

2005 Income Limits

Source: <http://www.huduser.org/datasets/il/il05/index.html> page 101

STATE: MARYLAND		I N C O M E L I M I T S							
PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON	8 PERSON
Baltimore, MD PMSA FY 2005 MFI: 72150	15150	17350	19500	21650	23400	25150	26850	28600	28600
3% OF MEDIAN	25250	28850	32450	36100	38950	41850	44750	47600	47600
VERY LOW INCOME	40450	45200	52000	57750	62400	67000	71600	76250	76250
LOW-INCOME									
Cumberland, MD--WV MSA FY 2005 MFI: 47450	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Hagerstown, MD PMSA FY 2005 MFI: 59050	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	* 29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Washington, DC--MD--VA--WV PMSA FY 2005 MFI: 89300	18750	21450	24100	26800	28950	31100	33200	35350	35350
3% OF MEDIAN	31250	35700	40200	44650	48200	51800	55350	58950	58950
VERY LOW INCOME	40600	45400	52200	58000	62650	67300	71900	76550	76550
LOW-INCOME									
Wilmington--Newark, DE--MD PMSA FY 2005 MFI: 74700	15950	18200	20500	22750	24600	26400	28250	30050	30050
3% OF MEDIAN	26550	30350	34150	37950	41000	44000	47050	50100	50100
VERY LOW INCOME	40600	45400	52200	58000	62650	67300	71900	76550	76550
LOW-INCOME									
Caroline County FY 2005 MFI: 53850	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Dorchester County FY 2005 MFI: 50800	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Garrett County FY 2005 MFI: 45700	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Kent County FY 2005 MFI: 56750	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
St. Mary's County FY 2005 MFI: 74900	15750	18000	20200	22450	24250	26050	27850	29650	29650
3% OF MEDIAN	26200	29950	33700	37450	40450	43450	46450	49450	49450
VERY LOW INCOME	40600	46400	52200	58000	62650	67300	71900	76550	76550
LOW-INCOME									
Somerset County FY 2005 MFI: 45750	12400	14200	15950	17750	19150	20550	22000	23400	23400
3% OF MEDIAN	20650	23600	26550	29550	31900	34250	36600	38950	38950
VERY LOW INCOME	33100	37800	42550	47300	51050	54850	58650	62400	62400
LOW-INCOME									
Talbot County FY 2005 MFI: 64050	13700	15650	17650	19600	21150	22700	24300	25850	25850
3% OF MEDIAN	22850	26100	29400	32650	35250	37850	40500	43100	43100
VERY LOW INCOME	36550	41800	47000	52250	56400	60600	64800	68950	68950
LOW-INCOME									

Very Low means 50% of median, so this line can be multiplied by 2 to get Median

I. OVERVIEW OF HUD PUBLIC HOUSING/ SECTION 8 INCOME LIMITS

Overview

The Department of Housing and Urban Development (HUD) is required by law to set income limits that determine the eligibility of applicants for HUD's assisted housing programs. The major active assisted housing programs are the Public Housing program, the Section 8 Housing Assistance Payments program, and Section 202 housing for the elderly and Section 811 housing for persons with disabilities.

Income limits are calculated for metropolitan areas and non-metropolitan counties in the United States and its territories using the Fair Market Rent (FMR) area definitions used in the Section 8 program. They are based on HUD estimates of median family income, with adjustments for family size. Adjustments are also made for areas that have unusually high or low income to housing cost relationships.

The statutory basis for HUD's income limit policies is Section 3 of the U.S. Housing Act of 1937, as amended. Attachment 1 provides the key excerpts relevant to income limits, which may be summarized as follows:

- Low-income families are defined as families whose incomes do not exceed 80 percent of the median family income for the area.
- Very low-income families are defined as families whose incomes do not exceed 50 percent of the median family income for the area.
- The 1998 Act amendments establish a 30 percent of median family income program targeting standard.
- Income limits for non-metropolitan areas may not be less than limits based on the State non-metropolitan median family income level.
- Income limits are adjusted for family size.
- Income limits are adjusted for areas with unusually high or low family income or housing-cost-to-income relationships.
- The Secretary of Agriculture is to be consulted prior to establishing income limits for rural areas, since these limits also apply to certain Rural Housing and Community Development Service programs.

