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Special Attention of:

## **NOTICE** PDR-2012-01

Regional Directors, Field Office Directors,  
Economists, Public & Indian Housing  
Division Directors, Multifamily Hub Directors,  
Multifamily Program Center Directors

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Cross References:

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**Subject:** Estimated Median Family Incomes for Fiscal Year 2012

This memorandum transmits median family income (MFI) and income distribution estimates for Fiscal Year (FY) 2012. They are calculated for each metropolitan and nonmetropolitan area using the Fair Market Rent (FMR) area definitions applied in the Section 8 Housing Choice Voucher Program. The estimated MFI for the United States for FY 2012 is \$65,000.

There were no changes to the area definitions for the FY 2012 MFIs. HUD continues to use the 2005-2009, 5-year American Community Survey (ACS) income data as the basis of FY 2012 Income Limits for all areas of geography, except for the US Virgin Island and the Pacific Islands. This is the same data that HUD used in calculating the FY 2011 MFIs; more current ACS data has not been released. An additional year of the Consumer Price Index update factor and the use of FY 2012 FMRs for high housing cost adjustments will result in the changes between the FY 2011 and the FY 2012 income limits. The factor HUD uses to trend the 2009 estimates to the midpoint of FY 2012 is unchanged at 3 percent per year<sup>1</sup>.

In areas where there is also a valid 2009 1 year ACS estimate of median family income, a statistical comparison is made between the 5-year median family income and the 1-year median family income available from the ACS. If the 1 year data are statistically different then the 5-year data, HUD calculates an update factor between the 5-year data and the 1-year data and applies this to the 5 year data.

An explanation of the methodology used to develop FY 2012 MFIs and related documents are attached. Attachment 1 provides an explanation of the estimation methodology used. Attachment 2 provides state-level MFI estimates. Since these state-level MFI estimates are no longer an update of the 2000 Decennial Census (which provided 1999 income estimates) there are no longer columns

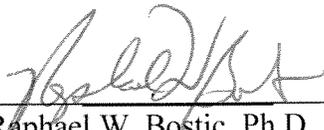
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<sup>1</sup> This average annual trend factor is unchanged from last year and relies on a comparison of the nation ACS income in 2000 compared with the income for 2008. HUD is currently evaluating alternative trend factors and may update or change this trend factor for next year, most likely using a methodology similar to the method for calculating the trend factor in the FY 2013 Fair Market Rent calculations.

showing comparisons between current and 1999 state medians. The Income Limits Briefing Material and Area Definitions reports are provided with this notice. Data disk files are also provided on Section 8 Income Limits and income limits for the Section 221(d)(3) Below Market Interest Rate (BMIR) rental program, the Section 235 program, and the Section 236 program, that are not part of this transmittal notice, for you information.

Please note that the use of the HUD MFI estimates is subject to individual program guidelines covering definitions of income and family, family size, effective dates, and other factors. If you have any questions concerning these matters, please refer them to our website at <http://www.huduser.org/portal/datasets/il.html>.

HUD MFI estimates are also available at the Department's Internet site, which provides a menu from which you may select the year and type of data of interest (<http://www.huduser.org/portal/datasets/il.html>).



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Attachments

## ATTACHMENT 1

### HUD METHODOLOGY FOR ESTIMATING FY 2012 MEDIAN FAMILY INCOMES

HUD updated its methodology to produce Median Family Income (MFI) estimates to take advantage of new nationally comprehensive data available from the Census Bureau's American Community Survey (ACS), beginning with the FY 2011 MFIs. In December 2010, the first set of 5-year ACS data was published. These 5-year aggregations, covering surveys administered in 2005 through 2009, provided income data for most areas of geography<sup>2</sup>. Because of the increase in the geographic coverage of the 5-year data, HUD's methodology for calculating FY 2011 MFI no longer was based on 2000 Decennial Census data, but rather, the 2005 – 2009 ACS data. The next 5-year series of income data, from 2006 to 2010 was not released in time to incorporate it into the FY 2012 MFIs, which HUD is publishing at this time in response to public comment supporting a fixed, early publication date. HUD is using the same ACS data for FY 2012 MFIs as it used for FY 2011 MFIs. HUD uses additional Consumer Price Index (CPI) data to update the ACS data from mid-2009 to the end of 2010. The factor used to trend the 2010 estimates to the midpoint of FY 2012 MFIs is unchanged at 3 percent per year<sup>3</sup>. Separate HUD MFI estimates are calculated for all Metropolitan Statistical Areas (MSAs), HUD Metro FMR Areas, and nonmetropolitan counties.

