Extremely Low-Income: Has the New Measure Made a Difference?

Chalita Brandly
Department of Housing and Urban Development, Office of Economic Affairs

Abstract

Extremely Low-Income (ELI) Limits have been used in the Housing Choice Voucher (HCV), Public Housing, and Multifamily programs to prioritize housing assistance for the poorest households since 1998. The original measure of ELI was calculated as 30 percent of area median income. In 2014, the definition of ELI was modified to consider the official U.S. poverty measure. This policy brief discusses the goal of this definition change and how the new measure differs from the old measure. The extent to which households in these programs benefited as a result is evaluated using U.S. Department of Housing and Urban Development (HUD) administrative data. Findings shared in the brief reveal that 5 percent of new households benefit from this definition change. These households are more likely to consist of more than one person and reside in non-metropolitan portions of the country. Findings also show that while ELI targets are being met across HUD's three largest programs, many public housing agencies (PHAs) in the HCV program are unable to meet their targets.

Introduction

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) was a piece of major housing reform legislation passed in 1998 that sought, among other things, to reduce the concentration of poverty in public housing while protecting access to housing assistance among the poorest households.[1] One way which QHWRA addressed this was by modifying eligibility and targeting requirements for housing programs. Prior to QHWRA, eligibility for the public housing and Section 8 programs of HUD were subject to "federal preferences" that prioritized admission to the program for certain categories of low-income persons and households. Federal preferences were sometimes blamed for increased concentration of poverty, particularly in public housing. In addition, the statutory system of federal preferences became increasingly complex over time, as

[1] See H.R.4194 - Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999. 105th Congress (1997–1998) https://www.congress.gov/105/plaws/publ276/PLAW-105publ276.pdf.

Congress added new categories of eligibility and added new rules that governed waiting lists used by public housing agencies (PHAs).

QHWRA replaced the previous system of federal preferences with a new system under which PHAs could set their own local admissions preferences, based on local needs and adopted though the local PHA plan requirement (Hunt, 1998). At the same time, a portion of subsidized units that became available through annual turnover would be reserved for the lowest income families—defined as “extremely low-income” (ELI) or with incomes less than 30 percent of HUD’s local area median income. For the public housing and project-based Section 8 programs, not less than 40 percent of the units that became available per fiscal year (FY) should be made available for occupancy by ELI households, under QHWRA. For Section 8 tenant-based vouchers—more commonly referred to as Housing Choice Vouchers (HCV)—not less than 75 percent of new admissions should be ELI households (Sard, 2000).

HUD’s area median income limits are generally recognized as having several positive advantages for establishing basic eligibility for federal housing assistance. Chief among these advantages is that the income limits are based on actual local economic conditions. Also, area median income limits have been adopted for a wide variety of programs administered by HUD as well as for Low-Income Housing Tax Credits. Policy advocates, however, did identify one way that HUD’s income limits were under-inclusive of actual need for affordable housing (Olsen, 2014; Leopold, 2015).[2] In some very low-income regions of the country, the ELI threshold of 30 percent of local median income could sometimes be lower than the federal poverty rate. These areas included the Mississippi Delta, the Southwest border, and other rural areas. In the years following the implementation of QHWRA, policy advocates urged an amendment to the income targeting requirements for housing assistance to take this phenomenon into account (NLIHC, 2005).[3]

In 2014, Congress amended the definition of ELI households as households with incomes at or below the greater of either: (1) 30 percent of HUD’s median family income (L30) for the local area; or (2) the federal poverty threshold.[4] The new definition was anticipated to provide households living below the federal poverty line better access to federal rental programs in very low-income regions, where HUD’s previous income limits might have unintentionally excluded households.

This article examines the effects of the 2014 statutory change to HUD’s income limits for ELI households, and how those changes may have affected access to HUD rental programs.

Comparing the L30 Limit to the Poverty Guidelines

HUD sets ELI limits that establish household income targeting requirements for PHAs and landlords using assisted housing programs including the Public Housing, Section 8 project-based, Section 8 HCV, Section 202 housing for the elderly, and Section 811 housing for persons with disabilities

[2] See Poverty and the Safety Net: Hearing before the Committee on the Budget: House of Representatives, 113th Cong. (2014) (Testimony of Robert Greenstein, President of Center on Budget and Policy Priorities). pp. 22.

[3] For a related discussion on the impact of QHWRA’s income targeting provisions, see Dawkins (2007).

[4] See Consolidated Appropriations Act for FY 2014 (Public Law 113-176). Division L—Transportation, HUD and Related Agencies, Section 238, amending Section 3(b) of the United States Housing Act of 1937. https://www.congress.gov/113/plaws/publ76/PLAW-113publ76.pdf.

programs. An ELI limit is calculated for each Fair Market Rent (FMR) area and helps ensure that assistance is set aside for households with the lowest incomes. Understanding the differences between how the L30 limit and poverty guidelines are derived offers important context for analyzing the extent to which the ELI limits have changed across FMR areas since 2014.

The base L30 limit for an FMR area is calculated as 30/50ths (60 percent) of its Section 8 Very Low-Income Limit (VLIL) for four-person households; the VLIL is based on 50 percent of the median household income estimated for an area (HUD, 2017). L30 limits for other household sizes are subsequently calculated by applying a percentage adjustment to the preliminary four-person ELI limit and then rounding up to the nearest $50.

In contrast, poverty guidelines are developed by the U.S. Department of Health and Human Services (HHS) from the latest published final weighted average poverty thresholds from the U.S. Census Bureau. Generally, this measure is calculated as three times the cost of a minimum food diet in 1963 in today's prices as inflated by the Consumer Price Index for All Urban Consumers (CPI-U; National Academy of Sciences, n.d.). For two-person households, the threshold is based on 3.7 times the cost of food. The poverty threshold for one-person households is set at 80 percent of the corresponding thresholds for two-person households. One-person households are the only households not directly calculated using a food cost multiplier (Fisher, 1997).

Thus, the principal difference between the two calculations is that the L30 limit is based on the area median household income while the poverty guidelines are generally based on the cost of a minimum food diet. Because of this, the L30 limit varies across approximately 2,600 FMR areas for which HUD estimates area median household income, while the poverty guidelines are the same for all FMRs areas within the contiguous United States.[5]

Exhibit 1 shows how the adjustments for various household sizes relate to a four-person base for both measures. It is apparent that the adjustment increases at a higher rate for the poverty guidelines as household size increases. It is important to note that income limits for additional household sizes for the L30 are derived from the four-person L30 income limit. The household size adjustments for the poverty guidelines shown below are simplified for easier comparison to the L30.

Exhibit 1

Household Size Limits Compared to a Four-Person Base

Measure	One-Person (%)	Two-Person (%)	Three-Person (%)	Four-Person (%)	Five-Person (%)	Six-Person (%)	Seven-Person (%)	Eight-Person (%)
L30 (Preliminary ELI)	70	80	90	Base	108	116	124	132
Poverty Guidelines	50	62	78	100	118	134	152	170

ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

[5] Alaska and Hawaii have their own state-wide poverty guidelines. Poverty guidelines are not defined for Puerto Rico, and other island territories and are set at the discretion of the federal office which administers the federal program in question for that jurisdiction.

Determining the Basis of the ELI

Exhibit 2 illustrates how consideration of the poverty guidelines in the calculation of the ELI limit affected various FMR areas in FY2017. Cells with no shading indicate where the L30 limits are the basis for the ELI limit. This means that the poverty guidelines did not exceed the L30 limit for the household size within its FMR area.