Median Income Estimates

Income limits start with the development of estimates of median family¹ income for the 356 metropolitan areas and 2,302 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:

- Decennial 2000 Census income distributions are aggregated to the FMR/income limit area level, and mid-1999 estimates of median family income (MFI) are estimated based on these data.² (The Census asks for total income for 1999; the closest "as of" date for this reporting is mid-1999)
- The mid-1999 MFI Census-based estimate is updated to mid-2000 using the Census Current Population Survey (CPS) P-60 series data for 1999 and 2000 (the March 2000 and 2001 CPS surveys).
- The American Community Survey (ACS) data for 2000 through 2003 were used to estimate state-level changes in family incomes. (The ACS has larger samples than the CPS and provides more precise and localized income estimates, but it was started too late to provide a good indicator of the change in incomes between mid-1999 and mid-2000.)
- County-level Bureau of Labor Statistics data are used to calculate local changes in average wages. These changes were used in combination with state-level median family income changes to estimate local changes in median family incomes. Based on an analysis of 1990-2000 income change patterns, the ACS change is given a weight of 83 percent and the local BLS change factor a weight of 17 percent in the initial determination of an area's median family income change.

¹ 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.

² To permit members of the public to replicate its estimates, HUD uses publicly released Census income distributions. The Census has released a new distribution of median family incomes that permits more accurate calculations. These data were used in re-estimating 2000 Census estimates of median family income. The new data permit median family income estimates to be calculated that replicate or come very close to Census published median income estimates. Attachment 7 shows the differences between the original medians published by HUD and the current medians based on the new distributions. The biggest differences were in areas with small populations. The new income distributions and the programs used to generate 1999 medians family incomes can be downloaded at www.huduser.org.

- Delays in the availability of BLS and ACS data mean that estimates need to be trended to produce a current estimate. There is a one and three-fourths year difference between the "as of" date of the CPS/ACS income change factor estimates available to HUD and the "as of" date of the HUD income estimates. The trending factor used is 3.57 percent per year, which is based on the average change in MFI's between the last two Censuses.
- For the outlying territories, which currently lack CPS or ACS coverage, national ACS income changes are used as surrogates.

Income Limit Calculations

HUD's Public Housing/Section 8 very low-income and low-income limits are calculated in accordance with Section 3(b)(2) of the U.S. Housing Act of 1937, as amended. The very-low income limits (usually based on 50 percent of MFI) are considered to have the strongest statutory basis, partly because they are so well-defined and have been the subject of specific legislative adjustments, and partly because other income limits are linked to their calculation. Because there are currently several legislated income limit standards (e.g., 30%, 50%, 60%, 65%, 80%, 95%, 100%, 115%, 125%) which were intended to have progressive relationships, the very low income limits have been used as the basis for deriving other income limits (e.g., otherwise low-income limits would be less than very low income limits in areas where very low income limits had been adjusted upward by more than 60 percent because of unusually low area median family incomes).

Very Low-Income Limits: Very low-income limits are calculated using a set of formula relationships. The first step is to calculate a four-person income limit equal to 50 percent of the estimated area median family income. Adjustments are then made if this estimate is outside formula constraints.

More specifically, the very low-income limit for a four-person family is calculated as follows:

- (1) 50 percent of the area median family income is calculated and set as the preliminary four-person family income limit;
- (2) the four-person very low-income limit is increased if it would otherwise be less than the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);

- (3) the four-person very low-income limit is reduced if it would otherwise be greater than the amount at which 30 percent of it equals 100 percent of the two-bedroom FMR or 80 percent of the U.S. median family income level (this adjusts income limits downward for areas of unusually high median family incomes);
- (4) to minimize program management problems, income limits are held at FY 2004 levels for areas where lower income limits would result because of FMR reductions; and,
- (5) income limits are never set at less than the amounts calculated using the State non-metropolitan median family income level in place of the local median family income estimate established by HUD.

