Income Targeting of Housing Vouchers: What Happened After the Quality Housing and Work Responsibility Act?

Casey J. Dawkins
Virginia Polytechnic Institute and State University

Abstract

The Quality Housing and Work Responsibility Act (QHWRA) of 1998 overhauled the nation's approach to managing publicly owned housing and consolidated the Section 8 certificate and voucher programs into a new streamlined Housing Choice Voucher (HCV) Program. With the repeal of federal preferences for new admissions before QHWRA and the anticipated poverty deconcentration within public housing anticipated to occur following the adoption of QHWRA, new federal income-targeting requirements were established as part of QHWRA to ensure that the nation's neediest families would continue to receive first priority in the allocation of tenant-based housing assistance. These requirements stated that no less than 75 percent of any local public housing agency's (PHA's) new admissions to the HCV Program in any given fiscal year must be families with extremely low incomes (ELIs) (income at or below 30 percent of the area median income).

This research examines data from the U.S. Department of Housing and Urban Development (HUD) administrative records for all households receiving housing choice vouchers from 1997 through 2005 to determine if the income-targeting goals of QHWRA are being met at the national and local levels. Analyses of the characteristics of new admissions between 1997 and 2005 reveal several important trends. First, while most PHAs were in compliance with the income-targeting goals of QHWRA during the 1997-through-2005 period, nearly 40 percent of PHAs still are not in compliance with the goals of QHWRA. On average, larger PHAs are more likely to comply with the goals of QHWRA than are small PHAs, although rural PHAs have made substantial strides in meeting the goals of QHWRA. Since the enactment of QHWRA, there has been a trend toward increased HCV participation among Hispanic households and a general trend toward smaller family sizes, older household heads, and fewer ELI female-headed households with children.

Section 1. Introduction

The Quality Housing and Work Responsibility Act (QHWRA) of 1998, also known as the Public Housing Reform Act, established a new direction for U.S. federal housing policy. The act overhauled the nation's approach to managing publicly owned housing and consolidated the Section 8 certificate and voucher programs into a new streamlined Housing Choice Voucher (HCV) Program.[1] The goals of the legislation included an emphasis on reducing the concentration of poverty in public housing and supporting self-sufficiency among public housing residents, increased flexibility and improved performance in public housing management, and improvements in the quality of public housing units owned by the federal government (www.hud.gov/offices/pih/phr/about).

With the repeal of federal preferences for new admissions and the anticipated poverty deconcentration within the public housing program, new federal income-targeting requirements were established under QHWRA to ensure that the nation's neediest families continue to receive first priority in the allocation of tenant-based housing assistance (Solomon, 2005). These requirements state that no less than 75 percent of any local public housing agency's (PHA's) new admissions to the HCV Program in any given fiscal year shall be families with extremely low incomes (ELIs) (income at or below 30 percent of the area median income). Beyond these minimum targets, QHWRA grants local PHAs considerable flexibility to tailor local admissions standards to local housing needs. Some PHAs may choose to provide most assistance to working families or families actively seeking employment, while others may choose to target assistance to those with the most severe housing needs. To date, no study has examined the effect of this package of reforms on the composition of those newly admitted to the tenant-based assistance program.

This research examines data from the U.S. Department of Housing and Urban Development (HUD) administrative records for all households receiving housing choice vouchers from 1997 through 2005 to determine if the income-targeting goals of QHWRA are being met at the national and local levels. Unlike previous research, this study focuses on only the characteristics of *new* admissions. For those households, I address several questions related to the QHWRA income-targeting goals:

- What proportion of new households admitted to the HCV Program have ELIs and very low incomes (VLIs) (at or below 50 percent of the area median family income [AMFI])?
- As a result of the implementation of the income-targeting provision of QHWRA, has any significant change occurred in the characteristics of families admitted to the voucher program, particularly in terms of age of household head, number of children, race, ethnicity, female-headed family status, and source of income at the time of admission?
- Dividing the nation into quintiles by AMFI, has implementation of the provision had a differential effect on the socioeconomic characteristics of new admissions?
- How many PHAs are in compliance with the statutory requirement that at least 75 percent of admissions after 2000 be made to ELI families? Were most PHAs already meeting the requirement before enactment?

[1] The Section 8 certificate and voucher programs were officially merged into the new Housing Choice Voucher Program after the adoption of a HUD final rule published on October 21, 1999 (Devine et al., 2000).

- What are the characteristics of PHAs (for example, by size category or geography) that are not in compliance with the statutory requirement?
- Particularly for rural[2] PHAs, has this provision made it more difficult to admit families with wage income?
- Is the ELI threshold a realistic income-targeting threshold for use in rural areas, which often have lower median family incomes?

The remainder of the article is organized as follows: Section 2 examines the evolution of federal priorities under the tenant-based housing assistance program. Section 3 describes the data and methodology employed to answer the questions posed in Section 1. Section 4 examines the aggregate national characteristics of new HCV admissions. Section 5 relies on PHA-level data to examine the questions posed in Section 1 concerning PHAs. Section 6 summarizes the major findings of the article and offers policy recommendations based on the findings.

Section 2. Targeting Federal Tenant-Based Housing Assistance

Unlike other social welfare programs such as Medicaid and Social Security, which guarantee federal assistance to those meeting minimum eligibility requirements, federal housing assistance programs have never functioned as entitlement programs. As a result, HUD's evolving funding priorities have been crucial in determining the composition of households receiving housing assistance. This section explores how these priorities have changed over the history of the federal tenant-based assistance program.

Priorities Under the Section 8 Program

The first uniform federal standards defining the low-income families that would be eligible to receive assistance under the Section 8 Existing Housing Certificate Program were adopted with the Housing and Community Development Act of 1974 (Olsen, 2001). Generally speaking, a family of four earning no more than 80 percent of the median family income in the surrounding metropolitan area or county was eligible to receive tenant-based housing assistance under the Section 8 Program. The original income-targeting goals of the Section 8 Program were modest. An amendment passed in 1975 required that 30 percent of all assistance be targeted to families with VLIs. The remaining 70 percent of assistance could be allocated to families earning incomes above this threshold.

During the late 1970s and early 1980s, double-digit inflation and rising interest rates led to an increase in the number of families exhibiting "worst case" housing needs, including high housing cost burdens, conditions of overcrowding, and poor unit quality (Koebel and Renneckar, 2003). In response to these trends, federal preferences for housing assistance were established in 1979 to help prioritize subsidies to those most in need of housing assistance. Families living in substandard housing and that were involuntarily displaced were to receive priority in the allocation of Section 8

[2] Throughout the article, the term *rural* is synonymous with *nonmetropolitan* (outside of a U.S. census-defined metropolitan statistical area).

assistance. In 1983, the list of preferences was expanded to include households that were severely *cost-burdened*, defined as paying more than 50 percent of one's income on rent (National Low Income Housing Coalition, 2005a). Also in 1983, families that were homeless or living in homeless shelters were identified as living in substandard housing and thus were eligible for targeted assistance. A final policy change introduced into law in 1983 established a new Section 8 voucher demonstration program, which provided eligible families more flexibility in their choice of rental unit selection. The Section 8 Rental Voucher Program was made permanent in 1987 (HUD, 2000).