On the other hand, household sizes in light gray shading did have poverty guidelines that exceeded the L30 limit for their respective FMR areas. In these cases, the poverty guidelines are used as the basis of the ELI limit. Exhibit 2 illustrates how household sizes using the poverty guidelines are using the same national figure as other FMR areas using the poverty guidelines for the same household size.

Lastly, exhibit 2 illustrates how the use of the poverty guidelines may require a cap at the VLIL level. Because the L30 is calculated as 30/50ths (60 percent) of its Section 8 VLIL, it does not run the risk of exceeding its VLIL level. However, because of differences in how the L30 limits and poverty guidelines are calculated, which were discussed in the prior section, the poverty guidelines may exceed the VLIL in many cases, especially for larger household sizes.

Cells with dark gray shading indicate where the ELI equals the VLIL. The Abilene, TX metropolitan statistical area (MSA) is an example of an FMR area where the poverty guidelines exceed the VLIL caps for larger household sizes. In this example, the ELI is capped at the VLIL for household sizes of six or more people. The poverty guideline for a six-person household was $34,960 dollars in 2017. However, the six-person VLIL for the Abilene, Texas MSA was $32,550.

If the poverty guidelines apply at a particular household size, poverty guidelines will be the ELI limit for larger household sizes, unless the VLIL ceiling is hit.

Exhibit 2

Extremely Low-Income Basis, Fiscal Year 2017

FMR Area	One-Person	Two-Person	Three-Person	Four-Person	Five-Person	Six-Person	Seven-Person	Eight-Person
Abilene, TX MSA	12,060	16,240	20,420	24,600	28,780	32,550	34,800	37,050
Akron, OH MSA	13,800	16,240	20,420	24,600	28,780	32,960	37,140	41,320
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	17,500	20,000	22,500	24,950	28,780	32,960	37,140	41,320
Boulder, CO MSA	20,650	23,600	26,550	29,450	31,850	34,200	37,140	41,320
Washington-Arlington-Alexandria, DC-VA-MD	23,200	26,500	29,800	33,100	35,750	38,400	41,050	43,700

FMR = Fair Market Rent. MSA = Metropolitan Statistical Area.

Insight 1: The New ELI Definition Impacts Most Income Limits

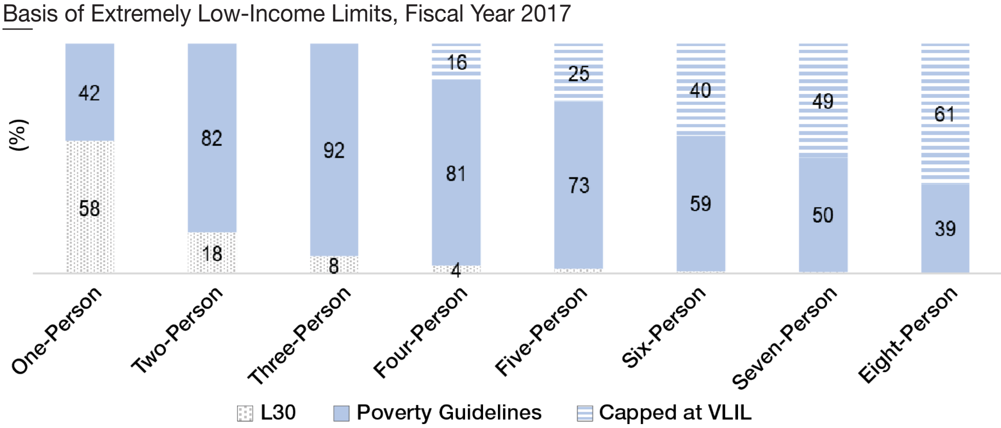
Exhibit 3 shows the distribution of the ELI limit basis across household sizes for all FMR areas in 2017. Because the 2014 Appropriations Act specified that the ELI limit could not exceed the VLIL, in some cases the ELI limit is equal to the VLIL. In general, the poverty guidelines are more likely than the L30 to be used as a basis for the ELI limit.

More frequent application of the poverty guidelines can be anticipated given that about 75 percent of FMR areas are in non-metropolitan counties versus metropolitan areas. As mentioned earlier, the poverty guidelines are based on a national measure whereas the L30 is locally based. On average, metropolitan areas have higher incomes compared to their surrounding non-metropolitan or rural areas (Weicher, 2012). As a result, one might expect that using a nationally based limit would likely raise the limit for many non-metropolitan counties, which make up a majority of FMR areas.

Exhibit 3 also shows that as household size increases, so does the use of the poverty guidelines in lieu of the L30 limit. Moreover, the use of the poverty guidelines for the ELI limit increasingly requires the use of VLIL caps as household size increases. This is due to the difference in how the L30 and the poverty guidelines are calculated for different household sizes as shown earlier.

Exhibit 3

Basis of Extremely Low-Income Limits, Fiscal Year 2017



L30 = HUD's 30 Percent of Local Area Median Income Measure. VLIL =Very Low-Income Limit.

While most income limits are impacted by the use of the poverty guidelines, this does not necessarily indicate that most households currently assisted by applicable HUD programs will be impacted as well. Exhibit 4 illustrates the share of FMR areas where the ELI limit exceeds the L30 limit, weighted by their subsidized household population. The number of instances where the poverty guidelines are used in the ELI limit are fewer when weighted by number of households, especially for one- and two-person households.

Altogether, 15 percent of assisted households live in an FMR area using the poverty guidelines in lieu of the L30 in the determination of the ELI limit for their respective household size. Exhibit 5 further illustrates that the ELI limit for non-metropolitan areas has been impacted more than metro areas by incorporating the poverty guidelines into the definition of ELI.

Exhibit 4

FMR Areas Where the ELI Limit Exceeds the L30 Limit, Fiscal Year 2017

	One-Person	Two-Person	Three-Person	Four-Person	Five-Person	Six-Person	Seven-Person	Eight-Person
Count*	1,014	2,064	2,365	2,485	2,520	2,552	2,562	2,569
Share of Total FMR Areas	39.2%	79.8%	91.5%	96.1%	97.5%	98.7%	99.1%	99.4%
Household-Weighted Share	4.7%	27.9%	50.1%	59.6%	64.6%	73.3%	84.0%	94.8%

ELI = Extremely Low Income. FMR = Fair Market Rent.
**FMR areas where the ELI exceed the L30 by at least $200.[6]*

Exhibit 5

FMR Areas Where the ELI Limit Exceeds the L30 Limit by Metro Status, Fiscal Year 2017

	One-Person	Two-Person	Three-Person	Four-Person	Five-Person	Six-Person	Seven-Person	Eight-Person
				Metropolitan Areas				
Count*	149	379	492	541	566	592	600	605
Share of All Metropolitan Areas	24.0%	61.1%	79.4%	87.3%	91.3%	95.5%	96.8%	97.6%
Household-Weighted Share	1.5%	16.5%	38.6%	49.4%	56.0%	67.3%	79.9%	92.5%
				Non-Metropolitan Counties				
Count*	865	1,685	1,873	1,944	1,954	1,960	1,962	1,964
Share of All Non-Metro Counties	44.0%	85.8%	95.3%	98.9%	99.4%	99.7%	99.8%	99.9%
Household-Weighted Share	22.5%	77.3%	92.7%	97.8%	98.8%	99.7%	99.8%	99.9%

ELI = Extremely Low Income. FMR = Fair Market Rent.
**Areas where the ELI exceed the L30 by at least $200.*