Table 1 summarizes the rules governing very low-income limit determinations:

Table 1
Summary of Income Limits Determinations for
FY 2005 Very Low Income Limits

	Type Income Limit Calculation	Non-metro Counties	Metropolitan Areas
1.	Limits based on 50% of local median family income	802	258
2.	Limits based on State non-metropolitan median family income level	1339	39
3.	Limits increased to the amount at which 35% of 4-person family's income equals 85% of the 2-bedroom Section 8 FMR	0	7
4.	Limits decreased to the greater of 80% of the U.S. median family income or the amount at which 30% of a 4-person family's income equals 100% of the 2-bedroom FMR	0	1
5.	Limits maintained at last year's level if they would otherwise be decreased by Census rebenchmarking or reductions in FMRs	161	51
	TOTALS	2302	356

In implementing the 1987 Housing Community Development Act amendment that established minimum income limits for non-metropolitan areas based on the State non-metropolitan median

family income level, HUD used its discretion to apply this policy to metropolitan areas. This avoids the inequitable anomaly of assigning higher income limits to a non-metropolitan county than are assigned to an adjacent metropolitan area whose median family income is less than the State non-metro level but above the non-metro county's level.

Low-Income Limits: Most four-person low-income limits are the higher of 80 percent of the area median family income or 80 percent of the State non-metropolitan median family income level. Because the very low-income limits are not always based on 50 percent of median, calculating low-income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low income limits could be higher than low income limits). The calculation normally used, therefore, is to set the four-person low-income limit at 1.6 (i.e., 80%/50%) times the relevant four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level (\$58,000 for FY 2005) except when justified by high housing costs. Use of very low-income limits as a starting point for calculating other income limits tied to Section (3)(b)(2) of the U.S. Housing Act of 1937 has the effect of adjusting income limits in areas where the very low income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

HUD has adjusted low-income limits for areas of unusually high or low income since passage of the 1974 legislation that established the basic income limit system now used. Underlying the decision to set minimum and maximum low-income limits is the assumption that families in unusually poor areas should be defined as low-income if they are unable to afford standard quality housing even if their incomes exceed 80 percent of the local median family income. Similarly, families in unusually affluent areas are not considered low-income even if their income is less than 80 percent of the local median family income level unless justified by area housing costs.

Table 2 summarizes the rules governing low-income limit determinations and how many areas are affected by each provision:

Table 2
Summary of Income Limits Determinations
for FY 2005 Low Income Limits

	Type Income Limit Calculation	Non-metro Counties	Metropolitan Areas
1.	Limits based on 80% of local median family income	781	233
2.	Limits based on State nonmetropolitan median family income level	1338	38
3.	Limits increased for high	1	7

	housing costs proportional to such increases for very low-income limits (i.e., set at 80/50ths of the adjusted very low-income limits)		
4.	Limits decreased because of unusually high incomes in relationship to housing costs	0	0
5.	Four-person base low-income limit capped at the higher of the U.S. median of \$58,000 or 80/50ths of the minimum 4-person very low-income limit	22	30
6.	Limits maintained at last year's level if they would otherwise be decreased by Census rebenchmarking or reductions in FMRs	160	48

30 Percent of Area Median Family Income Limits: The Quality Housing and Work Responsibility Act of 1998 established a new income limit standard based on 30 percent of median family income. The Act specified that the standard could be adjusted for areas of unusually high or low family income. Another statutory change was made in 1999 to clarify that these income limits should be tied to the Section 8 very low-income limits. The 30 percent income limits therefore are calculated as 30/50ths (60 percent) of the Section 8 very low-income limits. They are then checked against Supplemental Security Income (SSI) benefits, which provide the minimum entitlement income for elderly and disabled households. The one-person 30 percent income limits are increased if they would otherwise be less than the minimum SSI level.

Family Size Adjustments

The statutory guidance governing income limits requires that income limits are to be higher for larger families and lower for smaller families. The same family size adjustments are used for all income limits. They are as follows:

Number of Persons in Family and Percentage Adjustments

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (For

example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) Income limits are rounded to the nearest \$50.

