CENTER ON BUDGET AND POLICY PRIORITIES

TESTIMONY OF BARBARA SARD
Director of Housing Policy, Center on Budget and Policy Priorities
Before the
Senate Committee on Banking, Housing and Urban Affairs
Hearing on Housing and Community Development Needs: The FY 2003 HUD Budget
November 29, 2001

I appreciate the invitation to testify today. I am Barbara Sard, director of housing policy for the Center on Budget and Policy Priorities. The Center is a nonprofit policy institute in Washington that specializes both in fiscal policy and in programs and policies affecting low- and moderate-income families.

My testimony today addresses the importance of adequate funding for housing vouchers in the Administration's proposed budget for the Department of Housing and Urban Development for fiscal year 2003. First, I review recent data on housing needs, and the role of housing vouchers in particular in meeting these needs. The second part of my testimony highlights recent research results on the role of housing assistance — particularly mobile vouchers — in supporting welfare reform and education reform goals. Finally, I address voucher-related budget priorities for fiscal year 2003.

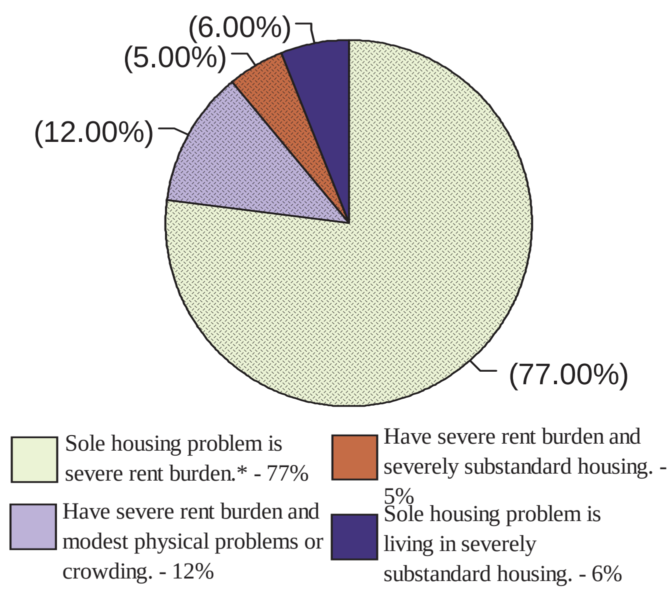
The Need for Additional Housing Vouchers

Despite their increased involvement in the labor market, millions of poor and near-poor families remain unable to afford decent housing.

- The most recent data from the American Housing Survey show that in 1999, some 4.9 million very low-income renter households that did not receive housing assistance paid more than half of their income for rent and utilities or lived in severely substandard housing (HUD 2001). These are the households that HUD defines as having "worst case" housing needs. (Very low-income households have incomes at or below 50 percent of the area median income.) Most households with worst case housing needs that are not elderly or disabled are working households. Specifically, some 80 percent of households with worst case housing needs in 1999 that had an adult who was not elderly or disabled relied on earnings as their primary source of income.

- For more than three-fourths of the households with worst case housing needs, their problem is that they pay more than half of their income for housing. (See Figure 1.) Housing vouchers can directly mitigate this affordability problem. The approximately 3.7 million households with worst case housing needs that do not live in crowded or substandard housing may be able to use housing vouchers in their current housing to reduce their housing costs to 30 percent to 40 percent of their income, enabling them to meet other basic needs. Alternatively, they could use housing vouchers to move to other units. Additional families with severe rent burden that live in moderately substandard housing could use vouchers in their current unit if the owner would agree to repair it.

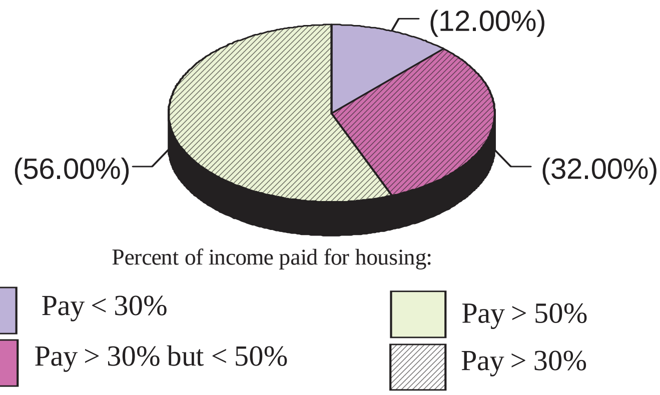
Figure 1.
Affordability is the Primary Housing Problem
Types of Housing Problems of 4.9 Million Unsubsidized Renter Households with Incomes Below 50% of the Area Median Income



* Severe rent burden is defined as a household paying 50% or more of its income on rent.
Source: Based on data from *A Report of Worst Case Housing Needs in 1999: New Opportunities Amid Continuing Challenges*, HUD, 2001.

- Having a job is not sufficient to lift families with children out of poverty and ensure that they can afford decent housing. In 1999, a higher proportion of households with worst case housing needs were working than in 1997. Among poor families with children who are unsubsidized renters with at least quarter-time, year-round minimum-wage earnings, some 88 percent paid more than 30 percent of their income for housing in 1999. (This is the federal standard of housing affordability established in the Reagan era.) A majority of these families (56 percent) spent more than half of their income on housing in 1999. See Figure 2.