QHWRA and the Evolution of Tenant-Based Housing Assistance

The 1990s ushered in a series of reforms that fundamentally altered the face of federally owned public housing and federally administered tenant-based housing assistance. In 1989, the National Commission on Severely Distressed Public Housing concluded that roughly 86,000 of the nation's 1.3 million publicly owned housing units exhibited conditions of physical deterioration, unsafe living environments, and social and economic distress due to inflexible unit replacement policies and decades of inadequate maintenance funding (Buron et al., 2002). During the mid-1990s, empirical evidence was also beginning to emerge, linking residents in high-poverty public housing complexes to a variety of social and economic ills (Rosenbaum, 1995). The findings from these studies set the stage for a series of public housing reforms that ultimately culminated in the adoption of the comprehensive Quality Housing and Work Responsibility Act in 1998.

The debates surrounding QHWRA resulted in a number of important changes to the income and targeting provisions governing the tenant-based housing assistance program. The first of these changes occurred on January 26, 1996, when Congress suspended federal preference requirements to provide local PHAs increased flexibility to respond to local housing needs. To ensure that this increased flexibility and the new emphasis on poverty deconcentration did not compromise the nation's goals of providing housing assistance to the nation's neediest families, a heated debate erupted over priorities under the tenant-based housing program. With Congress's plan to dramatically relax the income-targeting requirements for public housing, housing advocates sought to ensure that there would be no loss of housing affordable to ELI households if PHAs took advantage of admissions flexibility to admit higher income families into public housing. The argument was that vouchers should be targeted to ELI households so as not to permit further attrition in the share of all housing affordable to ELI households. It was assumed that voucher income targeting would basically preserve the deep targeting of vouchers at roughly the same level that had been achieved by federal preferences while nevertheless granting PHAs greater flexibility to achieve admissions goals.

Previous versions of QHWRA proposed by the House of Representatives recommended that 35 percent of assistance go to ELI families, while the Senate proposed that 65 percent of assistance go to ELI families. The Clinton administration responded with a proposal that 75 percent of assistance go to ELI families. Clinton's proposed target is the one that ultimately appeared in the adopted legislation (Solomon, 2005). In addition to adopting new income-targeting provisions, QHWRA also consolidated the Section 8 Existing Housing Certificate Program and the Section 8 Rental Voucher Program into the newly named Housing Choice Voucher Program.

The Implementation of Income-Targeting Requirements Under QHWRA

The income-targeting requirements under QHWRA state that at least 75 percent of new admissions to the HCV Program must be ELI families. These new income-targeting requirements were written into Title V, Section 513 of the Quality Housing and Work Responsibility Act of 1998 (Title V of Public Law 105–276, 112 Stat. 2518), which formally amended the United States Housing Act of 1937. This act was signed by President Clinton on October 21, 1998. The new income-targeting requirements were officially enacted with HUD's issuance of a Notice of Official Guidance (64 FR: 8192) on February 18, 1999. Interim and final rules providing guidance on these and other PHA requirements under QHWRA were issued on May 14, 1999, October 21, 1999, and March 20, 2000. Housing agencies with fiscal years starting January 1, 2000, were the first to submit administrative plans for implementing the provisions of QHWRA. The first plans were due October 15, 1999 (HUD, 2001).

Although income-targeting provisions were immediately effective on enactment of QHWRA, 1999 and 2000 most likely reflect transitional years in the implementation of the new requirements. In fact, with the repeal of "federal preference" provisions in 1996, along with other interim changes in the administration of public housing and Section 8 programs, one might reasonably expect to find an initial *reduction* in the percentage of newly admitted households with ELIs until the provisions of QHWRA were formally established under federal law and local PHA administrative plans had been implemented.

Although no studies have examined the effect of QHWRA reforms on the composition of new admissions into the Housing Choice Voucher Program, HUD's 2005 *Resident Characteristics Report* finds that, of the nation's 1,830,551 voucher-holding households, 60 percent have ELIs, 18 percent have VLIs, 4 percent have low incomes (income at or below 80 percent of the area median income), less than 1 percent have incomes above the low-income threshold, and 18 percent do not report income. HUD's 2005 *Resident Characteristics Report* cites that 68 percent of voucher-holding households have ELIs (National Low Income Housing Coalition, 2005a). These data do not provide information on the income distribution of new admissions and do not report the success rates for individual PHAs in meeting the goals of QHWRA. The next section describes the methodology employed in this study to determine if PHAs are successfully complying with the goals of QHWRA.

Section 3. Data and Methodology

The primary data source for this study is HUD's household-level Multifamily Tenant Characteristics System/Public and Indian Housing Information Center (MTCS/PIC) file, which provides data on each household admitted to the HCV Program between 1997 and 2005.[3] The analysis relies on all records in this file defined as new admissions in any given year. To address the questions mentioned in Section 1 concerning the geographic location of new admissions and the characteristics of PHAs issuing vouchers, the base MTCS/PIC file was matched to a separate PHA-level file, which describes the census tract location of each household's residential location, and to a file constructed

[3] Ideally, the analysis would also include years before 1997, when federal preferences were still in place. Unfortunately, these data were not available for this study.

from HUD's Comprehensive Housing Affordability Strategy (CHAS) database, which describes the housing characteristics of the renters in the household's surrounding county. The final sample size is restricted by the number of new admissions in each year and the quality of the geographic geocodes for households in each year. These two sample restrictions resulted in a file with the number of household observations by year, indicated in the last column in exhibit 1.

During the entire analysis period, approximately 12 percent of all household observations are classified as new admissions. Of those 1,731,542 households, 88 percent (1,528,326) were retained for the analysis.

The analysis discussed in the next two sections consists primarily of descriptive exhibits and cross-tabulations of the number of ELI new admissions and the characteristics of ELI new admissions by year and geography. Income eligibility limits presented in the article are based on percentages of AMFI as calculated by HUD. Households with ELIs include those with incomes that do not exceed 30 percent of the AMFI, while households with VLIs include those with incomes that do not exceed 50 percent of the AMFI. These limits are adjusted in cases in which area fair market rents (FMRs) are unusually high or low relative to the AMFI. As of fiscal year 2004, income eligibility limits in 5 nonmetropolitan counties and 12 metropolitan areas were increased to the amount at which 35 percent of a four-person family's income equals 85 percent of the two-bedroom Section 8 FMR. Likewise, income limits in one rural county and one metropolitan area were decreased to the greater of 80 percent of the U.S. median family income or the amount at which 30 percent of a four-person family's income equals 100 percent of the two-bedroom FMR (HUD, 2004).

Yearly trends should be interpreted in light of the history of QHWRA adoption and implementation, which is discussed in Section 2. The exhibits presented in Section 4 present the results from cross-tabulations and descriptive statistics calculated at the household level for all newly admitted households. In the analysis described in Section 5, all household records were aggregated to the PHA level to obtain aggregate QHWRA compliance rates for each PHA. These compliance rates

Exhibit 1

Sample Sizes, by Year

Year	HCV Households	New Admissions	Matched to Geographic Variables
1997	1,146,333	144,244	124,732
1998	1,261,449	166,490	148,956
1999	1,467,911	178,769	159,966
2000	1,351,963	174,937	158,872
2001	1,705,079	321,219	248,096
2002	1,691,502	248,000	228,624
2003	1,916,540	202,678	184,409
2004	1,892,230	150,317	138,183
2005	1,977,885	144,888	136,488
Total	14,410,892	1,731,542	1,528,326

HCV = Housing Choice Voucher Program.

were compared with various characteristics of the PHA to determine the location of compliant and noncompliant PHAs along with their characteristics.

