EBT fully implemented was over 9% lower, on average, than administrative costs for states without EBT.<sup>53</sup>

State benefit programs have also been successful in generating cost savings and improving program integrity with EBT. These programs have been able to reallocate funds to better serve current program participants and help more individuals and families in need. For example, Oklahoma transitioned its state childcare benefits to EBT in 2000 to reduce improper payments and reduce the administrative burden of the paper system. Three years after implementation, the EBT program reduced improper payments by 10%, creating a cost savings of \$10 million which was put back into the program to improve the quality of childcare.<sup>54</sup>

Finally, EBT allows state and federal governments to act swiftly during crises. Most recently, with the COVID-19 pandemic, states have been able to allocate aid to individuals and families using their EBT system. In Alabama, for instance, new benefits were issued to households whose children typically received free school lunches, after schools closed as a result of the pandemic. These funds were immediately distributed to families enrolled in an EBT program. Families not enrolled in SNAP were issued an EBT card that provided the benefits.<sup>55</sup> Similarly, housing benefits could be distributed to those in need more quickly via EBT compared to a traditional voucher system.

## CONCLUSION

The benefits of an implementation of an EBT system for the HCV program are far reaching. Even with federal budget constraints, EBT would allow HUD to improve the integrity of the program, close funding gaps, and better serve program participants. If the transition parallels SNAP, it would increase administrative efficiencies, significantly reduce error rates, and encourage greater participation. Based on the SNAP

---

<sup>51</sup> Stegman, Michael A., Jennifer S. Lobenhofer, and John Quintero. 2003. The State of Electronic Benefit Transfer (EBT), Working Paper.

<sup>52</sup> USDA. 2011. WIC Policy Memorandum # 2011-3. Implementation of WIC-Related Electronic Benefit Transfer (EBT).

<sup>53</sup> ndp analytics analysis of USDA WIC Total Participation Data and Nutrition and Administrative Cost Data. USDA. WIC EBT Activities Website (as of May 2020). States with WIC EBT fully implemented by 2015 include: Florida, Kentucky, Massachusetts, Michigan, Nevada, New Mexico, Texas, Virginia, West Virginia, and Wyoming. States without EBT before 2020 include: California, District of Columbia, Georgia, Hawaii, Illinois, Maine, Mississippi, Missouri, New Jersey, North Dakota, Pennsylvania, Rhode Island, and Utah. Analysis excludes states that implemented EBT statewide during the 2015-2019 period.

<sup>54</sup> U.S. Congress. 2006. "Use of Technology to Improve Public Benefit Programs: Hearing Before the Subcommittee On Human Resources of the Committee On Ways And Means, U.S. House of Representatives, One Hundred Ninth Congress, Second Session." April 5.

<sup>55</sup> Alabama Dept. of Human Services. 2020. "Pandemic-EBT Benefits Begin Rolling Out to Eligible Alabama Students" May 7.

experience, the government cost savings from EBT could total \$556.5 million (\$407.6 million from reduced administrative costs and \$148.9 million from overpayments).

All HCV stakeholders stand to benefit from transitioning to the EBT system. Individuals and families that receive government assistance prefer EBT because it reduces stigmas and increases convenience. Since very low-income families often receive more than one type of assistance, the benefit of convenience is even greater. Housing providers benefit from more streamlined processes and transparency, and improved support from PHA staff who will be able to dedicate more time to work with program participants. Government agencies benefit from reduced administrative costs over time, increased ability to audit and detect errors and fraud, and the ability to serve constituents quickly and effectively in times of crisis. Finally, because all states have EBT systems in place, and most use these systems for multiple programs, the infrastructure already exists for the HCV program to adopt EBT technology. For the HCV program to best serve stakeholders and increase program participation, moving to an electronic system is a positive step forward.

