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Special Attention of:

## **NOTICE** PDR-2011-01

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 2011

This memorandum transmits median family income (MFI) and income distribution estimates for Fiscal Year (FY) 2011. 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 2011 is \$64,200.

There were no changes to the area definitions used in calculating MFI between FY 2010 and FY 2011. However, HUD updated the methodology used to produce FY 2011 Median Family Income estimates to take advantage of new data available from the Bureau of the Census' American Community Survey (ACS). In December 2010, the first set of 5-year ACS data was published. These 5-year aggregations, covering surveys administered in 2005 through 2009, are unique because they are available for most areas of geography<sup>1</sup>. Because of the increase in the geographic coverage of the 5-year data, HUD's methodology for calculating FY 2011 MFI no longer is based on 2000 Decennial Census data, but rather, is now based on the 2005 – 2009 ACS data. The factor used to trend the 2009 estimates to the midpoint of FY 2011 MFIs is unchanged at 3 percent per year<sup>2</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.

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<sup>1</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 2011 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.

<sup>2</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, after this evaluation has been completed.

An explanation of the methodology used to develop FY 2011 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 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 Section 236 Income Limits 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 your field office economist.

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 2011 MEDIAN FAMILY INCOMES

HUD has updated the methodology used to produce FY 2011 Median Family Income estimates to take advantage of new data available from the Bureau of the Census' American Community Survey (ACS). In December 2010, the first set of 5-year ACS data was published. These 5-year aggregations, covering surveys administered in 2005 through 2009, are unique because they are available for most areas of geography<sup>3</sup>. Because of the increase in the geographic coverage of the 5-year data, HUD's methodology for calculating FY 2011 MFI no longer is based on 2000 Decennial Census data, but rather, is now based on the 2005 – 2009 ACS data. The factor used to trend the 2009 estimates to the midpoint of FY 2011 MFIs is unchanged at 3 percent per year<sup>4</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 when 5 years of data became available to be aggregated together for a given area. 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 now has sufficient data to release aggregated five-year estimates. Five year estimates are designed to provide estimates for areas of all sizes relevant to MFI and income limit production.

As mentioned above, for FY 2011 MFIs, HUD is incorporating 2005-2009 5 year ACS data into the calculation process. Specifically, for each metropolitan area, subarea of a metropolitan 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 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 median family income estimates while also capturing the most recent information available.

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<sup>3</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 2011 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.

<sup>4</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, after this evaluation has been completed.

Because HUD is setting a new base value for areas covered by the ACS, HUD is changing the way that margins of error are used in the FY 2011 from how they have been used in prior years. HUD begins by setting the base median family income equal to the 2005-2009 5-year ACS survey value. For areas with a valid 2009 1-year survey result, HUD uses 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, the state nonmetropolitan median is applied<sup>5</sup>.

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 2011 estimates that have an as-of date of April 1, 2011. A trend factor based on historic patterns of nominal income growth is used to inflate the estimate from the end of 2009 to April, 2011. As in previous years, HUD is maintaining the use of a 3 percent trend factor.

Median family<sup>6</sup> incomes start with the development of estimates of median family income 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:

2005-2009 5-year ACS estimates of median family income calculated for the areas used for FMRs and income limits are used as the new basis for FY 2011. 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. Once the appropriate 2009 ACS data has been selected, the data are set as of December 2009 using the December national CPI value divided by the 2009 National CPI value.

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<sup>5</sup> For the FY 2011 MFI estimates, the state nonmetropolitan medium is used for Kalawao County, HI and Kenedy County, TX.

<sup>6</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.

All places:

All estimates (using either 5 year data or 5 year data augmented with 1 year data) are then trended from December, 2009 to April, 2011 (1 ¼ year) with a trending factor of 3 percent per year.

For the outlying territories,<sup>7</sup> which currently lack ACS coverage, national ACS income changes are used as surrogates.

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<sup>7</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 2011 Median Family Incomes for States,  
Metropolitan and Nonmetropolitan Portions of States*

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	TOTAL	METRO	NONMETRO
Alabama	54600	58100	47000
Alaska	79300	83400	70100
Arizona	60800	62000	46200
Arkansas	50200	55900	43300
California	70400	70900	57200
Colorado	73100	75600	60200
Connecticut	88000	88800	82000
Delaware	72400	76300	61800
District of Columbia	70400	70400	51600*
Florida	56200	57000	45300
Georgia	59000	62900	44600
Hawaii	78300	81600	72400
Idaho	54500	57600	49800
Illinois	71100	74200	56600
Indiana	59300	61500	52900
Iowa	64000	69400	58500
Kansas	64300	71100	53700
Kentucky	52300	60900	43000
Louisiana	55000	58800	46300
Maine	60200	65500	54200
Maryland	88100	89300	71600
Massachusetts	84900	84900	88300
Michigan	59600	62000	51400
Minnesota	72900	79100	59200
Mississippi	48000	56900	41600
Missouri	59900	65700	47200
Montana	57200	60000	55900
Nebraska	63500	70500	56200
Nevada	63900	63800	65100
New Hampshire	79400	86300	69400
New Jersey	88200	88200	51600*
New Mexico	53800	58200	47100
New York	70400	72300	56100
North Carolina	57000	60800	49500
North Dakota	66700	71900	63000
Ohio	60300	62400	52900
Oklahoma	55000	59100	48800
Oregon	63100	66800	52700
Pennsylvania	65700	68400	54900
Rhode Island	74600	74600	51600*
South Carolina	55100	57600	47700
South Dakota	59600	64800	55600
Tennessee	53900	58200	45400
Texas	59500	61500	48600
Utah	66600	68100	56800
Vermont	66700	75700	62900
Virginia	75800	81700	51900
Washington	71900	74600	56600
West Virginia	50000	54600	44800
Wisconsin	65800	69200	59100
Wyoming	66800	65700	67400
US	64200	66700	51600

\* US non-metropolitan median