Income Limit Applications

HUD income limits apply to the following programs:

<u>Program</u>	<u>Income Limits Standard</u>
Dept. of HUD:	
Public Housing	Very low-income or low-income standards
All Section 8 Programs	Very low-income or low-income standards
Indian Housing (1996 Act)	"Low-Income" is defined as the greater of 80% of the median family income for the Indian area or of the U.S. national median family income
Section 202 Elderly and Section 811 Handicapped programs	Very low-income or low-income standards
Section 235 (Homeownership program)	"95 percent" of area median income, or higher cost-based income limits
Section 236 (Rental program)	Low-income standard
Section 221(d)(3) (BMIR) (Below Market Interest Rate rental program)	"95 percent" of area median income, defined as 95/80ths of low-income definition
Community Planning and Development programs	Very low-income or low-income standards for current programs under management
HOME Investment Partnerships Act of 1990	"60 percent of median" and "65 percent of median" are used as income targeting and qualification requirements; both limits are tied to Section 8 income limit determinations
National Homeownership Trust Act of 1990	"95 percent" of median is referenced as the eligibility standard, with a "115 percent" of median standard for high cost areas
Low-Income Housing Preservation and Resident Homeownership Act of 1990	Affordability of units for current occupant of "moderate income" affects terms under which mortgage may be prepaid; "moderate income" is defined as 80-95 percent of median, with "80 percent" defined as the Section 8 low-income standard
Rural Housing and Community Development Service:	
Rental and	Assistance based on HUD Section 8 very low-

ownership
assistance programs

income or low-income standards, or income
limits tied to these standards

Dept. of Treasury:

Low Income Rental
Tax credits and
Tax-exempt Rental
Housing Bonds

Current standard is Section 8 very low-income
standard or 120% of that definition (i.e., the
"60%" of median standard)

Tax-exempt Mortgage
Revenue Bonds for
homeownership
financing

Generally set at 115% of area median income,
with "115%" defined as 230% of the Section 8
very low-income standard

"Difficult-to-
Develop" Area
Designation

Areas with the worst housing cost problems use
the FMR-to-median family-income ratio as an
indicator of problems; this designation is
awarded to 20 percent of the metro and non-
metro areas (using HUD area definitions) with
the most severe problems and is recalculated
annually; such areas receive special
additional tax benefits under this program

"Qualified Census
Tract" (Tax Credit
Program Definition)

Areas, as defined by the Census, where 50% of
all households have incomes less than 60
percent of the area median family income,
adjusted for household size; such areas
receive special additional tax benefits under
this program; this calculation is based on
1990 Census data and income limit policies and
area definitions in effect as of the date
estimates are prepared

"Qualified Census
Tract" (Mortgage
Revenue Bond
Program)

Areas, as defined by the Census, where 50% of
all families have incomes less than 80 percent
of the area median family income, based on
1990 Census data

Federal Deposit Insurance Corporation:

Disposition of
Multifamily Housing
to Non-profit and
Public Agencies

Not less than 35 percent of all dwelling units
must be made available for occupancy and be
affordable for low-income families, and at
least 20 percent must be made available for
occupancy and be affordable for very low-
income families. An "affordable rent" is
defined as the rent that would be paid by a
family paying 30 percent of income for rent
whose income is "65 percent of median". This
65 percent figure is defined in relation to
the very low-income standard (i.e., normally
as 65/50ths of the standard)

Disposition of
Single Family
Housing

For rentals, priority is given to non-profits
and public agencies that make the dwellings
affordable by low-income households.
Households who intend to occupy a dwelling as
their primary residence whose adjusted income
does not exceed 115 percent of area median
income, as determined by the Secretary of HUD,
are given a purchase priority for the first 3
months a property is for sale.

Federal Housing Finance Board:

Rental program funding Priorities	Very low-income, "60% of median" (defined as 120% of very low-income), and low-income standards used
Homeownership funding priorities	115% and 140% of median family income limits are used

Government Sponsored Enterprises (GSE's):

Low- and Moderate- Income Housing Goals of Freddie Mac and Fannie Mae	Goals for percentages of loans are established for households with incomes below specified percentages of the HUD-published median family income for metropolitan and nonmetropolitan areas, as detailed in 24 CFR, Part 81. The area definitions used relate to OMB metropolitan area definitions and the median family income estimates for the nonmetropolitan portions of each state.
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Other Federal Banking Regulatory Provisions:

Targeting of loan funds to low-income households and areas	Varies by agency
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**Rural Housing and
Community
Development
Service:**

Rental and ownership assistance programs	Assistance based on HUD Section 8 very low- income or low-income standards, or income limits tied to these standards
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**Uniform Relocation
Act**