Figure 2. Working Poor Families with Children*:
Most Pay Too Much for Housing in 1999



Source: American Housing Survey, (1999) and additional calculations by Cushing Dolbeare and the Center on Budget and Policy Priorities.

- On average, a family must earn at least $13.87 per hour of full-time work — about $28,000 per year — to afford a two-bedroom housing unit at the Fair Market Rent.[1] In no county, metropolitan area, or state does a family earning the equivalent of full-time employment at the minimum wage have enough income to pay the Fair Market Rent for housing with one or more bedrooms without spending more than 30 percent of income for rent and utilities (NLIHC 2001).

Renter households with incomes below 30 percent of the area median income — roughly equivalent to the poverty line — have by far the greatest incidence of acute housing problems. Over two-thirds (68 percent) of these extremely low-income renter households without housing assistance had worst case housing needs in 1999. Another 20 percent had other less serious housing problems, such as paying 31 percent to 50 percent of their income for rent or living in crowded housing or housing with moderate physical problems.

By contrast, 22 percent of renter households that had incomes between 31 percent and 50 percent of the area median income and received no housing assistance experienced severe housing problems. Fewer than 5 percent of households with incomes between 51 percent and 80 percent of AMI faced these problems. (Nelson, 2001.)

Exacerbating this situation, the number of private units affordable to extremely low-income renter households that receive no housing assistance dropped by more than 200,000

[1] The housing cost used in this calculation ($720 per month) is the estimated median FY 2002 two-bedroom national Fair Market Rent calculated by the National Low Income Housing Coalition, *Out of Reach, 2001.* It is based on HUD's proposed 2002 FMRs weighted by the number of renter households reported by the 2000 Census.

between 1997 and 1999 due to rent increases as well as continuing abandonment of unprofitable rental housing (Joint Center for Housing Studies 2001).[2] Changes in the housing market also have reduced the number of housing units potentially available to families that do have housing assistance in the form of Section 8 vouchers, highlighting the need for new housing production resources. Between 1997 and 1999, the number of units with rents below the HUD-determined Fair Market Rent (FMR) dropped significantly. Vacancy rates for units renting at or below the applicable FMR fell in every region except the Midwest (HUD 2001).

In all regions, the units in shortest supply were those with three or more bedrooms and rents below FMR, making the search for housing particularly difficult for voucher holders with three or more children. In every region, suburbs had the fewest vacancies in units renting below the FMR (*Id.*).[3] These are the areas that are most likely to have the greatest job growth. It is important that a substantial share of additional production of rental housing take place in these areas.

Housing vouchers are an essential component of any housing strategy to remedy the problems of extremely low-income renters. Of the many types of federal housing assistance, only housing vouchers are primarily targeted on extremely low-income households: 75 percent of vouchers issued each year must go to extremely low-income applicants. In addition, vouchers generally are necessary to make housing produced through the Low Income Housing Tax Credit (LIHTC) and HOME programs affordable to extremely low-income households. New subsidized rental housing constructed or rehabilitated through these programs is generally affordable to households with incomes below 45 percent of area median income only if they have other subsidies.

In 1999, some 40 percent of the households renting units produced through the LIHTC program had incomes below 30 percent of the area median, but a majority of these households (62 percent) used Section 8 subsidies (tenant-based or project-based) to afford the rent (Buron *et al.* 2000). A more recent HUD study found that while nearly half of all HOME-funded rental units house extremely low-income households, those households in this category who lack rental

---

[2] This figure may include the affordable units lost due to demolition or abandonment, but not units that are still part of the housing stock but are no longer affordable to extremely low-income families. HUD estimates the total loss between 1997 and 1999 in the number of units affordable to extremely low-income families may have been twice as great as the Joint Center's report indicates.

[3] The Fair Market Rent, determined annually by HUD, generally is equivalent to the rent for the bottom 40 percent of non-luxury units available for rent in the prior two years. HUD's analysis assumed that units were potentially available to families with vouchers if the charge for rent and utilities was below the 1995 FMR set at the 40th percentile, adjusted for inflation to 1999. Under the rules of the new merged voucher program that began in 1999, however, families can rent units above the FMR so long as their share of the cost does not exceed 40 percent of their income. In addition, PHAs are allowed to increase their maximum payment to 110 percent of the FMR. In January 2001, HUD increased the FMR in 39 metropolitan areas to cover half of the rental units (50th percentile).

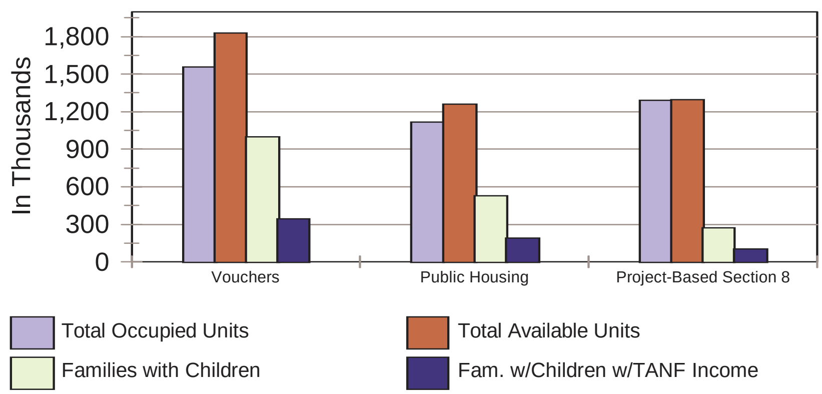
assistance paid an average of 69 percent of income for rent (Herbert *et al.* 2001). What makes this of particular concern is that nearly half of extremely low-income households residing in HOME-funded units lacked rental assistance (*Id.*).