Insight 2: Five Percent of Newly Admitted Households Benefit from Use of the Poverty Guidelines

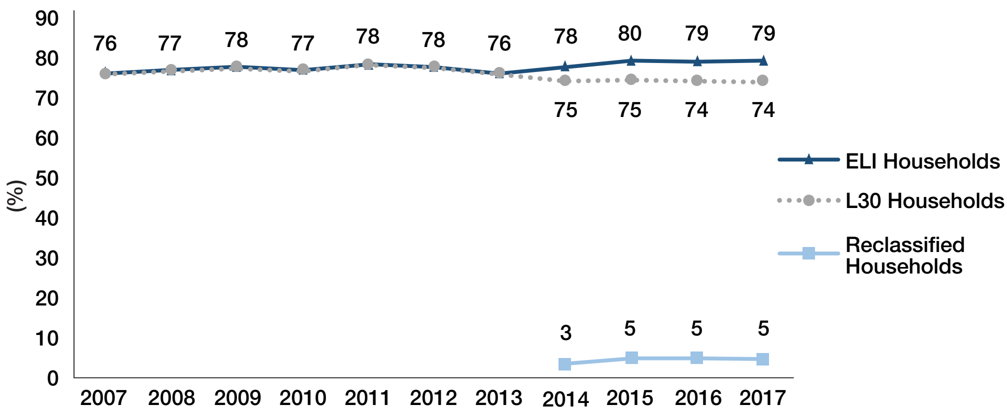
For the purpose of this brief, households benefiting from the 2014 definition change will be referred to as reclassified households. These are households that would not have been defined as ELI under the old L30 definition, but following the 2014 definition change, were classified as ELI as a result of the use of the poverty guidelines.

[6] It is important to consider whether a change in the ELI limit is meaningful in the context of tenants' income determinations. A study prepared for HUD (2014), identified rent errors by recalculating tenant rent based on verified quality-checked information and subtracting that amount from the tenant rent recorded on file. The actual monthly rent and quality-checked monthly rents were considered different if the difference between the two were greater than $5. This $5 rent error translates to $200 of annual income ($5*12 months/30 percent of income). Using this $200 criterion, the percentage of areas with an ELI limit exceeding the L30 limit declined only slightly.

Between 2007 and 2017, ELI households made up approximately 78 percent of total new admissions across programs (exhibit 6). The dotted line in the exhibit represents the share of new households that had incomes below the L30 limit for their FMR area during this time period. Because the L30 was the basis of the ELI prior to 2014, the share of new admissions that are ELI and L30 are equal prior to 2014.

Exhibit 6

Households as a Share of New Admissions



ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

In 2014, the share of new households that were extremely low income began to increase slightly from its previous 7-year average of 77 percent. Since the definition change, the share of new admissions that are L30 has decreased by approximately 2 percentage points (except for in 2014, because the policy was implemented mid-year), while overall ELI new households increased about 3 percentage points.

This 5-percentage point difference between the ELI share and the L30 share in exhibit 6 signifies new households that were reclassified as ELI under the new definition. In 2017, the median amount that reclassified households' annual income exceeded the L30 by approximately $1,800.

The following section will compare characteristics of new reclassified households to new L30 households following 2014, to gain better insight about household qualifying for ELI targeting that previously would have not qualified. Trends on ELI families (also L30 prior to 2014) prior to 2014 will be provided to ensure that there were no significant changes in the L30 population following 2014 that should be noted.

Insight 3: Location and Household Size are Distinguishing Characteristics of Households Reclassified as a Result of use of Poverty Guidelines

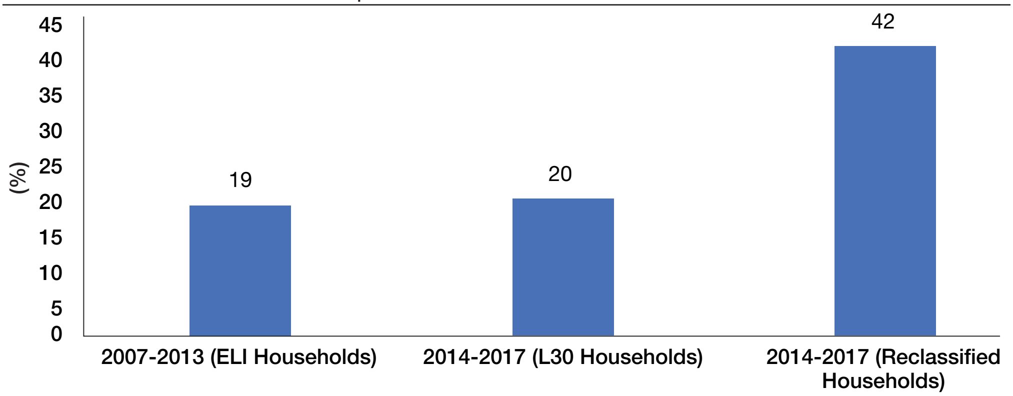
Examining tenant characteristics offer more detail about households who are currently designated as ELI but would not have been under the L30 definition. The following highlights such characteristics.

Metropolitan Designation Where Households Live

Seventy-six percent of FMR areas are in non-metropolitan counties with most of these counties having an ELI limit that exceeds the L30 limit. Only 19 percent of ELI households live in non-metropolitan counties, however. Exhibit 7 shows that this figure more than doubles for households reclassified due to the definition change.

Exhibit 7

Share of Households in Non-Metropolitan Counties



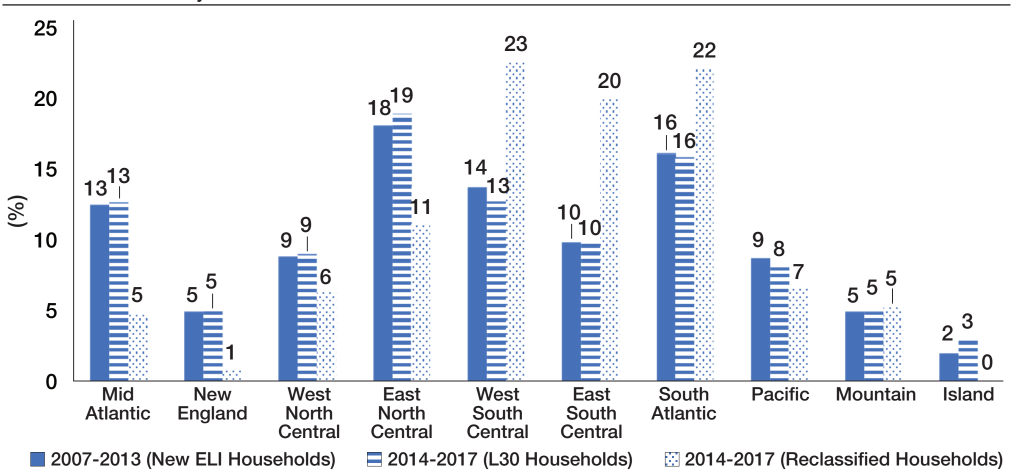
ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

Census Division Designation Where Households Live

In 2017, the Northeast, Midwest, South, and West made up 7 percent, 35 percent, 42 percent, and 16 percent of FMR areas, respectively. Exhibit 8 shows that the highest proportion of new ELI households (40 percent) live in the South. A greater proportion of reclassified households live in the South as well (65 percent).