A few important caveats should be considered when interpreting the results of the PHA-level analysis. First, several PHA characteristics, such as local ELI thresholds and all renters characteristics obtained from CHAS, are provided at the county level, although PHAs do not always neatly correspond to county boundaries. For regional PHAs that include multiple counties, I address this problem by assigning to each PHA the average characteristics across all counties included in the PHA. Second, a small number of household records report PHA codes that are different from their location of residence. Correspondence with HUD indicated that this anomaly is rare (about 2 percent of the total cases) and results from arrangements among PHAs under the portability option, which allows households to use vouchers in areas other than the area administering the voucher. PHA averages of continuous variables will be biased slightly by this anomaly. For aggregates of categorical variables, I assign to each PHA the most frequent value reported by households within the PHA. This assignment helps ensure that, if one or two households exercise the portability option, these households do not influence the aggregate characteristics reported for most households residing within the PHA.

Section 4. National Trends in New Admissions, 1997 Through 2005

This section examines HUD administrative data to describe trends in the socioeconomic characteristics of those newly admitted to the HCV Program immediately before and after the enactment of QHWRA.

Incomes of Newly Admitted HCV Program Households

I begin with a discussion of the aggregate income characteristics of those households newly admitted to the HCV Program. Exhibit 2 describes the number and proportion of all new admissions with ELIs and VLIs. Although fluctuations have occurred in the proportion of ELI new admissions since 1997, at no time has the proportion fallen below 75 percent. In the years immediately after QHWRA's implementation, the percentage of new households with ELI fell to 76 percent but rebounded to a high of 80 percent by 2003. At no time during the analysis period did the percentage of households with VLIs fall below 98 percent.

Exhibit 3 displays the median nominal household income of new admissions for all years. Despite the slight increase in the percentage of ELI households displayed in exhibit 2, median nominal incomes of new HCV holders rose steadily during the 1997-through-2005 period. This increase of approximately 3 percent is just slightly higher than the U.S. Consumer Price Index inflation rate during the same period.

Exhibit 4 examines the source of income for all new admissions during the analysis period. For all households reporting income by source, exhibit 4 displays the average proportion of income from wages, welfare assistance (Aid to Families with Dependent Children [AFDC], Temporary Assistance for Needy Families [TANF], and other public welfare assistance), Supplemental Security Income, pension plans (including Social Security benefits and other pension benefits), or other sources.

Exhibit 2

ELI and VLI New Admissions, by Year

Year	Number of Non-ELI Households	Number of ELI Households	ELI Households (%)	Number of Non-VLI Households	Number of VLI Households	ELI Households (%)
1997	25,020	98,180	79.69	980	122,220	99.20
1998	33,685	114,053	77.20	1,504	146,234	98.98
1999	36,267	123,273	77.27	1,512	158,028	99.05
2000	37,181	120,434	76.41	1,689	155,926	98.93
2001	55,031	177,637	76.35	2,489	230,179	98.93
2002	47,323	180,262	79.21	2,025	225,560	99.11
2003	36,289	147,551	80.26	1,622	182,218	99.12
2004	27,902	110,281	79.81	1,447	136,736	98.95
2005	30,306	106,138	77.79	2,410	134,034	98.23
Total	329,004	1,177,809	78.17	15,678	1,491,135	98.96

ELI = extremely low-income. VLI = very low-income.

Exhibit 3

Median Household Income of New Admissions, by Year

Year	Median Household Income ($)
1997	6,916
1998	7,332
1999	7,656
2000	8,004
2001	8,304
2002	8,378
2003	8,401
2004	8,400
2005	8,940

Exhibit 4

Percent of Household Income, by Source and Year

Year	Source of Total Income (%)				
	Wage	Welfare	SSI	Pension	Other
1997	26.90	30.43	15.61	18.66	8.41
1998	30.95	24.43	16.24	19.48	8.90
1999	32.53	19.45	17.58	20.89	9.55
2000	34.74	17.99	17.25	19.95	10.07
2001	34.35	18.46	17.44	19.37	10.38
2002	33.00	17.94	17.81	19.08	12.17
2003	31.71	18.28	17.99	19.16	12.86
2004	31.14	18.69	16.81	20.12	13.24
2005	31.00	16.19	17.24	22.62	12.95

SSI = Supplemental Security Income.

The most dramatic trend reported in exhibit 4 is the decline in the proportion of households receiving welfare assistance. The percentage of HCV households relying on wage income increased from 27 percent in 1997 to nearly 35 percent in 2000, followed by a decline to approximately 31 percent by 2005. This decline is possibly due to changes in federal welfare assistance policy in 1996 that replaced the AFDC and other entitlement-based welfare programs with the TANF program. The rising productivity of the overall U.S. economy during the late 1990s also may have contributed to this trend.

Demographic Characteristics of New Admissions

I now turn to an examination of the demographic characteristics of new admissions to determine if the income-targeting provisions of QHWRA have altered the characteristics of households receiving housing choice vouchers. Preliminary data from HUD's *Resident Characteristics Report* suggest that, since enactment of the QHWRA income-targeting provision, a slight national increase has occurred in the percentage of minority HCV Program participants. To determine if these trends hold for all new admissions to the HCV Program and to determine if changes in the demographic characteristics of new admissions are driven by overall changes in household characteristics or changes in the composition of ELI households, I examine exhibits displaying the average socioeconomic characteristics of new admissions by year and ELI status.

Exhibit 5 displays the racial and ethnic composition of new admissions by year and by income relative to the ELI threshold. As indicated in exhibit 5, no dramatic changes occurred in the racial composition of new admissions during the 1997-through-2005 period. A few trends are particularly noteworthy, however. Although the overall proportion of Blacks admitted to the HCV Program has remained fairly constant, slight increases occurred in the number of Blacks above the ELI threshold and slight decreases occurred in the number of Blacks below the ELI threshold. Asians and Pacific Islanders saw a slight decline in total new admissions, which was driven primarily by a decrease in the number of ELI Asians. Among all racial and ethnic groups, Hispanic new admissions saw the largest increase, from around 11 percent in 1997 to nearly 14 percent in 2005. This change was driven primarily by increases in the number of Hispanic households earning incomes above ELI, a group whose relative proportion increased from 11 percent to more than 15 percent between 1997 and 2005.

Exhibit 6 examines similar changes in other household characteristics, including the average number of children per household, the average age of the household head, and the percentage of households with children that are headed by females.

All new admissions saw modest declines in the average number of children per household and modest increases in the average age of the household head. These trends were not significantly different for ELI households relative to other households, however. The representation of female-headed families with children also declined among all households. The declining representation of such households was most dramatic among ELI households. One possible explanation for this finding is that, after the enactment of QHWRA, PHAs were given more flexibility to establish their own local preferences for admissions. It is possible that, with this new flexibility, local PHAs adopted admissions preferences that, intentionally or not, tended to favor households that did not have children.