Using housing vouchers to provide the subsidy that extremely low-income households usually need to afford even subsidized newly-produced housing has the advantage of enabling families to move when necessary for employment or family reasons without having to give up their housing subsidy. This flexibility of housing vouchers is retained by the new project-based component of the housing voucher program (Sard 2001). Also, vouchers now can be used for homeownership.

Housing Vouchers Support Welfare and Educational Reform Goals

Various studies indicate that the mobility feature of vouchers, in addition to the guarantee of increased housing affordability, may result in a number of beneficial outcomes for both parents and children. Housing vouchers are the leading source of federal housing assistance for low-income families with children. Two-thirds of vouchers issued in any year go to families with children, with the remainder predominantly used by people with disabilities and elderly people. Nearly one million families with children are currently served by the voucher program, almost twice the number of families with children that live in public housing. See Figure 3.

Figure 3. Demographics of Major Federal Housing Programs, by Program Type

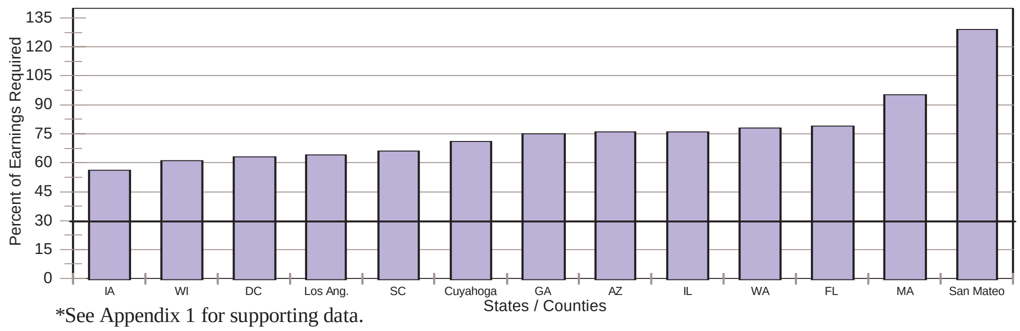


* The data on occupied units and the percent of occupied units occupied by families with children are based on the Resident Characteristics summaries for each program from May 2001 posted by HUD at http://www.hud.gov/mtcs/public/guest.cfm. The number of public housing and project-based Section 8 units is adjusted based on conversations with HUD PD&R staff.
**The percent of families with children with TANF income is calculated by the Center on Budget and Policy Priorities based on May 2001 U.S. Department of Housing and Urban Development administrative data.

Welfare Families That Go to Work Typically Do Not Earn Enough to Afford Housing

Most families that leave welfare for work do not earn enough to afford decent-quality housing. Recent data indicate that the average total monthly income of households that previously received welfare benefits and have at least one working member is $1,261 (in 2002 dollars). This typical welfare leaver family must pay 57 percent of its total income for decent, modest housing.[4] Because housing costs vary so dramatically across the country, it is important to look at state and local data on the ability of welfare leavers to afford housing. In the 14 jurisdictions with HHS-financed studies on the earnings of recent welfare leavers, modest housing costs would consume 52 percent to 129 percent of estimated monthly earnings.[5] See Figure 4 and Appendix 1.

Figure 4. Estimated Percent of Earnings Required for Welfare Leavers to Afford a Modest 2-Bedroom Unit*



*See Appendix 1 for supporting data.

While some states provide significant TANF supplements for families with low earnings, the combination of work and welfare generally does not provide families with sufficient income to obtain decent housing that costs less than half their income. The data in Appendix 2 illustrate the benefits available to working mothers with two children earning $500 and $1,000 per month, respectively, in Colorado, Maryland, Rhode Island, and Texas, and compare the families' total income (including food stamps) to the cost of modest housing. Because Rhode Island has the most generous TANF benefits and the second lowest housing costs of the four states, as well as a fairly generous policy on supplementing low earnings with TANF benefits, families with low earnings ($500 per month) in Rhode Island are better able to afford housing than families in the other states. Even so, a Rhode Island family of three with $500 in earnings would still have to pay 58 percent of its income, including food stamps, for modest housing. Nationally, only about

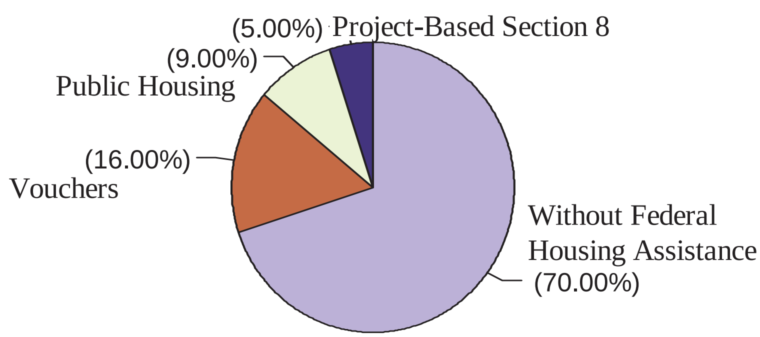
4 The median total income of leaver households is based on 1999 data from the National Survey of American Families, adjusted for inflation to 2002, and includes earnings and benefits for all household members in households with at least one employed member. See Loprest 2001. For the rent calculation, see note 1.