Exhibit 8

New Households by Census Division



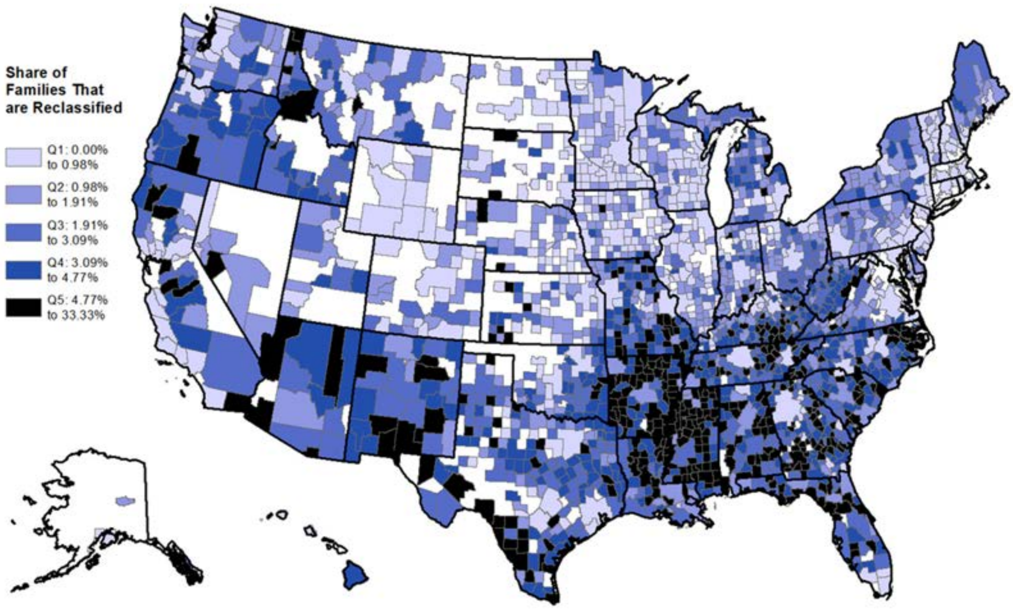
ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

Concentration of Households Reclassified Due to the Definition Change by Area

Exhibit 9 shows the share of newly assisted households that were reclassified in 2017 by FMR area and quintile. Areas with the darkest shading have the highest share of new households that were reclassified. Areas with no shading did not have households reclassified by the definition change. The map below illustrates what the data in exhibit 8 showed; areas in the South have the highest concentration of reclassified households.

Exhibit 9

Reclassified Households as a Share of New Households, 2014–2017



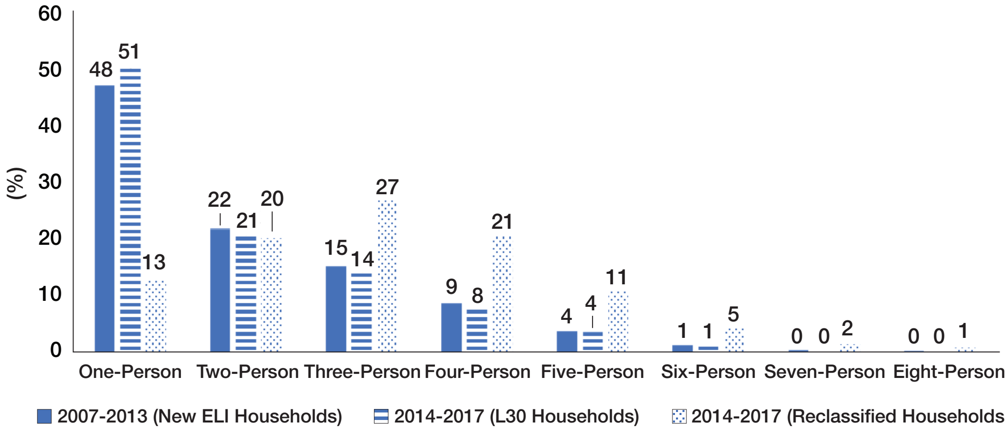
Q = Quintile.

Household Size

While 88 percent of ELI limits are set to the poverty guidelines across all FMR areas and household sizes, only 42 percent of FMR areas had one-person limits affected by the definition change. Exhibit 10 shows that 47 percent of new ELI households are in one-person households. In contrast, reclassified households are more likely to be in households of two to four persons.

Exhibit 10

Size Composition of New Households



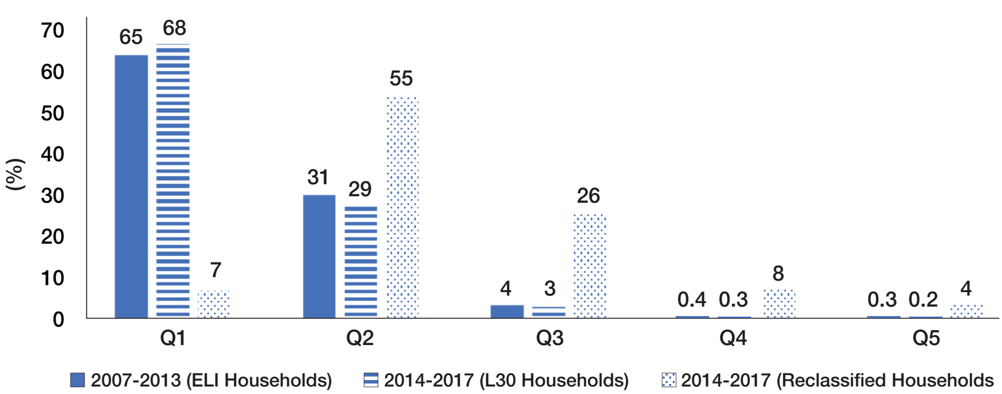
ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

Income

Exhibit 11 shows that on average over 52 percent of new ELI households were in the first income quintile of their FMR area for their household size. Another third was in the second income quintile with less than 15 percent in the remaining quintiles. In contrast, only 7 percent of reclassified households were in the first income quintile. Fifty-five percent of reclassified households were in the second quintile, and 38 percent were in the remaining quintiles. Because the poverty guidelines are generally higher than the L30 limit, it would be expected that reclassified households would be in higher income quintiles compared to the rest of new participating households.

Exhibit 11

Share of New Households Within Fair Market Rent Area Income Quintile



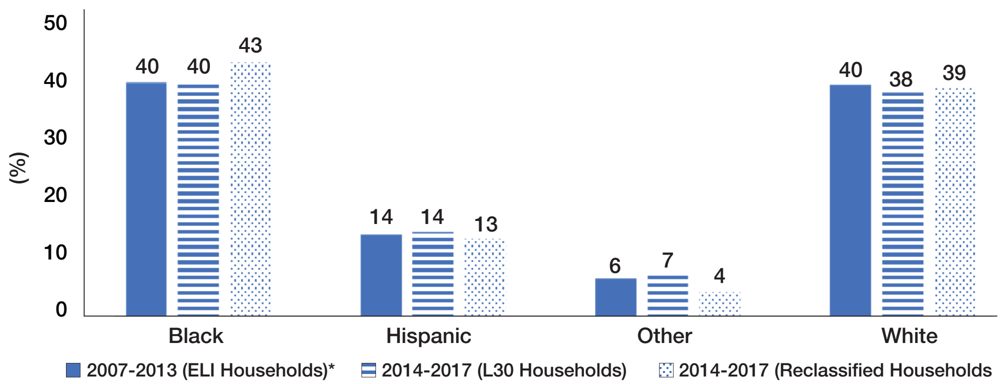
ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure. Q = Quintile.