Extent of replacement housing assistance
dependent on qualifying as Low-Income, as
defined by HUD; Act applies to all Federal
agencies that initiate action that forces
households to relocate from their residence

Assistance

Veterans Administration

Eligibility for disability income support payments to veterans	Eligibility for non-service related income support payments is restricted to families with incomes below the HUD low-income standard
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ATTACHMENT 2

HUD METHODOLOGY FOR ESTIMATING FY 2005 MEDIAN FAMILY INCOMES (ECONOMIC AND MARKET ANALYSIS DIVISION, OFFICE OF ECONOMIC AFFAIRS, PD&R)

FY 2005 HUD estimates of median family income are based on 2000 Census data estimates updated with county-level bureau of labor statistics earnings data, Census American Community Survey (ACS) state-level data, and Census Current Population Survey (CPS) data. Separate median family income estimates (MFIs) are calculated for all Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and nonmetropolitan counties.

HUD has begun to increasingly rely on Census American Community Survey (ACS) data as the basis for calculating median family income estimates. The ACS surveys were initiated in 2000, but the first full-scale annual survey of approximately three million households started in 2005. The 2005 survey will provide data in 2006 that can be used to estimate median family incomes for most metropolitan areas, and subsequent surveys will eventually provide estimates for all but the smallest non-metropolitan counties. HUD's FY 2004 income estimates used ACS state-level data as a control on local median family income changes. Based on research, the FY 2005 HUD median family income estimates are even more reliant on ACS data.

The income adjustment factors used to update the 2000 Census-based estimates of Median Family incomes (MFIs) are developed in several steps. Census CPS and ACS survey data are used to develop national and state level estimates of change in median family incomes. Annual data on median family incomes are available at the national and regional level from the CPS. State-level ACS income data are now available for calendar years 2000 through 2003. CPS P-60 national data were used to cover the period between the 2000 Census and the first ACS data. In previous years, BLS local area wage data were used as an indicator of relative income change within states, but these indicators were constrained so that they equaled the CPS changes at the CPS Census Divisional level. Retrospective analysis of the 1990-2000 period showed that BLS average wage changes had larger differences with median family income changes than in the previous decade and that, by themselves, they were not the best available predictor of local changes in median family incomes. Based on statistical testing, HUD concluded that a combination of state ACS and local BLS data offered the best approach to calculating local median family income estimates until more localized ACS data begin to be available in 2006.

The Census, ACS, and CPS estimates are based on different samples, have different timing, use somewhat different methodologies, and produce somewhat different estimates.³ The year-to-year income change factors derived from these data sets (e.g., the national CPS MFI from one year to the next) should, however, be reasonably consistent over time. The decennial Census has the largest samples, but is only available every 10 years and may be more subject to non-response bias. The 2000-2004 ACS had relatively large samples, provides annual estimates, and should be less subject to non-response bias than the Census. The 2000-2004 ACS has larger sample sizes than the CPS, and therefore produces more accurate estimates.

Estimates of income need to be associated with a point in time. This poses the need to attribute an "as of" date to estimates when such dates are not explicitly defined. The 2000 Census income data, for instance, are based

³ The national MFI from the Census was \$50,046; the March 2000 CPS produced a MFI estimate of \$48,952; and the first ACS survey, which collected data during the course of 2000 and effectively represented a measurement a year after those of the other surveys, had a MFI estimate of \$49,628.

on questions regarding total income for 1999. For most households, income for a year is based on an income stream with at least some changes during the year. For purposes of estimation, HUD assumes that the 2000 Census income estimates have an "as of" date of mid-1999. For the same reason, it assumes that March CPS income estimates, which are based on responses to questions about the previous year's total income, also relate to the middle of the previous calendar year.

ACS estimates present a more complex timing issue, because they are based on samples drawn throughout a year that ask about income for the previous 12 months. Adjustments are made to incomes collected prior to December to make them approximate December reporting. Income figures collected in January are inflated by the CPI change from January to December of that year, the February changes are inflated from February to December, etc. If median income changes during the year (which are not known when the estimates are done) exactly paralleled the CPI changes, an ACS-based median family income estimate would approximate a median family income estimate based on surveying all respondents in December. That, in turn, means that the ACS income data have an approximate "as of" date of the middle of the year if median incomes changed at the same pace during the course of a year.