5 These percentages are based on median wages of employed welfare leavers, derived from median quarterly earnings in the last quarter of the first year after leaving welfare as reported in ASPE-financed studies, found at http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm, adjusted for inflation to 2002, compared with the 2002 State FMRs as calculated in NLIHC 2001, (see note 1 above). The calculations assume that families pay no more than 30 percent of income for rent and have no income other than the earnings of the welfare leaver. The State FMRs published by NLIHC are updated to reflect final FMRs.

30 percent of families that receive TANF benefits have federal housing subsidies to help them afford their rent. Slightly more than half of the families that receive both TANF benefits and federal housing assistance have housing vouchers. See Figure 5. The percentage of TANF families with housing assistance varies in each state from about 12 percent to 50 percent.

High housing costs can leave families with insufficient remaining income for basic necessities or to pay for child care, clothing for work, transportation, and other expenses that often must be met for families to move from welfare to work. In addition, families that pay too much of their income for housing or live in severely inadequate or overcrowded housing may have to move frequently. Such moves may interrupt work schedules, jeopardize employment, and adversely affect children's educational progress. A recent study in Ohio found that 42 percent of families that had recently left welfare and paid more than half of their income for housing moved in the six-month period after leaving welfare. In contrast, roughly eight percent of the general population moves in a six-month period (Coulton 2001).

Figure 5. Distribution of TANF Recipients by Type of Housing Assistance*



* State and local housing assistance data unavailable.

Source: Center on Budget and Policy Priorities calculation based on May 2001 U.S. Department of Housing and Urban Development administative data and March 2001 U.S. Department of Health and Human Services U.S. Welfare Caseload Information.

Conversely, lack of housing subsidies or other assistance can prevent families from making moves that could improve their economic prospects, such as moves to areas with greater employment opportunities or areas where parents feel safe enough to go to work and leave older children unattended or to return from work at night on public transportation. According to a survey of 77 metropolitan areas, more than 80 percent of newly-created, low-skill jobs in the early 1990s were created in the suburbs (HUD 1997). While relative job growth in cities improved somewhat later in the decade, about two-thirds of new retail and service sector jobs were still being created in the suburbs. In addition, manufacturing jobs increased in the suburbs during the 1990s, while decreasing in cities (HUD 2000). These newly-created jobs often are inaccessible to welfare recipients and working poor families living in central cities or rural areas.

Housing Vouchers Can Promote Employment and Decrease Welfare Use

Not surprisingly in light of these data on housing unaffordability and the mismatch between where many low-income families live and where jobs are increasing at the fastest rate, studies have found that families with vouchers work more hours and have higher earnings than similar families without housing assistance or with other forms of housing assistance (Ong 1998).

There also is evidence that using vouchers to move to low-poverty areas increases employment and reduces welfare receipt. In the Gautreaux program in Chicago, families that used vouchers to move to the suburbs had an employment rate of 64 percent, while comparable families that used vouchers to move to other city neighborhoods had an employment rate of only 51 percent (Rosenbaum 1995). In addition, families that used vouchers to move to neighborhoods with more educated residents substantially reduced their incidence of welfare receipt (Rosenbaum and DeLuca 2000).

It is not yet clear whether the apparent employment impacts of the Gautreaux program will be replicated in the Moving to Opportunity (MTO) Demonstration. Evidence from the Baltimore site does indicate that public housing households targeted to receive housing vouchers as well as counseling to help them move to low-poverty census tracts were significantly more likely to exit welfare than families that did not have these opportunities. The reduction in the rate of welfare receipt appeared to be due largely to increases in employment and earnings.[6]

Affordable housing also may enhance welfare reform efforts. Research increasingly suggests that vouchers and other government housing subsidies can promote work among long-term welfare recipients when combined with a well-designed welfare reform program. Of particular note is the recently released evaluation of the Minnesota Family Investment Program (MFIP) by the Manpower Demonstration Research Corporation. This evaluation is particularly significant because, taken as a whole, the gains it found — including reductions in poverty, increases in employment and earnings, and even increases in marriage — are among the strongest ever documented for a welfare reform undertaking in the United States.

Most of MFIP's success was due to the substantial increases in employment and earnings it generated among families receiving housing assistance (primarily Section 8 vouchers); families without housing assistance had little or no gains. This is one of a growing number of studies that find significantly greater welfare reform effects among families with housing vouchers (and sometimes other forms of housing assistance) than among other low-income families, suggesting that housing assistance may enhance the effects of welfare reform strategies in promoting employment (CBPP 2000; Miller *et al.* 2000); Sard and Lubell 2000).