Race

Exhibit 12 shows that the racial composition of reclassified households varied little from that of new ELI households prior to the definition change. Reclassified households were slightly more likely to be Black/African-American.

Exhibit 12

Racial Composition of New Households



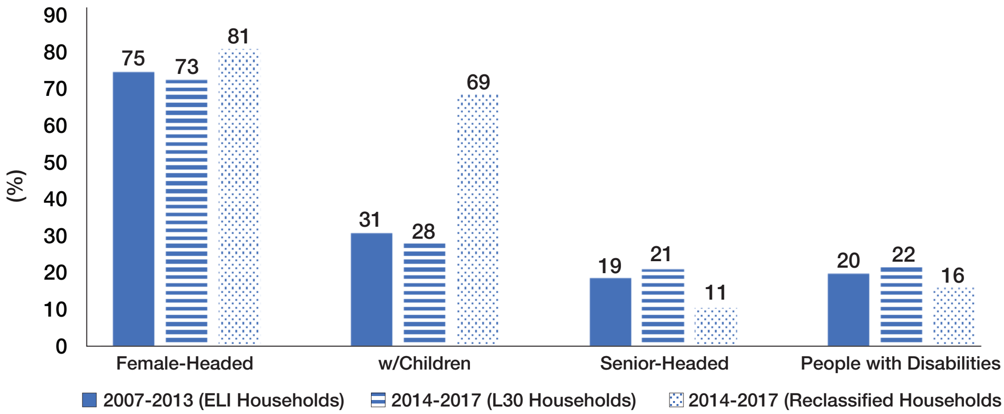
ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.
**Note: Years between 2007 and 2009 were not used in this instance because of discrepancies in data categories from subsequent years.*

Household Type

Exhibit 13 shows that 75 percent of new ELI households are headed by females. A slightly higher share of reclassified households (81 percent) was headed by females. While 31 percent of new ELI households had children under the age of 18, far more reclassified households included children (69 percent). This notable difference between the two populations is likely related to household size. Households with children will inherently consist of more than one person, and exhibit 10 showed that reclassified households were more concentrated in households with more than one person. Senior-headed and households headed by people with disabilities only make up about one-fifth of new ELI households. Reclassified households were less likely to be headed by a senior or to include a member with disabilities.

Exhibit 13

Composition of New Families by Household Type



ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

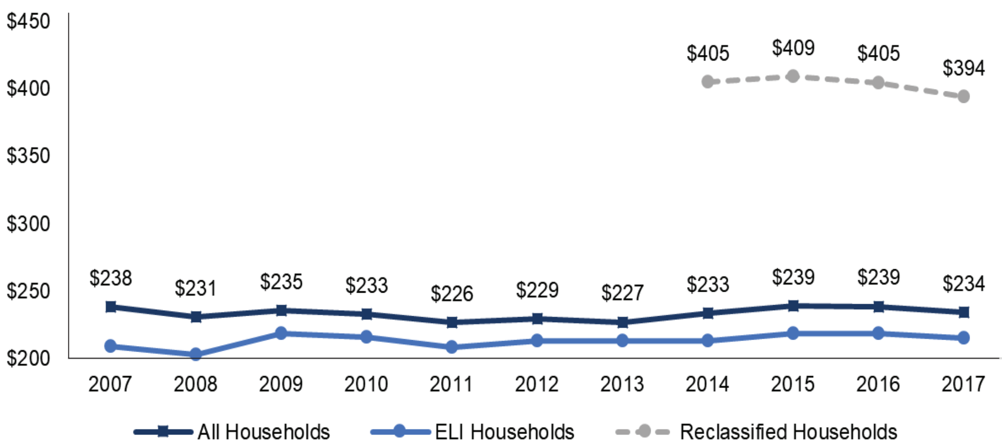
Total Tenant Payments

Total tenant payment (TTP) is the amount that households pay their landlord towards rent. Generally, TTP is the higher of 30 percent of the household's monthly adjusted income; or 10 percent of the household's monthly gross income; or payments specifically designated by the public welfare agency to meet the household's housing costs (also known as "welfare rent") (HUD, n.d.).

Exhibit 14 shows that the median TTP for households has been relatively flat between 2007 and 2017. During this period, all new households and new ELI households on average paid close to $220 in TTP. In contrast, tenant payments of reclassified households are twice as much, averaging around $400. This is in line with exhibit 11, which illustrates reclassified households having higher incomes than other ELI households. Because reclassified households have higher incomes, their TTP will be higher accordingly.

Exhibit 14

Median Total Tenant Payment of New Households (2017 Dollars)



ELI = Extremely Low Income.

Housing Assistance Payment

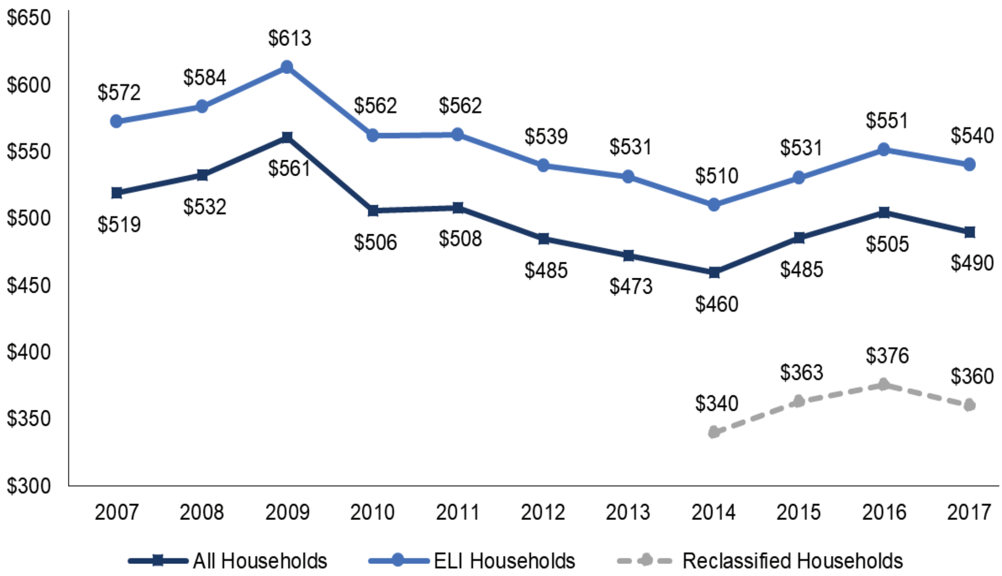
In the HCV and Section 8 Project-Based Rental Assistance (PBRA) programs, Housing Assistance Payments (HAP) are subsidies that are paid to landlords in rent on behalf of program households. HAP is not applicable in the public housing program. In the HCV program, HAP equals the lower of (1) the payment standard[7] for the household minus the total tenant payment; or (2) the gross rent minus the total tenant payment. In PBRA programs, HAP is simply gross rent minus the TTP.

Gross rents and payment standards are driven by market conditions of the unit's location (housing value, utility costs, and so on) and the quality of the unit itself (number of bedrooms, unit size, age of unit, and so on) (Albouy and Lue, 2015). Exhibit 15 shows an inverse pattern from exhibit 14 for HAP payments made to landlords. Landlords receive less HAP for reclassified households because these households generally have higher incomes than most ELI households and therefore pay more rent themselves (exhibit 11).

[7] In the HCV program, a PHA establishes payment standards based on the HUD-established FMRs for the area. The payment standards must be within an established range (90–110 percent) of the FMR. Payment standards are not used in PBRA Section 8 properties.