Exhibit 5

Racial and Ethnic Composition of New Admissions, by Year and ELI Threshold

Income Threshold	Year	Percent of New Admissions				
		Non-Hispanic White	Non-Hispanic Black	Non-Hispanic Native American	Non-Hispanic Asian or Pacific Islander	Hispanic
ELI	1997	44.95	40.80	0.98	2.15	11.12
	1998	44.26	40.12	1.01	2.38	12.22
	1999	46.50	38.90	0.98	2.13	11.48
	2000	45.43	40.82	1.07	1.21	11.47
	2001	44.07	40.54	1.04	1.79	12.56
	2002	40.66	43.15	1.07	1.59	13.54
	2003	42.05	40.54	1.05	2.09	14.26
	2004	43.85	40.05	1.33	1.41	13.36
	2005	45.72	37.97	1.24	1.70	13.36
Above ELI	1997	51.82	34.42	0.87	1.72	11.18
	1998	49.03	35.21	0.96	2.35	12.44
	1999	51.39	34.81	0.91	1.76	11.13
	2000	48.88	37.61	0.87	1.12	11.53
	2001	45.90	38.38	0.98	1.82	12.91
	2002	42.66	39.80	0.97	1.85	14.72
	2003	42.93	38.39	0.82	2.67	15.18
	2004	45.75	37.66	1.03	1.75	13.82
	2005	44.79	36.99	0.85	2.06	15.31
Total	1997	46.34	39.50	0.96	2.06	11.14
	1998	45.35	39.00	1.00	2.38	12.27
	1999	47.61	37.97	0.96	2.05	11.40
	2000	46.24	40.06	1.02	1.19	11.49
	2001	44.50	40.03	1.03	1.80	12.64
	2002	41.07	42.45	1.04	1.64	13.78
	2003	42.23	40.12	1.00	2.21	14.45
	2004	44.24	39.57	1.27	1.48	13.45
	2005	45.52	37.75	1.16	1.78	13.79

ELI = extremely low-income.

Exhibit 6

Demographic Characteristics of New Admissions, by Year and ELI Threshold

Year	Average Number of Children per Household			Average Age of Household Head			Percent of Households Headed by Females With Children		
	ELI	Above ELI	Total Households	ELI	Above ELI	Total Households	ELI	Above ELI	Total Households
1997	1.39	1.33	1.38	37.25	40.67	37.95	61.2	58.9	60.7
1998	1.34	1.36	1.35	38.03	40.30	38.56	58.3	59.6	58.6
1999	1.30	1.33	1.31	38.36	40.60	38.86	56.7	59.8	57.4
2000	1.31	1.36	1.32	37.78	39.66	38.21	57.9	62.1	58.9
2001	1.34	1.37	1.33	38.39	40.36	38.83	58.3	61.4	59.1
2002	1.25	1.28	1.26	38.00	41.12	38.64	55.4	58.1	56.0
2003	1.22	1.25	1.23	38.45	42.13	39.16	53.7	55.6	54.1
2004	1.22	1.23	1.22	38.13	42.21	38.95	54.5	55.4	54.7
2005	1.16	1.20	1.17	39.90	43.34	40.66	51.0	54.2	51.7

ELI = extremely low-income.

Are HCV Program Admission Trends Sensitive to Local ELI Thresholds?

It is possible that the aggregate national trends reported previously are highly sensitive to local ELI thresholds. If PHAs in areas with lower thresholds experience greater difficulty meeting the QHWRA income-targeting requirements, then local PHAs may adopt other local preference policies to ensure that the neediest local families are still being served. Furthermore, local ELI thresholds reflect varying local socioeconomic conditions, which may influence the types of households seeking housing assistance.

Exhibit 7 displays the percentage of households earning ELIs as a percentage of the local area ELI income threshold. Unlike exhibit 2, which presents the distribution of households by each HCV household's income level compared with the ELI cutoff, exhibit 7 presents the relative number of HCV households earning incomes that fall within different quintiles of the surrounding area's ELI limit, which is a function of the median family income of all households in the surrounding county and not simply those receiving vouchers.

As might be expected, areas with higher ELI thresholds, and which can draw from a larger income range to meet QHWRA goals, are more successful in attracting ELI households. Even those areas with the lowest ELI thresholds have been successful in meeting the Act's 75-percent goal, however.

Exhibit 8 replicates exhibit 5, replacing the cross-tabulation of household-level ELI with a cross-tabulation by quintiles of the areawide ELI threshold, as in exhibit 7, to determine how racial and ethnic compositions changed within areas with different ELI thresholds.

Whites have increased as a proportion of new admissions relative to non-Whites in all quintiles, except the lowest, of the ELI threshold. This trend contrasts sharply with the trend for African Americans. In all quintiles of ELI, Blacks constitute an increasingly lower proportion of new

admissions over time. Hispanics have increased in number within the lowest and highest ELI quintiles but have stabilized or decreased in proportion within intermediate ELI threshold areas. Among the two extremes, the increase in the relative proportion of Hispanics is greatest in areas with the lowest ELI thresholds.

Exhibit 7

Percent of New Admissions Earning Extremely Low Incomes, by Quintile of Area ELI Threshold

Year	Quintile Percentages of New Admissions Earning by ELI—				
	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
1997	77.59	80.02	80.42	81.93	84.13
1998	75.84	76.93	77.27	78.23	81.29
1999	76.82	76.80	77.19	76.66	80.36
2000	76.64	76.80	75.66	74.83	78.50
2001	75.10	77.49	76.14	75.39	77.63
2002	77.44	79.04	79.48	79.18	80.06
2003	81.00	81.80	79.29	79.93	80.10
2004	80.57	80.09	79.39	79.85	79.69
2005	77.31	79.40	78.19	77.71	76.75
Overall average	76.96	78.52	78.04	78.05	79.28

ELI = extremely low-income.

Exhibit 8

Racial and Ethnic Composition of New Admissions, by Year and Quintile of Area ELI Threshold (1 of 2)

ELI Quintile	Year	Percent of New Admissions				
		Non-Hispanic White	Non-Hispanic Black	Non-Hispanic Native American	Non-Hispanic Asian or Pacific Islander	Hispanic
1st	1997	62.37	26.71	1.00	0.40	9.52
	1998	62.47	25.71	1.03	0.51	10.28
	1999	64.56	24.50	1.02	0.36	9.56
	2000	64.75	23.71	1.08	0.26	10.19
	2001	63.87	23.60	1.25	0.38	10.89
	2002	60.17	24.15	1.27	0.32	14.09
	2003	58.78	22.89	1.19	0.29	16.86
	2004	60.37	25.38	1.25	0.20	12.79
	2005	55.79	24.86	1.15	0.21	17.98

Exhibit 8

Racial and Ethnic Composition of New Admissions, by Year and Quintile of Area ELI Threshold (2 of 2)