Vouchers May Help Produce Positive Outcomes for Children

The results from both the Gautreaux program and the first few years of the Moving to Opportunity demonstration also lead to the tentative conclusion that housing vouchers can

---

[6] See Ludwig *et al.* 2000. On average, the proportion of families assigned to receive vouchers restricted to use in low-poverty areas that received welfare assistance during any quarter in the three-year follow-up period was 15 percent (six percentage points) lower than the proportion of families not given the opportunity to move out of public housing that received welfare assistance during this period. Furthermore, among families that actually moved to low-poverty neighborhoods, the reduction in welfare receipt was more substantial. The share of families that received welfare benefits in year three after moving to low-poverty neighborhoods was over one-third less than the share of families assigned to the public housing control group that received such benefits.

improve the life chances of a large number of poor children living in neighborhoods of concentrated poverty when they are used to help families move to less poor neighborhoods (Duncan and Ludwig 2000). The most notable results of Gautreaux probably were the effects on children's education and employment. The children of families that used vouchers to move to the suburbs were less likely to drop out of high school (5 percent versus 20 percent) and more likely to go to college (54 percent versus 21 percent) than children of families that used vouchers in city neighborhoods. Among the Gautreaux youth not attending college, a significantly higher proportion of the suburban youth had full-time jobs than city youth (75 versus 41 percent) (Rosenbaum 1995).

Only the Baltimore MTO site has yet reported education data, and the results are striking. Children in elementary school who moved out of inner city public housing to low-poverty areas experienced twice as large a gain in reading and math scores as did children whose families used vouchers in higher poverty neighborhoods (Ludwig, Duncan and Ladd 2001). Early MTO results also indicate positive effects of moving to low-poverty neighborhoods on children's behavior, criminal involvement, and health and safety. Several sites found markedly reduced rates of criminal or problem behavior among adolescent males in families that received vouchers to move to low-poverty neighborhoods compared with those that remained in public housing or used vouchers in high-poverty neighborhoods. Children of families who received assistance in moving to low-poverty neighborhoods also were less likely to experience serious asthma attacks or be the victim of violent crime (Duncan and Ludwig 2000; Katz, Kling and Liebman 2001; Kling, Liebman, and Katz 2001).

Voucher-Related Budget Priorities for FY 2003

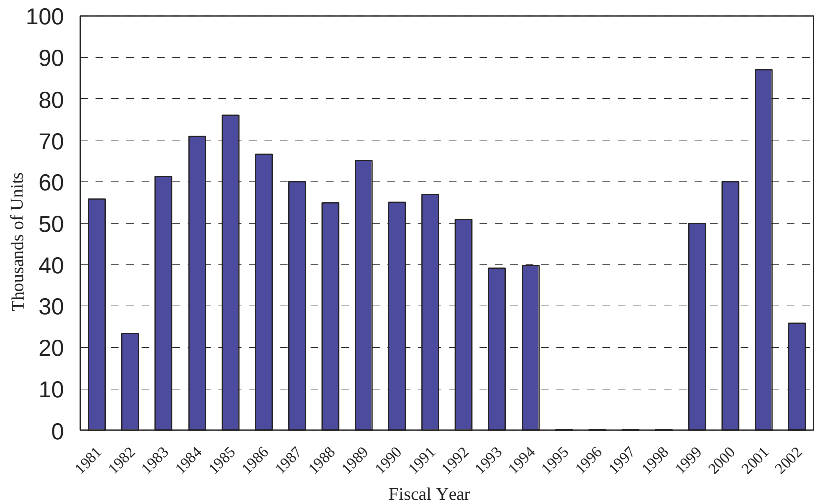
The current shortage of affordable housing and the critical link between housing and welfare and education reform underscore the need for additional funds for housing vouchers and for production of new rental housing. The fact that millions of families are paying a disproportionate share of their income on rent or are living in substandard housing should signal that significant investments in low-income housing programs are overdue. Failure to make such investments will only exacerbate this problem.

For fiscal year 2002, Congress appropriated funds for 70 percent fewer new vouchers than the number of new vouchers that it provided funds for in fiscal year 2001. (The Administration requested funding for 34,000 new vouchers for fiscal year 2002; 25,900 were funded.) While better than the drought years of 1995-1998 when no incremental vouchers were issued, this recent action is a step backwards from the three previous years, when a total of more than 190,000 new vouchers were funded. Indeed, the number of new vouchers funded in FY 2002 is the lowest under a Republican President since the first budget of the Reagan Administration. See Figure 6.

The Need for Additional Budget Authority to Renew Expiring Section 8 Contracts

For a number of reasons, maintaining housing assistance for the current number of authorized households requires additional budget authority and outlays in FY 2003. We estimate that the renewal of Section 8 contracts that are due to expire in FY 2003 — for both tenant-based and project-based assistance — will require approximately $1.8 billion in additional budget authority in the Housing Certificate Fund for FY 2003 compared with the final FY 2002 VA-HUD appropriations act. This estimate is based on the Congressional Budget Office's most recent baseline for FY 2003 issued this August (indicating that about $1.1 billion in additional budget authority is needed in fiscal year 2003 due to the expiration of multi-year contracts), with adjustments in light of the final FY 2002 appropriations for the Housing Certificate Fund. The adjustments reflect the estimated cost of renewing the 25,900 incremental vouchers newly funded by Congress in FY 2002 (approximately $106 million), plus the need for an additional $640 million in budget authority in lieu of the budget authority that in FY 2002 was derived from the one-time reduction in Section 8 reserves.