Exhibit 15

Median Total Tenant Payment of New Households (2017 Dollars)



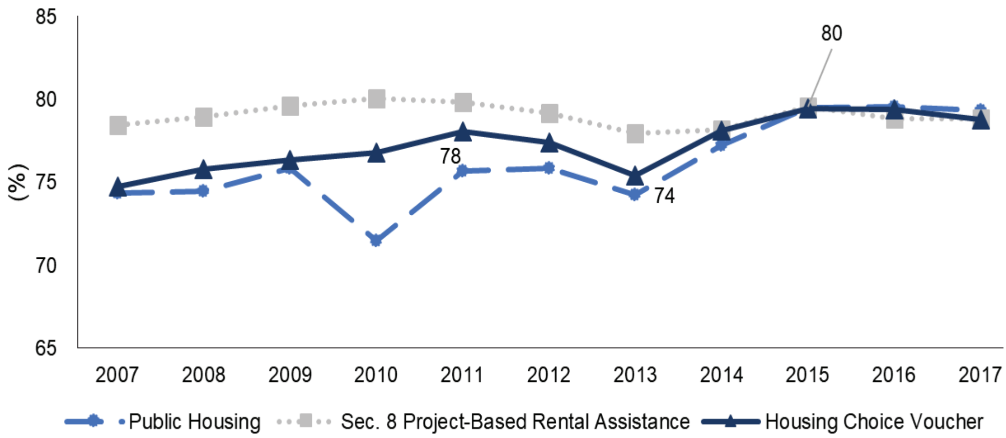
ELI = Extremely Low Income.

Insight 4: Use of Poverty Guidelines May Aid Smaller Public Housing Agencies in Meeting Extremely Low-Income Targets

Prior to the 2014 ELI limit definition change, the public housing project-based vouchers (PBV) and PBRA Section 8 programs were meeting their ELI target of 40 percent and continued to do so as of 2017 at 79 percent. ELI targets of 75 percent were also being met for HCV households. Today, the goals continue to be met. For the HCV and public housing programs, the share of new households that are ELI has slightly increased since 2014. While data shows that these targets were being met prior to the ELI definition change, since the change there has been a convergence in the share of ELI households assisted via these programs (exhibit 16). This could be tied to internal enforcement of the policy (Dawkins, 2007).

Exhibit 16

Share of New Households That are Extremely Low-Income



Targeting Outcomes by Public Housing Agency Size

Evaluating targeting outcomes by PHA size sheds light on the extent to which targets are being met in the HVC and public housing programs. Exhibit 17 shows that most new ELI households are serviced by large PHAs as opposed to smaller ones. Size categories represent the number of units operated under PHA and have been frequently used in prior published reports analyzing HUD administrative data on the size of PHAs.

Exhibit 17

Distribution of New Extremely Low-Income Households by Public Housing Agency Size, 2007

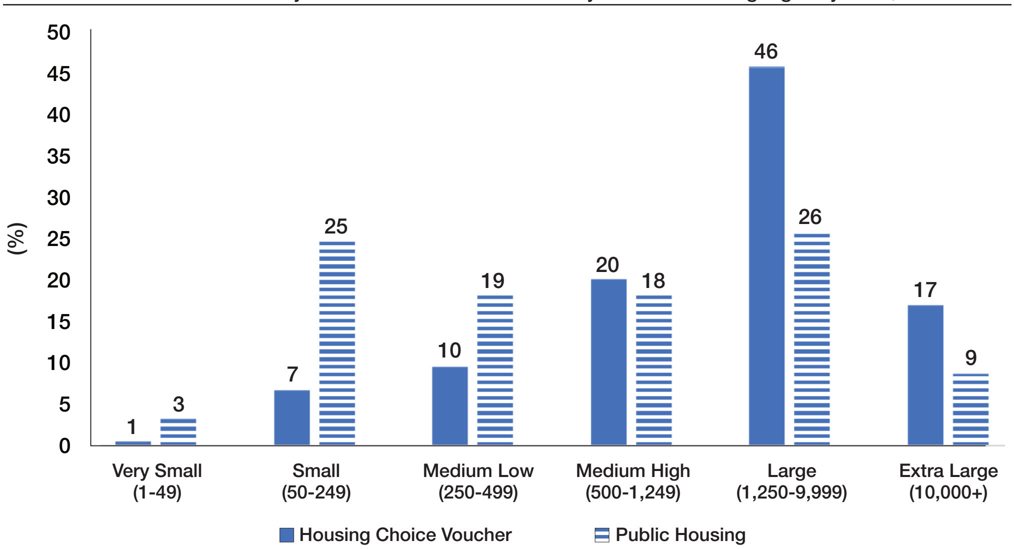
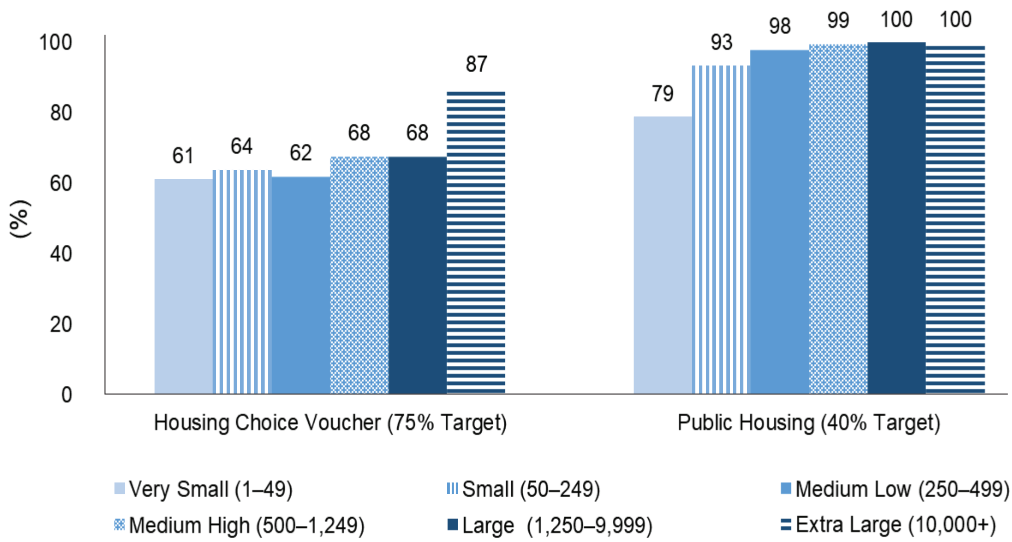


Exhibit 18 shows that, in 2017, most PHAs operating the public housing program were meeting their ELI targets. On average, more than 90 percent of PHAs operating 50 public housing units or more were meeting their targets. This figure dropped to 79 percent for PHAs overseeing less than 50 units in their public housing program. In the HCV program, individual PHAs were less successful at meeting ELI targets than in the public housing program, which is not unexpected given that the public housing program has a lower ELI target. Exhibit 18 also shows that as the program size of PHAs increases, the expected rate of success generally increases as well.