ELI Quintile	Year	Percent of New Admissions				
		Non-Hispanic White	Non-Hispanic Black	Non-Hispanic Native American	Non-Hispanic Asian or Pacific Islander	Hispanic
2nd	1997	46.37	41.45	1.08	0.95	10.15
	1998	45.92	39.85	1.02	1.02	12.19
	1999	53.71	35.12	1.12	0.71	9.33
	2000	51.76	35.27	1.25	0.62	11.09
	2001	53.53	33.53	1.23	0.71	11.01
	2002	53.00	34.01	1.41	0.81	10.77
	2003	52.90	34.70	1.19	0.90	10.33
	2004	57.75	31.19	1.17	0.48	9.41
	2005	61.38	27.77	1.29	0.45	9.11
3rd	1997	37.26	48.87	0.97	1.84	11.06
	1998	38.42	45.89	1.13	2.31	12.24
	1999	43.32	43.18	1.01	1.46	11.02
	2000	44.60	43.32	1.02	0.93	10.12
	2001	45.05	40.83	0.98	1.06	12.07
	2002	43.25	41.35	1.15	1.15	13.10
	2003	47.66	36.56	1.10	1.39	13.30
	2004	49.50	36.45	1.39	0.99	11.68
	2005	50.34	35.99	1.18	0.91	11.58
4th	1997	26.25	54.55	0.88	4.14	14.18
	1998	28.46	52.90	0.85	4.09	13.69
	1999	32.01	51.96	0.75	2.43	12.85
	2000	32.34	53.15	0.91	1.41	12.20
	2001	35.55	48.53	0.92	2.01	12.99
	2002	36.20	47.88	0.93	1.63	13.36
	2003	40.63	43.54	0.97	1.81	13.05
	2004	41.94	41.78	1.46	1.72	13.10
	2005	45.26	39.30	1.34	1.87	12.24
5th	1997	17.58	53.25	0.50	11.15	17.52
	1998	20.55	50.29	0.79	10.53	17.84
	1999	21.95	49.12	0.70	9.47	18.75
	2000	22.92	56.83	0.67	3.92	15.65
	2001	24.92	53.35	0.75	4.77	16.20
	2002	25.60	53.94	0.70	3.28	16.48
	2003	27.67	48.91	0.79	4.55	18.08
	2004	27.65	50.36	1.06	2.74	18.18
	2005	30.00	47.25	0.91	3.58	18.27

ELI = extremely low-income.

Exhibit 9 examines the average number of children per household, for new admissions, by area ELI threshold. Among all ELI thresholds, there is a trend toward smaller families among new admissions. The decline is most dramatic in the middle range of the ELI threshold distribution. In the highest ELI threshold, family sizes have declined somewhat but are still much higher than they were in other ELI threshold ranges.

Exhibit 10 examines the average age of household heads by area ELI threshold. As this exhibit suggests, there is an overall trend toward families headed by older household heads. The increase in age is most dramatic in lower ranges of the ELI threshold. In the highest ELI threshold range, the average age of household heads remained relatively constant during the analysis period.

Exhibit 9

Average Number of Children per Household, by Quintile of Area ELI Threshold

Year	Average Number of Children per Household				
	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
1997	0.67	1.28	1.72	2.30	2.99
1998	0.61	1.14	1.55	2.14	2.99
1999	0.52	1.01	1.36	1.99	2.82
2000	0.47	0.92	1.32	1.89	2.83
2001	0.42	0.84	1.18	1.65	2.61
2002	0.35	0.66	0.94	1.31	2.32
2003	0.24	0.50	0.84	1.25	2.24
2004	0.16	0.47	0.81	1.35	2.31
2005	0.24	0.40	0.67	1.23	2.21
Overall average	0.48	0.82	1.11	1.58	2.45

ELI = extremely low-income.

Exhibit 10

Average Age of Household Head, by Quintile of Area ELI Threshold

Year	Average Age of Household Head				
	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
1997	40.69	36.93	35.60	35.29	36.59
1998	40.99	38.56	37.20	35.93	36.34
1999	42.10	39.18	37.81	35.54	36.56
2000	42.77	39.34	36.62	34.88	34.56
2001	43.38	40.85	38.57	36.35	35.21
2002	43.13	41.26	39.18	37.40	35.23
2003	45.07	42.77	39.94	37.56	35.82
2004	45.44	42.78	39.74	37.03	35.39
2005	46.39	44.24	42.52	39.10	36.86
Overall average	42.54	40.50	38.75	36.77	35.69

ELI = extremely low-income.

The final exhibit in this section, exhibit 11, examines the proportion of new admissions headed by females with children, disaggregated by ELI threshold, as in the previous exhibits.

Exhibit 11 suggests that the overall decline in female-headed families with children reported in exhibit 6 differs by area ELI threshold. Within areas with the lowest ELI threshold, the relative number of female-headed households with children declined dramatically from 42 percent of new admissions in 1997 to 18 percent in 2005. As ELI thresholds increase, the magnitude of the decline is much smaller, with the relative percentage of female-headed households with children declining by only about 4 percentage points in areas with the highest ELI thresholds. These trends suggest that most new female-headed households with children receiving vouchers can be found in areas with the highest ELI thresholds.

Given that federal targets for new admissions are now expressed in terms of minimum income targets rather than household composition targets, the dramatic changes in the demographic and household composition of new admissions suggest that PHAs may be focusing more carefully on meeting the new federal goals, possibly at the expense of monitoring changes in other household characteristics and need categories. If this hypothesis is true, then additional monitoring may be required to ensure that certain household and demographic groups are being adequately served through federal housing subsidy programs, particularly in areas with low ELI thresholds, as these areas have experienced the most dramatic changes in household and demographic characteristics since 1997.

Exhibit 11

Percent of Households Headed by Females With Children, by Quintile of Area ELI

Year	Percent of Households Headed by Females With Children				
	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
1997	42.34	63.95	73.90	82.12	79.95
1998	39.99	58.72	67.81	78.23	77.81
1999	35.08	54.91	64.00	78.99	77.36
2000	32.72	52.26	65.86	78.74	83.01
2001	29.83	48.14	60.80	74.08	81.95
2002	24.99	40.34	51.60	63.81	79.25
2003	19.45	33.14	47.82	62.58	75.85
2004	14.26	32.94	48.17	64.75	78.46
2005	18.03	27.76	41.14	60.56	75.73
Overall average	18.03	27.76	41.14	60.56	75.73

ELI = extremely low-income.

Section 5. Trends in PHA Compliance With QHWRA, 1997 Through 2005

This section examines PHA-level trends in QHWRA compliance rates over time. I also compare the characteristics of QHWRA-compliant PHAs with PHAs that did not comply with income-targeting goals. Each of these analyses was performed using HUD administrative data aggregated to the level of the PHA.

National and Geographic Trends in QHWRA Compliance

How many PHAs have met the goals of QHWRA, and how have QHWRA compliance rates varied over time? Furthermore, what are the characteristics differentiating QHWRA-compliant PHAs from those not complying with the goals of QHWRA? I now turn to an examination of these questions. The exhibits presented in this section are calculated for PHA aggregates of the data described in the previous section. See Section 3 for more details on the methodology.

Exhibit 12 displays QHWRA compliance rates for PHAs by year. Approximately 62 percent of PHAs were compliant with QHWRA the year before its enactment (1997). In the year of enactment, this percentage declined to 55 percent and moved steadily upward until it reached a maximum of 69 percent in 2003. Between 2003 and 2005, compliance rates fell off somewhat but still remained approximately what they had been before the enactment of QHWRA. This finding is also supported by the household-level analysis reported in exhibit 2. One possible explanation for the dropoff in ELI compliance rates immediately after the enactment of QHWRA is that the new ELI requirements were adopted immediately after the elimination of federal admissions preferences. Thus, two major changes in federal admissions criteria occurred within a very short time. Although the elimination of federal admissions preferences presumably gave PHAs more flexibility in establishing local admissions criteria, it is possible that it took some time for PHAs to learn about the new rules and incorporate the changes into local policies and procedures.