Figure 6. Incremental Units of Section 8 Tenant-Based Rental Assistance, 1981-2002



Source: Based on data from Section 8 Tenant-Based Assistance: A Look Back After 30 Years, March 2000, U.S. Department of Housing and Urban Development, supplemented by the Center on Budget and Policy Priorities.

Incremental Vouchers

For fiscal year 2003 we should increase the number of new vouchers substantially to alleviate a portion of the serious unmet needs detailed above. An increase in housing vouchers is made more essential by the current recession, which is likely to increase the number of families in acute need of housing assistance. Already there are numerous stories of the recent increase in the number of homeless families and individuals as the economy has worsened, without a commensurate decrease in housing costs (De La Cruz 2001; Hoge 2001; Ojito 2001; Rowland 2001).

In addition, as a companion effort to the reauthorization of the TANF block grant in 2002, additional welfare-to-work vouchers should be funded. In FY 1999, Congress appropriated funds for 50,000 new vouchers for families that were receiving TANF benefits or had received TANF benefits within the prior two years, and for whom lack of affordable housing or housing location was a barrier to work. To qualify to administer these specially-targeted vouchers, PHAs had to show that welfare and workforce investment agencies would collaborate with them on program implementation. Initial experience with this program shows the benefits of such targeted housing assistance and inter-agency collaboration. HUD expects to publish an analysis of interim results in the summer of 2002.

Improving the Voucher Program

Appropriations for the voucher program for fiscal year 2003 need to be adequate to fund improvements in the program that are needed to enhance its effectiveness in difficult housing markets. In particular, sufficient funds should be available to enable public housing agencies (PHAs) to increase the maximum voucher payment to improve families' chances of finding suitable units, particularly in low-poverty neighborhoods.

Under current policies, PHAs are permitted to set the voucher payment standard between 90 percent and 110 percent of the applicable HUD-determined Fair Market Rent. To set the payment standard above 110 percent of FMR, a PHA must obtain HUD approval. So that PHAs do not have to compensate for increases in the voucher payment standard by reducing the number of families they serve, PHAs are permitted to draw on reserves. The FY 2002 appropriations act made an overall reduction in PHA reserve funds, while directing HUD to provide sufficient reserves to PHAs that need them. Appropriations must be adequate for this policy to be continued.

In addition, voucher utilization could be improved substantially if the top of PHAs' discretionary range were increased to 120 percent of FMR. Improving voucher utilization — that is, increasing the percentage of voucher funds used by PHAs to provide rental subsidies — is necessary to realize Congress' intent that the voucher program provide housing assistance to more than 1.8 million households. (Approximately 1.6 million households are currently served.) Increasing the top of PHAs' discretionary range to 120 percent of FMR requires a statutory change, as well as additional budget authority. Some increase is outlays is likely to result if such a change is enacted. However, only PHAs already at the maximum payment standard allowed without HUD approval — 110 percent of FMR — would be likely to take advantage of this new authority. (When HUD surveyed PHAs in the first half of 2000, about 20 percent set their voucher payment standard at 110 percent of FMR.

Families' success in obtaining housing with vouchers, particularly in low-poverty neighborhoods, is enhanced when PHAs undertake special outreach efforts to landlords and provide services and benefits to help families search for housing more effectively. Appropriations in fiscal year 2003 need to be sufficient to make additional funds available for these activities to PHAs that use all of their voucher program funds but have unacceptably low rates of families issued vouchers that succeed in using them or an over-concentration of voucher families in a particular geographic area. In addition, PHAs that are not able to use all of their voucher program funds due to difficult market conditions need to be permitted to convert a portion of unused funds to help families search for housing. While HUD has indicated several times that it favors such a policy, it has never issued guidance to PHAs concerning converting a portion of voucher funds for housing search-related administrative expenses.

Adequate funds need to be included within the amount requested for the Housing Certificate Fund for training and technical assistance to PHAs to improve voucher utilization and otherwise improve program performance, as well as to undertake additional rent surveys to set more accurate Fair Market Rents. In the fiscal year 2002 appropriations act, Congress set aside $10 million within the Public Housing Capital Fund for technical assistance to troubled agencies. While this funding is important, some agencies that have adequate overall performance still could benefit from technical assistance directed specifically toward improving voucher utilization. HUD should have sufficient funds available for this purpose, as well as for additional rent surveys needed to set accurate fair market rent levels.

References

Buron, Larry et al., Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods, 2000, available on the internet at http://www.huduser.org/publications/affhsg/lihtc.html.

Center on Budget and Policy Priorities, Research Evidence Suggests That Housing Subsidies Can Help Long-term Welfare Recipients Find and Retain Jobs, June, 2000, available on the internet at http://www.cbpp.org/6-27-00hous.htm.