The ACS, conducted annually, was designed to produce estimates similar to the long-form sample survey previously conducted with the Decennial Census upon compilation of 5 years of data. Each year since full implementation of the survey in 2005, the Census Bureau collected an ACS sample sufficient to provide estimates of most survey items for areas with populations of 65,000 or more. After the 2007 ACS, the Census Bureau released data aggregated from the ACS samples collected over the three years, 2005, 2006, and 2007. This allowed the Census Bureau to release estimates for most items for areas with populations of 20,000 or more. FY 2010 MFIs reflected ACS survey data aggregated over 2006, 2007 and 2008. After the 2009 ACS sample, the Census Bureau had sufficient data to release aggregated five-year estimates. Five-year estimates are designed to provide estimates for geographic areas of all sizes relevant to MFI and income limit production.

As mentioned above, HUD used the 2005-2009 5-year ACS data in the calculation process for both the FY 2011 MFIs and the FY 2012 MFIs. Specifically, for each metropolitan area, subarea of a metropolitan area, and non-metropolitan county, 5-year ACS data is used as the new basis for calculating MFI estimates. HUD is incorporating the 5-year data in this way to eliminate the reliance on the data collected during the 2000 Decennial Census as it is more than a decade old. In areas

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<sup>2</sup> The ACS covers the 50 United States, and a separate survey called the Puerto Rico Community Survey (PRCS) covers Puerto Rico. The US Virgin Islands and the Pacific Islands (American Samoa, Commonwealth of the Northern Mariana Islands, and Guam) are not covered by the ACS or PRCS. Detailed demographic and socio-economic information covering these island areas have been collected by a special Long Form survey conducted in conjunction with the 2010 Decennial Census. These data are scheduled to be available in the Fall of 2012. For FY 2012 median family income calculations, HUD continues to use the change in the national median income between the 2000 Decennial Census and the latest ACS data as the update factor for the US Virgin Islands and the Pacific Islands. Since there was no new ACS data used for the calculation of FY 2012 median incomes, the national median from FY 2011 was updated with CPI through the end of 2010.

<sup>3</sup> This average annual trend factor is unchanged from last year and relies on a comparison of the nation ACS income in 2000 compared with the income for 2008. HUD is currently evaluating alternative trend factors and may update or change this trend factor for next year, most likely using a methodology similar to the method for calculating the trend factor in the FY 2013 Fair Market Rent calculations.

where there is a valid 1-year ACS survey median family income result, HUD endeavors to use this data as well to take advantage of more recent survey information. By using both the 5-year data and the 1-year data, where available, HUD is establishing a new basis for MFI estimates while also capturing the most recent information available.

HUD changed the way it uses ACS margins of error for the FY 2011 MFI estimates. HUD set the base MFI equal to the 2005-2009 5-year ACS survey value. For areas with a valid 2009 1-year survey result, HUD used the margin of error for the 1-year data in conjunction with the margin of error for the 5-year survey result to determine if the two survey results are statistically different. If they are statistically different, HUD uses the 1-year survey result. In the few cases where the margin of error exceeds the survey estimate, so that the confidence interval around the estimate includes zero, HUD assigns the state nonmetropolitan median<sup>4</sup>. This evaluation is unchanged in the use of the 2005-2009 ACS data for the FY 2012 MFI estimates.

MFI estimates are based on the most currently available data, but the delay in collecting and reporting the survey data mean that 2009 ACS income data is used for FY 2012 estimates that have an as-of date of April 1, 2012. The CPI is used to bring the income data from 2009 to the end of 2010. A trend factor based on historic patterns of nominal income growth is used to inflate the estimate from the end of 2010 to April, 2012. As in previous years, HUD is maintaining the use of a 3 percent trend factor.

