

It's Time to Reinforce the Housing Safety Net by Adopting Universal Vouchers for Low-Income Renters

Methodology

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The Analysis of Transfers, Taxes, and Income Security (ATTIS) microsimulation model simulates the nation's tax and benefit programs using the US Census Bureau's American Community Survey (ACS) data combined with detailed state-level eligibility and benefit rules. Before analyzing policy proposals, ATTIS adjusts the underlying data so the size and characteristics of the population receiving public benefits from each program match those of the actual program in the year being simulated. The ACS does not include information about receipt of housing assistance, so we first develop a "baseline" simulation that assigns housing assistance to eligible households and selects participants to align with program data from the Department of Housing and Urban Development (HUD). Starting from this baseline, ATTIS can then simulate the effects of alternative policies, such as an expansion in the number of available vouchers. The ATTIS housing simulation draws upon the model's estimates of Supplemental Security Income, Temporary Assistance for Needy Families, unemployment compensation, and child care expenses. The estimates described here reflect income, benefits, and rent in 2016.

To be identified as eligible for assistance in the baseline simulation, a household must have gross income below 80 percent of area median income (AMI), the HUD low-income limit; report renting or living rent free; have at least one citizen, legal permanent resident, refugee or asylee; and have a required rental payment less than the HUD Fair Market Rent based on the household's number of reported bedrooms. ATTIS calculates gross income and adjusted income following the rules of the Housing Choice Voucher Program. Gross income is calculated by summing the monthly earned and unearned income for all members of the household, excluding income earned by household members younger than 18. Adjusted income is calculated by subtracting deductions for dependents, child care expenses, and the presence of an elderly or disabled household head or spouse. Households receive an annual deduction of \$480 for each dependent. Households with an elderly or disabled head or spouse

receive a \$400 annual deduction. ATTIS does not capture the medical expense deduction available to households with an elderly member or person with disabilities, because the ACS does not include information on out-of-pocket medical expenses. Once gross income and adjusted income have been calculated, the household's required rental payment is set equal to the greater of 10 percent of gross income or 30 percent of adjusted income. If the resulting monthly rental payment is less than \$25, then the household is assigned a rental payment equal to the lesser of \$25 or 60 percent of the household's monthly gross income, as an approximation of "minimum rent" that may be required of households with little or no income. ATTIS selects baseline participants from among the eligible households so the number and characteristics of the assisted households reflect real-world totals for HUD programs by state, income relative to AMI, primary source of income, race and ethnicity, household composition (single parent, family with children, or presence of an elderly or disabled head or spouse), and number of bedrooms.

Starting from the baseline, we use ATTIS to model expansions in the number of housing vouchers. We assume that all households receiving housing assistance in the baseline would continue to do so. We use the same procedures as in the baseline simulation to determine eligibility for additional vouchers, except we restrict eligibility to households below 50 percent AMI, the HUD very low-income limit (rather than 80 percent AMI, the HUD low-income limit), calculate vouchers based on the Fair Market Rent for the number of bedrooms for which a household would qualify (rather than the number of bedrooms for their current residence), and do not assign vouchers to households that report that they live rent free. We randomly select 70 percent of households that have not already been assigned housing assistance in the baseline and that meet these criteria to receive and use housing vouchers. We assume that 70 percent, rather than all, of the additional eligible households would obtain and use a voucher, based on prior research that finds that not all households that receive vouchers are able to use them (Finkel and Buron 2001).

Reference

Finkel, Meryl, and Larry Buron. 2001. *Study on Section 8 Voucher Success Rates, Volume 1: Quantitative Study of Success Rates in Metropolitan Areas*. Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research.

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