The importance of the "as of" assumptions becomes less important over time. After the initial income estimates are produced, annual updates are estimated using the same data sources. Any estimation error or bias associated with the "as of" assumptions affects only the first year a data series starts to be used. The impact of this type of bias cannot be measured but, since it is a fixed amount and incomes increase over time, the effect should be modest. The potential for bias is further mitigated by the fact that the CPI and CPS changes for the period in question were very similar at the national level.

The step-by-step normal procedures used to develop FY 2005 estimates are as follows:

1. The 2000 Census was used to estimate what are treated as mid-1999 local median family income estimates.
2. The March 2000 and 2001 CPS surveys, which provided what were effectively mid-1999 and mid-2000 median family income estimates, provided an estimate of change in median family income levels at the national level that was applied to 2000 Census-based local median family income estimates to update them from mid-1999 to mid-2000. The national change in median family incomes for this period was 3.58 percent. (Multi-state Census Division CPS changes could have been used in place of a national factor, but research suggests that it is questionable whether this would have improved estimation accuracy if used only for one year.)
3. The 2000 and 2003 American Community Surveys were used to estimate the change in State MFIs for the mid-2000 to mid-2003 period. The ACS income change factors for each State for the 2000-2003 period were calculated as follows:

$$\frac{\text{ACS MFI (2003)}}{\text{ACS MFI (2000)}} = \text{3-year increase factor for ACS Median Family Income}$$

4. State and Local (metropolitan areas and nonmetropolitan counties) BLS average wage changes for all employees for the 1999-2002 period were calculated:

$$\frac{\text{BLS Wages (2002)}}{\text{BLS Employees (2002)}} = \text{3 year BLS wage increase factor}$$

$$\frac{\text{BLS Wages (1999)}}{\text{BLS Employees (1999)}}$$

5. Local area update factors were derived using local BLS average wage changes in conjunction with State level Income changes. They were combined according to the results of research done on the determinants of income change between 1990 and 2000.⁴

$$\begin{aligned}
 & (17\% * \text{Local BLS Average wage change}) \\
 & + (83\% * \text{ACS State Income Change}) = \text{Local Update Factor}
 \end{aligned}$$

6. A state level factor was generated using the same formula, as follows:

$$\begin{aligned}
 & (17\% * \text{State BLS Average wage change}) \\
 & + (83\% * \text{ACS State Income Change}) = \text{State Update Factor}
 \end{aligned}$$

7. A state ACS control factor was developed that adjusted for differences between the step 6 update factor and the actual ACS state change factor for the same period. Changes in BLS-reported average wages, even though they lead to changes in family income, are not a direct measure of changes in family income and require adjustment if being used for that purpose. This was done as follows:

$$\frac{\text{ACS State MFI (2003)}}{\text{ACS State MFI (2000)}} = \text{State control factor}$$

State Update factor
Generated in Step 6

8. Local area update factors were adjusted with the state control factor as follows:

$$\text{Local update factor (step 5)} * \text{State control factor (step 7)} = \text{Adjusted local update factor}$$

9. Convert the step 1 median family income estimate to an April 1, 2005 estimate as follows:

$$\begin{aligned}
 & \text{Step 1 median family income} \\
 & * \text{Step 2 mid-1999 to mid-2000 CPS factor} \\
 & * \text{Step 8 adjusted local update factor} \\
 & * 1.035 (3.5\% \text{ annual trending}) * 1.75 \text{ years} \\
 & = \text{FY 2005 Median Family Income estimate}
 \end{aligned}$$

Median Family Income estimates are frozen if they would otherwise be less than the previous year's estimate (held harmless).

⁴ In ten low-population counties with suspect wage changes, which in the past have typically been associated with reporting errors, BLS wage increases/decreases were constrained to fall within the 99th percentile of the BLS wage change distribution.