Coulton, Claudia et al., Issues of Housing Affordability and Hardship among Cuyahoga County Families Leaving Welfare Quarter 4, 1998 - Quarter 3, 1999, Center on Urban Poverty and Social Change, Special Topics in Welfare Reform Report No. 1, 2001.

De La Cruz, Donna. "Experts: Homeless Numbers Climbing," The Associated Press, November 19, 2001.

Duncan, Greg, and Jens Ludwig. 2000. Can Housing Vouchers Help Poor Children? Children's Roundtable Report #3, Washington, DC: The Brookings Institution.

Herbert, Christopher E. et al., Study of the Ongoing Affordability of HOME Program Rents, June 2001, available on the internet at http://www.huduser.org/publications/affhsg/ongoing.html.

Hoge, Patrick. "Homeless in San Francisco: Squalor in the Streets," San Francisco Chronicle, November 4, 2001.

Joint Center for Housing Studies, *The State of the Nation's Housing 2001*.

Katz, Lawrence F., Jeffrey R. Kling, Jeffrey B. Liebman. 2001. Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program.Quarterly Journal of Economics (May 2001), pp. 607-654. available on the internet at http://www.wws.princeton.edu/~kling/mto/mto_boston.pdf.

Kling, Jeffery R., Jeffrey B. Liebman, and Lawrence F. Katz. April 2001. Bullets Don't Got No Name:

Consequences of Fear in the Ghetto. Joint Center for Poverty Research Working Paper, available on the internet at http://www.jcpr.org/newsletters/vol5_no1/index.html.

Loprest, Pamela. How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers, Urban Institute, April 2001.

Ludwig, Jens, Duncan, Greg, and Helen F. Ladd. 2001. The Effects of MTO on Baltimore Children's Educational Outcomes. Joint Center for Poverty Research. Poverty Research News, Vol. 5, No. 1, available on the internet at http://www.jcpr.org/newsletters/vol5_no1/index.html.

Ludwig, Jens, Greg J. Duncan and Joshua C. Pinkston. 2000. Neighborhood Effects on Economic Self-Sufficiency: Evidence from a Randomized Housing-Mobility Experiment, Joint Center on Poverty Research Working Paper 159, available on the internet at: http://www.jcpr.org/wpfiles/Ludwigedit.TandT_WP.PDF.

Miller, Cynthia, Virginia Know, Lisa A. Gennetian, Martey Dodoo, Jo Anna Hunter, and Cindy Redcross, "Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program, Vol. 1: Effects on Adults." New York: Manpower Demonstration Research Corporation, August 2000.

National Low Income Housing Coalition, Out of Reach, 2001.

Nelson, Kathryn P., Office of Policy Development and Research, HUD, Testimony before the House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, May 3, 2001.

Ojito, Mirta. " Advocacy Group Says Homeless Are Breaking Shelter Records," New York Times, November 20, 2001.

Ong, Paul. 1998. Subsidized Housing and Work Among Welfare Recipients. Housing Policy Debate 9(4):775-794.

Rosenbaum, James E. 1995. Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program. Housing Policy Debate 6(1):231.

Rosenbaum, James E. and Stefanie DeLuca. 2000. Is Housing Mobility the Key to Welfare Reform? Lessons from Chicago's Gautreaux Program. Washington DC: The Brookings Institution Survey Series, available on the internet at http://www.brookings.edu/es/urban/rosenbaum.pdf.

Rowland, Christopher, "Cast Away From Boston," The Boston Globe, November 25, 2001.

Sard, Barbara. 2001. Revision of the Project-Based Voucher Statute, Center on Budget and Policy Priorities, April 2001, available on the internet at http://www.cbpp.org/10-25-hous.htm.

Sard, Barbara and Jeff Lubell, The Value of Housing Subsidies to Welfare Reform Efforts, Center on Budget and Policy Priorities, February 2000, available on the internet at http://www.cbpp.org/2-24-00hous.htm.

U.S. Department of Housing and Urban Development. 1997. *The State of the Cities 1997.*

U.S. Department of Housing and Urban Development/ 2000. *The State of the Cities 2000.*

U.S. Department of Housing and Urban Development. 2001. A Report on Worst Case Housing Needs in 1999: New Opportunity Amid Continuing Challenges, January 2001.

Appendix 1

States / Counties	Median Wages of Employed Welfare Leavers* Annual / Monthly	2002 FMR for 2 bedroom unit**	Amount Family Can Afford to Pay for Rent and Utilities***	Percent of Earnings Required to Obtain Housing at FMR
Arizona	$11,255 / $938	$712	$281	76%
Florida	$10,605 / $884	$694	$265	79%
Georgia	$11,044 / $920	$687	$276	75%
Illinois	$12,192 / $1,016	$776	$305	76%
Iowa	$10,600 / $883	$499	$265	56%
Massachusetts	$13,056 / $1,088	$1,033	$326	95%
Missouri	$11,805 / $984	$508	$295	52%
South Carolina	$9,630 / $803	$532	$241	66%
Washington	$11,192 / $933	$728	$280	78%
Wisconsin	$11,481 / $957	$585	$287	61%
D.C.	$17,911 / $1,493	$943	$448	63%
Cuyahoga, OH	$12,344 / $1,029	$726	$309	71%
Los Angeles , CA	$15,321 / $1,277	$823	$383	64%
San Mateo, CA	$16,189 / $1,349	$1,747	$405	129%