Exhibit 13 breaks down the PHA compliance rates by U.S. census region. Overall, compliance with QHWRA is much higher in the Midwest and South. Furthermore, all regions saw relatively higher compliance rates before the enactment of QHWRA followed by a decline in compliance rates. By the end of the analysis period, compliance rates had risen back to approximately what they were before the enactment of QHWRA.

Exhibit 12

Total Number of PHAs Compliant With QHWRA*

Year	Noncompliant	Compliant	Compliant (%)
1997	788	1,307	62.39
1998	971	1,196	55.19
1999	961	1,256	56.65
2000	1,045	1,220	53.86
2001	1,045	1,263	54.72
2002	842	1,469	63.57
2003	725	1,586	68.63
2004	759	1,533	66.88
2005	812	1,481	64.59
Total	7,948	12,311	60.77

PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

**Compliant PHAs are those in which at least 75 percent of new admissions annually are from extremely low-income households.*

Exhibit 14 breaks down the PHA compliance rates by the central-city, suburb, or rural status of the PHA.[4] It also presents results for statewide PHAs. Overall compliance rates are highest in statewide PHAs and central cities and lowest in rural areas. For central cities and suburbs, compliance rates were highest before QHWRA; after the enactment of QHWRA, compliance rates fell and then rose during the analysis period but never to the level observed before the enactment of QHWRA. This

Exhibit 13

Percent of PHAs Compliant With QHWRA, by Region*

Year	PHA Region			
	Northeast	Midwest	South	West
1997	59.84	61.33	65.22	61.62
1998	47.83	56.17	59.84	53.71
1999	51.79	58.99	61.42	48.16
2000	46.08	55.85	59.49	48.86
2001	43.06	64.42	59.09	45.05
2002	52.88	72.89	67.36	54.52
2003	62.06	78.89	69.78	57.64
2004	58.74	75.65	69.06	57.77
2005	61.33	76.15	60.27	59.18
Overall average	53.76	66.67	63.55	53.97

PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

**Compliant PHAs are those in which at least 75 percent of new admissions annually are from extremely low-income households.*

Exhibit 14

Percent of PHAs Compliant With QHWRA, by Intrametropolitan Location*

Year	Intrametropolitan Location of PHA			
	Central City	Suburb	Rural	Statewide PHA
1997	72.99	66.53	52.42	77.78
1998	61.75	57.61	49.07	71.43
1999	64.50	57.33	51.10	70.00
2000	56.15	55.17	50.91	67.44
2001	60.99	52.76	52.52	68.42
2002	69.49	61.58	61.56	77.78
2003	76.28	63.15	69.09	75.68
2004	72.05	61.71	68.09	77.50
2005	69.98	61.40	63.49	87.18
Overall average	67.15	59.65	57.66	87.18

PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

**Compliant PHAs are those in which at least 75 percent of new admissions annually are from extremely low-income households.*

[4] Multicounty regional agencies are assigned to either the central-city, suburb, or rural category, depending on which of these three categories has the largest share of the agency's new admissions.

trend did not occur in rural areas, which saw compliance rates rise to levels in 2005 that were more than 10 percentage points above their levels in 1997. Thus, although rural areas are still less likely to comply with the goals of QHWRA, these PHAs saw the largest gains in QHWRA compliance during the analysis period. Statewide agencies also saw gains in compliance rates, although the percentage changes were relatively more modest than they were in exclusively rural areas.

Do Compliant PHAs Differ From Noncompliant PHAs?

Exhibit 15 displays averages of the following PHA characteristics by QHWRA compliance status and year: ELI threshold, number of Section 8 units, percentage of total renters who are ELI, ratio of ELI cost burdened renters to very low-income cost burdened renters, and ratio of ELI renters with housing problems to VLI renters with housing problems. The last two variables provide a measure of the extent to which ELI households are experiencing housing problems at a rate that is similar to other VLI renters.

Compliant PHAs are much larger, in terms of Section 8 units served, than noncompliant PHAs but not remarkably different along any other dimension. Several explanations are possible for the higher compliance rates among larger PHAs: (1) Smaller PHAs are located in rural areas with lower

Exhibit 15

Average Characteristics of Compliant and Noncompliant PHAs*

Compliant With QHWRA?	Year	ELI Threshold	Number of Section 8 Units	ELI Renters (%)	Ratio of Cost Burdened ELI to VLI	Ratio of ELI to VLI Housing Problems
Yes	1997	11,341.555	1,211.138	24.238	0.602	0.597
	1998	11,466.051	1,261.265	24.431	0.604	0.599
	1999	11,897.048	1,197.873	24.688	0.607	0.602
	2000	12,200.095	1,123.743	24.749	0.609	0.603
	2001	12,610.968	1,051.480	24.852	0.608	0.604
	2002	13,439.572	1,076.498	24.511	0.607	0.602
	2003	14,014.182	995.399	24.491	0.606	0.601
	2004	14,321.386	1,037.175	24.302	0.605	0.600
	2005	14,511.032	1,043.508	24.572	0.606	0.601
No	1997	10,392.700	511.030	23.069	0.592	0.588
	1998	10,608.060	572.273	23.108	0.592	0.587
	1999	11,157.996	605.120	22.870	0.589	0.584
	2000	11,680.016	720.955	22.873	0.588	0.583
	2001	12,164.170	756.788	22.971	0.588	0.583
	2002	12,771.552	622.423	23.036	0.587	0.582
	2003	13,880.126	721.201	22.684	0.584	0.580
	2004	14,278.920	661.827	22.846	0.586	0.581
	2005	14,221.759	669.611	23.001	0.587	0.582
Overall average		12,687.616	921.668	23.976	0.599	0.595

ELI = extremely low-income. PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998. VLI = very low-income.

**Compliant PHAs are those in which at least 75 percent of new admissions annually are from extremely low-income households.*

median family incomes, which limits the number of ELI households that can be targeted for HCV assistance; (2) smaller PHAs lack the data and tracking systems needed to determine whether they are meeting federal ELI targeting goals; (3) smaller PHAs are not aware of the new ELI requirement; or (4) smaller PHAs may be putting other goals, such as achieving family self-sufficiency, above federal ELI goals. Further research is needed to determine which of these factors is most important.

Exhibit 16 displays the percentage of household income from wages by PHA for all years, for each QHWRA compliance status, and by intrametropolitan location to determine if the income-targeting requirements under QHWRA have resulted in increases in the number of households relying on nonwage income, particularly within rural PHAs.

Exhibit 16 suggests that, in most years, statewide PHAs were the least likely to admit households relying on wage income. Among other PHAs, compliant rural PHAs exhibited the lowest reliance on wage income. Households in compliant rural PHAs increased their reliance on wage income at a higher rate than in other areas, however. This trend suggests that, although rural PHAs complying with the goals of QHWRA are accepting families with the highest reliance on nonwage income, this phenomenon does not seem to be related to the timing of QHWRA provisions.