Median family<sup>5</sup> incomes start with the development of estimates of MFI for the metropolitan areas and non-metropolitan FMR/income limit areas (including U.S. territories). Attachment 2 provides a detailed explanation of how median family income estimates are calculated. The major steps are as follows:

HUD uses 2005-2009 5-year ACS estimates of median family income calculated for the areas used for FMRs and income limits as the new basis for FY 2012. In areas where there is also a valid 2009 1-year ACS estimate of median family income, a statistical comparison is made between the 5-year median family income and the 1-year median family income available from the ACS. If the 1-year data are statistically different from the 5-year data, HUD calculates an update factor between the 5-year data and the 1-year data and applies this to the 5-year data. Once the appropriate 2009 ACS data has been selected, the data are set as of December 2010 using the December 2010 national CPI value divided by the annual 2009 National CPI value.

All places:

All estimates (using either 5-year data or 5-year data augmented with 1-year data) are updated with CPI through the end of 2010 then trended from December, 2010 to April, 2012 (1¼ year) with a trending factor of 3 percent per year.

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<sup>4</sup> For the FY 2012 MFI estimates, HUD uses the state nonmetropolitan median for Kalawao County, HI and Kenedy County, TX.

<sup>5</sup> Family refers to the Census definition of a family, which is a householder with one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The definition of family excludes one-person households and multi-person households of unrelated individuals.

For the non-Puerto Rico Insular Areas of the United States,<sup>6</sup> which currently lack ACS coverage, national ACS income changes are used as surrogates to update 2000 Decennial Census data. HUD anticipates eventually receiving new income data for these areas from the 2010 Decennial Census, which included a "long form" collection of detailed socio-economic information in these areas only.

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<sup>6</sup> The areas without ACS coverage are the U.S. Virgin Islands, Guam, American Samoa, and the Northern Marianas Islands. Puerto Rico is covered by the ACS-equivalent Puerto Rico Community Survey.

## ATTACHMENT 2

**FY 2012 Median Family Incomes for States,  
Metropolitan and Nonmetropolitan Portions of States**

STATE	FY 2012		
	TOTAL	METRO	NONMETRO
Alabama	55400	58800	47600
Alaska	80400	84500	71100
Arizona	61600	62800	46900
Arkansas	50900	56600	43900
California	71400	71800	57900
Colorado	74100	76700	61000
Connecticut	89200	90000	83200
Delaware	73300	77400	62600
District of Columbia	71400	71400	52400*
Florida	57000	57800	45900
Georgia	59800	63700	45200
Hawaii	79400	82700	73400
Idaho	55200	58400	50500
Illinois	72100	75300	57400
Indiana	60100	62400	53600
Iowa	64800	70300	59300
Kansas	65200	72100	54400
Kentucky	53000	61800	43600
Louisiana	55700	59600	47000
Maine	61000	66300	54900
Maryland	89300	90600	72600
Massachusetts	86100	86100	89500
Michigan	60400	62900	52100
Minnesota	73900	80200	60000
Mississippi	48700	57700	42200
Missouri	60700	66600	47800
Montana	58000	60900	56600
Nebraska	64400	71500	57000
Nevada	64800	64700	66000
New Hampshire	80500	87500	70300
New Jersey	89400	89400	52400*
New Mexico	54500	58900	47700
New York	71400	73300	56900
North Carolina	57800	61600	50200
North Dakota	67600	72900	63800
Ohio	61100	63200	53600
Oklahoma	55800	59900	49500
Oregon	63900	67700	53400
Pennsylvania	66600	69300	55600
Rhode Island	75700	75700	52400*
South Carolina	55800	58400	48300
South Dakota	60400	65700	56400
Tennessee	54700	59000	46000
Texas	60300	62400	49300
Utah	67500	69000	57500
Vermont	67600	76700	63800
Virginia	76900	82800	52600
Washington	72900	75600	57400
West Virginia	50700	55400	45400
Wisconsin	66700	70200	59900
Wyoming	67700	66600	68300
US	65000	67600	52400

\* US non-metropolitan median