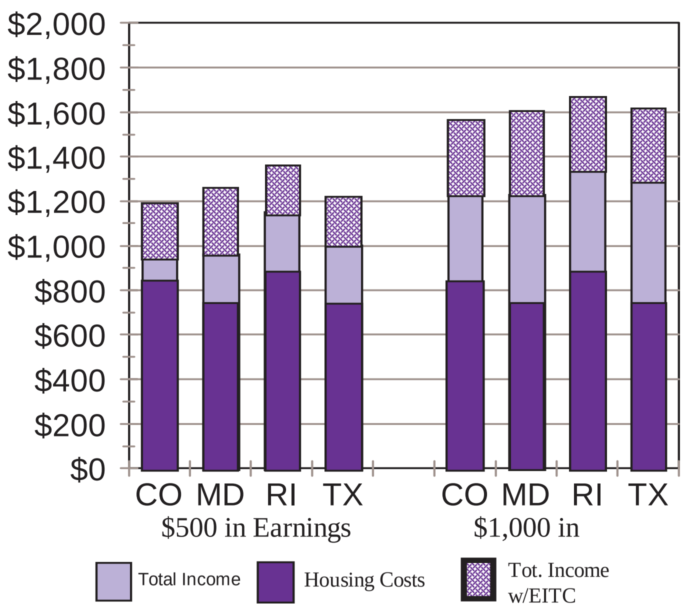
* Based on median wages of employed welfare leavers (with the exception of Arizona and Georgia, for which quarterly earnings are mean, median earnings would be somewhat lower), derived from annualized median earnings in last available quarter in first year after leaving welfare in ASPE-financed studies as found at http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm, inflated to 2002. Assumes families have no additional income.

** FMR, or Fair Market Rent, is calculated annually by HUD using telephone surveys and American Housing Survey and Consumer Price Index data. It typically represents the 40th percentile rent paid by recent movers for a non-luxury unit with a specified number of bedrooms in a metropolitan area or non-metropolitan county. The 2002 State FMRs are a weighted average of the FMR areas within a state based on the number of renter households reported by the 2000 Census, as calculated by the National Low Income Housing Coalition, *Out of Reach 2001*. While the State FMRs as published are based on proposed FMRs, the above numbers are updated to reflect final FMRs.

***Based on federal standard that affordable housing costs no more than 30 percent of a family's income. Assumes families have no additional income.

Appendix 2. Effects of Earnings and Benefit Receipt on Ability to Afford Housing in Colorado, Maryland, Rhode Island, and Texas

WITHOUT EARNED INCOME TAX CREDIT (EITC)								WITH ETIC			
STATE	EARNINGS	TANF	FOOD STAMPS	TOTAL MONTHLY INCOME	30% OF MONTHLY INCOME**	2 BR FAIR MARKET RENT***	% OF TOTAL INCOME NEEDED FOR RENT	EITC ANNUAL / PER MONTH****	TOTAL MONTHLY INCOME W/EITC	30% OF INCOME W/EITC	% OF TOTAL INCOME NEEDED FOR RENT
CO	$500	$103	$351	$954	$286	$792	83%	$2,640	$1,174	$352	67%
MD	$500	$114	$348	$962	$289	$773	80%	$2,784	$1,194	$358	65%
RI	$500	$389	$261	$1,150	$345	$669	58%	$2,400	$1,350	$405	50%
TX	$500	$169	$331	$1,000	$300	$653	65%	$2,400	$1,200	$360	54%
CO	$1,000	$0	$230	$1,230	$369	$792	64%	$4,554	$1,610	$483	49%
MD	$1,000	$0	$229	$1,229	$369	$773	63%	$4,758	$1,626	$488	48%
RI	$1,000	$139	$207	$1,346	$404	$669	50%	$4,140	$1,691	$507	40%
TX	$1,000	$119	$176	$1,295	$389	$653	50%	$4,140	$1,640	$492	40%



* Based on a 3-person family consisting of a parent and two children.
** Based on federal standard that affordable housing costs no more than 30 percent of a family's income.
*** Fair Market Rent (FMR) is calculated annually by HUD using telephone surveys and American Housing Survey and Consumer Price Index data. It typically represents the 40th percentile rent paid by recent movers for a non-luxury unit with a specified number of bedrooms in a metropolitan area or non-metropolitan county. State FMRs are a weighted average of the FMR areas within a state based on the number of renter households reported by the 2000 Census, as calculated by the National Low Income Housing Coalition, *Out of Reach*, 2001.
**** The Earned Income Tax Credit (EITC), is received annually, and is thus not available as part of a family's monthly budget. To the extent, however, that the EITC helps meet consumption needs, it may be no different from other types of income subsidies in terms of its impact on recipients' expenditure patterns. Recent research has indicated that generally, families who receive the EITC use a portion of the funds to cover utility and rent costs. See Timothy M. Smeeding, Katherin Ross Phillips, and Michael O'Connor, *The EITC: Expectation, Knowledge, Use, and Economic and Social Mobility*, National Tax Journal, Vol. LIII, No. 4, Part 2.