Exhibit 16

Percent of Household Earnings per PHA From Wages, by QHWRA Compliance, Year, and Intrametropolitan Location*

Compliant With QHWRA?	Year	Percent Relying on Wage Income, by Location			
		Central City	Suburb	Rural	Statewide PHA
Yes	1997	26.01	30.09	25.29	25.07
	1998	31.18	31.39	27.13	28.88
	1999	32.39	32.04	29.18	29.24
	2000	32.59	34.48	32.14	32.83
	2001	32.05	34.75	31.92	29.79
	2002	32.04	32.35	30.89	27.61
	2003	31.94	31.99	31.14	27.64
	2004	28.57	29.96	30.07	25.59
	2005	26.89	30.03	28.45	23.54
No	1997	37.90	38.45	35.97	25.72
	1998	39.11	40.33	37.24	33.75
	1999	39.24	42.82	37.72	30.92
	2000	40.73	43.47	38.23	30.29
	2001	39.35	41.43	37.49	35.45
	2002	37.99	39.67	37.07	31.73
	2003	38.34	40.95	38.22	33.10
	2004	36.93	40.79	37.45	34.99
	2005	36.84	39.52	36.91	27.82
Overall average		33.05	35.49	32.89	28.77

PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

**Compliant PHAs are those in which at least 75 percent of new admissions annually are from extremely low-income households.*

PHA Size and QHWRA Compliance

The previous section suggests that, although some smaller rural PHAs have made strides in complying with QHWRA, smaller PHAs are still less likely to comply with the income-targeting goals of QHWRA. To get a more complete picture of the effect of PHA size on QHWRA compliance, I examined additional exhibits displaying (1) QHWRA compliance rates for PHAs of different size categories and (2) the percentage of families admitted to the HCV Program that lived in areas where PHAs complied with the goals of QHWRA. PHA size is defined in terms of the number of Section 8 units administered by the PHA (0 to 100 units, 101 to 250 units, 251 to 500 units, 501 to 750 units, 751 to 1,000 units, 1,001 to 1,500 units, 1,501 to 2,000 units, 2,001 to 3,000 units, 3,001 to 5,000 units, and more than 5,000 units).

As exhibit 17 suggests, QHWRA compliance rates generally increase with the number of units administered by the PHA, regardless of year, although the increase with PHA size is generally larger in earlier years. These results largely corroborate the findings displayed in exhibit 15 regarding PHA size differences in compliant and noncompliant PHAs. In addition to its implications for the types of PHAs meeting the goals of QHWRA, the variation in compliance rates by PHA size suggests that, although many small PHAs may not be adequately meeting the goals of QHWRA, the small number of families served by these PHAs may not pose a significant problem for overall QHWRA compliance. To determine if this hypothesis is true, exhibit 18 displays the percentage of families admitted to the HCV Program that lived in PHAs complying with the goals of QHWRA.

As exhibit 18 suggests, most families newly admitted to the HCV Program were admitted to PHAs meeting the goals of QHWRA. Between 1997 and 2005, the percentage never fell below 62 percent, which suggests that well over half of all admissions were concentrated among compliant PHAs. In other words, even though a larger number of small PHAs are noncompliant, these PHAs also serve fewer families and do not significantly influence the overall percentage of families served by compliant PHAs.

Exhibit 17

Percent of QHWRA Compliance Rates, by PHA Size Category

PHA Size (Number of Section 8 Units)	Year								
	1997	1998	1999	2000	2001	2002	2003	2004	2005
0–100	56.08	53.09	54.12	51.90	58.32	59.30	64.47	60.89	62.09
101–250	55.21	49.11	49.06	50.28	48.75	62.90	67.38	70.09	60.92
251–500	59.45	50.36	54.63	52.86	52.37	58.97	65.97	62.44	63.39
501–750	67.49	56.04	63.76	51.40	56.82	67.57	70.40	69.37	68.92
751–1,000	66.37	55.75	62.93	56.67	54.17	68.64	69.75	66.39	62.81
1,001–1,500	72.22	64.58	57.24	59.18	57.53	67.36	77.24	75.34	65.75
1,501–2,000	78.95	65.82	62.96	57.32	53.01	63.41	70.37	61.90	71.08
2,001–3,000	75.32	68.35	65.38	58.23	61.04	74.03	81.82	73.68	72.37
3,001–5,000	77.59	66.67	70.49	70.97	62.90	72.58	74.19	77.42	79.03
> 5,000	87.50	83.82	82.35	70.00	65.22	82.35	80.88	80.60	78.79

PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

A final issue related to PHA size is whether PHAs within different size categories missed meeting the goals of QHWRA by a small versus a significant percentage. To answer this question, exhibit 19 displays the percentage of PHAs that had ELI admissions percentages within certain bracketed categories (below 50 percent, 50 to 55 percent, 56 to 60 percent, 61 to 65 percent, 66 to 70 percent, 71 to 75 percent, 76 to 80 percent, 81 to 85 percent, 86 to 90 percent, 91 to 95 percent, 96 to 99 percent, 100 percent). These results are also broken down by PHA size category. For simplicity, I display the data only for the most recent year in the sample (2005).

Exhibit 18

Percent of New HCV Admissions in QHWRA-Compliant PHAs, by Year

Year	Percent of New HCV Admissions in QHWRA-Compliant PHAs (%)
1997	75.45
1998	68.40
1999	67.42
2000	62.23
2001	62.81
2002	73.82
2003	72.92
2004	73.34
2005	68.56

HCV = Housing Choice Voucher Program. PHA = public housing agency. QHWRA = Quality Housing and Work Responsibility Act of 1998.

Exhibit 19

ELI Admissions Percentages by PHA Size Category, 2005

ELI Admissions Percentage	PHA Size Category (Number of Section 8 Units)									
	0 to 100	101 to 250	251 to 500	501 to 750	751 to 1,000	1,001 to 1,500	1,501 to 2,000	2,001 to 3,000	3,001 to 5,000	> 5,000
<= 50	20.31	9.06	3.43	2.70	3.31	2.05	1.20	0.00	0.00	1.52
50–55	0.77	1.24	1.14	1.35	1.65	2.05	2.41	0.00	1.61	1.52
56–60	3.29	4.26	5.26	4.05	2.48	1.37	4.82	1.32	3.23	0.00
61–65	1.93	5.33	6.41	4.95	6.61	4.11	2.41	5.26	1.61	7.58
66–70	7.93	9.06	10.30	5.86	7.44	8.22	7.23	7.89	6.45	4.55
71–75	8.12	17.05	12.36	13.06	19.01	17.12	13.25	14.47	9.68	6.06
76–80	5.42	12.08	14.19	19.37	15.70	19.86	18.07	15.79	25.81	18.18
81–85	6.58	8.35	15.33	23.42	9.09	20.55	27.71	26.32	19.35	24.24
86–90	9.86	11.01	12.81	14.86	16.53	15.75	13.25	15.79	17.74	24.24
91–95	3.09	5.33	7.09	4.50	8.26	4.11	4.82	9.21	12.90	6.06
96–99	0.00	1.42	1.60	0.90	3.31	1.37	2.41	2.63	1.61	1.52
100	32.69	15.81	10.07	4.95	6.61	3.42	2.41	1.32	0.00	4.55

ELI = extremely low-income. PHA = public housing agency.

Examining the full distribution of ELI admissions percentages by PHA size category reveals a few interesting facts. First, we find that, although a larger number of smaller PHAs admitted less than 50 percent of households that were ELI, an even larger number admitted 100 percent of ELI households. Thus, the distribution of admissions among small PHAs is highly skewed. As PHA size increases, the distribution becomes less skewed, with a central tendency that is generally increasing over the PHA size distribution. This trend suggests that small PHAs are generally admitting either many more ELI households than is required or are falling well short of meeting federal goals, whereas most larger PHAs exhibit an increasing tendency toward higher ELI admissions. Further research is required to determine the reasons for this skewed distribution among small PHAs.