Exhibit 18

Share of Public Housing Agencies Meeting Extremely Low-Income Targets, by Public Housing Agency Size, 2017



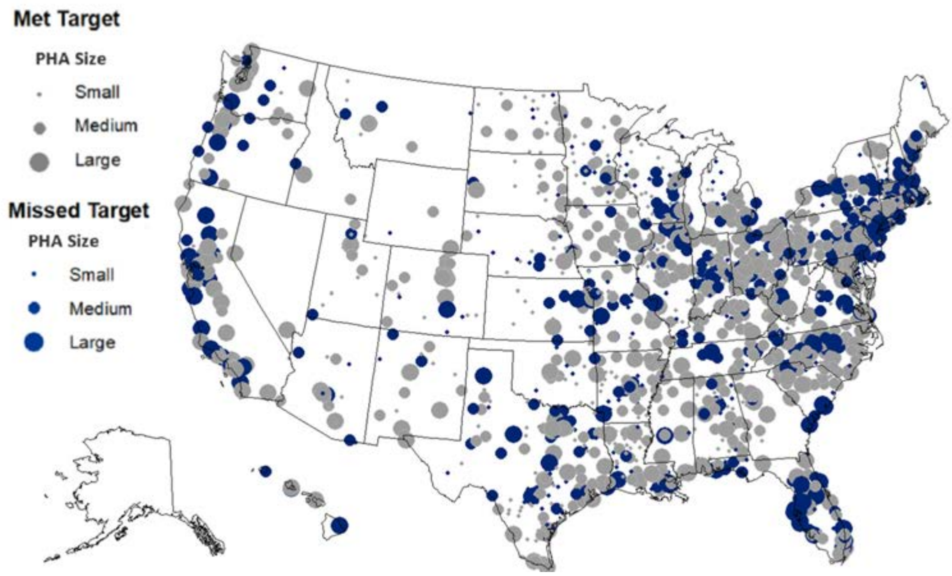
Exhibits 19 and 20 show how successful PHAs have been in meeting ELI targets for the HCV and public housing programs by PHA size. Each circle on the map represents a PHA having new admissions in 2017, and the size of the circle corresponds to the size class of the PHA for the program. PHA sizes are combined for easier interpretation of the map. The large circles represent PHAs with 1,250 units or more, and the small circles represent PHAs with less than 250 units. The color variation on the map represents the success of PHAs meeting ELI targets. Lighter dots represent areas that met ELI target goals and darker dots represent PHAs that did not meet ELI targets.

Exhibit 19 illustrates that successful targeting is not limited to a region of the country or PHAs of certain sizes for the HCV program. While the HCV program is meeting ELI targets overall, there are several PHAs needing improvement. Thirty-five percent of PHAs did not meet the ELI target during 2017, and 25 percent missed by more than 5-percentage points.

In contrast, income targets in the public housing program are largely being met across housing authorities of various sizes (exhibit 20), which could be expected since public housing has a lower target than the HCV program. Ninety-six percent of PHAs not meeting the public housing ELI target are small.

Exhibit 19

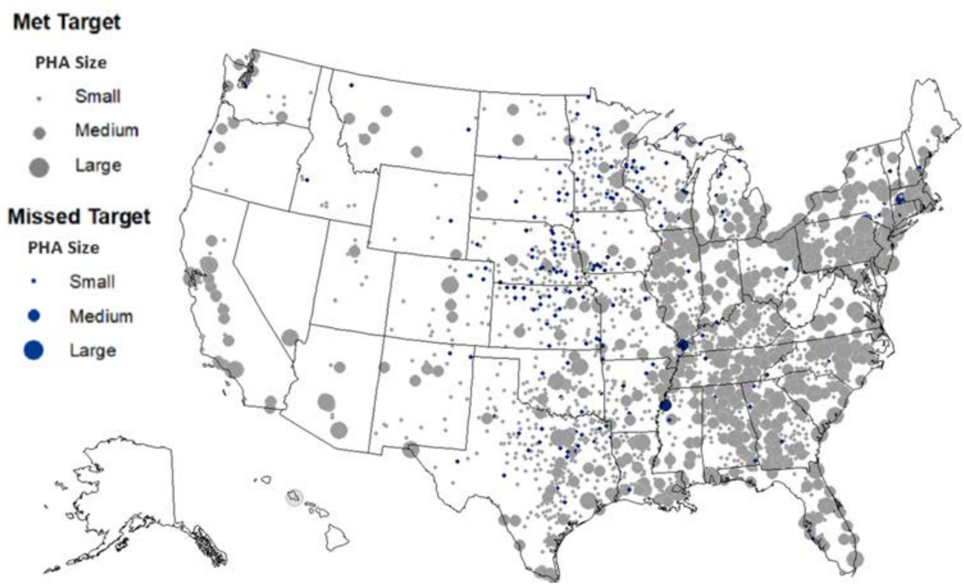
Extremely Low-Income Targeting Outcomes by Public Housing Agency Program Size (Housing Choice Voucher, 75 Percent Target), 2017



PHA = Public Housing Agency.

Exhibit 20

Extremely Low-Income Targeting Outcomes by Public Housing Agency Program Size (Public Housing, 40 Percent Target), 2017

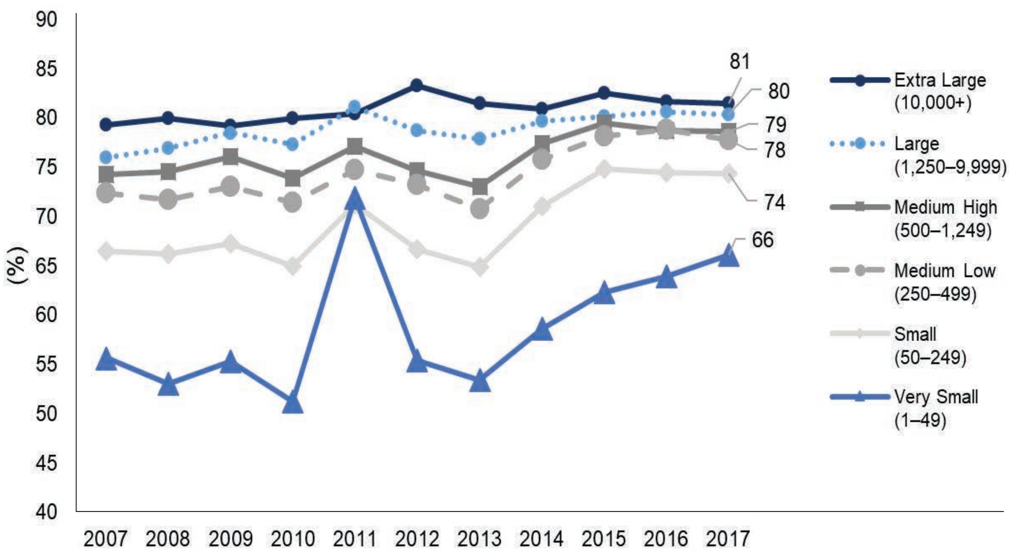


PHA = Public Housing Agency.

The magnitude of how the targets are being met differ by PHA size. Exhibit 21 shows that extra-large PHAs have the highest share of new households that are ELI. The chart also shows that as PHA size increases, so does the share of new households that are ELI. There has been a general increase in the share of new households that are ELI for small- to medium-sized PHAs between 2013 and 2017.