## REFERENCES

- Alabama Dept. of Human Services. 2020. Pandemic-EBT Benefits Begin Rolling Out to Eligible Alabama Students May 7.
- Abt Associates. 2015. Housing Choice Voucher Program Administrative Fee Study Prepared for U.S. Department of Housing and Urban Development.
- Congressional Research Service. 2018. Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP).
- Edelstein, Sara, Michael R. Pergamit, and Caroline Radcliffe. 2014. Characteristics of Families Receiving Multiple Public Benefits. The Urban Institute.
- Farmers Market Coalition. SNAP EBT Equipment Program. Online: <https://farmersmarketcoalition.org/programs/freesnapebt/>. Accessed June 17, 2020.
- Humphrey, David B. 1996. The Economics of Electronic Benefit Transfer Payments. Federal Reserve Bank of Richmond.
- Hunt, Kathleen. 2016. From Paper to Plastic: Electronic Benefits Transfer as Technology of Neoliberalization. *Communication and Critical/Cultural Studies*, Volume 13, No. 4: 380-399.
- ICF International. 2016. FY 2015 Improper Payment for Quality Control for Rental Subsidy Determination Study.
- Isaacs, Julia. 2008. The Costs of Benefit Delivery in the Food Stamp Program Lessons from a Cross-Program Analysis. USDA Economic Research Service. March.
- Johns Hopkins University. 2018. Urban Landlords and the Housing Choice Voucher Program: A Research Report. Prepared for U.S. Department of Housing and Urban Development.
- Joint Center for Housing Studies of Harvard University. 2013. America's Rental Housing: Evolving Markets and Needs.
- Macaluso, Theodore 2000. The Extent of Food Trafficking in the Food Stamp Program: An Update. U.S. Department of Agriculture Office of Analysis, Nutrition, and Evaluation.
- Melton, John. 2020. "Online Grocery Shopping Soars During the Coronavirus Crisis." *Digital Commerce* 360. March 30.
- Nchako, Catlin and Lexin Cai. 2020. A Closer Look at Who Benefits from SNAP: State-by-State Fact Sheets. Center on Budget and Policy Priorities.

- Stegman, Michael A., Jennifer S. Lobenhofer, and John Quintero. 2003. The State of Electronic Benefit Transfer (EBT), Working Paper.
- U.S. Congress. 2006. Use of Technology to Improve Public Benefit Programs: Hearing Before the Subcommittee on Human Resources of the Committee On Ways And Means, U.S. House of Representatives, One Hundred Ninth Congress, Second Session. April 5.
- U.S. Department of Agriculture Food and Nutrition Service. 2020. Electronic Benefits Transfer (EBT) Status Report by State. March 11.
- \_\_\_\_\_. 2014. "Deadline Approaching for SNAP Retailers to Pay EBT Equipment Costs, as Required by the Farm Bill." September 17.
- \_\_\_\_\_. 2011. WIC Policy Memorandum # 2011-3. Implementation of WIC-Related Electronic Benefit Transfer.
- \_\_\_\_\_. "A Short History of SNAP." Online: <https://www.fns.usda.gov/snap/short-history-snap>. Accessed June 1, 2020.
- \_\_\_\_\_. "FNS Launches the Online Purchasing Pilot." Online: <https://www.fns.usda.gov/snap/online-purchasing-pilot>. Accessed June 1, 2020.
- \_\_\_\_\_. Quality Control Annual Reports, 2002-2014.
- \_\_\_\_\_. Retail Management Reports, 2011-2019.
- \_\_\_\_\_. SNAP Data Tables: Participation and Costs (As of April 10, 2020).
- \_\_\_\_\_. "Supplemental Nutrition Assistance Program Eligibility." Online: <https://www.fns.usda.gov/snap/recipient/eligibility#:~:text=Generally%2C%20to%20qualify%20for%20SNAP,Be%20children%20under%2018>. Accessed June 1, 2020.
- \_\_\_\_\_. "Supplemental Nutrition Assistance Program Retailers." Online: <https://www.fns.usda.gov/snap/retailer>. Accessed June 1, 2020.
- \_\_\_\_\_. WIC Program: EBT Detailed Status Report (As of May 12, 2020).
- \_\_\_\_\_. WIC Program: Total Nutrition Services and Administrative Costs Dataset (As of May 8, 2020).
- \_\_\_\_\_. WIC Program: Total Participant Dataset (As of May 8, 2020).
- U.S. Department of Housing and Urban Development. 2020. FY 2021 Annual Performance Plan, FY 2019 Annual Performance Report.

- \_\_\_\_\_. 2020. HCV Landlord Webinar 1: Background and Introduction. January 29.
- \_\_\_\_\_. 2019. Landlords: Critical Participants in the Housing Choice Voucher Program. Evidence Matters. Winter.
- \_\_\_\_\_. 2019. Housing Choice Voucher Program CY 2019 Funding Implementation Webcast; Public Housing Agency Briefing. April.
- \_\_\_\_\_. 2018. Landlord Participation Study Multidisciplinary Research Team. October 17.
- \_\_\_\_\_. "Housing Choice Voucher Fact Sheet." Online:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/about/fact\\_sheet](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about/fact_sheet).  
Accessed June 1, 2020.
- \_\_\_\_\_. Housing Choice Voucher Program: General Lease Up Process for Landlords, Public Housing Authorities and Tenants.
- \_\_\_\_\_. Picture of Subsidized Households Database.
- \_\_\_\_\_. Resident Characteristics Report for Tenant-Based Vouchers.