Section 6. Summary of Findings and Policy Implications

This article examines trends in the admission of new households to the Housing Choice Voucher Program since 1997 to determine if the income-targeting provisions of the Quality Housing and Work Responsibility Act have had any effect on the composition of those households enrolled in the HCV Program. The following paragraphs summarize the major findings from the study:

- The nation as a whole was already meeting the 75-percent ELI target before the enactment of QHWRA and has continued to meet the goal since. Furthermore, most PHAs were in compliance with the income-targeting goals of QHWRA during the 1997-through-2005 period. Despite these promising trends, a large number of PHAs are still not in compliance with the goals of QHWRA. The fact that nearly 40 percent of PHAs are not in compliance is a serous concern, which points to a need to either change policy or step up enforcement.
- On average, larger PHAs are more likely to comply with the goals of QHWRA than are small PHAs. Despite this overall trend, nearly one-third of PHAs with fewer than 100 units admitted 100 percent of ELI households in 2000. As PHA size increases, the average QHRWA compliance rate increases and the distribution of compliance becomes less skewed.
- Despite the relatively lower median family incomes found in rural areas, rural PHAs have made substantial strides in meeting the goals of QHWRA. Although rural PHAs are still less likely to comply with the goals of QHWRA than are PHAs located in central-city or suburban areas, rural PHAs have seen the largest gains in QHWRA compliance since 1997.
- Although rural PHAs complying with the goals of QHWRA admit families that are more likely to rely on nonwage income, this phenomenon does not seem to be related to the timing of QHWRA provisions.
- A trend toward increased HCV participation among Hispanic households has become apparent since the enactment of QHWRA. This trend is not observed for other non-White racial groups, however. In areas with high ELI thresholds, a marked decline has been recorded in the representation of African Americans among new admissions.
- A general trend toward smaller family sizes and older household heads has emerged among all new HCV admissions. The decline in family size and increase in the age of the household head are most dramatic in areas with low ELI thresholds.

- A trend toward fewer ELI female-headed households with children has become apparent among new HCV admissions. Given that the decline in ELI female-headed families is larger than the overall decline in female-headed family new admissions, and given that the loss of female-headed families is largest in areas with low ELI thresholds, QHWRA may have contributed to fewer female-headed families being served through the HCV Program. It is not clear whether these trends reflect income-targeting provisions or the repeal of federal preferences, however.

These findings point to four policy recommendations:

1. **The 75-percent ELI admissions criterion is a reasonable target for ensuring that the nation's neediest families continue to receive the most assistance.** This article finds that the nation as a whole was already meeting the 75-percent ELI target before the enactment of QHWRA and has continued to meet the goal since then, even in areas where the housing needs of ELI renters are the highest. Thus, the 75-percent ELI admissions criterion is attainable by most PHAs and serves as a reasonable target for HCV admissions.

   The National Low Income Housing Coalition suggests that certain program modifications may be necessary to ensure that vouchers are effectively targeted to needy families in areas where median family incomes are low. The coalition also argues that 75 percent of vouchers should go to either ELI families or families below the federal poverty level, whichever is higher (National Low Income Housing Coalition, 2005b). This article finds that, despite the relatively lower median family incomes found in rural areas, which potentially limit a rural PHA's ability to effectively meet aggressive income-targeting goals, rural PHAs have made substantial strides in meeting the goals of QHWRA. Although rural PHAs are still less likely to comply with the goals of QHWRA than are central-city or suburban PHAs, rural PHAs have seen the largest gains in QHWRA compliance since 1997.

   Although rural PHAs complying with the goals of QHWRA admit families that are more likely to rely on nonwage income, this phenomenon does not seem to be related to the timing of QHWRA provisions. In fact, 1996 welfare reform legislation that limited the duration of welfare assistance likely played a larger role in shaping the income composition of new admissions than has QHWRA. Evidence of this trend comes from the fact that all new admissions, and not merely those earning ELI, increasingly rely on wage income and have become less likely over time to rely on welfare assistance.

2. **Increased technical assistance and/or funds for program monitoring should be provided to small PHAs to help them comply with the goals of QHWRA.** On average, QHWRA-compliant PHAs are much larger than noncompliant PHAs. It is possible that smaller PHAs lack the data and tracking systems needed to determine whether they are in compliance with the goals of QHWRA. Furthermore, smaller PHAs may not be fully aware of the new requirement or may be putting other goals, such as achieving family self-sufficiency, above ELI goals. Increased funding for technical assistance to small PHAs or cost sharing arrangements with larger PHAs are possible strategies for addressing this problem. Additional compliance monitoring by HUD may also be necessary to ensure that ELI goals are not being compromised by the increased flexibility provided to PHAs in setting local admissions criteria.

3. **Increased monitoring of the changing demographic composition of new HCV admissions is warranted. To facilitate this effort, PHA agency plans should include an evaluation of trends in the composition of new admissions and propose local strategies for ensuring that the needs of all ELI families are being adequately met.** With the repeal of federal preference requirements, local PHAs have begun to exercise more discretion in selecting households for participation in the HCV Program. Some agencies now choose to provide direct assistance to those facing the greatest economic hardships while others focus on households moving to self-sufficiency. Still others focus on "hard to house" individuals, who tend to be elderly or disabled. Given that federal targets for new admissions are now expressed in terms of minimum income targets rather than household composition targets, PHAs may be focusing more carefully on meeting the new federal goals, possibly at the expense of monitoring changes in other household characteristics and need categories. Some evidence of this change in focus comes from Devine et al. (2000), who found that only 11.7 percent of PHAs rely on the former federal hardship preferences when prioritizing housing assistance allocations. In fact, 29 percent rely on no preference criteria at all and instead allocate assistance solely on the basis of an applicant's order of appearance on a waiting list.

   The findings of this study suggest that steps should be taken to ensure that the needs of minority families and female-headed households with children are still being adequately met in the HCV Program, particularly given that minority households and female-headed families with children are disproportionately concentrated in the ELI bracket and are thus eligible for the most assistance.

   At a minimum, increased monitoring of the changing demographic composition of new HCV admissions is warranted. PHA agency plans should include an emphasis on trends in the composition of new admissions and propose local strategies for ensuring that the needs of all ELI families are being adequately met. These findings also call for a reexamination of the degree of discretionary authority that local PHAs exercise when admitting tenants. A new federal target for families relying on nonwage income and households supporting children may help ensure that the needs of the nation's neediest families are being adequately met.

4. **A better understanding is urgently needed about why some PHAs are not complying with the income-targeting requirements of QHWRA.** Future research should examine trends in public housing admissions together with HCV admissions to see whether individual PHAs have in fact increased their total admissions of non-ELI households over time. It would also be useful to examine data before 1997 to compare income targeting achieved through federal preferences with income targeting achieved after the suspension of federal preferences. Finally, further research is needed to understand why small PHAs are having trouble complying with the law and, in particular, why some PHAs are admitting well more ELI households than the law requires while others are falling well short of meeting federal goals. One suggestion is to conduct telephone surveys of small noncompliant PHAs to learn more about the reasons why they are not complying with the ELI admissions requirement. Another strategy is to obtain such information through smaller focus groups consisting of small PHA representatives.

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Author

Casey J. Dawkins is assistant professor of urban affairs and planning and the director of the Virginia Center for Housing Research at Virginia Polytechnic Institute and State University.

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