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Do Housing Choice Voucher holders live near good schools?

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ABSTRACT

The Housing Choice Voucher program was created, in part, to help low income households reach a broader range of neighborhoods and schools. Rather than concentrating low income households in designated developments, vouchers allow families to choose their housing units and neighborhoods. In this project we explore whether low income households use the flexibility provided by vouchers to reach neighborhoods with high performing schools. Unlike previous experimental work, which has focused on a small sample of voucher holders constrained to live in low-poverty neighborhoods, we look at the voucher population as a whole and explore the broad range of neighborhoods in which they live. Relying on internal data from HUD on the location of assisted households, we link each voucher holder in the country to the closest elementary school within their school district. We compare the characteristics of the schools that voucher holders are likely to attend to the characteristics of those accessible to other households receiving place based housing subsidies, other similar unsubsidized households and fair market rent units within the same state and metropolitan area. These comparisons provide us with a portrait of the schools that children might have attended absent HUD assistance. In comparison to other poor households in the same metropolitan areas, we find that the schools near voucher holders have lower performing students than the schools near other poor households without a housing subsidy. We probe this surprising finding by exploring whether differences between the demographic characteristics of voucher holders and other poor households explain the differences in the characteristics of nearby schools, and whether school characteristics vary with length of time in the voucher program. We also examine variation across metropolitan areas in the relative quality of schools near to voucher holders and whether this variation is explained by economic, socio-demographic or policy differences across cities.

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1. Introduction

Each year, the Federal Housing Choice Voucher program spends roughly 19 billion dollars¹ to provide rental assistance to over two million households and over two and a

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¹ Based on the Department of Housing and Urban Development's 2013 Budget available at <http://portal.hud.gov/hudportal/documents/huddoc?id=CombBudget2013.pdf>.

half million children under the age of eighteen.² While public housing developments have historically been located in poor neighborhoods with low-performing schools, housing vouchers provide families with the opportunity to utilize the subsidy in a wider range of neighborhoods, school districts and catchment zones – albeit limited by the availability of appropriate affordable housing. The hope is that low income families will use housing vouchers to locate in neighborhoods with higher performing schools, leading to improved educational outcomes for their children and potentially a pathway out of poverty.

While previous work on schools and housing vouchers has focused on a small sample of voucher holders in a limited set of geographic areas, we explore the characteristics of schools available to voucher holders with children across the country (329 metropolitan areas). Relying on confidential data from the US Department of Housing and Urban Development (HUD), we link voucher households with children (as well as households with children receiving other forms of federal rental housing assistance) to the closest elementary school within their school district. We then link these to school level data from the US Department of Education on academic performance, socio-demographic characteristics of the student body and school resources. These rich data afford a unique opportunity to explore the link between housing vouchers and school quality.

We compare the schools that voucher holders with children³ are likely to attend to the schools that other subsidized households are likely to attend within the same state and metropolitan area (MSA). We also compare the schools near to voucher holders with the schools near to other poor households with children in the same state and metropolitan area and test whether differences persist after controlling for individual family and metropolitan level characteristics.

² To receive a voucher households apply to the local Public Housing Authority (PHA), who determines eligibility based on local Area Median Income (AMI) as well as some local priorities. All PHAs require that a family's income does not exceed 80 percent of AMI, but the majority of PHAs require that the family's income does not exceed 50 percent of area median income (AMI). By law PHAs are required to award 75 percent of their vouchers to households whose incomes do not exceed 30 percent of AMI. During the application process the PHA collects information on the family's income, assets and composition. Once the family is deemed eligible they are put on a waiting list for a voucher. As demand usually exceeds supply many waitlists are quite long. According to the New York City Housing Authority (NYCHA) the average waiting period in New York City is around 5 years. Some PHAs also specify particular preferences, such as prioritizing a family who is (1) homeless, (2) paying more than 50 percent of their income on rent or (3) involuntarily displaced. Once a household receives a voucher they then must find a unit which meets an acceptable level of health and safety before the PHA can approve the unit. Each PHA determines a payment standard, which is the amount needed to rent a moderately priced dwelling unit in the local housing market (generally based on Fair Market Rents which are determined by HUD). A household is then required to pay up to 30 percent of their income on rent and the remainder (up to the payment standard) is covered by the PHA. Additional information on the Housing Choice Voucher program is available through HUD. http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/about/fact_sheet.

³ When we discuss our sample of voucher households we refer to only voucher households with children unless otherwise noted.

In brief, we find that, on average, the schools nearest to voucher holders have higher proficiency rates than those near public housing residents, but lower proficiency rates than those near Low Income Housing Tax Credit (LIHTC) residents and other poor households with children. The story is not simply about the location of affordable rental units. Families with vouchers reach schools that are lower proficiency than the schools nearest to housing units that rent under the maximum allowed by the voucher program.

This paper proceeds as follows. The next section provides a conceptual framework and reviews the relevant literature. Sections three and four present measures, data and methodology, respectively, and we discuss results in the fifth section. We conclude with a discussion of the implications of our findings for policy.

2. Theory and literature

While the program imposes some regulatory restrictions, housing vouchers essentially provide families with additional income to spend on housing. There is a large body of literature, growing out of Tiebout's (1956) theory on residential sorting and Oates's (1969) empirical investigation, suggesting that households with higher incomes demand better schools. If we believe one of the reasons low income families do not live near to good schools is that they cannot afford housing in these neighborhoods, then the voucher should allow households to gain access to these neighborhoods. The assistance provided by vouchers is substantial. As an example, the median voucher household with children has a family size of four, earns approximately \$13,000 annually and lives in a unit that rents at \$1,000 per month. For this family the voucher is equivalent to an increase in post-tax income of approximately \$8,000 annually, increasing their income by 60 percent. Thus, vouchers have the potential to dramatically widen the neighborhoods – and associated schools – that low income households can reach.

Alternatively, if households receiving vouchers are indifferent to the quality of local schools, and instead use the voucher to buy a bigger house or to increase their non-housing spending, then any relationship we see between vouchers and school quality would be coincidental, or driven by the association between school quality and other neighborhood conditions. Further, households may be constrained by the availability of apartments that rent below the Fair Market Rent (FMR), which is essentially the maximum rent that the government will pay to a landlord who rents to a family with a voucher. If there are few apartments that rent at or below the FMR near to high-performing schools, then voucher holders will not be able to move near to those schools. Additionally, to the extent that there is discrimination in the housing market, households could be limited in their ability to use the voucher to reach neighborhoods with better schools. Finally, it may also be the case that voucher households choose to live in neighborhoods with others similar to themselves, particularly in segregated housing markets, as they may feel more comfortable living and sending their children to school with a similar group of peers. Thus, whether – or to what

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