Exhibit 21

Share of New Households That are Extremely Low-Income by Public Housing Agency Size

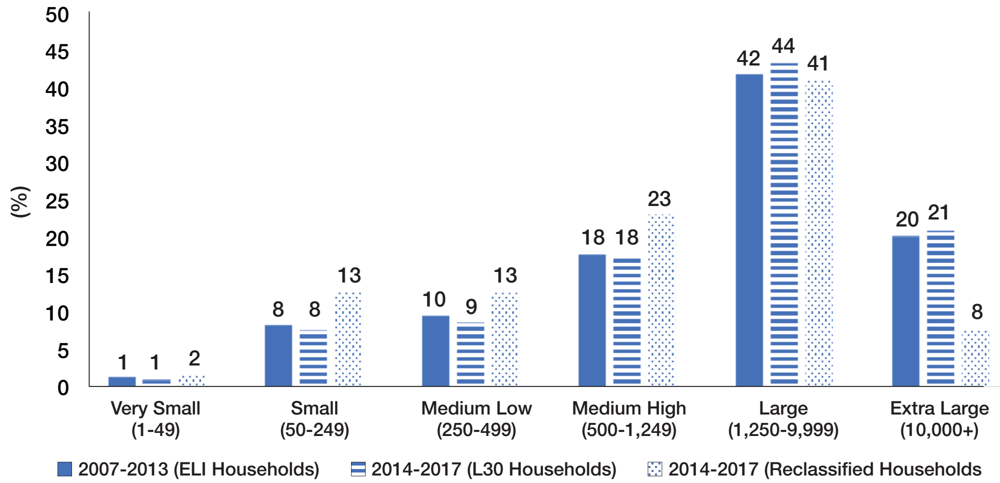


Note: Data for smaller PHAs are prone to exhibit data anomalies (GAO, 2017), represent a smaller number of observations (exhibit 17), and are sensitive to changes in data reporting. The spike for very small PHAs in 2011 may be related to administrative or reporting changes that were implemented during the year.

Exhibit 22 shows that, from 2014 to 2017, about 41 percent of reclassified households were served by large PHAs, which is comparable to the share for ELI and L30 households. Reclassified households were slightly more likely to be served by smaller PHAs in comparison to L30 households.

Exhibit 22

Size of Public Housing Agencies Serving New Households, 2017



ELI = Extremely Low Income. L30 = HUD's 30 Percent of Local Area Median Income Measure.

Final Thoughts

In many FMR areas, the use of the poverty guidelines in the determination of the ELI results in an income-limit that is higher compared to the prior limit that was based on 30 percent of area median income. This occurs in most cases for households of two or more people and areas in non-metropolitan counties. Residing in an FMR area where the ELI is different due to the definition change, however, does not guarantee that a household living within that FMR area will be reclassified by the change.

Approximately 5 percent of new admissions are classified as ELI as a result of the use of the poverty guidelines. Under the old L30 definition of ELI, these households would not have been defined as ELI. These reclassified households are more likely to live in non-metropolitan areas and southern portions of the country. In addition, they are more likely to consist of households greater than one-person compared with the total new admission population that consists of mostly one-person households. For this reason, households reclassified by the change are more likely to consist of households with children. There is no substantial difference in the racial/ethnic background of households reclassified by the change, and they are slightly less likely to be male-headed, senior-headed, or include a member with disabilities.

The definition change also did not appear to have a significant impact on tenant payments made by households entering HUD programs. Payments were relatively flat between 2007 and 2017. Households reclassified by the definition change were more likely to have higher rent payments because of their higher incomes compared to other newly admitted households. PHAs are more likely to pay less HAP to landlords of reclassified households because these households typically have higher incomes than average ELI households to cover their rent.

Prior to the 2014 ELI limit definition change, the public housing and PBRA Section 8 programs were meeting their target of 40 percent and continued to do so as of 2017. ELI targets of 75 percent are being met in the HCV program, however, individual PHAs are less successful at meeting ELI targets than in the public housing program. This policy brief showed that ELI targeting improves as the size of the PHA increases, and the share of new residents that are ELI has increased, most notably for smaller PHAs, since the 2014 definition change.

Acknowledgments

The author thanks Kurt Usowski, Peter Kahn, Elizabeth Rudd, and other colleagues for their constructive feedback on this article. The author also thanks Lydia Taghavi and Dan Hardiman for their technical assistance and research support.

Author

Chalita Brandly is an economist in the U.S. Department of Housing and Urban Development, Office of Economic Affairs.

References

Albouy, David, and Bert Lue. 2015. “Driving to Opportunity: Local Rents, Wages, Commuting, and Sub-Metropolitan Quality of Life,” *Journal of Urban Economics* 89: 74–92.

Dawkins, Casey J. 2007. “Income Targeting of Housing Vouchers: What Happened After the Quality Housing and Work Responsibility Act?” *Cityscape* 9 (3): 69–93. https://www.huduser.gov/periodicals/cityscpe/vol9num3/ch4.pdf.

Fisher, Gordon M. 1997. The Development of the Orshansky Poverty Thresholds and Their Subsequent History as the Official U.S. Poverty Measure. https://www.census.gov/content/dam/Census/library/working-papers/1997/demo/orshansky.pdf.

Hunt, Louise, Mary Schulhof, and Stephen Holmquist. 1998. *Summary of the Quality Housing and Work Responsibility Act of 1998*. Washington, DC: U.S. Department of Housing and Urban Development, Office of Public and Indian Housing. Page 6. https://www.hud.gov/sites/documents/DOC_8927.PDF.

Leopold, Josh, Liza Getsinger, Pamela Blumenthal, Katya Abazajian, and Reed Jordan. 2015. *The Housing Affordability Gap for Extremely Low-Income Renters in 2013*. Washington, DC: The Urban Institute, Urban Institute Policy Advisory Group. https://www.urban.org/sites/default/files/publication/54106/2000260-The-Housing-Affordability-Gap-for-Extremely-Low-Income-Renters-2013.pdf.

National Academy of Sciences. n.d. *Measuring Poverty*. https://www.census.gov/content/dam/Census/topics/income/supplemental-poverty-measure/sum.pdf.

National Low Income Housing Coalition (NLIHC). 2005. *National Housing Voucher Summit 2005 Final Statement, Recommendations, and Options*. https://prrac.org/pdf/NLIHC_VoucherSummit.pdf.

Olsen, Edgar. 2014. Alleviating Poverty Through Housing Policy Reform, Innovating to End Urban Poverty Conference, Los Angeles 2014. https://socialinnovation.usc.edu/files/2014/03/Olsen-Alleviating-Poverty-through-Housing-Policy-Reform.pdf.

Sard, Barbara, and Jeff Lubell. 2000. *How the Statutory Changes Made by the Quality Housing and Work Responsibility Act of 1998 May Affect Welfare Reform Efforts*. Center on Budget and Policy Priorities (2000). https://www.cbpp.org/archives/12-17-98hous.htm#N_3_

U.S. Department of Housing and Urban Development (HUD). 2017. FY 2017 HUD Income Limits Briefing Material. https://www.huduser.gov/portal/datasets/il//il17/IncomeLimitsBriefingMaterial-FY17.pdf.

———. 2014. Quality Control for Rental Assistance Subsidy Determinations, FY 2013 Study. P. IV-13 https://www.huduser.gov/portal/Publications/pdf/QC_2013_final.pdf.

———. n.d. Housing Choice Voucher Program Guidebook. "Chapter 6: Calculating Rent and HAP Payment," Washington, DC: U.S. Department of Housing and Urban Development, Office of Housing Choice Vouchers. https://www.hud.gov/sites/documents/DOC_35616.PDF.

U.S. Government Accountability Office (GAO). 2017. Report to Congress. Housing Choice Voucher Program: Limited Indications of Potential Fraud against Participants Identified. GAO-18-53. December 2017: 25–26. https://www.gao.gov/assets/690/688718.pdf.

Weicher, John. 2012. Housing Policy at a Crossroads: The Why, Who, and How of Assistance Programs. Washington, DC: American Enterprise Institute.