Attachment 6 (a)
 FY 2005 HUD ESTIMATES OF MEDIAN FAMILY INCOMES FOR STATES AND
 METROPOLITAN AND NONMETROPOLITAN PORTIONS OF STATES

	----- FY 2005 Estimates -----			----- 2000 Census Estimates -----		
	TOTAL	METRO	NONMETRO	TOTAL	METRO	NONMETRO
ALABAMA	48,650	52,750	41,300	41,657	45,164	35,360
ALASKA	72,400	78,700	68,200	59,036	63,682	55,205
ARIZONA	53,300	55,200	40,950	46,723	48,376	36,156
ARKANSAS	45,300	51,200	40,000	38,664	43,441	34,709
CALIFORNIA	62,500	63,100	49,100	53,024	53,613	41,644
COLORADO	65,400	67,850	53,900	55,870	57,935	46,019
CONNECTICUT	77,100	77,400	71,250	65,521	65,764	60,555
DELAWARE	67,350	71,450	55,100	55,258	58,619	45,203
Dist. of Columbia	55,750	55,750	0	46,283	46,283	0
FLORIDA	52,550	53,350	43,200	45,625	46,330	37,429
GEORGIA	58,400	64,900	46,350	49,280	54,766	39,106
HAWAII	64,200	67,750	56,950	56,961	60,118	50,547
IDAHO	50,850	56,650	47,700	43,490	48,459	40,788
ILLINOIS	63,300	66,950	49,400	55,545	58,721	43,314
INDIANA	57,800	59,800	52,750	50,261	52,010	45,872
IOWA	57,650	63,800	53,550	48,005	53,128	44,599
KANSAS	56,650	64,600	48,050	49,624	56,597	42,113
KENTUCKY	48,000	57,600	40,100	40,938	48,890	34,627
LOUISIANA	47,550	50,050	39,900	39,774	41,866	33,358
MAINE	52,550	60,150	48,700	45,195	51,714	41,855
MARYLAND	75,250	76,800	59,050	61,875	63,172	48,565
MASSACHUSETTS	74,400	74,900	63,250	61,663	62,061	52,405
MICHIGAN	61,300	64,850	49,500	53,457	56,559	43,163
MINNESOTA	66,950	73,700	54,350	56,872	62,604	46,161
MISSISSIPPI	40,700	48,900	36,500	37,405	44,946	33,657
MISSOURI	56,100	63,300	44,450	46,045	51,663	36,860
MONTANA	48,150	51,600	46,400	40,188	43,392	39,034
NEBRASKA	57,400	65,800	50,150	48,032	55,027	41,952
NEVADA	59,550	59,650	59,050	50,849	50,921	50,427
NEW HAMPSHIRE	68,000	74,300	60,300	57,577	62,753	51,278
NEW JERSEY	77,800	77,800	0	65,370	65,370	0
NEW MEXICO	46,200	52,800	39,100	39,425	45,010	33,393
NEW YORK	60,100	61,150	49,900	51,691	52,584	42,901
NORTH CAROLINA	53,000	57,500	45,200	46,335	50,236	40,075
NORTH DAKOTA	54,100	61,750	49,150	43,656	49,842	39,664
OHIO	57,950	59,400	51,800	50,037	51,307	44,740
OKLAHOMA	47,400	52,250	41,050	40,709	44,837	35,250
OREGON	58,600	63,300	48,300	48,680	52,058	40,728
PENNSYLVANIA	57,400	59,500	48,450	49,184	50,870	41,534
RHODE ISLAND	64,550	63,950	73,150	52,780	52,256	59,815
SOUTH CAROLINA	52,400	55,400	46,300	44,227	46,647	39,189
SOUTH DAKOTA	49,850	57,550	46,150	43,234	49,920	40,018
TENNESSEE	50,300	54,750	42,950	43,517	47,366	37,145
TEXAS	53,000	55,500	42,400	45,862	47,951	36,724
UTAH	57,450	60,000	49,300	51,022	53,316	43,819
VERMONT	58,850	69,200	55,800	48,625	57,181	46,100
VIRGINIA	65,150	71,800	48,950	54,169	59,706	40,703
WASHINGTON	61,500	64,400	49,900	53,761	56,492	42,818
WEST VIRGINIA	44,400	50,400	40,600	36,484	41,545	33,174
WISCONSIN	60,800	64,750	54,400	52,912	56,360	47,342
WYOMING	55,250	55,800	54,950	45,685	46,159	45,472
US	58,000	61,200	46,900	50,046	52,754	40,491